



2020 Second Quarter Financial Report

Period Ending June 30, 2020

Presenter: Chun Saul

7/27/2020

Discussion

- Budget to Actual Comparison – Target 50% (6/12 months)
- City-wide Overview - Total for All Funds Combined
- General Fund Overview
 - Revenues, Expenditures, and Fund Balance
 - Revenues by Source – Budget to Actual
 - Expenditures by Department & Category – Budget to Actual
- Enterprise Funds Overview
 - Combined Utilities Funds (Wastewater, Water, Storm Water)
 - Airport Fund
- Treasurer's Report
 - Cash, Deposits & Investments as of 6/30/2020
- COVID-19 Implications to the General Fund
 - Projected revenue loss in 2020
 - Rebalancing 2020 budget – reduction in spending budget

Overview – All City Funds Combined Status as of June 30, 2020

- YTD Revenue Received = 48.6% (\$367K below target)
 - \$316K is from General Fund (Sales tax, state grant, recreation program fees)
- YTD Expenditures Used = 40.4% (\$2.8 million below target)
 - Operating budget used = 44.4% (\$1.03 million below target)
 - ✓ Budget \$18.23 million; TYD spent \$8.09 million
 - ✓ Payroll budget spent 45.8%; supplies budget spent 44.9%; services budget spent 40.8%
 - Capital outlays budget used = 28.8% (\$1.53 million below target)
 - ✓ Budget \$7.23 million; YTD spent \$2.1 million; related to transportation and water utility projects

Chehalis City-Wide, All Funds	2020 Budget	2020 YTD 6/30/2020	YTD % of Budget	Actual vs. Tartet Positive (Negative)
Revs. & Transfers In	\$ 25,881,487	\$ 12,573,540	48.6%	\$ (367,204)
Exps. & Transfers Out	29,291,890	11,842,221	40.4%	2,803,724
Revenues Over (Under) Expenditures	(3,410,403)	731,319	-21.4%	\$ 2,436,520

- Bottom Line: Overall, all city funds and departments operated within the appropriated budget parameters.

General Fund Status Overview

➤ General Fund Financial Status as of June 30, 2020

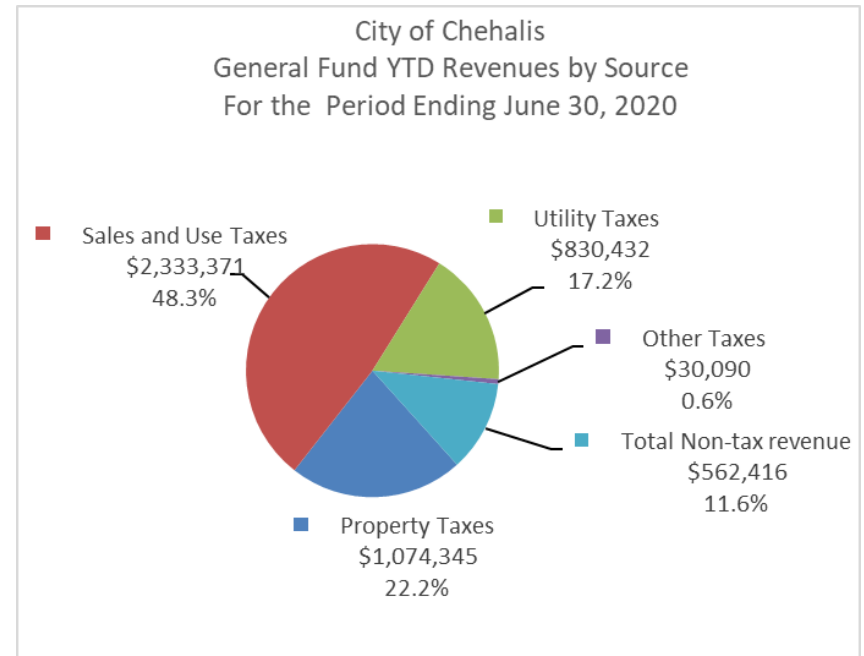
Chehalis General Fund	2020 Budget	YTD Actual 6/30/2020	YTD Actual % of Budget	Actual vs. Target Positive (Negative)
Revenues & Transfers-In	\$ 10,294,652	\$ 4,830,654	46.9%	\$ (316,673)
Expenditures & Transfers-Out	10,679,474	4,765,807	44.6%	573,930
Revenues Over (Under) Expenditures	(384,822)	64,847	-16.9%	257,257
Beginning Fund Balance	1,490,637	1,462,124		
Ending Fund Balance	\$ 1,105,815	\$ 1,526,971		
Ending Fund Balance % of Revenue Budget			14.8%	

- YTD Revenues Received = 46.9% (\$316K below target)
 - Local Sales tax 45.3% received; \$245K below target (\$179K decline from 6/2019)
 - Grant revenue budget \$316K not yet received (6-month target \$158K)
 - Recreation program; Budget \$203K, used \$12K. \$90K below target. About 60% revenue loss in 2020 (due to COVID-19) anticipated.
 - Property tax 55.4% received; \$105K above 6-month target. This is normal

- YTD Expenditures Used= 44.6% (\$574K below target)
 - Wages & Benefits, used 46.8% of budget (\$240K below target)
 - Savings from vacant positions; increased for accrual cash outs.
 - Supplies, used 33.6% of budget (\$80K below target)
 - Services, used 37.8% of budget (\$307K below target)
 - Repairs & maintenance
 - Prof Svc for Flood Storage Master Plan \$316K not used yet (six-month target \$158K)

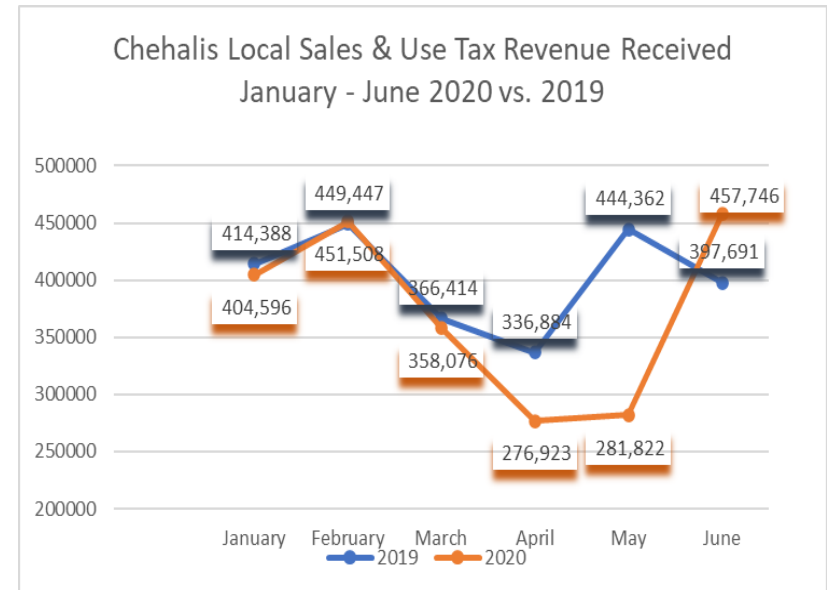
YTD General Fund Revenues by Source

- Total tax revenues make up 88.0% of YTD total general fund revenues received.
- Sales taxes includes:
 - Local Sales and Use tax, Brokered Natural Gas Sales, and Criminal Justice Sales tax.
- Property taxes includes:
 - Regular and EMS levy.
- Utility taxes includes:
 - Electric, gas, telephone, cable, solid waste, water & sewer businesses..
- Non-tax revenues include:
 - Licenses & permits, charges for goods & services, intergovernmental revenues (state shared and grants), fines, and other misc.

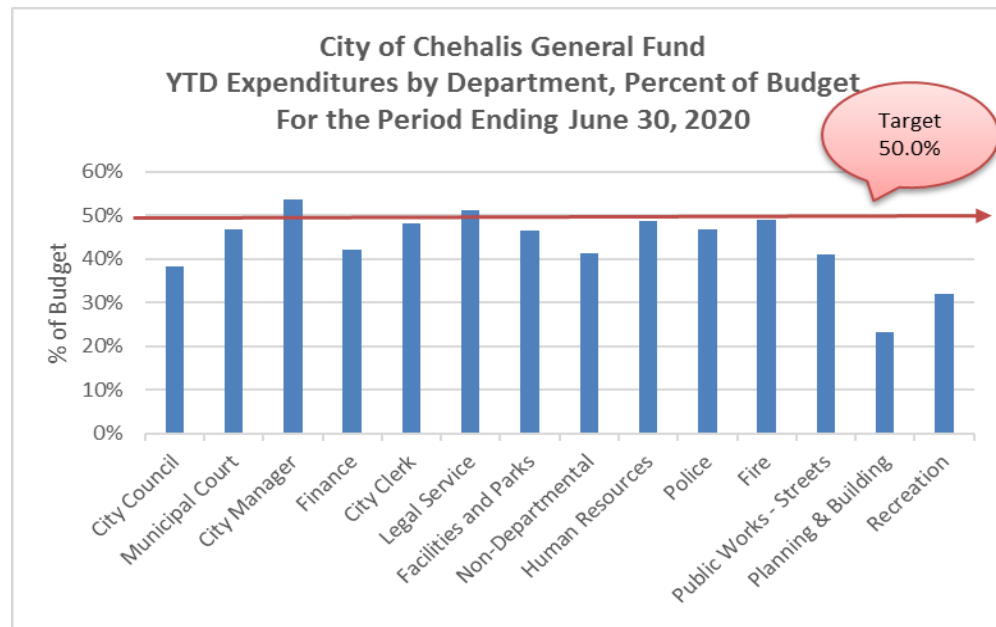


General Fund Revenues – Local Sales Tax Trend

- Regular local sales tax rate = 1% (total tax rate 8.2%)
- 2- month lag time between month of sales and revenue distribution to the City.
- 2020 YTD is \$2,230,671 or 45.0% of the 2020 budget:
 - ✓ **245,809 (5%) below YTD target.**
- YTD 2020 vs. YTD 2019:
 - ✓ COVID-19 impacts (combination of sales activity decline and tax payment deferrals)
 - ✓ Steep decline in April & May distribution
 - ✓ **Overall decrease \$178,515 (or 7.4%) from a year ago.**
- June 2020 distribution included collection of February & March deferral tax payment of \$103,500 (\$97K for Feb & 6K for March) & \$350K for April.
- April 2020 sales tax received is about \$38K (or 9.8%) less than a year ago.
- March 2020 sales tax distributed to the City thru June is \$153K (35%) less than a year ago.



General Fund Expenditures by Department and Activity – Budget to Actual

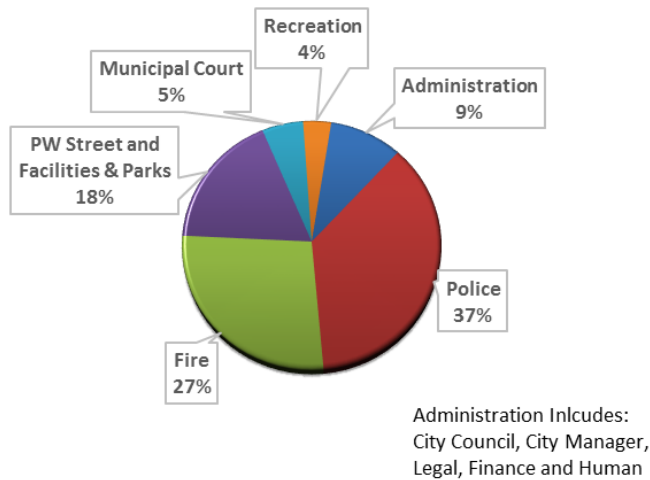


Overall, most departments operated within normal budget parameters. Exceptions:

- City Manager: About \$7K ahead of YTD target. Payroll budget to be updated. Cost allocation to enterprise funds slightly lower than YTD target.
- Legal Services: About \$700 ahead of YTD target.
- Planning & Building: Used 23.1% of budget. Prof. services budget (\$316K) for grant project not yet used.
- Recreation: Used 31.9% of budget. Due to COVID-19, PT pool staff wages and professional services significantly reduced. Anticipate significant portion will not be used in 2020.

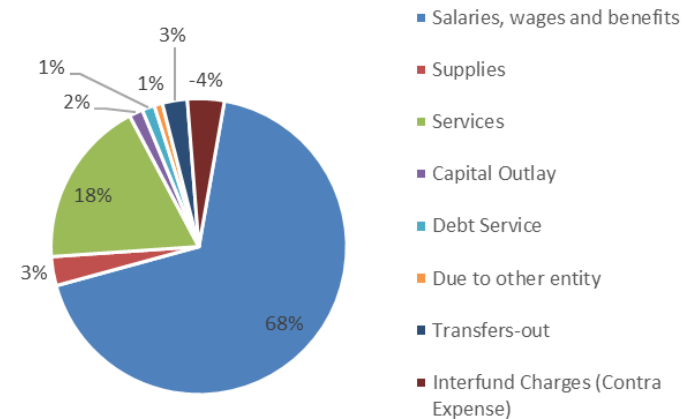
General Fund Expenditures Proportion – By Department & By Category

General Fund Expenditures by Department/Function
For the Period Ending June 30, 2020



Public Safety (Police & Fire) make up 64.0% of the General Fund YTD total expenditures.

Chehalis General Fund Expenditures by Category
2020 YTD Actual For Period Ending June 30, 2020



Note: % shown are net of interfund charges (cost allocation) to enterprise funds.

YTD payroll expenditure \$3,523,224 (46.8% of the 2020 budget). It's about 71% of the General Fund YTD expenditure (prior to cost allocation for interfund service charge) or 68% of the General Fund YTD expenditures after cost allocation for interfund service.

Enterprise Funds Summary

- Combined Utilities Funds (Wastewater, Water & Stormwater)
 - Charges for services: YTD received is 48.7% of the budget; \$111,827 below YTD target.
 - Wastewater & Stormwater: slightly ahead of the six-month target.
 - Water: about 7.2% or \$206K below the six-month target. But comparable to prior year.
 - Hookup/Connection fees: YTD received is 16.8% of the 2020 budget; \$89K below the six-month target.
 - Operating expenditures: Spent 46.9 % of the 2020 Budget; about \$185K below the six-month target.
 - Capital outlay: Spent 21.9% of the 2020 budget; about \$790K below the six-month target. Mostly related to waterline replacement projects.
 - Overall, total revenues exceeded total expenditures by \$132,622.
- Airport Fund
 - Operating revenues received YTD is 55.0% of the 2020 budget; about \$72K ahead of the six-month target.
 - Fuel sales 68.4% ; Rents & Leases 48.2% (a refund issued & timing of receipts)
 - Operating expenditures YTD is 56.3% of the 2020 budget; \$72K ahead of the YTD target.
 - Capital expenditures YTD is 38.4% of the 2020 budget.
 - Taxiway Realignment project expected to start in the fall.
 - Overall, YTD total revenues exceeded total expenditures by \$332,905

Treasure's Report

- The City's total cash, deposits & Investments as of June 30, 2020 is \$24,132,810.
 - **Only 6.3% or \$1,526,971 of the total belongs to the General Fund.**
 - **Other than the General Fund, all other funds are restricted funds which accounts for specific revenues or resources that are legally restricted or committed to finance particular activities and services (i.e., utilities, airport, TBD, etc.)**
- Summary totals by investment type:

City of Chehalis Cash, Deposits & Investment - Total Combined All Funds		
Account Type	Balance 6/30/2020	% of Total
Checking & Revolving Cash Fund	3,637,738	15.1%
Money Market & Savings	187,499	0.8%
Local Government Investment Pool (LGIP)	19,305,961	80.0%
US Govt Agency Securities (Bonds)	1,001,612	4.2%
Total	\$ 24,132,810	100.0%

- About 85.0% or \$20,495,072 of the total is invested and earn interests.
- YTD Investment interest earned through June 2020 is \$144,501. This is a \$276,644 decline from a year ago.
- The average annual net earnings rate for LGIP for 2020 is 1.06% (it was 2.51% a year ago). Net earnings rate has declined from 1.72% from the beginning of 2020 to 0.37% at the end of June 2020.

COVID-19 Fiscal Implication to General Fund

➤ COVID-19 Impacts and How to Rebalance 2020 Budget?

- Estimated 2020 Revenue Loss = \$609,200 (5.8% of Budget)
 - Local sales tax -\$521,100 (*assume 10.5% decline from original budget)
 - Recreation program fees -\$121,500
 - Net other revenues +\$33,400
- Estimated Spending Budget Reduction Needed (Goal) = \$609,200 (5.7% of Budget)
 - Payroll budget -\$453,990 (vacant positions & part-time staffing level)
 - Supplies budget -\$50,000
 - Services budget -\$100,000
 - Transfers budget -\$5,210

**Projections as of 7/16/2020, subject to change.*

General Fund	2020 Current Budget	Budget Adjustment	2020 Year-End Projection
Revenues & Transfers-In	10,294,652	(609,200)	9,685,452
Expenditures & Transfers-Out	10,679,474	(609,200)	10,070,274
Revenues Over (Under) Expenditures	(384,822)	-	(384,822)
Beginning Fund Balance	1,462,124		1,462,124
Ending Fund Balance	1,077,302		1,077,302
Ending Fund Balance % of Revenue Budget	10.5%		11.1%

Rebalancing 2020 Budget – General Fund

- 2020 Budget Amendment #2 Requests:
 - Currently in review
 - Budget Increase and reductions
 - Staffing Level – Vacant Positions – in review
 - 1 Police Officer
 - 1 Parking Enforcement Officer (PT)
 - 3 Firefighters
 - 1 Street Superintendent (50% General Fund)
 - Seasonal Part-time Staff – Street, Parks & Facilities, Recreation, Finance
 - Planned to be presented at August 10th Council meeting.

Closing

- Questions?
- Thank you!