



Monthly Financial Report - May 2019

FUND No.	FUND NAME	2019 STARTING FUND BALANCE	YTD 2019 REVENUES	2018 REVENUES	YTD 2019 EXPENSES	2018 EXPENSES	MAY 2019 ENDING FUND BALANCE	RESERVES
001	General Fund	\$ 18,565,810	\$ 9,819,819	\$ 9,342,004	\$ (6,860,238)	\$ (7,707,660)	\$ 21,525,391	\$ 5,633,000
101	Street Fund	\$ 264,921	\$ 1,095,816	\$ 942,329	\$ (1,031,478)	\$ (946,413)	\$ 329,259	N/A
103	REET Fund	\$ 777,649	\$ 908,570	\$ 1,152,104	\$ (806,212)	\$ (860,329)	\$ 880,007	N/A
104	Civic Impr. Fund	\$ 302,403	\$ 105,352	\$ 85,861	\$ (94,254)	\$ (14,894)	\$ 313,501	N/A
301	Capital Const. Fund	\$ 3,591,488	\$ 1,260,418	\$ 1,739,789	\$ (791,027)	\$ (976,066)	\$ 4,060,880	N/A
401	Water Fund	\$ 7,713,900	\$ 490,530	\$ 572,433	\$ (609,859)	\$ (579,287)	\$ 7,594,571	\$ 397,598
402	Sewer Fund	\$ 6,377,475	\$ 1,671,518	\$ 1,801,993	\$ (2,062,541)	\$ (2,173,484)	\$ 5,986,452	\$ 2,436,629
403	Storm Water Fund	\$ 1,771,357	\$ 1,474,361	\$ 1,380,291	\$ (759,669)	\$ (777,020)	\$ 2,486,049	\$ 830,502
407	Building Svcs. Fund	\$ 325,784	\$ 1,284,487	\$ 1,159,758	\$ (1,289,970)	\$ (1,164,261)	\$ 320,301	N/A

NOTES:

The City has adopted reserve policies for the General Fund (Fund 001) and the Water, Sewer, and Storm and Surface Water Funds (Fund 401, Fund 402, Fund 403, respectively). The General Fund reserve amount comes from the 2019-2020 Adpoted Budget. Utility reserve targets were calculated based on the policies in Section 6 of Resolution No. 2018-07. Operating expenses used in the calculation were taken from the 2019-2020 Adopted Budget, and capital assets used in the calculation were taken from the 2017 CAFR.

Monthly revenue and expense amounts may include non-cash transactions.

December 2018 ending fund balances are not finalized and are subject to change through May 2019.

REPORT DATE: 6/19/2019



MONTHLY FINANCIAL REPORT HIGHLIGHTS MAY 2019

- **GENERAL FUND:** Year-to-date (YTD) revenue in the General Fund was \$477,000 (5%) higher through May 2019 compared to the same timeframe in 2018. Property tax revenue remained steady, increasing \$44,000 (1%) compared to the same period in 2018. Sales tax revenue was \$297,000 (15%) higher so far in 2019, with revenue from the construction and retail trade industries accounting for 37% and 30% of the total, respectively. One-time revenue sources contributed \$193,000 to the 2019 increase in the form of State and Federal grant funding, and YTD investment interest revenue allocated to the General Fund in 2019 contributed \$246,000.¹ Meanwhile, revenue from business and occupation taxes was \$108,000 (5%) lower YTD compared to 2018, and business license revenue was \$75,000 (46%) lower. Business license fees were historically collected by the City and due in the first quarter of the year, concentrating revenue income between January and April. The State now administrates the business license program and, as of January 2019, collects fees year-round. This distributes the City's revenue income over the entire year. Thus, while business license revenue was lower so far in 2019, it is expected to catch up to the 2018 level by the end of the year.

Expenses in the General Fund were \$847,000 (11%) lower YTD 2019 compared to the same timeframe in 2018. A decrease in the amount of General Fund money earmarked for capital construction projects, and normal variances in the need for the General Fund to support the maintenance of other funds' minimum fund balance targets, created a \$1 million (53%) drop in transfers out of the General Fund in 2019. Professional services expenses were \$176,000 (40%) higher through May 2019.

- **STREET FUND:** Revenue in the Street Fund was \$153,000 (16%) higher through May 2019 compared to the same timeframe in 2018. Transfers in from other funds to maintain the Street Fund's minimum fund balance target exhibited normal fluctuations, ending the first five months of 2019 \$60,000 (15%) lower than 2018. That decrease was offset by a \$20,000 (136%) increase in revenue from the sale of surplus vehicles and a \$199,000 (69%) increase in revenue from business and occupation taxes for commercial parking facilities.

Expenses in the Street Fund were \$85,000 or 9% higher YTD 2019 compared to 2018. Weather-related workload increases in the first quarter of 2019 generated higher overtime pay, direct labor charges, and supplies expenses, which were \$6,000 (49%), \$51,000 (9%), and \$44,000 (200%) higher in 2019, respectively. Expenses for professional services and repairs were \$12,000 (33%) and \$6,000 (6%) lower, respectively, in 2019.

- **REAL ESTATE EXCISE TAX (REET) FUND:** REET revenue was \$243,000 (21%) lower through May 2019 compared to the same period in 2018. Transaction volume was 21% lower, and the average selling price was 1% lower in 2019 so far. The selling price of the most expensive property through May 2018 was \$6.1 million, and 75 properties in the \$1-4 million range sold during that period. The most expensive property through May 2019 sold for \$4.2 million, along with 57 other properties in the \$1-4 million range.

¹ The City's accounting procedure to record investment interest revenue changed at the beginning of 2019. Prior to 2019, all investment interest revenue was allocated to the City's various funds once per year by a percentage based on the funds' respective cash balances. The same allocation method is being used in 2019, but the revenue is allocated monthly instead of annually, potentially increasing the complexity of revenue comparisons between 2019 and 2018 through November.

- **CIVIC IMPROVEMENT FUND:** Civic Improvement Fund revenue is supported by a tax collected from hotel and motel services, which was \$19,000 (23%) higher so far in 2019 and fluctuates with the amount of hotel and motel business activity taking place.

Expenses in the Civic Improvement Fund were \$79,000 (533%) higher YTD 2019 compared to the same period in 2018. This is due to differences in the timing of invoices received and amounts reimbursed by the City for community services funding expenses approved by the Lodging Tax Advisory Committee.

- **CAPITAL CONSTRUCTION FUND:** Revenue in the Capital Construction Fund through May 2019 was \$479,000 (28%) lower compared to the same timeframe in 2018. Normal variances in the quantity and timing of State and Federal grant funding, and transfers from the General Fund earmarked for capital projects, created the difference.

Expenses in the Capital Construction Fund through May 2019 were \$185,000 (19%) lower compared to the same period in 2018. 2019 expenses included \$147,000 of professional services costs and \$522,000 of construction costs for several projects, including the Police and Court facility, the Sportsman Club and New Brooklyn intersection, Olympic Drive, and Wyatt Way.

- **WATER FUND:** Water Fund revenue was \$81,000 (14%) lower YTD 2019 compared to the same period in 2018. Water sales revenue was \$70,000 (27%) higher², but that increase was offset by falling connection fee revenue, which varies depending on the level and stage of development activity taking place on the Island and was \$198,000 (91%) lower in 2019. Transaction volume for water connection fees dropped from 44 in 2018 to only five in 2019 so far.
- **SEWER FUND:** Revenue in the Sewer Fund was \$130,000 (7%) lower YTD 2019 compared to 2018. Like in the Water Fund, with an increase of \$277,000 in 2019, revenue from service charges was up³ but was offset by a decrease in connection fee revenue of \$482,000 (92%) in 2019, dropping from 41 transactions to only seven. Like water connection fees, sewer connection fee revenue varies depending on development activity.
- **STORM WATER FUND:** Revenue in the Storm Water Fund was \$94,000 (7%) higher YTD 2019 compared to 2018. This reflects the City's 3.2% stormwater management fee increase for 2019 and a 1% increase in the number of properties receiving this fee in 2019.

² A timing variance between 2018 and 2019 water sales revenue accruals will cause 2019 revenues to appear higher in this category in 2019.

³ A timing variance between 2018 and 2019 sewer sales revenue accruals will cause 2019 revenues to appear higher in this category in 2019.

- **BUILDING & DEVELOPMENT SERVICES (B&DS) FUND REVENUES:** Overall revenue in the B&DS Fund was \$124,000 (11%) higher through May 2019 compared to the first five months of 2018. However, excluding transfers from the General Fund to maintain the minimum fund balance target, YTD revenue in 2019 was \$233,000 (30%) lower. Contributing factors included building permit revenue, which was \$188,000 (51%) lower with both transaction volume and the average permit fee amount dropping by 29% and 31%, respectively. Revenue from plan checking fees saw an 18% increase in the average fee amount, but a 29% reduction in transaction volume led to a \$36,000 (17%) decrease in revenue compared to January through May 2018.

B&DS Fund expenses were \$125,000 (11%) higher through May 2019 compared to 2018. A \$64,000 (61%) decrease in legal professional services costs offset an \$11,000 (18%) increase in insurance costs, while salaries and benefits were \$175,000 (19%) higher through May 2019. Cost of living and salary step increases, additional personnel direct-charging time to the B&DS Fund, and an increase in labor cost allocation percentages assigned to the B&DS Fund caused the increase.