



CITY OF
BAINBRIDGE ISLAND

Memorandum

Date: June 24, 2022
To: Blair King, City Manager; City Council
From: Finance Department
Subject: May 2022 Financial Report

INTRODUCTION:

This report presents a comparison of year-to-date 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 \$14 million in the City's tax-supported funds were \$1 million or 8% higher through May 2022 versus 2021. Increases in Sales and Use Tax, B&O, Private Utility, Commercial Parking Tax, and Real Estate Excise Tax are partially offset by decreases in grant revenues through May.

Expenditures were \$25,000 lower through May 2022 compared to 2021. While salaries and professional services have increased year-over-year, they are offset by reduced capital spending.

Staff are closely monitoring trends in the following revenues and expenditures:

- Sales tax revenue through May was \$2.7 million, an increase of \$184,000 or 7% over 2021. Revenue from the construction and retail trade industries each accounted for 30% and 36% of the year-to-date sales tax revenue, respectively.
- Housing related sales tax revenue in the Affordable Housing Fund through May was \$180,000, an increase of \$160,500 or 808% over 2021 due to an ordinance increasing the City's sales tax rate 1/10th of 1 percent which went in effect January 2022.
- Business and Occupation tax revenue was \$647,000, an increase of \$101,000 or 19% compared to 2021. Much of this revenue is collected in April, thus increases throughout the remainder of the year are likely to be immaterial.
- Real Estate Excise Tax (REET) revenue through May was \$1.5 million, an increase of \$227,000 or 18% from 2021. The volume of property sales through May was down 20%, while the average sales price increased by \$442,000 or 47% when compared to 2021 Bainbridge property sales for the same time period. There was a \$27.6 million dollar sale in April 2022 which is driving up the overall 2022 average. Omitting that outlier, the 2022 selling price average is still at an increase of \$319,000 or 34% compared to 2021.

- Street Fund revenue through May was \$397,000, a \$121,000 increase or 44% more than 2021. This came from increases in commercial parking lot taxes collected, a revenue source that is slowly recovering from the record lows caused by the pandemic. Street fund expenditures through May increased \$2,000 to \$1 million, over 2021. Salaries, benefits, professional services, and insurance costs were all factors in the increase, offset with decreases in supplies, equipment, and repairs.
- Revenues generated by building and development service were \$538,000 through May, a decrease of 1% or \$5,500 lower than 2021. Reduced Plan Checking fees, offset by an increase in Zoning fees are the main factors in the overall change from 2021.
- Capital Construction received grant revenues of \$243,000 through May, compared to \$405,000 in 2021. Capital spending through May remains low, with approximately \$65,500 in salaries and benefits, and \$529,000 in other Capital spending primarily on three capital projects: Eagle Harbor Phase II, Madison Ave Sidewalk Improvements, and Yeomalt Point Drive.
- Transfers out of REET were to Streets, debt service, and to fund capital projects for Senior Community Center Renovations, Eagle Harbor Phases I & II, Madison Ave Sidewalk Improvements, Sportsman Club/New Brooklyn, and City Hall Lower Parking Lot Retrofit.
- Transfers out of ARPA went to General fund for hub solar panels, and to Sewer fund for the wastewater beneficial reuse study.

UTILITY FUNDS:

Revenues of \$4 million in the City's utility funds were \$83,000 or 2% higher through May compared to 2021. Operating and capital expenditures of \$4.5 million were 565,000 or 14% higher compared to the same time frame in 2021¹.

Staff are closely monitoring trends in the following key revenues and expenditures:

- Water revenues through May were \$500,000, a decrease of \$21,000 or 4% versus 2021. While charges for water services increased about 1%, participation revenues are lower than in 2021. Operating costs of \$701,000 were \$139,000 or 25% more than in 2021, with salaries, professional services, and repairs being the main factors in the increase.
- Sewer revenues through May totaled \$1.8 million in 2022, an increase of \$17,000 or 1% over 2021. Operating costs were \$1.3 million, an increase of \$73,000 or 6% from 2021, with increased repair spending, offset by savings in professional services compared to 2021.
- Storm and Surface Water Management revenues through May were \$1.8 million, an increase of \$87,000 or 5% compared to 2021 due to increases in storm drain fee revenue. Operating costs increased 21%, or \$138,000 compared to 2021. Insurance costs, professional services, project permit fees, and salaries were factors in the spending increase.
- Capital Spending out of the Utility funds in May was \$764,000 with expenditures related in large part to Water's chlorine generator upgrade, and Sewer's Wood Avenue pump station.

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.

Table 1

FUND NAME	2022 STARTING FUND BALANCE	YTD 2022 REVENUES	YTD 2021 REVENUES	YTD 2022 EXPENSES	YTD 2021 EXPENSES	YTD 2022 TRANSFERS	YTD 2021 TRANSFERS	MAY 2022 ENDING FUND BALANCE
Tax Supported Funds								
General Fund	\$ 18,763,694	\$ 10,351,520	\$ 9,653,247	\$ (6,648,317)	\$ (6,308,473)	\$ (633,637)	\$ (1,433,211)	\$ 21,833,260
Street Fund	\$ 127,501	\$ 397,209	\$ 275,959	\$ (1,025,021)	\$ (1,022,706)	\$ 946,348	\$ 1,141,346	\$ 446,036
REET Fund	\$ 2,540,049	\$ 1,475,987	\$ 1,249,256	\$ -	\$ -	\$ (2,910,239)	\$ (1,658,010)	\$ 1,105,797
Civic Impr. Fund	\$ 534,667	\$ 127,653	\$ 97,245	\$ (140,980)	\$ (39,438)	\$ -	\$ -	\$ 521,340
Affordable Housing Fund	\$ 511,214	\$ 180,384	\$ 19,864	\$ (7,560)	\$ (2,800)	\$ 100,000	\$ 100,000	\$ 784,038
ARPA	\$ 3,539,477	\$ 5,154	\$ -	\$ -	\$ -	\$ (345,699)	\$ -	\$ 3,198,931
General Obligation Bond Fund	\$ 6,661	\$ 330,414	\$ 333,420	\$ (28,634)	\$ (29,344)	\$ 392,389	\$ 392,664	\$ 700,830
Trans. Benefit Fund	\$ 1,331,727	\$ 260,224	\$ 275,727	\$ -	\$ -	\$ (540,000)	\$ (400,000)	\$ 1,051,952
Trans. Impact Fund	\$ 87,832	\$ 54,554	\$ 85,688	\$ -	\$ -	\$ -	\$ -	\$ 142,386
Capital Const. Fund	\$ 11,086,267	\$ 243,525	\$ 405,126	\$ (594,641)	\$ (1,049,550)	\$ 2,194,356	\$ 1,159,000	\$ 12,929,507
Building Svcs. Fund	\$ 8,829	\$ 538,008	\$ 543,598	\$ (1,231,772)	\$ (1,250,170)	\$ 692,033	\$ 689,461	\$ 7,098
	\$ 38,537,917	\$ 13,964,633	\$ 12,939,128	\$ (9,676,925)	\$ (9,702,481)	\$ (104,449)	\$ (8,750)	\$ 42,721,175
Utility Funds								
Water Fund	\$ 6,709,801	\$ 499,526	\$ 520,860	\$ (1,137,437)	\$ (732,997)	\$ 8,750	\$ 8,750	\$ 6,080,640
Sewer Fund	\$ 5,572,633	\$ 1,776,481	\$ 1,759,103	\$ (2,474,409)	\$ (2,385,728)	\$ 95,699	\$ -	\$ 4,970,405
Storm Water Fund	\$ 4,753,738	\$ 1,786,179	\$ 1,699,478	\$ (855,929)	\$ (784,555)	\$ -	\$ -	\$ 5,683,987
	\$ 17,036,172	\$ 4,062,186	\$ 3,979,441	\$ (4,467,776)	\$ (3,903,281)	\$ 104,449	\$ 8,750	\$ 16,735,032