

## MEMORANDUM

August 7, 2020

To: Allison Williams, City Manager  
From: Cindy Jensen, Finance Director  
Subject: 2020 2nd Quarter Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2020 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, we are seeing some effects of the economic slowdown caused by the "Stay Home, Stay Safe" response to COVID-19, however, we are weathering this storm in much better financial condition than many other local governments. The City budget is performing as expected in many areas through the second quarter of 2020. At the end of the second quarter 2020, 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 3<sup>rd</sup> quarter, we completed the debt service transfers in the 2<sup>nd</sup> quarter. Some of the operational activity that was slower in the first quarter because of the winter months have picked up in the summer, although the Parks and Recreation programs were greatly reduced, and the aquatic center is not opening for the season. 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**
- **Conclusion**
- **Exhibit I**—Fund Detail that supports the Summaries

## City-Wide Overview

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### Revenue Comparison

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

	2019	2020		Percent Rec'd
	Actual	Adopted Budget	Actual	
General Fund	\$ 12,765,716	\$ 26,643,060	\$ 12,491,203	46.9%
Operating/Enterprise Funds	16,315,971	35,493,649	17,479,019	49.2%
Capital Improvement Funds	3,392,422	16,345,600	2,599,465	15.9%
Risk Mgmt/Employee Benefit	288,600	790,000	423,128	53.6%
Debt Service Funds	2,269,748	2,268,797	2,268,797	100.0%
<b>Total City Revenues</b>	<b><u>\$ 35,032,457</u></b>	<b><u>\$ 81,541,106</u></b>	<b><u>\$ 35,261,612</u></b>	43.2%

### Expenditure Comparison

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

	2019	2020		Percent Spent
	Actual	Adopted Budget	Actual	
General Fund	\$ 12,428,044	\$ 28,685,891	\$ 12,919,323	45.0%
Operating/Enterprise Funds	16,813,555	38,814,077	16,798,098	43.3%
Capital Improvement Funds	1,773,505	21,935,000	3,021,979	13.8%
Risk Mgmt/Employee Benefit	611,635	922,000	722,145	78.3%
Debt Service Funds	188,875	2,270,119	734,175	32.3%
<b>Total City Expenditures</b>	<b><u>\$ 31,815,614</u></b>	<b><u>\$ 92,627,087</u></b>	<b><u>\$ 34,195,720</u></b>	36.9%

## General Fund Revenue Analysis

### General Fund Revenues As of June 30, 2020 - 50% of year

	2019		2020		19 vs 20
	Actual	Adopted Budget	Actual	Percent Rec'd	Percent Change
310 Taxes					
Property Tax	\$ 4,147,907	\$ 7,205,000	\$ 4,125,888	57.3%	-0.5%
Sales Tax	3,289,330	7,000,000	3,341,429	47.7%	1.6%
Sales Tax-Public Safety	-	700,000	88,037		
Utility Tax	1,795,678	3,278,000	1,752,297	53.5%	-2.4%
Gambling Tax	144,105	251,400	121,244	48.2%	-15.9%
Other Taxes	44,435	88,000	20,595	23.4%	-53.7%
Subtotal-Taxes	9,421,455	18,522,400	9,449,490	51.0%	0.3%
320 Licenses & Permits	418,007	651,500	322,368	49.5%	-22.9%
330 Intergovernmental Revenues	222,652	1,114,510	263,640	23.7%	18.4%
340 Charges for Goods & Services	1,698,601	4,430,600	1,880,974	42.5%	10.7%
350 Fines and Penalties	556,122	966,300	256,110	26.5%	-53.9%
360 Miscellaneous Revenues	448,879	457,750	318,621	69.6%	-29.0%
390 Other Financing Resources	-	500,000	-	0.0%	
<b>Total General Fund Revenues</b>	<b>\$12,765,716</b>	<b>\$26,643,060</b>	<b>\$12,491,203</b>	<b>46.9%</b>	<b>-2.2%</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 for collection delinquencies. Even though the levy for 2020 was set at \$7.62 million, we only budgeted \$7.205 million. At this point in time it appears collections could come in slightly over budget, so we are not anticipating a loss of revenue in this major revenue source because of COVID-19.

**Sales Tax** – This major revenue source ended 2019 at \$7.2 million, and was conservatively set slightly below the 2019 actual at \$7.0 million assuming some of the construction will taper off. In the first quarter report I noted that we expected this major revenue source to be hardest hit from the COVID-19 economic shutdown. However, through the 2nd quarter, sales tax was up 1.6% over the prior year, and at the end of July, we are ahead of 2019 by \$156,000 or 4.0% year to date. We could still see some long-term downturns, but this major revenue source is still trending to exceed this year's budget estimate.

**Sales Tax-Public Safety**—The City started receiving this revenue in June, so the \$88,000 represents the first distribution of the new 0.3% Criminal Justice Tax. This new revenue is being used to meet our match on the current COPS grants, and support the additional School Resource Officers hours available for general city policing, since the school district is not paying for the SROs when the schools are closed. This could be at risk like the regular sales tax, but we are currently seeing collections that will bring us close to the budget estimate.

**Utility Tax** – This revenue source experiences fluctuations either from rate adjustments or fluctuations in usage. Second quarter results are slightly down compared to the prior year. Rate increases in Water and Wastewater were offset by the continuing downward trend in telephone utility taxes and the rate reduction in the City’s Solid Waste utility. Electric utility tax receipts are also down, possibly due to both mild weather and COVID-19. Through 6 months, this revenue source is on track to meet budget.

**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. The shutdown of restaurants and bars will negatively affect this revenue source, and I am not expecting any revenue to speak of for 2<sup>nd</sup> to 3<sup>rd</sup> quarter activity, which may be a loss of between \$65,000 to \$130,000.

**Other Taxes**—This consists of Leasehold Excise Tax and Admissions Tax, both of which have been hard hit because of the economic shut-down. Fortunately, this is a small budget, and we will likely be short about \$60,000.

**Licenses and Permits** – This revenue is generated by the development community, and is difficult to budget because it is volatile by nature. 2020 2nd quarter results are very close to the 50% mark of the budget estimate. Construction was slowed during the beginning of the COVID shutdown, but has opened back up. This category is an indicator of future construction-related sales tax.

**Intergovernmental Revenue** – This category includes State-shared revenue (\$440k), the PUD privilege tax (\$320k), and other grants (consisting primarily of Public Safety grants totaling \$354k). State-shared revenue is slightly exceeding budgeted estimates. The PUD tax is received once a year in August. We have only received one quarter reimbursement for COPS grant, and the SAFER grant has been billed but not yet been received. 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 42.5% received through half the year. The Parks and Recreation program revenues are greatly reduced because of COVID, but there is also a corresponding reduction in direct costs to run the programs. As discussed previously, the Moses Lake School District is not reimbursing for SRO while school is not in session in the physical school buildings, but the new criminal justice sales tax can be applied to avoid a layoff of those officers.

**Fines and Penalties** consist almost entirely of fines generated by the red-light camera program. With the schools closed, much the speeding in a school zone fine revenue is not being generated, and the “Stay Home” message has resulted in less traffic so that the normally high ticket intersections are not generating as many tickets. We have paid Redflex \$232,500 through 6 months, so this program is barely breaking even. Unfortunately, this one revenue could be short about \$500k for the year.

**Miscellaneous Revenues** include interest earnings on investments and facility rentals. This category is slightly exceeding budget but running below prior year actual primarily because interest rates have dropped again. 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.

**Summary** --Overall, the second quarter 2020 General Fund revenue came in at \$12,491,203 which is 46.9% of the total year budget. Primarily because of pressures tied to the economic shutdown in the wake of COVID-19, total revenue dropped by \$274,513 or 2.2% from the second quarter 2019 actual of \$12,765,716. This reduction was spread among several categories.

## General Fund Expenditures

As of June 30, 2020 - 50% of Year

	2019		2020		19 vs 20
	Actual	Adopted Budget	Actual	Percent Spent	Percent Change
Legislative	\$ 169,646	\$ 382,308	\$ 176,311	46.1%	3.9%
Executive	563,707	1,087,306	527,223	48.5%	-6.5%
Finance	493,354	1,213,093	557,524	46.0%	13.0%
Community Development	695,952	1,646,631	728,326	44.2%	4.7%
Legal	91,251	192,800	92,806	48.1%	1.7%
Misc. Services	934,512	1,910,490	956,315	50.1%	2.3%
Library	39,512	82,100	38,894	47.4%	-1.6%
Engineering	1,061,996	2,289,531	1,109,547	48.5%	4.5%
Parks & Recreation	2,729,186	6,467,411	2,590,696	40.1%	-5.1%
Police	3,745,445	8,855,366	4,034,636	45.6%	7.7%
Fire	1,903,483	4,558,855	2,107,045	46.2%	10.7%
<b>Total General Fund Expenditures</b>	<b><u>\$12,428,044</u></b>	<b><u>\$28,685,891</u></b>	<b><u>\$12,919,323</u></b>	<b>45.0%</b>	<b>4.0%</b>

In total, General Fund Expenditures for the second quarter are 5.0% below the 50% mark, but are up by 4.0% compared to the prior year. This increase consists primarily of the 2020 COLA adjustment for Police and Fire union salaries, along with the implementation of the Condrey pay and compensation study. (The study is being funded primarily by an additional transfer from Water and Wastewater for engineering administrative overhead—the related revenue increase is in the “charges for services” revenue category.) Another reason for the increase is the additional staff added in 2020 for the SAFER grant and administrative support in Fire and Finance.

Since General Fund is over 59% 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. The City has had several high-level positions vacant for an extended period, i.e. Community Development and Human Resources Directors, and Parks Maintenance Superintendent. Most variances in individual divisions are the result of position vacancies.

When the economic shutdown occurred, operating divisions tried to curb spending, since we were not sure how our revenues would react.

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 1<sup>st</sup> half of

the year so that debt service funds have adequate balances to make payments when due, which is why this budget is slightly over the 50% mark.

All other General Fund budgets are at varying levels below 50%. The largest percentage below budget is the Parks and Recreation department because of the cancellation of the swimming season, and reductions in other recreation programs.

**Conclusion--**Because of the revenue reductions previously mentioned, the divisions are trying to keep their operating expenditures down. With revenues bringing in about \$12.5 million, compared to expenditures of \$12.9 million, we are using about \$400,000 of beginning General Fund balance during the first 6 months of 2020. The reductions in capital expenditures have not yet been totally factored in, and if the next few months revenue stays steady, we should be well within the “excess” or contingency fund balance of \$1.4 million.

## Other Funds Analysis

### Other Funds Revenues and Expenditures

As of June 30, 2020 - 50% of Year

	2019	2020		19 vs 20
		Adopted		
Revenues	Actual	Budget	Actual	Percent to Budget
Operating/Enterprise Funds	\$16,315,971	\$35,493,649	\$17,479,019	49.2%
Capital Improvement Funds	3,392,422	16,345,600	2,599,465	15.9%
Risk Mgmt/Employee Benefit	288,600	790,000	423,128	53.6%
Debt Service Funds	2,269,748	2,268,797	2,268,797	100.0%
<b>Subtotal-Revenue</b>	<b>\$22,266,741</b>	<b>\$54,898,046</b>	<b>\$22,770,409</b>	<b>41.5%</b>
<b>Expenditures</b>				
Operating/Enterprise Funds	\$16,813,555	\$38,814,077	\$16,798,098	43.3%
Capital Improvement Funds	1,773,505	21,935,000	3,021,979	13.8%
Risk Mgmt/Employee Benefit	611,635	922,000	722,145	78.3%
Debt Service Funds	188,875	2,270,119	734,175	32.3%
<b>Subtotal-Expenditures</b>	<b>\$19,387,570</b>	<b>\$63,941,196</b>	<b>\$21,276,397</b>	<b>33.3%</b>

Second quarter 2020 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 and Fleet Maintenance capital projects/purchases). 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 83% 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 3<sup>rd</sup> and 4<sup>th</sup> quarters. This put Water/Wastewater fund expenditures over the 50% mark and affected the fund balance total by approximately \$900,000.

The revenues in most funds are at or over the 50% mark. The two exceptions are the Hotel/Motel Tax in the Tourism Activities fund, and Gas Tax in the Streets Fund.

Hotel/Motel tax is down 12% from the prior year at the end of June, and 17% at the end of July. My estimate is that this fund revenue will be under budget by up to \$200,000 depending on when traveling picks back up. This fund has a fund balance that was 100% of the annual revenue (\$745,000), so it should be able to hold up to this downturn. Additionally, a few of the events



that were authorized were cancelled, or greatly curtailed, so the expenditures will not be spent up to the budget. Be prepared for this fund to use some of its balance in 2019. We will need to probably have a lower estimate for projects next year, as the sluggish revenue could continue into next year, depending on when people feel comfortable traveling again.

The Gas Tax is in the Streets Fund. The budget was \$458,000, and the last three months have seen drops of an average of 32%. If that continues through the end of the year, we could see this revenue coming in about \$85,000 below budget. The Streets Fund had a beginning balance of \$668,000, which is about 25% of the expenditure budget. They are also postponing a capital purchase of this amount, but a use of \$100,000 will leave the fund balance at 21%, still within recommended limits of 16.7%.

### ***Conclusion***

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Overall, second quarter results are performing as expected. Most variances from the 50% mark are related to normal timing, a reduction of programs because of the “Stay Safe” initiatives, and focused efforts to reduce expenditures wherever possible, including the postponing of capital purchases in General Fund. All funds have a healthy fund balance going into the COVID 19 economic shutdown. In the first half of the year, even in the midst of the economic downturn, \$1.06 million was added to citywide fund balances, and all funds had positive fund balances on June 30, 2020. General Fund used \$428,000 of its beginning balance through the first 6 months, which is within the estimates that we made when the shutdown first happened. Staff will continue to monitor revenues in the aftermath of the COVID 19 pandemic and propose additional responses if necessary.

**CITY OF MOSES LAKE**  
**2020 Actual vs. Budget Variance**  
 2nd Quarter 2020

50% of year completed

	1/1/2020 Actual Begin. Fund Bal	2020 Budget- Adopted Revenues	2020 YTD Actual Revenues	% Received	2020 Adopted Budget	2020 YTD Actual Expenditure	% Expended	2020 (Use) Gain of Fund Balance	6/30/2020 Ending Fund Balance
<b>General Fund</b>									
Legislative					\$ 382,308	\$ 176,311	46.1%		
Executive					1,087,306	527,223	48.5%		
Finance					1,213,093	557,524	46.0%		
Community Development					1,646,631	728,326	44.2%		
Legal					192,800	92,806	48.1%		
Misc. Services					1,910,490	956,315	50.1%		
Library					82,100	38,894	47.4%		
Engineering					2,289,531	1,109,547	48.5%		
Parks & Recreation					6,467,411	2,590,696	40.1%		
Police					8,855,366	4,034,636	45.6%		
Fire					4,558,855	2,107,045	46.2%		
<b>Total General Fund</b>	\$ 5,874,998	\$ 26,643,060	\$ 12,491,203	46.9%	28,685,891	12,919,323	45.0%	\$ (428,120)	\$ 5,446,878
<b>Other Operating/Enterprise</b>									
Tourism Activities -102	745,575	765,000	244,050	31.9%	685,400	363,412	53.0%	(119,362)	626,213
Grants & Donations -103	765,940	202,600	303,268	149.7%	348,300	331,589	95.2%	(28,321)	737,619
Paths & Trails - 114	101,292	2,000	10,987	549.4%	26,000	22,189	85.3%	(11,202)	90,090
Streets - 116	668,091	2,518,000	1,161,378	46.1%	2,721,860	1,266,054	46.5%	(104,676)	563,415
Transportation Benefit District - 170	556,767	1,601,000	786,380	49.1%	1,650,000	825,000	50.0%	(38,620)	518,147
Water/Wastewater Operating - 410	2,075,849	12,984,300	5,767,996	44.4%	13,081,697	6,935,191	53.0%	(1,167,195)	908,654
Sanitation -490	343,788	4,220,000	2,046,385	48.5%	4,075,000	1,610,793	39.5%	435,592	779,380
Stormwater - 493	514,464	940,000	492,469	52.4%	1,306,622	484,086	37.0%	8,383	522,847
Airport - 495	96,645	27,000	16,742	62.0%	54,059	14,089	26.1%	2,653	99,298
Ambulance - 498	621,497	2,902,640	1,850,112	63.7%	3,358,435	1,628,917	48.5%	221,195	842,692
Central Svc - 517	498,924	1,673,600	853,150	51.0%	1,676,482	858,934	51.2%	(5,784)	493,140
Equipment Rental -519	2,663,786	3,795,309	2,012,075	53.0%	4,953,123	1,597,276	32.2%	414,799	3,078,585
Build Maint -528	1,085,649	3,862,200	1,934,027	50.1%	4,877,099	860,568	17.6%	1,073,459	2,159,108
<b>Total Other Operating/Enterprise</b>	10,738,267	35,493,649	17,479,019	49.2%	38,814,077	16,798,098	43.3%	680,921	11,419,188
<b>Capital Improvement</b>									
Street Repair/reconst -119	2,069,361	2,315,600	1,172,925	50.7%	3,280,000	505,020	15.4%	667,905	2,737,266
Parks & Recreation Improvement-314	300,057	12,480,000	490,000	3.9%	11,500,000	417,860	3.6%	72,140	372,197
Park Mitigation Capital Proj-315	705,082	-	47,540		680,000	340,000	50.0%	(292,460)	412,622
Water Rights - 471	1,934,340		114,000		-	-	-	114,000	2,048,340
Water/Sewer Construction-477	7,875,568	1,550,000	775,000	50.0%	6,475,000	1,759,099	27.2%	(984,099)	6,891,469

**CITY OF MOSES LAKE**  
**2020 Actual vs. Budget Variance**  
 2nd Quarter 2020

**50% of year completed**

	<b>1/1/2020 Actual Begin. Fund Bal</b>	<b>2020 Budget- Adopted Revenues</b>	<b>2020 YTD Actual Revenues</b>	<b>% Received</b>	<b>2020 Adopted Budget</b>	<b>2020 YTD Actual Expenditure</b>	<b>% Expended</b>	<b>2020 (Use) Gain of Fund Balance</b>	<b>6/30/2020 Ending Fund Balance</b>
<b>Total Capital Improvement</b>	12,884,407	16,345,600	2,599,465	15.9%	21,935,000	3,021,979	13.8%	(422,514)	12,461,893
<b>Risk Mgmt/Employee Benefit Reserves</b>									
Unemployment Compensation - 501	14,795	30,000	16,146		41,500	16,896	40.7%	(750)	14,045
Risk Management -503	444,019	727,000	363,500	50.0%	830,000	686,693	82.7%	(323,193)	120,826
Firemen's Relief & Pension - 611	352,388	33,000	43,482	131.8%	50,500	18,556	36.7%	24,926	377,314
<b>Total Employee Benefit Reserves</b>	811,202	790,000	423,128	53.6%	922,000	722,145	78.3%	(299,017)	512,185
<b>Debt Service</b>									
GOB 2016 Refunding-286	184,433	381,217	381,217	100.0%	381,442	42,604	11.2%	338,613	523,046
Water-Sewer 2011 Bond-450	8,306	565,000	565,000	100.0%	565,538	17,469	3.1%	547,531	555,837
Bond Reserve-2011 451	567,600	-	-		-	-	-	-	567,600
Water-Sewer 2004 Bond-452	7,044	676,250	676,250	100.0%	676,850	95,625	14.1%	580,625	587,669
Water-Sewer 2004 Bond Reserve-453	701,500	-	-		-	-	-	-	701,500
PWTF W/S Debt Serv - 485	20,177	569,930	569,930	100.0%	569,930	569,956	100.0%	(26)	20,151
2015 GO Bond Redempt- 487	7,629	76,400	76,400	100.0%	76,359	8,521	11.2%	67,879	75,508
<b>Total Debt Service</b>	1,496,689	2,268,797	2,268,797	100.0%	2,270,119	734,175	32.3%	1,534,622	3,031,311
<b>Total City Budget</b>	<u>\$ 31,805,564</u>	<u>\$ 81,541,106</u>	<u>\$ 35,261,612</u>	43.2%	<u>\$ 92,627,087</u>	<u>\$ 34,195,720</u>	36.9%	<u>\$ 1,065,892</u>	<u>\$ 32,871,456</u>