

City of Snoqualmie
March 2023 Quarterly Report



July 18, 2023


FINANCE DEPARTMENT

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DATE:
TO: Snoqualmie City Council
FROM: Jen Ferguson, Finance & Human Resources Director; Drew Bouta, Budget Manager; Janna Walker, Budget Analyst; Samantha Brumfield, Project Specialist
SUBJECT: Financial Performance Report as of Quarter 1, 2023

Attached is the City of Snoqualmie's quarterly Financial Performance Report for the period ending March 31, 2023. The purpose of this report is to compare actual revenues and expenditures to the 2023-24 Amended Budget and to present financial metrics for analysis of performance.

The Bureau of Labor Statistics publishes the CPI-U, Seattle area, which provides the basis for most inflationary and cost-of living adjustments (COLA). In July 2023, this statistic was up 4.6% on an annual basis, a decrease from the prior year end's 9%. Inflation during the past biennium impacted the cost of services, construction materials, wages, and other goods the city purchased. Inflation remains highly uncertain in the near and long terms, but it has been decreasing and the Federal Reserve continues to target a 2% inflation rate.


City Funds Score Card

The table below shows City funds by type as compared to the 2023-24 Biennial Budget. Quarter one represents 25% of the year and 12.5% of the biennium. Revenues below these thresholds and expenditures above these thresholds are indicated with red text, with large variances explained below. The full Budget Status Report can be reviewed at Appendix A1.

Revenues:

FUNDS	2023 AMENDED BUDGET	2024 AMENDED BUDGET	2023-24 AMENDED BUDGET	2023 Q1 ACTUAL	2023 % OF BUDGET	2023-24 % OF BUDGET
GENERAL FUNDS	19,545,986	20,840,671	40,386,657	3,255,528	16.7%	8.1%
SPECIAL REVENUE FUNDS	2,990,009	3,118,166	6,108,175	924,276	30.9%	15.1%
CAPITAL PROJECT FUNDS	11,454,950	5,407,400	16,862,350	768,669	6.7%	4.6%
UTILITIES FUNDS	18,589,917	23,164,590	41,754,507	3,452,671	18.6%	8.3%
INTERNAL SERVICE FUNDS	4,976,405	5,017,231	9,993,636	1,213,602	24.4%	12.1%

¹These totals do not include "Transfers In" and "Transfers Out," which are part of the overall legal "appropriation" for a fund or classification. Transfers are relatively automatic and could inappropriately influence how a user interprets the table. Appropriation is the legal spending level authorized by a budget ordinance. The City cannot exceed this level without prior approval of Council.

Expenditures:

FUNDS	2023 AMENDED BUDGET	2024 AMENDED BUDGET	2023-24 AMENDED BUDGET	2023 Q1 ACTUAL	2023 % OF BUDGET	2023-24 % OF BUDGET
GENERAL FUNDS	20,618,423	21,137,297	41,755,720	5,411,777	26.2%	13.0%
SPECIAL REVENUE FUNDS	2,900,158	2,966,858	5,867,016	703,072	24.2%	12.0%
CAPITAL PROJECT FUNDS	16,429,644	20,953,714	37,383,358	415,272	2.5%	1.1%
UTILITY FUNDS	17,400,045	29,380,194	46,780,239	2,292,130	13.2%	4.9%
INTERNAL SERVICE FUNDS	6,616,492	4,882,762	11,499,254	1,297,872	19.6%	11.3%

¹These totals do not include "Transfers In" and "Transfers Out," which are part of the overall legal "appropriation" for a fund or classification. Transfers are relatively automatic and could inappropriately influence how a user interprets the table. Appropriation is the legal spending level authorized by a budget ordinance. The City cannot exceed this level without prior approval of Council.

Explanation of larger variances (more than 5% variance from 25% for the " % of Budget " column and 2023 "Amended Budget " column is greater than \$100 thousand):

- General Fund differences are shown in detail in the table below.
- The majority of Capital Project revenues (74%) are tied to grants and other intergovernmental revenues. Many of these revenues are dependent on the City performing certain actions. One example includes work performed on the Snoqualmie Parkway Rehabilitation. As this project progresses and work is completed, the City will begin to collect funds from Washington State, raising the percentage of revenues received.
- Utility revenues are below expectations primarily due to the Utilities Capital Fund. The City estimated it would receive \$3.2 million in general facilities charges (GFCs), which are one-time charges for new construction to connect to City utilities. While none of the GFCs have been collected as of yet, over \$750 thousand are currently anticipated from the Snoqualmie Tribe as part of the amended sewer utility service agreement. Utility billing for the first quarter was 10% lower than anticipated, but the trend was reversed in the second quarter and will be shown in subsequent quarterly reports.

General Fund Revenues:

REVENUE TYPE	2023 AMENDED BUDGET	2024 AMENDED BUDGET	2023-24 AMENDED BUDGET	2023 Q1 ACTUAL	2023 Q4 FORECASTED ²	2023 Q1 % OF BUDGET	2023-24 Q1 % OF BUDGET
PROPERTY TAXES	8,401,505	8,506,524	16,908,029	316,518	8,467,108	3.8%	1.9%
SALES & USE TAX ¹	3,058,696	3,183,184	6,241,880	789,044	3,094,208	25.8%	12.6%
UTILITY TAXES	2,482,551	2,524,168	5,006,719	707,996	2,504,912	28.5%	14.1%
B&O TAX	710,700	739,413	1,450,113	217,383	741,391	30.6%	15.0%
CHARGES FOR GOODS / SERVICES	3,477,838	4,229,094	7,706,932	979,608	3,517,854	28.2%	12.7%
PERMITS	580,157	862,727	1,442,884	127,429	541,300	22.0%	8.8%
INTERGOVERNMENTAL / GRANTS	528,904	497,124	1,026,028	57,474	473,161	10.9%	5.6%
FINES & PENALTIES	39,154	39,513	78,667	6,479	37,291	16.5%	8.2%
MISCELLANEOUS	266,481	258,924	525,405	53,599	376,653	20.1%	10.2%
TOTAL REVENUE	19,545,986	20,840,671	40,386,657	3,255,528	19,753,879	16.7%	8.1%

¹Does not include Affordable Housing Sales Tax, which is part of the Special Revenue Funds, or the Transportation Sales Tax, which is received into the Capital Project Funds.

²Revenue forecasts are only made for the General Fund, as other funds, particularly capital funds, rely on more irregular revenue sources.

General Fund Expenditures

DEPARTMENT	2023 AMENDED BUDGET	2024 AMENDED BUDGET	2023-24 AMENDED BUDGET	2023 Q1 ACTUAL	2023 Q4 FORECASTED ¹	2023 Q1 % OF BUDGET	2023-24 Q1 % OF BUDGET
ADMINISTRATION	5,409,502	5,378,067	10,787,569	1,793,956	5,423,620	33.2%	16.6%
SNOQUALMIE POLICE	5,198,692	5,318,813	10,517,505	1,275,032	5,264,865	24.5%	12.1%
FIRE & EMERGENCY	4,116,971	4,250,862	8,367,833	1,035,986	4,083,076	25.2%	12.4%
PARKS	1,839,517	1,827,018	3,666,535	357,278	1,836,577	19.4%	9.7%
COMMUNITY DEVELOPMENT	2,270,257	2,487,294	4,757,551	411,405	2,201,119	18.1%	8.6%
STREETS	1,028,448	1,101,101	2,129,549	278,825	937,996	27.1%	13.1%
NON-DEPARTMENTAL	755,036	774,142	1,529,178	259,296	851,792	34.3%	17.0%
TOTAL EXPENDITURES	20,618,423	21,137,297	41,755,720	5,411,777	20,599,045	26.2%	13.0%

¹Expenditure forecasts are only made for the General Fund, as other funds, particularly capital funds, rely on project progression and contract performance more than more routine expenditures.

Explanation of larger variances (more than 5% variance from 25% for “% of Budget” and 2023 line-item budget is greater than \$100 thousand):

- The largest revenue variance, Property Taxes, makes up over a third of General Fund revenues. This tax is primarily collected during the second and fourth quarters of the year, resulting in a large variance for the first quarter.
- Intergovernmental / Grants is primarily composed of lump-sum payments for grants or other agreements. As they are not received quarterly, the related revenue will not follow a smooth pattern throughout each quarter.
- Administration expenditures include the City’s annual insurance premiums payment, paid at the first of the year. If the premiums were paid monthly rather than annually, Administrative costs would be 23.9% of the 2023 budget.
- Non-Departmental costs are higher than expected primarily due to planned payments made to local charities and local government association dues. Most of these payments are made in one or two installments, the first of which has been made, resulting in higher costs during the first quarter.



Fund Balances

The net effect of the above revenues and expenditures, along with additional transfers in/out, resulted in the following fund balance changes between the end of 2022 and the first quarter of 2023:

FUNDS	2022 Q4 CASH BALANCE	2023 Q1 CASH BALANCE	INCREASE / (DECREASE)
GENERAL FUNDS	6,527,736	3,477,927	(3,049,809)
SPECIAL REVENUE FUNDS	3,552,947	2,790,078	(762,868)
CAPITAL PROJECT FUNDS	21,441,542	22,630,494	1,188,951
UTILITIES FUNDS	22,854,136	24,005,787	1,151,652
INTERNAL SERVICE FUNDS	4,720,633	4,788,239	67,605
TOTAL FUND BALANCE	59,096,994	57,692,525	(1,404,469)

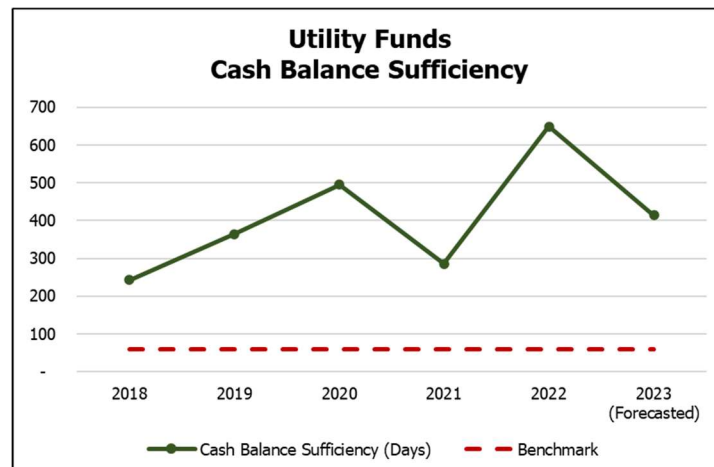
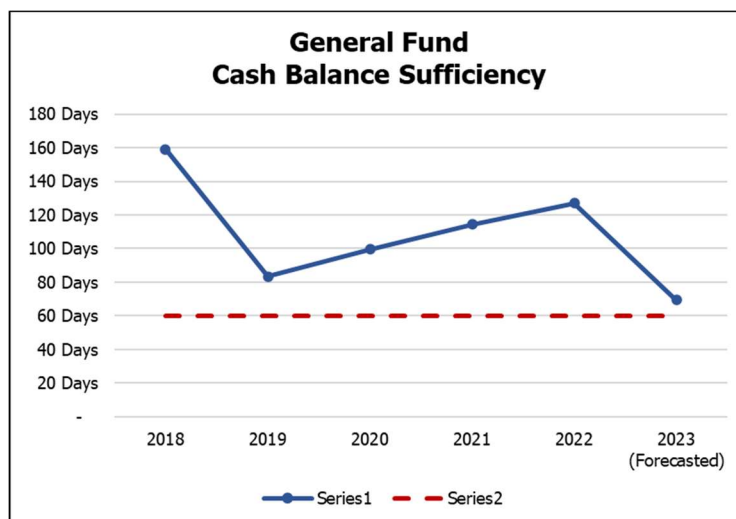


Financial Metrics

The following metrics are used by the Office of the Washington State Auditor as financial health indicators for cities using the cash basis method of accounting. These indicators do not provide a complete picture of City financials, nevertheless they show City trends over time and can be used to gauge early signs of fiscal stress so that appropriate action can be taken.

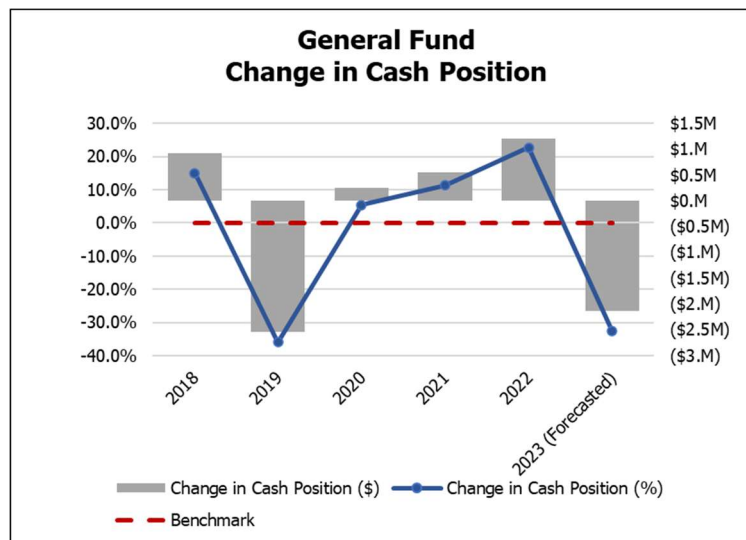
Cash Balance Sufficiency

This indicator shows the numbers of days a fund could operate based solely on its ending cash and investments balance. A healthy Cash Balance Sufficiency should stay at or above 60 days. The formula for this ratio can be found at Appendix A2.



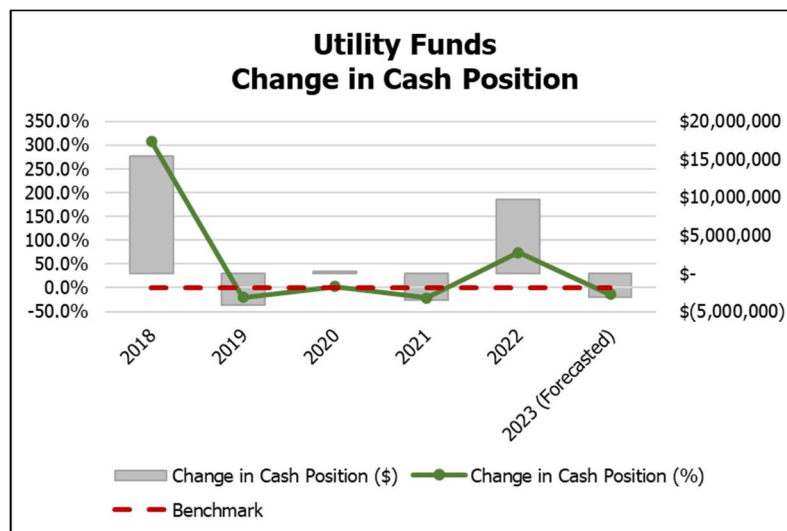
Change in Cash Position

Change in Cash Position shows the percent change in ending cash and investments compared to the prior year. That is, it will show the extent to which cash increased or was used up during the year. While this indicator over time should be above zero, appropriately spending excess reserves to minimize tax burdens will result in a negative change in cash position. The indicator formula can be found at Appendix A2.



Note:

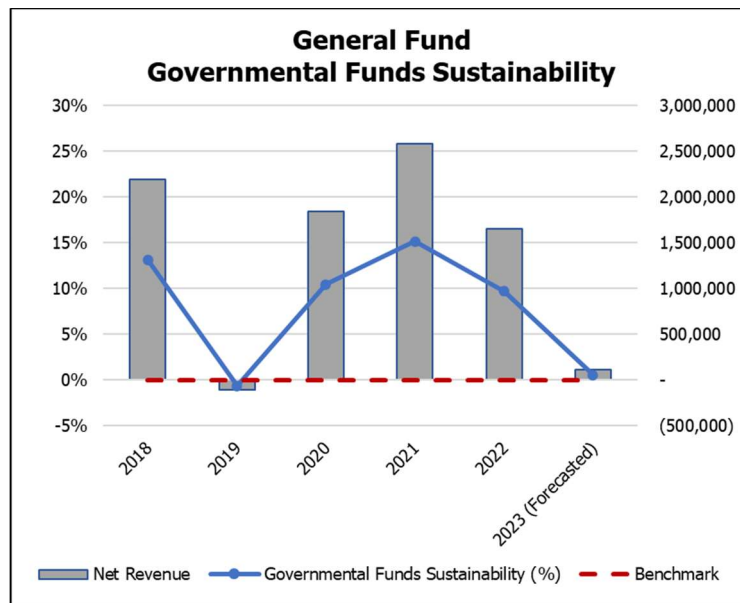
The forecasted change in cash position reflects the decision to transfer \$2.5 million from the General Fund to Capital Funds and \$957 thousand in one-time General Fund expenditures.



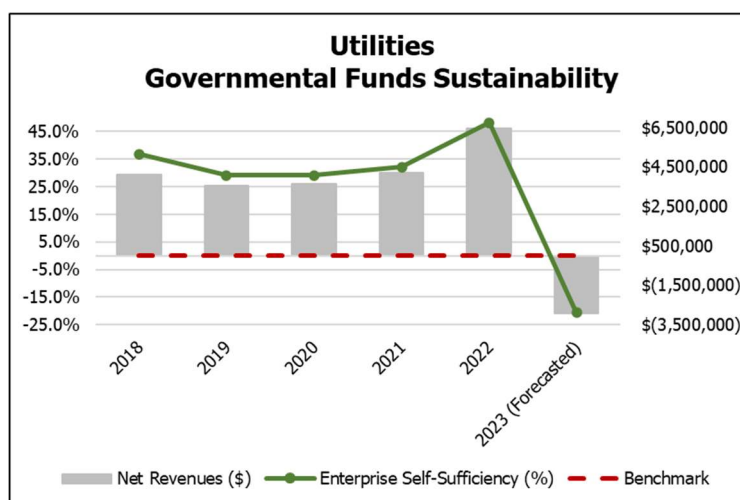
Governmental Funds Sustainability

Governmental Funds Sustainability tracks whether fund spending is in line with the revenue it is receiving (spending includes expenditures plus debt service but not transfers out). General governmental activities do not have a lot of control over their primary sources of revenues, which include property and sales taxes for the General Fund. The City should limit programs and services in order to balance the budget in the long term by aiming for a sustainability ratio above zero.

Enterprise funds are expected to recover their own costs through charges for service and other revenues. The Utilities ratio does not include the cost of outlay for capital improvement; therefore, this ratio excludes Utilities Capital expenditures (#417) other than debt. The indicator formula can be found at Appendix A2.



Note: The 2023-24 Biennial Budget separates the General Fund into recurring expenditures and one-time expenditures. The one-time expenditures during the biennium total \$958 thousand, which can be reviewed at Appendix A3. The metric calculated above does not include these one-time expenditures, resulting in a ratio above the benchmark of 0, indicating that the while the General Fund is spending down excess capital, it still appears to be sustainable based on its revenues and recurring expenditures.



Note: This metric is affected by the GFCs, described in the City Funds Score Card section above. As no GFCs have been collected yet, the Utility forecasts are much lower than the revenue estimated in the 2023-24 Biennial Budget. This metric will rise above the benchmark if the City receives 76.4% of the GFCs estimated in the budget. If these GFCs are not received, the City will potentially spend down Utility Fund balance.



Looking Forward

The next few months at the City will include design work for the Community Center and construction work on Snoqualmie Parkway and the Water Reclamation Facility Phase 3. These projects, all included as part of the City's 2023-28 Capital Improvement Plan and in the 2023-24 Biennial Budget, will begin to take effect in the City's spending, as shown in the City Funds Scorecard.

Fund #	Fund/ Functional Classification/ Department	2023-24 Estimated Revenue ¹	2023-24 Appropriation ²	Revenues through March 31, 2023 ¹	Expenditures through March 31, 2023 ²	% Expenditure Appropriation
001	GENERAL FUND					
	Administrative Departments	40,287,918	10,787,569	3,231,420	1,793,956	16.6%
	Snoqualmie Police		10,517,505		1,275,032	12.1%
	Fire & Emergency Management		8,367,833		1,035,986	12.4%
	Parks		3,666,535		357,278	9.7%
	Community Development		4,757,551		411,405	8.6%
	Streets		2,129,549		278,825	13.1%
	Non-Departmental		1,529,178		259,296	17.0%
002	RESERVE FUND	98,739	-	24,109	-	0.0%
	Total General Funds	40,386,657	41,755,720	3,255,528	5,411,777	13.0%
012	ARTS ACTIVITIES	2,319	97,992	876	1,398	1.4%
014	NORTH BEND POLICE SERVICES	4,978,982	5,223,906	779,938	626,448	12.0%
018	DEPOSITS REIMBURSEMENT CONTROL	20,716	20,716	-	-	0.0%
020	SCHOOL IMPACT FEE	-	-	-	-	0.0%
110	HOTEL/MOTEL TAX	279,791	350,000	32,813	-	0.0%
118	DRUG ENFORCEMENT	10,344	10,344	271	-	0.0%
131	AFFORDABLE HOUSING	778,242	-	94,270	-	0.0%
150	ARPA COVID LOCAL RECOVERY	37,781	164,058	16,108	75,225	45.9%
	Total Special Revenue Funds	6,108,175	5,867,016	924,276	703,072	12.0%
310	NON-UTILITIES CAPITAL FUND	16,862,350	37,383,358	768,669	415,272	1.1%
	Total Capital Project Funds	16,862,350	37,383,358	768,669	415,272	1.1%
401	WATER OPERATIONS	10,695,633	6,667,618	1,095,698	564,694	8.5%
402	SEWER OPERATIONS	13,161,403	7,054,365	1,473,101	883,762	12.5%
403	STORMWATER OPERATIONS	5,914,382	3,803,256	715,350	363,091	9.5%
417	UTILITIES CAPITAL	11,983,089	29,255,000	168,522	480,583	1.6%
	Total Utilities Funds	41,754,507	46,780,239	3,452,671	2,292,130	4.9%
501	EQUIPMENT REPLACEMENT & REPAIR	3,175,914	3,603,113	380,597	718,033	19.9%
502	INFORMATION TECHNOLOGY	5,179,380	6,275,789	606,183	432,942	6.9%
510	FACILITIES MAINTENANCE	1,638,342	1,620,352	226,822	146,897	9.1%
	Total Internal Service Funds	9,993,636	11,499,254	1,213,602	1,297,872	11.3%
	Total All Funds	115,105,325	143,285,587	9,614,747	10,120,122	7.1%

¹These columns do not include interfund "Transfers In" because it could give the appearance that the City has more resources than it actually does.

²These columns do not include interfund "Transfers Out" which count as part of the overall legal "appropriation" for a fund or functional classification. This is because "Transfers Out" could inappropriately influence how a user interprets the amount the City of Snoqualmie has spent. "Appropriation" is the legal spending level authorized by a budget ordinance. The City cannot exceed this level without prior approval of Council.

Appendix A2: Financial Metrics Formulas

Cash Balance Sufficiency

$$\frac{\text{Ending Cash and Investments}}{\left(\frac{(\text{Expenditures} + \text{Debt Service} + \text{Transfers})}{365 \text{ days}} \right)}$$

Change in Cash Position

$$\frac{(\text{Ending Cash and Investments} - \text{Beginning Cash and Investments})}{\text{Beginning Cash and Investments}}$$

Governmental Funds Sustainability

$$\frac{\text{Revenues} - (\text{Expenditures} + \text{Debt Service})}{\text{Revenues}}$$

Appendix A2: Financial Metrics Formulas

2023	
One-Time Expenditures	Budgeted
Executive: Council Chambers A/V Upgrade	108,000
Executive: Security Infrastructure at City Hall	207,000
City Attorney: Contract Legal Support	100,000
Finance & Human Resources: Revenue Manager (Two-Year Term Limited)	164,322
Finance & Human Resources: Management Analyst (Two-Year Term Limited)	143,285
Finance & Human Resources: Temporary Assistance During the ERP Project	50,000
Fire & Emergency Management: Recruitment & Coverage Program	50,000
Parks Maintenance: Parks, Open Space, and Recreation Study	60,000
Parks Maintenance: Deferred Repairs	75,000
Total One-Time Expenditures	957,607