

MEMORANDUM

November 13, 2018

To: John Williams, City Manager
From: Cindy Jensen, Finance Director
Subject: 2018 3rd Quarter Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2018 third 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 is not yet officially concluded since we haven't received final results from the State Auditor's work which is currently ongoing.

Overall, the City budget is performing as expected through the third quarter of 2018. At the end of the third quarter, we are seeing typical variances tied to position vacancies and the timing of annual dues/assessments. Some of the operational activity that was slower in the first quarter because of the winter months have picked up in the summer and through the good weather in the fall. Capital projects are still underspent because of long lead-in times that are typical of this activity.

There are a few funds that have projects that have had contracts awarded or have otherwise been approved by Council which have not yet been incorporated into the 2018 budget. For example a paving project was done at the airport which is being reimbursed by a FEMA grant. An appropriation ordinance to increase the 2018 budget will be presented for Council consideration at the November 27 meeting.

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**

City-Wide Overview

Revenue Comparison (Budget vs. Actual-- 75% of year)

	2017	2018		Percent Rec'd
	Actual	Amended Budget	Actual	
General Fund	\$ 15,838,968	\$ 21,995,470	\$ 16,784,604	76.3%
Operating/Enterprise Funds	23,367,556	30,344,100	24,814,879	81.8%
Capital Improvement Funds	4,001,497	6,470,000	4,929,405	76.2%
Risk Mgmt/Employee Benefit	414,826	558,600	462,283	82.8%
Debt Service Funds	1,986,890	2,261,750	2,037,594	90.1%
Total City Revenues	\$ 45,609,737	\$ 61,629,920	\$ 49,028,765	79.6%

Expenditure Comparison (Budget vs. Actual-- 75% of year)

	2017	2018		Percent Spent
	Actual	Amended Budget	Actual	
General Fund	\$ 18,199,569	\$ 23,838,199	\$ 18,411,433	77.2%
Operating/Enterprise Funds	19,924,422	33,084,008	23,023,352	69.6%
Capital Improvement Funds	2,389,119	7,460,000	2,543,092	34.1%
Risk Mgmt/Employee Benefit	541,350	628,500	541,722	86.2%
Debt Service Funds	2,098,756	2,269,650	2,051,248	90.4%
Total City Expenditures	\$ 43,153,216	\$ 67,280,357	\$ 46,570,847	69.2%

General Fund Revenue Analysis

General Fund Revenues As of September 30, 2018 - 75% of year

	2017		2018		17 vs 18
	Actual	Amended Budget	Actual	Percent Rec'd	Percent Change
310 Taxes					
Property Tax	\$ 3,766,682	\$ 6,535,000	\$ 3,896,290	59.6%	3.4%
Sales Tax	4,839,699	6,000,000	4,845,190	80.8%	0.1%
Utility Tax	2,635,237	3,184,000	2,684,742	84.3%	1.9%
Gambling Tax	236,376	252,000	226,307	89.8%	-4.3%
Other Taxes	62,163	76,000	72,640	95.6%	16.9%
REET Allocation	28,128	-	-		
Subtotal-Taxes	11,568,285	16,047,000	11,725,169	73.1%	1.4%
320 Licenses & Permits	539,005	611,000	565,288	92.5%	4.9%
330 Intergovernmental Revenues	577,727	725,000	632,189	87.2%	9.4%
340 Charges for Goods & Services	2,605,834	3,172,370	2,767,069	87.2%	6.2%
350 Fines and Penalties	196,618	616,000	522,434	84.8%	165.7%
360 Miscellaneous Revenues	351,016	324,100	464,610	143.4%	32.4%
390 Other Financing Resources	482	500,000	107,845	21.6%	
Total General Fund Revenues	\$ 15,838,967	\$ 21,995,470	\$ 16,784,604	76.3%	6.0%

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. 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 property taxes should exceed budget.

Sales Tax – This major revenue source ended 2017 with a total of \$6,780,787 13.3% ahead of 2016 actual. The 2018 budget was conservatively set well below the 2017 actual assuming some of the construction that caused the large increase will taper off. Through the 3rd quarter, sales tax is virtually the same as the prior year, which puts it well ahead of this year's budget estimate.

Utility Tax – This revenue source experiences fluctuations either from rate adjustments or fluctuations in usage. Third quarter 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.

Gambling Taxes—This revenue stream historically drops off at the end of the year. It should be noted that Council reduced the card game tax rate over the next five years, so this is expected to trend below the prior year actual, but still exceed the 2018 budget.

Licenses and Permits – This revenue is generated by the development community, and is difficult to budget because it is volatile by nature. 2018 3rd quarter results are exceeding the budget estimate, and trending above 2017 actual results. 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 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 third 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

This revenue source is above the 75% mark because of the busy summer season for Parks programs.

Fines and Penalties consist almost entirely of fines generated by the red-light camera program. 2017 actual was low in the third 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 were installed at the end of September.

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. Interest is recorded in General Fund throughout the year and is allocated out to applicable funds at year-end, so this is ahead of budget now but will end the year close to the budget estimate.

The budget for **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. This category also includes proceeds from the sales of property. As of November 13, this account balance is \$1.126 million from the sale of 4 properties. We anticipate holding these funds for one time capital needs, including a storage facility for items previously housed in the old public works facility.

Summary --Overall, the third quarter 2018 General Fund revenue came in at \$16,784,604 which is 76.3% of the total year budget, even with property tax collections being just slightly above the halfway mark. It is more than 75% primarily due to the conservative nature of the budget estimates. Total revenue grew by \$945,637 or 6.0% over the third quarter 2017 actual of \$15,838,967. This growth was spread among several categories.

General Fund Expenditure Analysis

General Fund Expenditures					
As of September 30, 2018 - 75% of Year					
	2017	2018		17 vs 18	
	Actual	Amended Budget	Actual	Percent Spent	Percent Change
Legislative	\$ 347,407	\$ 409,852	\$ 317,683	77.5%	-8.6%
Executive	693,086	965,296	716,086	74.2%	3.3%
Finance	790,403	1,072,190	777,377	72.5%	-1.6%
Community Development	988,545	1,373,741	960,027	69.9%	-2.9%
Legal	120,869	187,500	90,983	48.5%	-24.7%
Misc. Services	2,220,631	2,443,190	2,098,022	85.9%	-5.5%
Library	108,743	122,600	97,600	79.6%	-10.2%
Engineering	1,313,427	1,828,798	1,343,885	73.5%	2.3%
Parks & Recreation	4,219,295	5,341,572	4,256,820	79.7%	0.9%
Police	4,527,278	6,686,337	5,072,152	75.9%	12.0%
Fire	2,869,885	3,407,123	2,680,798	78.7%	-6.6%
Total General Fund Expenditures	\$18,199,569	\$ 23,838,199	\$ 18,411,433	77.2%	1.2%

In total, General Fund Expenditures for the third quarter are 2.2% above the 75% mark, and are up by 1.2% compared to the prior year. This increase consists primarily of the 2018 COLA adjustment for salaries.

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 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 half of the year so Streets

has sufficient funding for summer maintenance efforts and debt service funds have adequate balances to make payments when due.

Parks and Recreation are over 75% because of increased expenditures in the summer months for the operation of the aquatic center, as well as general parks maintenance. This operation should end the year well within budget.

The Police budget includes the contract payments to Redflex. Through 9 months we have paid Redflex \$185,833 and have collected \$494,356 in ticket revenue, netting \$308,523. It should be noted that these numbers reflect the "status quo" since the new lights authorized by Council at the beginning of 2018 were installed and activated in October.

Fire has purchased much of their equipment, which pushed them slightly over the 75% mark. Their overtime was slightly less than 75% spent through September.

Other Funds Analysis

Other Funds Revenues and Expenditures As of September 30, 2018 - 75% of Year

	2017		2018		17 vs 18
	Actual	Amended Budget	Actual	Percent Rec'd	Percent Change
Revenues					
Operating/Enterprise Funds	\$23,367,556	\$ 30,344,100	\$ 24,814,879	81.8%	6.2%
Capital Improvement Funds	4,001,497	6,470,000	4,929,405	76.2%	23.2%
Risk Mgmt/Employee Benefit	414,826	558,600	462,283	82.8%	11.4%
Debt Service Funds	1,986,890	2,261,750	2,037,594	90.1%	2.6%
Subtotal-Revenue	\$29,770,769	\$ 39,634,450	\$ 32,244,161	81.4%	8.3%
Expenditures					
Operating/Enterprise Funds	\$19,924,422	\$ 33,084,008	\$ 23,023,352	69.6%	15.6%
Capital Improvement Funds	2,389,119	7,460,000	2,543,092	34.1%	6.4%
Risk Mgmt/Employee Benefit	541,350	628,500	541,722	86.2%	0.1%
Debt Service Funds	2,098,756	2,269,650	2,051,248	90.4%	-2.3%
Subtotal-Expenditures	\$24,953,647	\$ 43,442,158	\$ 28,159,414	64.8%	12.8%

Third 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 are dependent on the timing of the

related amortization tables, and are not expected to follow the percentage of year comparison. Property and liability insurance premiums are due at the first of the year, so the Risk Management fund is almost 92% spent already.

The Solid Waste Fund ended 2017 with a negative fund balance of about \$92,000. Revenue is coming in slightly more than anticipated (i.e. 76.4%), and expenditures are below 75% primarily because interfund loans are due later in the year and the September hauling bill was paid in October so this fund ended the third quarter with a balance of about \$224,400. It should be noted that the monthly hauling bill runs about \$238,000, so this fund is still negative without any repayment of interfund loans in 2018. I would propose waiving the interfund loan repayment in 2018, and moving the payment out one year. This can be brought to Council the first meeting in December. The November 13 meeting has a rate increase for 48 gallon cart service to move toward the rates identified in a cost of service study, to bring this fund into balance in 2019.

The Ambulance Fund revenue is below 75% primarily because the budgeted grant revenue started in mid-year, 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 3rd 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 loan in the Sanitation Fund and rebuilding adequate reserve levels in both funds will continue to stress these operations. We will continue to monitor both of these funds.

The Parks and Recreation Improvement Fund contains the capital projects for field improvements, including lighting and scoreboards at Larson Playfield and Levi Kvamme Soccer Complex. These are funded by grants and lodging tax. Because state grants are reimbursable (i.e. we must spend before we can ask for the grant proceeds), this fund has a temporary negative fund balance. It should be noted that not all of these projects are fully budgeted—the year end appropriation will include needed adjustments.

Overall, third quarter results are performing as expected. Revenues are exceeding budget, while expenditures are being contained below budget levels. Most variances from the 75% mark are related to timing. The only proposed modification is the postponement of interfund loan repayments in the Solid Waste fund as addressed above. In the first 9 months of the year, \$2.5 million was added to citywide fund balances, and all funds had positive fund balances at September 30, 2018 (with the exception of the Parks and Recreation Improvement Fund explained above, and a debt service fund which paid out before the corresponding transfers in were made). It should be noted that even though the report shows that General Fund used \$1.6 million of beginning balance through 9 months, half of the outstanding property tax is also about \$1.6 million. Therefore, General Fund is about breaking even through the first three quarters of 2018, which is consistent with the 2nd quarter report results.

CITY OF MOSES LAKE
2018 Actual vs. Budget Variance
 3rd Quarter 2018

75% 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	9/30/2018 Ending Fund Balance
General Fund									
Legislative					\$ 409,852	\$ 317,683	77.5%		
Executive					965,296	716,086	74.2%		
Finance					1,072,190	777,377	72.5%		
Community Development					1,373,741	960,027	69.9%		
Legal					187,500	90,983	48.5%		
Misc. Services					2,443,190	2,098,022	85.9%		
Library					122,600	97,600	79.6%		
Engineering					1,828,798	1,343,885	73.5%		
Parks & Recreation					5,341,572	4,256,820	79.7%		
Police					6,686,337	5,072,152	75.9%		
Fire					3,407,123	2,680,798	78.7%		
Total General Fund	\$ 3,831,919	\$ 21,993,470	\$ 16,784,604	76.3%	23,838,199	18,411,433	77.2%	\$ (1,626,829)	\$ 2,205,089
Other Operating/Enterprise									
Tourism Activities -102	976,302	565,000	483,298	85.5%	638,200	512,980	80.4%	(29,682)	946,620
Grants & Donations -103	531,142	344,492	280,294	81.4%	151,100	131,036	86.7%	149,258	680,400
Paths & Trails - 114	96,964	2,000	1,738	86.9%	31,000	-	0.0%	1,738	98,702
Streets - 116	642,059	1,993,688	1,745,914	87.6%	2,412,718	1,672,628	69.3%	73,286	715,345
Transportation Benefit District - 170	51,216	940,000	681,976	72.6%	900,000	650,000	72.2%	31,976	83,192
Water/Wastewater Operating - 410	2,039,861	12,275,900	10,462,149	85.2%	12,904,729	10,119,296	78.4%	342,853	2,382,714
Sanitation -490	(91,796)	4,340,000	3,315,590	76.4%	4,364,243	2,999,405	68.7%	316,185	224,389
Stormwater - 493	433,625	840,000	672,737	80.1%	1,203,016	728,059	60.5%	(55,322)	378,303
Airport - 495	87,614	27,000	26,524	98.2%	23,400	62,581	267.4%	(36,057)	51,557
Ambulance - 498	158,960	2,819,610	1,986,916	70.5%	2,866,099	1,948,124	68.0%	38,792	197,752
Central Svc - 517	272,286	545,610	446,609	81.9%	652,092	462,892	71.0%	(16,283)	256,003
Equipment Rental -519	1,329,000	2,513,200	2,139,523	85.1%	2,966,007	1,904,337	64.2%	235,186	1,564,186
Build Maint -528	818,604	3,137,600	2,571,612	82.0%	3,971,404	1,832,014	46.1%	739,598	1,558,202
Total Other Operating/Enterprise	7,345,837	30,344,100	24,814,879	81.8%	33,084,008	23,023,352	69.6%	1,791,527	9,137,364

CITY OF MOSES LAKE

2018 Actual vs. Budget Variance
3rd Quarter 2018

75% 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	9/30/2018 Ending Fund Balance
Capital Improvement									
Street Repair/reconst -119	536,663	2,780,000	1,451,230	52.2%	2,980,000	1,604,196	53.8%	(152,966)	383,697
Parks & Recreation Improvement-314	105,768	890,000	390,552	43.9%	600,000	584,167	97.4%	(193,615)	(87,847)
Park Mitigation Capital Proj-315	413,364	-	176,642	-	-	-	-	176,642	590,006
Water Rights - 471	1,656,798	-	110,982	-	-	-	-	110,982	1,767,780
Water/Sewer Construction-477	6,422,782	2,800,000	2,800,000	100.0%	3,880,000	354,729	9.1%	2,445,271	8,868,053
Total Capital Improvement	9,135,375	6,470,000	4,929,405	76.2%	7,460,000	2,543,092	34.1%	2,386,313	11,521,688
Risk Mgmt/Employee Benefit Reserves									
Unemployment Compensation - 501	56,850	-	-	-	41,500	25,391	61.2%	(25,391)	31,459
Risk Management -503	651,731	528,600	432,492	81.8%	545,000	500,760	91.9%	(68,268)	583,463
Firemen's Relief & Pension - 611	343,214	30,000	29,791	99.3%	42,000	15,571	37.1%	14,220	357,434
Total Employee Benefit Reserves	1,051,795	558,600	462,283	82.8%	628,500	541,722	86.2%	(79,439)	972,356
Debt Service									
Equip Leases-275	-	-	-	-	-	-	-	-	-
GOB 2006-281	-	-	-	-	-	-	-	-	-
GOB 2016 Refunding-286	184,466	377,300	377,300	100.0%	383,500	331,250	86.4%	46,050	230,516
Water-Sewer 2011 Bond-450	7,706	562,850	460,514	81.8%	563,250	531,425	94.3%	(70,911)	(63,205)
Bond Reserve-2011 451	567,600	-	-	-	-	-	-	-	567,600
Water-Sewer 2004 Bond-452	8,344	670,000	548,180	81.8%	671,400	553,000	82.4%	(4,820)	3,524
Water-Sewer 2004 Bond Reserve-453	701,500	-	-	-	-	-	-	-	701,500
Water-Sewer Leases-483	-	-	-	-	-	-	-	-	-
PWTF W/S Debt Serv - 485	19,750	576,000	576,000	100.0%	576,000	575,573	99.9%	427	20,177
GOB 2006 Redemption Parks - 486	-	-	-	-	-	-	-	-	-
2015 GO Bond Redempt- 487	7,363	75,600	75,600	100.0%	75,500	60,000	79.5%	15,600	22,963
Total Debt Service	1,496,729	2,261,750	2,037,594	90.1%	2,269,650	2,051,248	90.4%	(13,654)	1,483,075
Total City Budget	\$ 22,861,635	\$ 61,629,920	\$ 49,028,765	79.6%	\$67,280,357	\$ 46,570,847	69.2%	\$ 2,457,918	\$25,319,573