

**CITY COUNCIL  
COMMUNICATION:**

**03-548**

**AGENDA:**

NOVEMBER 17, 2003

**SUBJECT:**

QUARTERLY  
FINANCIAL REPORT  
FOR THE THREE  
MONTHS ENDED  
SEPTEMBER 30, 2003

**TYPE:**

RESOLUTION  
ORDINANCE  
RECEIVE/FILE

**SUBMITTED BY:**

MERRILL R. STANLEY  
FINANCE DIRECTOR

**ITEM** \_\_\_\_\_

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**SYNOPSIS —**

Receive and file the Quarterly Financial Report for all City funds for the quarter that ended September 30, 2003.

**FISCAL IMPACT —**

None.

**RECOMMENDATION —**

**Receive and file.**

**BACKGROUND —**

The first quarter report is typically the least informative regarding financial trends or the condition of funds, because only three months of the fiscal year have gone by. What we can look for, however, are conditions that seem to be forming, and the continuation of trends from the prior fiscal year.

Some transactions occur on an irregular basis throughout the year, and activity to date may not be a reliable indicator of year-end results. For example, the General Fund's largest and most reliable revenue source, property taxes, is not received until October, so actual revenue amounts will not appear in the first quarter report.

The Quarterly Reports, as presented, are at a highly summarized level. Looking into the details provides greater insight into actual revenues and expenses in relation to budget. Finance staff have reviewed the quarterly results at a more detailed level and offer the following observations.

A summary report of major General Fund Revenues is attached. Comments regarding some of the major revenue sources are shown below.

1. Hotel/Motel taxes are at 26.5 percent of the annual budget for the quarter. The revenues include receipts from the large influx of visitors for the Snickers soccer tournament, and we can expect more positive results in the third quarter from the presidential caucus.
2. Utility franchise fees received from Mid-American Energy for electricity and gas usage are dependent on pricing and consumption. Electric is at 21.5 percent of budget and \$15,000 behind last year, while gas is at 31.2 percent of budget and \$69,000 ahead of last year. Winter weather will be the major determining factor of revenues for the remainder of the

**CITY COUNCIL  
COMMUNICATION**

03-548

NOVEMBER 17, 2003

PAGE TWO

year.

3. Cablevision franchise fees are at only 20 percent of budget, reflecting a continuing trend in downward monthly receipts. A continuation of this trend will mean a shortfall of \$350,000 in this fiscal year. This franchise fee is dependent on pricing and customer base. The decline in revenue may indicate customers are pursuing alternatives to cable.
4. Traffic violation revenues have been generated equaling 75.6 percent of budget during the first quarter. This reflects the commitment by the Police Department to actively enforce traffic laws. This revenue source is on track to exceed budget by nearly \$500,000 if the current level of enforcement activity continues.
5. False alarm fines are well ahead of budget, but a significant amount of the increase in Fiscal Year (FY) 2004 is because of a delay in collection of some of the FY2003 billings. This will cause FY2004 revenues to exceed budget by \$50,000 to \$100,000, but a long-term trend is yet to be confirmed.
6. Ambulance charges are disappointing as compared to the current budget and last year's revenues. Collections have reached only 19.3 percent of the FY2004 budget, and are at a level nearly equal to a year ago in spite of a rate increase from \$400 to \$500 in January 2003. Collections must be increased to avoid a shortfall approaching \$500,000 this fiscal year.
7. Parking violations, originally estimated at \$435,563, were increased by \$650,000 to reflect an increase in fines and collection enforcement. FY2004 collections are only 15.2 percent of the adjusted annual budget. The level of parking enforcement has not been reduced. The reason for the shortfall is believed to be related to improved compliance on the part of parking system users. Higher fines were initiated in July, and collections have trended upward over the first three months of the fiscal year, partially due to special collection initiatives. Even so, it appears now that revenues will fall short of budget by approximately \$380,000. A Request for Proposals (RFP) has been issued to solicit a collection agency to pursue collection of parking tickets.
8. Animal license revenue is only at 7.1 percent of annual budget, but the majority of this revenue is typically collected during the third quarter when annual license renewal notices are mailed.
9. Construction permits have been shown in greater detail in the report as Building, Electrical, Plumbing, and Mechanical Permits. In total, Construction permits are at 26.7 percent of budget and 26 percent higher than the first quarter last year.
10. Multiple dwelling inspections have achieved 37 percent of the annual budget in the first quarter. The revenue increase can be attributed to fee increases, so it is expected to continue and could result in revenues in excess of budget by \$250,000.

**CITY COUNCIL  
COMMUNICATION**

03-548

NOVEMBER 17, 2003

PAGE THREE

11. Plan check fees have achieved 39.3 percent in the first quarter. This is a good start, and revenues are well ahead of last year, but these revenues are seasonal, and the first quarter is a busy time of year. If activity continues at the current pace, annual revenues could exceed budget by \$60,000.
12. Botanical Center revenues are seasonal, so using first quarter revenues to project annual revenues is risky, but it is encouraging to see FY2004 revenues in the three major accounts nearly \$17,000 ahead of last year. It should be noted that the June 2003 budget adjustments included an \$81,000 savings to be created through privatization, which has not been finalized.
13. Interest earnings are at nearly 30 percent of budget for the quarter, but the positive appearance of this statistic is deceptive. The prior year's first quarter was 40 percent of budget, and still fell short of budget by \$280,000 by year-end. Investment yields have not improved sufficiently, as yet, to meet budget targets this fiscal year, and in fact, may fall short of revenue estimates by \$1 million to \$1.2 million.
14. Library fines were increased from 20 cents to 25 cents per day in July 2003. With FY2004 revenues at 22.4 percent of budget, this revenue source is slightly below target.
15. Liquor license inspection fees, budgeted at \$270,038 for FY2004, were based on a proposal that was not fully accepted, and was not implemented until November 1. The fees, as implemented, are expected to generate \$105,240. The late implementation date is expected to result in a shortfall of \$164,798.
16. Road Use Taxes are used to fund a large portion of General Fund expenses related to the street right-of-way. FY2004 revenues were slightly below estimate in the first quarter, but this revenue stream is difficult to forecast. Revenues are just slightly ahead of FY2003, but the budget provides for an increase of 5 percent, or \$825,000, over FY2003 actual revenues. It would appear now that a shortfall in this account is inevitable, but difficult to quantify.

The net affect of the above-listed revenue items indicates an overall reduction of \$1,250,000 to \$1,500,000 in General Fund revenues in FY2004. This is not an exhaustive list of revenue accounts, nor does it take expenditure budgets into consideration. It does, however, raise a word of caution for spending plans for the remainder of the fiscal year.

As stated previously, financial issues and trends are more difficult to identify after only three months of activity. We expect the second quarter report to provide better insight into year-end forecasts and issues.

Attachment





