



CITY OF
BAINBRIDGE ISLAND

Finance and Administrative Services Department

Memorandum

TO: City Council
Morgan Smith, City Manager

FROM: DeWayne Pitts, Finance Director

DATE: November 1, 2019

RE: Third Quarter 2019 Financial Results

The third quarter financial report analyzes recent trends, provides forecasts, and develops a short-term historical context to furnish the reader with an understanding of the City's current financial status and trajectory. The report provides information in four sections:

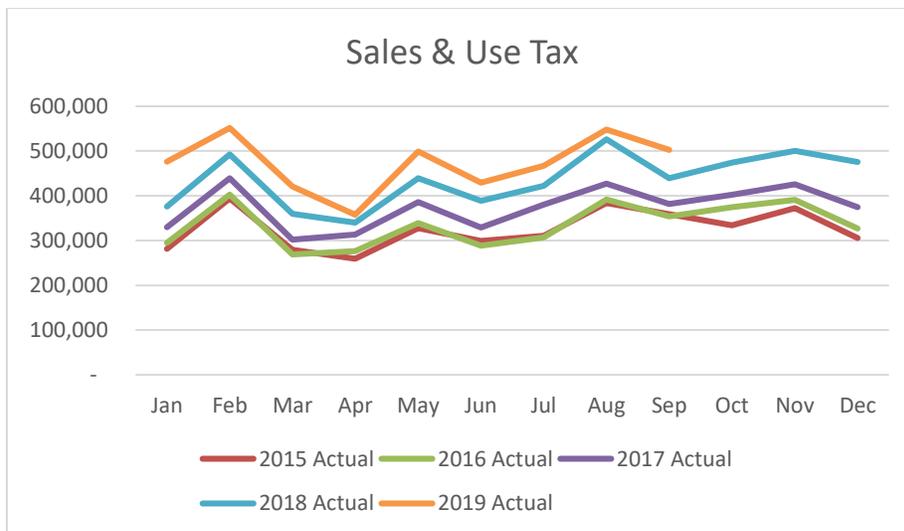
- Discussion of Q3 Highlights and Relevant Economic Trends
- Monthly September 2019 Financial Report
- Capital Projects Status Update
- September year-to-date spending plan

Q3 Highlights and Relevant Economic Trends:

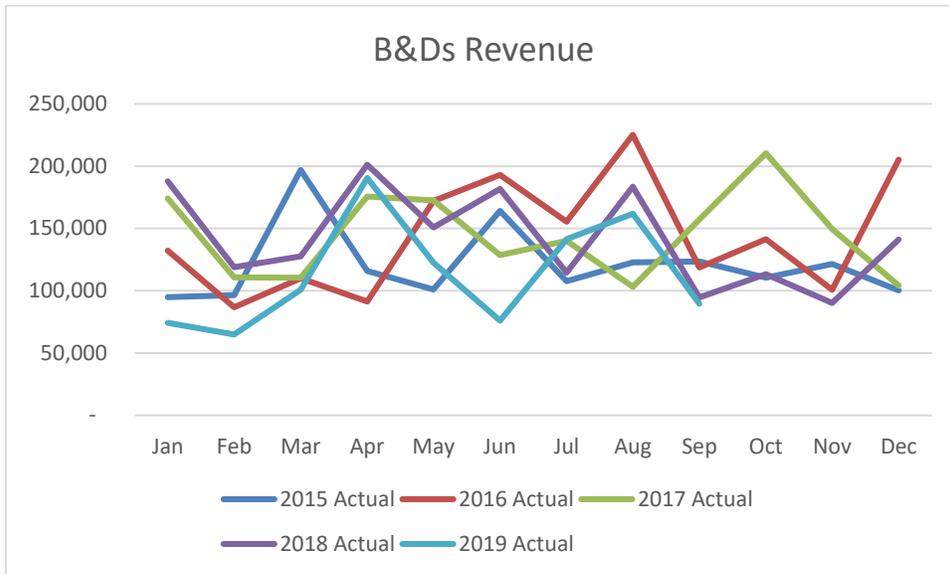
- The financial condition of the City remains strong, with current trends in certain large revenue sources such as sales tax, grant revenue, and investment income moderated by sizeable decreases in building and development funds, real estate excise taxes (REET), and utility taxes on private utilities. The City continues to enjoy diverse revenue sources, with sales tax constituting 24% of governmental tax revenues, property taxes 37%, utility taxes 22%, and real estate excise taxes 14%.
- The City's assessed value has had strong growth for 6 years, and 2019 assessed value (AV) is 135% of the 2009 pre-recession peak.

Tax Year	Assessed Value Amount	Annual % Increase	New Construction	New Construction as % of AV
Prelim. 2020*	\$9,178,260,811	11.2%	\$140,950,890	1.7%
2019	8,254,534,893	10.0%	97,493,183	1.3%
2018	7,504,737,914	9.3%	99,718,279	1.5%
2017	6,866,433,976	11.1%	102,511,215	1.7%
2016	6,180,675,275	8.9%	46,544,556	0.8%
2015	5,675,246,804	9.2%	41,101,784	0.8%
2014	5,199,203,003	0.2%	33,116,994	0.6%
2013	5,188,972,276	-3.0%	25,816,750	0.5%
2012	5,349,045,540	-4.5%	24,000,612	0.4%
2011	5,603,072,082	-9.7%	26,171,169	0.4%

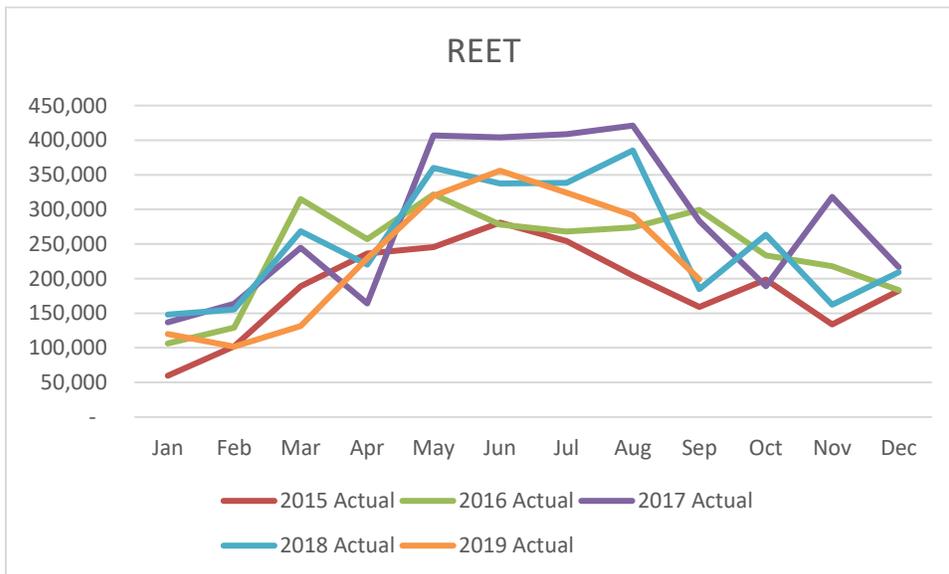
- The City’s overall financial performance as of September 30, 2019, shows operating revenue for tax-supported funds projecting about 2% higher than budgeted for the rest of 2019, while expenditures are projecting about 10.5% below budgeted amounts. This is primarily due to vacancies in personnel and delays in spending on major capital projects, including the Police and Court Facilities and Wyatt Way.
- Sales tax is the City’s second largest recurring revenue source in the general fund (property taxes is the largest source) and is subject to general economic fluctuations and consumer confidence. This revenue source continued to rise compared to prior years, totaling to \$451,000 (13%) higher in 2019 compared to 2018. Sales tax from construction as well as retail trade account for a combined 66% of the total sales tax amount received. The monthly chart below shows a year-over-year comparison of monthly sales tax received. Services and other miscellaneous trades make up the difference.



- Revenues generated by building and development services fees were 25% below 2018 levels and are projecting 24% below budget. A City-wide temporary moratorium on certain developments is likely having an impact.

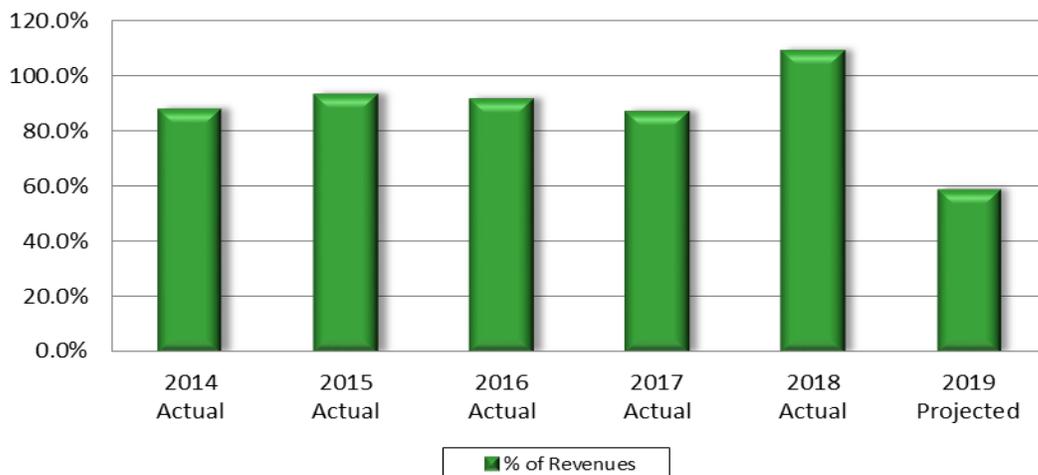


- Real estate excise tax revenue (REET) is 14% lower (\$325,000) year-to-date compared to 2018. Expected REET revenue for the remainder of 2019 is expected to be approximately \$2.7 million which is about 15% lower than budget. Revenue has continued to decline since the 2017 peak.



- Washington Initiative 976 (“I-976”) will be on the November 5, 2019, State-wide ballot. If it passes, the initiative will eliminate the City’s ability to collect approximately \$600,000 in annual car tab fee revenue starting in December of this year. This will affect the City’s ability to fund the annual roads program (asphalt repairs, chip sealing), traffic calming, and climate mitigation strategies at existing service levels. Future options to continue programs will need to be discussed and decided by Council. Currently we are projecting approximately \$900,000 in fund balance at year end. This projection includes \$47,000 of expected revenues in December of 2019 that will be lost if the initiative passes. Projected fund balances would fund approximately two years of ongoing operations at existing service levels.
- Council has approved \$8 million in limited tax general obligation bond financing for the \$20 million Police and Municipal Court Building project. Bonds will be sold to the investing public in December 2019. The remaining \$12 million will be funded from existing general fund balance. Bond debt service will be approximately \$550,000 per year for 20 years on the new debt. Moody’s rating services is expected to give the City a rating status sometime in early November. A favorable rating increase will likely lower the interest rates the City pays on its new debt.
- Council also approved refunding approximately \$3.0 million in outstanding 2007 and 2008 Long-Term General Obligation (LTGO) bonds at lower interest rates. The lower interest rates will result in overall decreased debt payments for the bonds saving the City approximately \$275,000 over the remaining life. The lower payment of about \$30,000 per year will help lower the cost of the new debt incurred on the Police and Court Building.
- General Fund balance at the end of September 2019 remains a healthy \$20.3 million. The projected December 2019 ending fund balance of approximately \$11.5 million reflects the City’s plan to transfer \$8 million of the existing balance on the police and court facility project in December.

City of Bainbridge Island
Ending General Fund Balance



November 1, 2019

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- Year-to-date revenues in the City's utility funds were \$735,000 (14%) higher while expenditures were \$18,000 lower compared to the same period in 2018. Revenues are exceeding budgeted revenues by about 5%. Overall expenditures are underrunning the budget due to delays in spending on capital projects in all three utility funds.