



FINANCE DEPARTMENT

To: Mayor and City Council
Bob Harrison

From: Steve Groom
Kimberly Dominé
Kathy Miles

Date: February 2, 2021

Subject: 2020 4th Quarter Financial Update

This financial update is a *preliminary, unaudited*, report for the 4th quarter ended December 31, 2020, four quarters, or 100% of the year, intended to inform and assist governance decisions for future planning. In total, city revenues are at 80.4% of budget and expenditures are at 70.6% of budget; CARES Act amendments increasing budgeted revenues and expenses affected these percentages uniquely this year. The timing of Property Tax Revenue, coming in, and the timing of Capital Fund Expenditures, going out, are normally the biggest reason that revenues and expenditures are below 100% at this point in the year, and *audit adjustments to account for revenues received on a 2-month lag will be continuing through February*. This year, the economic impact of the COVID-19 was substantial on Sales Tax, which rebounded and on Lodging Tax and Building Permit fees, discussed further below.

Cash position and revenue charts on the following pages provide insight into the monitoring of revenue and the management of expenses. The Quarterly Treasury report, a separate report also available on the City's website, provides further cash and investment analysis.

All invoices are not yet received and complete accrual analysis is done at year-end, not quarterly, so this report is intended as a progress report until the annual independent audit is completed.

COVID-19's effects on 2020 results

As has been monitored and reported continuously, there was a substantial economic effect on the City's budgeted revenues:

- Sales Tax had significant downturns during two months, recovered to approach budgeted levels
- Lodging Tax had a significant downturn and will likely be down through all of 2021
- Building Permits, Fire Inspection Fees, Gambling Revenues and Utility Taxes all decreased during 2020 and are being monitored monthly.

CARES Act was utilized for reimbursement of un-budgeted pandemic-related expenses and for public safety personnel costs. The City's airport and transit divisions received specific CARES Act assistance.

As year-end close out and audit preparation proceeds, final accounting will focus on a large number of reconciliations and updates.

General Fund's Performance to Budget

General Fund Revenues in total are at 88.2%; the largest components are:

- Property Tax is at 97.0%.
- Sales Tax is at 101.5%.
- Utility and Franchise Taxes are at 96.7%.
- Gambling Tax is at 48.4%
- Building Permits finished at 63.1%
- Fire Inspection Fees is at 13.2%

General Fund Expenditures in total are at 83.6%; subject to year-end accruals. The CARES Act complicated accounting this year; the 2020 budget was amended for both additional revenues and expenses, however as eligibility guidelines evolved, the City was able to seek reimbursement for expenditures such as public safety personnel costs. The largest component variances are:

- Police expenditures are at 89.1%
- Fire Expenditures are at 99.3%.
- Information Technology expenditures are at 64.3%.

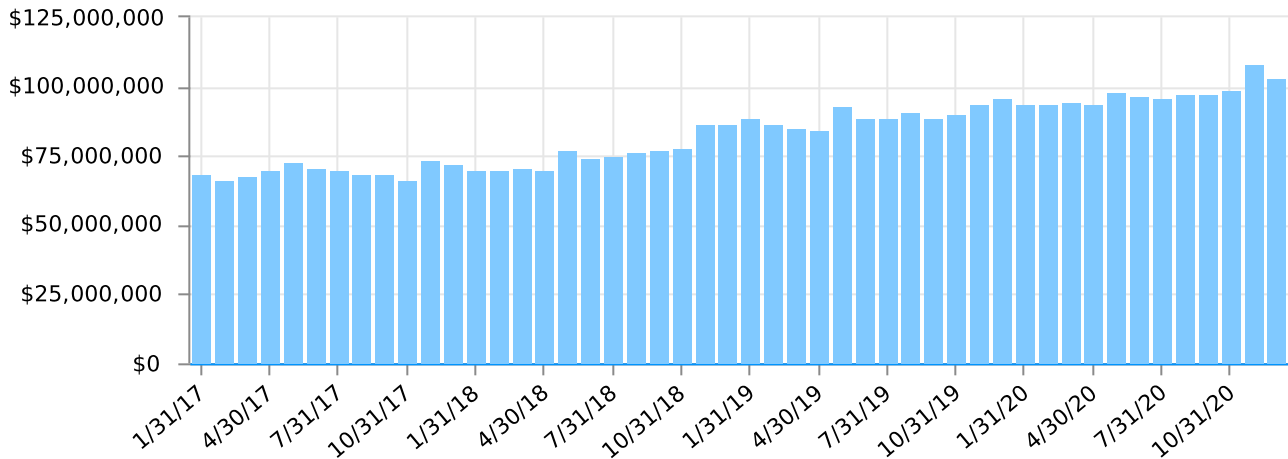
REVENUE UPDATE

The City Council's current top strategic objective is improving the General Fund's fund balance. To accomplish that goal, the City is monitoring revenues and managing expenses. Due to the potential and on-going economic effects of COVID-19, revenues are monitored and reviewed monthly.

Cash & Investments

As a current over-all indicator, the 4-year historic core city-wide cash and investments balance trend shows December at \$103.1 million. Each month is best compared to the same month in previous years to account for seasonality and other annual events.

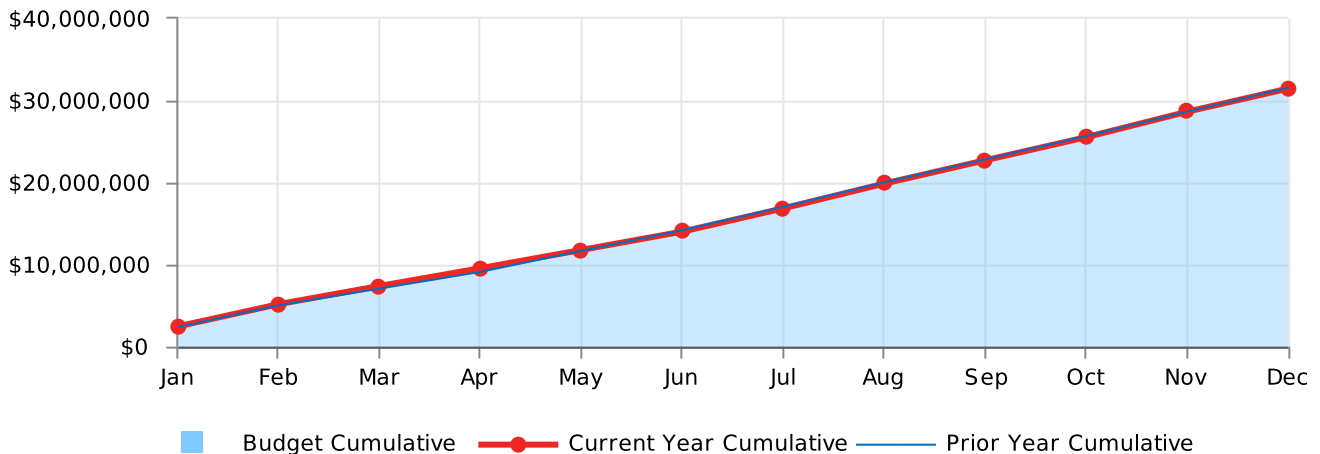
CASH AND INVESTMENTS HISTORY



Sales Tax

This is the largest single funding source for the city, and includes revenues across several funds. The 4th quarter cumulative of \$31.5 million falls short of budget by \$250,268 or 0.8% and is less than prior year by \$100,054, subject to further audit accrual entries. The city receives sales tax from the State on a 2-month lag from the actual point-of-sale transactions so these figures are for sales transactions through October. The graph below shows Sales Tax revenues for all funds, not just General Fund (see p. 9).

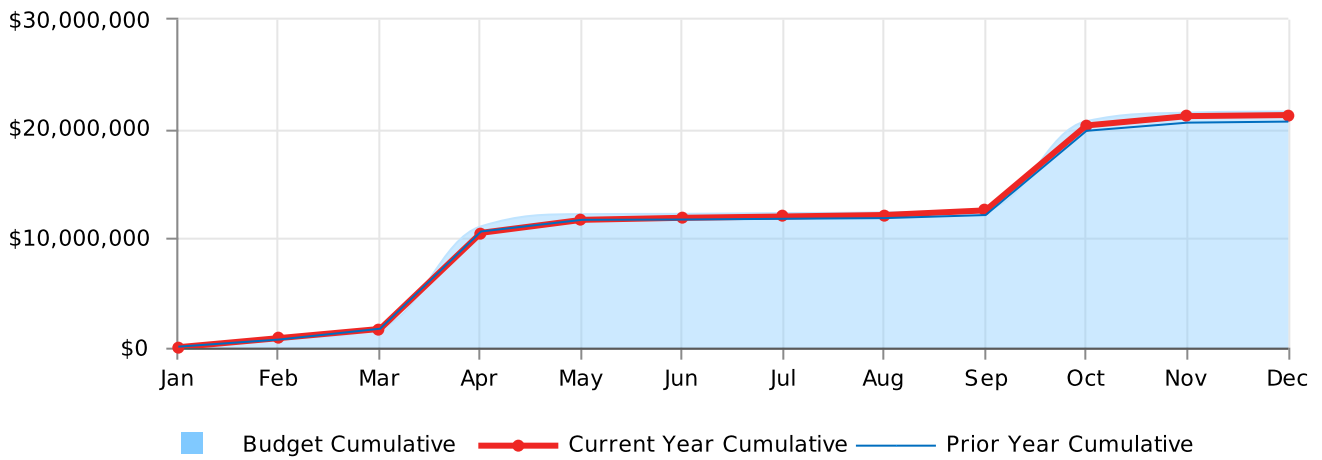
SALES TAX REVENUE



Property Tax

The 4th quarter cumulative revenue tracked roughly on budget. The 2020 budget increased by \$3 million due to assessed valuations (a combination of existing capped at 1% and new growth).

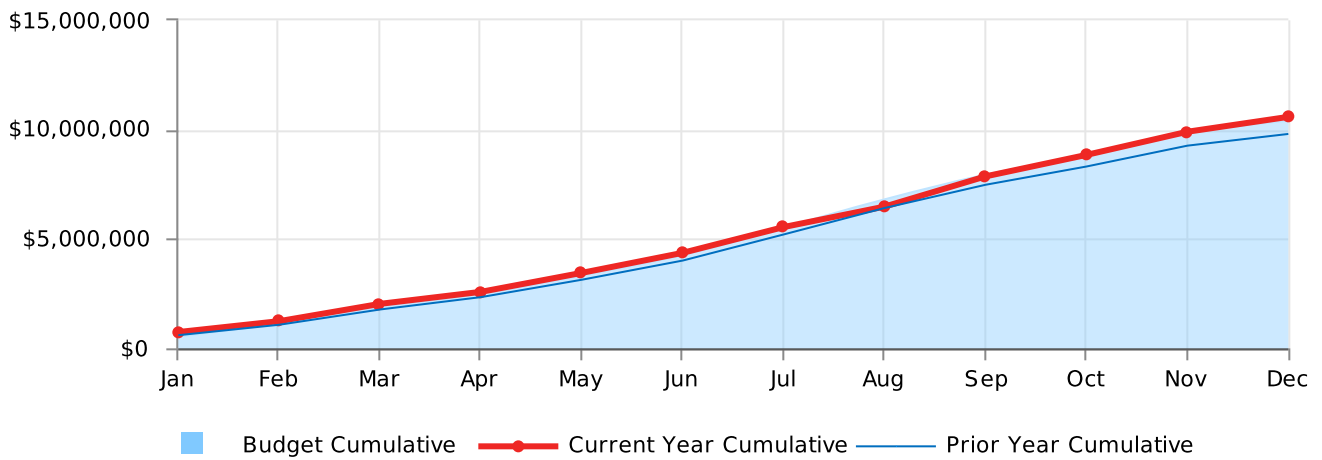
PROPERTY TAX REVENUE



Water

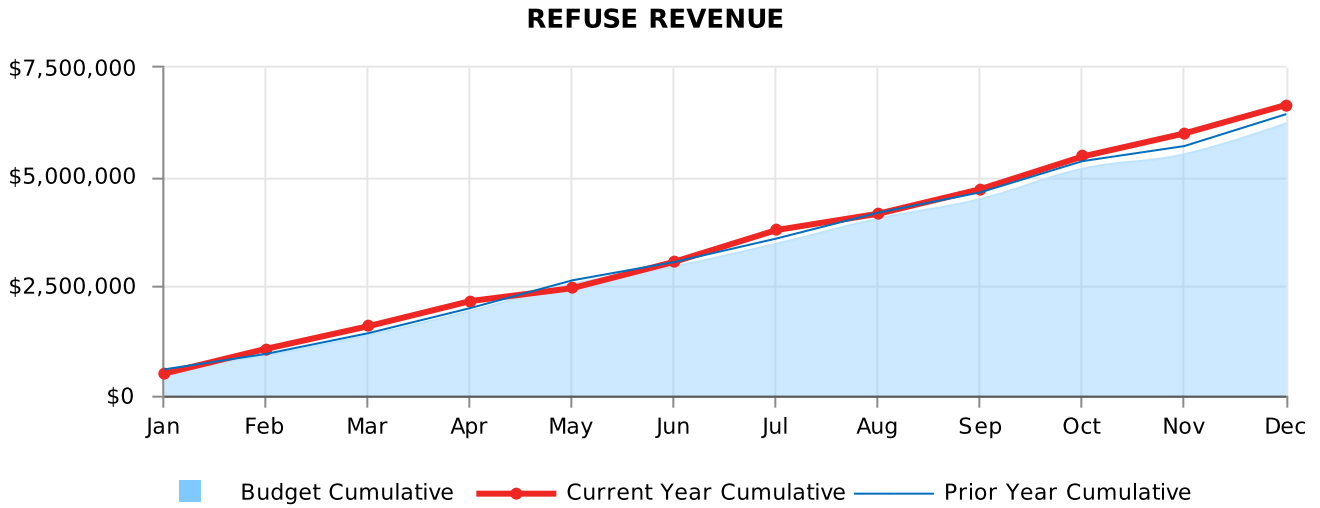
The 4th quarter cumulative revenue of \$10.6 million through December is up \$175,317 over budget.

WATER REVENUE



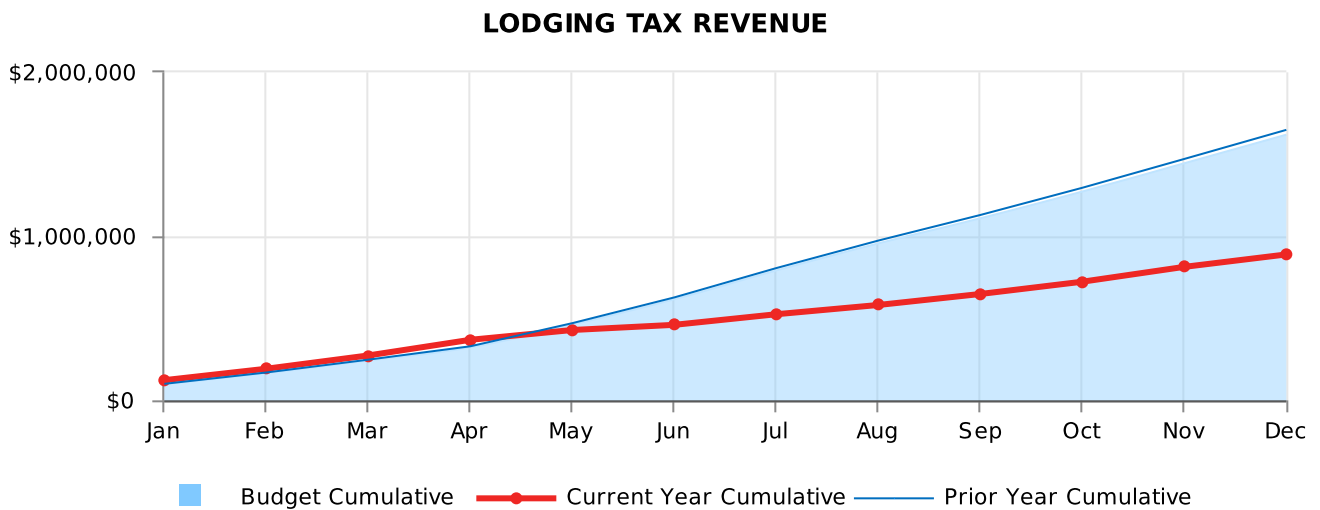
Refuse

The 4th quarter cumulative revenue of \$6.6 million is up \$421,296 over budget and \$211,283 over prior year.



Lodging Tax

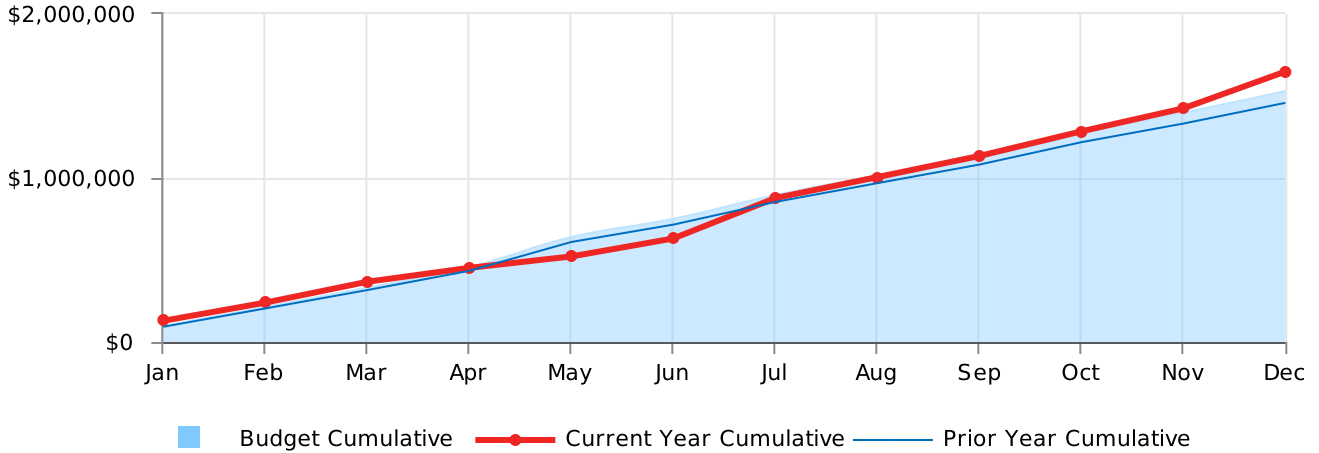
The 4th quarter cumulative revenue of \$889,570 is down \$730,430 under budget and down \$759,749 compared to prior year. In the coming months through 2021 revenue is expected to fall short of prior year due to the COVID-19 Emergency.



Airport

The 4th quarter cumulative revenue of \$1.6 million is up \$118,454 over budget and up \$190,662 over prior year. This measure includes all airport revenues which include airline landing fees, commercial rents, parking lot revenue, car rental and general aviation. Positive variance is largely due to CARES Act / Intergovernmental revenue.

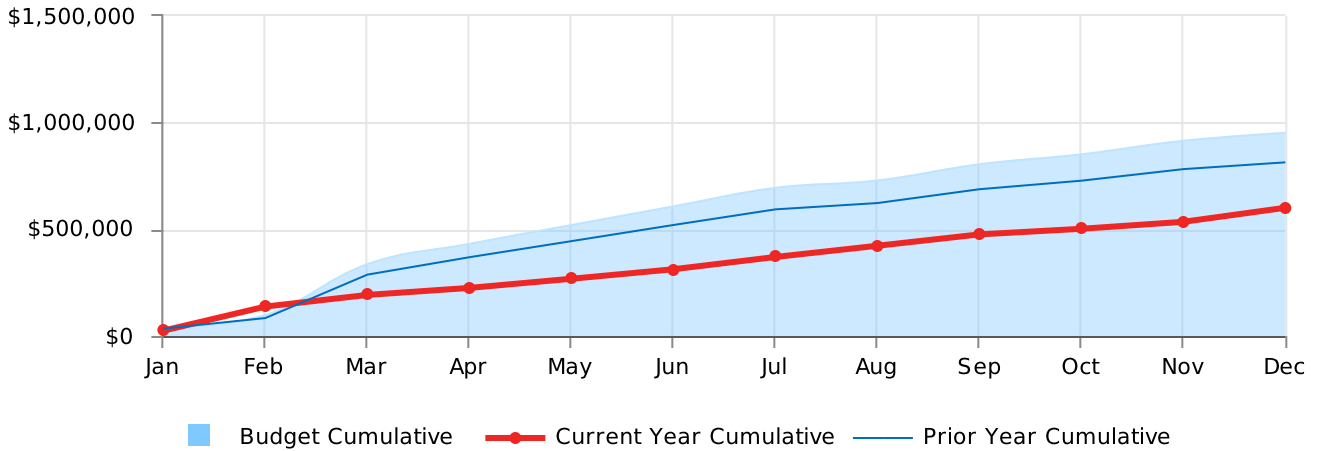
AIRPORT REVENUE



Building Permits

The 4th quarter cumulative revenues of \$601,045 are down \$351,425 below budget and \$212,995 below prior year.

BUILDING PERMIT REVENUE



CITY-WIDE FUND BALANCE SUMMARY

CHANGE IN FUND BALANCE

	2020	As of December 31th		
	Beginning Balance	2020 Actual Rev.	2020 Actual Exp.	Ending Balance
General Fund	\$ 10,757,521	\$ 66,349,399	\$ 62,483,985	\$ 14,622,935
Parks and Recreation	666,337	4,338,218	4,387,823	616,732
Street & Traffic Operations	179,146	7,599,444	7,256,223	522,367
General Government Subtotal	11,603,004	78,287,061	74,128,031	15,762,034
Other Governmental Operating Funds	5,708,398	11,670,946	13,277,341	4,102,003
Government Capital Funds	13,888,067	21,042,393	16,199,912	18,730,548
Enterprise Operating Funds	20,534,604	58,550,739	50,310,412	28,774,931
Enterprise Capital Funds	35,972,784	7,606,784	9,307,324	34,272,244
Internal Service Funds	3,956,891	7,127,571	7,668,248	3,416,214
Employee Benefit Reserve	4,742,177	14,360,386	13,979,901	5,122,662
Risk Management Reserves	2,643,898	4,396,940	3,512,686	3,528,152
Debt Service & Agency Funds	2,269,854	15,275,671	14,760,359	2,785,166
Total	\$ 101,319,677	\$ 218,318,491	\$ 203,144,214	\$ 116,493,954

This is a progress report to provide transparency and accountability. This table shows fund balances by fund at this point in time, however due to timing of seasonal fluctuations such as Property Tax revenues that come in twice a year, and debt payments made periodically, as well as other seasonal factors, this is intended to provide transparency and accountability but is not a reliable measure of predicted year-end. Annual audited financial reports are provided annually and can be compared year to year.

CITY WIDE REVENUES & EXPENDITURES BY FUND GROUPING

REVENUE COMPARISON (Budget vs. Actual)

	2019		2020		
	Actual	%	Annual		%
	as of 12/31	Rec'd	Amended Budget	Actual as of 12/31	
General	\$ 67,099,146	99.4 %	\$ 75,227,693	\$ 66,349,399	88.2 %
Parks and Recreation	5,331,879	101.4 %	5,551,742	4,338,218	78.1 %
Street & Traffic Operations	5,345,059	92.4 %	8,661,450	7,599,444	87.7 %
General Government Subtotal	77,776,084	99.0 %	89,440,885	78,287,061	87.5 %
Other Government Operating Funds	13,719,920	80.8 %	18,028,690	11,670,946	64.7 %
Government Capital Funds	14,481,233	34.1 %	38,183,760	21,042,393	55.1 %
Enterprise Operating Funds	61,880,409	102.2 %	66,779,346	58,550,739	87.7 %
Enterprise Capital Funds	12,107,198	60.9 %	13,009,100	7,606,784	58.5 %
Internal Service Funds	5,979,909	97.0 %	8,457,087	7,127,571	84.3 %
Employee Benefit Reserves	15,604,704	95.2 %	16,480,664	14,360,386	87.1 %
Risk Management Reserve	4,411,668	101.5 %	5,037,870	4,396,940	87.3 %
Debt Service & Agency Funds	6,861,495	91.1 %	16,200,206	15,275,671	94.3 %
Total	<u>\$ 212,822,620</u>	84.2 %	<u>\$ 271,617,608</u>	<u>\$ 218,318,491</u>	80.4 %

EXPENDITURE COMPARISON (Budget vs. Actual)

	2019		2020		
	Actual	%	Annual		%
	as of 12/31	Exp'd	Amended Budget	Actual as of 12/31	
General	\$ 65,403,498	96.3 %	\$ 74,784,998	\$ 62,483,985	83.6 %
Parks and Recreation	4,948,970	95.3 %	5,612,841	4,387,823	78.2 %
Street & Traffic Operations	5,636,166	73.6 %	8,694,368	7,256,223	83.5 %
General Government Subtotal	75,988,634	94.1 %	89,092,207	74,128,031	83.2 %
Other Government Operating Funds	13,552,812	79.3 %	18,408,008	13,277,341	72.1 %
Government Capital Funds	16,078,250	35.1 %	35,772,446	16,199,912	45.3 %
Enterprise Operating Funds	57,432,256	92.2 %	70,890,869	50,310,412	71.0 %
Enterprise Capital Funds	12,233,838	44.8 %	25,268,221	9,307,324	36.8 %
Internal Service Funds	6,838,179	70.7 %	10,791,242	7,668,248	71.1 %
Employee Benefit Reserves	14,137,244	87.7 %	16,242,798	13,979,901	86.1 %
Risk Management Reserve	3,997,298	92.9 %	5,047,422	3,512,686	69.6 %
Debt Service & Agency Funds	6,714,763	89.3 %	16,140,617	14,760,359	91.4 %
Total	<u>\$ 206,973,274</u>	76.4 %	<u>\$ 287,653,830</u>	<u>\$ 203,144,214</u>	70.6 %

GENERAL GOVERNMENT REVENUE DETAIL

GENERAL GOVERNMENT REVENUES

General Fund	Revenues as of December 31			2020	Percent Rec'd
	2018	2019	2020	Amended Budget	
Property Tax	\$ 9,960,041	\$ 10,174,747	\$ 10,289,701	\$ 10,606,500	97.0 %
General Sales Tax	17,483,952	18,266,446	18,832,886	18,552,000	101.5 %
Crim. Justice Sales Tax	3,624,037	3,631,802	3,754,970	3,704,701	101.4 %
Utility & Franchise Taxes	17,447,022	18,240,863	18,503,464	19,141,920	96.7 %
Other Taxes	1,012,191	1,043,835	551,416	1,080,000	51.1 %
Licenses and Permits	1,686,219	1,751,787	1,607,655	1,905,970	84.3 %
Intergov't Revenues	3,744,076	3,762,209	7,024,258	9,011,742	77.9 %
Charges for Services	8,326,255	6,996,747	2,819,032	7,881,311	35.8 %
Fines and Forfeitures	1,755,518	1,598,206	1,017,277	1,812,000	56.1 %
Other Revenue	1,008,038	1,632,504	1,948,739	1,531,550	127.2 %
Total General Fund	66,047,349	67,099,146	66,349,398	75,227,694	88.2 %
Parks & Recreation					
Property Tax	2,505,558	2,560,000	2,826,147	2,826,147	100.0 %
Intergov't Revenues	100,490	85,755	64,159	69,330	92.5 %
Charges for Services	884,870	807,068	211,166	975,250	21.7 %
Other Revenue	1,688,868	1,879,057	1,236,746	1,681,015	73.6 %
Total Parks & Recreation	5,179,786	5,331,880	4,338,218	5,551,742	78.1 %
Streets					
Property Tax	3,629,305	3,121,325	4,016,314	4,016,314	100.0 %
Other Taxes	4,715	—	—	—	n/a
Intergov't Revenues	1,917,190	1,517,473	1,368,588	1,513,000	90.5 %
Charges for Services	562,379	652,852	252,350	676,636	37.3 %
Other Revenue	172,620	53,409	1,962,192	2,455,500	79.9 %
Total Streets	6,286,209	5,345,059	7,599,444	8,661,450	87.7 %
Total General Government	\$ 77,513,344	\$ 77,776,085	\$ 78,287,060	\$ 89,440,886	87.5 %

GENERAL GOVERNMENT EXPENDITURE DETAIL

GENERAL GOVERNMENT EXPENDITURES

	Expenditures as of December 31			2020	Percent Exp'd
	2018	2019	2020	Amended Budget	
	Police	\$ 29,260,677	\$ 29,104,250	\$ 27,413,559	
Fire	14,403,116	15,085,424	15,393,527	15,507,039	99.3 %
City Management ¹	424,018	599,154	2,459,775	5,692,736	43.2 %
Information Technology	3,343,615	3,413,777	2,679,023	4,166,089	64.3 %
Code Administration	1,934,180	1,915,413	1,800,409	1,986,531	90.6 %
Legal	1,656,089	1,741,756	1,708,639	1,980,706	86.3 %
Finance	1,669,698	1,660,372	1,277,368	1,906,304	67.0 %
Interfund Distributions	2,085,575	2,399,617	1,501,831	1,879,760	79.9 %
Municipal Court	1,601,371	1,632,967	1,625,660	1,783,999	91.1 %
Firemen's Relief/Pension	1,123,935	1,152,205	1,179,676	1,176,041	100.3 %
Indigent Defense	1,015,983	1,053,270	1,077,221	1,050,000	102.6 %
Police Pension	798,375	773,819	730,397	867,197	84.2 %
Planning	610,984	705,020	812,283	856,262	94.9 %
Engineering	686,953	675,522	720,412	801,153	89.9 %
City Clerk/Records	622,093	686,117	271,601	779,047	34.9 %
Human Resources	685,227	728,003	479,364	770,739	62.2 %
Purchasing	600,219	688,158	225,744	686,784	32.9 %
City Hall Facility	495,872	562,556	356,145	604,700	58.9 %
Clean City Program	—	10,616	200,183	385,288	52.0 %
Parking	176,663	146,411	156,566	280,187	55.9 %
City Council	252,979	243,791	121,533	275,790	44.1 %
Economic Development	399,622	278,663	152,201	252,548	60.3 %
Intergovernmental	150,680	146,617	140,865	162,689	86.6 %
Contingency	—	—	—	160,000	n/a
Total General Fund	63,997,924	65,403,498	62,483,982	74,784,996	83.6 %
Parks & Recreation Fund	4,931,743	4,948,970	4,387,823	5,612,841	78.2 %
Street & Traffic Ops.	6,665,852	5,636,166	7,256,223	8,694,368	83.5 %
Total General Government	\$ 75,595,519	\$ 75,988,634	\$ 74,128,028	\$ 89,092,205	83.2 %

¹ City Management expenditures include extraordinary expenses specific to CARES Act recovery and reimbursement.

OTHER FUNDS DETAIL

OTHER GOVERNMENT OPERATING FUNDS

Fund	2020	As of December 31		
	Beginning Balance	2020 Actual Rev.	2020 Actual Exp.	Ending Balance
Economic Development	\$ 54,454	\$ 109,309	\$ 110,750	\$ 53,013
Neighborhood Development	703,369	857,785	1,897,290	(336,136)
Community Relations	799,493	738,718	638,503	899,708
Cemetery	149,216	293,628	313,535	129,309
Emergency Services	78,401	1,588,301	1,515,246	151,456
Public Safety Communication	905,623	3,975,425	4,306,511	574,537
Police Grants	1,199,193	284,074	457,681	1,025,586
PBLA (Park/Bus Improvement Area)	57,284	184,024	125,499	115,809
Trolley	45,791	11,275	12,395	44,671
Front Street Bus Improvement Area	3,546	4,047	3,315	4,278
Convention Center (Tourist Promo)	287,722	891,687	993,673	185,736
Capitol Theatre	34,275	479,865	437,851	76,289
PFD - Convention Center	1,043,475	1,042,723	1,040,989	1,045,209
Tourism Promotion Area	80,263	420,155	428,049	72,369
PFD - Capitol Theatre	266,291	789,930	996,057	60,164
Total Other Gov't Operating Funds	\$ 5,708,396	\$ 11,670,946	\$ 13,277,344	\$ 4,101,998

GOVERNMENTAL CAPITAL FUNDS

Fund	2020	As of December 31		
	Beginning Balance	2020 Actual Rev.	2020 Actual Exp.	Ending Balance
Arterial Street	\$ 2,254,826	\$ 746,779	\$ 1,416,576	\$ 1,585,029
Central Bus District Capital	61,038	11,538	—	72,576
Capitol Theatre Construction	201,017	60,000	1,247	259,770
Yakima Redevelopment Area	1,566,930	1,000,000	2,607,721	(40,791)
Parks & Recreation Capital	395,207	1,144,697	1,148,548	391,356
Fire Capital	504,061	65,558	260,278	309,341
Law and Justice Capital	729,782	554,662	351,328	933,116
Public Works Trust Construction	3,120,163	1,298,833	907,659	3,511,337
REET 2 Capital	1,601,740	1,253,390	860,470	1,994,660
Street Capital	2,178,084	1,990,218	290,599	3,877,703
Convention Center Cap Improvement	713,946	12,916,718	8,181,640	5,449,024
Reserve for Capital Improvement	561,273	—	173,846	387,427
Total Gov't Capital Funds	\$ 13,888,067	\$ 21,042,393	\$ 16,199,912	\$ 18,730,548

ENTERPRISE OPERATING FUNDS

Fund	2020	As of December 31		
	Beginning Balance	2020 Actual Rev.	2020 Actual Exp.	Ending Balance
Airport Operating	\$ 231,667	\$ 1,649,328	\$ 1,429,838	\$ 451,157
Stormwater Operating	1,300,461	3,971,713	3,087,818	2,184,356
Transit Operating	4,886,755	7,174,940	7,566,441	4,495,254
Refuse	2,074,433	8,531,106	7,578,415	3,027,124
Wastewater Operating	7,954,286	23,930,409	19,571,795	12,312,900
Water Operating	2,998,833	11,276,547	9,297,112	4,978,268
Irrigation	1,088,168	2,016,696	1,778,994	1,325,870
Total Enterprise Operating Funds	\$ 20,534,603	\$ 58,550,739	\$ 50,310,413	\$ 28,774,929

ENTERPRISE CAPITAL FUNDS

Fund	2020	As of December 31		
	Beginning Balance	2020 Actual Rev.	2020 Actual Exp.	Ending Balance
Airport Capital	\$ 428,091	\$ 1,571,364	\$ 1,645,036	\$ 354,419
Stormwater Capital	4,262,708	900,000	1,243,860	3,918,848
Transit Capital	6,759,981	389,854	38,825	7,111,010
Wastewater Facilities Capital	4,034,146	729,491	402,570	4,361,067
Wastewater Construction Capital	7,980,356	225,000	3,486,763	4,718,593
Wastewater Capital	4,567,644	766,396	392,353	4,941,687
Water Capital	3,265,844	1,425,000	547,934	4,142,910
Irrigation Capital	4,674,015	1,599,679	1,549,984	4,723,710
Total Enterprise Capital Funds	\$ 35,972,785	\$ 7,606,784	\$ 9,307,325	\$ 34,272,244

INTERNAL SERVICE FUNDS

Fund	2020	As of December 31		
	Beginning Balance	2020 Actual Rev.	2020 Actual Exp.	Ending Balance
Equipment Rental	\$ 2,653,838	\$ 3,901,459	\$ 3,855,769	\$ 2,699,528
Environmental	655,151	91,038	190,918	555,271
Public Works Administration	656,066	1,312,045	1,591,966	376,145
Utility Services	(8,164)	1,823,028	2,029,594	(214,730)
Total Enterprise Operating Funds	\$ 3,956,891	\$ 7,127,570	\$ 7,668,247	\$ 3,416,214

EMPLOYEE BENEFIT RESERVES

Fund	2020	As of December 31		
	Beginning Balance	2020 Actual Rev.	2020 Actual Exp.	Ending Balance
Unemployment Comp Reserve	\$ 253,933	\$ 221,425	\$ 136,939	\$ 338,419
Employees Health Ben Reserve	3,706,563	12,456,234	12,271,224	3,891,573
Worker's Comp Reserve	734,604	1,682,215	1,533,732	883,087
Wellness/EAP	47,077	512	38,007	9,582
Total Employee Benefit Reserve	\$ 4,742,177	\$ 14,360,386	\$ 13,979,902	\$ 5,122,661

RISK MANAGEMENT RESERVE

Fund	2020	As of December 31		
	Beginning Balance	2020 Actual Rev.	2020 Actual Exp.	Ending Balance
Risk Management Reserve	\$ 2,643,898	\$ 4,396,940	\$ 3,512,686	\$ 3,528,152

DEBT SERVICE & AGENCY FUNDS

Fund	2020	As of December 31		
	Beginning Balance	2020 Actual Rev.	2020 Actual Exp.	Ending Balance
GO Bond Redemption				
LID Guaranty	\$ —	\$ 8,863,255	\$ 8,808,718	\$ 54,537
2002 GO Convention Center	162,617	3,848,644	3,843,344	167,917
2005 GO Various Bonds	11,939	—	—	11,939
1996 GO LTD - Convention Center	75,485	(6,779)	—	68,706
Total GO Bond Redemption	\$ 250,041	\$ 12,705,120	\$ 12,652,062	\$ 303,099
Water/Sewer Revenue Bond Redemption				
WW Rev Bond & 2008 Debt Service	\$ (17,465)	\$ 412,738	\$ 251,468	\$ 143,805
Irrigation Bond Debt Service	(21,907)	318,760	292,427	4,426
WW Rev Bond Rsv & 2012 Debt Svc	1,592,748	1,169,200	1,141,000	1,620,948
Total W/S Rev Bond Redemption	\$ 1,553,376	\$ 1,900,698	\$ 1,684,895	\$ 1,769,179
Agency Funds				
Yakcorps	(249,653)	656,276	423,403	(16,780)
Cemetery Trust	716,090	13,578	—	729,668
Total Agency Funds	\$ 466,437	\$ 669,854	\$ 423,403	712,888