

## MEMORANDUM

To: Allison Williams, City Manager

From: Madeline Prentice, Finance Director

Subject: 2021 4th Quarter Budget Revenue and Expenditure Report

I am pleased to submit the City of Moses Lake's 2021 year-end 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 saw 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 exceeded expectations in many areas at the end of the year. There were typical variances tied to position vacancies and the timing of expenses. We experienced 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 ended the year over budgeted revenues due to the growth in sales tax and under budgeted expenses largely as a result of the underspending in capital projects.

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--100% of year)

	2020		2021	
	Actual	Amended Budget	Actual	Percent Rec'd
General Fund	\$ 27,567,873	\$ 27,763,830	\$ 29,374,657	105.8%
Operating/Enterprise Funds	40,795,351	36,193,409	45,080,502	124.6%
Capital Improvement Funds	5,296,052	16,345,380	17,314,099	105.9%
Risk Mgmt/Employee Benefit	834,527	971,100	950,501	97.9%
Debt Service Funds	2,268,797	3,180,950	2,266,950	71.3%
<b>Total City Revenues</b>	<b>\$ 76,762,600</b>	<b>\$ 84,454,669</b>	<b>\$ 94,986,709</b>	112.5%

### Expenditure Comparison

(Budget vs. Actual--100% of year)

	2020		2021	
	Actual	Amended Budget	Actual	Percent Spent
General Fund	\$ 26,447,470	\$ 30,146,564	\$ 26,912,742	89.3%
Operating/Enterprise Funds	38,180,406	40,294,091	36,191,909	89.8%
Capital Improvement Funds	7,573,785	23,282,100	9,346,126	40.1%
Risk Mgmt/Employee Benefit	978,614	1,032,500	883,993	85.6%
Debt Service Funds	2,269,294	3,179,575	2,487,690	78.2%
<b>Total City Expenditures</b>	<b>\$ 75,449,569</b>	<b>\$ 97,934,830</b>	<b>\$ 75,822,460</b>	77.4%

## General Fund Revenue Analysis

### General Fund Revenues As of December 31, 2021 - 100% of year

	2020		2021		20 vs 21
	Actual	Amended Budget	Actual	Percent Rec'd	Percent Change
310 Taxes					
Property Tax	\$ 7,808,702	\$ 7,664,700	\$ 7,899,047	103.1%	1.2%
Sales Tax	7,509,197	7,200,000	9,721,190	135.0%	29.5%
Sales Tax-Public Safety	982,158	1,200,000	1,416,209	118.0%	44.2%
Utility Tax	3,282,644	3,279,900	3,510,568	107.0%	6.9%
Gambling Tax	130,769	221,000	203,027	91.9%	55.3%
Other Taxes	34,306	57,000	42,359	74.3%	23.5%
Subtotal-Taxes	19,747,776	19,622,600	22,792,400	116.2%	15.4%
320 Licenses & Permits	916,312	965,600	1,098,771	113.8%	19.9%
330 Intergovernmental Revenues	1,995,148	1,290,330	1,334,714	103.4%	-33.1%
340 Charges for Goods & Services	3,453,616	4,379,250	2,925,727	66.8%	-15.3%
350 Fines and Penalties	643,672	656,300	1,030,324	157.0%	60.1%
360 Miscellaneous Revenues	394,696	349,750	192,715	55.1%	-51.2%
390 Other Financing Resources	500,000	500,000	5	0.0%	-100.0%
<b>Total General Fund Revenues</b>	<b>\$ 27,651,220</b>	<b>\$ 27,763,830</b>	<b>\$ 29,374,657</b>	<b>105.8%</b>	<b>6.2%</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 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.

**Sales Tax** – We conservatively estimated 2021 Sales Tax revenues at \$7.2 million due to the continued unknown impacts of the COVID economic shutdown. However, actual sales tax was up 29.5.0% over the prior year, ahead of 2020 by \$2.21 million actual and ended 2021 at \$9.72 million. Much of this is due to major construction projects in the city limits.

**Sales Tax-Public Safety**—The City started receiving this revenue in June of 2020 and represents the new 0.3% Criminal Justice Tax. 2021 was the first full year of collection of this tax and exceeded budgeted estimates by 18.0% and prior year actuals by 44.2% to end the year at \$1.42 million.

**Utility Tax** – This revenue source experiences fluctuations either from rate adjustments or fluctuations in usage. We ended the year above the prior year by 6.9%. Rate increases in Water,

Wastewater, and Solid Waste were offset by the continuing downward trend in telephone utility taxes.

**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 1<sup>st</sup> 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 came in slightly below the 2021 budget at 91.9%.

**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 ended the year short by just under \$15,000.

**Licenses and Permits** – This revenue is generated by the development community and is difficult to budget because it is volatile by nature. 2021 results exceeded budget by 13.9% and prior year by 19.9% to end the year at \$1.1 million. 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 exceeded budgeted estimates by 39.0%. The PUD tax is received annually and was slightly lower (7.3%) than budgeted revenue. The other grants are reimbursement grants with only one quarter of activity actually received. Overall, the category is under budget for the year, but is anticipated to slightly exceed total budget 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 of 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 ended the year above budget for 2021. We paid Redflex \$460k through the end of the year, so this program has netted revenue of about \$559k for the Police Department for 2021.

**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 (\$500k). This revenue will be transferred at year-end.

**Summary** --Overall, the 2021 year-end General Fund revenue came in at \$29,374,657 which is 105.8% of the total year budget. There is a “mixed bag” of results through year-end 2021, with some of the smaller revenue that was sensitive to COVID issues along with interest earnings below the 100% 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 \$1,723,437, or 6.2%, from the year-end 2020 actual of \$27,651,220. A new revenue (public safety sales tax) accounts for about \$216k of this increase, with large growth in regular sales tax and permitting fees because of construction activity making major contributions to the increase.

## General Fund Expenditure Analysis

### General Fund Expenditures As of December 31, 2021 - 100% of Year

	2020		2021		20 vs 21
	Actual	Amended Budget	Actual	Percent Spent	Percent Change
Legislative	\$ 358,196	\$ 290,061	\$ 264,937	91.3%	-26.0%
Executive	1,046,906	961,580	937,274	97.5%	-10.5%
Finance	1,167,458	1,221,572	1,149,725	94.1%	-1.5%
Community Development	1,577,606	2,070,088	1,700,487	82.1%	7.8%
Legal	211,192	212,600	195,236	91.8%	-7.6%
Misc. Services	2,347,810	1,936,640	1,911,866	98.7%	-18.6%
Library	78,269	67,300	73,336	109.0%	-6.3%
Engineering	2,235,439	2,183,723	1,666,072	76.3%	-25.5%
Parks, Rec & Cultural Services	5,174,794	7,036,983	6,105,412	86.8%	18.0%
Police	8,080,864	9,274,654	8,858,304	95.5%	9.6%
Fire	4,168,936	4,891,363	4,050,091	82.8%	-2.9%
<b>Total General Fund Expenditures</b>	<b>\$26,447,470</b>	<b>\$30,146,564</b>	<b>\$26,912,742</b>	<b>89.3%</b>	<b>1.8%</b>

In total, General Fund Expenditures for the year are up slightly by 1.8% 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 1<sup>st</sup> 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 at 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 were underspent through the end of the year.

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. In addition, the City contracted with an outside consulting firm to provide interim Finance Director services until a new Finance Director is found.

Even with a large one-time expense in their professional services budget to complete a Comprehensive Plan update, Community Development was under budget largely due to position vacancies during the year.

The major component in the Miscellaneous Services budget is the General Fund transfers to Streets and Debt Service funds. Overall, Miscellaneous Services saw a slight savings compared to budget to end the year.

All other General Fund budgets are at varying levels compared to budget. Community Development had the largest percentage below budget due to position vacancies, followed by the Fire department because of the transfers out to fund the fire truck (Fund 282) and vacancy savings.

**Conclusion**—General Fund ended the year at 89.3% of amended budget in expenditures. Strong Sales Tax revenue and a full-year collection of the 0.3% Criminal Justice tax more than offset revenues that are still rebounding from the COVID-19 economic shutdown. Some revenues are delayed, however are projected to come in within budget. As of the end of the year, General Fund reserves grew by \$2,461,915, however, if budgeted expenditures had been executed, we would have essentially been even at year-end. Additionally, due to the carry-over of capital projects that the first 2022 budget amendment will reflect, there will be a need for additional revenue usage.

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## Other Funds Analysis

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### Other Funds Revenues and Expenditures As of December 31, 2021 -100% of Year

	2020	2021		20 vs 21
	Actual	Amended Budget	Actual	Percent to Budget Percent Change
<b>Revenues</b>				
Operating/Enterprise Funds	\$40,795,351	\$36,193,409	\$45,080,502	124.6% 10.5%
Capital Improvement Funds	5,296,052	16,345,380	17,314,099	105.9% 226.9%
Risk Mgmt/Employee Benefit	834,527	971,100	950,501	97.9% 13.9%
Debt Service Funds	2,268,797	3,180,950	2,266,950	71.3% -0.1%
<b>Subtotal-Revenue</b>	<b>\$49,194,727</b>	<b>\$56,690,839</b>	<b>\$65,612,052</b>	<b>115.7% 33.4%</b>
<b>Expenditures</b>				
Operating/Enterprise Funds	\$38,180,406	\$40,294,091	\$36,191,909	89.8% -5.2%
Capital Improvement Funds	7,573,785	23,282,100	9,346,126	40.1% 23.4%
Risk Mgmt/Employee Benefit	978,614	1,032,500	883,993	85.6% -9.7%
Debt Service Funds	2,269,294	3,179,575	2,487,690	78.2% 9.6%
<b>Subtotal-Expenditures</b>	<b>\$49,002,099</b>	<b>\$67,788,266</b>	<b>\$48,909,718</b>	<b>72.2% -0.2%</b>

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 spent during the year and corrects by the end of the year.

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.

In March, 2021, the American Rescue Plan Act (ARPA) was signed into law. Under ARPA, the State and Local Fiscal Recovery Funds (SLFRF) program allotted \$350 billion to states, local and tribal governments to support the response and recovery from the COVID-19 public health emergency. The City of Moses Lake received notification that it would receive \$6,723,558 in two tranches. The first payment of \$3,361,779 was received in May, 2021 with the 2<sup>nd</sup> payment scheduled for May, 2022. The funds are earmarked for specific projects and purposes related to



the response and recovery from COVID as authorized by Council and must be obligated by December 31, 2024 and fully spent by December 31, 2026.

Hotel/Motel tax is turning back up after a significant reduction in 2020. The revenue estimate was reduced because of the continuing reduction in travel in the first part of the year but ended up exceeding the reduced budget by 26% or \$159k. Expenditures were well below budget; therefore, the fund experienced a positive change in fund balance of \$435,620.

The Streets Fund exceeded budgeted revenues by 4.6% and expenditures came in under budget by 12.2%.

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 23.9% received and 13.0% spent at year-end. The fuel system purchase has been pushed to early 2022 and will be reflected in the 2022 budget amendments.

Equipment Rental/Fleet Maintenance is at 79.2% in revenue because the LOCAL borrowing for the Fire pumper/tender combination apparatus did not occur in 2022 due to supply-chain issues. Additionally, favorably the expenditures came in under budget at 95.9%.

### ***Conclusion***

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Overall, 2021 full-year results performed better than expected. Most variances are related to normal timing. All funds have a healthy fund balance coming out of the COVID 19 economic shutdown. Thanks in large part to the 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, \$19.1 million was added to citywide fund balances, and all funds had positive fund balances on December 31, 2021, with the exception of the LOCAL Borrowing Fund that is waiting for delivery of the Fire pumper/tender apparatus before reimbursement can be requested.

**CITY OF MOSES LAKE**  
**2021 Actual vs. Budget Variance**  
 4th Quarter 2021

	<b>1/1/2021 Actual Begin. Fund Bal</b>	<b>2021 Budget- Amended Revenues</b>	<b>2021 YTD Actual Revenues</b>	<b>% Received</b>	<b>2021 Budget Amended Expenditure</b>	<b>2021 YTD Actual Expenditure</b>	<b>% Expended</b>	<b>2021 (Use) Gain of Fund Balance</b>	<b>12/31/2021 Ending Fund Balance</b>
<b>General Fund</b>									
Legislative					290,061	\$ 264,937	91.3%		
Executive					961,580	937,274	97.5%		
Finance					1,221,572	1,149,725	94.1%		
Community Development					2,070,088	1,700,487	82.1%		
Legal					212,600	195,236	91.8%		
Misc. Services					1,936,640	1,911,866	98.7%		
Library					67,300	73,336	109.0%		
Engineering					2,183,723	1,666,072	76.3%		
Parks & Recreation					7,036,983	6,105,412	86.8%		
Police					9,274,654	8,858,304	95.5%		
Fire					4,891,363	4,050,091	82.8%		
<b>Total General Fund</b>	<b>\$ 6,953,973</b>	<b>\$ 27,763,830</b>	<b>\$ 29,374,657</b>	<b>105.8%</b>	<b>30,146,564</b>	<b>26,912,742</b>	<b>89.3%</b>	<b>\$ 2,461,915</b>	<b>\$ 9,415,888</b>
<b>Other Operating/Enterprise</b>									
Tourism Activities -102	781,584	621,000	782,306	126.0%	569,400	346,687	60.9%	435,620	1,217,204
Grants & Donations -103	846,895	84,400	280,986	332.9%	218,800	218,079	99.7%	62,907	909,802
Local Fiscal Recovery -105		-	3,365,063		-	-	0.0%	3,365,063	3,365,063
Homeless Services -110	47,880	975,500	1,366,747	140.1%	821,200	1,138,372	138.6%	228,375	276,255
Paths & Trails - 114	85,801	2,000	12,215	610.8%	26,000	4,803	18.5%	7,412	93,213
Streets - 116	705,289	2,510,000	2,624,421	104.6%	2,598,313	2,280,473	87.8%	343,948	1,049,236
Transportation Benefit District - 170	698,056	1,681,000	2,091,136	124.4%	1,850,000	1,850,000	100.0%	241,136	939,193
Water/Wastewater Operating - 410	2,693,562	13,078,600	16,237,729	124.2%	13,661,075	11,261,888	82.4%	4,975,840	7,669,403
Sanitation -490	715,294	4,490,000	4,894,226	109.0%	4,499,300	4,669,496	103.8%	224,730	940,024
Stormwater - 493	312,333	964,000	1,638,940	170.0%	1,294,646	828,032	64.0%	810,908	1,123,241
Airport - 495	104,931	202,000	48,363	23.9%	294,609	38,433	13.0%	9,930	114,861
Ambulance - 498	745,932	2,873,300	3,873,140	134.8%	3,496,021	3,755,279	107.4%	117,860	863,792
Central Svc - 517	785,689	1,823,800	1,826,749	100.2%	1,971,805	1,908,618	96.8%	(81,869)	703,820
Equipment Rental -519	3,455,486	4,113,009	3,257,252	79.2%	5,592,691	5,361,424	95.9%	(2,104,172)	1,351,314
Build Maint -528	1,203,294	2,774,800	2,781,228	100.2%	3,400,231	2,530,324	74.4%	250,904	1,454,198
<b>Total Other Operating/Enterprise</b>	<b>13,182,026</b>	<b>36,193,409</b>	<b>45,080,502</b>	<b>124.6%</b>	<b>40,294,091</b>	<b>36,191,909</b>	<b>89.8%</b>	<b>8,888,593</b>	<b>22,070,619</b>

**CITY OF MOSES LAKE**  
**2021 Actual vs. Budget Variance**  
 4th Quarter 2021

	<b>1/1/2021 Actual Begin. Fund Bal</b>	<b>2021 Budget- Amended Revenues</b>	<b>2021 YTD Actual Revenues</b>	<b>% Received</b>	<b>2021 Budget Amended Expenditure</b>	<b>2021 YTD Actual Expenditure</b>	<b>% Expended</b>	<b>2021 (Use) Gain of Fund Balance</b>	<b>12/31/2021 Ending Fund Balance</b>
<b>Capital Improvement</b>									
Street Repair/reconst -119	2,175,998	2,715,900	3,931,245	144.7%	4,205,000	1,365,291	32.5%	2,565,954	4,741,952
Parks & Recreation Improvement-314	602,963	12,000,000	11,629,598	96.9%	11,500,000	4,538,813	39.5%	7,090,785	7,693,748
Park Mitigation Capital Proj-315	103,236	79,480	(69,604)	-87.6%	152,100	-	0.0%	(69,604)	33,632
Water Rights - 471	2,095,140		272,860	0.0%	1,125,000	-	0.0%	272,860	2,368,000
Water/Sewer Construction-477	6,395,056	1,550,000	1,550,000	100.0%	6,300,000	3,442,022	54.6%	(1,892,022)	4,503,034
<b>Total Capital Improvement</b>	<b>11,372,392</b>	<b>16,345,380</b>	<b>17,314,099</b>	<b>105.9%</b>	<b>23,282,100</b>	<b>9,346,126</b>	<b>40.1%</b>	<b>7,967,973</b>	<b>19,340,366</b>
<b>Risk Mgmt/Employee Benefit Reserves</b>									
Unemployment Compensation - 501	12,998	54,300	30,127	55.5%	51,500	30,831	59.9%	(704)	12,294
Risk Management -503	365,982	873,800	873,800	100.0%	926,000	821,075	88.7%	52,725	418,707
Firemen's Relief & Pension - 611	363,135	43,000	46,573	108.3%	55,000	32,086	58.3%	14,487	377,622
<b>Total Employee Benefit Reserves</b>	<b>742,115</b>	<b>971,100</b>	<b>950,501</b>	<b>97.9%</b>	<b>1,032,500</b>	<b>883,993</b>	<b>85.6%</b>	<b>66,508</b>	<b>808,623</b>
<b>Debt Service</b>									
LOCAL Borrowing 21/22 - 282		914,000	-	-	914,000	265,489	29.0%	(265,489)	(265,489)
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	566,712	100.6%	(1,712)	6,356
Bond Reserve-2011 451	567,600	-	-		-	-	0.0%	-	567,600
Water-Sewer 2004 Bond-452	6,744	682,000	682,000	100.0%	682,600	634,573	93.0%	47,427	54,171
Water-Sewer 2004 Bond Reserve-453	701,500				-	-	0.0%	-	701,500
PWTF W/S Debt Serv - 485	20,151	567,150	567,150	100.0%	567,192	565,486	99.7%	1,664	21,815
2015 GO Bond Redempt- 487	7,771	76,000	76,000	100.0%	75,650	78,847	104.2%	(2,847)	4,924
<b>Total Debt Service</b>	<b>1,496,192</b>	<b>3,180,950</b>	<b>2,266,950</b>	<b>71.3%</b>	<b>3,179,575</b>	<b>2,487,690</b>	<b>78.2%</b>	<b>(220,740)</b>	<b>1,275,452</b>
<b>Total City Budget</b>	<b>\$ 33,746,699</b>	<b>\$ 84,454,669</b>	<b>\$ 94,986,709</b>	<b>112.5%</b>	<b>\$ 97,934,830</b>	<b>\$ 75,822,460</b>	<b>77.4%</b>	<b>\$ 19,164,249</b>	<b>\$ 52,910,947</b>