



CITY OF
BAINBRIDGE ISLAND

MEMORANDUM

Date: October 25, 2022
To: Blair King, City Manager; City Council
From: Finance Department
Subject: September 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 \$25.8 million in the City's tax-supported funds were \$989,000 or 4% higher through September 2022 versus 2021. Increases in Sales and Use Tax, Housing, B&O, Private Utility, Commercial Parking Tax, and Real Estate Excise Tax are offset by decreased grant revenues through September.

Expenditures were \$2.5 million higher through September 2022 compared to 2021 due to increases in capital spending, salaries and benefits, supplies and insurance.

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

- General Fund sales tax revenue through September was \$5.1 million, an increase of \$344,000 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.
- General Fund utility tax revenue through September is \$2.4 million, an increase of \$253,000 or 12% over 2021. This is partially attributed to timing of payments, but also due to an increase of the monthly average electric utility tax payment of \$10,000 a month.
- Housing related sales tax revenue in the Affordable Housing Fund through September was \$453,000, an increase of \$419,000 or 1241% over 2021 due to an ordinance increasing the City's sales tax rate 1/10th of 1 percent which went into effect January 2022 and collections on this tax began in March.
- Business and Occupation tax revenue was \$680,000, an increase of \$122,000 or 22% 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 September was \$3.4 million, an increase of \$167,000 or 5% from 2021. The volume of property sales through September was down 21%,

while the average sales price increased by \$384,000 or 33% when compared to 2021 Bainbridge property sales for the same period. There was a significant property sale of \$65.5 million in August 2022 which is bringing up the average sales price. Omitting this outlier, the average sales price through September increased \$239,000 or 21% to \$1.4 million.

- Street Fund revenue through September was \$729,000, a \$150,000 increase or 26% 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 September decreased \$76,000 to \$2.3 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 \$1 million through September, a decrease of 3% or \$26,000 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 \$649,000 through September, compared to \$1.3 million in 2021. Capital spending began picking up in early summer, with spending of \$3.2 million exceeding 2021 by \$2 million or 59%. Capital salaries and benefits through September were \$144,000 and other Capital spending of \$3.1 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 September 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 September, this project has incurred \$21,500 in total expenditures. An additional \$104,000 was redirected by Council from the Beneficial Reuse project to the emergency hub panel project at the October 25th, 2022, Regular Business Meeting, bringing the committed total to \$354,000
- Transfer of \$96,000 to the Sewer Fund for the Wastewater Beneficial Reuse feasibility study. As of the end of September, this project has incurred approximately \$30,400 in total expenditures. At the October 25th Regular Business Meeting \$104,000 of the allocated project total was shifted to the emergency hub solar panel project bringing the committed amount to \$896,000 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 \$6.8 million in the City's utility funds were \$661,000 or 11% higher through September compared to 2021. Operating and capital expenditures of \$7.4 million were \$859,000 or 13% higher compared to the same time frame in 2021¹. Sewer had debt refinancing of \$3 million dollars in September of 2021. The proceeds and expenditures related to the refinancing have been omitted in the year over year comparison of this report.

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

- Water revenues through September were \$1.1 million, an decrease of \$17,000 or 2% versus 2021. Charges for water services have decreased about 7%, while connection revenues are up 18% 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 \$1.2 million were \$249,000 or 25% more than in 2021, with salaries, benefits, supplies, professional services, and repairs being the largest contributors to the increase.
- Sewer revenues through September totaled \$3.3 million, an increase of \$88,000 or 3% over 2021. Operating costs were \$2.4 million, an increase of \$343,000 or 16% from 2021, with increases in repair, utilities, professional services, and salary spending compared to 2021.
- Storm and Surface Water Management revenues through September were \$1.9 million, an increase of \$137,000 or 8% compared to 2021, due to rate increases in storm water management fees. Operating costs increased 32%, or \$392,000 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 September was \$1.1 million with expenditures related in large part to Water's chlorine generator upgrade, new water tanks, 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	SEP 2022 ENDING FUND BALANCE	RESERVES
Tax Supported Funds									
General Fund	\$ 18,763,694	\$ 14,662,615	\$ 13,894,468	\$ (12,090,230)	\$ (10,919,521)	\$ (1,199,325)	\$ (2,344,559)	\$ 20,136,753	\$ 6,655,097
Street Fund	\$ 127,501	\$ 729,435	\$ 579,013	\$ (2,342,457)	\$ (2,418,262)	\$ 1,591,875	\$ 1,942,200	\$ 106,353	N/A
REET Fund	\$ 2,540,049	\$ 3,372,774	\$ 3,199,138	\$ -	\$ -	\$ (3,869,678)	\$ (2,678,290)	\$ 2,043,145	N/A
Civic Impr. Fund	\$ 534,667	\$ 282,746	\$ 223,181	\$ (240,262)	\$ (104,532)	\$ -	\$ -	\$ 577,150	N/A
Affordable Housing Fund	\$ 511,214	\$ 567,669	\$ 33,794	\$ (14,435)	\$ (4,625)	\$ 100,000	\$ 101,125	\$ 1,164,448	\$ 59,171
ARPA Fund*	\$ 3,539,477	\$ 3,568,564	\$ 3,537,222	\$ -	\$ -	\$ (345,699)	\$ -	\$ 6,762,342	N/A
General Obligation Bond Fund	\$ 6,661	\$ 348,727	\$ 356,110	\$ (547,334)	\$ (556,269)	\$ 706,301	\$ 706,796	\$ 514,354	N/A
Trans. Benefit Fund	\$ 1,331,727	\$ 505,281	\$ 511,808	\$ -	\$ (64,666)	\$ (540,000)	\$ (400,000)	\$ 1,297,008	N/A
Trans. Impact Fund	\$ 87,832	\$ 93,005	\$ 119,031	\$ -	\$ -	\$ -	\$ (250,000)	\$ 180,837	N/A
Capital Const. Fund	\$ 11,086,267	\$ 649,156	\$ 1,311,182	\$ (3,208,376)	\$ (2,015,435)	\$ 2,194,356	\$ 1,856,708	\$ 10,721,403	N/A
Building Svcs. Fund	\$ 8,829	\$ 1,006,367	\$ 1,032,452	\$ (2,273,453)	\$ (2,096,951)	\$ 1,257,721	\$ 1,057,270	\$ (536)	N/A
	\$ 38,537,917	\$ 25,786,339	\$ 24,797,399	\$ (20,716,548)	\$ (18,180,262)	\$ (104,449)	\$ (8,750)	\$ 43,503,259	\$ 6,714,268
Utility Funds									
Water Fund	\$ 6,709,801	\$ 1,229,909	\$ 1,133,886	\$ (1,973,700)	\$ (1,498,572)	\$ 8,750	\$ 8,750	\$ 5,974,760	\$ 429,149
Sewer Fund	\$ 5,572,633	\$ 3,644,172	\$ 6,256,422	\$ (3,698,720)	\$ (6,603,767)	\$ 95,699	\$ -	\$ 5,613,784	\$ 1,329,208
Storm Water Fund	\$ 4,753,738	\$ 1,921,727	\$ 1,784,801	\$ (1,688,683)	\$ (1,440,092)	\$ -	\$ -	\$ 4,986,781	\$ 725,653
	\$ 17,036,172	\$ 6,795,808	\$ 9,175,109	\$ (7,361,103)	\$ (9,542,431)	\$ 104,449	\$ 8,750	\$ 16,575,325	\$ 2,484,010

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