



CITY OF
BAINBRIDGE ISLAND

MEMORANDUM

DATE: February 28, 2020
TO: Morgan Smith, City Manager; City Council
FROM: Finance Department
SUBJECT: January 2020 Financial Report

INTRODUCTION: This report presents a comparison of year-to-date (YTD) financial information between the current year and prior year in two categories: tax-supported funds and utility funds. Generally, tax-supported funds' revenues are supported by tax inflows, while utility funds generate revenue by charging fees for services. Table I shows which funds fall into each of the two categories, and includes revenue, expenditure, and fund balance data by fund.

TAX-SUPPORTED FUNDS: Revenues in the City's tax-supported funds were \$59,000 (2.7%) higher in January 2020, and expenditures were \$9.1 million (410%) higher compared to January 2019. This substantial increase in expenditures reflects the purchase of the City's new Police & Court facility, which was recorded in January 2020 as an \$8.9 million expenditure in the Capital Construction Fund (\$8 million was transferred in from the General Fund and \$900,000 was transferred in from the Real Estate Excise Tax (REET) Fund in December 2019). Police & Court facility funding aside, expenditures in the tax-supported funds were \$202,000 (9.1%) higher compared to January 2019 due mostly to increases in personnel costs (see note below) and professional services, communications and supplies. Staff are closely monitoring trends in the following revenues and expenditures:

- Sales tax revenue through the end of January at \$446,000 was \$6,000 (1%) higher in 2020 compared to January 2019. Revenue from the construction and retail trade industries accounted for 38% and 30% of total 2020 sales tax revenue, respectively. Revenue from retail trade increased 5%, while revenue from construction did not change compared to January 2019.
- REET revenue through the end of January at \$197,000 was \$78,000 (66%) higher in 2020 compared to January 2019. 2020 transaction volume was 16% higher, and the average selling price was 40% higher. Most of this increase was due to the \$8.9 million sale of the Harrison building, purchased by the City for the new Police & Court facility.
- Street Fund revenue through the end of January at \$644,000 was \$357,000 (125%) higher in 2020 compared to January 2019 due to timing variances in transfers in from the Transportation Benefit Fund.
- Revenue generated by building and development services (B&DS) fees through the end of January at \$77,000 was \$3,000 (4%) higher in 2020 compared to January 2019. Revenue levels vary depending on the complexity, volume, and stage of development activity on the Island.
- Federal and State grant funding through the end of January at \$90,000 was \$22,000 (24%) higher in 2020 compared to January 2019. Funding included grants for the Miller Road, Wyatt Way, and Olympic Drive projects.

- Expenditures for personnel through the end of January at \$1.2 million were \$100,000 (9%) higher in 2020 compared to January 2019 due to a reduction in staff vacancies, along with routine step and cost-of-living increases.

UTILITY FUNDS: Revenues in the City's utility funds were \$47,000 (14%) higher in January 2019, and expenditures were \$162,000 (35%) higher compared to January 2019¹. Staff are closely monitoring trends in the following key revenues and expenditures:

- Water and sewer connection fee revenues through the end of January 2020 were at \$37,000 compared to zero in January 2019. This revenue source varies depending on development activity and is largely supported by subdivision development.
- Revenue from stormwater fees through the end of January at \$4,000 was \$14,000 (77%) lower in 2020 compared to January 2019. This reflects a change in the fee-collection process in 2020, and revenue is expected to reach normal levels as the year progresses.
- Capital expenditures in the utility funds through the end of January at \$129,000 were collectively \$118,000 higher in 2020 compared to January 2019 and included the payment of a \$126,000 capital settlement (charged to the Water Fund) related to the Village pump station project.

¹ The City's three utility funds are individually self-supporting, generating revenue by charging for services provided. While utility revenue figures are delivered collectively in parts of this report, it should be noted that revenue from one utility cannot be used to support the expenditures of another utility. Please see Table 1 for additional details on each of the City's three utility funds.

Table 1

FUND No.	FUND NAME	2020 STARTING FUND BALANCE	YTD 2020 REVENUES	2019 REVENUES	YTD 2020 EXPENSES	2019 EXPENSES	JAN. 2020 ENDING FUND BALANCE	RESERVES
<i>Tax-Supported</i>								
001	General Fund	\$ 13,758,655	\$ 1,175,586	\$ 1,110,914	\$ (1,391,916)	\$ (1,465,958)	\$ 13,542,325	\$ 5,633,000
101	Street Fund	\$ 441,975	\$ 644,013	\$ 286,611	\$ (261,225)	\$ (182,027)	\$ 824,763	N/A
103	REET Fund	\$ 751,954	\$ 198,795	\$ 120,073	\$ -	\$ (165,942)	\$ 950,750	N/A
104	Civic Impr. Fund	\$ 408,247	\$ 20,242	\$ 15,608	\$ -	\$ -	\$ 428,489	N/A
171	Trans. Benefit Fund	\$ 935,509	\$ 40,918	\$ 31,640	\$ (400,000)	\$ -	\$ 576,427	N/A
173	Trans. Impact Fund	\$ 178,041	\$ 20,257	\$ 15,774	\$ -	\$ (100,000)	\$ 198,298	N/A
301	Capital Const. Fund	\$ 20,159,536	\$ 89,039	\$ 331,941	\$ (8,963,467)	\$ (659)	\$ 11,285,108	N/A
407	Building Svcs. Fund	\$ 320,873	\$ 77,481	\$ 294,697	\$ (303,550)	\$ (305,048)	\$ 94,803	N/A
		\$ 36,954,791	\$ 2,266,332	\$ 2,207,258	\$ (11,320,159)	\$ (2,219,634)	\$ 27,900,964	\$ 5,633,000
<i>Utility</i>								
401	Water Fund	\$ 7,663,300	\$ 103,009	\$ 67,861	\$ (135,636)	\$ (131,216)	\$ 7,630,672	\$ 831,661
402	Sewer Fund	\$ 6,311,377	\$ 275,711	\$ 253,492	\$ (362,799)	\$ (212,896)	\$ 6,224,289	\$ 1,731,847
403	Storm Water Fund	\$ 2,686,151	\$ 8,823	\$ 18,548	\$ (128,551)	\$ (120,980)	\$ 2,566,424	\$ 831,661
		\$ 16,660,827	\$ 387,543	\$ 339,901	\$ (626,986)	\$ (465,093)	\$ 16,421,384	\$ 3,395,168

NOTES:

The City has adopted reserve policies for the General Fund and the Utility Funds (Water, Sewer, and Storm Water). The General Fund reserve amount consists of a \$1 million emergency reserve plus 25% of ongoing revenues, totalling \$5.6 million. Please see page 25 of the 2019-2020 Adopted Budget for further information. Utility reserves are calculated as 1% of each utility's capital assets at net book value, plus 60 days of operating costs for Water and Sewer, and 120 days of operating costs for Storm Water.

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

-January 2020 beginning fund balances are subject to change through April 2020 due to the ongoing development of the annual financial report.