

MEMORANDUM

April 10, 2020

To: Allison Williams, City Manager
From: Cindy Jensen, Finance Director
Subject: 2019 Year-End Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2019 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 2019 budget performance has produced a stable revenue position, while departmental expenditures have been restrained below authorized budget levels. General Fund revenue exceeded budget by \$2.48 million, with expenditures coming in below budget by \$400 thousand, but because the budget was set to use fund balance of about \$2.5 million, actual results produced an increase in General Fund Balance of about \$362 thousand. Total revenue for all funds is \$74.5 million, while total expended is \$71.9 million, adding \$2.6 million to citywide reserve balances. Over half of this increase came in the Street capital improvement fund as the Stratford Road pavement project was postponed into 2020.

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)

	2018		2019	
	Actual	Amended Budget	Actual	Percent Rec'd
General Fund	\$ 24,764,886	\$ 23,473,039	\$ 25,953,247	110.6%
Operating/Enterprise Funds	34,668,228	34,676,853	37,625,189	108.5%
Capital Improvement Funds	5,930,153	7,720,600	7,973,837	103.3%
Risk Mgmt/Employee Benefit	578,815	695,200	704,765	101.4%
Debt Service Funds	2,261,750	2,269,749	2,269,748	100.0%
Total City Revenues	\$ 68,203,832	\$ 68,835,441	\$ 74,526,786	108.3%

Expenditure Comparison

(Budget vs. Actual--100% of year)

	2018		2019	
	Actual	Amended Budget	Actual	Percent Spent
General Fund	\$ 23,938,240	\$ 25,990,200	\$ 25,591,246	98.5%
Operating/Enterprise Funds	32,124,193	39,492,052	36,732,743	93.0%
Capital Improvement Funds	3,740,288	11,931,000	6,471,837	54.2%
Risk Mgmt/Employee Benefit	621,199	852,500	837,344	98.2%
Debt Service Funds	2,261,923	2,268,715	2,269,615	100.0%
Total City Expenditures	\$ 62,685,844	\$ 80,534,467	\$ 71,902,785	89.3%

All operating funds met or exceeded budgeted revenue, with the exception of the Solid Waste (Sanitation) fund which had a rate reduction at the beginning of December because of a favorable contract negotiation with our hauler.

Operating fund expenditures were constrained below budgeted levels, so that overall fund balances increased. The exceptions are the Tourist Promotion, Water/Wastewater, and Building Maintenance funds, which intentionally used fund balance which had been saved for capital purposes.

General Fund Revenue Analysis

General Fund Revenues
As of December 31, 2019 - 100% of year

	2018	2019		18 vs 19
	Actual	Amended Budget	Actual	Percent Rec'd Percent Change
310 Taxes				
Property Tax	\$ 6,937,534	\$ 6,665,000	\$ 7,480,850	112.2% 7.8%
Sales Tax	6,632,831	6,665,000	7,216,489	108.3% 8.8%
Utility Tax	3,417,552	3,258,600	3,364,293	103.2% -1.6%
Gambling Tax	291,499	264,000	263,173	99.7% -9.7%
Other Taxes	92,962	83,000	89,026	107.3% -4.2%
Subtotal-Taxes	17,372,378	16,935,600	18,413,831	108.7% 6.0%
320 Licenses & Permits	751,922	635,500	727,066	114.4% -3.3%
330 Intergovernmental Revenues	803,285	748,470	890,364	119.0% 10.8%
340 Charges for Goods & Services	3,283,878	3,379,814	3,727,158	110.3% 13.5%
350 Fines and Penalties	807,553	809,000	992,390	122.7% 22.9%
360 Miscellaneous Revenues	535,997	349,655	650,741	186.1% 21.4%
390 Other Financing Resources	1,209,874	615,000	551,697	89.7%
Total General Fund Revenues	\$24,764,887	\$23,473,039	\$25,953,247	110.6% 4.8%

Property Tax – This source of revenue grew by 7.8% year over year, which represents an increase in the base levy, long with new construction of about 2.0%. 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. 2019 increased 8.8% over 2018 actual levels. The 2020 budget is set below 2019 actual at \$7,000,000, but the economic disruption from COVID-19 could drop this major revenue source significantly.

Utility Tax – This revenue source experiences fluctuations either from rate adjustments or fluctuations in usage. Year end results showed a reduction compared to the prior year, coming in 1.6% under 2018. Rate increases were offset by 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. All utilities except phone demonstrated an increase of 4.1%, which was more than offset by a 26% decrease in the phone taxes.

Gambling Taxes—This revenue stream about equaled the 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 business and development community, and is difficult to budget because it is volatile by nature. 2019 results exceeded the budget estimate, but ended 3.3% below 2018 actual, primarily due to the transfer to the State business licensing system, which created some timing issues. Building permits were greater than 2018, which is an indicator of future construction-related sales tax.

Intergovernmental Revenue – The major component of intergovernmental revenue is State-shared revenue, which was stable from 2018 to 2019. The major increase comes from the first full year of the COPS hiring grant.

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

Overall this revenue source came in above both budget and prior year actual. The major area of growth included the busy Engineering schedule charging capital projects, and a strong season for the aquatic center.

Fines and Penalties consist almost entirely of fines generated by the red-light camera program, which totaled \$968,900. 2019 actual came in well above prior year actual, because of 4 additional cameras in the fall of 2018. Payments for the operation of the cameras amounted to about \$421,000, netting \$547,900 for Police Department operations in 2019.

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 transfer of Hotel/Motel tax for Parks program. The advertising program was paid directly out of the Tourist Promotion fund, so the transfer of \$75,000 was not needed. (2018 included the sales of several properties, which brought in about \$700,000.)

Summary --Overall, 2019 General Fund revenue of \$25,953,247 grew by \$1,188,360 or 4.8% over the 2018 actual of \$24,764,887. The major components of that growth were in the categories of Property and Sales taxes, and charges for services. If the one-time sale of property is subtracted from 2018 actual, the year-over-year increase raises to \$1.9 million or 7.8%.

General Fund Expenditure Analysis

**General Fund Expenditures
As of December 31, 2019 - 100% of Year**

	2018	2019		18 vs 19
	Actual	Amended Budget	Actual	Percent Spent / Percent Change
Legislative	\$ 406,453	\$ 361,809	\$ 348,327	96.3% -14.3%
Executive	950,117	1,213,100	1,239,972	102.2% 30.5%
Finance	1,069,903	1,158,282	1,100,384	95.0% 2.8%
Community Development	1,317,202	1,561,578	1,411,301	90.4% 7.1%
Legal	137,943	193,800	208,641	107.7% 51.3%
Misc. Services	2,422,045	1,824,340	1,808,263	99.1% -25.3%
Library	121,665	80,200	78,976	98.5% -35.1%
Engineering	1,819,812	2,004,305	2,055,148	102.5% 12.9%
Parks & Recreation	5,374,003	6,122,855	5,875,717	96.0% 9.3%
Police	6,807,749	7,627,504	7,644,601	100.2% 12.3%
Fire	3,511,348	3,842,427	3,819,916	99.4% 8.8%
Total General Fund Expenditure	\$23,938,240	\$25,990,200	\$25,591,246	98.5% 6.9%

Since General Fund is 60% 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 replacement, and to ensure sufficient resources for the financial and human resources software conversion as well as the asset management and permitting software packages, we redirected some of the salary savings into those internal service funds. General Fund contributed \$30,000 more to Fleet Maintenance for equipment replacement; and \$100,000 to Central Services to support computer software upgrades.

Overall, General Fund expenditures were still below the 2019 budget by about \$400,000 or 1.5%, even with the additional internal service fund transfers noted above. Without these additional contributions totaling \$130,000, General Fund would have been about \$530,000 or 1.8% below the authorized budget.

Other Funds Analysis

**Other Funds Revenues and Expenditures
As of December 31, 2019 - 100% of Year**

	2018	2019		18 vs 19	
	Actual	Amended Budget	Actual	Percent to Budget	Percent Change
Revenues					
Operating/Enterprise Funds	\$34,339,992	\$34,676,853	\$37,625,189	108.5%	9.6%
Capital Improvement Funds	5,930,152	7,720,600	7,973,837	103.3%	34.5%
Risk Mgmt/Employee Benefit	578,815	695,200	704,765	101.4%	21.8%
Debt Service Funds	2,261,750	2,269,749	2,269,748	100.0%	0.4%
Subtotal-Revenue	\$43,110,709	\$45,362,402	\$48,573,539	107.1%	12.7%
Expenditures					
Operating/Enterprise Funds	\$32,124,185	\$39,492,052	\$36,732,743	93.0%	14.3%
Capital Improvement Funds	3,740,286	11,931,000	6,471,837	54.2%	73.0%
Risk Mgmt/Employee Benefit	621,198	852,500	837,344	98.2%	34.8%
Debt Service Funds	2,261,922	2,268,715	2,269,615	100.0%	0.3%
Subtotal-Expenditures	\$38,747,591	\$54,544,267	\$46,311,539	84.9%	19.5%

Year end results generally performed as expected, with revenue meeting or 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:

- **Tourism Activities** budget had a \$250,000 transfer to the Parks Capital Project fund should it be needed for the Larson Recreation Center project. The cash balance in the capital fund did not warrant this transfer in 2019.
- **Paths and Trails** fund included \$31,000 for appropriate projects, such as bike lane marking. These funds were not used in 2019.
- **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.

- **Building Maintenance, and Fleet Maintenance** funds combine operating and capital projects. These funds were underspent primarily because of the delay in constructing the covered storage/shelter at the Public Works complex, and vehicle replacement purchases respectively—these projects are re-budgeted in 2020.

Capital Improvement:

- **Street Repair/Reconstruction** fund was below budget by about \$1,200,000 because of the timing of the Stratford Road pavement project, which is re-budgeted in 2020.
- **Water/Sewer Construction** was underspent by about \$4,000,000 as several projects were in various stages of completion. Unspent project budgets will be carried-forward into the 2020 budget as non-lapsing appropriations.

Funds Exceeding Budget:

Fortunately, no budgets meet this category in 2019.

Other Discussion:

We have been watching both the Solid Waste (Sanitation) and Ambulance Funds for sustainability. In the few years, Council has taken steps to stabilize these funds, and both are now covering their own expenses and added to their fund balances. The Sanitation Fund renegotiated the hauling contract, which was estimated to save about \$400,000 annually, while the Ambulance Fund received 2 years of reimbursements as a result of participating in the Ground Emergency Medical Transportation (GEMT) program which pays for ambulance trips for Medicaid patients.

The Sanitation Fund added about \$300,000 to its Fund Balance, bringing the fund balance to about \$343,000 or 7.7% of the 2019 actual expenditures. This resulted from a refund from the hauler for the negotiated rates back to April 1, 2019. The Ambulance Fund added \$530,000 to fund balance, bringing that balance to \$621,000 or 20.7% of 2019 expenditures, resulting primarily from additional GEMT revenue. So because of one time infusions, these funds are formally off the “watch list”.

Fund Balance Analysis

	Change in Fund Balance			
	1/1/2019	2019	2019	12/31/19
	Beginning	Actual	Actual	Ending
	<u>Balance</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance</u>
General Fund	\$ 5,512,997	\$ 25,953,247	\$ 25,591,246	\$ 5,874,998
Operating/Enterprise Funds	9,845,821	37,625,189	36,732,743	10,738,267
Capital Improvement Funds	11,382,407	7,973,837	6,471,837	12,884,407
Risk Mgmt/Employee Benefit	943,781	704,765	837,344	811,202
Debt Service Funds	1,496,556	2,269,748	2,269,615	1,496,689
Total City Fund Balances	<u>\$29,181,563</u>	<u>\$74,526,786</u>	<u>\$71,902,785</u>	<u>\$31,805,564</u>

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 2019 actual results of expenditures and revenues netted an overall increase in total City fund balances of about \$2.6 million.

General Fund added about \$362,000, bringing the total fund balance to \$5.87 million or 23.0% of the actual 2019 expenditures. The Government Finance Officers Association (GFOA) recommends that General Fund maintain a 60 day reserve or 16.7%. General Fund ended 2019 exceeding that target, which gives some extra reserves going into the COVID 19 economic downturn. 16.7% of the expenditures calculates to be \$4,282,000, which is about \$1,593,000 less than the current balance.

Operating/Enterprise Funds added just under \$1.0 million to reserves, with the largest increases being in Ambulance and Fleet Maintenance funds. The Ambulance Fund received back reimbursement from GEMT, as discussed above. 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 Water/Wastewater, as moneys were transferred to their capital fund to maximize funds available for capital projects. The Building Maintenance fund also included a major building project at the Public Works facility which was funded over the prior few years, so that they used about \$550,000.

Capital Funds increased their fund balances by \$1.5 million, with most of this in the Street capital fund because of the deferral of the Stratford Road pavement project. 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.

Conclusion:

As we go into the uncertain time caused by the COVID 19 outbreak and subsequent stay home orders, we have healthy reserve balances. Management will also analyze on-going operations to see what we can save in current 2020 operations. If sales tax end up dropping by about 20%, we could lose about \$1.4 million, which is coincidentally close to the "extra" reserve balance in General Fund. Property and utility taxes should be less effected, although timing of the collections could be slowed. Management will continue to monitor the economic situation and respond accordingly.

CITY OF MOSES LAKE
2019 Actual vs. Budget Variance
 4th Quarter 2019

100% of year completed

	01/01/19 Actual Begin. Fund Bal	2019 Budget- Amended Revenues	2019 YTD Actual Revenues	% Received	2019 Amended Budget	2019 YTD Actual Expenditure	% Expended	2019 (Use) Gain of Fund Balance	12/31/19 Ending Fund Balance
General Fund									
Legislative					\$ 361,809	\$ 348,327	96.3%		
Executive					1,213,100	1,239,972	102.2%		
Finance					1,158,282	1,100,384	95.0%		
Community Development					1,561,578	1,411,301	90.4%		
Legal					193,800	208,641	107.7%		
Misc. Services					1,824,340	1,808,263	99.1%		
Library					80,200	78,976	98.5%		
Engineering					2,004,305	2,055,148	102.5%		
Parks & Recreation					6,122,855	5,875,717	96.0%		
Police					7,627,504	7,644,601	100.2%		
Fire			-		3,842,427	3,819,916	99.4%		
Total General Fund	\$ 5,512,997	\$ 23,473,039	\$ 25,953,247	110.6%	25,990,200	25,591,246	98.5%	\$ 362,001	\$ 5,874,998
Other Operating/Enterprise									
Tourism Activities -102	900,231	720,000	835,906	116.1%	1,311,864	990,562	75.5%	(154,656)	745,575
Grants & Donations -103	757,582	191,104	371,477	194.4%	363,688	363,119	99.8%	8,358	765,940
Paths & Trails - 114	98,941	2,000	2,351	117.6%	31,000	-	0.0%	2,351	101,292
Streets - 116	614,981	2,416,500	2,503,678	103.6%	2,634,151	2,450,568	93.0%	53,110	668,091
Transportation Benefit District - 170	515,106	1,451,000	1,691,661	116.6%	1,650,000	1,650,000	100.0%	41,661	556,767
Water/Wastewater Operating - 410	2,797,799	12,886,300	13,553,515	105.2%	14,883,230	14,275,465	95.9%	(721,950)	2,075,849
Sanitation -490	44,492	4,790,000	4,755,439	99.3%	4,715,610	4,456,143	94.5%	299,296	343,788
Stormwater - 493	413,127	922,000	995,145	107.9%	1,176,917	893,808	75.9%	101,337	514,464
Airport - 495	95,555	27,000	26,836	99.4%	59,009	25,746	43.6%	1,090	96,645
Ambulance - 498	91,697	2,902,140	3,525,230	121.5%	3,049,570	2,995,430	98.2%	529,800	621,497
Central Svc - 517	302,445	1,543,000	1,826,200	118.4%	1,696,616	1,629,721	96.1%	196,479	498,924
Fleet Management-519	1,571,232	3,598,409	3,791,850	105.4%	3,107,088	2,699,296	86.9%	1,092,554	2,663,786
Build Maint -528	1,642,633	3,227,400	3,745,901	116.1%	4,813,309	4,302,885	89.4%	(556,984)	1,085,649
Total Other Operating/Enterprise	9,845,821	34,676,853	37,625,189	108.5%	39,492,052	36,732,743	93.0%	892,446	10,738,267

CITY OF MOSES LAKE
2019 Actual vs. Budget Variance
 4th Quarter 2019

100% of year completed

	01/01/19 Actual Begin. Fund Bal	2019 Budget- Amended Revenues	2019 YTD Actual Revenues	% Received	2019 Amended Budget	2019 YTD Actual Expenditure	% Expended	2019 (Use) Gain of Fund Balance	12/31/19 Ending Fund Balance
Capital Improvement									
Street Repair/reconst -119	564,719	3,449,600	4,023,150	116.6%	3,730,000	2,518,508	67.5%	1,504,642	2,069,361
Parks & Recreation Improvement-314	21,338	965,000	724,386	75.1%	631,000	445,667	70.6%	278,719	300,057
Park Mitigation Capital Proj-315	603,173	6,000	101,909		-	-	-	101,909	705,082
Water Rights - 471	1,809,780		124,560		-	-	-	124,560	1,934,340
Water/Sewer Construction-477	8,383,398	3,300,000	2,999,832	90.9%	7,570,000	3,507,662	46.3%	(507,830)	7,875,568
Total Capital Improvement	11,382,407	7,720,600	7,973,837	103.3%	11,931,000	6,471,837	54.2%	1,502,000	12,884,407
Risk Mgmt/Employee Benefit Reserves									
Unemployment Compensation - 501	19,041	75,000	68,897	91.9%	76,500	73,143	95.6%	(4,246)	14,795
Risk Management -503	566,834	583,200	591,067	101.3%	725,500	713,882	98.4%	(122,815)	444,019
Firemen's Relief & Pension - 611	357,906	37,000	44,801	121.1%	50,500	50,319	99.6%	(5,518)	352,388
Total Employee Benefit Reserves	943,781	695,200	704,765	101.4%	852,500	837,344	98.2%	(132,579)	811,202
Debt Service									
GOB 2016 Refunding-286	184,683	381,334	381,333	100.0%	381,334	381,583	100.1%	(250)	184,433
Water-Sewer 2011 Bond-450	7,706	565,000	565,000	100.0%	564,100	564,400	100.1%	600	8,306
Bond Reserve-2011 451	567,600	-	-		-	-	-	-	567,600
Water-Sewer 2004 Bond-452	7,344	674,250	674,250	100.0%	674,250	674,550	100.0%	(300)	7,044
Water-Sewer 2004 Bond Reserve-453	701,500								701,500
PWTF W/S Debt Serv - 485	20,177	572,765	572,765	100.0%	572,765	572,765	100.0%	-	20,177
2015 GO Bond Redempt- 487	7,546	76,400	76,400	100.0%	76,266	76,317	100.1%	83	7,629
Total Debt Service	1,496,556	2,269,749	2,269,748	100.0%	2,268,715	2,269,615	100.0%	133	1,496,689
Total City Budget	<u>\$ 29,181,563</u>	<u>\$ 68,835,441</u>	<u>\$ 74,526,786</u>	108.3%	<u>\$ 80,534,467</u>	<u>\$ 71,902,785</u>	89.3%	<u>\$ 2,624,001</u>	<u>\$ 31,805,564</u>