



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 01/24/05
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Agenda Item Type: Receive/File
No.:

Roll Call

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, 2005.

FISCAL IMPACT—

None

RECOMMENDATION—

Receive and File

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 Park and Recreation 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, 2003, as a comparison, in addition to the percentage of the current year budget received.

In addition, as we go through the conversion to modified accrual budgeting in the General Fund, there will be some timing differences in revenues that are recorded by fiscal year.

In an effort to make year-to-year comparisons meaningful, we have presented some December 31, 2003 revenue amounts on a basis comparable to the timing of December 31, 2004 revenues. The accounts in which this is done are noted by an asterisk to the right of the column.

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 has been attached. In some instances, amounts shown as actual revenues include prior year accrual amounts, but are used to show trend. Comments regarding some of the major revenue sources are shown below.

1. Hotel/Motel taxes are at 28.2% of the annual budget. We do not anticipate a significant variation from budget this fiscal year.
2. Utility franchise fees received from Mid-American Energy for electricity and gas usage are dependent on pricing and consumption. Electric is at 48.3% of budget and gas is at 14.9% of budget, well ahead of last year, primarily due to the increase in franchise fees from 1% to 3% effective September 1, 2004. Both accounts will be well above the adopted budget amount, and are currently projected to end the fiscal year as planned. The revised revenue amounts will be included in the Amended Budget.
3. Cablevision franchise fees are at 35.2% of budget. Monthly receipts are consistently above prior year amounts, leading to a projection of annual revenues \$75,000 in excess of budget. This franchise fee is dependent on pricing and customer base.
4. Traffic violation revenues are at 33.5% of budget and reflect only 5 months of receipts so far. This revenue source is dependent on the Police Department's ability to allocate resources to traffic enforcement, and as such, receipts are below the comparable period from 2003. The time available for traffic enforcement was diminished noticeably by the need to provide security for the presidential campaign.

5. False alarm fines are on a pace to exceed budget. Current collection rates are near what we would consider normal.
6. Ambulance charges are not on a pace to reach the adopted budget. Collections have reached 36.4% of the FY05 budget, but will also have an amount added by means of accrual at year-end. Collections are currently projected to fall short of budget by \$200,000 this fiscal year.
7. Parking violations revenues are coming in at a pace that is very close to budget, at 51.2% as of the end of the second quarter. This revenue source has become quite reliable due to recent efforts to standardize and consistently follow more aggressive collection procedures. Receipts are significantly above prior year numbers. Future revenues will continue to depend on the constant issuance of parking tickets.
8. Animal license revenue is at 47% of annual budget, well ahead of the prior year. The majority of this revenue is normally collected during the third quarter when annual license renewal notices are mailed. This year, however, receipts are higher as of December, because the Clerk's Office mailed tags earlier. The higher revenue is not necessarily an indication that total fiscal year revenues will be significantly higher.
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 60.3% of budget and \$175,000 higher than last year. Revenues to date have benefited from a few large projects, including Wells Fargo Financial, EMC Parking Garage, Science Center Parking Garage, and Target – Merle Hay. Additional projects expected later this fiscal year include Wal-Mart, SoHo Lofts, Spaghetti Works, and Principal Park.
10. Multiple Dwelling Inspections are only at 19.1% of the annual budget after the second quarter. Revenues are below estimate due to the reduction in fees resulting from the fee audit. The fee reduction will result in an estimated revenue shortfall of \$200,000.
11. Plan Check Fees have been generated equal to 92.6% of the annual budget in the first half of the fiscal year. The reason for the higher than usual revenue is closely related to the reason for increased revenue in Construction Permits. These revenues are seasonal and cyclical, but considering the position of being 92.6% collected after six months, we can hardly miss exceeding the adopted budget amount by year-end.
12. Library Fines are right on budget at 50.4%, and slightly ahead of last year.

13. Liquor License Inspection Fees are not being collected at this time due to a lawsuit. It is unlikely that collections will resume prior to the end of the fiscal year, so receipts will fall short of the budgeted amount by \$60,000.

14. Road Use Taxes are used to fund a large portion of General Fund expenses related to the street right-of-way. Revenues shown in the following table provide a comparison of receipts with the prior year with timing differences taken into account. Even with timing differences accounted for, future Road Use Tax revenues are difficult to predict. As of December 2004, receipts are 1.1% below our projections, but with that amount of difference, there is no need for concern yet. We will continue to monitor these revenues for any variances outside of the ordinary.

Personnel costs make up approximately 70% of the budget. A review of General Fund salary budgets compared to actual salary expenses indicates that a savings of \$380,000 was realized during the first six months. However, this savings will likely be eroded in future months as employee step increases take effect, and positions are filled in areas such as the Fire Department, which began a new recruit class in September. In other words, we are fortunate to have realized the savings in the first half of the year, but we cannot count on those dollars being available for other purposes until we are further into the fiscal year.

The revenue and expenditure accounts discussed above do not include all accounts, but do however, give some indication of trends in some of the City's key areas. Individual account performance can continue to change over the remainder of the fiscal year, but staff will monitor trends and inform Council of monthly results.

Changes to revenue estimates shown above have been incorporated into the FY05 Amended Budget. The combined projections of revenues and expenditures yield a fiscal year positive balance of approximately \$400,000, but many circumstances can change in the next six months to alter that outcome.

Summary Report of Major General Fund Revenues				
For the Six Months Ended December 31, 2004				
FY 2004-05				
Description	Adopted Budget	12/31/2004 YTD Actual	% Received	12/31/2004 YTD Actual
Hotel/Motel Tax	3,409,305	959,912	28.2%	823,496 *
Franchise Fees:				
Mid-Am - Electric	1,400,000	676,555	48.3%	460,562 *
Mid-Am - Gas	1,000,000	148,643	14.9%	102,440 *

Mediacom cable	1,427,000	502,487	35.2%	485,696 *
subtotal Franchise Fees	3,827,000	1,327,685	34.7%	1,048,698
Traffic Violations	725,000	243,139	33.5%	350,309
False Alarm Fines - Fire	50,000	41,300	82.6%	32,950
False Alarm Fines - Police	300,000	100,860	33.6%	172,400
Ambulance Charges	2,919,000	1,063,635	36.4%	1,257,636 *
Parking Violations	915,000	468,682	51.2%	379,365
Animal Licenses	327,000	153,735	47.0%	110,206
Construction Permits:				
Building Permits	975,000	592,529	60.8%	438,931
Electrical Permits	185,000	119,210	64.4%	105,547
Plumbing Permits	275,000	145,837	53.0%	145,970
Mechanical Permits	90,000	62,303	69.2%	54,090
subtotal Const. Permits	1,525,000	919,879	60.3%	744,538
Multiple Dwelling Inspections	1,100,000	210,427	19.1%	495,686
Plan Check Fees	325,000	300,950	92.6%	156,180
Library Fines	162,000	81,614	50.4%	81,117
Liquor License Inspection	159,000	98,983	62.3%	27,205
Road Use Tax	17,075,000	5,328,290	31.2%	5,552,916 *

* Denotes revenue amounts as adjusted to be comparable to FY 04-05 timing of receipts.