

## MEMORANDUM

April 9, 2019

To: John Williams, City Manager  
From: Cindy Jensen, Finance Director  
Subject: 2018 Year-End Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2018 year-end actual results compared to budgeted Revenue and Expenditure Report for all city funds. Balances shown are subject to final adjustments made as a result of the year-end closing process, which will not be officially concluded until the State Auditor's work is completed this summer.

Overall, Citywide 2018 budget performance has produced a stable revenue position, while departmental expenditures have been restrained below authorized budget levels. General Fund revenue exceeded budget by \$2.5 million (\$700 thousand from the sale of property), with expenditures coming in below budget by \$210 thousand, but because the budget was set to use fund balance of about \$1.8 million, actual results produced an increase in General Fund Balance of about \$900 thousand. Total revenue for all funds is \$67.9 million, while total expended is \$62.7 million, adding \$5.2 million to citywide reserve balances. Much of this increase came in the capital improvement funds as the water/wastewater utilities are between major projects.

This report is summarized by type of fund, and reported by functional type, and includes the following sections:

- **City-Wide Overview**
- **General Fund Revenue Analysis**
- **General Fund Expenditure Analysis**
- **Other Funds Analysis**
- **Fund Balances**
- **Exhibit I—Fund Detail that supports the Summaries**

**Revenue Comparison**  
(Budget vs. Actual--100% of year)

	2017		2018	
	Actual	Amended Budget	Actual	Percent Rec'd
General Fund	\$ 22,905,631	\$ 22,275,470	\$ 24,788,191	111.3%
Operating/Enterprise Funds	30,144,616	30,716,850	34,339,992	111.8%
Capital Improvement Funds	6,384,654	6,850,000	5,930,152	86.6%
Risk Mgmt/Employee Benefit	463,598	558,600	578,815	103.6%
Debt Service Funds	2,099,400	2,260,750	2,261,750	100.0%
<b>Total City Revenues</b>	<b>\$ 61,997,899</b>	<b>\$ 62,661,670</b>	<b>\$ 67,898,901</b>	<b>108.4%</b>

**Expenditure Comparison**  
(Budget vs. Actual--100% of year)

	2017		2018	
	Actual	Amended Budget	Actual	Percent Spent
General Fund	\$ 22,751,072	\$ 24,118,199	\$ 23,907,051	99.1%
Operating/Enterprise Funds	29,037,605	33,849,308	32,156,333	95.0%
Capital Improvement Funds	3,437,028	7,880,000	3,722,132	47.2%
Risk Mgmt/Employee Benefit	573,811	658,500	621,199	94.3%
Debt Service Funds	2,098,756	2,269,650	2,261,923	99.7%
<b>Total City Expenditures</b>	<b>\$ 57,898,272</b>	<b>\$ 68,775,657</b>	<b>\$ 62,668,638</b>	<b>91.1%</b>

Note: No additional interfund loans were made in 2018, although repayment of one existing loan in the Sanitation (Solid Waste) fund was extended for 2 years.

**General Fund Revenue Analysis**

**General Fund Revenues**  
As of December 31, 2018 - 100% of year

	2017	2018		17 vs 18	
	Actual	Amended Budget	Actual	Percent Rec'd	Percent Change
<b>310 Taxes</b>					
Property Tax	\$ 6,794,195	\$ 6,535,000	\$ 6,937,534	106.2%	2.1%
Sales Tax	6,780,787	6,200,000	6,632,831	107.0%	-2.2%
Utility Tax	3,341,902	3,184,000	3,404,349	106.9%	1.9%
Gambling Tax	304,522	252,000	297,738	118.2%	-2.2%
Other Taxes	82,321	76,000	92,961	122.3%	12.9%
REET Allocation	28,128	-	-		
Subtotal-Taxes	17,331,855	16,247,000	17,365,413	106.9%	0.2%
320 Licenses & Permits	702,065	611,000	751,922	123.1%	7.1%
330 Intergovernmental Revenues	660,732	725,000	803,285	110.8%	21.6%
340 Charges for Goods & Services	2,973,225	3,252,370	3,314,148	101.9%	11.5%
350 Fines and Penalties	350,733	616,000	807,553	131.1%	130.2%
360 Miscellaneous Revenues	386,541	324,100	535,996	165.4%	38.7%
390 Other Financing Resources	500,482	500,000	1,209,874	242.0%	
<b>Total General Fund Revenues</b>	<b>\$ 22,905,633</b>	<b>\$ 22,275,470</b>	<b>\$24,788,191</b>	<b>111.3%</b>	<b>8.2%</b>

**Property Tax** – This source of revenue grew by 2.1% year over year, which represents the 1% increase in the base levy, new construction of about 1.1%. The budget was set significantly below the expected levy because of the potential for a large taxpayer to protest their assessed value, which, fortunately, did not happen.

**Sales Tax** – Although the budget was conservatively estimated, sales tax receipts came in strong, bolstered by strong construction activity and a change in state and federal law adding sales tax to some remote sales activity. 2017 was a record year, ending ahead of 2016 by 13.3%. This major revenue source would have matched 2017, except for an audit of a major business in town which resulted in a refund of over \$140,000.

**Utility Tax** – This revenue source experiences fluctuations either from rate adjustments or fluctuations in usage. Year end results are relatively flat compared to the prior year, coming in 1.9% ahead of 2017. Rate increases were offset by a reduction in Electric and Natural Gas usage (since the 2017 winter was more severe than 2018), along with the continuing downward trend in telephone utility taxes which is expected as more households abandon their land lines, and phone plans emphasize the purchase of data versus phone service.

**Gambling Taxes**—This revenue stream exceeded budget. Council reduced the card game tax rate over five years, so a year-over-year reduction is expected.

**Licenses and Permits** – This revenue is generated by the development community, and is difficult to budget because it is volatile by nature. 2018 results exceeded the budget estimate, and ended 7.1% above 2017 actual. This trend is a positive indicator of future construction-related sales tax.

**Intergovernmental Revenue** – The major component of intergovernmental revenue is State-shared revenue. In 2017, the State Legislature restored the Liquor Excise Tax distribution that was greatly reduced in 2014. There was also a one-time distribution of Marijuana related excise tax to cities in 2018, resulting in growth both over prior year and budget.

**Charges for Goods and Services** primarily consist of:

- Fees charged for Parks and Recreation Programs;
- The City Administrative fee charged to funds for the services provided by the executive branch and finance;
- Engineering services charged both to internal projects and external developers; and
- School Resource Officers reimbursed by Moses Lake School District

Although there was some fluctuation among accounts and categories, overall this revenue source came in above both budget and prior year actual.

**Fines and Penalties** consist almost entirely of fines generated by the red-light camera program, which totaled \$774,000. 2018 actual came in well above prior year actual, because 2 of the 4 cameras were not working for about half of 2017. In addition, the City added 4 additional cameras in the fall of 2018, and the last quarter collections exceeded budget estimates. Payments for the operation of the cameras amounted to about \$357,000, netting \$417,000 for Police Department operations in 2018.

**Miscellaneous Revenues** include interest earnings on investments and facility rentals. This category exceeded budget and prior year actual primarily because of an improvement in the interest rate environment, along with an increase in the balances available to invest.

**Other Financing Resources** is made up primarily of a transfer from the Water Department of excess maintenance and operating charges as authorized by RCW 35.23.535, (\$500,000 budgeted) and the sale of fixed assets (unbudgeted), which brought in about \$710,000 into General Fund. (Half of the Penn Street sale proceeds was deposited into the Building Maintenance Fund as we found records that indicated that fund contributed to its purchase.)

**Summary** --Overall, 2018 General Fund revenue of \$24,788,191 grew by \$1,882,558 or 8.2% over the 2017 actual of \$22,905,633. The major components of that growth were in the categories of Fines and Penalties (new red light cameras), and one-time sales of property. If the property sales are excluded, the year-over-year increase is \$1.2 million or 5.1%.

**General Fund Expenditure Analysis**

**General Fund Expenditures**  
**As of December 31, 2018 - 100% of Year**

	2017	2018		17 vs 18
	Actual	Amended Budget	Actual	Percent Spent / Percent Change
Legislative	\$ 400,835	\$ 414,152	\$ 407,438	98.4% / 1.6%
Executive	846,194	973,496	943,084	96.9% / 11.5%
Finance	1,047,279	1,072,190	1,070,201	99.8% / 2.2%
Community Development	1,288,780	1,373,741	1,314,647	95.7% / 2.0%
Legal	153,223	187,500	137,943	73.6% / -10.0%
Misc. Services	2,468,358	2,443,190	2,422,045	99.1% / -1.9%
Library	122,614	122,600	121,665	99.2% / -0.8%
Engineering	1,724,863	1,828,798	1,810,691	99.0% / 5.0%
Parks & Recreation	5,250,325	5,391,072	5,372,528	99.7% / 2.3%
Police	6,086,149	6,804,337	6,803,552	100.0% / 11.8%
Fire	3,362,452	3,507,123	3,503,256	99.9% / 4.2%
<b>Total General Fund Expenditures</b>	<b>\$22,751,072</b>	<b>\$ 24,118,199</b>	<b>\$ 23,907,051</b>	<b>99.1% / 5.1%</b>

Since General Fund is over 57% staffing, events effecting total payroll have a significant impact on budgets. Position vacancies may start out being an “overage” because of the cashout of earned accrued leave balances, but then can produce savings when the position is vacant for any length of time. Most variances in individual divisions are the result of position vacancies.

In order to build reserves for vehicle and building replacement, and to ensure sufficient resources for the financial and human resources software conversion, we redirected some of the salary savings into those internal service funds. General Fund contributed \$225,000 more to Fleet Maintenance for equipment replacement; \$175,000 to Building Maintenance for replacement of the storage lost by the Penn St. property, as well as continued safety upgrades; and \$75,000 to Central Services to support computer software upgrades.

Overall, General Fund expenditures were still below the 2018 budget by about \$210,000 or 1%, even with the additional internal service fund transfers noted above. Without these additional contributions totaling \$475,000, General Fund would have been about \$686,000 or 2.8% below the authorized budget.

**Other Funds Analysis**

**Other Funds Revenues and Expenditures  
As of December 31, 2018 - 100% of Year**

<b>Revenues</b>	2017	2018		17 vs 18	
	Actual	Amended Budget	Actual	Percent Rec'd	Percent Change
Operating/Enterprise Funds	\$30,144,616	\$30,716,850	\$34,339,992	111.8%	13.9%
Capital Improvement Funds	6,384,654	6,850,000	5,930,152	86.6%	-7.1%
Risk Mgmt/Employee Benefit	463,598	558,600	578,815	103.6%	24.9%
Debt Service Funds	2,099,400	2,260,750	2,261,750	100.0%	7.7%
<b>Subtotal-Revenue</b>	<b>\$39,092,268</b>	<b>\$40,386,200</b>	<b>\$43,110,710</b>	<b>106.7%</b>	<b>10.3%</b>
				<b>Percent Spent</b>	
<b>Expenditures</b>					
Operating/Enterprise Funds	\$29,037,605	\$33,849,308	\$32,156,333	95.0%	10.7%
Capital Improvement Funds	3,437,028	7,880,000	3,722,132	47.2%	8.3%
Risk Mgmt/Employee Benefit	573,811	658,500	621,199	94.3%	8.3%
Debt Service Funds	2,098,756	2,269,650	2,261,923	99.7%	7.8%
<b>Subtotal-Expenditures</b>	<b>\$35,147,200</b>	<b>\$44,657,458</b>	<b>\$38,761,587</b>	<b>86.8%</b>	<b>10.3%</b>

Year end results generally performed as expected, with revenue meeting or slightly exceeding budget, and expenditures constrained under budget. Variances in capital funds are related to timing of major projects.

***Funds under budget by more than 5%***

**Other Operating/Enterprise:**

- **Paths and Trails** fund included \$31,000 for appropriate projects, such as bike lane marking. These funds were used only minimally in 2018.
- **Stormwater** does not have a separate capital fund, so the capital projects are in the operating fund. This fund was underspent by about \$285,000 primarily because of the timing of capital projects.
- **Ambulance** fund was underspent by about \$300,000 because reimbursed labor was just moved to the Fire Department expense, and not “grossed up” through a separate charge. Even with rate changes made at the beginning of 2018, this fund still used \$67,000 fund balance in 2018, because revenue was also lower because of a reduction in out-of-town trips. The interfund loans due from this fund will be paid in full at the end of 2019, so \$150,000 will be freed up to balance this fund starting in 2020.

- **Central Services, Building Maintenance, and Fleet Maintenance** funds combine operating and capital projects. These fund was underspent primarily because of the delay in the financial software conversion; constructing the covered storage/shelter at the Public Works complex, and vehicle replacement purchases respectively—these projects are re-budgeted in 2019.

**Capital Improvement:**

- **Street Repair/Reconstruction** fund was below budget by about \$987,000 because of the timing of the Lakeshore Drive project—revenue was also down by this much because the State grant is reimbursable—we can only get the grant after funds are spent.
- **Water/Sewer Construction** was underspent by \$3,040,000 as several projects were in various stages of completion. Unspent project budgets will be carried-forward into the 2019 budget as non-lapsing appropriations.

***Funds Exceeding Budget:***

- **Sanitation (Solid Waste)** fund ended 2018 about \$43,000 over budget. The budget adjustment done close to year-end still under-estimated the expenses for landfill and the September increase in the hauling contract. Revenues came in right on budget, but the fund still ended up using \$65,000. Council addressed this ongoing shortfall last December by increasing rates on the 48 gallon cart to bring it closer to its rate identified in the August 2018 cost of service study. This should bring this fund into a “break-even” status in 2019.
- **Airport** fund exceeded their budget by \$3,501 primarily because the 2018 budget amendment left out a small portion of the irrigation improvement project. This is only a \$27,400 budget (without a capital project), with very little contingency, so anything out of the ordinary cannot be absorbed. We obtained a grant to complete the capital improvement project, so total expenditures were still less than total revenues adding about \$8,000 to the 2018 ending Fund Balance.

**Fund Balance Analysis**

**Change in Fund Balance**

	1/1/2018 Beginning Balance	2018 Actual Revenue	2018 Actual Expenditures	12/31/18 Ending Balance	Ending Bal as % of Expend.
General Fund	\$ 4,631,857	\$ 24,788,191	\$ 23,907,051	\$ 5,512,997	23.1%
Operating/Enterprise Funds	7,662,162	34,339,992	32,156,333	9,845,821	30.6%
Capital Improvement Funds	9,174,387	5,930,152	3,722,132	11,382,407	
Risk Mgmt/Employee Benefit	986,165	578,815	621,199	943,781	151.9%
Debt Service Funds	1,496,729	2,261,750	2,261,923	1,496,556	66.2%
<b>Total City Fund Balances</b>	<b>\$23,951,300</b>	<b>\$67,898,901</b>	<b>\$62,668,638</b>	<b>\$29,181,563</b>	

Fund Balances (or reserves) are prudent to maintain in order to address cash flow fluctuations (i.e. property tax is only collected twice a year in April and October); to respond to emergencies; to match grant opportunities that may arise; and to allow Council some ability to try new programs. The 2018 actual results of expenditures and revenues netted an overall increase in total City fund balances of about \$5.2 million.

**General Fund** added about \$881,000, bringing the total fund balance to \$5.5 million or 23.1% of the actual 2018 expenditures. The Government Finance Officers Association (GFOA) recommends that General Fund maintain a 60 day reserve or 16.7%. General Fund ended 2018 exceeding that target, and has one-time money from the sale of property that could be allocated to one-time capital projects.

**Operating/Enterprise Funds** added about \$2.2 million to reserves, with the largest increases being in Water/Wastewater and Building Maintenance funds. Water and Wastewater revenues exceeded budget by \$1.37 million, and even after maximizing transfers for capital projects to the full budget, the operating fund grew by \$758,000. Building Maintenance has some capital projects that will be carried forward into the 2019 budget. The transfer to Equipment Rental from various operating funds was increased at year end as reserve balances and budgets allowed, in order to enhance the vehicle replacement fund. The largest use of fund balance was Tourism Activities, as moneys were transferred to the Parks Improvement capital fund to make the ball field lighting and scoreboard enhancements.

**Capital Funds** increased their fund balances by \$2.2 million, with most of this in the Water/Wastewater capital fund. As discussed earlier, capital fund balances can fluctuate based on the timing of significant projects. A typical pattern is to grow the fund balance for a few years, and then spend it down on a major project.



**Risk Management/Employee Benefit Reserve Funds** carry reserves primarily for the general liability program and the Firemen's Relief and Pension Fund.

In the **Debt Service** funds payments were made as expected, and fund balances are virtually unchanged. Bond issues often have covenants to maintain minimum reserve balances. Revenue bonds typically require one year of debt service payments to remain in reserves. The ending balance of about \$1.5 million is in compliance with required covenants.

**CITY OF MOSES LAKE**  
**2018 Actual vs. Budget Variance**

100% of year completed

	1/1/2018 Actual Begin. Fund Bal	2018 Budget- Amended Revenues	2018 YTD Actual Revenues	2017 Revenue Variance	2018 Amended Budget	2018 YTD Actual Expenditure	2018 Expend. Variance	2018 (Use) Gain of Fund Balance	12/31/2018 Ending Fund Balance
<b>General Fund</b>									
Legislative					\$ 414,152	\$ 407,438	\$ 6,714		
Executive					973,496	943,084	30,412		
Finance					1,072,190	1,070,201	1,989		
Community Development					1,373,741	1,314,647	59,094		
Legal					187,500	137,943	49,557		
Misc. Services					2,443,190	2,422,045	21,145		
Library					122,600	121,665	935		
Engineering					1,828,798	1,810,691	18,107		
Parks & Recreation					5,391,072	5,372,528	18,544		
Police					6,804,337	6,803,552	785		
Fire					3,507,123	3,503,256	3,867		
<b>Total General Fund</b>	<b>\$ 4,631,857</b>	<b>\$ 22,275,470</b>	<b>\$ 24,788,191</b>	<b>\$ 2,512,721</b>	<b>24,118,199</b>	<b>23,907,051</b>	<b>211,148</b>	<b>\$ 881,140</b>	<b>\$ 5,512,997</b>
<b>Other Operating/Enterprise</b>									
Tourism Activities -102	1,049,737	675,000	713,763	38,763	888,200	863,269	24,931	(149,506)	900,231
Grants & Donations -103	531,340	378,992	422,887	43,895	197,400	196,645	755	226,242	757,582
Paths & Trails - 114	96,964	2,000	2,347	347	31,000	370	30,630	1,977	98,941
Streets - 116	671,874	1,993,688	2,336,446	342,758	2,412,718	2,393,339	19,379	(56,893)	614,981
Transportation Benefit District - 170	51,216	940,000	1,363,890	423,890	900,000	900,000	-	463,890	515,106
Water/Wastewater Operating - 410	2,039,861	12,275,900	13,647,343	1,371,443	12,904,729	12,889,405	15,324	757,938	2,797,799
Sanitation -490	110,243	4,450,000	4,451,906	1,906	4,474,243	4,517,657	(43,414)	(65,751)	44,492
Stormwater - 493	433,625	840,000	897,961	57,961	1,203,016	918,459	284,557	(20,498)	413,127
Airport - 495	87,614	67,250	84,842	17,592	73,400	76,901	(3,501)	7,941	95,555
Ambulance - 498	158,960	2,819,610	2,494,823	(324,787)	2,866,099	2,562,086	304,013	(67,263)	91,697
Central Svc - 517	269,510	575,610	654,177	78,567	697,092	621,243	75,849	32,935	302,445
Equipment Rental -519	1,353,540	2,561,200	3,062,403	501,203	3,230,007	2,844,711	385,296	217,692	1,571,232
Build Maint - 528	807,678	3,137,600	4,207,204	1,069,604	3,971,404	3,372,249	599,155	834,955	1,642,633
<b>Total Other Operating/Enterprise</b>	<b>7,662,162</b>	<b>30,716,850</b>	<b>34,339,992</b>	<b>3,623,142</b>	<b>33,849,308</b>	<b>32,156,333</b>	<b>1,692,975</b>	<b>2,183,659</b>	<b>9,845,821</b>

**CITY OF MOSES LAKE**  
**2018 Actual vs. Budget Variance**

100% of year completed

	1/1/2018 Actual Begin. Fund Bal	2018 Budget- Amended Revenues	2018 YTD Actual Revenues	2017 Revenue Variance	2018 Amended Budget	2018 YTD Actual Expenditure	2018 Expend. Variance	2018 (Use) Gain of Fund Balance	12/31/2018 Ending Fund Balance
<b>Capital Improvement</b>									
Street Repair/reconst. -119	575,675	2,780,000	1,982,430	(797,570)	2,980,000	1,993,386	986,614	(10,956)	564,719
Parks & Recreation Improvement-314	105,768	1,270,000	804,932	(465,068)	1,020,000	889,362	130,638	(84,430)	21,338
Park Mitigation Capital Proj-315	413,364	-	189,809	189,809	-	-	-	189,809	603,173
Water Rights -471	1,656,798	-	152,982	152,982	-	-	-	152,982	1,809,780
Water/Sewer Construction-477	6,422,782	2,800,000	2,800,000	-	3,880,000	839,384	3,040,616	1,960,616	8,383,398
<b>Total Capital Improvement</b>	<b>9,174,387</b>	<b>6,850,000</b>	<b>5,930,152</b>	<b>(919,848)</b>	<b>7,880,000</b>	<b>3,722,132</b>	<b>4,157,868</b>	<b>2,208,020</b>	<b>11,382,407</b>
<b>Risk Mgmt/Employee Benefit Reserves</b>									
Unemployment Compensation - 501	56,850	-	625	625	41,500	38,434	3,066	(37,809)	19,041
Risk Management - 503	586,101	528,600	542,448	13,848	575,000	561,715	13,285	(19,267)	566,834
Firemen's Relief & Pension - 611	343,214	30,000	35,742	5,742	42,000	21,050	20,950	14,692	357,906
<b>Total Employee Benefit Reserves</b>	<b>986,165</b>	<b>558,600</b>	<b>578,815</b>	<b>20,215</b>	<b>658,500</b>	<b>621,199</b>	<b>37,301</b>	<b>(42,384)</b>	<b>943,781</b>
<b>Debt Service</b>									
GOB 2016 Refunding-286	184,466	377,300	377,300	-	383,500	377,083	6,417	217	184,683
Water-Sewer 2011 Bond-450	7,706	561,850	562,850	1,000	563,250	562,850	400	-	7,706
Bond Reserve-2011 451	567,600	-	-	-	-	-	-	-	567,600
Water-Sewer 2004 Bond-452	8,344	670,000	670,000	-	671,400	671,000	400	(1,000)	7,344
Water-Sewer 2004 Bond Reserve-453	701,500	-	-	-	-	-	-	-	701,500
PWTF W/S Debt Serv - 485	19,750	576,000	576,000	-	576,000	575,573	427	427	20,177
2015 GO Bond Redempt- 487	7,363	75,600	75,600	-	75,500	75,417	83	183	7,546
<b>Total Debt Service</b>	<b>1,496,729</b>	<b>2,260,750</b>	<b>2,261,750</b>	<b>1,000</b>	<b>2,269,650</b>	<b>2,261,923</b>	<b>7,727</b>	<b>(173)</b>	<b>1,496,556</b>
<b>Total City Budget</b>	<b>\$ 23,951,300</b>	<b>\$ 62,661,670</b>	<b>\$ 67,898,901</b>	<b>\$ 5,237,231</b>	<b>\$ 68,775,657</b>	<b>\$ 62,668,638</b>	<b>\$ 6,107,019</b>	<b>\$ 5,230,263</b>	<b>\$ 29,181,563</b>