



Agenda Item:

46

COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

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No.:

Roll Call

Submitted by: Merrill Stanley, Finance Director

SUBJECT—

Quarterly Financial Report for the three months ended September 30, 2004.

SYNOPSIS—

Receive and file the Quarterly Financial Report for all city funds for the three months ended September 30, 2004.

FISCAL IMPACT—

None

RECOMMENDATION—

Receive and File

BACKGROUND—

Attached is the Quarterly Financial Report for all city funds for the quarter ended September 30, 2004. 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 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 24.8% of the annual budget for the quarter, which is in line with budget and revenue amounts at this time in the prior 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 23.6% of budget and \$17,000 ahead of last year, while gas is at 17.6% of budget and \$28,000 behind last year. Winter weather will be the major determining factor of revenues for the remainder of the year.
3. Cablevision franchise fees are at 25.5% of budget, which is on line with projections and \$8,500 ahead of last year. This franchise fee is dependent on pricing and customer base.
4. Traffic violation revenues are at 25.6% of budget for the first quarter and within \$2,500 of last year's amount. This revenue source is dependent on the Police Department's ability to allocate resources to traffic enforcement. The time available for traffic enforcement could be curtailed somewhat by other pressing matters.
5. False alarm fines are on a pace to slightly exceed budget, but well behind last year's revenues. However, last year's revenues were unusually high due to a catch-up in the collection of fines. Current collection rates are more near what we would consider normal.
6. Ambulance charges are disappointing as compared to the current budget. Collections have reached only 21.7% of the FY05 budget. Collections must be increased to avoid a shortfall approaching \$400,000 this fiscal year.
7. Parking violations revenues are coming in at a pace that is very close to budget, at 24.3% for the quarter. This revenue source has become quite reliable due to recent efforts to standardize and consistently follow more aggressive collection procedures. Future revenues will continue to depend on the constant issuance of parking tickets.

8. Animal license revenue is only at 7.8% of annual budget, which is typical for this time of year. The majority of this revenue is normally 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 27.4% of budget and \$33,000 higher than the first quarter last year.
10. Multiple Dwelling Inspections are only at 12.4% of the annual budget after the first quarter. Revenues are down because invoicing was suspended pending the outcome of the fee audit. The resulting fee reduction will result in a revenue shortfall of approximately \$300,000.
11. Plan Check Fees have been generated equal to 33.6% of the annual budget in the first quarter. This is a good start, with revenues \$8,500 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 \$30,000.
12. Library Fines are right on budget at 24.7%, but slightly behind last year.
13. Liquor License Inspection Fees are still in their first full year of existence, so comparisons to prior years are not meaningful. They are, however, only at 20% of the annual budget. This is a revenue that we will need to watch closely over the next quarter.
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 do not provide a fair comparison due to timing differences in receipts. Even with timing differences accounted for, future Road Use Tax revenues are difficult to predict. We will continue to monitor these revenues for any variances outside of the ordinary.

A discussion of General Fund expenditures at the end of the first quarter is best limited to personnel costs, since they make up approximately 70% of the budget and most other accounts haven't had time to show a trend. A review of General Fund salary budgets compared to actual salary expenses indicates that a savings of \$300,000 was realized during the first quarter. 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 that began a new recruit class in September. In other words, we are fortunate to have realized the savings in the first quarter, but we cannot count on those dollars being available for other purposes until we are farther into 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.

Summary Report of Major General Fund Revenues
For the Three Months Ended September 30, 2004

| Description | FY 2004-05 | | | |
|-------------------------------|----------------|----------------------|------------|----------------------|
| | Adopted Budget | 9/30/2004 YTD Actual | % Received | 9/30/2003 YTD Actual |
| Hotel/Motel Tax | 3,409,305 | 844,352 | 24.8% | 843,722 |
| Franchise Fees: | | | | |
| Mid-Am - Electric | 1,400,000 | 330,453 | 23.6% | 312,979 |
| Mid-Am - Gas | 1,000,000 | 176,421 | 17.6% | 204,367 |
| Mediacom cable | 1,427,000 | 363,888 | 25.5% | 355,300 |
| subtotal Franchise Fees | 3,827,000 | 870,762 | 22.8% | 872,646 |
| Traffic Violations | 725,000 | 185,435 | 25.6% | 183,066 |
| False Alarm Fines - Fire | 50,000 | 21,750 | 43.5% | 16,550 |
| False Alarm Fines - Police | 300,000 | 56,360 | 18.8% | 102,625 |
| Ambulance Charges | 2,919,000 | 634,257 | 21.7% | 489,894 |
| Parking Violations | 915,000 | 222,209 | 24.3% | 165,455 |
| Animal Licenses | 327,000 | 25,635 | 7.8% | 24,136 |
| Construction Permits: | | | | |
| Building Permits | 975,000 | 264,655 | 27.1% | 236,752 |
| Electrical Permits | 185,000 | 51,163 | 27.7% | 48,527 |
| Plumbing Permits | 275,000 | 76,869 | 28.0% | 74,277 |
| Mechanical Permits | 90,000 | 25,516 | 28.4% | 25,396 |
| subtotal Const. Permits | 1,525,000 | 418,203 | 27.4% | 384,952 |
| Multiple Dwelling Inspections | 1,100,000 | 136,516 | 12.4% | 296,741 |
| Plan Check Fees | 325,000 | 109,048 | 33.6% | 100,555 |
| Library Fines | 162,000 | 40,050 | 24.7% | 43,618 |
| Liquor License Inspection | 159,000 | 31,840 | 20.0% | 535 |
| Road Use Tax | 17,075,000 | 2,794,280 | 16.4% | 4,063,156 |