

Date: March 1, 2019

To: Mayor Ockerlander and City Council

From: Jennifer Anderson, Accountant
Lindsey Vaughn, Finance Director

Re: Fourth quarter 2018 Financial Report (100% of year = 100% Target)

At the end of the fourth quarter 2018, total City revenues were 98.82% of budget and expenses were 82.51%. A summary by each fund type is shown in *Exhibit 1 and 2*.

Overall building permit revenue in the general fund for 2018 was lower than expected which affected all the capital connection charges for water, sewer, storm in addition to the street, park and school impact fees (mostly pass-through). Hopefully, that revenue will move forward and be captured in the 2019 revenues for the general, capital funds, and utility capital funds.

Highlights year-to-date include:

GENERAL FUND

- General Fund revenues ended fourth quarter at 103.11% of budget and operating expenditures are at 93.42%. In comparison, 2017 4th quarter ended with operating revenues at 107.78% and operating expenses at 91.75%. On the expenditure side there were a couple items that were prioritized by Council and budgeted, however the staff bandwidth did not allow for the intended items to be completed for example the update of the Parks, Trails and Open Space (PTOS) Plan. Within Parks the acquisition of McCormick land was not purchased, and that the budgeted Part Time Cultural Commission was not filled to list a couple.
 - (*Exhibit 9* provides details by department and expense category).
- Approximately 27% of the General Fund revenue comes from Property Taxes, which is primarily received in April/May and Oct/Nov each year. At the end of 4th quarter, \$1,508,307 has been received.
- Building permit revenue ended the fourth quarter at 97.17% of budget or a total of \$330,907. The original budget was \$353,810 and was reduced through the 4th quarter budget amendment to decrease by (\$13,000) to create the new budget of \$340,525. This is a decrease compared to end of 4th quarter 2017 which ended with \$403,987 in revenue.
 - At the time a Single-Family Resident (SFR) the impact fees for water, sewer, storm & school are all included and collected at the building permit is issued.

- Other development fees and engineering fees brought in revenue of \$96,109 thru end of 4th quarter 2018. This represents 91.5% of budget (\$105,000). This is a decrease compared to 4th quarter 2017 which ended with \$194,791.
- Plan check fees were at 102% of budget or \$179,430 at the end of 4th quarter. Again, this is lower than 2017 4th quarter which ended with \$228,252.
- Sales Tax revenue ended the quarter with 102% of the \$1,025,000 amended budget received. This is higher than in 2017 where the annual revenue was \$925,132 which amounted to just below 109% of the budgeted amount of \$850,000. (*Exhibit 3*)
- Utility Taxes ended 4th quarter at 108% of budget or \$1,202,918. The 2017 comparison was at 105% of \$1,221,722 which is a decrease in the total amount of revenue received. (*Exhibit 6*).

CAPITAL FUNDS

- Forty four park (\$334,268) and thirty four street (\$335,852) impact fees have been received this year. This is lower when compared to 2017 where 67 park and 65 street Impact fees were collected. These fees are receipted at the time building permits are issued (*Exhibit 5*).
- Park Impact Fee Fund is where the bathroom was delivered at the very end of 2018 and the expenditure is shown, but the RCO Recreation Grant of \$160,000 in revenue will not be received until 2019 (*Exhibit 10*).
- Real Estate Excise Tax (REET) ended the 4th quarter at 180% of budget with homes and property continuing to sell at increased prices. As discussed through the budget process, REET is challenging to estimate and always kept on the extremely conservative for revenue to better explain the 180%. (*Exhibit 4*).

UTILITY FUNDS

- The City has Revenue debt for the sewer utility as shown in *Exhibit 7*.
- The Water fund revenue was \$1,930,284 which was 104% of the budget \$1,848,627.
- The Sewer fund revenue was \$2,402,493 which is slightly over 100% of the budget \$2,402,430.
- The Sewer Fund's highlight is that the 2011 Ref of 2000 Sewer Debt's final payment was made in December of 2018 as the final payment for that loan.
- Within the Sewer Operating Fund, Parametrix was awarded multiple scopes of work for Capital Improvement Plan Evaluation, a Mixing Study, and a Sewer Capacity Study to evaluate the Waste Water Treatment Plant.
- The Storm fund revenue was \$745,272 which was 99.8% of the budget \$745,687.
- The storm fund has also historically received a large amount of grant revenue and 2018 was exceptional with grant for \$143,630 for the Stormwater Plan Grant and \$143,429 from the Department of Ecology for the Parkwood Storm Retrofit Project.

ALL FUNDS

- Interest revenue ended the 4th quarter at \$217,924. This is 115% of the 2018 budget, \$190,028.
- Reserve fund balances are being met per Resolution 04-04 see (*Exhibit 8*).

EXHIBIT 1: Budget to Actual Revenues thru December31, 2018 – all funds

Fund Types	2018	2018	2018	YTD 2018	%	Target
	Total Budget	Begin. Fund Balance	Total Budget Less Begin. Fund Bal.	Revenues	Received	
General Fund	7,121,723	1,783,257	5,338,467	5,504,710	103.11%	>100%
Contingency Fund	231,632	228,867	2,765	3,087	111.64%	>100%
Special Revenue Funds	1,007,165	154,046	853,119	692,817	81.21%	>100%
Debt Service	496,542	19,865	476,677	476,677	100.00%	>100%
Capital Project Funds	6,371,384	3,819,302	2,552,082	2,495,840	97.80%	>100%
Utility Funds	13,475,110	6,737,927	6,737,183	6,592,248	97.85%	>100%
Bond Redemption & Reserve	427,333	283,500	143,833	143,088	99.48%	>100%
Internal Service Funds	1,356,537	789,870	566,667	566,164	99.91%	>100%
Totals	\$ 30,487,426	\$ 13,816,633	\$ 16,670,793	\$ 16,474,630	98.82%	>100%

Total revenues are slightly below the target of 100% or higher.

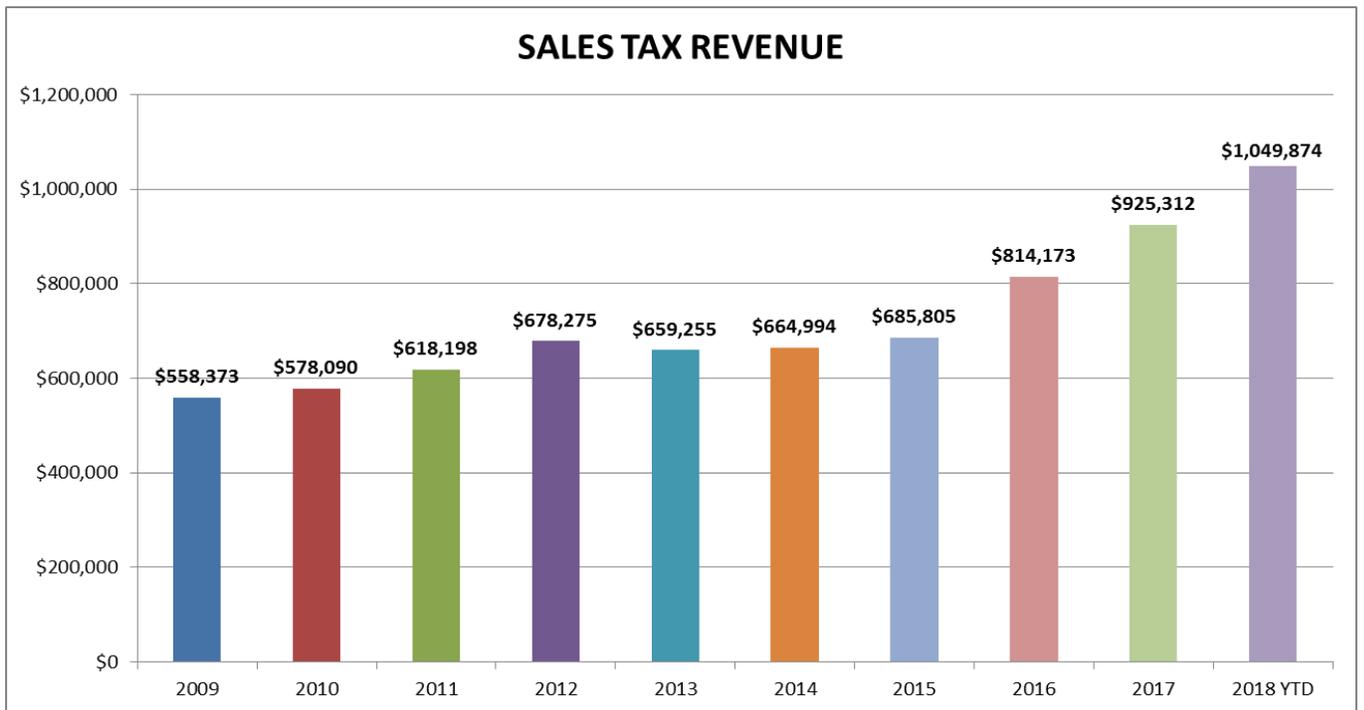
To briefly summarize the Special Revenue Funds the street fund was forecasted to receive the Transportation Improvement Board (TIB) LED Streetlight Conversion of \$183,150 that is a 100% pass-through grant that will not take place until 2019/2020 biennial budget which is the reason the revenue and percentage looks low and will also not be spent on the expenditure side.

EXHIBIT 2: Budget to Actual Expenditures thru December31, 2018 – all funds

Fund Types	2018	2018	2018	YTD 2018	%	Target
	Total Budget	Budget Ending Fund Balance	Total Budget less End. Fund Bal.	Expenditures	Expended	
General Fund	7,121,723	1,603,074	5,518,649	5,155,486	93.42%	<100%
Contingency Fund	231,632	231,632	-	-	#DIV/0!	<100%
Special Revenue Funds	1,007,165	104,546	902,619	594,460	65.86%	<100%
Debt Service	496,542	19,866	476,677	476,677	100.00%	<100%
Capital Project Funds	6,371,384	3,359,507	3,011,877	2,044,570	67.88%	<100%
Utility Funds	13,475,110	7,440,866	6,034,244	4,846,572	80.32%	<100%
Bond Redemption & Reserve	427,333	287,558	139,775	138,775	99.28%	<100%
Internal Service Funds	1,356,537	704,741	651,796	552,501	84.77%	<100%
Totals	\$ 30,487,426	\$ 13,751,789	\$ 16,735,637	\$ 13,809,040	82.51%	<100%

Expenditures are below the 100% target at the end of the 4th quarter.

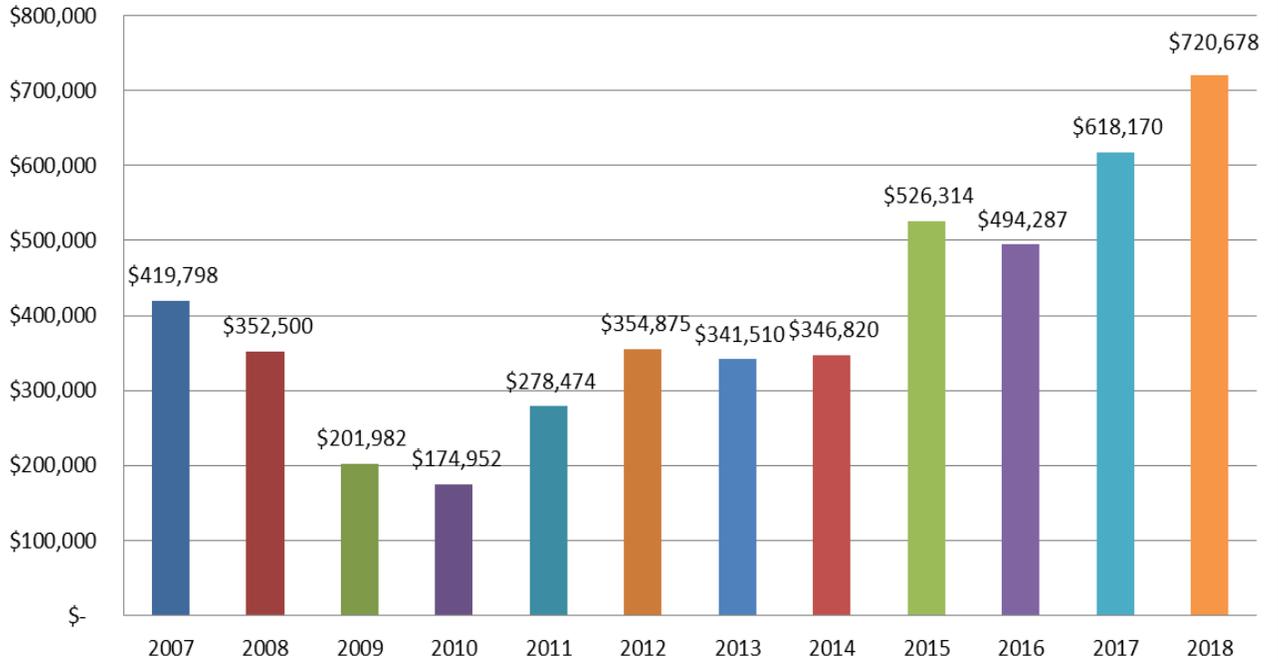
EXHIBIT 3: Sales Tax



Sales tax ended the 4th quarter at 102% of our \$1,025,000 amended budget and is 13.5% higher than fourth quarter 2017 sales tax revenues.

EXHIBIT 4: REET

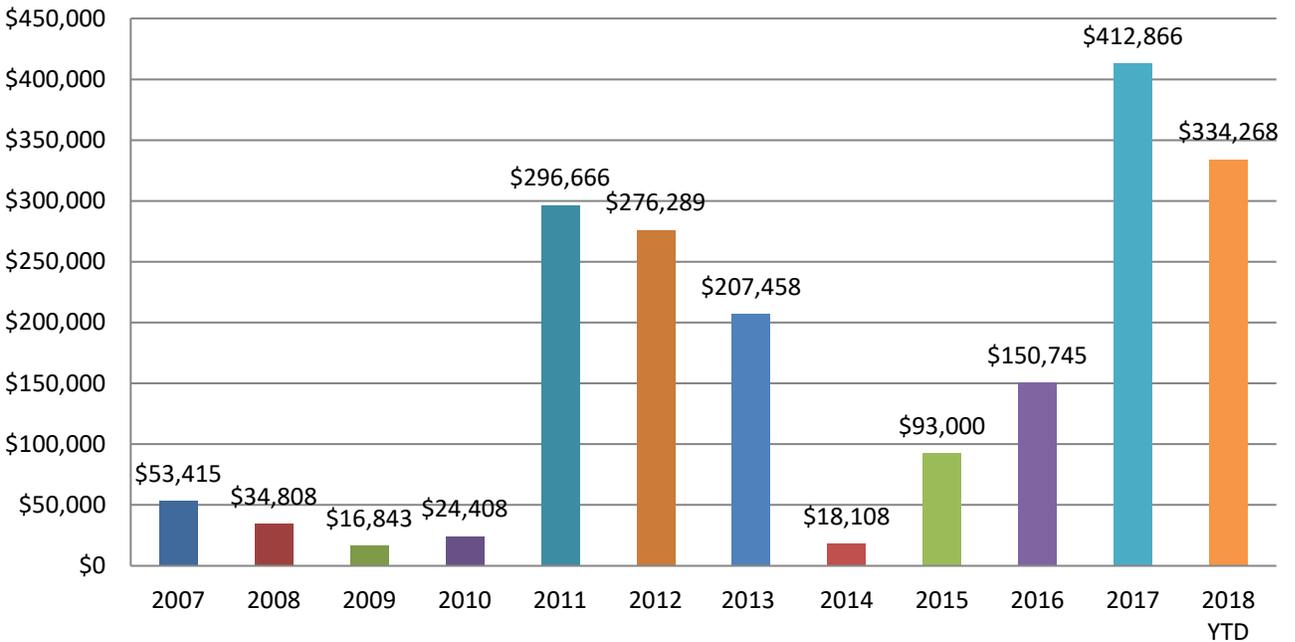
REET 1 & 2 REVENUES



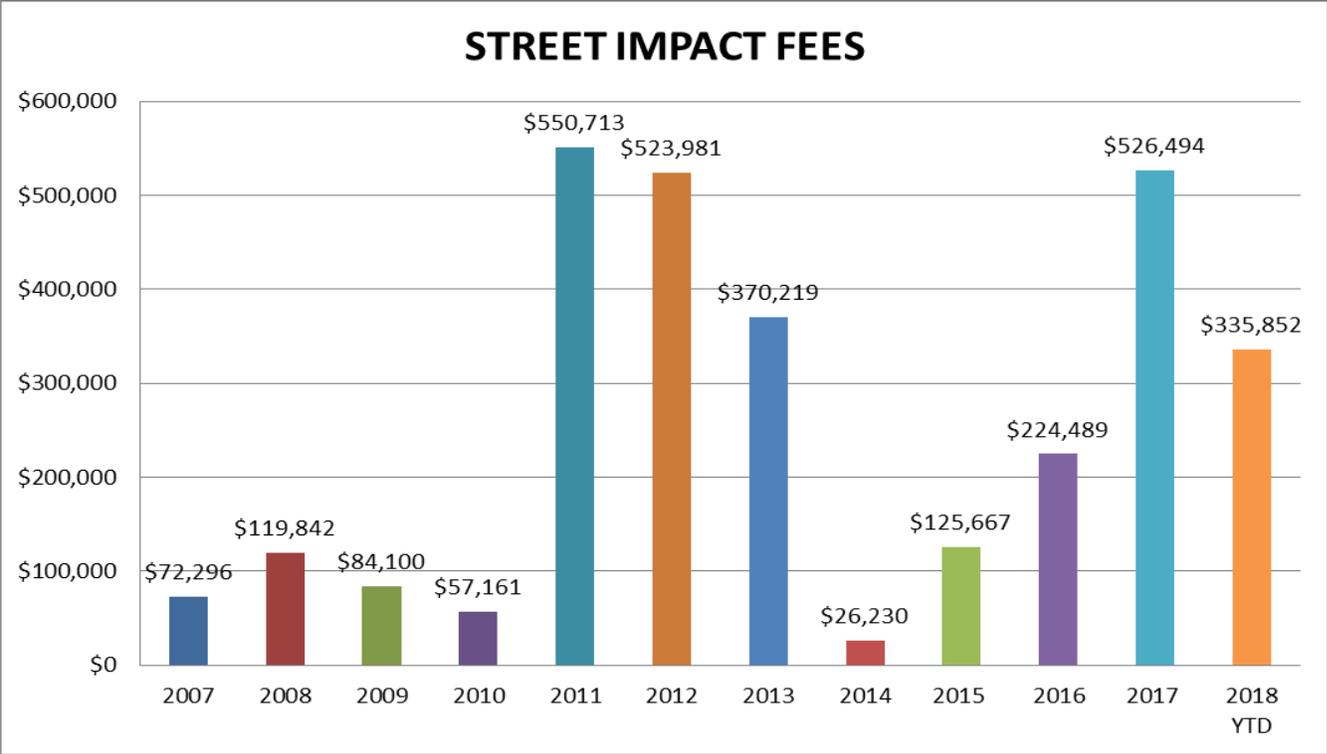
Real Estate Excise Tax Revenues (REET) were at 180% of the 2018 budget (\$400,000) at the end of the quarter. These funds are primarily for capital improvements.

EXHIBIT 5: Impact Fees

PARK IMPACT FEES

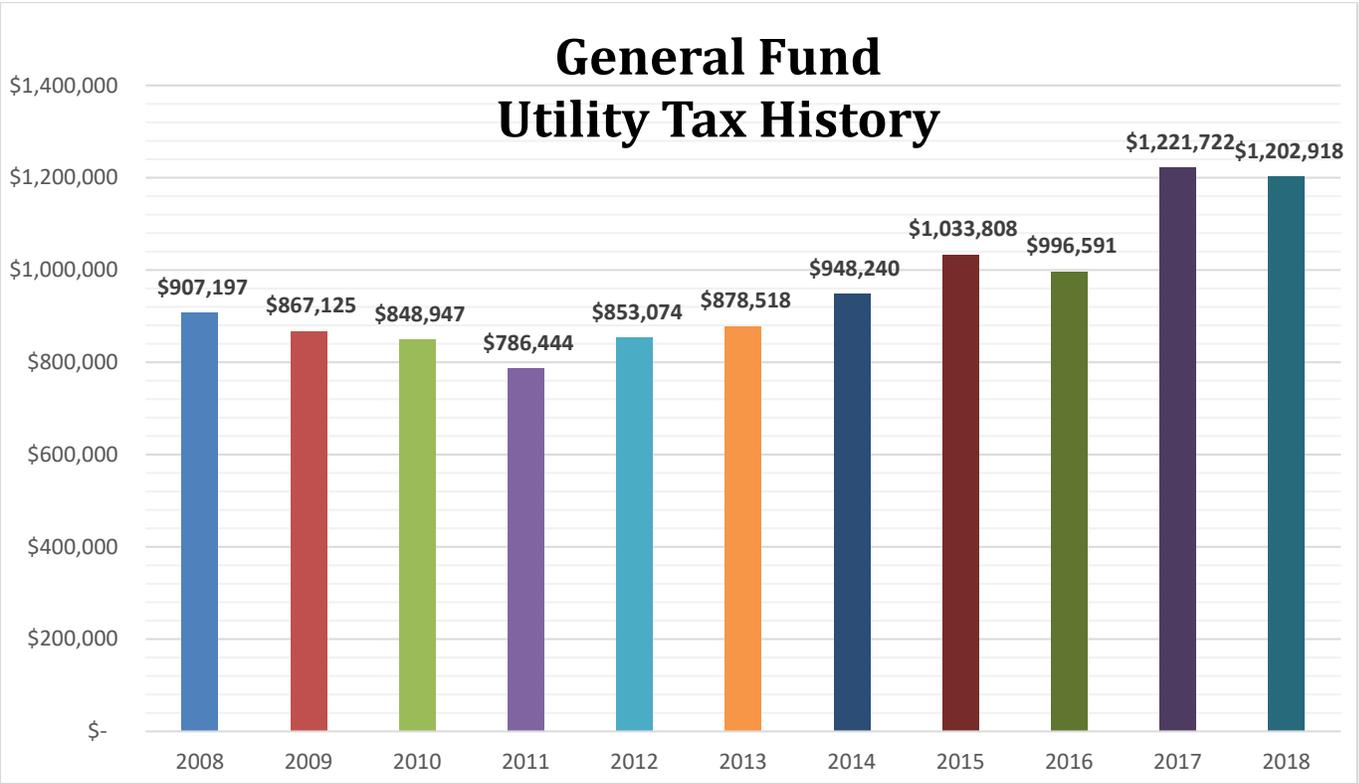


The City has collected 44 park impact fees, or 74.91% of budget (\$446,215), thru December 31, 2018. Park impact fees are restricted for park capital improvements.



The City has collected 34 street impact fees, or 67.28% of budget (\$499,163), thru December 31, 2018. Street impact fees are restricted for transportation capital improvements.

EXHIBIT 6: Utility Taxes



At the end of the fourth quarter, utility taxes are at 108% of budget (\$1,113,500). Utility tax revenues are from electric, gas, telephone, garbage, cable, and the city's water, sewer, and storm drain utilities.

EXHIBIT 7: Debt

General Obligation Debt	Principal
Big Rock Ball Field - 12/1/2025	1,440,000
Main Street Project - 12/1/2031	2,680,000
Total General Obligation Debt	\$ 4,120,000

Utility Revenue Debt	Principal
SRF WWTP Construction Loan <i>Final Payment 6/30/2025</i>	2,136,985
Total Revenue Debt	\$ 2,136,985

The City issued \$4,865,000 in Limited-Term General Obligation (LTGO) debt on February 22, 2017. The utilities have outstanding loans and revenue bonds as shown above. Duvall has bond reserves set aside which are in compliance with bond covenants.

EXHIBIT 8: Fund Balance Reserves

001 General Fund	\$ 758,380	17% per Resolution 04-04 Internally Restricted
001 Disaster Relief	25,000	Established by City Council
001 Internal Restricted- Other	22,408	Drug Enforcement & Art
002 Contingency	231,954	Maximum allowed is 37.5% of Assessed Value
401 Water Utility	700,677	Established by City Council, Increase by CPI
402 Sewer Utility	934,236	Established by City Council, Increase by CPI
402 Sewer Utility, DOE Loan	335,000	Annual Loan Amount
404 Storm Drain	291,950	Established by City Council, Increase by CPI
411 Utility Bond Debt Reserve	159,000	Per Bond Ordinance and Covenants
501 Equipment Fund	200,000	Established by City Council
503 Insurance Deductible	13,200	Insurance Liability
Total Restricted Funds	\$ 3,671,805	

- Reserve balances are being met.
 - The revenues are being internally tracked and accounted for per the reserve resolution 04-04. The finance department was made aware through trainings in Spring of 2018 that the City was not allowed to classify the reserves stated within the resolution as “reserved” through the Washington State Auditor’s definition. This has resulted on the financial statements showing the *internally restricted* money as *unreserved*, even though internally it is reserved by City Council.
- The City has a total of \$16,493,202.84 cash on hand.

- Additional information may be found in the fourth quarter investment report.

EXHIBIT 9:

Annual Revenue Report				Target ≥ 100%
General Fund as of 12/31/18				
Resources	2018 Budget	YTD	YTD % Collected	2017 Comparison
Begin Fund Balance	\$ 1,783,256.52	\$ 1,783,256.52	100.00%	100.00%
Taxes	3,852,174.60	3,994,972.13	103.71%	104.07%
Licenses & Permits	599,925.00	589,615.52	98.28%	107.16%
Intergovernmental Revenues	201,375.00	193,373.96	96.03%	105.42%
Charges for Goods and Services	355,810.00	363,544.14	102.17%	139.04%
Fines & Penalties	53,400.00	48,098.28	90.07%	91.21%
Miscellaneous Revenues	120,800.00	164,546.50	136.21%	122.93%
Other	154,982.00	150,559.00	97.15%	134.29%
TOTAL OPERATING REVENUE:	\$ 5,338,466.60	\$ 5,504,709.53	103.11%	107.78%
TOTAL	\$ 7,121,723.12	\$ 7,287,966.05	102.33%	106.25%

Annual Expense Report				Target < 100%
General Fund as of 12/31/18				
Expenses by Department:	2018 Budget	YTD	YTD % Spent	2017 Comparison
Legislative	\$ 102,083.83	\$ 92,273.28	90.39%	93.97%
Executive	220,931.00	205,130.62	92.85%	100.83%
Community Events	32,000.00	30,822.66	96.32%	79.91%
Finance Dept.	313,840.00	291,316.39	92.82%	96.74%
Planning Dept.	486,683.00	383,734.05	78.85%	92.23%
Building Dept.	269,681.00	232,254.29	86.12%	95.98%
Police Dept.	2,601,803.00	2,536,197.30	97.48%	91.94%
Economic Development	58,637.50	49,381.78	84.22%	62.81%
Recycling Dept.	25,300.00	18,404.58	72.75%	100.49%
Civil Service	15,923.00	13,232.16	83.10%	92.49%
Parks Dept.	329,495.00	274,814.28	83.40%	83.02%
Cultural Commission	44,200.00	36,774.38	83.20%	63.59%
City Mitigation Projects	6,000.00	-	0.00%	0.00%
Engineering Dept.	229,277.50	227,953.79	99.42%	87.74%
Fire	13,250.00	7,875.50	59.44%	117.53%
Non-Departmental	769,544.00	755,321.01	98.15%	93.06%
TOTAL OPERATING EXPENSES	\$ 5,518,648.83	\$ 5,155,486.07	93.42%	91.75%
Ending Fund Balance	\$ 1,603,074.29	\$ 2,132,479.98	133.02%	189.84%
TOTAL BUDGET	\$ 7,121,723.12	\$ 7,287,966.05	102.33%	106.25%

General Fund as of 12/31/18				
Expenses by Category:	2018 Budget	YTD	YTD % Spent	2017 Comparison
Salaries and Wages	\$ 2,333,111.00	\$ 2,287,636.38	98.05%	94.17%
Personnel Benefits	957,767.00	857,667.75	89.55%	95.73%
Supplies	113,334.00	106,024.37	93.55%	86.24%
Services	1,700,852.00	1,510,624.72	88.82%	89.44%
Intergovernmental Svcs.	360,908.83	379,858.07	105.25%	111.61%
Interfund Services	13,676.00	13,674.78	99.99%	0.00%
Capital Outlays	39,000.00	-	0.00%	0.00%
TOTAL OPERATING EXPENSES	\$ 5,518,648.83	\$ 5,155,486.07	93.42%	91.75%
Ending Fund Balance	\$ 1,603,074.29	\$ 2,132,479.98	133.02%	189.84%
TOTAL BUDGET	\$ 7,121,723.12	\$ 7,287,966.05	102.33%	106.25%

Operating Revenue less Operating Expenses **\$ 349,223.46**

CITY OF DUVALL
2018 REVENUE AND EXPENSE SUMMARY

Quarter ended 12/31/2018

Fund	Description	Beginning			Ending			Net Change
		Fund Balance	Revenues	Expenditures	Fund Balance	Revenues	Expenditures	
001	General Fund	\$ 1,783,256.52	\$ 5,504,710	\$ 5,155,486	\$ 2,132,479.98	\$	\$ 349,223.46	General Fund
002	Contingency Fund	228,866.74	3,087	-	231,953.60		3,086.86	
101	Street Fund	103,483.23	576,673	502,310	177,845.54		74,362.31	Special Revenue Funds
106	Big Rock Ball Park Maintenance	11,679.59	115,620	92,150	35,149.63		23,470.04	
107	Sensitive Areas Mitigation Fund	38,883.02	524	-	39,407.45		524.43	
206	2016 LTGO - Main St Debt Svc	19,865.22	476,677	476,677	19,865.72		0.50	Debt Svc Fd
304	Real Estate Excise Tax Fund 1	817,973.97	424,269	251,579	990,664.27		172,690.30	
305	Real Estate Excise Tax Fund 2	635,848.57	421,305	246,765	810,388.55		174,539.98	Capital Project Funds
306	Main Street Improvement	950,081.46	842,866	604,078	1,188,869.71		238,788.25	
307	Street CIP Fund	513,180.03	344,665	268,036	589,809.60		76,629.57	
308	Parks CIP Fund	902,217.52	462,735	674,112	690,840.04		(211,377.48)	
401	Water Fund	2,954,893.82	2,134,021	1,774,566	3,314,348.40		359,454.58	
402	Sewer Fund	1,962,914.15	2,458,328	1,959,207	2,462,035.34		499,121.19	
404	Storm Drainage Fund	415,428.07	1,125,402	765,717	775,112.69		359,684.62	
407	Water CIP Fund	966,059.15	354,478	5,101	1,315,436.03		349,376.88	Proprietary Funds
408	Sewer CIP Fund	333,641.39	510,994	341,943	502,693.23		169,051.84	
409	Storm Drainage CIP Fund	104,990.75	9,025	38	113,977.75		8,987.00	
410	Bond Redemption Fund	18,793.56	139,521	138,375	19,939.84		1,146.28	
411	Bond Reserve Fund	264,706.51	3,567	400	267,873.45		3,166.94	
501	Equipment Fund	516,793.52	128,300	180,994	464,099.35		(52,694.17)	Internal Service Funds
502	IT Fund	127,983.54	287,507	224,552	190,938.52		62,954.98	
503	Building Maintenance Fund	145,092.88	150,357	146,955	148,494.69		3,401.81	
TOTAL		\$ 13,816,633.21	\$ 16,474,630	\$ 13,809,040	\$ 16,482,223.38		\$ 2,665,590.17	

\$ 30,291,263.43 = \$ 30,291,263.43