

MEMORANDUM

To: Allison Williams, City Manager

From: Gail Gray, Interim Finance Director

Subject: 2021 3rd Quarter Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2021 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 will not be officially concluded until the State Auditor's work is completed.

Overall, we are seeing recovery from the economic slowdown caused by the "Stay Home, Stay Safe" response to COVID-19-- we weathered this storm in much better financial condition than many other local governments. The City budget is performing as expected in many areas through the third quarter of 2021. At the end of the third quarter 2021, we are seeing typical variances tied to position vacancies and the timing of expenses. We are experiencing growth in sales tax and building related permits and fees because of major construction projects in the city limits. Capital projects are still underspent because of long lead-in times that are typical of this activity. As a whole, 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**
- **Conclusion**
- **Exhibit I**—Fund Detail that supports the Summaries

City-Wide Overview

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

	2020		2021	
	Actual	Adopted Budget	Actual	Percent Rec'd
General Fund	\$ 17,520,562	\$ 27,623,830	\$ 21,164,650	76.6%
Operating/Enterprise Funds	28,189,608	35,795,909	32,139,470	89.8%
Capital Improvement Funds	3,721,718	16,345,380	15,487,234	94.7%
Risk Mgmt/Employee Benefit	604,878	971,100	928,022	95.6%
Debt Service Funds	2,268,797	3,180,950	2,266,950	71.3%
Total City Revenues	\$ 52,305,563	\$ 83,917,169	\$ 71,986,327	85.8%

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

	2020		2021	
	Actual	Adopted Budget	Actual	Percent Spent
General Fund	\$ 19,017,939	\$ 29,536,084	\$ 20,235,884	68.5%
Operating/Enterprise Funds	25,555,203	39,337,593	26,382,469	67.1%
Capital Improvement Funds	5,516,386	23,157,100	5,345,099	23.1%
Risk Mgmt/Employee Benefit	805,215	1,032,500	861,994	83.5%
Debt Service Funds	1,862,269	3,179,575	2,264,112	71.2%
Total City Expenditures	\$ 52,757,012	\$ 96,242,852	\$ 55,089,557	57.2%

General Fund Revenue Analysis

General Fund Revenues As of September 30, 2021 - 75% of year

	2020		2021		20 vs 21
	Actual	Adopted Budget	Actual	Percent Rec'd	Percent Change
310 Taxes					
Property Tax	\$ 4,275,517	\$ 7,664,700	\$ 4,888,611	63.8%	14.3%
Sales Tax	5,377,363	7,200,000	6,814,130	94.6%	26.7%
Sales Tax-Public Safety	445,149	1,200,000	1,018,860	84.9%	
Utility Tax	2,567,599	3,279,900	2,990,423	91.2%	16.5%
Gambling Tax	127,173	221,000	137,627	62.3%	8.2%
Other Taxes	25,190	57,000	24,857	43.6%	-1.3%
Subtotal-Taxes	12,817,991	19,622,600	15,874,509	80.9%	23.8%
320 Licenses & Permits	592,976	825,600	915,152	110.8%	54.3%
330 Intergovernmental Revenues	845,858	1,290,330	800,669	62.1%	-5.3%
340 Charges for Goods & Services	2,489,406	4,379,250	2,603,576	59.5%	4.6%
350 Fines and Penalties	415,931	656,300	792,235	120.7%	90.5%
360 Miscellaneous Revenues	358,104	349,750	178,509	51.0%	-50.2%
390 Other Financing Resources	-	500,000	-	0.0%	
Total General Fund Revenues	\$ 17,520,266	\$27,623,830	\$21,164,650	76.6%	20.8%

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 for collection delinquencies. Even though the levy for 2021 was set at \$7.721 million, we only budgeted \$7.664 million. It should be noted that the budget does not include the delinquent payment arrangement by a major taxpayer. At this point in time, it appears collections could come in slightly over budget, so we are not anticipating this major revenue source will at least meet budget, and will exceed it if the delinquent taxpayer makes their second agreed upon payment at year end.

Sales Tax – Even though we expected this major revenue source to drop in 2020 because of the COVID economic shutdown, it exceeded the 2019 actual and ended 2020 at \$7.34 million, and was conservatively set slightly below the 2020 actual at \$7.2 million assuming COVID would affect the beginning of the year. However, through the 3rd quarter, sales tax was up 26.7% over the prior year, and at the end of September, we are ahead of 2020 by almost \$1.5. Much of this growth is tied to major construction projects in the city limits, so we expect this major revenue source to exceed this year's budget estimate by \$2.0 million.

Sales Tax-Public Safety—The City started receiving this revenue in June of 2020, represents the new 0.3% Criminal Justice Tax then. Through 2021 we are exceeding the 75% mark on the budget, and expect it will also meet and exceed current budget estimates.

Utility Tax – This revenue source experiences fluctuations either from rate adjustments or fluctuations in usage. Third quarter results are above the prior year by 16.5%. Rate increases in Water, Wastewater, and Solid Waste were offset by the continuing downward trend in telephone utility taxes. Through 6 months, this revenue source will slightly exceed budget.

Gambling Taxes—This revenue stream is historically higher in the first half of the year, although the closing of establishments that offer gambling greatly reduced the 1st half receipts. 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. The restrictions of restaurants and bars has negatively affected this revenue source, and even though we reduced the budget, this revenue is trending to still be slightly below the 2021 budget.

Other Taxes—This consists of Leasehold Excise Tax and Admissions Tax, both of which are still hard hit because of the economic shut-down. Fortunately, this is a small budget because we will still likely be short about \$20,000.

Licenses and Permits – This revenue is generated by the development community, and is difficult to budget because it is volatile by nature. 2021 3rd quarter results are greatly exceeding the 75% mark and budget itself. We have had some large one-time permits that will translate to future construction sales tax. In the future, the City Manager will be working on a long-term budgeting plan that will ensure the City does not budget for recurring expenses based on these large one-time project revenues to ensure city sustainability.

Intergovernmental Revenue – This category includes State-shared revenue (\$468k), the PUD privilege tax (\$320k), and other grants (consisting primarily of Public Safety and Planning grants totaling \$502k). State-shared revenue is slightly exceeding budgeted estimates. The PUD tax is received once a year in August. The other grants are reimbursement grants, so we would typically expect to have 1 quarter of activity actually received. Overall, the category is under budget of the year, but is anticipated to slightly exceed the total budget by year end when the grant receivable is recorded.

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

Because of our switchover to the new payroll and financial management software system, the function that allocates labor costs is lagging in implementation. The adjustments are pending and causing this revenue to be under-reported.

Fines and Penalties consist almost entirely of fines generated by the red-light camera program. In 2020, because the schools closed, much the speeding in a school zone fine revenue was not generated, and the “Stay Home” message resulted in less traffic so that the normally high ticket intersections are not generating as many tickets. We reduced the 2021 revenue estimate because of these factors, but we are currently trending above 2019 levels, when we collected \$969k for the year. We are currently above budget for 2021. We have paid Redflex \$359k through 9 months, so this program has netted revenue of about \$430k for the Police Department for the three quarters 2021. If these trends continue, this revenue will exceed budget by the end of the year.

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 – don’t expect to hit the budget. 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 (\$500k). This revenue is transferred at year-end.

Summary --Overall, the third quarter 2021 General Fund revenue came in at \$19,288,509 which is 69.8% of the total year budget. There is a “mixed bag” of results through the 3 quarters of 2021, with some of the smaller revenue that was sensitive to COVID issues along with interest earnings below the 50% mark, but with large surges in some of the other revenues, like sales tax, permitting fees and the red-light camera program exceeding budget. Total revenue increased by \$1,768,243, or 10.1%, from the third quarter 2020 actual of 17,520,266. A new revenue (public safety sales tax) accounts for about \$338k of this increase, with large growth in regular sales tax and permitting fees because of construction activity making a major contribution to the increase.

General Fund Expenditure Analysis

General Fund Expenditures As of September 30, 2021 - 75% of Year

	2020		2021		20 vs 21
	Actual	Adopted Budget	Actual	Percent Spent	Percent Change
Legislative	\$ 267,212	\$ 290,061	\$ 197,072	67.9%	-26.2%
Executive	753,313	890,750	662,310	74.4%	-12.1%
Finance	786,483	1,084,572	813,960	75.0%	3.5%
Community Development	1,032,891	1,790,088	1,269,525	70.9%	22.9%
Legal	147,811	187,600	131,831	70.3%	-10.8%
Misc. Services	1,415,919	1,900,990	1,444,066	76.0%	2.0%
Library	57,666	67,300	56,372	83.8%	-2.2%
Engineering	1,654,340	2,183,723	1,400,664	64.1%	-15.3%
Parks, Rec & Cultural Services	3,900,976	6,974,983	4,707,276	67.5%	20.7%
Police	5,896,104	9,274,654	6,495,476	70.0%	10.2%
Fire	3,105,224	4,891,363	3,057,331	62.5%	-1.5%
Total General Fund Expenditures	\$19,017,939	\$29,536,084	\$20,235,884	68.5%	6.4%

In total, General Fund Expenditures for the third quarter are 6.5% below the 75% mark, but are up by 6.4% compared to the prior year. This increase consists primarily of the 2021 COLA adjustment for Police and Fire union salaries, along with the budgeted use of the new public safety tax in the Police Department. Another reason for the increase is moving the transfer to the Risk Management 100% into the 1st quarter because the liability insurance premiums are due in January.

There was 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. The City has had several high-level positions vacant for an extended period, i.e. Engineering and Municipal Services Directors, Finance Director, and various positions in Parks, Recreation and Cultural Services. Most variances in individual divisions are the result of position vacancies. Additionally, many conferences are still “virtual” in 2021, so the travel budgets have been underspent through September 30.

A major expense in the Finance Department is the annual audit. This is typically performed in the fall, but because of COVID and turnover of accountants, the audit for the 2019 financial statement was pushed from the second half of 2020 into early 2021, which put Finance at the 75% mark.

Community Development has a large one-time expense in their professional services budget to complete a Comprehensive Plan update, which saw significant activity in 2021. Overall, expenditures in this department are within range and may come with a slight savings.

The major component in the Miscellaneous Services budget is the General Fund transfers to Streets and Debt Service funds. This is estimated to be within budget.

All other General Fund budgets are at varying levels below 75%. The largest percentage below budget is the Fire department because of the transfers out to fund the fire truck (Fund 282) and vacancy savings.

Conclusion—General Fund is trending below the 75% mark in expenditures. Some revenues are delayed, however are projected to come in within budget. As of the third quarter, there is a General Fund surplus of \$928,766.

Other Funds Analysis

Other Funds Revenues and Expenditures As of September 30, 2021 -75% of Year

	2020	2021		20 vs 21	
	Actual	Adopted Budget	Actual	Percent to Budget	Percent Change
Revenues					
Operating/Enterprise Funds	\$28,189,608	\$35,795,909	\$32,139,470	89.8%	14.0%
Capital Improvement Funds	3,721,718	16,345,380	15,487,234	94.7%	316.1%
Risk Mgmt/Employee Benefit	604,878	971,100	928,022	95.6%	53.4%
Debt Service Funds	2,268,797	3,180,950	2,266,950	71.3%	-0.1%
Subtotal-Revenue	\$34,785,001	\$56,293,339	\$50,821,676	90.3%	46.1%
Expenditures					
Operating/Enterprise Funds	\$25,555,203	\$39,337,593	\$26,382,469	67.1%	3.2%
Capital Improvement Funds	5,516,386	23,157,100	5,345,099	23.1%	-3.1%
Risk Mgmt/Employee Benefit	805,215	1,032,500	861,994	83.5%	7.1%
Debt Service Funds	1,862,269	3,179,575	2,264,112	71.2%	21.6%
Subtotal-Expenditures	\$33,739,073	\$66,706,768	\$34,853,673	52.2%	3.3%

Third quarter 2021 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, Fleet Maintenance, Central Services (for the new computer software) and Stormwater 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 over 83% spent already.

The Homeless Services program helped with the down-payment for a more permanent temporary shelter of about \$200k. This program is primarily funded with reimbursable grants, so it had a fund balance deficit at the 9-month mark, and has also almost spent its total authorized budget. This will be fixed once the timing of revenue is accrued at year-end.

The revenues in most funds are at or over the 75% mark, although there are exceptions (Tourism Activities, Paths & Trails, Streets and Transportation Benefit District Funds).

Hotel/Motel tax is turning back up after a significant reduction in 2020. This revenue source is typically more robust in the last quarter of the year. The revenue estimate was reduced because

of the continuing reduction in travel in the first part of the year, but it is on target to meet the reduced budget. Expenditures are below budget, therefore the fund will not experience a negative change in fund balance.

The Streets Fund is adjusted to spend on expenditures as revenues may be lower than budgeted. There are timing differences in distribution that is causing a revenue to come in below budgeted.

Water/Wastewater Fund revenues typically increase during the hotter months, as more water is used for irrigating.

The Airport Fund has a major grant for a fuel system in its budget, but since we have not been able to procure a unit, both revenue and expenditure budgets are 13% received and 8.7% spent as of September 30. The airport board determined that they want to look at a new fuel system versus used, so the project is being prepared to be put out to bid.

Equipment Rental/Fleet Maintenance is under the 75% mark in revenue because the LOCAL borrowing for the Fire pumper/tender combination apparatus will not occur until November. Additionally, favorably the expenditures are not over the 75% mark.

Conclusion

Overall, third quarter results are performing as expected. Most variances from the 75% mark are related to normal timing. All funds have a healthy fund balance coming out of the COVID 19 economic shutdown. In the first three quarters of the year, thanks in large part to a federal America Rescue Plan grant of \$3.36 million and the issuance of a LOCAL bond for the Larson Recreation Center rebuild of \$11.3 million, \$17.2 million was added to citywide fund balances, and all funds had positive fund balances on September 30, 2021, with the exception of the Homeless Services Fund that is waiting for a grant reimbursement. General Fund will continue to be monitored, however it is expected to come within budget.

CITY OF MOSES LAKE
2021 Actual vs. Budget Variance
 3rd Quarter 2021

75% of year completed

	1/1/2021 Actual Begin. Fund Bal	2021 Budget- Amended Revenues	2021 YTD Actual Revenues	% Received	2021 Adopted Budget	2021 YTD Actual Expenditure	% Expended	2021 (Use) Gain of Fund Balance	9/30/2021 Ending Fund Balance
General Fund									
Legislative					\$ 290,061	\$ 197,072	67.9%		
Executive					890,750	662,310	74.4%		
Finance					1,084,572	813,960	75.0%		
Community Development					1,790,088	1,269,525	70.9%		
Legal					187,600	131,831	70.3%		
Misc. Services					1,900,990	1,444,066	76.0%		
Library					67,300	56,372	83.8%		
Engineering					2,183,723	1,400,664	64.1%		
Parks & Recreation					6,974,983	4,707,276	67.5%		
Police					9,274,654	6,495,476	70.0%		
Fire					4,891,363	3,057,331	62.5%		
Total General Fund	\$ 6,953,973	\$ 27,623,830	\$ 21,164,650	76.6%	29,536,084	20,235,884	68.5%	\$ 928,766	\$ 7,882,739
Other Operating/Enterprise									
Tourism Activities -102	781,584	621,000	398,019	64.1%	569,400	294,161	51.7%	103,858	885,442
Grants & Donations -103	846,895	84,400	78,081	92.5%	218,800	199,218	91.1%	(121,137)	725,758
Local Fiscal Recovery -105			3,365,063			-		3,365,063	3,365,063
Homeless Services -110	47,880	653,000	554,629	84.9%	498,700	850,582	170.6%	(295,953)	(248,073)
Paths & Trails - 114	85,801	2,000	1,233	61.7%	26,000	-	0.0%	1,233	87,034
Streets - 116	705,289	2,510,000	1,687,383	67.2%	2,568,315	1,731,168	67.4%	(43,784)	661,505
Transportation Benefit District - 170	698,056	1,681,000	1,221,396	72.7%	1,850,000	1,387,500	75.0%	(166,104)	531,952
Water/Wastewater Operating - 410	2,693,562	13,078,600	11,388,045	87.1%	13,661,075	8,806,636	64.5%	2,581,409	5,274,971
Sanitation -490	715,294	4,490,000	3,655,749	81.4%	4,499,300	2,937,224	65.3%	718,525	1,433,819
Stormwater - 493	312,333	964,000	836,328	86.8%	1,294,646	688,658	53.2%	147,670	460,003
Airport - 495	104,931	202,000	26,256	13.0%	234,609	20,305	8.7%	5,951	110,882
Ambulance - 498	745,932	2,873,300	3,007,486	104.7%	3,496,021	2,530,734	72.4%	476,753	1,222,685
Central Svc - 517	785,689	1,823,800	1,367,850	75.0%	1,971,805	1,487,809	75.5%	(119,959)	665,730
Equipment Rental -519	3,455,486	4,113,009	2,472,352	60.1%	5,048,691	3,459,750	68.5%	(987,398)	2,468,088
Build Maint -528	1,203,294	2,774,800	2,079,600	74.9%	3,400,231	1,988,724	58.5%	90,876	1,294,170
Total Other Operating/Enterprise	13,182,026	35,795,909	32,139,470	89.8%	39,337,593	26,382,469	67.1%	5,757,002	18,939,028

CITY OF MOSES LAKE
2021 Actual vs. Budget Variance
 3rd Quarter 2021

75% of year completed

	1/1/2021 Actual Begin. Fund Bal	2021 Budget- Amended Revenues	2021 YTD Actual Revenues	% Received	2021 Adopted Budget	2021 YTD Actual Expenditure	% Expended	2021 (Use) Gain of Fund Balance	9/30/2021 Ending Fund Balance
Capital Improvement									
Street Repair/reconst -119	2,175,998	2,715,900	2,548,816	93.8%	4,205,000	925,901	22.0%	1,622,915	3,798,912
Parks & Recreation Improvement-314	602,963	12,000,000	11,629,120	96.9%	11,500,000	2,418,824	21.0%	9,210,296	9,813,259
Park Mitigation Capital Proj-315	103,236	79,480	(74,222)		152,100	-		(74,222)	29,014
Water Rights - 471	2,095,140		221,020		1,000,000	-		221,020	2,316,160
Water/Sewer Construction-477	6,395,056	1,550,000	1,162,500	75.0%	6,300,000	2,000,373	31.8%	(837,873)	5,557,183
Total Capital Improvement	11,372,392	16,345,380	15,487,234	94.7%	23,157,100	5,345,099	23.1%	10,142,136	21,514,528
Risk Mgmt/Employee Benefit Reserves									
Unemployment Compensation - 501	12,998	54,300	30,831	56.8%	51,500	30,831	59.9%	-	12,998
Risk Management -503	365,982	873,800	873,800	100.0%	926,000	807,776	87.2%	66,024	432,006
Firemen's Relief & Pension - 611	363,135	43,000	23,390	54.4%	55,000	23,387	42.5%	4	363,139
Total Employee Benefit Reserves	742,115	971,100	928,022	95.6%	1,032,500	861,994	83.5%	66,028	808,143
Debt Service									
LOCAL Borrowing 21/22 - 282		914,000	-	-	914,000	-	0.0%		
GOB 2016 Refunding-286	184,358	376,800	376,800	100.0%	376,733	376,583	100.0%	217	184,575
Water-Sewer 2011 Bond-450	8,068	565,000	565,000	100.0%	563,400	562,764	99.9%	2,236	10,304
Bond Reserve-2011 451	567,600	-	-		-	-		-	567,600
Water-Sewer 2004 Bond-452	6,744	682,000	682,000	100.0%	682,600	682,300	100.0%	(300)	6,444
Water-Sewer 2004 Bond Reserve-453	701,500		-			-		-	701,500
PWTF W/S Debt Serv - 485	20,151	567,150	567,150	100.0%	567,192	567,148	100.0%	2	20,153
2015 GO Bond Redempt- 487	7,771	76,000	76,000	100.0%	75,650	75,317	99.6%	683	8,454
Total Debt Service	1,496,192	3,180,950	2,266,950	71.3%	3,179,575	2,264,112	71.2%	2,838	1,499,030
Total City Budget	\$ 33,746,699	\$ 83,917,169	\$ 71,986,327	85.8%	\$ 96,242,852	\$ 55,089,557	57.2%	\$ 16,896,770	\$ 50,643,468