

MEMORANDUM

April 10, 2018

To: John Williams, City Manager
From: Cindy Jensen, Finance Director
Subject: 2018 1st Quarter Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2018 first quarter actual results compared to budgeted revenue and expenditure report for all city funds. Beginning Fund 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, the City budget is performing as expected through the first quarter of 2018. At the end of the first quarter 2018, we are seeing typical variances tied to timing of annual dues/assessments and property tax receipts, along with the slowdown of some operational and construction activity in the winter months.

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**
- **Exhibit I**—Fund Detail that supports the Summaries

Revenue Comparison
(Budget vs. Actual--25% of year)

	2017		2018	
	Actual	Amended Budget	Actual	Percent Rec'd
General Fund	\$ 3,711,964	\$ 21,995,470	\$ 3,946,867	17.9%
Operating/Enterprise Funds	6,831,162	30,344,100	7,254,034	23.9%
Capital Improvement Funds	1,481,573	6,470,000	1,404,343	21.7%
Risk Mgmt/Employee Benefit	115,388	558,600	144,168	25.8%
Debt Service Funds	806,125	2,261,750	875,930	38.7%
Total City Revenues	\$ 12,946,212	\$ 61,629,920	\$ 13,625,342	22.1%

Expenditure Comparison
(Budget vs. Actual--25% of year)

	2017		2018	
	Actual	Amended Budget	Actual	Percent Rec'd
General Fund	\$ 5,653,844	\$ 23,838,199	\$ 5,665,315	23.8%
Operating/Enterprise Funds	6,249,362	33,084,008	6,647,844	20.1%
Capital Improvement Funds	284,607	7,460,000	91,060	1.2%
Risk Mgmt/Employee Benefit	484,392	628,500	502,556	80.0%
Debt Service Funds	230,586	2,269,650	210,675	9.3%
Total City Expenditures	\$ 12,902,791	\$ 67,280,357	\$ 13,117,450	19.5%

General Fund Revenue Analysis

General Fund Revenues As of March 31, 2018 - 25% of year

	2017		2018		17 vs 18
	Actual	Amended Budget	Actual	Percent Rec'd	Percent Change
310 Taxes					
Property Tax	\$ 57,680	\$ 6,535,000	\$ 64,584	1.0%	12.0%
Sales Tax	1,572,347	6,000,000	1,567,544	26.1%	-0.3%
Utility Tax	941,634	3,507,000	971,036	27.7%	3.1%
Gambling Tax	84,018	252,000	83,275	33.0%	-0.9%
Other Taxes	22,309	76,000	21,976	28.9%	-1.5%
REET Allocation	28,128	-	-		
Subtotal-Taxes	2,706,116	16,370,000	2,708,415	16.5%	0.1%
320 Licenses & Permits	223,789	611,000	222,110	36.4%	-0.8%
330 Intergovernmental Revenues	79,703	402,000	103,281	25.7%	29.6%
340 Charges for Goods & Services	533,208	3,172,370	635,495	20.0%	19.2%
350 Fines and Penalties	64,912	616,000	127,207	20.7%	96.0%
360 Miscellaneous Revenues	103,755	324,100	150,359	46.4%	44.9%
390 Other Financing Resources	482	500,000	-	0.0%	
Total General Fund Revenues	\$ 3,711,965	\$ 21,995,470	\$ 3,946,867	17.9%	6.3%

Property Tax – The first half of the Property Tax assessment is due to the Grant County Treasurer by April 30, and the second half is due October 31. Therefore, the first quarter receipts are typically a small percentage of the annual budget. The budget was set based on assumptions of new construction and collection rates, and then discounted because of the potential for a large taxpayer to protest their assessed value. At this point in time we have no indication that property taxes would not come in as anticipated.

Sales Tax – This major revenue source ended 2017 13.3% ahead of 2016 actual, and was conservatively set well below the 2017 actual assuming some of the construction that caused the large increase will taper off. Through the 1st quarter, sales tax was flat compared to the prior year, which still puts it ahead of this year's budget estimate.

Utility Tax – This revenue source experiences fluctuations either from rate adjustments or fluctuations in usage. First quarter results are showing a growth rate of 3.1%, over the prior year, which can be explained by the basic Consumer Price Index (CPI) rate increases, along with an additional 1% in Solid Waste rates and underlying growth in the economy.

Gambling Taxes—This revenue stream had a strong 1st quarter, and is already at 1/3 of the year's budget. It should be noted, however, that Council reduced the card game tax rate over the next five years, so this is expected to trend below the prior year actual.

Licenses and Permits – This revenue is generated by the development community, and is difficult to budget because it is volatile by nature. Even though 2018 1st quarter results are exceeding the budget estimate, it was still slightly below 2017 actual results.

Intergovernmental Revenue – The major component of intergovernmental revenue is State-shared revenue. In mid-2017, the State Legislature restored the Liquor Excise Tax distribution that was greatly reduced in 2014, which is why this revenue is well ahead of the 2017 first quarter, but on target to meet or slightly exceed the 2018 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

Both the Parks and Recreation programs and Engineering services are not as active in the winter months, so this is below the 25% mark through the first quarter, but it is expected to ramp up through the summer months.

Fines and Penalties consist almost entirely of fines generated by the red-light camera program. 2017 actual was low in the first quarter, because 2 of the 4 cameras were not working. The 2018 budget was amended to include a partial year collection of fines from the new cameras authorized by Council, although they have not yet been fully installed.

Miscellaneous Revenues include interest earnings on investments and facility rentals. This category is exceeding budget and prior year actual primarily because of an improvement in the interest rate environment, along with a higher balance available for investing.

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. As this is a contingency, we don't anticipate accessing this revenue unless it is needed at year-end.

Summary --Overall, the first quarter 2018 General Fund revenue came in at \$3,946,867 which is 17.9% of the total year budget. It is below the 25% mark primarily due to the timing of the annual property tax collection. Total revenue grew by \$234,902 or 6.3% over the first quarter 2017 actual of \$3,711,965. This growth was spread among several categories.

General Fund Expenditure Analysis

General Fund Expenditures As of March 31, 2018 - 25% of Year

	2017		2018		17 vs 18
	Actual	Amended Budget	Actual	Percent Spent	Percent Change
Legislative	\$ 104,951	\$ 409,852	\$ 102,714	25.1%	-2.1%
Executive	199,706	965,296	199,097	20.6%	-0.3%
Finance	231,475	1,072,190	255,823	23.9%	10.5%
Community Development	307,639	1,373,741	288,915	21.0%	-6.1%
Legal	39,561	187,500	22,038	11.8%	-44.3%
Misc. Services	926,473	2,443,190	842,191	34.5%	-9.1%
Library	34,932	122,600	33,107	27.0%	-5.2%
Engineering	439,736	1,828,798	400,766	21.9%	-8.9%
Parks & Recreation	1,039,068	5,341,572	1,091,153	20.4%	5.0%
Police	1,486,542	6,686,337	1,533,666	22.9%	3.2%
Fire	843,761	3,407,123	895,845	26.3%	6.2%
Total General Fund Expenditures	\$ 5,653,844	\$ 23,838,199	\$ 5,665,315	23.8%	0.2%

In total, General Fund Expenditures for the first quarter are 1.2% below the 25% mark, and are flat compared to the prior year.

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.

- The Executive division is below the 25% mark because of the timing of hiring both the Human Resources Director and the City Clerk.
- Legal varies depending on the number of issues being addressed by the City Attorney. That contract is currently being renegotiated, as there has not been an increase in the rates charged for the past 5 years.
- The major component in the Miscellaneous Services budget is the General Fund transfers to Streets and Debt Service funds. The transfers are accelerated in the 1st quarter to Streets so there is sufficient funding to ramp up for the summer maintenance efforts.
- Engineering is below 25% primarily due to position vacancies and project timing.
- Parks & Recreation is below the 25% mark because of program timing—the aquatic center doesn’t open until the 2nd quarter.

Other Funds Analysis

Other Funds Revenues and Expenditures As of March 31, 2018 - 25% of Year

	2017	2018		17 vs 18	
Revenues		Amended		Percent	Percent
	Actual	Budget	Actual	Rec'd	Change
Operating/Enterprise Funds	\$ 6,831,162	\$ 30,344,100	\$ 7,254,034	23.9%	6.2%
Capital Improvement Funds	1,481,573	6,470,000	1,404,343	21.7%	-5.2%
Risk Mgmt/Employee Benefit	115,388	558,600	144,168	25.8%	24.9%
Debt Service Funds	806,125	2,261,750	875,930	38.7%	8.7%
Subtotal-Revenue	\$ 9,234,248	\$ 39,634,450	\$ 9,678,475	24.4%	4.8%
Expenditures					
Operating/Enterprise Funds	\$ 6,249,362	\$ 33,084,008	\$ 6,647,844	20.1%	6.4%
Capital Improvement Funds	284,607	7,460,000	91,060	1.2%	-68.0%
Risk Mgmt/Employee Benefit	484,392	628,500	502,556	80.0%	3.7%
Debt Service Funds	230,586	2,269,650	210,675	9.3%	-8.6%
Subtotal-Expenditures	\$ 7,248,947	\$ 43,442,158	\$ 7,452,135	17.2%	2.8%

First quarter 2018 results generally performed as expected. Variances in capital funds are related to timing of major projects, as well as capital components in operating funds (such as Building Maintenance capital projects). Debt Service funds only have interest payments due in the first quarter—principal payments are typically scheduled for later in the year so the fund can build up the necessary balance. Insurance premiums are due at the first of the year, so the Risk Management fund is 90% spent already.

The Solid Waste Fund ended 2017 with a negative fund balance of about \$92,000. Revenue is coming in as expected (i.e. 25.2%), and expenditures are below 25% primarily because interfund loans are due later in the year and the March hauling bill was paid in April so this fund ended the first quarter with a balance of about \$265,600. (It should be noted that the monthly hauling bill runs about \$225,000.)

The Ambulance Fund revenue is below 25% primarily because the budgeted grant revenue has not been received, coupled with the lag time in the billing process. Expenditures were also running below budget because of the timing of interfund loan repayments and capital outlay. At the end of the 1st quarter, the Ambulance Fund was virtually breaking even.

Therefore, it looks like the policy changes made for these two funds for the 2018 budget is working to at least cover current operating costs, although repaying the interfund loans and

rebuilding adequate reserve levels will continue to stress these operations. We will continue to monitor both of these funds.

Overall, first quarter results are performing as expected. Most variances from the 25% mark are related to timing. Stated in a different way, there are no “red flags” in the first quarter operating results that I feel would require operating modifications. Even without the property tax distribution, over \$500,000 was added to citywide fund balances, and all funds had positive fund balances at March 31, 2018.

CITY OF MOSES LAKE

2018 Actual vs. Budget Variance
1st Quarter 2018

25% of year completed

	1/1/2018 Actual Begin- Fund Bal	2018 Budget- Amended Revenues	2018 YTD Actual Revenues	% Received	2018 Amended Budget	2018 YTD Actual Expenditure	% Expended	2018 (Use) Gain of Fund Balance	3/31/2018 Ending Fund Balance
General Fund									
Legislative					\$ 409,852	\$ 102,714	25.1%		
Executive					965,296	199,097	20.6%		
Finance					1,072,190	255,823	23.9%		
Community Development					1,373,741	288,915	21.0%		
Legal					187,500	22,038	11.8%		
Misc. Services					2,443,190	842,191	34.5%		
Library					122,600	33,107	27.0%		
Engineering					1,828,798	400,766	21.9%		
Parks & Recreation					5,341,572	1,091,153	20.4%		
Police					6,686,337	1,533,666	22.9%		
Fire					3,407,123	895,845	26.3%		
Total General Fund	\$ 3,831,919	\$ 21,995,470	\$ 3,946,867	17.9%	23,838,199	5,665,315	23.8%	\$ (1,718,448)	\$ 2,113,471
Other Operating/Enterprise									
Tourism Activities -102	976,302	565,000	114,772	20.3%	638,200	51,116	8.0%	63,656	1,039,958
Grants & Donations -103	531,142	344,492	101,131	29.4%	151,100	57,791	38.2%	43,340	574,482
Paths & Trails - 114	96,964	2,000	555	27.8%	31,000	-	0.0%	555	97,519
Streets - 116	642,059	1,993,688	867,020	43.5%	2,412,718	536,447	22.2%	330,573	972,632
Transportation Benefit District - 170	51,216	940,000	80,782	8.6%	900,000	-	0.0%	80,782	131,998
Water/Wastewater Operating - 410	2,039,861	12,275,900	2,433,300	19.8%	12,904,729	3,405,146	26.4%	(971,846)	1,068,015
Sanitation -490	(91,796)	4,340,000	1,094,581	25.2%	4,364,243	737,217	16.9%	357,364	265,568
Stormwater -493	433,625	840,000	224,884	26.8%	1,203,016	207,135	17.2%	17,749	451,374
Airport - 495	87,614	27,000	20,557	76.1%	23,400	3,589	15.3%	16,968	104,582
Ambulance - 498	158,960	2,819,610	599,352	21.3%	2,866,099	589,754	20.6%	9,598	168,558
Central Svc - 517	272,286	545,610	148,786	27.3%	652,092	165,687	25.4%	(16,901)	255,385
Equipment Rental -519	1,329,000	2,513,200	711,035	28.3%	2,966,007	617,580	20.8%	93,455	1,422,455
Build Maint -528	818,604	3,137,600	857,279	27.3%	3,971,404	276,382	7.0%	580,897	1,399,501
Total Other Operating/Enterprise	7,345,837	30,344,100	7,254,034	23.9%	33,084,008	6,647,844	20.1%	606,190	7,952,027

CITY OF MOSES LAKE
2018 Actual vs. Budget Variance
1st Quarter 2018

25% of year completed

	1/1/2018 Actual Begin. Fund Bal	2018 Budget- Amended Revenues	2018 YTD Actual Revenues	% Received	2018 Amended Budget	2018 YTD Actual Expenditure	% Expended	2018 (Use) Gain of Fund Balance	3/31/2018 Ending Fund Balance
Capital Improvement									
Street Repair/reconst -119	536,663	2,780,000	207,443	7.5%	2,980,000	45,660	1.5%	161,783	698,446
Parks & Recreation Improvement-314	105,768	890,000	-	0.0%	600,000		0.0%	-	105,768
Park Mitigation Capital Proj-315	413,364	-	78,500		-		-	78,500	491,864
Water Rights - 471	1,656,798	-	68,400		-		-	68,400	1,725,198
Water/Sewer Construction-477	6,422,782	2,800,000	1,050,000	37.5%	3,880,000	45,400	1.2%	1,004,600	7,427,382
Total Capital Improvement	9,135,375	6,470,000	1,404,343	21.7%	7,460,000	91,060	1.2%	1,313,283	10,448,658
Risk Mgmt/Employee Benefit Reserves									
Unemployment Compensation - 501	56,850	-	-		41,500	11,852	28.6%	(11,852)	44,998
Risk Management -503	651,731	528,600	144,168	27.3%	545,000	484,386	88.9%	(340,218)	311,513
Firement's Relief & Pension - 611	343,214	30,000	-	0.0%	42,000	6,318	15.0%	(6,318)	336,896
Total Employee Benefit Reserves	1,051,795	558,600	144,168	25.8%	628,500	502,556	80.0%	(358,388)	693,407
Debt Service									
Equip Leases-275	-	-	-		-	-	-	-	-
GOB 2006-281	-	-	-		-	-	-	-	-
GOB 2016 Refunding-286	184,466	377,300	161,704	42.9%	383,500	51,021	13.3%	110,683	295,149
Water-Sewer 2011 Bond-450	7,706	562,850	153,506	27.3%	563,250	31,425	5.6%	122,081	129,787
Bond Reserve-2011 451	567,600	-	-		-		-	-	567,600
Water-Sewer 2004 Bond-452	8,344	670,000	182,720	27.3%	671,400	118,000	17.6%	64,720	73,064
Water-Sewer 2004 Bond Reserve-453	701,500	-	-		-	-	-	-	701,500
Water-Sewer Leases-483	-	-	-		-	-	-	-	-
PWTF W/S Debt Serv - 485	19,750	576,000	345,600	60.0%	576,000	-	0.0%	345,600	365,350
GOB 2006 Redemption Parks - 486	-	-	-		-	-	-	-	-
2015 GO Bond Redempt- 487	7,363	75,600	32,400	42.9%	75,500	10,229	13.5%	22,171	29,534
Total Debt Service	1,496,729	2,261,750	875,930	38.7%	2,269,650	210,675	9.3%	665,255	2,161,984
Total City Budget	\$ 22,861,655	\$ 61,629,920	\$ 13,625,342	22.1%	\$67,280,357	\$ 13,117,450	19.5%	\$ 507,892	\$23,369,547