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## MEMORANDUM

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**TO:** ROCKY FLUHART, CHIEF ADMINISTRATIVE OFFICER   
**FROM:** STEVE FAWCETT, DEPUTY DIRECTOR OF MANAGEMENT SERVICES   
**DATE:** 12/2/2004  
**RE:** FY2005 OCTOBER REVENUE FORECAST

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Accounting has prepared the revenue forecast based on information received through October. Using their standard methodologies of estimating, they predict that overall the current fiscal year revenue collections are slightly better than budget and predict that if current trends hold firm, the budget will end slightly positive.

Some of the highlights identified on the attached summary show that property taxes are now tracking slightly behind budget (statistically even) because adjustments for protests may be slightly higher than originally estimated.

Sales Taxes are tracking slightly above budget, possibly indicating a positive trend in spending patterns within the City.

Franchise Taxes are behind budget because implementation of the switch from a franchise tax method to an excise tax method of 4% on the telecommunications industry is coming in slower than expected. The State Tax Commission now has responsibility to collect and distribute these monies. We are continuing to work with them to determine if they are slow to distribute or are distributing to the wrong entity or the companies are slow to pay or the problem is a combination of issues. We have seen positive movement from September data to October data and hope that this trend continues which could lead to a more positive projection of this source of funds.

On a more positive side, permit revenue is way above projections. We have not yet determined to what extent this trend will continue and for how long. We are now remaining conservative in estimating the year end surplus.

Interest Income continues to be slower than expected. We remain hopeful that interest rates will, as predicted, increase and this gap can close. We are not predicting that the gap will close completely.

Traffic tickets appear to be decreasing which in turn is producing less ticket revenue however; because of the increase in meters particularly around the Gateway, parking meter revenue is tracking slightly better than budget.

Fines from moving violations are down also, partially because fewer tickets were written than normal, and mostly because criminal citations are much harder to collect payment for than are civil citations. The cost of an average ticket continues to increase because of special legislated surcharges and people are having a more difficult time paying the higher amounts and so they are not paying.

Other impacts noted on the attached sheet indicate some timing differences with billing and collections compared to the anticipated cycle of collections and budget.

Overall, we are still statistically on budget.

The down side of being statistically on budget and looking at Franchise Taxes and Fines is that we still don't appear to be experiencing growth revenue. If these trends hold firm, we are not looking very positive going into the next budget cycle. We traditionally, need 2 to 5% revenue growth to provide the increases in budget as dictated by changes by the State Legislature and anticipated adjustments in salaries based on labor discussions, etc.

If you have questions, I and Gordon Hoskins will be happy to address them.

Revenue	FY 04/05 Annual Budget	FY 04/05 Revised Forecast	FY04/05 Variance Favorable (Unfavorable)
<b>Total General Fund</b>	167,202,667	167,310,497	107,830
<b>Total Property Taxes</b> <i>Discussion:</i> Property taxes are slightly down	62,457,887	62,419,927	(37,960)
<b>Total Sales and Use Tax</b> <i>Discussion:</i> Sales tax is slightly higher than the last three years resulting in a slight increase in revenue	40,088,200	40,255,031	166,831
<b>Total Franchise Tax</b> <i>Discussion:</i> Franchise revenue is at a negative due to a slow implementation of the new state legislation of 4%.	22,583,972	22,278,882	(305,090)
<b>License and Permits:</b> <i>Discussion:</i> Plan Check fees and building permits have increased in revenue due to the fact that building has increasing.	9,592,000	10,575,253	983,253
<b>Interest income</b> <i>Discussion:</i> Anticipated interest income is down due to rates remaining down.	2,241,250	1,860,187	(381,063)
<b>Total Fines &amp; Forfeiture</b> <i>Discussion:</i> Fines and Forfeitures have a deficit partial due to the number of traffic tickets decreasing and collection becoming more difficult due to the criminalization of traffic tickets.	9,424,104	9,003,252	(420,852)
<b>Parking Meters</b> <i>Discussion:</i>	1,200,360	1,201,741	1,381
<b>Charges and Services</b> <i>Discussion:</i> Charges and Services have a deficit due to timing issues on bills sent out verse payments received.	3,215,840	3,201,569	(14,271)
<b>Total Interfund</b> <i>Discussion:</i> An increase in engineering's production as well as Public Services billing for their Admin to their Enterprise funds has resulted in an interfund surplus.	8,586,200	8,647,333	61,133