

MEMORANDUM

June 4, 2021

To: Allison Williams, City Manager
From: Cindy Jensen, Finance Director
Subject: 2021 1st Quarter Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2021 first quarter actual results compared to budgeted revenue and expenditure report for all city funds. Beginning Fund Balances shown have been updated with the changes authorize by Council and other account corrections since the 2020 year-end report was presented, and 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 2021. At the end of the first quarter 2021, 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.

At last year's first quarter mark we were wondering how the economic shutdown caused by the response to the COVID-19 virus would affect us. We thought we may need to use General Fund balance to make it through the year because of projected reductions in sales tax and other revenues. Fortunately, we made it through 2020 adding to the General Fund balance. As we gear up to open the economy back up, we are anticipating some limits on the summer parks and recreation programs which may reduce revenues. However, we are experiencing growth in sales tax from major construction projects. We will also likely experience savings in travel budgets, as many conferences are still happening remotely. Overall, we are not anticipating distress in our 2021 budget.

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--25% of year)

	2020		2021	
	Actual	Adopted Budget	Actual	Percent Rec'd
General Fund	\$ 4,389,130	\$ 27,583,830	\$ 5,223,777	18.9%
Operating/Enterprise Funds	8,381,417	35,795,909	8,320,232	23.2%
Capital Improvement Funds	994,566	16,345,380	1,453,418	8.9%
Risk Mgmt/Employee Benefit	181,750	971,100	873,800	90.0%
Debt Service Funds	1,134,398	3,180,950	1,189,100	37.4%
Total City Revenues	\$ 15,081,261	\$ 83,877,169	\$ 17,060,327	20.3%

Expenditure Comparison

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

	2020		2021	
	Actual	Adopted Budget	Actual	Percent Spent
General Fund	\$ 6,319,699	\$ 29,536,084	\$ 6,579,536	22.3%
Operating/Enterprise Funds	7,463,593	38,666,593	7,557,506	19.5%
Capital Improvement Funds	715,235	23,157,100	663,504	2.9%
Risk Mgmt/Employee Benefit	688,990	1,032,500	803,342	77.8%
Debt Service Funds	164,219	3,179,575	139,044	4.4%
Total City Expenditures	\$ 15,351,736	\$ 95,571,852	\$ 15,742,932	16.5%

General Fund Revenue Analysis

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%	99.1%
Sales Tax	1,674,352	7,000,000	1,790,246	25.6%	6.9%
Sales Tax-Public Safety	-	700,000	-		
Utility Tax	936,972	3,278,000	935,051	28.5%	-0.2%
Gambling Tax	77,036	251,400	65,514	26.1%	-15.0%
Other Taxes	20,545	88,000	15,934	18.1%	-22.4%
Subtotal-Taxes	2,785,442	18,522,400	2,959,138	16.0%	6.2%
320 Licenses & Permits	202,932	651,500	163,112	25.0%	-19.6%
330 Intergovernmental Revenues	106,947	1,114,510	122,631	11.0%	14.7%
340 Charges for Goods & Services	697,270	4,430,600	784,334	17.7%	12.5%
350 Fines and Penalties	306,850	966,300	127,897	13.2%	-58.3%
360 Miscellaneous Revenues	225,406	457,750	232,017	50.7%	2.9%
390 Other Financing Resources	-	500,000	-	0.0%	
Total General Fund Revenues	\$ 4,324,847	\$26,643,060	\$4,389,129	16.5%	1.5%

General Fund Revenues
As of March 31, 2021 - 25% of year

	2020	2021		20 vs 21
	Actual	Adopted Budget	Actual	Percent Rec'd Percent Change
310 Taxes				
Property Tax	\$ 152,393	\$ 7,664,700	\$ 516,356	6.7% 238.8%
Sales Tax	1,790,246	7,200,000	1,977,938	27.5% 10.5%
Sales Tax-Public Safety	-	1,200,000	315,344	26.3%
Utility Tax	935,051	3,279,900	915,731	27.9% -2.1%
Gambling Tax	65,514	221,000	38,117	17.2% -41.8%
Other Taxes	15,934	57,000	6,002	10.5% -62.3%
Subtotal-Taxes	2,959,138	19,622,600	3,769,488	19.2% 27.4%
320 Licenses & Permits	163,112	825,600	278,566	33.7% 70.8%
330 Intergovernmental Revenues	122,631	1,250,330	152,482	12.2% 24.3%
340 Charges for Goods & Services	784,334	4,379,250	684,127	15.6% -12.8%
350 Fines and Penalties	127,897	656,300	265,908	40.5% 107.9%
360 Miscellaneous Revenues	232,017	349,750	73,205	20.9% -68.4%
390 Other Financing Resources	-	500,000	-	0.0%
Total General Fund Revenues	\$ 4,389,129	\$27,583,830	\$5,223,776	18.9% 19.0%

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. Our actual levy for 2021 is \$7,721,000, and the budget does not include the delinquent payment arrangement by a major taxpayer. At this point in time we have no indication that property taxes would not come in as anticipated. It should be noted that the increase from 2020 is because we received the first delinquent tax payment from the above-mentioned major taxpayer on January 10.

Sales Tax –This major revenue source grew in 2019 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. We started 2020 with the uncertainty of the COVID economic shutdown, so we thought 2020 would be less than 2019 actual, but as the year unfolded, sales tax actually grew by 2% to \$7.34 million. The 2021 budget was conservatively estimated to be about \$140,000 less than 2020 actual. Through the 1st quarter, sales tax was 10.5% greater compared to the prior year, as we are starting to see sales tax from major construction projects around the City, so we are trending to exceed budget.

Sales Tax-Public Safety – This represents the new voter approved tax that went into effect on April 1 of 2020. This funding source is over 25% received at the end of the 1st quarter, and should follow the general sales tax trends to meet and exceed current budget estimates.

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 slightly below 2020 actuals, 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 has been negatively affected because of restrictions of in-person service at restaurants and bars. It should be noted, however, that Council reduced the card game tax rate over the next few years, so this is also expected to trend below the prior year actual. As the venues re-open we anticipate growth in this revenue source later in the year.

Licenses and Permits – This revenue is generated by the development community and is difficult to budget because it is volatile by nature. 2021 1st quarter results are exceeding the budget estimate. Some large projects have already been processed, and the permit activity typically picks up during the warmer construction months. Strong permitting revenue is a precursor to construction related sales tax, so this positive trend supports sales tax growth.

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 2021 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 1st 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 are not sure for how long, or at what percentage reduction.

Fines and Penalties consist almost entirely of fines generated by the red-light camera program. The prior year was reduced because the economic shutdown relieved any traffic congestion, and school was not in session for much of the year, reducing the number of tickets issued in school zones. We lowered the 2021 budget estimates because of these trends, but the 1st quarter actual is trending to exceed the budget and return to pre-2020 levels.

Miscellaneous Revenues include interest earnings on investments and facility rentals. This category is significantly less than prior year actual primarily because of lower interest rates for investments. 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 2021 General Fund revenue came in at \$5,223,776 which is 18.9% of the total year budget. It is below the 25% mark primarily due to the timing of the annual property tax collection. If a quarter of the property tax budget was added in, General Fund would be at about \$6.6 million, which approximates the General Fund expenditures to date. Total revenue grew by \$834,647 or 19.0% over the first quarter 2020 actual of \$4,389,129. This increase can be explained primarily by the receipt of delinquent property taxes on January 10, and a full quarter of the new public safety sales tax.

General Fund Expenditures
As of March 31, 2021 - 25% of Year

	2020		2021		20 vs 21
	Actual	Adopted Budget	Actual	Percent Spent	Percent Change
Legislative	\$ 86,670	\$ 290,061	\$ 67,474	23.3%	-22.1%
Executive	252,663	890,750	207,692	23.3%	-17.8%
Finance	274,396	1,084,572	306,916	28.3%	11.9%
Community Development	341,419	1,790,088	434,823	24.3%	27.4%
Legal	40,491	187,600	33,238	17.7%	-17.9%
Misc. Services	513,357	1,900,990	515,395	27.1%	0.4%
Library	19,734	67,300	16,323	24.3%	-17.3%
Engineering	523,482	2,183,723	536,157	24.6%	2.4%
Parks, Rec & Cultural Services	1,293,745	6,974,983	1,435,651	20.6%	11.0%
Police	1,944,492	9,274,654	2,059,977	22.2%	5.9%
Fire	1,029,250	4,891,363	965,890	19.7%	-6.2%
Total General Fund Expenditures	\$6,319,699	\$29,536,084	\$6,579,536	22.3%	4.1%

In total, General Fund Expenditures for the first quarter are 2.7% below the 25% mark and increased by 4.1% compared to the prior year. Much of the increase is tied to moving the transfer to the Risk Management 100% into the 1st quarter because the liability insurance premiums are due in January, and timing of professional services and capital improvements (such as the 2019 audit, the comprehensive plan work, and the aquatic center audio system replacement). There was also a significant decrease in year-over-year actuals in the divisions that occupy the Civic Center, (i.e. Legislative, Executive, Finance, and the museum in Parks, Recreation & Cultural Services) because one of the debt service payments was paid off completely the end of 2020, so debt service transfers were reduced.

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.

Finance is over 25% spent and experiencing an increase from 2020 because of the timing of professional services. The 2019 financial statement preparation and audit expense would typically have been completed in last half of the prior year, but was pushed into the 1st quarter of 2021.

Community Development is still under 25% of the budget in the first quarter, however, they are experiencing an increase from prior year actual. Reasons include position vacancies in the prior year being filled in 2021, the new Homeless/Grants Coordinator starting in mid-2020 (to be funded partially by new recording fee revenue), and the comprehensive plan related professional services which didn't get underway until mid-2020.

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 1st quarter to Debt Service so there is sufficient funding to pay debt service when it comes due. Some of the outside agency payments are also done once a year in the 1st quarter (such as the Health District assessment and Senior Center support).

Parks, Recreation & Cultural Services is below the 25% mark because of program timing—the aquatic center doesn't open until the 2nd quarter.

Other Funds Analysis

Other Funds Revenues and Expenditures

As of March 31, 2021 - 25% of Year

	2020	2021		20 vs 21
	Actual	Adopted Budget	Actual	Percent to Budget
Revenues				Percent Change
Operating/Enterprise Funds	\$ 8,381,417	\$35,795,909	\$ 8,320,232	23.2%
Capital Improvement Funds	994,566	16,345,380	1,453,418	8.9%
Risk Mgmt/Employee Benefit	181,750	971,100	873,800	90.0%
Debt Service Funds	1,134,398	3,180,950	1,189,100	37.4%
Subtotal-Revenue	\$10,692,130	\$56,293,339	\$ 11,836,550	21.0%
Expenditures				
Operating/Enterprise Funds	\$ 7,463,593	\$38,666,593	\$ 7,557,506	19.5%
Capital Improvement Funds	715,235	23,157,100	663,504	2.9%
Risk Mgmt/Employee Benefit	688,990	1,032,500	803,342	77.8%
Debt Service Funds	164,219	3,179,575	139,044	4.4%
Subtotal-Expenditures	\$ 9,032,037	\$66,035,768	\$ 9,163,396	13.9%

First quarter 2021 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 over 25% because we transfer most debt service in the first 2 quarters, so funding is available when debt service comes due (the new LOCAL debt has not been set, so a transfer has not been done for that expense). Insurance premiums are due at the first of the year, so the Risk Management/Employee Benefit fund category is 81.8% spent already. The year over year change in this category is to match the revenue to the timing of the premium to keep the Risk Management Fund with a positive fund balance at March 31. The Unemployment Compensation Fund is the only fund with a negative fund balance at the end of the 1st quarter. This temporary overrun of (\$14,442) will turn around when the 2nd quarter revenue transfer is completed.

Hotel/Motel tax started the year low, but we are seeing an upturn in the 2nd quarter. Once again events have been/may be 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

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 coming out of the COVID 19 economic shutdown. Even without the property tax distribution, we added \$1,317,395 to the citywide fund balances, and all funds (except for the Unemployment Compensation Fund discussed above) had positive fund balances on March 31, 2021. Staff will continue to monitor operating results and recommend changes if warranted.

CITY OF MOSES LAKE

2021 Actual vs. Budget Variance

1st Quarter 2021

25% of year completed

	01/01/21 Actual Begin. Fund Bal	2021 Budget- Adopted Revenues	2021 YTD Actual Revenues	% Received	2021 Adopted Budget	2021 YTD Actual Expenditure	% Expended	2021 (Use) Gain of Fund Balance	03/31/21 Ending Fund Balance
General Fund									
Legislative					\$ 290,061	\$ 67,474	23.3%		
Executive					890,750	207,692	23.3%		
Finance					1,084,572	306,916	28.3%		
Community Development					1,790,088	434,823	24.3%		
Legal					187,600	33,238	17.7%		
Misc. Services					1,900,990	515,395	27.1%		
Library					67,300	16,323	24.3%		
Engineering					2,183,723	536,157	24.6%		
Parks & Recreation					6,974,983	1,435,651	20.6%		
Police					9,274,654	2,059,977	22.2%		
Fire					4,891,363	965,890	19.7%		
Total General Fund	\$ 5,874,998	\$ 27,583,830	\$ 5,223,777	18.9%	29,536,084	6,579,536	22.3%	\$ (1,355,759)	\$ 4,519,239
Other Operating/Enterprise									
Tourism Activities -102	745,575	621,000	115,064	18.5%	569,400	70,420	12.4%	44,644	790,219
Grants & Donations -103	765,940	84,400	30,487	36.1%	138,800	34,244	24.7%	(3,757)	762,183
Homeless Services -110		578,000	135,253	23.4%	377,700	91,806			
Paths & Trails - 114	101,292	2,000	486	24.3%	26,000	-	0.0%	486	101,778
Streets - 116	668,091	2,510,000	581,222	23.2%	2,568,315	607,868	23.7%	(26,646)	641,445
Transportation Benefit District - 170	556,767	1,681,000	469,067	27.9%	1,850,000	462,500	25.0%	6,567	563,334
Water/Wastewater Operating - 410	2,075,849	13,078,600	2,619,476	20.0%	13,331,075	3,131,855	23.5%	(512,379)	1,563,470
Sanitation -490	343,788	4,490,000	1,205,360	26.8%	4,499,300	592,886	13.2%	612,474	956,262
Stormwater - 493	514,464	964,000	244,941	25.4%	1,294,646	241,864	18.7%	3,077	517,541
Airport - 495	96,645	202,000	-	0.0%	234,609	1,517	0.6%	(1,517)	95,128
Ambulance - 498	621,497	2,873,300	1,001,724	34.9%	3,496,021	850,990	24.3%	150,734	772,231
Central Svc - 517	498,924	1,823,800	455,950	25.0%	1,831,805	462,371	25.2%	(6,421)	492,503
Equipment Rental -519	2,663,786	4,113,009	768,002	18.7%	5,048,691	625,346	12.4%	142,656	2,806,442
Build Maint -528	1,085,649	2,774,800	693,200	25.0%	3,400,231	383,839	11.3%	309,361	1,395,010
Total Other Operating/Enterprise	10,738,267	35,795,909	8,320,232	23.2%	38,666,593	7,557,506	19.5%	762,726	11,457,546

CITY OF MOSES LAKE

2021 Actual vs. Budget Variance

1st Quarter 2021

25% of year completed

	01/01/21 Actual Begin. Fund Bal	2021 Budget- Adopted Revenues	2021 YTD Actual Revenues	% Received	2021 Adopted Budget	2021 YTD Actual Expenditure	% Expended	2021 (Use) Gain of Fund Balance	03/31/21 Ending Fund Balance
Capital Improvement									
Street Repair/reconst -119	2,069,361	2,715,900	723,030	26.6%	4,205,000	403,500	9.6%	319,530	2,388,891
Parks & Recreation Improvement-314	300,057	12,000,000	233,768	1.9%	11,500,000	76,324	0.7%	157,444	457,501
Park Mitigation Capital Proj-315	705,082	79,480	-		152,100	-		-	705,082
Water Rights - 471	1,934,340		109,120		1,000,000	-		109,120	2,043,460
Water/Sewer Construction-477	7,875,568	1,550,000	387,500	25.0%	6,300,000	183,680	2.9%	203,820	8,079,388
Total Capital Improvement	12,884,407	16,345,380	1,453,418	8.9%	23,157,100	663,504	2.9%	789,914	13,674,321
Risk Mgmt/Employee Benefit Reserves									
Unemployment Compensation - 501	14,795	54,300	-		51,500	29,237	56.8%	(29,237)	(14,442)
Risk Management -503	444,019	873,800	873,800	100.0%	926,000	765,207	82.6%	108,593	552,612
Firemen's Relief & Pension - 611	352,388	43,000	-	0.0%	55,000	8,898	16.2%	(8,898)	343,490
Total Employee Benefit Reserves	811,202	971,100	873,800	90.0%	1,032,500	803,342	77.8%	70,458	881,660
Debt Service									
LOCAL Borrowing 21/22 - 282		914,000	-	-	914,000	-	0.0%		
GOB 2016 Refunding-286	184,433	376,800	188,400	50.0%	376,733	38,167	10.1%	150,233	334,666
Water-Sewer 2011 Bond-450	8,306	565,000	341,000	60.4%	563,400	8,856	1.6%	332,144	340,450
Bond Reserve-2011 451	567,600	-			-			-	567,600
Water-Sewer 2004 Bond-452	7,044	682,000	338,125	49.6%	682,600	83,500	12.2%	254,625	261,669
Water-Sewer 2004 Bond Reserve-453	701,500					-		-	701,500
PWTF W/S Debt Serv - 485	20,177	567,150	283,575	50.0%	567,192	-	0.0%	283,575	303,752
2015 GO Bond Redempt- 487	7,629	76,000	38,000	50.0%	75,650	8,521	11.3%	29,479	37,108
Total Debt Service	1,496,689	3,180,950	1,189,100	37.4%	3,179,575	139,044	4.4%	1,050,056	2,546,745
Total City Budget	<u>\$ 31,805,564</u>	<u>\$ 83,877,169</u>	<u>\$ 17,060,327</u>	20.3%	<u>\$ 95,571,852</u>	<u>\$ 15,742,932</u>	16.5%	<u>\$ 1,317,395</u>	<u>\$ 33,079,511</u>