



Top 10 Things You Need to Know About the Budget

Each year the City Council approves an operating budget. This budget allocates funds to be spent and collected for a variety of programs and purposes. This review is intended to provide the reader with some helpful information about the financial condition of the City and budget compliance. The Finance Department can be contacted at (509)786-2332, to answer questions about this report or other financial questions.

#10: Sales Tax Receipts

To date, we have received \$807,201 or 49% of anticipated sales tax receipts for the year. This is a \$81,631, or about 11%, increase over the same period in 2019. As we discussed previously much of this boom is related to ongoing construction activity. The first quarter of 2020 looked promising because sales tax receipts were exceeding budget projections. Then the COVID-19 public health emergency struck. Due to the closure of many non-essential businesses, job loss, and required quarantine we have seen and expect to continue to see a downturn in this funding. We are projecting for a 25% loss or \$300,000. Our estimates are reflected in the pink line on table-1 below.

Table 1: Sales and Use Tax – 5 Year Comparison

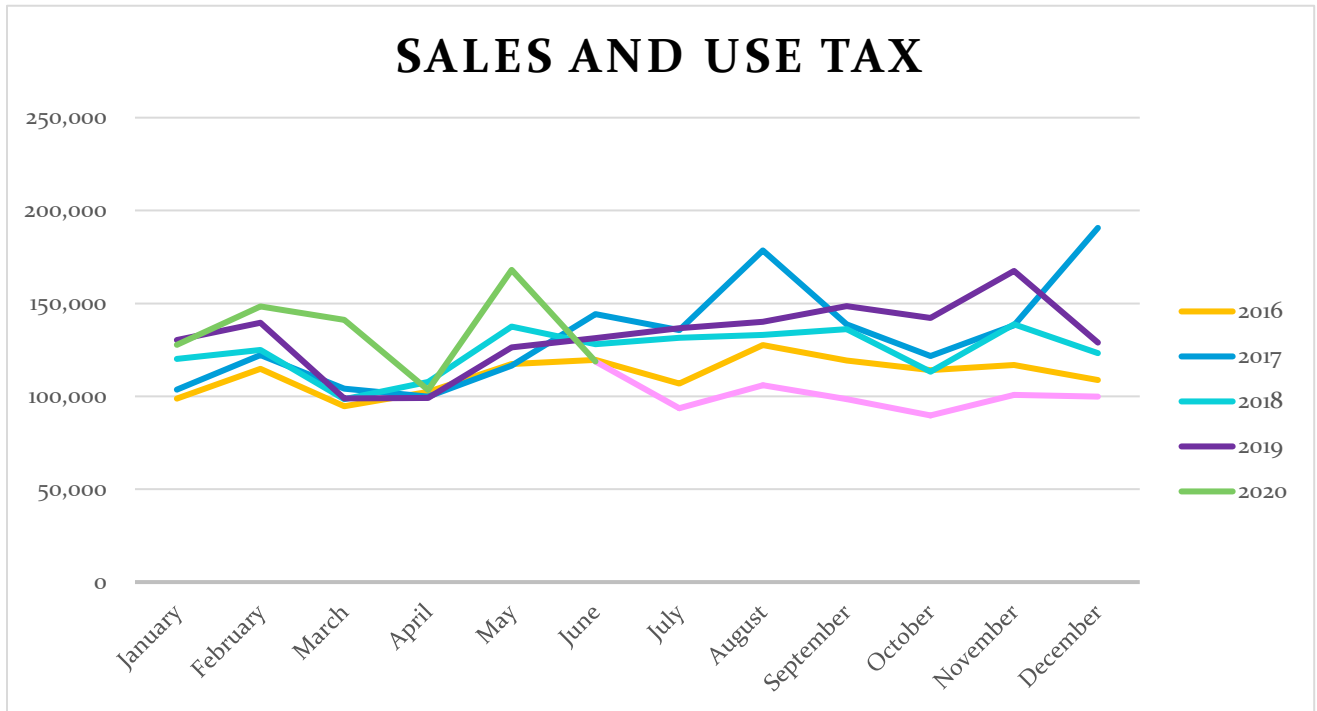


Table 2: Sales and Use Tax – By Category – YTD 4/30/2019 vs 4/30/2020

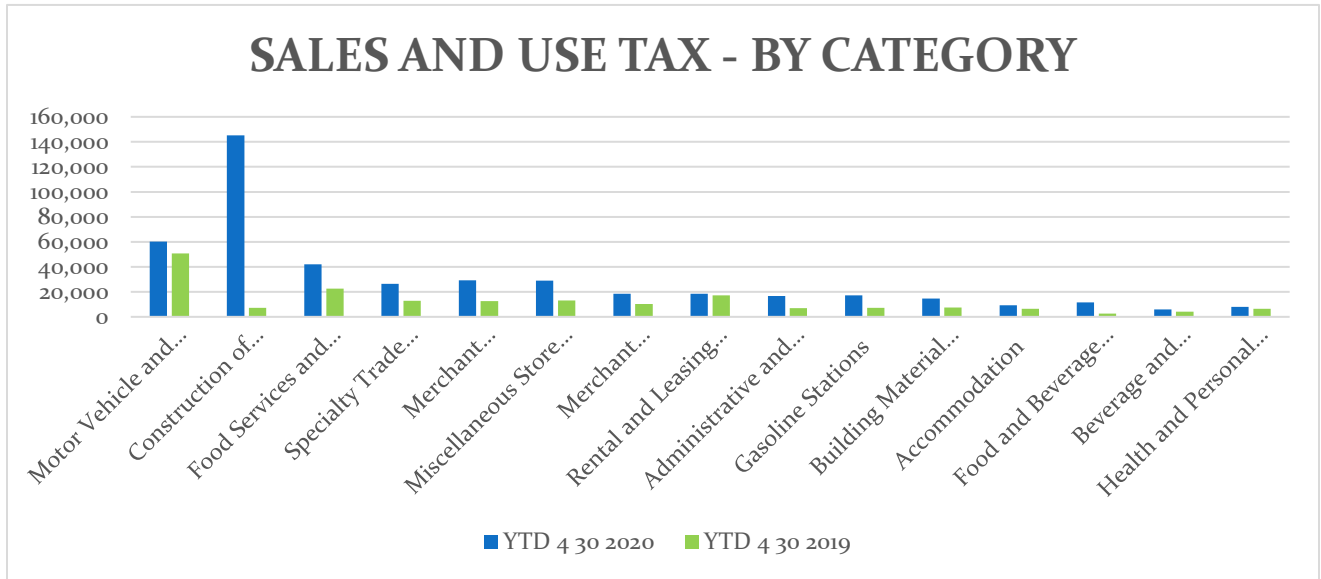
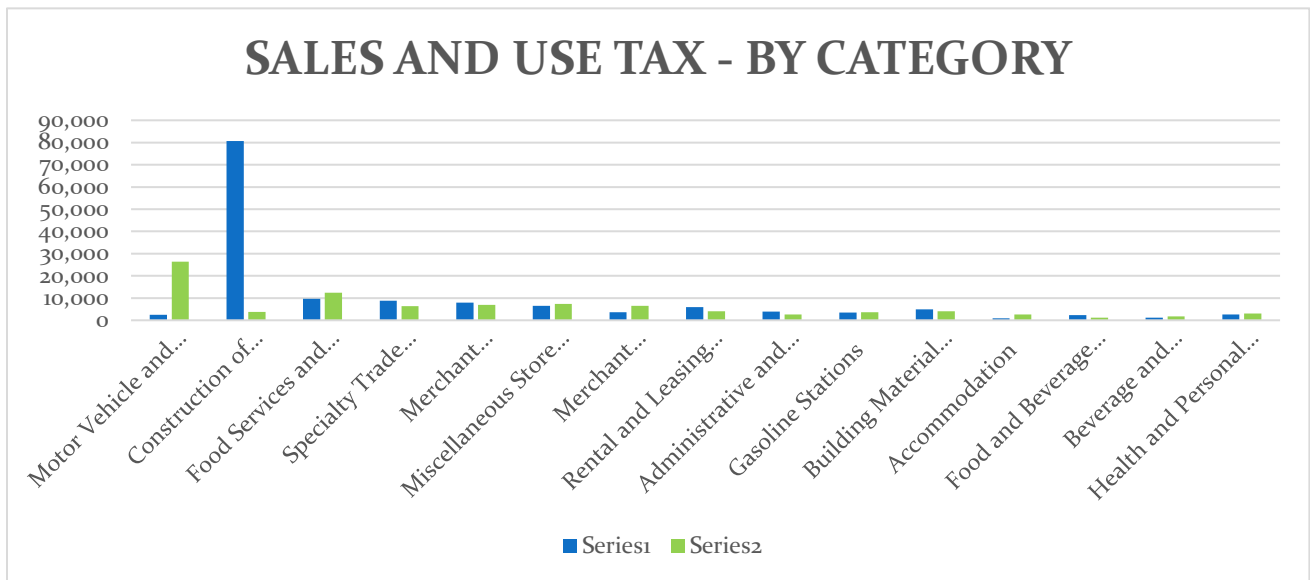


Table 3: Sales and Use Tax – By Category – April 2019 vs 2020



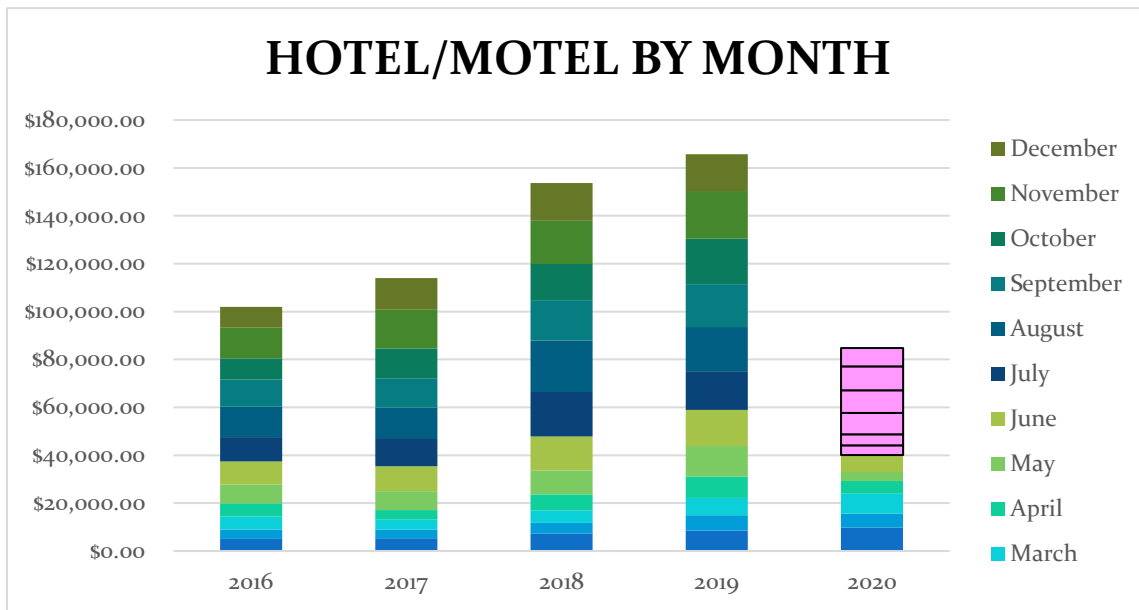
I prepared Table 2 and 3 above to further illustrate the impact of COVID-19 on our local economy. Table 2, reflects receipts received through April 30th for 2019 and 2020. You can see here that things are looking promising as most categories of business are showing increases in activity as compared to the same period in the previous year. But then, if you take a look at Table 3, you will see that impact of COVID-19. This chart compares only activity of April 2019 versus April 2020.

#9: Lodging Tax Funds

To date, we have received \$40,088 or only 28.5% of anticipated Hotel/Motel Tax receipts for the year. Additionally, we have received \$19,726 in TPA funds, which equates to 30% of the anticipated revenue for the year. Collectively, these receipts reflect a loss of \$28,319 over the same period in 2019. This equates to a 13.5% loss.

This is an area significantly impacted by COVID-19 public health emergency. Community events, family vacations, and other travel have all been cancelled, postponed or suspended until further notice. We hope that as the county moves into more operational phases and some of this activity will return, but I do expect it to be the slowest of our impacted revenues to rebound.

Table 4: Hotel/Motel by Month – 5 Year Comparison



Recently, we submitted a grant application to USDA to conduct a tourism study. The aim of this study would be to provide us information about how our visitors see us, how we can reach visitors more efficiently, and give us some guidance the we can use collectively to better our tourism industry. The objectives could then be laced into the annual LTAC funding to ensure we are using our funds most efficiently. I am excited to say that we just received word that we have been funded for this project and hope in the next few months to begin working with the Chamber of Commerce, PEDPA, and HDPDA to get this project underway.

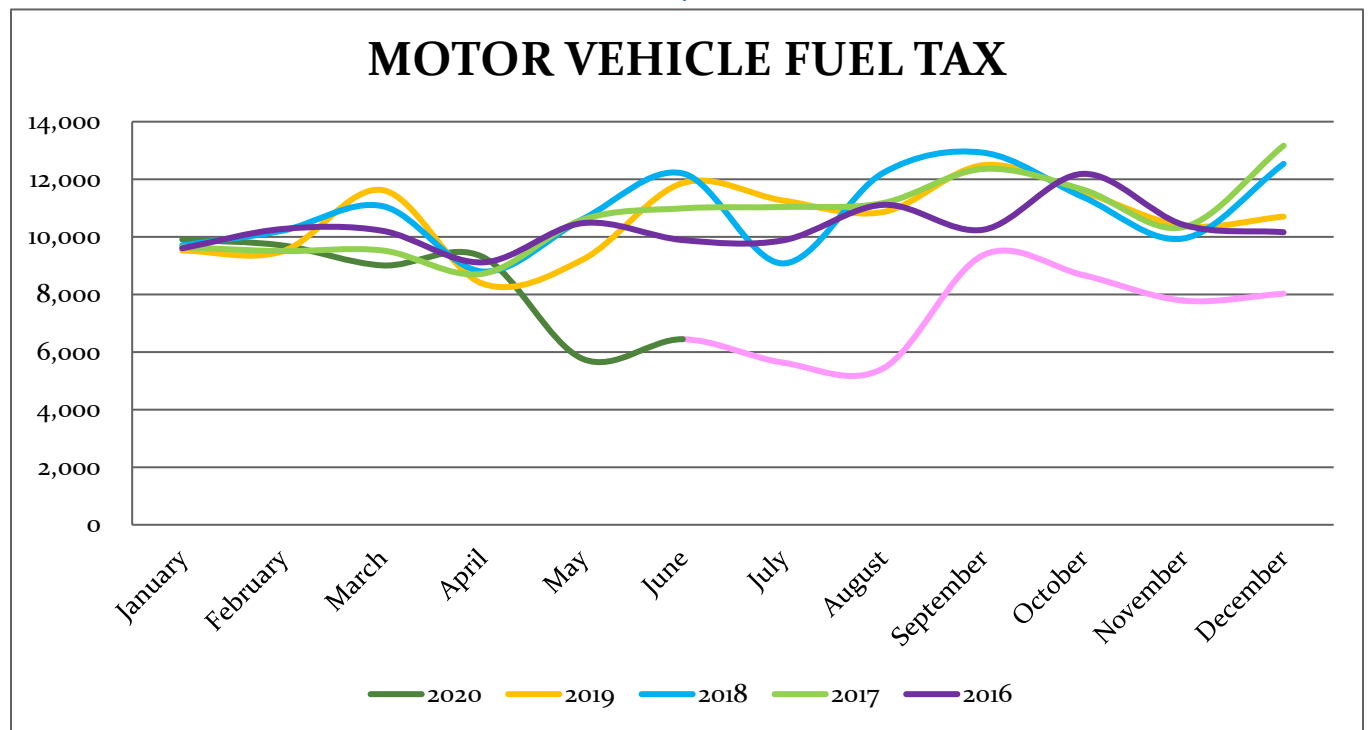
#8: Transportation Funding

As you know, late last year Initiative – 976 (I-976) was passed by voters. This ballot item removed fees attached to vehicle license such as Transportation Benefit District (TBD) fees. As you know, Prosser has a TBD which in 2019, assessed a \$25 car tab fee. These funds were used last year to make improvements to Yakima Ave and in 2020, improvements were scheduled to begin on Margaret Street. We recently updated the Transportation Plan to dedicate these funds to the Old Inland Empire (OIE) Highway Pavement Reclamation Project.

Several cities have challenged the ballot item and it is currently making its way through the court system. We continue to monitor this item and are working on recommendations for Council’s consideration should the funding be reduced or eliminated.

Another area we are monitoring related to transportation funding is Motor Vehicle Fuel Tax (MVFT). This tax of \$0.494 is applied to each gallon of gas sold and then distributed to Cities and Counties. This single source provides 21% of the Street Funds revenue. This is another area impacted by COVID-19.

Table 5: Motor Vehicle Fuel Tax – 5 Year Comparison



As we discussed in my report to Council, MVFT funds that are collected in our community are not directly returned to our community. The funds are collected by the state and reallocated based on population. So even though our gas stations seem overflowing and busy, that does not connect with this revenue source. I do expect that in the next few months that this revenue source will rebound, possibly fast than others impacted, as counties open up, people go on vacations, and return to work.

#7: Budget Position Summary

General Fund

	Adopted Budget	YTD Amount (6/30/2020)	% collected/spent
Revenue	\$5,390,600	\$2,276,417	42%
Expense	\$5,413,150	\$2,236,250	41%

Street Fund

	Adopted Budget	YTD Amount (6/30/2020)	% collected/spent
Revenue	\$869,430	\$608,406	70%
Expense	\$871,080	\$304,826	39%

Water Fund

	Adopted Budget	YTD Amount (6/30/2020)	% collected/spent
Revenue	\$3,065,340	\$1,222,129	40%
Expense	\$3,087,300	\$1,234,678	40%

Sewer Fund

	Adopted Budget	YTD Amount (6/30/2020)	% collected/spent
Revenue	\$2,665,500	\$1,089,278	41%
Expense	\$2,663,650	\$1,128,680	42%

June = 50%

#6: Budget Amendment

The following budget amendments were approved or under development:

Project or Item	Amount	Fund	Status
COVID -19	To Be Determined	Several	Pending
RCO Pool	\$8,100	309 – RCO Grant – Pool Improvements 115 – General Fund Reserve	Approved – Ord 20-3117
Street Sweeper USDA Grant/Loan	USDA Grant - \$45,000 USDA Loan - \$177,000 City - \$60,000	Street Fund and Reserve	Approved – Ord 20-3117
Thrive – HIDTA Grant	\$35,000	153 – Community Involvement Fund	Approved – Ord 20-3117
Thrive – MHPP Grant	\$20,000	153 – Community Involvement Fund	Approved – Ord 20-3117
Utility Deposit Funds	\$10,000	410 – Utility Suspense 411 – Water UB Deposit 412 – Garbage UB Deposit	Approved – Ord 20-3117

#5: General Fund Projects

Item	Cost	Status
Fire Engine Storage	\$7,440	Complete!
Community Center HVAC	\$12,000	Complete!
Pool Deck Improvements – RCO	\$55,000	Complete!
Community Center Security Cameras/Windows	\$19,000	Rachel decided not to further pursue the security system due to various issues. Marty has received approval from USDA to pursue replacement of windows. Project in progress. Expected completion July.

#4: Street Fund Projects

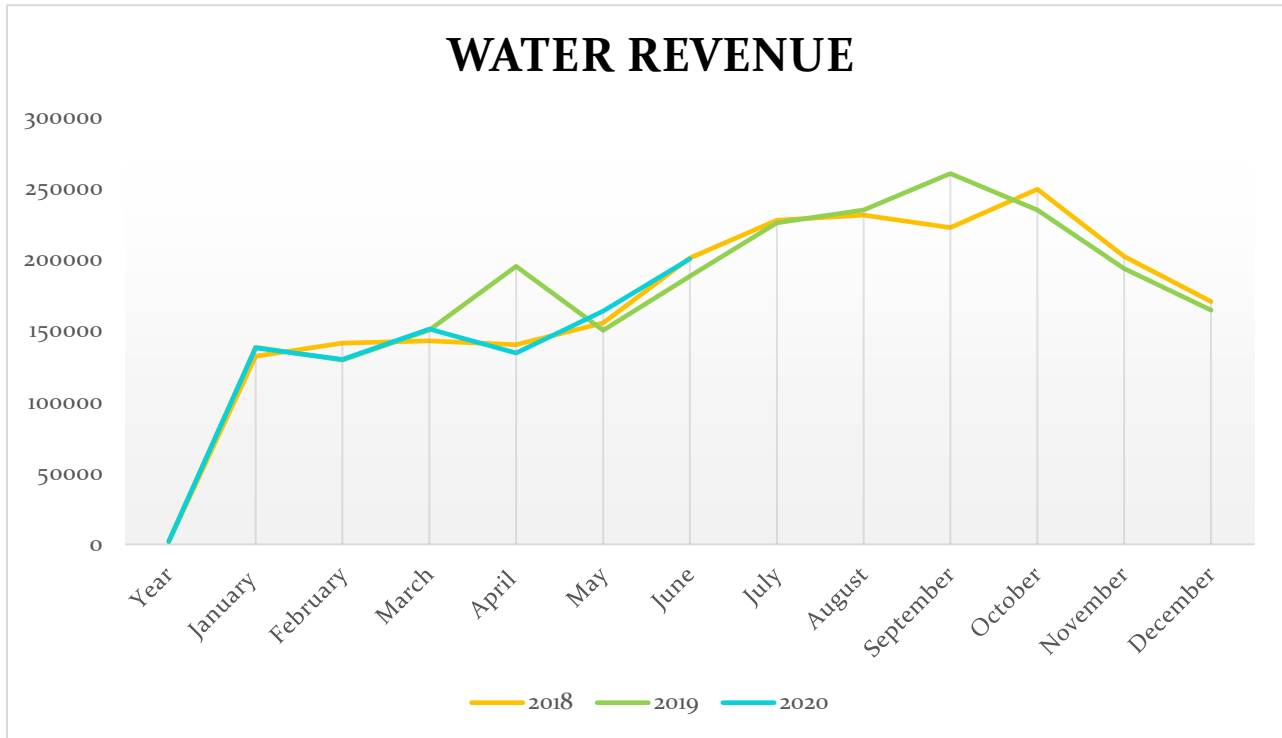
Item	Cost	Status
Yakima Avenue Reclamation	\$120,000	Holding due to I-976
Sign Trailer	\$6,000	Holding due to COVID and Sweeper
6 th Street Railroad	\$45,000	Holding for BNSF
Concord Way Storm water	\$30,000 \$36,000 (updated 6/2020)	SVID is expected to install the crossing this year (\$6625) and remaining work will be completed by contractor or city staff as time and budget allows.
Street Sweeper	\$281,288	Awarded grant and loan funds by USDA, submitted order for unit, awaiting delivery. Once delivered, city will purpose bond for USDA loan portion of funding.

#3: Water Fund

Projects

Item	Cost	Status
Paint for 3mg Reservoir	\$190,000	RFP open
Chlorine Analyzer	\$88,000	Complete
HVAC Well 4B	\$17,500	Complete
Meter System	\$21,500	In Progress

Table 6: Water Revenue – 3 Year Comparison

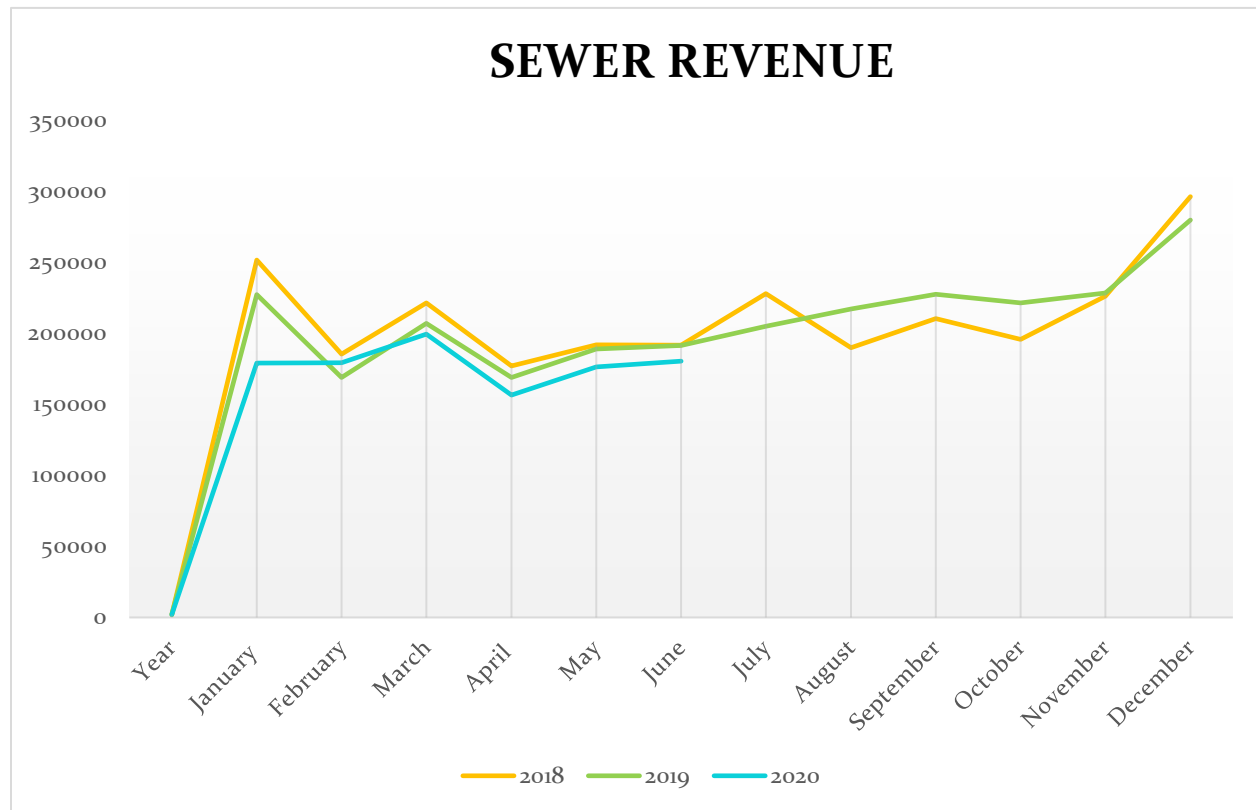


#2: Sewer Fund

Projects

Item	Cost	Status
Reclaimed Water	\$30,000	Bids exceeded budgeted amount. Consider doing a portion of the work this year and complete in 2021.
SBR 1 – Unplanned Project	\$47,000	Purchased a new pump for SBR 1 - \$47,000. The existing pump failed and repairs quoted were in excess of \$20,000. Sewer department will perform the installation. We plan to keep the old pump and budget for repairs next year so we have a backup pump.

Table 7: Sewer Revenue – 3 Year Comparison



As you can see, revenues are slightly below 2019 and 2018 receipts. Unless the revenue rebounds in the second half of this year, rate increase or budget reductions may be necessary in 2021.

#1: COVID-19

As I stated earlier, we expect that COVID-19 will have significant impacts on our 2020 budget. We as department managers are aware of the issue and we are working together to monitor our revenues and are being conservative in our purchasing decisions. Although, there is not a lot of information or guidance available to tell us what to look for or what will happen next, we are tuned into this issue and engaging with resources to be as ahead of it as we can be. Some areas we are monitoring include:

- CARES Funding – looking for opportunities and uses for these highly restricted funds. Current allocations include admin time, public safety, PPE, and IT equipment.
- Sales and Use Tax – slowing due to business closures, but possible increase in home shopping/delivery.
- Lodging Funds – With the cancellation of several events including not only community events but family vacation, weddings, and even construction projects, we expect heavy losses in the next quarter.
- Motor Vehicle Fuel Tax – with so many staying home, they are not driving which means they are not getting gas, which then means reductions in this revenue source.
- Water and Sewer fees – Our industries are a very important contributor to our revenues and they are continuing to operate. If that changes, it could have a very big impact on utilities.
- Support Programs – we are looking into grants and other support programs to aid our business owners and families. I along, with Sue Jetter (grantwriter), the Chamber of Commerce, HDPA, and PEDDA are gathering and distributing information about available programs and resources to help people through this difficult time.

Is that it? No way! The budget is a very complicated and ever-changing machine. If there is something you would like the Finance Department to particularly highlight we would be happy to do it. This report is only meant to provide the headlines. Thanks for reading!