



Monthly Financial Report - June 2019

FUND No.	FUND NAME	2019 STARTING FUND BALANCE	YTD 2019 REVENUES	2018 REVENUES	YTD 2019 EXPENSES	2018 EXPENSES	JUNE 2019 ENDING FUND BALANCE	RESERVES
001	General Fund	\$ 18,565,810	\$ 10,670,008	\$ 10,577,896	\$ (8,152,751)	\$ (8,891,951)	\$ 21,083,066	\$ 5,633,000
101	Street Fund	\$ 264,921	\$ 1,552,813	\$ 1,576,932	\$ (1,282,024)	\$ (1,862,613)	\$ 535,711	N/A
103	REET Fund	\$ 777,649	\$ 1,266,765	\$ 1,489,483	\$ (879,155)	\$ (988,665)	\$ 1,165,260	N/A
104	Civic Impr. Fund	\$ 302,403	\$ 128,070	\$ 103,073	\$ (100,504)	\$ (57,298)	\$ 329,969	N/A
301	Capital Const. Fund	\$ 3,591,488	\$ 1,262,876	\$ 1,810,131	\$ (871,487)	\$ (1,504,286)	\$ 3,982,877	N/A
401	Water Fund	\$ 7,713,900	\$ 634,836	\$ 686,755	\$ (730,557)	\$ (714,301)	\$ 7,618,179	\$ 396,789
402	Sewer Fund	\$ 6,377,475	\$ 2,118,678	\$ 1,811,628	\$ (2,368,119)	\$ (2,597,848)	\$ 6,128,034	\$ 1,731,847
403	Storm Water Fund	\$ 1,771,357	\$ 1,527,558	\$ 1,400,439	\$ (883,563)	\$ (950,003)	\$ 2,415,352	\$ 831,661
407	Building Svcs. Fund	\$ 325,784	\$ 1,542,114	\$ 1,386,128	\$ (1,548,894)	\$ (1,394,038)	\$ 319,004	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 Adopted 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 2018 CAFR.

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

REPORT DATE: 7/18/2019



## MONTHLY FINANCIAL REPORT HIGHLIGHTS JUNE 2019

- **GENERAL FUND:** Year-to-date (YTD) revenue in the General Fund was \$92,000 (1%) higher through June 2019 compared to the first half of 2018. Property tax revenue remained steady, increasing by \$39,000 (1%). Sales tax revenue was \$326,000 (15%) higher so far in 2019, with revenue from the construction and retail trade industries accounting for 36% and 29% of the total, respectively. Sales tax revenue from the construction industry was 19% higher in the first half of 2019, and revenue from the retail trade industry was 12% higher. One-time revenue sources contributed \$198,000 to the 2019 increase in the form of State and Federal grant funding, while revenue from the sale of capital assets was \$79,000 (95%) lower. Investment interest allocated to the General Fund in the first half of 2019 was \$279,000 higher compared to 2018.<sup>1</sup> Revenue from business and occupation (B&O) taxes was \$14,000 (2%) lower in 2019 due to the refunding of a prior-year, \$24,000 overpayment. Business license revenue was \$66,000 (40%) lower in the first half of 2019 compared to 2018.<sup>2</sup>

Expenses in the General Fund were \$739,000 (8%) 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 \$888,000 (45%) drop in transfers out of the General Fund in 2019. Professional services expenses, the largest of which included services for inclusionary zoning, Island Center subarea planning, and an update to the City's design guidelines, were \$124,000 (27%) higher in the first half of 2019. Intergovernmental professional services, including fire safety services, call center services, prisoner services, and public health services collectively increased by \$69,000 (23%) compared to 2018.

- **STREET FUND:** Revenue in the Street Fund was \$24,000 (2%) lower in the first half of 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 six months of 2019 \$59,000 (7%) lower than 2018. Gas tax revenue fell \$19,000 (8%) in 2019 so far. In contrast, revenue from the sale of surplus vehicles was \$20,000 (136%) higher, and revenue from business and occupation taxes for commercial parking facilities was \$26,000 (6%) higher.

Expenses in the Street Fund were \$580,000 (31%) lower 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 \$9,000 (60%), \$46,000 (10%), and \$51,000 (186%) higher in 2019, respectively. Meanwhile, expenses for repairs were \$699,000 (88%) lower in the first half of 2019 compared to 2018; asphalt repairs in 2018 created the difference.

- **REAL ESTATE EXCISE TAX (REET) FUND:** REET revenue was \$222,000 (15%) lower in the first half of 2019 compared to the same period in 2018. Transaction volume was 27% lower, and the average selling price was 3% higher in 2019 so far. The selling price of the most expensive property

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<sup>1</sup> 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.

<sup>2</sup> Business license fees were historically collected by the City and due in the first quarter of the year, concentrating revenue 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 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.

through in the first half of 2018 was \$6.1 million, and 98 properties in the \$1-4 million range sold during that period. The most expensive property so far in 2019 sold for \$4.2 million, along with 81 other properties in the \$1-4 million range.

- **CAPITAL CONSTRUCTION FUND:** Revenue in the Capital Construction Fund through June 2019 was \$547,000 (30%) 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 in the first half of 2019 were \$632,000 (42%) lower compared to the same period in 2018. In June 2018, a \$500,000 subsidy for the pedestrian bridge project across highway 305 was returned when the project was cancelled. Excluding that unusual transaction, expenses in the first half of 2019 were 132,000 (9%) lower compared to 2018. 2019 expenses included \$191,000 of professional services costs, \$80,000 of land and right-of-way acquisition costs, and \$582,000 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 \$51,000 (8%) lower in the first half of 2019 compared to the same period in 2018. Water sales revenue was \$85,000 (24%) higher<sup>3</sup>, 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 (85%) lower in 2019. Transaction volume for water connection fees dropped by 51%, from 51 transactions in 2018 to only 25 in 2019 so far.

- **SEWER FUND:** Revenue in the Sewer Fund was \$307,000 (17%) higher YTD 2019 compared to 2018. Revenue from sewer service charges was up<sup>4</sup> by \$301,000 (19%), while connection fee revenue in 2019 dropped by 43%, from 51 transactions in the first half of 2018 to 29 in 2019. Like water connection fees, sewer connection fee revenue varies depending on development activity.

Expenses in the Sewer Fund were \$229,000 (9%) lower in the first half of 2019 compared to 2018 because capital expenses in the Sewer Fund were \$211,000 (56%) lower in 2019. Capital expenses in 2019 included \$121,000 for the Old Treatment Plant and Village pump station replacement projects.

- **STORM WATER FUND:** Revenue in the Storm Water Fund was \$127,000 (9%) higher YTD 2019 compared to 2018. Revenue from stormwater management fees was \$57,000 (4%) higher so far, reflecting the City's 3.2% stormwater management fee increase combined with a 1% increase in the number of properties receiving this fee in 2019. An additional \$45,000 in State Grant revenue and \$24,000 in investment revenue<sup>5</sup> in 2019 created the remainder of the difference.

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<sup>3</sup> A timing variance between 2018 and 2019 water sales revenue accruals will cause 2019 revenues to appear higher in this category in 2019.

<sup>4</sup> A timing variance between 2018 and 2019 sewer sales revenue accruals will cause 2019 revenues to appear higher in this category in 2019.

<sup>5</sup> See footnote 1.

- **BUILDING & DEVELOPMENT SERVICES (B&DS) FUND REVENUES:** Overall revenue in the B&DS Fund was \$155,000 (11%) higher through June 2019 compared to the first six months of 2018. However, excluding transfers from the General Fund to maintain the minimum fund balance target, YTD revenue in 2019 was \$339,000 (35%) lower. Contributing factors included building permit revenue, which was \$252,000 (53%) lower with both transaction volume and the average permit fee amount dropping by 28% and 35%, respectively. Revenue from plan checking fees saw an 8% increase in the average fee amount, but a 26% reduction in transaction volume led to a \$51,000 (20%) decrease in revenue compared to January through June 2018.

B&DS Fund expenses were \$154,000 (11%) higher in the first half of 2019 compared to 2018. A \$75,000 (61%) decrease in legal professional services costs offset an \$11,000 (18%) increase in insurance costs, while salaries and benefits were \$217,000 (20%) higher through June 2019. Cost of living and salary step increases, additional personnel direct-charging time to the B&DS Fund, and an increase in the B&DS Fund's labor cost allocation percentage all contribute to the higher total expenses.