



CITY OF
BAINBRIDGE ISLAND

MEMORANDUM

Date: November 25, 2022
To: Blair King, City Manager; City Council
From: Finance Department
Subject: October 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 \$31 million in the City's tax-supported funds were \$1 million or 3.6% higher through October 2022 versus 2021. Increases in Sales and Use Tax, Housing, B&O, Private Utility, and Commercial Parking Tax are offset by decreased grant revenues, Building & Development fee revenues, and Real Estate Excise revenues through October.

Expenditures were \$2.7 million higher through October 2022 compared to 2021 due to increases in capital spending, salaries and benefits, professional services, and insurance.

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

- General Fund sales tax revenue through October was \$5.7 million, an increase of \$417,000 or 8% 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 October is \$2.7 million, an increase of \$470,000 or 21% over 2021. This is primarily attributed to timing of payments, but also due to an increase of the monthly average electric utility tax payment of \$5,000 a month.
- Housing related sales tax revenue in the Affordable Housing Fund through October was \$525,000, an increase of \$486,000 or 1276% 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 \$682,000, an increase of \$113,000 or 20% 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 October was \$3.6 million, a decrease of \$37,000 or 1% from 2021. The volume of property sales through October was down 24%, while the average sales price increased by \$346,000 or 30% 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 October increased \$212,000 or 18% to \$1.4 million.
- Street Fund revenue through October was \$984,000, a \$354,000 increase or 56% 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 October decreased \$348,000 to \$2.7 million, compared to 2021. This is primarily attributed to an equipment purchases by the Street fund in 2021.
- Revenues generated by building and development service were \$1.1 million through October, a decrease of 5% or \$60,000 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 October 2022 based on the results of the FCS Building and Development rate study.
- Capital Construction received grant revenues of \$665,000 through October, compared to \$1.8 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 October were \$144,000 and other Capital spending of \$3.9 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 October 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 in May to the General Fund for the Emergency Hub Solar Panels/Batteries. As of the end of October, 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, increasing the committed total of the project to \$354,000.
- Transfer of \$96,000 in May to the Sewer Fund for the Wastewater Beneficial Reuse feasibility study. As of the end of October, this project has incurred approximately \$38,000 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 decreasing the committed amount remaining 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 \$8.4 million in the City's utility funds were \$754,000 or 10% higher through October compared to 2021. Operating and capital expenditures of \$8.2 million were \$1 million or 15% 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 October were \$1.3 million, an increase of \$21,000 or 2% versus 2021. Charges for water services have decreased about 8%, while connection revenues are up 42% compared to 2021. Operating costs of \$1.4 million were \$303,500 or 27% more than in 2021, with salaries, benefits, supplies, professional services, and repairs being the largest contributors to the increase.
- Sewer revenues through October totaled \$3.7 million, an increase of \$15,000 or 0.4% over 2021. Operating costs were \$2.7 million, an increase of \$430,500 or 19% from 2021, with increases in repair, utilities, professional services, and salary spending compared to 2021.
- Storm and Surface Water Management revenues through October were \$2.8 million, an increase of \$204,000 or 8% compared to 2021, due to rate increases in storm water management fees. Operating costs increased 29%, or \$414,500 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 October was \$1.2 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	\$ 18,822,518	\$ 17,561,233	\$ (13,390,711)	\$ (12,204,189)	\$ (926,070)	\$ (2,152,451)	\$ 23,269,431	\$ 6,771,062
Street Fund	\$ 127,501	\$ 984,070	\$ 630,399	\$ (2,724,633)	\$ (3,134,809)	\$ 1,764,733	\$ 2,599,425	\$ 151,671	N/A
REET Fund	\$ 2,540,049	\$ 3,572,871	\$ 3,599,498	\$ -	\$ -	\$ (4,121,014)	\$ (3,288,472)	\$ 1,991,906	N/A
Civic Impr. Fund	\$ 534,667	\$ 327,383	\$ 259,192	\$ (293,399)	\$ (139,095)	\$ -	\$ -	\$ 568,651	N/A
Affordable Housing Fund	\$ 511,214	\$ 694,660	\$ 38,137	\$ (15,135)	\$ (6,875)	\$ 100,000	\$ 101,125	\$ 1,290,738	\$ 59,171
ARPA Fund*	\$ 3,539,477	\$ 3,581,998	\$ 3,537,915	\$ -	\$ -	\$ (345,699)	\$ -	\$ 6,775,775	N/A
General Obligation Bond Fund	\$ 6,661	\$ 555,250	\$ 556,940	\$ (547,334)	\$ (556,269)	\$ 784,779	\$ 785,329	\$ 799,355	N/A
Trans. Benefit Fund	\$ 1,331,727	\$ 558,319	\$ 565,618	\$ -	\$ (64,666)	\$ (540,000)	\$ (460,000)	\$ 1,350,046	N/A
Trans. Impact Fund	\$ 87,832	\$ 106,447	\$ 140,832	\$ -	\$ -	\$ -	\$ (250,000)	\$ 194,279	N/A
Capital Const. Fund	\$ 11,086,267	\$ 665,040	\$ 1,833,266	\$ (4,026,362)	\$ (2,420,395)	\$ 1,739,908	\$ 1,470,200	\$ 9,464,854	N/A
Building Svcs. Fund	\$ 8,829	\$ 1,095,729	\$ 1,155,396	\$ (2,533,472)	\$ (2,306,490)	\$ 1,438,913	\$ 1,136,093	\$ 10,000	N/A
	\$ 38,537,917	\$ 30,964,285	\$ 29,878,426	\$ (23,531,045)	\$ (20,832,788)	\$ (104,449)	\$ (58,750)	\$ 45,866,708	\$ 6,830,233
Utility Funds									
Water Fund	\$ 6,709,801	\$ 1,445,649	\$ 1,311,493	\$ (2,254,019)	\$ (1,624,439)	\$ 8,750	\$ 8,750	\$ 5,910,181	\$ 430,902
Sewer Fund	\$ 5,572,633	\$ 4,144,235	\$ 6,767,958	\$ (4,044,353)	\$ (6,935,676)	\$ 95,699	\$ -	\$ 5,768,214	\$ 1,319,838
Storm Water Fund	\$ 4,753,738	\$ 2,785,065	\$ 2,581,001	\$ (1,881,306)	\$ (1,609,888)	\$ -	\$ -	\$ 5,657,496	\$ 698,413
	\$ 17,036,172	\$ 8,374,948	\$ 10,660,452	\$ (8,179,678)	\$ (10,170,003)	\$ 104,449	\$ 8,750	\$ 17,335,891	\$ 2,449,154