

## MEMORANDUM

May 8, 2020

To: Allison Williams, City Manager  
From: Cindy Jensen, Finance Director  
Subject: 2020 1<sup>st</sup> Quarter Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2020 first quarter actual results compared to budgeted revenue and expenditure report for all city funds. Beginning Fund Balances shown are from the 2019 year-end report and 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 2020. At the end of the first quarter 2020, 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.

Even though we know the economic shutdown caused by the response to the COVID-19 virus will have a negative impact on our total revenues, it is still too early to quantify. Of our major revenue sources in General Fund, property and utility taxes should be only minimally affected, if at all. However, I expect sales tax to be reduced because of the segments of the economy that have been shut down. Many of the charges for services will be unchanged, but we are still unsure how the re-opening of the economy will change the summer parks and recreation programs. We are working on forecasts that will assume differing levels of revenue reduction. Fortunately, our General Fund balance is rather healthy, and we have about \$1.5 million of contingency funds available to weather the downturn. We have also identified some capital deferrals to reduce General Fund expenses.

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)

	2019		2020	
	Actual	Adopted Budget	Actual	Percent Rec'd
General Fund	\$ 4,324,845	\$ 26,643,060	\$ 4,389,130	16.5%
Operating/Enterprise Funds	7,956,030	35,493,649	8,381,417	23.6%
Capital Improvement Funds	1,796,884	16,345,600	994,566	6.1%
Risk Mgmt/Employee Benefit	144,300	790,000	181,750	23.0%
Debt Service Funds	1,134,875	569,930	1,134,398	199.0%
<b>Total City Revenues</b>	<b>\$ 15,356,934</b>	<b>\$ 79,842,239</b>	<b>\$ 15,081,260</b>	<b>18.9%</b>

### Expenditure Comparison

(Budget vs. Actual--25% of year)

	2019		2020	
	Actual	Adopted Budget	Actual	Percent Spent
General Fund	\$ 5,700,087	\$ 28,685,891	\$ 6,319,699	22.0%
Operating/Enterprise Funds	8,269,656	38,814,077	7,463,593	19.2%
Capital Improvement Funds	169,166	21,935,000	715,235	3.3%
Risk Mgmt/Employee Benefit	575,468	922,000	688,990	74.7%
Debt Service Funds	187,975	2,270,119	164,219	7.2%
<b>Total City Expenditures</b>	<b>\$ 14,902,352</b>	<b>\$ 92,627,087</b>	<b>\$ 15,351,736</b>	<b>16.6%</b>

General Fund Revenue Analysis

**General Fund Revenues**

**As of March 31, 2020 - 25% of year**

	2019		2020		19
	Actual	Adopted Budget	Actual	Percent Rec'd	Per Cha
310 Taxes					2
Property Tax	\$ 76,537	\$ 7,205,000	\$ 152,393	2.1%	99
Sales Tax	1,674,352	7,000,000	1,790,246	25.6%	6
Sales Tax-Public Safety	-	700,000	-		
Utility Tax	936,972	3,278,000	935,051	28.5%	-0
Gambling Tax	77,036	251,400	65,514	26.1%	-15
Other Taxes	20,545	88,000	15,934	18.1%	-22
Subtotal-Taxes	2,785,442	18,522,400	2,959,138	16.0%	6
320 Licenses & Permits	202,932	651,500	163,112	25.0%	-19
330 Intergovernmental Revenues	106,947	1,114,510	122,631	11.0%	14
340 Charges for Goods & Services	697,270	4,430,600	784,334	17.7%	12
350 Fines and Penalties	306,850	966,300	127,897	13.2%	-58
360 Miscellaneous Revenues	225,406	457,750	232,017	50.7%	2
390 Other Financing Resources	-	500,000	-	0.0%	
<b>Total General Fund Revenues</b>	<b>\$ 4,324,847</b>	<b>\$ 26,643,060</b>	<b>\$ 4,389,129</b>	<b>16.5%</b>	<b>1</b>

**General Fund Revenues**  
**As of March 31, 2020 - 25% of year**

	2019	2020		19 vs 20
	Actual	Adopted Budget	Actual	Percent Rec'd
				Percent Change
310 Taxes				
Property Tax	\$ 76,537	\$ 7,205,000	\$ 152,393	2.1%
Sales Tax	1,674,352	7,000,000	1,790,246	25.6%
Sales Tax-Public Safety	-	700,000	-	
Utility Tax	936,972	3,278,000	935,051	28.5%
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360 Miscellaneous Revenues	225,406	457,750	232,017	50.7%
390 Other Financing Resources	-	500,000	-	0.0%
<b>Total General Fund Revenues</b>	<b>\$ 4,324,847</b>	<b>\$26,643,060</b>	<b>\$4,389,129</b>	<b>16.5%</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 Grant County Treasurer contacted me and let me know that they were not offering an extension of the due date, so this should follow a normal annual receipting pattern. 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. 2019 grew again to \$7.20 million or 9.5% over 2018, as state law required even more remote sellers to remit sales tax directly to the state. The 2020 budget is about \$200,000 less than 2019 actual. Through the 1<sup>st</sup> quarter, sales tax was 6.9% greater compared to the prior year, which would put it ahead of this year's budget estimate if this was a normal year. I expect this major revenue source to be hardest hit from the COVID 19 economic shutdown. If we tie the reduction to the rate of unemployment, we could experience a 20-25% reduction in overall sales tax. A 20% reduction from the \$7.0 million budget is \$1.4 million, and 25% is \$1.75 million. We will plan our approach to the remainder of the budget year accordingly.

**Sales Tax-Public Safety** – This represents the new voter approved tax that went into effect on April 1. We should get our first distribution on June 30 for April business. Again, the 20% to 25% reduction would amount to an estimate of \$140,000 to \$175,000. Since this funding source was targeted to be spent primarily on new Police Officers, we can time the hiring to accommodate a reduction in revenue.

**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 flat, which can be explained by the continued trend to reduce land line telephones and select cellular phone packages with more data than voice service, coupled with the 9.6% reduction in solid waste utility rates. However, we anticipated these trends, and in total Utility Tax is exceeding the 25% mark. There may be some timing fluctuations, but we don't expect a major downturn in these revenues as a result of COVID 19.

**Gambling Taxes** -- This revenue stream had a good 1<sup>st</sup> quarter and is already at 26.1% 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. The shut down 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> quarter activity, which would be a loss of about \$65,000.

**Licenses and Permits** – This revenue is generated by the development community and is difficult to budget because it is volatile by nature. 2020 1<sup>st</sup> quarter results are meeting the budget estimate. Part of why it is below 2019 actual results is the timing of business license receipts. In 2019 most of the business licenses were renewed in January, but now they are spread throughout the year since we partnered with the State Business License Service to process our business license renewals. The permit 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 2020 legislative session, so this revenue stream should come in as anticipated. This category also includes the federal COPS and SAFER grants, which weren't billed in time to be included in the 1<sup>st</sup> quarter report. It should be noted, that any additional grant moneys would be deposited into this category.

**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 typically ramps up through the summer months. The Parks and Recreation revenue may be affected by the COVID 19 social distancing rules, but we still don't have any schedules set. Additionally, because of the school closing, we may not get the full reimbursement for the School Resource Officers.

**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 were high in 2019. However, 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. Unfortunately, this category could be over budgeted by \$450,000 if these trends continue, however the cameras are being fixed and will be placed back in service soon.

**Miscellaneous Revenues** include interest earnings on investments and facility rentals. This category is slightly more than prior year actual primarily because of a higher balance available for investing. It should be noted interest revenue comes into General Fund throughout the year and 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 2020 General Fund revenue came in at \$4,389,129 which is 16.5% 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 \$64,282 or 1.5% over the first quarter 2019 actual of \$4,324,847.

**General Fund Expenditures**  
**As of March 31, 2020 - 25% of Year**

	2019		2020		19 vs 20
	Actual	Adopted Budget	Actual	Percent Spent	Percent Change
Legislative	\$ 83,860	\$ 382,308	\$ 86,670	22.7%	3.4%
Executive	259,855	1,087,306	252,663	23.2%	-2.8%
Finance	253,845	1,213,093	274,396	22.6%	8.1%
Community Development	337,472	1,646,631	341,419	20.7%	1.2%
Legal	25,406	192,800	40,491	21.0%	59.4%
Misc. Services	464,277	1,910,490	513,357	26.9%	10.6%
Library	19,296	82,100	19,734	24.0%	2.3%
Engineering	510,052	2,289,531	523,482	22.9%	2.6%
Parks & Recreation	1,144,549	6,467,411	1,293,745	20.0%	13.0%
Police	1,770,012	8,855,366	1,944,492	22.0%	9.9%
Fire	831,463	4,558,855	1,029,250	22.6%	23.8%
<b>Total General Fund Expenditures</b>	<b><u>\$5,700,087</u></b>	<b><u>\$28,685,891</u></b>	<b><u>\$6,319,699</u></b>	<b>22.0%</b>	<b>10.9%</b>

In total, General Fund Expenditures for the first quarter are 3.0% below the 25% mark and increased by 10.9% compared to the prior year. Much of the increase is tied to the implementation of the pay and compensation study at the beginning of the year, along with an increase in the number of Police and Fire personnel since the 1<sup>st</sup> quarter of 2019.

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. 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 Comprehensive Plan update in the Community Development Division, and the audit expense in Finance had virtually no activity in the 1<sup>st</sup> quarter.

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.

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***

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## Other Funds Revenues and Expenditures

As of March 31, 2020 - 25% of Year

	2019	2020		19 vs 20
	Actual	Adopted Budget	Actual	Percent to Budget
<b>Revenues</b>				<b>Percent Change</b>
Operating/Enterprise Funds	\$ 7,956,030	\$35,493,649	\$ 8,381,417	23.6%
Capital Improvement Funds	1,796,884	16,345,600	994,566	6.1%
Risk Mgmt/Employee Benefit	144,300	790,000	181,750	23.0%
Debt Service Funds	1,134,875	2,268,797	1,134,398	50.0%
<b>Subtotal-Revenue</b>	<b>\$11,032,089</b>	<b>\$54,898,046</b>	<b>\$ 10,692,130</b>	<b>19.5%</b>
<b>Expenditures</b>				
Operating/Enterprise Funds	\$ 8,269,656	\$38,814,077	\$ 7,463,593	19.2%
Capital Improvement Funds	169,166	21,935,000	715,235	3.3%
Risk Mgmt/Employee Benefit	575,468	922,000	688,990	74.7%
Debt Service Funds	187,975	2,270,119	164,219	7.2%
<b>Subtotal-Expenditures</b>	<b>\$ 9,202,265</b>	<b>\$63,941,196</b>	<b>\$ 9,032,037</b>	<b>14.1%</b>

First quarter 2020 results generally performed as expected. Positive variances in capital funds are related to timing of major projects, as well as capital components in operating funds (such as Building Maintenance and Stormwater capital projects and fleet purchases). 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. Debt Service revenue is at 50% because we transfer all debt service in the first 2 quarters, so funding is available when debt service comes due. Insurance premiums are due at the first of the year, so the Risk Management/Employee Benefit fund category is 81.8% spent already. It should be noted the Risk Management Fund is the only fund with a negative fund balance at March 31. This temporary overrun of (\$52,882) will turn around when the 2<sup>nd</sup> quarter revenue transfer is completed.

The Solid Waste (Sanitation) Fund is within budget estimates. Revenue is coming in as expected (i.e. 24.3%), and expenditures are below 25% primarily because interfund loans are due later in the year and the March hauling and landfill bills were paid in April so this fund ended the first quarter with a balance of about \$691,000. It should be noted that the monthly hauling and disposal bills run about \$305,000 so the effective ending balance is \$386,000 which is 9.5% of budgeted expenditures.

The Ambulance Fund revenue is 32.8% received. Expenditures are running right at budget or 24.7%. At the end of the 1<sup>st</sup> quarter, the Ambulance Fund has added about \$122,000 to its fund balance. Therefore, it looks like the policy changes made for these two funds for the 2018 and

2019 budgets are covering current operating costs, and the onetime infusions of revenue (from the hauler in the solid waste fund, and the Ground Emergency Medical Transportation grants) have grown these fund balances to a place where I feel they can come off the “watch” list.

A couple of the funds may have revenues affected by COVID 19. The Transportation Benefit District will likely have reduced revenue, since it is sales tax based. Because of the length of time to complete the complex street projects, we are using last year’s carryforward amounts to do most of the street capital projects included in the 2020 budget. We will reevaluate available funds during development of the 2021 budget.

Hotel/Motel tax will likely see a dip as well. Some of the events have been cancelled, but we have received guidance from MRSC that if valid expenses were made, they can be reimbursed. We will monitor the reduction in expenses to see if it roughly matches the reduction in revenues. If needed, we can allocate some of the City’s portion to meet all these obligations.

### ***Conclusion***

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Overall, first quarter results are performing as expected. Most variances from the 25% mark are related to timing. All funds have a healthy fund balance going into the COVID 19 economic shutdown. Even without the property tax distribution, only \$270,500 was used of citywide fund balances, and all funds (except for the Risk Management Fund discussed above) had positive fund balances at March 31, 2020. 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**  
 1st Quarter 2020

**25% 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>3/31/2020 Ending Fund Balance</b>
<b>General Fund</b>									
Legislative					\$ 382,308	\$ 86,670	22.7%		
Executive					1,087,306	252,663	23.2%		
Finance					1,213,093	274,396	22.6%		
Community Development					1,646,631	341,419	20.7%		
Legal					192,800	40,491	21.0%		
Misc. Services					1,910,490	513,357	26.9%		
Library					82,100	19,734	24.0%		
Engineering					2,289,531	523,482	22.9%		
Parks & Recreation					6,467,411	1,293,745	20.0%		
Police					8,855,366	1,944,492	22.0%		
Fire					4,558,855	1,029,250	22.6%		
<b>Total General Fund</b>	\$ 5,874,998	\$ 26,643,060	\$ 4,389,130	16.5%	28,685,891	6,319,699	22.0%	\$ (1,930,569)	\$ 3,944,429
<b>Other Operating/Enterprise</b>									
Tourism Activities -102	745,575	765,000	144,871	18.9%	685,400	119,751	17.5%	25,120	770,695
Grants & Donations -103	765,940	202,600	94,235	46.5%	348,300	46,885	13.5%	47,350	813,290
Paths & Trails - 114	101,292	2,000	10,563	528.2%	26,000	-	0.0%	10,563	111,855
Streets - 116	668,091	2,518,000	565,798	22.5%	2,721,860	594,675	21.8%	(28,877)	639,214
Transportation Benefit District - 170	556,767	1,601,000	420,593	26.3%	1,650,000	412,500	25.0%	8,093	564,860
Water/Wastewater Operating - 410	2,075,849	12,984,300	2,634,410	20.3%	13,081,697	3,131,341	23.9%	(496,931)	1,578,918
Sanitation -490	343,788	4,220,000	1,026,598	24.3%	4,075,000	679,352	16.7%	347,246	691,034
Stormwater - 493	514,464	940,000	250,962	26.7%	1,306,622	228,340	17.5%	22,622	537,086
Airport - 495	96,645	27,000	(209)	-0.8%	54,059	6,316	11.7%	(6,525)	90,120
Ambulance - 498	621,497	2,902,640	950,847	32.8%	3,358,435	828,587	24.7%	122,260	743,757
Central Svc - 517	498,924	1,673,600	426,575	25.5%	1,676,482	427,248	25.5%	(673)	498,251
Fleet Maint/Equipment Rental -519	2,663,786	3,795,309	890,108	23.5%	4,953,123	616,123	12.4%	273,985	2,937,771
Build Maint -528	1,085,649	3,862,200	966,066	25.0%	4,877,099	372,475	7.6%	593,591	1,679,240
<b>Total Other Operating/Enterprise</b>	10,738,267	35,493,649	8,381,417	23.6%	38,814,077	7,463,593	19.2%	917,824	11,656,091
<b>Capital Improvement</b>									
Street Repair/reconst -119	2,069,361	2,315,600	577,086	24.9%	3,280,000	116,435	3.5%	460,651	2,530,011
Parks & Recreation Improvement-314	300,057	12,480,000		0.0%	11,500,000	105,308	0.9%	(105,308)	194,749
Park Mitigation Capital Proj-315	705,082	-	29,980		680,000	-		29,980	735,062
Water Rights - 471	1,934,340		-		-	-	-	-	1,934,340
Water/Sewer Construction-477	7,875,568	1,550,000	387,500	25.0%	6,475,000	493,492	7.6%	(105,992)	7,769,576

**CITY OF MOSES LAKE**  
**2020 Actual vs. Budget Variance**  
1st Quarter 2020

25% 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>3/31/2020 Ending Fund Balance</b>
<b>Total Capital Improvement</b>	12,884,407	16,345,600	994,566	6.1%	21,935,000	715,235	3.3%	279,331	13,163,738
<b>Risk Mgmt/Employee Benefit Reserves</b>									
Unemployment Compensation - 501	14,795	30,000	-		41,500	375	0.9%	(375)	14,420
Risk Management -503	444,019	727,000	181,750	25.0%	830,000	678,651	81.8%	(496,901)	(52,882)
Firemen's Relief & Pension - 611	352,388	33,000	-	0.0%	50,500	9,964	19.7%	(9,964)	342,424
<b>Total Employee Benefit Reserves</b>	811,202	790,000	181,750	23.0%	922,000	688,990	74.7%	(507,240)	303,962
<b>Debt Service</b>									
GOB 2016 Refunding-286	184,433	381,217	190,608	50.0%	381,442	42,604	11.2%	148,004	332,437
Water-Sewer 2011 Bond-450	8,306	565,000	282,500	50.0%	565,538	17,469	3.1%	265,031	273,337
Bond Reserve-2011 451	567,600	-			-		-	-	567,600
Water-Sewer 2004 Bond-452	7,044	676,250	338,125	50.0%	676,850	95,625	14.1%	242,500	249,544
Water-Sewer 2004 Bond Reserve-453	701,500					-	-	-	701,500
PWTF W/S Debt Serv - 485	20,177	569,930	284,965	50.0%	569,930	-	0.0%	284,965	305,142
2015 GO Bond Redempt- 487	7,629	76,400	38,200	50.0%	76,359	8,521	11.2%	29,679	37,308
<b>Total Debt Service</b>	1,496,689	2,268,797	1,134,398	50.0%	2,270,119	164,219	7.2%	970,179	2,466,868
<b>Total City Budget</b>	<u>\$ 31,805,564</u>	<u>\$ 81,541,106</u>	<u>\$ 15,081,260</u>	18.5%	<u>\$92,627,087</u>	<u>\$ 15,351,736</u>	16.6%	<u>\$ (270,476)</u>	<u>\$31,535,087</u>