


MEMORANDUM

August 13, 2019

To: Kevin Fuhr, Interim City Manager
From: Cindy Jensen, Finance Director 
Subject: 2019 2nd Quarter Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2019 second 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 fall.

Overall, the City budget is performing as expected through the second quarter of 2019. At the end of the second quarter 2019, we are seeing typical variances tied to position vacancies and the timing of annual dues/assessments. Because several of the principal payments on debt service are due in the 3rd quarter, we completed the debt service transfers in the 2nd quarter. Some of the operational activity that was slower in the first quarter because of the winter months have picked up in the summer. Capital projects are still underspent because of long lead-in times that are typical of this activity.

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--50% of year)

	2018		2019	
	Actual	Amended Budget	Actual	Percent Rec'd
General Fund	\$ 11,844,902	\$ 23,358,039	\$ 12,765,716	54.7%
Operating/Enterprise Funds	15,501,089	34,652,853	16,315,971	47.1%
Capital Improvement Funds	2,783,209	7,720,600	3,392,422	43.9%
Risk Mgmt/Employee Benefit	318,121	650,200	288,600	44.4%
Debt Service Funds	1,636,661	2,269,749	2,269,748	100.0%
Total City Revenues	\$ 32,083,982	\$ 68,651,441	\$ 35,032,457	51.0%

Expenditure Comparison (Budget vs. Actual--50% of year)

	2018		2019	
	Actual	Amended Budget	Actual	Percent Spent
General Fund	\$ 12,133,359	\$ 25,875,200	\$ 12,428,044	48.0%
Operating/Enterprise Funds	14,492,165	39,456,052	16,813,555	42.6%
Capital Improvement Funds	938,363	11,431,000	1,773,505	15.5%
Risk Mgmt/Employee Benefit	535,222	719,500	611,635	85.0%
Debt Service Funds	575,573	2,268,715	188,875	8.3%
Total City Expenditures	\$ 28,674,682	\$ 79,750,467	\$ 31,815,614	39.9%

General Fund Revenue Analysis

General Fund Revenues					
As of June 30, 2019 - 50% of year					
	2018		2019		18 vs 19
	Actual	Amended Budget	Actual	Percent Rec'd	Percent Change
310 Taxes					
Property Tax	\$ 3,780,052	\$ 6,665,000	\$ 4,147,907	62.2%	9.7%
Sales Tax	3,173,186	6,550,000	3,289,330	50.2%	3.7%
Utility Tax	1,802,986	3,258,600	1,795,678	55.1%	-0.4%
Gambling Tax	152,856	264,000	144,105	54.6%	-5.7%
Other Taxes	47,629	83,000	44,435	53.5%	-6.7%
Subtotal-Taxes	8,956,709	16,820,600	9,421,455	56.0%	5.2%
320 Licenses & Permits	394,989	635,500	418,007	65.8%	5.8%
330 Intergovernmental Revenues	220,524	748,470	222,652	29.7%	1.0%
340 Charges for Goods & Services	1,612,865	3,379,814	1,698,601	50.3%	5.3%
350 Fines and Penalties	355,011	809,000	556,122	68.7%	56.6%
360 Miscellaneous Revenues	304,805	349,655	448,879	128.4%	47.3%
390 Other Financing Resources	0	615,000	-	0.0%	
Total General Fund Revenues	\$ 11,844,903	\$ 23,358,039	\$ 12,765,716	54.7%	7.8%

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. Even though the levy for 2019 was set at \$7.46 million, we only budgeted \$6.665 million. At this point in time it appears collections could come in closer to the levy, so that we will likely exceed budget in this line item.

Sales Tax – This major revenue source ended 2018 at \$6.573 million, and was conservatively set slightly below the 2018 actual assuming some of the construction will taper off. Through the 2nd quarter, sales tax was up 3.7% over the prior year, which is trending to exceed this year's budget estimate.

Utility Tax – This revenue source experiences fluctuations either from rate adjustments or fluctuations in usage. Second quarter results are relatively flat compared to the prior year. Rate increases were offset by the continuing downward trend in telephone utility taxes.

Gambling Taxes—This revenue stream is historically higher in the first half 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.

Licenses and Permits – This revenue is generated by the development community, and is difficult to budget because it is volatile by nature. 2019 2nd quarter results are exceeding the budget estimate, and trending above 2018 actual results. This trend is a positive indicator of future construction-related sales tax.

Intergovernmental Revenue – This category includes State-shared revenue (\$334k), the PUD privilege tax (\$320k), and other grants (consisting primarily of the COPS grant totaling \$94k). State-shared revenue is slightly exceeding budgeted estimates. The PUD tax is received once a year in July, and is also slightly exceeding budget. The billing for the COPS grant has not yet been received, so overall the category is under budget at the mid-point of the year, but is anticipated to slightly exceed the total budget by year end.

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 just above the 50% mark through half the year.

Fines and Penalties consist almost entirely of fines generated by the red-light camera program. 2018 actual was low in the second quarter, because 2 of the 4 cameras were not working. The 2019 budget includes a full year collection of fines from new cameras authorized by Council in the fall of 2018, and this revenue source is trending to exceed the budget.

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 closer to the budget estimate.

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 (\$500k). This revenue is transferred at year-end. It also includes the transfer from LTAC for Flo-Rider repair and marketing, which will also be analyzed and transferred at year-end.

Summary --Overall, the second quarter 2019 General Fund revenue came in at \$12,765,716 which is 54.7% of the total year budget. It is above the 50% mark primarily due to the conservative nature of the budget estimates. Total revenue grew by \$920,813 or 7.8% over the second quarter 2018 actual of \$11,844,903. This growth was spread among several categories.

General Fund Expenditures
As of June 30, 2019 - 50% of Year

	2018		2019		18 vs 19
	Actual	Amended Budget	Actual	Percent Spent	Percent Change
Legislative	\$ 208,791	\$ 361,809	\$ 169,646	46.9%	-18.7%
Executive	464,759	1,213,100	563,707	46.5%	21.3%
Finance	507,144	1,158,282	493,354	42.6%	-2.7%
Community Development	621,964	1,561,578	695,952	44.6%	11.9%
Legal	49,991	193,800	91,251	47.1%	82.5%
Misc. Services	1,720,619	1,824,340	934,512	51.2%	-45.7%
Library	65,813	80,200	39,512	49.3%	-40.0%
Engineering	868,801	2,004,305	1,061,996	53.0%	22.2%
Parks & Recreation	2,563,267	6,122,855	2,729,186	44.6%	6.5%
Police	3,284,432	7,627,504	3,745,445	49.1%	14.0%
Fire	1,777,778	3,727,427	1,903,483	51.1%	7.1%
Total General Fund Expenditures	\$12,133,359	\$25,875,200	\$12,428,044	48.0%	2.4%

In total, General Fund Expenditures for the second quarter are 2.0% below the 50% mark, and are up by 2.4% compared to the prior year. This increase consists primarily of the 2019 COLA adjustment for salaries (including the Police and Fire union settlements).

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 for debt service are accelerated in the 1st half of the year so that debt service funds have adequate balances to make payments when due.

Engineering used some salary savings from vacancies to upgrade the division computers, so are ahead of the 50% mark at June 30. As their capital purchases are almost completed, they should stay within their total budget by year end.

The Police budget includes the contract payments to Redflex. Through 6 months we have paid Redflex \$240,144 and have collected \$541,175 in ticket revenue, netting \$301,030 in the first

half of 2019. It should be noted that these numbers reflect the new lights authorized by Council which were activated at the end of 2018.

Fire has exceeded 50% of their overtime budget, as they have several employees out of the shift rotation with long-term injuries. We will be monitoring this trend, and may request additional appropriation when we put together the next budget amendment in October/November.

Other Funds Analysis

Other Funds Revenues and Expenditures As of June 30, 2019 - 50% of Year

	2018		2019		18 vs 19
	Actual	Amended Budget	Actual	Percent to Budget	Percent Change
Revenues					
Operating/Enterprise Funds	\$15,501,089	\$34,652,853	\$16,315,971	47.1%	5.3%
Capital Improvement Funds	2,783,209	7,720,600	3,392,422	43.9%	21.9%
Risk Mgmt/Employee Benefit	318,121	650,200	288,600	44.4%	-9.3%
Debt Service Funds	1,636,661	2,269,749	2,269,748	100.0%	38.7%
Subtotal-Revenue	\$20,239,080	\$45,293,402	\$22,266,741	49.2%	10.0%
Expenditures					
Operating/Enterprise Funds	\$14,492,165	\$39,456,052	\$16,813,555	42.6%	16.0%
Capital Improvement Funds	938,363	11,431,000	1,773,505	15.5%	89.0%
Risk Mgmt/Employee Benefit	535,222	719,500	611,635	85.0%	14.3%
Debt Service Funds	575,573	2,268,715	188,875	8.3%	-67.2%
Subtotal-Expenditures	\$16,541,323	\$53,875,267	\$19,387,570	36.0%	17.2%

Second quarter 2019 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 primarily only have interest payments due in the first half of the year—principal payments are typically scheduled for later in the year so the fund can build up the necessary balance. Property and liability insurance premiums are due at the first of the year, so the Risk Management fund is almost 92% spent already.

Transfers out to Debt Service funds were all done in the first half of the year, as principal payments come due in the 3rd and 4th quarters. This put Water/Wastewater fund expenditures over the 50% mark and affected the fund balance total by approximately \$900,000.

The Solid Waste Fund ended 2018 with a fund balance of about \$44,000. Revenue is coming in as expected (i.e. 51.9%), and expenditures are below 50% (at 38.1%) primarily because interfund loans are due later in the year and most of the major June bill were paid in July so this fund's expenditures are truly at the 5 month mark for this report, which shows that ended the second quarter with a balance of about \$735,000. (It should be noted that 1 month of expenditures equals about \$393,000.) Therefore, it appears that they should be able to make the interfund loan payment at the end of the year, and still add to the fund balance. The closing of REC is estimated to reduce revenues by about \$300,000 annually in the solid waste fund, but it will also reduce hauling charges and state taxes proportionately, so the net bottom line will not be significantly affected.

The Ambulance Fund revenue is below 50% 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 2nd quarter, the Ambulance Fund was virtually breaking even. We have been notified that we will be receiving about \$440,000 in reimbursement for managed care claims made under the Ground Emergency Medical Transportation (GEMT) Program in the 3rd quarter. They are looking back to calendar year 2017 and applying our calculated rate to eligible claims in that time frame.

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, including repayment of the interfund loans, while starting to rebuild adequate reserve levels. We will continue to monitor both of these funds.

Overall, second quarter results are performing as expected. Most variances from the 50% mark are related to timing. Stated in a different way, there are no "red flags" in the second quarter operating results that I feel would require operating modifications. In the first half of the year, \$3.2 million was added to citywide fund balances, and all funds had positive fund balances at June 30, 2019. General Fund added \$337,672 to its beginning balance through the first 6 months, although this growth may not continue as 7 vacant positions included for the first time in the 2019 General Fund budget become filled.

CITY OF MOSES LAKE

2019 Actual vs. Budget Variance

2nd Quarter 2019

50% of year completed

	1/1/2019 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	6/30/2019 Ending Fund Balance
General Fund									
Legislative					\$ 361,809	\$ 169,646	46.9%		
Executive					1,213,100	563,707	46.5%		
Finance					1,158,282	493,354	42.6%		
Community Development					1,561,578	695,952	44.6%		
Legal					193,800	91,251	47.1%		
Misc. Services					1,824,340	934,512	51.2%		
Library					80,200	39,512	49.3%		
Engineering					2,004,305	1,061,996	53.0%		
Parks & Recreation					6,122,855	2,729,186	44.6%		
Police					7,627,504	3,745,445	49.1%		
Fire					3,727,427	1,903,483	51.1%		
Total General Fund	\$ 5,512,997	\$ 23,358,039	\$ 12,765,716	54.7%	25,875,200	12,428,044	48.0%	\$ 337,672	\$ 5,850,669
Other Operating/Enterprise									
Tourism Activities -102	900,231	720,000	278,532	38.7%	1,311,864	552,027	42.1%	(273,495)	626,736
Grants & Donations -103	757,582	191,104	164,564	86.1%	363,688	93,094	25.6%	71,470	829,052
Paths & Trails - 114	98,941	2,000	1,089	54.5%	31,000	-	0.0%	1,089	100,030
Streets - 116	614,981	2,416,500	1,072,267	44.4%	2,634,151	1,210,411	46.0%	(138,144)	476,837
Transportation Benefit District - 170	515,106	1,451,000	768,708	53.0%	1,650,000	825,000	50.0%	(56,292)	458,814
Water/Wastewater Operating - 410	2,797,799	12,886,300	5,549,774	43.1%	14,883,230	7,467,108	50.2%	(1,917,334)	880,465
Sanitation -490	44,492	4,790,000	2,486,844	51.9%	4,715,610	1,795,634	38.1%	691,210	735,702
Stormwater - 493	413,127	922,000	469,327	50.9%	1,176,917	403,637	34.3%	65,690	478,817
Airport - 495	95,555	27,000	15,413	57.1%	59,009	8,701	14.7%	6,712	102,267
Ambulance - 498	91,697	2,878,140	1,402,928	48.7%	3,025,570	1,432,259	47.3%	(29,331)	62,366
Central Svc - 517	302,445	1,543,000	771,823	50.0%	1,684,616	802,578	47.6%	(30,755)	271,690
Fleet Management-519	1,571,232	3,598,409	1,729,653	48.1%	3,107,088	1,328,085	42.7%	401,568	1,972,800
Build Maint -528	1,642,633	3,227,400	1,605,049	49.7%	4,813,309	895,021	18.6%	710,028	2,352,661
Total Other Operating/Enterprise	9,845,821	34,652,853	16,315,971	47.1%	39,456,052	16,813,555	42.6%	(497,584)	9,348,237

CITY OF MOSES LAKE
2019 Actual vs. Budget Variance
 2nd Quarter 2019

50% of year completed

	1/1/2019 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	6/30/2019 Ending Fund Balance
Capital Improvement									
Street Repair/reconst -119	564,719	3,449,600	1,292,590	37.5%	3,730,000	287,530	7.7%	1,005,060	1,569,779
Parks & Recreation Improvement-314	21,338	965,000	250,000	25.9%	631,000	161,863	25.7%	88,137	109,475
Park Mitigation Capital Proj-315	603,173	6,000	-	-	-	-	-	-	603,173
Water Rights - 471	1,809,780	-	-	-	-	-	-	-	1,809,780
Water/Sewer Construction-477	8,383,398	3,300,000	1,849,832	56.1%	7,070,000	1,324,112	18.7%	525,720	8,909,118
Total Capital Improvement	11,382,407	7,720,600	3,392,422	43.9%	11,431,000	1,773,505	15.5%	1,618,917	13,001,324
Risk Mgmt/Employee Benefit Reserves									
Unemployment Compensation - 501	19,041	30,000	-	-	31,500	13,112	41.6%	(13,112)	5,929
Risk Management -503	566,834	583,200	288,600	49.5%	637,500	584,979	91.8%	(296,379)	270,455
Firemen's Relief & Pension - 611	357,906	37,000	-	0.0%	50,500	13,544	26.8%	(13,544)	344,362
Total Employee Benefit Reserves	943,781	650,200	288,600	44.4%	719,500	611,635	85.0%	(323,035)	620,746
Debt Service									
GOB 2016 Refunding-286	184,683	381,334	381,333	100.0%	381,334	47,167	12.4%	334,166	518,849
Water-Sewer 2011 Bond-450	7,706	565,000	565,000	100.0%	564,100	24,850	4.4%	540,150	547,856
Bond Reserve-2011 451	567,600	-	-	-	-	-	-	-	567,600
Water-Sewer 2004 Bond-452	7,344	674,250	674,250	100.0%	674,250	107,425	15.9%	566,825	574,169
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	-	0.0%	572,765	592,942
2015 GO Bond Redempt- 487	7,546	76,400	76,400	100.0%	76,266	9,433	12.4%	66,967	74,513
Total Debt Service	1,496,556	2,269,749	2,269,748	100.0%	2,268,715	188,875	8.3%	2,080,873	3,577,429
Total City Budget	\$ 29,181,563	\$ 68,651,441	\$ 35,032,457	51.0%	\$79,750,467	\$ 31,815,614	39.9%	\$ 3,216,843	\$32,398,406