



CITY OF
BAINBRIDGE ISLAND

MEMORANDUM

DATE: August 24, 2021
TO: Blair King, City Manager; City Council
FROM: Finance Department
SUBJECT: July 2021 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 fund revenues are supported by tax inflows, while utility funds generate revenue by charging fees for services. Table I (attached) shows which funds fall into each of the two categories, and includes revenue, expenditure, and fund balance data by fund.

TAX-SUPPORTED FUNDS:

Revenues of \$21.4 million in the City's tax-supported funds were \$5.9 million or 38% higher through the month of July 2021 compared to the same time frame in 2020. This variance is primarily due to receipt of the first of two, \$3.5 million payments for the American Rescue Plan Act (ARPA) grant funds. ARPA is a \$1.9 trillion federal grant package signed into law on March 11, 2021, that provides direct relief to states, cities, and counties to help mitigate the impacts of COVID-19. The City will be receiving the second \$3.5 million payment in June of 2022 and has until December of 2024 to obligate the funds for eligible purposes. These grant funds are "one-time" monies meaning that the City is not expected to receive any additional funding for this purpose once funds are spent.

Excluding the ARPA funding, the increase to revenue is \$2.3 million or 15% higher than 2020. Increases in Sales and use, Real Estate Excise Tax, and Grant revenues are partially offset by a decrease in Commercial Parking Tax compared to 2020 through July. Other notable variances are further explained below.

Expenditures were \$8.2 million lower through the month of July 2021 compared to the same time frame in 2020 due to the purchase of the Harrison Property for the Police Court Facility in January of 2020. Otherwise, 2021 expenses were \$744,000 or 3% more in 2021 than this time last year, which can be attributed to an increase capital spending. Staff are closely monitoring trends in the following revenues and expenditures:

- Sales tax revenue through the end of July was \$3.6 million, an increase of \$591,000 or 20% compared to the same period in 2020. Revenue from the construction and retail trade industries each accounted for 28% and 33% of the 2021 sales tax revenue, respectively.

- Business and Occupation tax revenue was \$557,000, a decrease of \$84,000 or 13% compared to the end of July in 2020. Business and Occupation taxes are collected once per year primarily in April and are generated from the previous year's gross revenues from Island Businesses. Since overall business activity was down in 2020, this revenue drop was expected and in line with forecasted revenue for 2021.
- REET revenue through the end of July was \$2.3 million, an increase of \$641,000 or 39% in 2021 compared to 2020. This is primarily attributed to an increase in the volume of property sales, which has increased 22% compared to 2020. In addition to volume, the average selling price has increased over the last year, increasing \$123,500 or 13% compared to the average as of July 2020. There was a \$21.8 million dollar sale in July 2021 which is driving up the overall 2021 average. Omitting that outlier, the 2021 selling price average is still at an increase of \$74,000, or 8%, compared to 2020.
- Street Fund revenue through the end of July was \$444,000, a \$269,000 decrease or 38% less than through July 2020 primarily from less commercial parking lot tax collected due to less ferry travel during the pandemic.
- Revenue generated by building and development service (B&DS) fees through the end of July at \$826,000 was 75% or \$354,000 greater than in July 2020, with 68% of the increase in Building Permit, Plan Checking and Zoning/Subdivision fees. Permit receipts in 2020 were lower due to Covid-19 and the moratorium on certain development.
- Capital Construction grant revenues through July 2021 were \$1.3 million, an increase of \$445,000 or 53% compared to July 2020. A majority of this is attributable to grant funding for the Wyatt Way project as the project nears completion.
- Transfers out of REET were for operating transfers to Streets Fund, debt service, and to fund capital projects for Country Club Road, Sound to Olympics - Sakai Pond Trail, and Eagle Harbor Phase II.

UTILITY FUNDS:

Revenues of \$4.95 million in the City's utility funds were \$171,000 or 4% higher through July 2021 and operating and capital expenditures were \$676,000 or 14% higher compared to the same time frame in 2020¹. Staff are closely monitoring trends in the following key revenues and expenditures:

- Water and Sewer charges through the end of July 2021 were a total of \$2.9 million, an increase of \$104,000 or 4% compared to the same time frame in 2020 due to increased rates and new customers.
- Water and sewer connection fee revenues through the end of July 2021 totaled \$193,000 compared to \$166,000 at the end of July 2020. This revenue source varies depending on development activity and is largely supported by residential development.
- Storm and Surface Water Management (SSWM) fees through July were \$1.7 million, an increase of \$64,000 or 4% over 2020.
- Capital expenditures in the utility funds through the end of July 2021 were \$797,000 which was \$481,000 more than through July of 2020. At \$242,000, Wyatt Way makes up 30% of 2021 utility fund capital spending to date. Other notable projects out of the utility funds are the

¹ The City's three utility funds are individually self-supporting, generating revenue by charging for services provided. While utility revenue figures are combined and reported on together for 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.

Wood Avenue Pump Station, and Rockaway Intertie. These three projects combined make up approximately 65% of utility fund capital spending.

TABLE 1

FUND NAME	2021 STARTING FUND BALANCE	YTD 2021 REVENUES	YTD 2020 REVENUES	YTD 2021 EXPENSES	YTD 2020 EXPENSES	YTD 2021 TRANS FERS	YTD 2020 TRANS FERS	July 2021 ENDING FUND BALANCE	RESERVES
Tax Supported Funds									
General Fund	\$ 15,909,052	\$ 11,981,471	\$ 10,915,119	\$ (8,869,319)	\$ (8,885,383)	\$ (2,144,215)	\$ (1,547,143)	\$16,876,989	\$ 5,961,111
Street Fund	\$ 61,824	\$ 443,835	\$ 713,216	\$ (1,526,059)	\$ (1,467,799)	\$ 1,179,717	\$ 436,000	\$ 159,317	N/A
REET Fund	\$ 2,528,199	\$ 2,282,761	\$ 1,645,305	\$ -	\$ -	\$ (2,008,741)	\$ (817,274)	\$ 2,802,219	N/A
Civic Impr. Fund	\$ 404,264	\$ 154,583	\$ 94,087	\$ (80,048)	\$ (86,959)	\$ -	\$ (12,000)	\$ 478,800	N/A
Affordable Housing Fund	\$ 375,502	\$ 24,587	\$ 15,191	\$ (4,625)	\$ (119,880)	\$ 101,125	\$ 101,125	\$ 496,589	\$ 59,171
ARPA	\$ -	\$ 3,532,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,532,428	N/A
General Obligation Bond Fund	\$ 5,199	\$ 338,465	\$ 329,233	\$ (556,269)	\$ (498,617)	\$ 549,730	\$ 502,274	\$ 337,124	N/A
Trans. Benefit Fund	\$ 1,190,732	\$ 387,907	\$ 368,632	\$ (64,666)	\$ -	\$ (400,000)	\$ (400,000)	\$ 1,113,972	N/A
Trans. Impact Fund	\$ 181,901	\$ 96,133	\$ 49,409	\$ -	\$ -	\$ -	\$ (117,000)	\$ 278,034	N/A
Capital Const. Fund	\$ 10,067,317	\$ 1,286,653	\$ 841,373	\$ (1,390,661)	\$ (9,525,943)	\$ 1,873,975	\$ 867,277	\$11,837,285	N/A
Building Svcs. Fund	\$ 17,229	\$ 826,460	\$ 472,469	\$ (1,675,787)	\$ (1,773,986)	\$ 839,658	\$ 977,991	\$ 7,560	N/A
	\$30,741,220	\$21,355,283	\$ 15,444,034	\$ (14,167,435)	\$ (22,358,566)	\$ (8,750)	\$ (8,750)	\$37,920,318	\$ 6,020,282
Utility Funds									
Water Fund	\$ 7,208,298	\$ 749,996	\$ 740,453	\$ (1,210,138)	\$ (902,586)	\$ 8,750	\$ 8,750	\$ 6,756,905	\$ 356,574
Sewer Fund	\$ 6,087,437	\$ 2,478,580	\$ 2,421,022	\$ (3,040,212)	\$ (2,770,950)	\$ -	\$ -	\$ 5,525,804	\$ 1,665,732
Storm Water Fund	\$ 3,782,075	\$ 1,726,455	\$ 1,622,547	\$ (1,095,330)	\$ (996,575)	\$ -	\$ -	\$ 4,413,200	\$ 491,121
	\$17,077,810	\$ 4,955,030	\$ 4,784,022	\$ (5,345,681)	\$ (4,670,112)	\$ 8,750	\$ 8,750	\$16,695,909	\$ 2,513,427