



CITY OF
BAINBRIDGE ISLAND

Memorandum

Date: July 25, 2022
To: Blair King, City Manager; City Council
From: Finance Department
Subject: June 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 \$15.9 million in the City's tax-supported funds were \$3.3 million or 17% lower through June 2022 versus 2021. This is due to the timing of the receipt of our second and final ARPA installment, the first of which was received in June 2021. Excluding ARPA, revenues were \$192,000 or 1% higher through June 2022 versus 2021. Increases in Sales and Use Tax, B&O, Private Utility, Commercial Parking Tax, and Real Estate Excise Tax are largely offset by decreased grant revenues through June.

Expenditures were \$616,000 higher through June 2022 compared to 2021. Salaries and benefits, capital spending, supplies and insurance increases are partially offset by decreases in professional services and repairs.

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

- General Fund sales tax revenue through June was \$3.2 million, an increase of \$220,000 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 June was \$240,000, an increase of \$220,000 or 1086% over 2021 due to an ordinance increasing the City's sales tax rate 1/10th of 1 percent which went into effect January 2022.
- Business and Occupation tax revenue was \$650,000, an increase of \$93,000 or 17% compared to 2021. Much of this revenue is collected in April, thus increases throughout the remainder of the year are unlikely to be material.
- Real Estate Excise Tax (REET) revenue through June was \$2.1 million, an increase of \$248,000 or 14% from 2021. The volume of property sales through June was down 16%, while the average sales price increased by \$381,000 or 37% when compared to 2021 Bainbridge property sales for the same 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 \$292,000 or 28% compared to 2021.

- Street Fund revenue through June was \$451,000, a \$121,000 increase or 37% 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 June decreased \$51,000 to \$1.2 million, compared to 2021. Decreases in supplies, equipment, and repairs are partially offset by increases in salaries, benefits, professional services, and insurance costs.
- Revenues generated by building and development service were \$634,000 through June, a decrease of 17% or \$27,000 lower than 2021. Reduced Plan Checking and Planning Review fees, offset by an increase in Zoning fees are the main factors in the overall change from 2021. A rate increase will be implemented in September 2022 based on the results of the FCS Building and Development rate study.
- Capital Construction received grant revenues of \$302,000 through June, compared to \$1.3 million in 2021. Capital spending began picking up in June, with spending of \$1.2 million exceeding 2021 by \$17,000 or 1%. Capital salaries and benefits through June were \$80,000 and other Capital spending of \$1.1 million was primarily on three capital projects: Police & Court Facility, Eagle Harbor Phase II, and Madison Ave Sidewalk Improvements.
- 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.

ARPA ACTIVITY:

As of June 2022, the City has received its first of two \$3.5 million dollar installments of the American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The second and final installment of \$3.5 million was received July 5, 2022. The following activity has taken place out of the ARPA fund:

- Transfer of \$250,000 to the General Fund for the Emergency Hub Solar Panels/Batteries. As of the end of June, there are not yet any expenditures for this project.
- Transfer of \$96,000 to the Sewer Fund for the Wastewater Beneficial Reuse feasibility study. As of the end of June, this project has incurred approximately \$9,000 in total expenditures. A total of \$1 million has been committed for this project.

Additional commitments for these funds include the following:

- Affordable Housing Project – Wyatt & Madison: \$2,000,000
- Sustainable Transportation Plan – Madison Avenue Project: \$2,000,000
- Affordable housing Capital set-aside: \$1,750,000
- Human Services Funding increase: \$61,000

UTILITY FUNDS:

Revenues of \$4.7 million in the City's utility funds were \$98,000 or 2% higher through June compared to 2021. Operating and capital expenditures of \$5.1 million were 322,000 or 7% higher compared to the same time frame in 2021¹.

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

- Water revenues through June were \$651,000, an increase of \$5,600 or 1% versus 2021. Charges for water services have decreased about 2%, while connection revenues are up 11% compared to 2021. The decrease in water sales compared to 2021 can be attributed to the cooler/wetter weather compared to the extreme heat experienced by this time in 2021. Operating costs of \$832,500 were \$168,500 or 25% more than in 2021, with salaries, benefits, supplies, and professional services being the largest contributors to the increase.
- Sewer revenues through June totaled \$2.2 million, an increase of \$4,000 or less than 1% over 2021. Operating costs were \$1.6 million, an increase of \$134,000 or 9% from 2021, with increases in repair, utilities, and salary spending partially offset by savings in professional services compared to 2021.
- Storm and Surface Water Management revenues through June were \$1.8 million, an increase of \$88,000 or 5% compared to 2021, due to rate increases in storm water management fees. Operating costs increased 9%, or \$75,000 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 through June was \$767,000 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. 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	JUN 2022 ENDING FUND BALANCE	RESERVES
Tax Supported Funds									
General Fund	\$ 18,763,694	\$ 11,322,581	\$ 10,704,535	\$ (8,148,401)	\$ (7,537,565)	\$ (803,652)	\$ (2,104,121)	\$ 21,134,221	\$ 6,120,735
Street Fund	\$ 127,501	\$ 451,361	\$ 330,604	\$ (1,229,938)	\$ (1,280,911)	\$ 946,348	\$ 1,161,346	\$ 295,271	N/A
REET Fund	\$ 2,540,049	\$ 2,064,910	\$ 1,816,437	\$ -	\$ -	\$ (2,988,717)	\$ (1,911,836)	\$ 1,616,242	N/A
Civic Impr. Fund	\$ 534,667	\$ 159,702	\$ 125,420	\$ (143,738)	\$ (66,019)	\$ -	\$ -	\$ 550,631	N/A
Affordable Housing Fund	\$ 511,214	\$ 240,268	\$ 20,256	\$ (9,385)	\$ (4,625)	\$ 100,000	\$ 101,125	\$ 842,097	\$ 59,171
ARPA Fund*	\$ 3,539,477	\$ 7,298	\$ 3,531,570	\$ -	\$ -	\$ (345,699)	\$ -	\$ 3,201,075	N/A
General Obligation Bond Fun	\$ 6,661	\$ 334,350	\$ 336,404	\$ (547,334)	\$ (556,269)	\$ 470,867	\$ 471,197	\$ 264,545	N/A
Trans. Benefit Fund	\$ 1,331,727	\$ 321,072	\$ 331,443	\$ -	\$ (64,516)	\$ (540,000)	\$ (400,000)	\$ 1,112,800	N/A
Trans. Impact Fund	\$ 87,832	\$ 62,113	\$ 94,339	\$ -	\$ -	\$ -	\$ -	\$ 149,945	N/A
Capital Const. Fund	\$ 11,086,267	\$ 302,134	\$ 1,286,653	\$ (1,169,886)	\$ (1,153,252)	\$ 2,194,356	\$ 1,873,975	\$ 12,412,872	N/A
Building Svcs. Fund	\$ 8,829	\$ 634,405	\$ 661,774	\$ (1,500,244)	\$ (1,469,921)	\$ 862,048	\$ 799,564	\$ 5,038	N/A
	\$ 38,537,917	\$ 15,900,195	\$ 19,239,434	\$ (12,748,927)	\$ (12,133,078)	\$ (104,449)	\$ (8,750)	\$ 41,584,737	\$ 6,179,906
Utility Funds									
Water Fund	\$ 6,709,801	\$ 651,244	\$ 645,642	\$ (1,328,031)	\$ (1,083,226)	\$ 8,750	\$ 8,750	\$ 6,041,764	\$ 424,288
Sewer Fund	\$ 5,572,633	\$ 2,204,926	\$ 2,200,515	\$ (2,778,744)	\$ (2,710,790)	\$ 95,699	\$ -	\$ 5,094,514	\$ 1,295,469
Storm Water Fund	\$ 4,753,738	\$ 1,804,870	\$ 1,716,765	\$ (1,001,182)	\$ (992,282)	\$ -	\$ -	\$ 5,557,426	\$ 698,650
	\$ 17,036,172	\$ 4,661,040	\$ 4,562,922	\$ (5,107,957)	\$ (4,786,298)	\$ 104,449	\$ 8,750	\$ 16,693,704	\$ 2,418,407

*Amounts shown represent the ARPA grant funds received and the activity related to those funds.