

CITY OF MADISON
INTER-DEPARTMENTAL
CORRESPONDENCE

DATE: August 24, 2005

TO: Mayor Cieslewicz and Board of Estimates

FROM: Dean Brassler, City Comptroller

SUBJECT: **General Fund Revenue Report: 2nd Quarter 2005**

We have prepared the second of our 2005 quarterly reports to the Board of Estimates on the status of General Fund Revenues. The report includes additional detailed information (please see attached) regarding all types of Fines and Forfeitures, including Moving Violations, Uniform Citations (ordinance violations), and Parking Violations. This information will also be provided to the Pedestrian/Bicycle/Motor Vehicle Commission and the Transit and Parking Commission.

The report also includes an updated projection of 2005 revenues for the various categories based on a variety of factors. These are explained below:

Taxes Through the second quarter of 2005, we have accrued property taxes based on the December 2004 tax levy. However, our property tax projection includes a downward adjustment of \$933,000 to reflect the recent outcome of the American Family Insurance properties tax settlement, plus an upward adjustment to reflect an additional \$373,701 in actual property tax collections through the first half of the year. There may be some further adjustments following additional tax appeals and adjustment of the reserve for delinquent property taxes, but our current projection forecasts a net property tax deficiency of \$559,000.

Intergovernmental Revenues Adopted 2005 budgeted revenues in this revenue category were based on the latest available projections from the state Department of Revenue. We have since received some payments and updated state DOR projections and have included these changes in our updated revenue projections. Most noteworthy is the State Recycling Aid, where actual revenues exceed budget by \$141,000.

Licenses and Permits As evidenced by second quarter building permit revenues, the strong real estate and construction market experienced in recent years continued through the second quarter of 2005. It should be noted that budgeted building permit revenues were increased in 2005 by \$400,000 in anticipation of additional revenues associated with a permit fee rate increase. Based on actual revenues for the full year of 2004 and a comparison of historical second quarter revenues, it appears actual collections are on track to meet the budgeted revenues. (Revenues for "Licenses" include restaurant inspection fees; liquor license fees; dog, cat and bike licenses; and many permit fees associated with a host of licenses administered by the Clerk's Office. The majority of licensing activity and associated fees generally occurs in the first half of the year. Thus, while License collections to date exceed 92% of the total budgeted, we do not project that actual collections will significantly exceed budgeted revenues in this category.)

Fines and Forfeitures (Please see attached)

Moving Violations Total tickets written for Moving Violations in the second quarter of 2005 continue to trend downward as compared to recent history. Second quarter total tickets of 5,385 are down about 23% as compared to the same period last year in which 6,994 were issued. Much of the decline is in the issuance of tickets for speeding and for non-hazardous violations, including driver/vehicle registration and vehicle equipment violations. However, while the number of tickets issued may be down, total revenues are tracking near the budgeted level. MPD suggests the reduction in total tickets may be attributable to several factors, including the many non-traffic related priorities of district Community Police Teams and the elimination of the PM TEST unit.

Uniform Citations Through the second quarter of 2005, revenues of \$370,019 derived from Uniform Citations are somewhat higher than the \$288,376 posted during the same period in 2004, but are tracking significantly below the \$1,021,000 budgeted for the 2005 year. The increase in anticipated (and budgeted) revenues in 2005 as compared to the 2004 budget amount of \$520,000 is based on increases in Uniform Citation fines nearly across the board. Generally, more citations are issued in the latter half of the year; therefore, although second quarter revenues are tracking below budget, the rate of revenue collections will likely increase as the year progresses. Still, revenues would have to nearly double over the last half of the year in order to realize budgeted revenues; this is unlikely to occur, thus causing us to revise our projected revenues downward by \$200,000. Of course, we will continue to monitor these revenues closely.

In terms of the number of citations issued, the Municipal Court reports that during the second quarter of 2005, cases disposed include a total of 3,633 adult non-traffic ordinance violation cases involving disorderly conduct, resisting arrest, building and health code violations, etc., and 512 juvenile non-traffic ordinance violation cases, many for underage alcohol-related offenses. During the same period in 2004, the Municipal Court reported 2,851 adult cases and 490 juvenile cases.

Parking Violations 2005 second quarter tickets (101,097) for Parking Violations are down 7.3% as compared to the second quarter of 2004 (108,465). It should be noted that tickets for "Expired Meter (On Street)" continue to lag behind 2004, down by more than 7,600, or 31% as compared to the same period last year, a decrease that MPD and the Parking Utility attribute to several potential factors, including loss of available meters due to construction projects and perhaps increased compliance. However, the associated second quarter 2005 revenues of \$2,318,709 are tracking very close to anticipated at just under 50% of the 2005 total budgeted amount of \$4,717,000. Therefore, we suggest no adjustment of projected versus budgeted revenues is warranted at this time for this category.

Charges for Services Of particular note here are anticipated revenues relating to Cable Franchise Fees and Ambulance Fees. The 2005 budget has been adjusted in anticipation of increased collections for both the Cable Franchise Fee and Ambulance Fees derived primarily from increases in rates. Through the second quarter of 2005, collections for Ambulance Fees are on pace to meet the budgeted revenues. Cable Franchise Fees for the second quarter had yet to be posted, but collections for the year should be very close to those budgeted.

Investment Income Final 2004 Investment Income was \$477,000 below the amount budgeted due to the continued low interest rates. We based the 2005 budgeted investment income upon the expectation that, while interest rates will continue near historic lows, the rates would start to edge upward. Indeed, rates through the second quarter of 2005 continued an upward trend, averaging 2.837% as compared to the 2004 annualized yield of 2.178%. With the increased rates and posted revenues of over \$2 million through the first six months of 2005, investment income is looking very favorable. However, because rates are variable and because portfolio balances and a required adjustment of the investment portfolio holdings to market value may also significantly affect this account at year-end, we are not yet prepared to commit to an adjusted income projection for this category. One additional quarter of experience will allow us to better determine the anticipated 2005 Investment Income.

Other Revenues As of the second quarter of 2005, we are projecting revenue collections to exceed budgeted levels by nearly \$59,000, which is the difference between revenues actually received and those budgeted for the State Fire Insurance Fund payment.

In summary, we are projecting total 2005 revenue collections to fall short of those budgeted by \$555,000. We should note, however, that these 2005 projections reflect the data available only through the first half of the year. We will continue to analyze the City's General Fund revenue status and look forward to updating the Board of Estimates with additional revenue reports.