

## MEMORANDUM

May 28, 2019

To: Kevin Fuhr, Interim City Manager  
From: Cindy Jensen, Finance Director  
Subject: 2019 1<sup>st</sup> Quarter Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2019 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 2019. At the end of the first quarter 2019, 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

## City-Wide Overview

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

	2018		2019	
	Actual	Adopted Budget	Actual	Percent Rec'd
General Fund	\$ 3,946,867	\$ 23,243,039	\$ 4,324,845	18.6%
Operating/Enterprise Funds	7,254,034	34,492,853	7,956,030	23.1%
Capital Improvement Funds	1,404,343	7,255,600	1,796,884	24.8%
Risk Mgmt/Employee Benefit	144,168	650,200	144,300	22.2%
Debt Service Funds	875,930	2,269,749	1,134,875	50.0%
<b>Total City Revenues</b>	<b>\$ 13,625,342</b>	<b>\$ 67,911,441</b>	<b>\$ 15,356,934</b>	<b>22.6%</b>

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

	2018		2019	
	Actual	Adopted Budget	Actual	Percent Spent
General Fund	\$ 5,665,315	\$ 25,651,780	\$ 5,700,087	22.2%
Operating/Enterprise Funds	6,647,844	36,921,952	8,269,656	22.4%
Capital Improvement Funds	91,060	11,175,000	169,166	1.5%
Risk Mgmt/Employee Benefit	502,556	659,500	575,468	87.3%
Debt Service Funds	210,675	2,268,715	187,975	8.3%
<b>Total City Expenditures</b>	<b>\$ 13,117,450</b>	<b>\$ 76,676,947</b>	<b>\$ 14,902,352</b>	<b>19.4%</b>

## General Fund Revenue Analysis

General Fund Revenues					
As of March 31, 2019 - 25% of year					
	2018	2019			18 vs 19
	Actual	Adopted Budget	Actual	Percent Rec'd	Percent Change
310 Taxes					
Property Tax	\$ 64,584	\$ 6,665,000	\$ 76,537	1.1%	18.5%
Sales Tax	1,567,544	6,550,000	1,674,352	25.6%	6.8%
Utility Tax	971,036	3,258,600	936,972	28.8%	-3.5%
Gambling Tax	83,275	264,000	77,036	29.2%	-7.5%
Other Taxes	21,976	83,000	20,545	24.8%	-6.5%
Subtotal-Taxes	2,708,415	16,820,600	2,785,442	16.6%	2.8%
320 Licenses & Permits	222,110	635,500	202,932	31.9%	-8.6%
330 Intergovernmental Revenues	103,281	748,470	106,947	14.3%	3.5%
340 Charges for Goods & Services	635,495	3,379,814	697,270	20.6%	9.7%
350 Fines and Penalties	127,207	809,000	306,850	37.9%	141.2%
360 Miscellaneous Revenues	150,359	349,655	225,406	64.5%	49.9%
390 Other Financing Resources	-	500,000	-	0.0%	
<b>Total General Fund Revenues</b>	<b>\$ 3,946,867</b>	<b>\$ 23,243,039</b>	<b>\$ 4,324,847</b>	<b>18.6%</b>	<b>9.6%</b>

**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 spiked in 2017 at \$6.78 million which was a 13.3% increase over 2016, and then calmed to end 2018 at \$6.57 million -- 3.1% below 2017 actual. The 2019 budget is slightly less than 2018 actual. Through the 1<sup>st</sup> quarter, sales tax was 6.8% greater compared to the prior year, which still puts it ahead of this year's budget estimate. Recent changes in federal and state sales tax collection laws are helping to shore up this important revenue stream.

**Utility Tax** – This revenue source experiences fluctuations either from rate adjustments or fluctuations in usage. Even though increases are occurring in most of the utilities because of basic Consumer Price Index (CPI) rate increases, first quarter results are showing a reduction of 3.5%, from the prior year, which can be explained by the continued trend to reduce land line telephones and select cellular phone packages with more data than voice service. However, we anticipated these trends, and in total Utility Tax is exceeding the 25% mark.

**Gambling Taxes** -- This revenue stream had a strong 1<sup>st</sup> quarter, and is already at 29.2% of the year's budget. It should be noted, however, that Council reduced the card game tax rate over the next few 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 2019 1<sup>st</sup> quarter results are exceeding the budget estimate, it was still below 2018 actual results. This activity typically picks up during the warmer construction months.

**Intergovernmental Revenue** – The major components of intergovernmental revenue are State-shared revenue and the PUD Tax. We receive the PUD Tax in one lump sum in July, so the variance is simply timing. The state-shared revenues remained intact during the 2019 legislative session, so this revenue stream should come in as anticipated.

**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. Four additional cameras were added in late 2018, so the collections have more than doubled in the first quarter, and are at 37.9% of the total budget through 25% of the year. There are currently 2 cameras that are not working, so we don't anticipate the continued rate of growth for the rest of the year.

**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. Additionally, we only allocate interest out to funds once at the end of the year.

**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. This transfer is also done at the end of the year, so is showing no actual through the first quarter.

**Summary** --Overall, the first quarter 2019 General Fund revenue came in at \$4,324,847 which is 18.6% 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 \$377,980 or 9.6% over the first quarter 2018 actual of \$3,946,867. This growth was spread among several categories.

### ***General Fund Expenditure Analysis***

#### **General Fund Expenditures As of March 31, 2019 - 25% of Year**

	2018		2019		18 vs 19
	Actual	Adopted Budget	Actual	Percent Spent	Percent Change
Legislative	\$ 102,714	\$ 361,809	\$ 83,860	23.2%	-18.4%
Executive	199,097	1,198,680	259,855	21.7%	30.5%
Finance	255,823	1,136,682	253,845	22.3%	-0.8%
Community Development	288,915	1,561,578	337,472	21.6%	16.8%
Legal	22,038	193,800	25,406	13.1%	15.3%
Misc. Services	842,191	2,071,740	464,277	22.4%	-44.9%
Library	33,107	80,200	19,296	24.1%	-41.7%
Engineering	400,766	2,004,305	510,052	25.4%	27.3%
Parks & Recreation	1,091,153	5,950,555	1,144,549	19.2%	4.9%
Police	1,533,666	7,445,004	1,770,012	23.8%	15.4%
Fire	895,845	3,647,427	831,463	22.8%	-7.2%
<b>Total General Fund Expenditures</b>	<b>\$ 5,665,315</b>	<b>\$ 25,651,780</b>	<b>\$ 5,700,087</b>	<b>22.2%</b>	<b>0.6%</b>

In total, General Fund Expenditures for the first quarter are 2.8% 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. Many variances in individual divisions are the result of position vacancies. The first quarter also has some positive variances related to the timing of professional services. For example, the pay and compensation study in the Executive Division, and the audit expense in Finance had virtually no activity in the 1<sup>st</sup> quarter.

The percent change from 2018 to 2019 shows a decrease in Legislative and an increase in Executive. It should be noted that all salaries other than City Council’s stipends were moved from Legislative to Executive in the 2019 budget, after careful review of the State’s Budgeting, Accounting and Reporting System (BARS) rules and classifications.

- The Executive and Finance divisions are below the 25% mark primarily because of the timing of the pay and compensation study and audit expenses respectively.
- Legal varies depending on the number of issues being addressed by the City Attorney.
- 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 1<sup>st</sup> quarter to Debt Service so there is sufficient funding to pay debt service when it comes due. The 2019 budget also included a \$250,000 contingency for the Police and Fire collective bargaining agreements. This will be moved from this category into the respective divisions' budget. (Police 1<sup>st</sup> quarter results includes the application of the bargained agreement. Fire's agreement was finished later, and will be applied in the 2<sup>nd</sup> quarter.)
- Engineering is slightly over 25% primarily because of a one-time upgrade of the entire division's computers. With the new software they are running, we needed to make sure the hardware could still process everything efficiently.
- Parks & Recreation is below the 25% mark because of program timing—the aquatic center doesn't open until the 2<sup>nd</sup> quarter.

#### ***Other Funds Analysis***

### **Other Funds Revenues and Expenditures** **As of March 31, 2019 - 25% of Year**

	2018		2019		18 vs 19
	Actual	Adopted Budget	Actual	Percent to Budget	Percent Change
<b>Revenues</b>					
Operating/Enterprise Funds	\$ 7,254,034	\$ 34,492,853	\$ 7,956,030	23.1%	9.7%
Capital Improvement Funds	1,404,343	7,255,600	1,796,884	24.8%	28.0%
Risk Mgmt/Employee Benefi	144,168	650,200	144,300	22.2%	0.1%
Debt Service Funds	875,930	2,269,749	1,134,875	50.0%	29.6%
<b>Subtotal-Revenue</b>	<b>\$ 9,678,475</b>	<b>\$ 44,668,402</b>	<b>\$ 11,032,089</b>	<b>24.7%</b>	<b>14.0%</b>
<b>Expenditures</b>					
Operating/Enterprise Funds	\$ 6,647,844	\$ 36,921,952	\$ 8,269,656	22.4%	24.4%
Capital Improvement Funds	91,060	11,175,000	169,166	1.5%	85.8%
Risk Mgmt/Employee Benefi	502,556	659,500	575,468	87.3%	14.5%
Debt Service Funds	210,675	2,268,715	187,975	8.3%	-10.8%
<b>Subtotal-Expenditures</b>	<b>\$ 7,452,135</b>	<b>\$ 51,025,167</b>	<b>\$ 9,202,265</b>	<b>18.0%</b>	<b>23.5%</b>

First quarter 2019 results generally performed as expected. Tourism is 33.6% spent, primarily because half of the transfer to the Parks & Recreation Improvement Fund was done to ensure adequate funds to complete all the lighting and scoreboard projects, as well as next steps related to the proposed Larson Recreation Center. Equipment Rental is over 25% of their budget, because they purchased about half of the capital equipment items in the 1<sup>st</sup> quarter. Positive 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/Employee Benefit fund category is 87.3% spent already.

The Solid Waste (Sanitation) Fund is within budget estimates. 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 \$355,000. (It should be noted that the monthly hauling bill runs about \$240,000.)

The Ambulance Fund revenue is 29.1% received. Expenditures are running right at budget because the timing of interfund loan repayments scheduled for year-end was offset by capital outlay made in the 1<sup>st</sup> quarter. At the end of the 1<sup>st</sup> quarter, the Ambulance Fund has added about \$90,000 to its fund balance. Therefore, it looks like the policy changes made for these two funds for the 2019 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.

### ***Conclusion***

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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, about \$450,000 was added to citywide fund balances, and all funds had positive fund balances at March 31, 2019.



**CITY OF MOSES LAKE**  
**2019 Actual vs. Budget Variance**  
1st Quarter 2019

25% of year completed									



## CITY OF MOSES LAKE

## 2019 Actual vs. Budget Variance

1st Quarter 2019

25% of year completed

	1/1/2019 Actual Begin. Fund Bal	2019 Budget- Adopted Revenues	2019 YTD Actual Revenues	% Received	2019 Adopted Budget	2019 YTD Actual Expenditure	% Expended	2019 (Use) Gain of Fund Balance	3/31/2019 Ending Fund Balance
<b>Capital Improvement</b>									
Street Repair/reconst -119	564,719	3,449,600	600,334	17.4%	3,730,000	82,452	2.2%	517,882	1,082,601
Parks & Recreation Improvement-314	21,338	500,000	250,000	50.0%	500,000	-	0.0%	250,000	271,338
Park Mitigation Capital Proj-315	603,173	6,000	-	-	-	-	-	-	603,173
Water Rights - 471	1,809,780	3,300,000	-	-	-	-	-	-	1,809,780
Water/Sewer Construction-477	8,383,398	7,255,600	946,550	28.7%	6,945,000	86,714	1.2%	859,836	9,243,234
<b>Total Capital Improvement</b>	<b>11,382,407</b>	<b>7,255,600</b>	<b>1,796,884</b>	<b>24.8%</b>	<b>11,175,000</b>	<b>169,166</b>	<b>1.5%</b>	<b>1,627,718</b>	<b>13,010,125</b>
<b>Risk Mgmt/Employee Benefit Reserves</b>									
Unemployment Compensation - 501	19,041	30,000	-	-	31,500	375	1.2%	(375)	18,666
Risk Management -503	566,834	583,200	144,300	24.7%	577,500	569,614	98.6%	(425,314)	141,520
Firemen's Relief & Pension - 611	357,906	37,000	-	0.0%	50,500	5,479	10.8%	(5,479)	352,427
<b>Total Employee Benefit Reserves</b>	<b>943,781</b>	<b>650,200</b>	<b>144,300</b>	<b>22.2%</b>	<b>659,500</b>	<b>575,468</b>	<b>87.3%</b>	<b>(431,168)</b>	<b>512,613</b>
<b>Debt Service</b>									
GOB 2016 Refunding-286	184,683	381,334	190,667	50.0%	381,334	46,917	12.3%	143,750	328,433
Water-Sewer 2011 Bond-450	7,706	565,000	282,500	50.0%	564,100	24,550	4.4%	257,950	265,656
Bond Reserve-2011 451	567,600	-	-	-	-	-	-	-	567,600
Water-Sewer 2004 Bond-452	7,344	674,250	337,125	50.0%	674,250	107,125	15.9%	230,000	237,344
Water-Sewer 2004 Bond Reserve-453	701,500	-	-	-	-	-	-	-	701,500
PWTF W/S Debt Serv - 485	20,177	572,765	286,383	50.0%	572,765	-	0.0%	286,383	306,560
2015 GO Bond Redempt- 487	7,546	76,400	38,200	50.0%	76,266	9,383	12.3%	28,817	36,363
<b>Total Debt Service</b>	<b>1,496,556</b>	<b>2,269,749</b>	<b>1,134,875</b>	<b>50.0%</b>	<b>2,268,715</b>	<b>187,975</b>	<b>8.3%</b>	<b>946,900</b>	<b>2,443,456</b>
<b>Total City Budget</b>	<b>\$ 29,181,563</b>	<b>\$ 67,911,441</b>	<b>\$ 15,356,934</b>	<b>22.6%</b>	<b>\$76,676,947</b>	<b>\$ 14,902,352</b>	<b>19.4%</b>	<b>\$ 454,582</b>	<b>\$29,636,145</b>