



Agenda Item:

041

COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 2/9/04
044

Communication No.: 04-

Agenda Item Type: Receive/File

Roll Call No.:

Submitted by: Merrill Stanley, Finance Director

SUBJECT—

Quarterly Financial Report for the six months ended December 31, 2004

SYNOPSIS—

Receive and file the Quarterly Financial Report for all city funds for the six months ended December 31, 2004.

FISCAL IMPACT—

None

RECOMMENDATION—

Approval

BACKGROUND—

The second quarter report is typically quite informative regarding financial trends or the condition of funds, because half of the fiscal year has gone by and trends are more fully developed. In fact, the financial trends as of November and December are incorporated into the Amended Budget that is prepared in January. Changes to revenue and expenditure levels that were included in the Adopted Budget have been accounted for in the preparation and balancing of the Amended Budget.

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, many programs in the Parks Department are seasonal, so doubling the revenues received by the end of December does not necessarily

indicate what the full year's revenues will or should be. For this reason we have shown in the table below the amount of revenues received as of December 31, 2002, as a comparison, in addition to the percentage of the current year budget received.

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 receipts at Dec 31 were slightly ahead of projections, so the Amended Budget was proposed to be increased by \$124,970. 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 running slightly behind receipts from last year, so the Amended Budget was reduced by \$59,000. Receipts for gas are well ahead of last year, and with the prospect of large bills due to the cold weather, the Amended Budget was increased by \$345,000. Winter weather will continue to be the major determining factor of revenues for the remainder of the year.
3. Cablevision franchise fees are running well below prior year amounts, although the monthly receipts have appeared to level off. This franchise fee is dependent on pricing and customer base. A cable fee increase effective Feb 1, 2004 will generate additional franchise fees unless cable customers terminate service or move to satellite service. For this reason we have not assumed an increase in cable franchise fees for FY04. The Amended Budget has been reduced by \$348,000 to allow for the revenue decline.
4. Traffic violations have been generating revenues well in excess of the Adopted Budget. This reflects the commitment by the Police Department to actively enforce traffic laws. The Amended Budget has been increased \$543,141 to reflect the current trend.
5. False alarm fines are well ahead of the adopted budget and prior year revenues, so the Amended Budget was increased \$32,000 for Fire false alarms and \$113,000 for Police false alarms.
6. Ambulance charge revenues have turned around remarkably since the first quarter. Reasons for the turnaround may include the beginning of a third party review of billing practices and the resulting motivation of the billing contractor. What was shaping up as a \$500,000 revenue shortfall after the first quarter now appears to be a revenue stream that will equal the Adopted Budget. No change in the Amended Budget has been recommended.

7. Parking violations were originally estimated at \$435,563, then, increased to \$1,085,563 in June 2003 to reflect an increase in fines and collection enforcement. Actual collections, however, have not reached the amount expected, so the Amended Budget has been reduced by \$360,563 to \$725,000. This is still an increase of \$289,437 over the Adopted Budget. The reason for the lower projection 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. A collection agency placed under contract to pursue collection of parking tickets, beginning February 1, 2004.
8. Animal license revenue is only at 33.9% of the Amended Budget, but is well ahead of the amount collected as of December 31 of the prior year. 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 51.9 percent of the Amended Budget and \$237,000 higher than last year, so even though the Amended Budget was held nearly level, there is some opportunity for revenues in excess of budget this year, provided the next six months continue to trend upward.
10. Multiple dwelling inspection receipts have exceeded expectations over the first six months beyond what was expected as a result of fee increases. Indications are that the trend will continue. The Amended Budget is proposed to increase \$173,000 above the Adopted Budget.
11. Plan check fees have been received at a pace well in excess of the Adopted Budget. These revenues are seasonal, with the first quarter being the busy time of year, but it appears that the trend will continue. The Amended Budget was increased to \$325,000, nearly \$70,000 over the Adopted Budget.
12. Interest earnings are close to being locked in for the remainder of this fiscal year. The Amended Budget has been reduced by \$1,100,000 to \$1,200,000 to reflect projected earnings.
13. Library fines were increased from 20 cents to 25 cents per day in July 2003. Actual revenues through December are at 50.1% of the Amended Budget of \$162,000, which is \$5,000 greater than the Adopted Budget.

Liquor license inspection fees, were not included in the Adopted Budget, but were estimated to be \$270,038 following budget adjustments proposed in June 2004. The increase was based on a proposal that was not fully accepted, but will be implemented at a lesser amount for licenses with a start date of November 1 or later. The fees, as implemented, are expected to generate \$107,000, which is reflected in the amended budget.

Road Use Taxes are used to fund a large portion of General Fund expenses related to the street right-of-way. Revenues as of December are just \$65,000 ahead of FY2003, but the Adopted Budget provided for an increase of 5 percent, or \$825,000, over FY2003 actual revenues. The Amended Budget has been decreased by \$500,000 to \$16,500,000, but even reaching the lower amount is by no means a sure thing.

The revenue accounts discussed above do not include all revenue accounts. It does, however, give some indication of revenue trends in some of the city's key revenue areas. Revenue performance can continue to change over the remainder of the fiscal year, but we will do our best to monitor trends and inform Council of monthly results.

As stated previously, the changes to revenue estimates shown above have been incorporated into the Amended Budget, which is balanced and currently under review by Council along with the FY05 Recommended Budget.

Summary Report of Major General Fund Revenues
For the Six Months Ended December 31, 2003

Description	FY 2003-04 Adopted Budget	FY 2003-04 Amended Budget	12/30/2003 YTD Actual	% Received	12/30/2002 YTD Actual
Hotel/Motel Tax	3,188,645	3,313,615	1,667,218	50.3%	1,681,744
Franchise Fees:					
Mid-Am - Electric	1,459,000	1,400,000	773,541	55.3%	805,910
Mid-Am - Gas	655,000	1,000,000	306,807	30.7%	209,653
Mediacom cable	1,775,000	1,427,000	722,947	50.7%	816,580
subtotal Franchise Fees	3,889,000	3,827,000	1,803,295	47.1%	1,832,143
Traffic Violations	242,000	785,141	350,309	44.6%	118,440
False Alarm Fines - Fire	18,000	50,000	32,950	65.9%	15,225
False Alarm Fines - Police	187,000	300,000	172,400	57.5%	31,500
Ambulance Charges	2,544,000	2,544,000	1,421,559	55.9%	1,217,211
Parking Violations	435,563	725,000	379,365	52.3%	181,110
Animal Licenses	340,336	325,530	110,206	33.9%	46,058
Construction Permits:					
Building Permits	1,005,010	925,000	438,931	47.5%	330,015
Electrical Permits	173,580	175,000	105,547	60.3%	68,458
Plumbing Permits	180,224	250,000	145,970	58.4%	73,492
Mechanical Permits	85,078	85,000	54,090	63.6%	35,578
subtotal Const. Permits	1,443,892	1,435,000	744,538	51.9%	507,543
Multiple Dwelling Inspections	802,000	975,000	495,686	50.8%	206,673
Plan Check Fees	255,580	325,000	156,180	48.1%	104,695
Interest Earnings	2,300,000	1,200,000	742,160	61.8%	950,382
Library Fines	157,000	162,000	81,117	50.1%	73,454
Liquor License Inspection	0	107,000	27,205	25.4%	0
Road Use Tax	17,000,000	16,500,000	8,182,924	49.6%	8,117,402