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## SALT LAKE CITY COUNCIL MEMORANDUM

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**DATE:** June 2, 2004  
**TO:** Council Members  
**FROM:** Gary Mumford  
**SUBJECT:** INTERIM FINANCIAL STATEMENTS – March 31, 2004  
**CC:** Sam Guevara, Rocky Fluhart, Gordon Hoskins, DJ Baxter

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The Administration transmitted the interim financial statements for the nine months ended March 31, 2004. Council staff compared the proposed revenue budget for fiscal year 2004-05 to actual revenue collections for the first nine months of the current year and noted the following:

Property tax: The interim statements show a favorable variance of \$508,800 of property tax revenue for the first nine months of the fiscal year compared to the year-to-date budget. The proposed budget for fiscal year 2004-05 includes \$538,900 in growth of property taxes.

Sales tax: Actual sales tax revenue shows a negative variance compared to anticipated collections for the first nine months of \$497,000. The proposed budget for fiscal year 2004-05 does not reflect a decline but contains a flat projection. *The Council may wish to ask representatives of the Administration for an additional explanation including the projected sales tax revenue for the current fiscal year and how these projections relate to the anticipated collections for fiscal year 2004-05.*

Franchise tax: Actual franchise tax revenue shows a \$549,000 negative variance compared with the year-to-date budget. The explanation included with the interim report explained that the primary factor in the negative variance was a Qwest rebate provided in October 2004. The proposed budget for fiscal year 2004-05 includes a \$675,000 projected increase in franchise fee revenue (not including the proposed change to the telecom fees). The Administration is projecting increased franchise fees from the sale of electricity and natural gas because usage is up and rate hikes have been approved. *The Council may wish to inquire as to the degree of confidence the Administration has regarding its revenue projections for franchise fees in light of the nine-month negative variance.*

Fines and forfeitures: The interim financial statements report a positive variance of \$310,000 for the first nine months of the fiscal year. This is fairly consistent with the proposed budget increase of \$452,600 for fiscal year 2004-05.

Parking meter revenue: Actual parking meter collections reflect a negative variance of \$241,500 compared with the year-to-date budget. The proposed budget for fiscal year 2004-05 anticipates a corresponding decline of \$303,000 in parking meter collections (not including the \$100,000 funding request for a free-parking trial).

Interest income: The interim financial statements report a negative variance of \$283,000 for the first nine months of the fiscal year. Anticipated interest for fiscal year 2004-05 reflects this decline but also includes additional interest revenue from an increased amount of *tax and revenue anticipation notes* for a net of no change from the current year's budget.

Charges for services: The interim financial statements show a favorable variance of \$310,000 in charges for services. Of this amount, \$129,300 is due to a one-time reimbursement from SLOC (Olympics) for public safety services. The proposed budget for 2004-05 projects no increase in charges for services. *The Council may wish to inquire as to whether the Administration has made subsequent analysis of charges and services (now that more months of revenue are known) to determine if any additional revenue can be anticipated for fiscal year 2004-05.*

Total revenue: The interim financial report shows an unfavorable total revenue variance of \$65,060 (actual revenue vs. year-to-date budget). *The Council may wish to ask the Administration whether projected revenue for the entire current year is expected to be about equal to the adopted revenue budget or whether there is an expected revenue shortfall.*

#### Other items

The interim financial report states that fund balance has decreased compared to the prior year because of budgeted use. Fund balance as of June 1, 2004 is about \$18.3 million, which is 11% of general fund revenue.

The interim financial report includes balance sheets and income statements on each enterprise and internal service fund. Perhaps the most notable inconsistency is golf revenue. For the first nine months of the current fiscal year, golf revenues were only 53% of the annual budget, whereas for the first nine months of fiscal year 2002-03 golf revenues were 64% of the annual budget. The interim financial report includes an explanation that extraordinary hot weather last summer and an early winter led to fewer golf rounds. To address this shortfall the golf division has delayed hiring and deferred capital expenditures.