

## **MEMORANDUM**

November 8, 2019

To: Kevin Fuhr, Interim City Manager  
From: Cindy Jensen, Finance Director  
Subject: 2019 3rd Quarter Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2019 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 will begin at the end of November.

Overall, the City budget is performing as expected through the third quarter of 2019. At the end of the third quarter, we are seeing typical variances tied to position vacancies and the timing of annual dues/assessments and other operational considerations. Capital projects are still underspent because of long lead-in times that are typical of this activity.

In reviewing the reports, the 2019 budget appears to be adequate for most operating funds. Exceptions are the Unemployment Compensation and Risk Management Funds, and minor overages in debt service funds. (Debt Service funds are technically adopted at the time the debt is issued, so these can be adjusted administratively.) In addition there have been projects that have had contracts awarded or have otherwise been approved by Council which have not yet been incorporated into the 2019 budget. For example, the water main breaks and wastewater line break along Northshore. The Fire Department is also experiencing an overage because of a number of staff on "light duty" which is requiring shifts to be filled using either overtime or additional provisional employees. An appropriation ordinance to increase the 2019 budget will be presented for Council consideration at the November 26 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

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

	2018		2019	
	Actual	Amended Budget	Actual	Percent Rec'd
General Fund	\$ 16,784,604	\$ 23,358,039	\$ 18,080,144	77.4%
Operating/Enterprise Funds	24,814,879	34,652,853	27,110,912	78.2%
Capital Improvement Funds	4,929,405	7,720,600	5,417,969	70.2%
Risk Mgmt/Employee Benefit	462,283	650,200	470,413	72.3%
Debt Service Funds	2,037,594	2,269,749	2,269,748	100.0%
<b>Total City Revenues</b>	<b>\$ 49,028,765</b>	<b>\$ 68,651,441</b>	<b>\$ 53,349,186</b>	<b>77.7%</b>

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

	2018		2019	
	Actual	Amended Budget	Actual	Percent Spent
General Fund	\$ 18,411,433	\$ 25,875,200	\$ 18,935,406	73.2%
Operating/Enterprise Funds	23,023,352	39,456,052	26,160,957	66.3%
Capital Improvement Funds	2,543,092	11,431,000	3,258,259	28.5%
Risk Mgmt/Employee Benefit	541,722	719,500	701,218	97.5%
Debt Service Funds	2,051,248	2,268,715	2,269,615	100.0%
<b>Total City Expenditures</b>	<b>\$ 46,570,847</b>	<b>\$ 79,750,467</b>	<b>\$ 51,325,455</b>	<b>64.4%</b>

## General Fund Revenue Analysis

General Fund Revenues					
As of September 30, 2019 - 75% of year					
	2018	2019		18 vs 19	
	Actual	Amended Budget	Actual	Percent Rec'd	Percent Change
310 Taxes					
Property Tax	\$ 3,896,290	\$ 6,665,000	\$ 4,235,828	63.6%	8.7%
Sales Tax	4,845,190	6,550,000	5,263,148	80.4%	8.6%
Utility Tax	2,684,742	3,258,600	2,612,699	80.2%	-2.7%
Gambling Tax	226,307	264,000	210,907	79.9%	-6.8%
Other Taxes	72,640	83,000	66,195	79.8%	-8.9%
REET Allocation	-	-	-		
Subtotal-Taxes	11,725,169	16,820,600	12,388,777	73.7%	5.7%
320 Licenses & Permits	565,288	635,500	572,191	90.0%	1.2%
330 Intergovernmental Revenues	632,189	748,470	715,957	95.7%	13.3%
340 Charges for Goods & Services					
Administrative Support	694,880	934,000	700,500	75.0%	0.8%
Engineering	564,652	735,700	624,238	84.8%	10.6%
Public Safety	237,337	402,700	247,357	61.4%	4.2%
Parks & Recreation Programs	1,028,447	1,018,000	1,144,508	112.4%	11.3%
Community Development	168,948	177,000	169,906	96.0%	0.6%
Sales of Merchandise/Misc.	72,805	112,414	64,069	57.0%	-12.0%
Subtotal Charges for Services	2,767,069	3,379,814	2,950,578	87.3%	6.6%
350 Fines and Penalties	522,434	809,000	790,637	97.7%	51.3%
360 Miscellaneous Revenues	464,610	349,655	662,003	189.3%	42.5%
390 Other Financing Resources	107,845	615,000	-	0.0%	
<b>Total General Fund Revenues</b>	<b>\$16,784,604</b>	<b>\$23,358,039</b>	<b>\$18,080,143</b>	<b>77.4%</b>	<b>7.7%</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. 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 2018 with a total of \$6,573,083. The 2019 budget was conservatively set at about the 2018 actual assuming some of the construction that caused the large increase will taper off. Through the 3rd quarter, sales tax is exceeding the prior year by

8.6%, shored up by the change in state law that was effective in the fall of 2018 which extends sales tax collection to more online sales, 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 down compared to the prior year, coming in 2.7% below 2018. Rate increases were more than offset by a significant 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 five years (2018-2022), so this is expected to trend below the prior year actual, but still exceed the 2019 budget.

**Licenses and Permits** – This revenue is generated by the development community, and is difficult to budget because it is volatile by nature. 2019 3rd quarter results are exceeding the budget estimate, and trending slightly above 2018 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. Moses Lake became eligible for City Assistance in 2019, which accounts for about \$53,000 of the increase. This distribution was not anticipated in the 2019 budget, which is why this revenue is well ahead of the 2018 third quarter, and exceeding the 2019 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. The 2019 budget included a conservative estimate of fines from the new cameras installed at the end of September 2018. However, the school zone cameras stopped working in early-2019. Even with some cameras not working, this revenue is trending to exceed 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.

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 (\$500,000). The Lodging Tax allocation for Parks programs of \$115,000 is also in this budget for 2019. Both of these transfers will be calculated and completed at year end.

**Summary** --Overall, the third quarter 2019 General Fund revenue came in at \$18,080,143 which is 77.4% of the total year budget, even with property tax collections being just slightly above the halfway mark. The total is more than 75% primarily due to the conservative nature of the budget estimates. Total revenue grew by \$1,295,539 or 7.7% over the third quarter 2018 actual of \$16,784,604. This growth was spread among several categories.

## General Fund Expenditure Analysis

### General Fund Expenditures As of September 30, 2019 - 75% of Year

	2018	2019		18 vs 19
	Actual	Amended Budget	Actual	Percent Spent
Legislative	\$ 317,683	\$ 361,809	\$ 254,486	70.3%
Executive	716,086	1,213,100	901,773	74.3%
Finance	777,377	1,158,282	726,452	62.7%
Community Development	960,027	1,561,578	986,900	63.2%
Legal	90,983	193,800	144,955	74.8%
Misc. Services	2,098,022	1,824,340	1,361,492	74.6%
Library	97,600	80,200	58,236	72.6%
Engineering	1,343,885	2,004,305	1,562,969	78.0%
Parks & Recreation	4,256,820	6,122,855	4,538,549	74.1%
Police	5,072,152	7,627,504	5,595,505	73.4%
Fire	2,680,798	3,727,427	2,804,089	75.2%
<b>Total General Fund Expenditures</b>	<b>\$18,411,433</b>	<b>\$ 25,875,200</b>	<b>\$ 18,935,406</b>	<b>73.2%</b>

In total, General Fund Expenditures for the third quarter are 1.8% below the 75% mark, and are up by 2.8% compared to the prior year. This increase consists primarily of the 2019 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.

Engineering is over 75% because of one-time purchases of office equipment and remodel of the Annex conference room. This operation should end the year within budget.

The Police budget includes the contract payments to Redflex for traffic control cameras and ticketing program. Through 9 months we have paid Redflex \$348,700 and have collected \$771,000 in ticket revenue, netting about \$422,300. It should be noted that these numbers reflect the addition of 4 new lights authorized by Council and activated in October 2018, but the reduction of 2 school zone lights that haven't been functioning since early 2019.

Fire has several employees on extended light duty which is causing additional staffing costs (i.e. overtime and provisional employees) so that they are slightly over the 75% mark. This is expected to continue through the end of the year, and an additional appropriation request will be included in the upcoming budget amendment.

## Other Funds Analysis

### Other Funds Revenues and Expenditures

As of September 30, 2019 - 75% of Year

	2018	2019		18 vs 19	
	Actual	Amended Budget	Actual	Percent Rec'd	Percent Change
<b>Revenues</b>					
Operating/Enterprise Funds	\$24,814,879	\$ 34,652,853	\$ 27,110,912	78.2%	9.3%
Capital Improvement Funds	4,929,405	7,720,600	5,417,969	70.2%	9.9%
Risk Mgmt/Employee Benefit	462,283	650,200	470,413	72.3%	1.8%
Debt Service Funds	2,037,594	2,269,749	2,269,748	100.0%	11.4%
<b>Subtotal-Revenue</b>	<b>\$32,244,161</b>	<b>\$ 45,293,402</b>	<b>\$ 35,269,042</b>	<b>77.9%</b>	<b>9.4%</b>
<b>Expenditures</b>					
Operating/Enterprise Funds	\$23,023,352	\$ 39,456,052	\$ 26,160,957	66.3%	13.6%
Capital Improvement Funds	2,543,092	11,431,000	3,258,259	28.5%	28.1%
Risk Mgmt/Employee Benefit	541,722	719,500	701,218	97.5%	29.4%
Debt Service Funds	2,051,248	2,268,715	2,269,615	100.0%	10.6%
<b>Subtotal-Expenditures</b>	<b>\$28,159,414</b>	<b>\$ 53,875,267</b>	<b>\$ 32,390,049</b>	<b>60.1%</b>	<b>15.0%</b>

Third 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 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 coupled with the unbudgeted claim activity, the Risk Management fund is 105% spent already. (This fund and the Unemployment Compensation Fund will both be included in the year-end budget amendment.)

The Solid Waste Fund is experiencing Revenue coming in slightly more than anticipated (i.e. 76.2%), and expenditures are only at 62.6% primarily because interfund loans are due later in the year and September activity was paid in October so this fund ended the third quarter with a balance of about \$700,000. It should be noted that the monthly bills runs about \$350,000, so this fund will be able to make the scheduled interfund loan payment at year end. The process to develop a new hauler contract went well, and will bring a cash infusion of about \$600,000 in the next few months, along with an annual reduction in the rates being paid out to the service provider. We are proposing to reduce the rates we charge to our citizens/customers by 9.6% which will be going to Council at the same time as the new hauling contract.

The Ambulance Fund revenue is well above budget (92.8%) primarily because we received Ground Emergency Medical Transportation (GEMT) grant funds from a prior year activity in 3<sup>rd</sup> quarter 2019. Expenditures were also running below budget because of the timing of interfund loan repayment. At the end of the 3<sup>rd</sup> quarter, the Ambulance Fund has added to its fund balance.

Therefore, it looks like the policy changes made for these two funds for the 2019 budget is working to cover current operating costs, and one time cash infusions (a rebate of solid waste hauling rates and GEMT grants) are bringing both of these funds out of a “watch” status and has provided an adequate fund balance.

### ***Conclusion***

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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. In the first 9 months of the year, \$2.0 million was added to citywide fund balances, and all funds had positive fund balances at September 30, 2019. It should be noted that even though the report shows that General Fund used \$0.9 million of beginning balance through 9 months, half of the outstanding property tax is about \$1.4 million. Therefore, General Fund is on target to add slightly to its balance, or contribute to future capital needs by transferring resources to internal service funds (i.e. Fleet Management, Building Maintenance, or Central Services).



**CITY OF MOSES LAKE**  
**2019 Actual vs. Budget Variance**

3rd Quarter 2019

75% of year completed

	<b>1/1/2019 Actual Begin. Fund Bal</b>	<b>2019 Budget- Amended Revenues</b>	<b>2019 YTD Actual Revenues</b>	<b>% Received</b>	<b>2019 Amended Budget</b>	<b>2019 YTD Actual Expenditure</b>	<b>% Expended</b>	<b>2019 (Use) Gain of Fund Balance</b>	<b>9/30/2019 Ending Fund Balance</b>
<b>General Fund</b>									
Legislative					\$ 361,809	\$ 254,486	70.3%		
Executive					1,213,100	901,773	74.3%		
Finance					1,158,282	726,452	62.7%		
Community Development					1,561,578	986,900	63.2%		
Legal					193,800	144,955	74.8%		
Misc. Services					1,824,340	1,361,492	74.6%		
Library					80,200	58,236	72.6%		
Engineering					2,004,305	1,562,969	78.0%		
Parks & Recreation					6,122,855	4,538,549	74.1%		
Police					7,627,504	5,595,505	73.4%		
Fire					3,727,427	2,804,089	75.2%		
<b>Total General Fund</b>	<b>\$ 5,512,997</b>	<b>\$ 23,358,039</b>	<b>\$ 18,080,144</b>	<b>77.4%</b>	<b>25,875,200</b>	<b>18,935,406</b>	<b>73.2%</b>	<b>\$ (855,262)</b>	<b>\$ 4,657,735</b>
<b>Other Operating/Enterprise</b>									
Tourism Activities -102	900,231	720,000	534,419	74.2%	1,311,864	853,587	65.1%	(319,168)	581,063
Grants & Donations -103	757,582	191,104	220,201	115.2%	363,688	121,100	33.3%	99,101	856,683
Paths & Trails - 114	98,941	2,000	1,721	86.1%	31,000	-	0.0%	1,721	100,662
Streets - 116	614,981	2,416,500	1,899,436	78.6%	2,634,151	1,773,342	67.3%	126,094	741,075
Transportation Benefit District - 170	515,106	1,451,000	1,225,544	84.5%	1,650,000	1,237,500	75.0%	(11,956)	503,150
Water/Wastewater Operating - 410	2,797,799	12,886,300	10,008,804	77.7%	14,883,230	10,493,942	70.5%	(485,138)	2,312,661
Sanitation -490	44,492	4,790,000	3,649,790	76.2%	4,715,610	2,954,080	62.6%	695,710	740,202
Stormwater - 493	413,127	922,000	703,688	76.3%	1,176,917	610,083	51.8%	93,605	506,732
Airport - 495	95,555	27,000	15,413	57.1%	59,009	17,700	30.0%	(2,287)	93,268
Ambulance - 498	91,697	2,878,140	2,670,996	92.8%	3,025,570	2,020,084	66.8%	650,912	742,609
Central Svc - 517	302,445	1,543,000	1,157,587	75.0%	1,684,616	1,182,887	70.2%	(25,300)	277,145
Fleet Management-519	1,571,232	3,598,409	2,610,220	72.5%	3,107,088	2,134,786	68.7%	475,434	2,046,666
Build Maint -528	1,642,633	3,227,400	2,413,093	74.8%	4,813,309	2,761,866	57.4%	(348,773)	1,293,860
<b>Total Other Operating/Enterprise</b>	<b>9,845,821</b>	<b>34,652,853</b>	<b>27,110,912</b>	<b>78.2%</b>	<b>39,456,052</b>	<b>26,160,957</b>	<b>66.3%</b>	<b>949,955</b>	<b>10,795,776</b>

**CITY OF MOSES LAKE**  
**2019 Actual vs. Budget Variance**

3rd Quarter 2019

75% 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	9/30/2019 Ending Fund Balance
<b>Capital Improvement</b>									
Street Repair/reconst -119	564,719	3,449,600	2,029,627	58.8%	3,730,000	961,540	25.8%	1,068,087	1,632,806
Parks & Recreation Improvement-314	21,338	965,000	500,000	51.8%	631,000	335,292	53.1%	164,708	186,046
Park Mitigation Capital Proj-315	603,173	6,000	88,950	1482.5%	-	-		88,950	692,123
Water Rights - 471	1,809,780		124,560		-	-		124,560	1,934,340
Water/Sewer Construction-477	8,383,398	3,300,000	2,674,832	81.1%	7,070,000	1,961,427	27.7%	713,405	9,096,803
<b>Total Capital Improvement</b>	<b>11,382,407</b>	<b>7,720,600</b>	<b>5,417,969</b>	<b>70.2%</b>	<b>11,431,000</b>	<b>3,258,259</b>	<b>28.5%</b>	<b>2,159,710</b>	<b>13,542,117</b>
<b>Risk Mgmt/Employee Benefit Reserves</b>									
Unemployment Compensation - 501	19,041	30,000	-	0.0%	31,500	13,487	42.8%	(13,487)	5,554
Risk Management -503	566,834	583,200	432,900	74.2%	637,500	668,299	104.8%	(235,399)	331,435
Firemen's Relief & Pension - 611	357,906	37,000	37,513	101.4%	50,500	19,432	38.5%	18,081	375,987
<b>Total Employee Benefit Reserves</b>	<b>943,781</b>	<b>650,200</b>	<b>470,413</b>	<b>72.3%</b>	<b>719,500</b>	<b>701,218</b>	<b>97.5%</b>	<b>(230,805)</b>	<b>712,976</b>
<b>Debt Service</b>									
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
<b>Total Debt Service</b>	<b>1,496,556</b>	<b>2,269,749</b>	<b>2,269,748</b>	<b>100.0%</b>	<b>2,268,715</b>	<b>2,269,615</b>	<b>100.0%</b>	<b>133</b>	<b>1,496,689</b>
<b>Total City Budget</b>	<b>\$ 29,181,563</b>	<b>\$ 68,651,441</b>	<b>\$ 53,349,186</b>	<b>77.7%</b>	<b>\$ 79,750,467</b>	<b>\$ 51,325,455</b>	<b>64.4%</b>	<b>\$ 2,023,731</b>	<b>\$ 31,205,294</b>