



CITY OF
BAINBRIDGE ISLAND

MEMORANDUM

DATE: May 5th, 2023
TO: Blair King, City Manager; City Council
FROM: Finance Department
SUBJECT: March 2023 Financial Report

EXECUTIVE SUMMARY

The following report is intended to provide a summary of important financial information for the City of Bainbridge Island. Included in this report is an at-a-glance view of city financial health indicators, tables and charts comparing financial data from the prior year to current, notes explaining outlier information, and status on time-sensitive American Rescue Plan Act (ARPA) spending.

Important note: timing is a key factor in year-over-year variance in one or more of our major revenue and expenditure sources. For example, the largest revenue source, Property Tax, is typically received in April and October. Additionally, contributions from other funds to the Capital Fund are made at the beginning of the year for the full amount of expected spending. Due to the nature of capital projects and their variability from year-to-year, changes in capital spending to previous years are not an indicator of good or poor financial performance.



INTRODUCTION:

This monthly report includes the following sections and tables. Each section has a brief introduction:

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Section 1: Fund Financial Health Indicators

Financial Health Indicators are derived from financial analysis of revenue, expenditure, and fund balance trends, as well as foreseeable situations that will have an impact on future financial performance.

*Only cautionary indicators will include pertinent comments.

Fund	Indicator	Comments
General	Good	
Building & Development (BDS)	Cautionary	Current revenue trends indicate the fund continues to be supported by the general fund at a higher rate than anticipated.
Real Estate Excise Tax (REET)	Cautionary	Revenue has been steadily declining for 8 months.
Other Governmental Funds	Good	
Water	Cautionary	Operating revenues are less than needed for major upcoming capital projects. A pending fee study was discussed with Council in April. An ordinance to increase certain fees will be brought to Council for approval in May.
Sewer	Cautionary	Operating revenues are less than needed for major upcoming capital projects. A pending fee study was discussed with Council in April. An ordinance to increase certain fees will be brought to Council for approval in May.
Storm and Surface Water	Good	

Section 1 Notes

- Other Governmental Funds include:
 - Streets
 - Civic Improvement
 - Affordable Housing
 - General Obligation Bond
 - Transportation Benefit
 - Transportation Impact
 - Capital Construction

Table 1: Summary of Year-to-Date Fund Activity

Table 1 is 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. The table shows which funds fall into each of the two categories, and includes revenue, expenditure, and fund balance data by fund.

Additional notes and comments on variances can be found in subsequent sections.

Table 1 - Summary of Year-to-date Fund Activity

FUND NAME	2023 STARTING FUND BALANCE	YTD 2023 REVENUES	YTD 2022 REVENUES	YTD 2023 EXPENSES	YTD 2022 EXPENSES	YTD 2023 TRANSFERS	YTD 2022 TRANSFERS	MAR 2023 ENDING FUND BALANCE	RESERVES
Tax Supported Funds									
General Fund	\$ 22,533,163	\$ 4,702,607	\$ 4,267,654	\$ (4,695,805)	\$ (4,116,031)	\$ (1,805,563)	\$ (580,844)	\$ 20,734,401	\$ 6,779,742
Street Fund	\$ 52,847	\$ 334,432	\$ 236,847	\$ (751,527)	\$ (695,863)	\$ 417,095	\$ 483,144	\$ 52,847	N/A
REET Fund	\$ 2,145,584	\$ 465,002	\$ 611,384	\$ -	\$ -	\$ (1,647,772)	\$ (1,708,080)	\$ 962,814	N/A
Civic Impr. Fund	\$ 551,280	\$ 79,848	\$ 69,899	\$ (32,518)	\$ (52,257)	\$ -	\$ -	\$ 598,610	N/A
Affordable Housing Fund	\$ 1,432,435	\$ 219,912	\$ 62,648	\$ (3,650)	\$ (2,100)	\$ -	\$ 100,000	\$ 1,648,697	\$ 59,171
ARPA Fund	\$ -	\$ 28,984	\$ 2,392	\$ -	\$ -	\$ -	\$ -	\$ 28,984	N/A
General Obligation Bond Fund	\$ 5,657	\$ 56,753	\$ 55,752	\$ -	\$ -	\$ 233,794	\$ 235,434	\$ 296,204	N/A
Trans. Benefit Fund	\$ 1,461,319	\$ 143,661	\$ 141,348	\$ -	\$ -	\$ (1,194,352)	\$ -	\$ 410,628	N/A
Trans. Impact Fund	\$ 200,076	\$ 20,214	\$ 44,871	\$ -	\$ -	\$ -	\$ -	\$ 220,289	N/A
Capital Const. Fund	\$ 8,177,257	\$ 42,198	\$ 237,125	\$ (1,302,604)	\$ (108,205)	\$ 3,427,544	\$ 1,047,356	\$ 10,344,396	N/A
Building Svcs. Fund	\$ 10,000	\$ 319,543	\$ 337,848	\$ (888,798)	\$ (750,917)	\$ 569,255	\$ 414,240	\$ 10,000	N/A
Equipment Rental & Revolving	\$ 2,844,995	\$ 138,504	\$ 114,233	\$ (113,159)	\$ 11,056	\$ -	\$ -	\$ 2,870,340	N/A
	\$ 39,414,614	\$ 6,551,658	\$ 6,182,000	\$ (7,788,061)	\$ (5,714,315)	\$ 0	\$ (8,750)	\$ 38,178,210	\$ 6,838,913
Utility Funds									
Water Fund	\$ 5,677,082	\$ 425,514	\$ 269,246	\$ (784,580)	\$ (812,956)	\$ -	\$ 8,750	\$ 5,318,017	\$ 449,143
Sewer Fund	\$ 5,576,585	\$ 1,187,360	\$ 980,547	\$ (712,937)	\$ (887,502)	\$ -	\$ -	\$ 6,051,008	\$ 1,213,625
Storm Water Fund	\$ 5,536,097	\$ 763,149	\$ 629,991	\$ (670,277)	\$ (435,195)	\$ -	\$ -	\$ 5,628,968	\$ 655,077
	\$ 16,789,764	\$ 2,376,023	\$ 1,879,785	\$ (2,167,794)	\$ (2,135,653)	\$ -	\$ 8,750	\$ 16,997,993	\$ 2,317,845

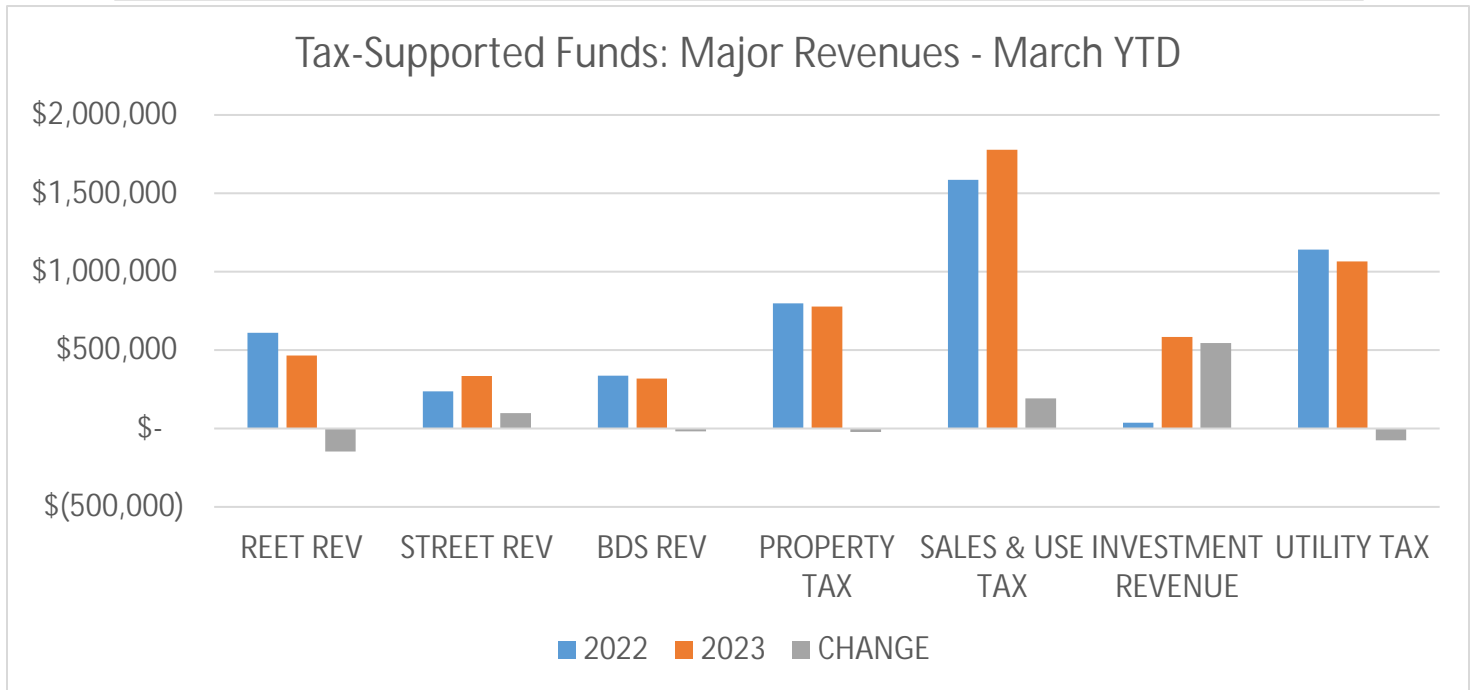
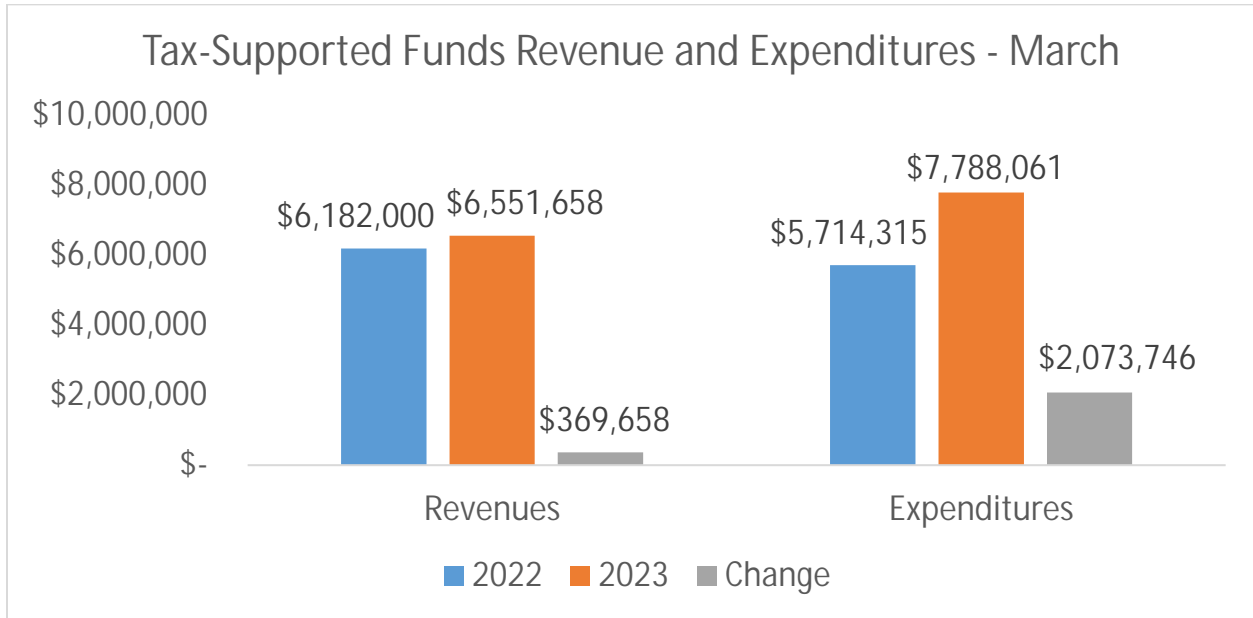
Table 1 Notes

2023 Starting Fund Balance figures are preliminary and may change as the 2022 year-end financial reporting is completed. Staff does not expect material changes to these preliminary figures.

Section 2: Tax-Supported Revenue & Expenditure Graphs

The graphs show the change in amount at month-end from the prior year to the current year.

Graph 1 includes all tax-supported funds; Graph 2 includes all major tax-supported revenue funds.



Section 2 Notes

Revenues are significantly less than expenditures through the end of March due to the timing of certain large revenue streams. For example, Property Tax, the City's largest revenue source, is generally received in April and October. Property tax received in April and October 2022 was \$2.9 and \$2.7 million, respectively. Property tax is a reliable revenue source, with actual revenue typically within 1% of forecast.

Major revenue change from prior year

Increases:

- General Fund
 - Investment Interest \$324,000 or 1,400%
 - Sales and Use Tax \$192,000 or 12%
- Street Fund
 - Commercial Parking Lot Tax \$32,000 or 30%

Major expenditure change from prior year

Increases:

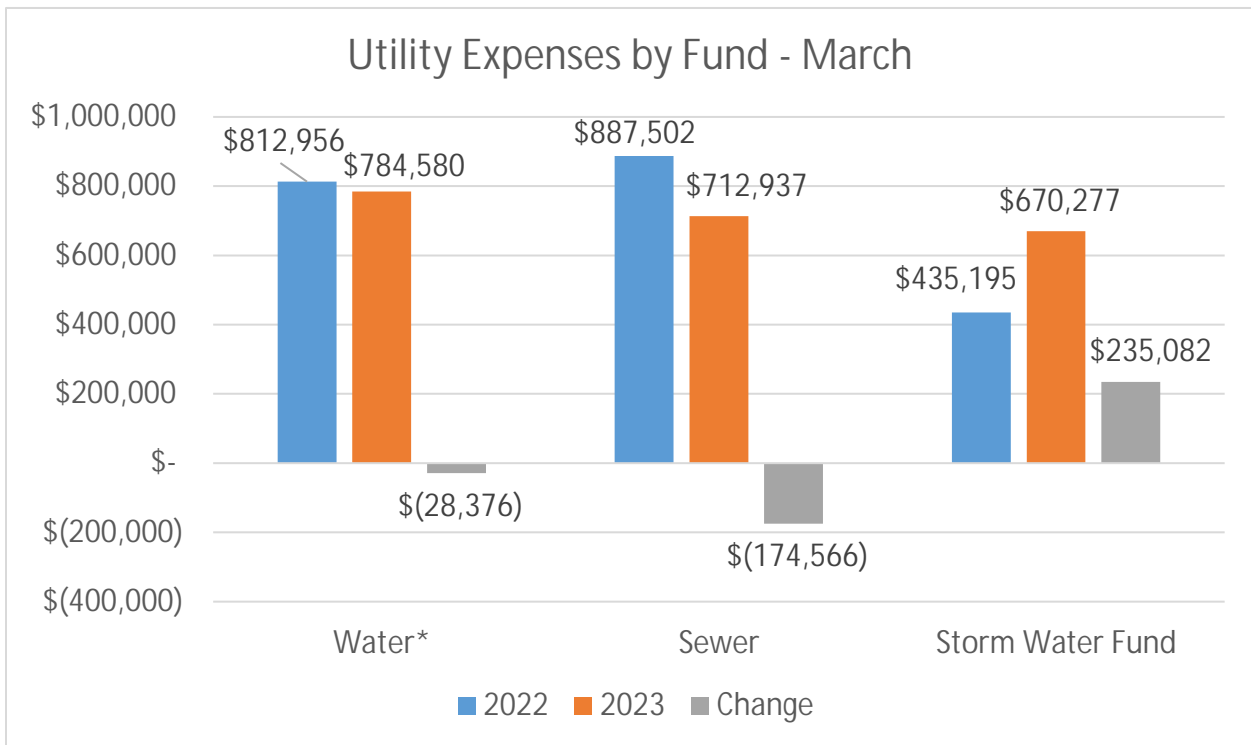
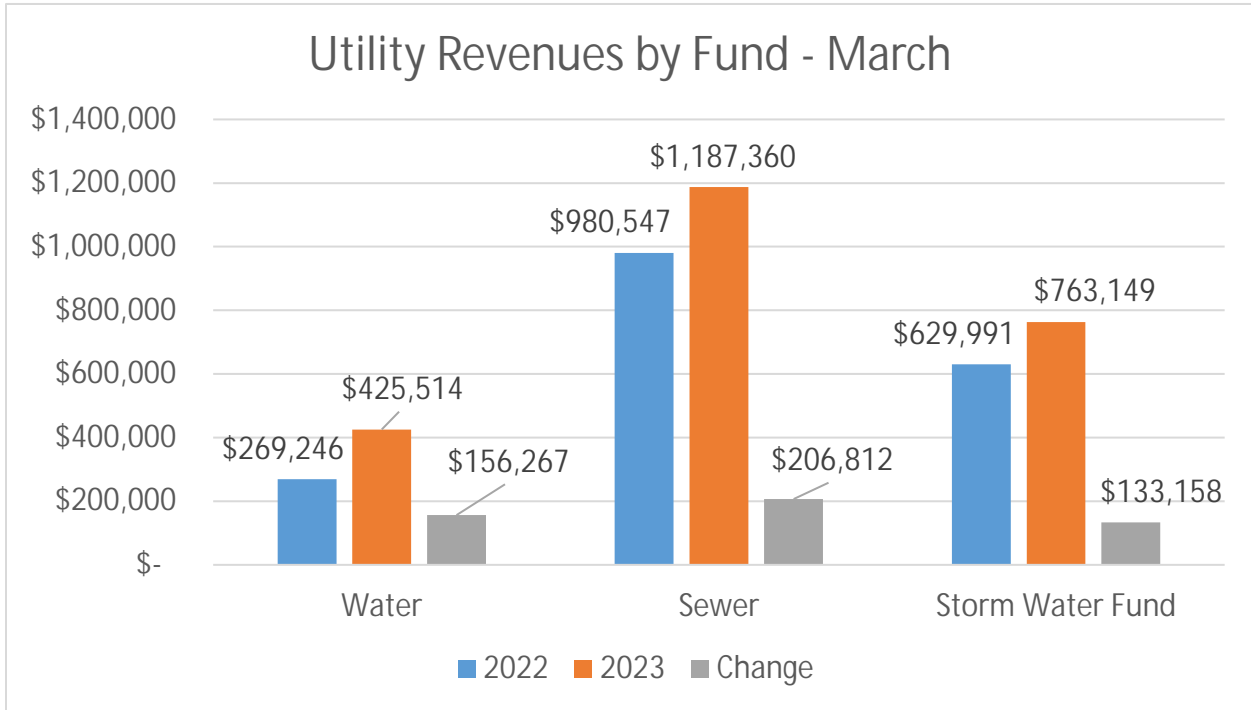
- General Fund
 - Salary and Benefits \$359,000 or 15%
 - Increases of Salary and Benefits are due to non-recurring separation compensation pay outs, other compensation pay outs and two new positions.
 - Repair and Maintenance \$118,000 or 128%
 - Insurance \$125,000 or 39%
- Street Fund
 - Supplies \$86,000 or 152%
- Building & Development Fund
 - Salary & Benefits \$72,000 or 11%
 - Insurance \$44,000 or 63%
- Capital Construction Fund
 - \$1,111,000 of the \$1,286,000 total capital project expenditures are related to the Police & Municipal Court Building.
 - Due to the nature of the Capital Construction Fund, year over year comparisons do not provide an accurate measure of fiscal health.

Decreases:

- General Fund
 - Supplies \$210,000 or 65%
- Street Fund
 - Professional Services \$22,000 or 53%

Section 3: Utility Funds Revenue and Expense Graphs

The graphs show the change in amount at month-end from the prior year to the current year. Expense graphs include capital projects spending that fluctuates from year-to-year.



*Expenses for the Water fund include the following capital projects: Pritchard Park Well, Sands Ave Well Rehab, New Water Tank

Section 3 Notes

Major revenue and other changes from prior year

Increases:

- Water Fund
 - Investment Interest \$47,000 or 1,082%
 - Loan Proceeds – Water Tanks/Ferncliff \$88,000 or 100% (no revenue in 2022)
- Sewer Fund
 - Connections \$91,000 or 264%
 - Investment Interest \$49,000 or 1,261%
- Storm & Surface Water Fund
 - Investment Interest \$46,000 or 1,461%

Major expense and other changes from prior year

Increases:

- Water Fund
 - Salaries and Benefits \$39,000 or 17%
 - Insurance \$17,000 or 61%
 - Supplies \$30,000 or 86%
- Sewer Fund:
 - Professional Services \$14,000 or 114%
 - Utilities \$30,000 or 47%
 - Insurance \$24,000 or 45%
- Storm & Surface Water Fund:
 - Salary & Benefits \$32,000 or 14%
 - Repairs \$78,000 or 3,261%
 - Pritchard Park Outfall Project \$125,000 or 100% (no expense in 2022)

Decreases:

- Water Fund
 - Capital Projects \$152,000 or 39%
- Sewer Fund
 - Salary & Benefits \$56,000 or 16%
 - Capital Projects \$173,000 or 91%
- Storm & Surface Water Fund
 - Permits \$19,000 or 63%

Table 2: Summary of Year-to-Date Budgeted Activity by Fund

Table 2 is a comparison of year-to-date budget compared to actual information between the current year and prior year in two categories: tax-supported funds and utility funds. As of the end of March, 25% of the year has lapsed.

FUND NAME	2023 BUDGETED INFLOWS	YTD 2023 INFLOWS	INFLOW BUDGET REMAINING	% RECEIVED	2023 BUDGETED OUTFLOWS	YTD 2023 OUTFLOWS	OUTFLOW BUDGET REMAINING	% SPENT
Tax Supported Funds								
General Fund	\$ 21,629,400	\$ 4,702,607	\$ 16,926,793	22%	\$ (24,737,017)	\$ (6,501,368)	\$ (18,235,648)	26%
Street Fund	\$ 2,899,533	\$ 751,527	\$ 2,148,006	26%	\$ (3,291,090)	\$ (751,527)	\$ (2,539,563)	23%
REET Fund	\$ 3,257,000	\$ 465,002	\$ 2,791,998	14%	\$ (2,448,840)	\$ (1,647,772)	\$ (801,068)	67%
Civic Impr. Fund	\$ 341,000	\$ 79,848	\$ 261,152	23%	\$ (379,085)	\$ (32,518)	\$ (346,567)	9%
Affordable Housing Fund	\$ 523,000	\$ 219,912	\$ 303,088	42%	\$ (295,133)	\$ (3,650)	\$ (291,483)	1%
ARPA Fund	\$ 64,000	\$ 28,984	\$ 35,016	45%	\$ (64,000)	\$ -	\$ (64,000)	0%
General Obligation Bond Fund	\$ 1,590,415	\$ 290,546	\$ 1,299,869	18%	\$ (1,590,415)	\$ -	\$ (1,590,415)	0%
LID Bond Fund	\$ -	\$ -	\$ -	0%	\$ (39,075)	\$ -	\$ (39,075)	0%
Trans. Benefit Fund	\$ 655,000	\$ 143,661	\$ 511,339	22%	\$ (1,477,258)	\$ (1,194,352)	\$ (588,459)	81%
Trans. Impact Fund	\$ 110,000	\$ 20,214	\$ 89,786	18%	\$ -	\$ -	\$ -	0%
Capital Const. Fund	\$ 7,049,691	\$ 3,469,743	\$ 3,579,949	49%	\$ (15,357,968)	\$ (1,302,604)	\$ (14,055,363)	8%
Building Svcs. Fund	\$ 3,292,829	\$ 888,798	\$ 2,404,031	27%	\$ (3,292,829)	\$ (888,798)	\$ (2,404,031)	27%
Equipment Rental & Revolving	\$ 561,000	\$ 138,504	\$ 422,496	25%	\$ (1,637,695)	\$ (113,159)	\$ (1,524,537)	7%
	\$ 41,972,868	\$ 11,199,345	\$ 30,773,523	27%	\$ (54,610,405)	\$ (12,435,749)	\$ (42,480,210)	23%
Utility Funds								
Water Fund	\$ 11,300,303	\$ 425,514	\$ 10,874,789	4%	\$ (16,052,083)	\$ (784,580)	\$ (15,267,503)	5%
Sewer Fund	\$ 7,409,000	\$ 1,187,360	\$ 6,221,640	16%	\$ (9,115,846)	\$ (712,937)	\$ (8,402,909)	8%
Storm Water Fund	\$ 3,282,000	\$ 763,149	\$ 2,518,851	23%	\$ (5,186,191)	\$ (670,277)	\$ (4,515,914)	13%
	\$ 21,991,303	\$ 2,376,023	\$ 19,615,280	11%	\$ (30,354,120)	\$ (2,167,794)	\$ (28,186,326)	7%

Table 2 Notes

Funds with significant variance from the City's typical trend are:

Inflows

- Capital Construction Fund - transfers in from other City funds for the following major projects: Sportsman Club Rd, Manitou Beach Rd and Bulkhead, Madison Avenue Sidewalk Improvements, Police & Municipal Court Building. The transfers are budgeted as part of the approved Capital Improvement Plan; variance from year-to-year is expected with the number and funding of approved projects.
- Affordable Housing Fund – Housing & Related Services Sales Tax and Investment Interest revenues are higher than budgeted expectations

Outflows

- Real Estate Excise Tax (REET) - transfers out to support capital projects including Eagle Harbor Drive and Madison Avenue Sidewalk improvements.
- Transportation Benefit Fund (TBF) - transfers out to support capital projects including the Madison Avenue Sidewalk improvements.

Table 3: Summary of American Rescue Plan Act (ARPA) Funds

Table 3 shows the ARPA budget: amount committed, spent and/or encumbered, and the amount remaining.

ORIGINAL** ARPA PROJECT STATUS			
Project List	Amount Committed	Amount Spent / Encumbered	Amount Remaining
Wastewater Beneficial Reuse (01192)	896,000	95,537	800,463
HUB Solar Panels (01215)	354,000	21,563	332,438
Madison Ave - Sustainable Transp 2023 (01088)	2,000,000	686,850	1,313,150
Affordable Housing - HRB	2,000,000	-	2,000,000
Affordable Housing Set Aside	1,750,000	-	1,750,000
ADA Transition Plan (01218)*	61,885	105,667	-
Total	7,061,885	909,616	6,196,050

*Because ARPA funds are not the sole source of funding for all projects listed, the amounts spent/encumbered may exceed the total ARPA funds committed.

**In April 2023, a decision was made to claim general government expenditures against ARPA for the April 30th State and Local Fiscal Recovery Funds report to Treasury to avoid potential Federal claw-back of unobligated or unspent funds. The City is committed to the original planned spending of these funds and will continue to report on the status of these original ARPA projects

Table 3 Notes

- Funds must be returned to the US Treasury if not committed by December 31, 2024, and spent by December 31, 2026.

Table 4: Summary of Year-to-Date Budget Activity by
Department

Table 4 shows the City's departmental budget-to-actual activity.

Department	Actuals through Mar 2023	2023 Revised Budget	\$ Budget Remaining	Budget % Remaining	Year % Remaining
City Council	75,206	543,407	468,201	86%	75%
Court	148,135	656,048	507,913	77%	75%
Executive (includes IT)	1,455,650	7,864,174	6,408,525	81%	75%
Finance	384,506	1,544,038	1,159,532	75%	75%
Police	1,630,619	6,366,317	4,735,698	74%	75%
Planning & Community Development	658,732	3,558,014	2,899,282	81%	75%
Public Works	4,021,172	50,629,670	46,608,499	92%	75%
General Government	1,581,836	6,089,837	4,508,001	74%	75%
Total	\$ 9,955,855	\$ 77,251,506	\$ 67,295,651	87%	75%

Table 4 Notes

- These amounts do not include transfers. Transfer amounts by fund can be seen on Table I.
- Public Works department is currently under budget due to vacancies, reduced levels of repairs, and capital projects that haven't yet reached active construction and remain in the design phase