



CITY OF
BAINBRIDGE ISLAND

MEMORANDUM

Date: September 25, 2022
To: Blair King, City Manager; City Council
From: Finance Department
Subject: August 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 \$23.6 million in the City's tax-supported funds were \$512,000 or 2.2% higher through August 2022 versus 2021. Increases in Sales and Use Tax, B&O, Private Utility, Commercial Parking Tax, and Real Estate Excise Tax are offset by decreased grant revenues through August.

Expenditures were \$986,000 higher through August 2022 compared to 2021. Salaries and benefits, 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 August was \$4.5 million, an increase of \$294,000 or 7% over 2021. Revenue from the construction and retail trade industries each accounted for 30% and 35% of the year-to-date sales tax revenue, respectively.
- Housing related sales tax revenue in the Affordable Housing Fund through August was \$383,000, an increase of \$353,000 or 1202% 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 \$653,000, an increase of \$94,000 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 August was \$3 million, an increase of \$230,000 or 8% from 2021. The volume of property sales through August was down 21%, while the average sales price increased by \$429,000 or 38% when compared to 2021 Bainbridge property sales for the same period. There was a significant property sale of \$65.5 million in August which is bringing up the average sales price. Omitting this outlier, the averages sales price through August increased \$264,000 or 23% to \$1.4 million.

- Street Fund revenue through August was \$675,000, a \$155,000 increase or 30% 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 August decreased \$92,000 to \$2.1 million, compared to 2021. Decreases in supplies, professional services, and equipment are partially offset by increases in salaries, benefits, insurance, and repair costs.
- Revenues generated by building and development service were \$875,000 through August, a decrease of 7% or \$66,000 lower than 2021. Reduced Plan Checking, Zoning, and Planning Review fees, offset by an increase in Building Permit fees are the main factors in the overall change from 2021. A rate increase was implemented in September 2022 based on the results of the FCS Building and Development rate study.
- Capital Construction received grant revenues of \$304,000 through August, compared to \$1.3 million in 2021. Capital spending began picking up in early summer, with spending of \$2.5 million exceeding 2021 by \$681,000 or 36%. Capital salaries and benefits through August were \$128,000 and other Capital spending of \$2.4 million was primarily on four capital projects: Police & Court Facility, Sportsman Club & New Brooklyn Intersection, 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 August 2022, the City has received all installments of the American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The 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 August, this project has incurred \$18,750 in total expenditures.
- Transfer of \$96,000 to the Sewer Fund for the Wastewater Beneficial Reuse feasibility study. As of the end of August, this project has incurred approximately \$17,700 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
- ADA Transition Plan: \$61,000

UTILITY FUNDS:

Revenues of \$6.3 million in the City's utility funds were \$716,000 or 13% higher through August compared to 2021. Operating and capital expenditures of \$6.8 million were 732,000 or 12% higher compared to the same time frame in 2021¹.

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

- Water revenues through August were \$977,000, an increase of \$21,300 or 2% versus 2021. Charges for water services have decreased about 5%, while connection revenues are up 35% 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 \$1.1 million were \$241,000 or 28% more than in 2021, with salaries, benefits, supplies, and professional services being the largest contributors to the increase.
- Sewer revenues through August totaled \$3 million, an increase of \$108,000 or 4% over 2021. Operating costs were \$2.2 million, an increase of \$325,000 or 17% from 2021, with increases in repair, utilities, professional services, and salary spending compared to 2021.
- Storm and Surface Water Management revenues through August were \$1.9 million, an increase of \$138,000 or 8% compared to 2021, due to rate increases in storm water management fees. Operating costs increased 30%, or \$340,000 compared to 2021. Increases in annual drainage program costs, insurance, professional services, project permit fees, and salaries were factors in the spending increase.
- Capital Spending out of the Utility funds through August was \$1 million with expenditures related in large part to Water's chlorine generator upgrade, new water tank, 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 I 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	AUG 2022 ENDING FUND BALANCE	RESERVES
Tax Supported Funds									
General Fund	\$ 18,763,694	\$ 13,562,196	\$ 12,889,751	\$ (10,685,092)	\$ (9,920,215)	\$ (1,086,447)	\$ (2,225,862)	\$ 20,554,351	\$ 6,643,080
Street Fund	\$ 127,501	\$ 675,366	\$ 520,598	\$ (2,097,083)	\$ (2,189,080)	\$ 1,441,582	\$ 1,770,907	\$ 147,365	N/A
REET Fund	\$ 2,540,049	\$ 3,009,612	\$ 2,776,010	\$ -	\$ -	\$ (3,640,907)	\$ (2,678,464)	\$ 1,908,753	N/A
Civic Impr. Fund	\$ 534,667	\$ 238,059	\$ 187,547	\$ (219,070)	\$ (101,532)	\$ -	\$ -	\$ 553,656	N/A
Affordable Housing Fund	\$ 511,214	\$ 497,180	\$ 29,375	\$ (12,610)	\$ (4,625)	\$ 100,000	\$ 101,125	\$ 1,095,784	\$ 59,171
ARPA Fund*	\$ 3,539,477	\$ 3,557,396	\$ 3,536,549	\$ -	\$ -	\$ (345,699)	\$ -	\$ 6,751,174	N/A
General Obligation Bond Fund	\$ 6,661	\$ 339,013	\$ 342,922	\$ (547,334)	\$ (556,269)	\$ 627,823	\$ 628,263	\$ 426,163	N/A
Trans. Benefit Fund	\$ 1,331,727	\$ 425,870	\$ 448,054	\$ -	\$ (64,666)	\$ (540,000)	\$ (400,000)	\$ 1,217,597	N/A
Trans. Impact Fund	\$ 87,832	\$ 86,106	\$ 99,639	\$ -	\$ -	\$ -	\$ -	\$ 173,938	N/A
Capital Const. Fund	\$ 11,086,267	\$ 303,906	\$ 1,286,653	\$ (2,545,655)	\$ (1,865,068)	\$ 2,194,356	\$ 1,856,708	\$ 11,038,874	N/A
Building Svcs. Fund	\$ 8,829	\$ 874,519	\$ 940,047	\$ (2,022,759)	\$ (1,888,013)	\$ 1,144,843	\$ 938,573	\$ 5,433	N/A
	\$ 38,537,917	\$ 23,569,223	\$ 23,057,145	\$ (18,129,604)	\$ (16,589,468)	\$ (104,449)	\$ (8,750)	\$ 43,873,087	\$ 6,702,251
Utility Funds									
Water Fund	\$ 6,709,801	\$ 1,087,698	\$ 955,634	\$ (1,767,465)	\$ (1,368,839)	\$ 8,750	\$ 8,750	\$ 6,038,784	\$ 428,056
Sewer Fund	\$ 5,572,633	\$ 3,359,712	\$ 2,911,490	\$ (3,477,073)	\$ (3,359,799)	\$ 95,699	\$ -	\$ 5,550,972	\$ 1,320,182
Storm Water Fund	\$ 4,753,738	\$ 1,876,300	\$ 1,740,523	\$ (1,530,564)	\$ (1,314,304)	\$ -	\$ -	\$ 5,099,474	\$ 728,056
	\$ 17,036,172	\$ 6,323,710	\$ 5,607,646	\$ (6,775,101)	\$ (6,042,942)	\$ 104,449	\$ 8,750	\$ 16,689,229	\$ 2,476,295

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