



CITY OF
BAINBRIDGE ISLAND

MEMORANDUM

DATE: June 13th, 2023
TO: Blair King, City Manager; City Council
FROM: Finance Department
SUBJECT: April 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 I: 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	2023 revenue through April is 56% of 2022 revenue and on pace for lowest total since 2015.
Other Governmental Funds	Good	
Water	Cautionary	Operating revenues are less than needed for major upcoming capital projects. An ordinance to increase certain fees was approved by Council in May and will increase revenues beginning in September.
Sewer	Cautionary	Operating revenues are less than needed for major upcoming capital projects. An ordinance to increase certain fees was approved by Council in May and will increase revenues beginning in September.
Storm and Surface Water	Good	

Section I Notes

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

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

Table I 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.

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

FUND NAME	2023 BEGINNING FUND BALANCE	YTD 2023 REVENUES	YTD 2022 REVENUES	YTD 2023 EXPENSES	YTD 2022 EXPENSES	YTD 2023 TRANSFERS	APR 2023 ENDING FUND BALANCE	RESERVES
Tax Supported Funds								
General Fund	\$ 22,533,163	\$ 12,941,189	\$ 8,632,169	\$ (6,349,884)	\$ (5,365,062)	\$ (1,973,320)	\$ 27,151,148	\$ 6,779,742
Street Fund	\$ 52,847	\$ 575,481	\$ 338,446	\$ (909,012)	\$ (861,838)	\$ 533,852	\$ 253,169	N/A
REET Fund	\$ 2,145,584	\$ 676,178	\$ 1,192,929	\$ -	\$ -	\$ (1,725,703)	\$ 1,096,060	N/A
Civic Impr. Fund	\$ 551,280	\$ 109,305	\$ 97,840	\$ (91,192)	\$ (100,678)	\$ -	\$ 569,393	N/A
Affordable Housing Fund	\$ 1,432,435	\$ 279,707	\$ 117,703	\$ (24,350)	\$ (3,500)	\$ -	\$ 1,687,792	\$ 59,171
ARPA Fund	\$ -	\$ 28,984	\$ 3,530	\$ -	\$ -	\$ -	\$ 28,984	N/A
General Obligation Bond Fund	\$ 5,657	\$ 287,555	\$ 273,430	\$ (27,925)	\$ -	\$ 311,725	\$ 577,012	N/A
Trans. Benefit Fund	\$ 1,461,319	\$ 204,280	\$ 202,904	\$ -	\$ -	\$ (1,311,110)	\$ 354,488	N/A
Trans. Impact Fund	\$ 200,076	\$ 20,263	\$ 50,562	\$ -	\$ -	\$ -	\$ 220,339	N/A
Capital Const. Fund	\$ 8,177,257	\$ 139,672	\$ 240,226	\$ (1,932,922)	\$ (499,755)	\$ 3,427,544	\$ 9,811,552	N/A
Building Svcs. Fund	\$ 10,000	\$ 927,142	\$ 473,741	\$ (1,144,599)	\$ (990,549)	\$ 737,012	\$ 529,554	N/A
Equipment Rental & Revolving	\$ 2,844,995	\$ 147,597	\$ 115,101	\$ (113,159)	\$ 11,056	\$ -	\$ 2,879,433	N/A
	\$ 39,414,614	\$ 16,337,353	\$ 11,738,582	\$ (10,593,042)	\$ (7,810,325)	\$ -	\$ 45,158,925	\$ 6,838,913
Utility Funds								
Water Fund	\$ 5,677,082	\$ 642,027	\$ 373,537	\$ (959,034)	\$ (944,245)	\$ -	\$ 5,360,075	\$ 449,143
Sewer Fund	\$ 5,576,585	\$ 1,653,819	\$ 1,368,774	\$ (1,958,757)	\$ (1,261,277)	\$ -	\$ 5,271,648	\$ 1,213,625
Storm Water Fund	\$ 5,536,097	\$ 1,767,010	\$ 1,564,681	\$ (881,117)	\$ (624,225)	\$ -	\$ 6,421,990	\$ 655,077
	\$ 16,789,764	\$ 4,062,856	\$ 3,306,993	\$ (3,798,909)	\$ (2,829,747)	\$ -	\$ 17,053,712	\$ 2,317,845

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

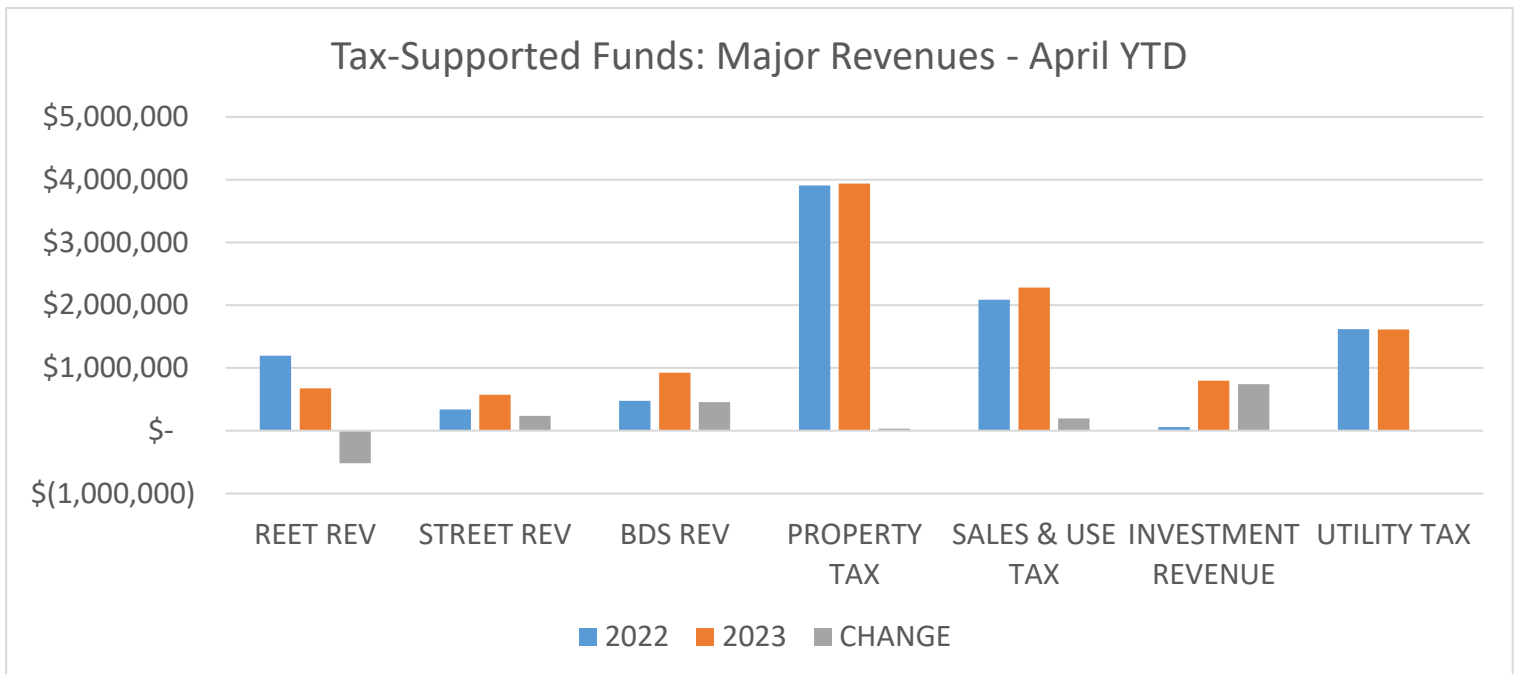
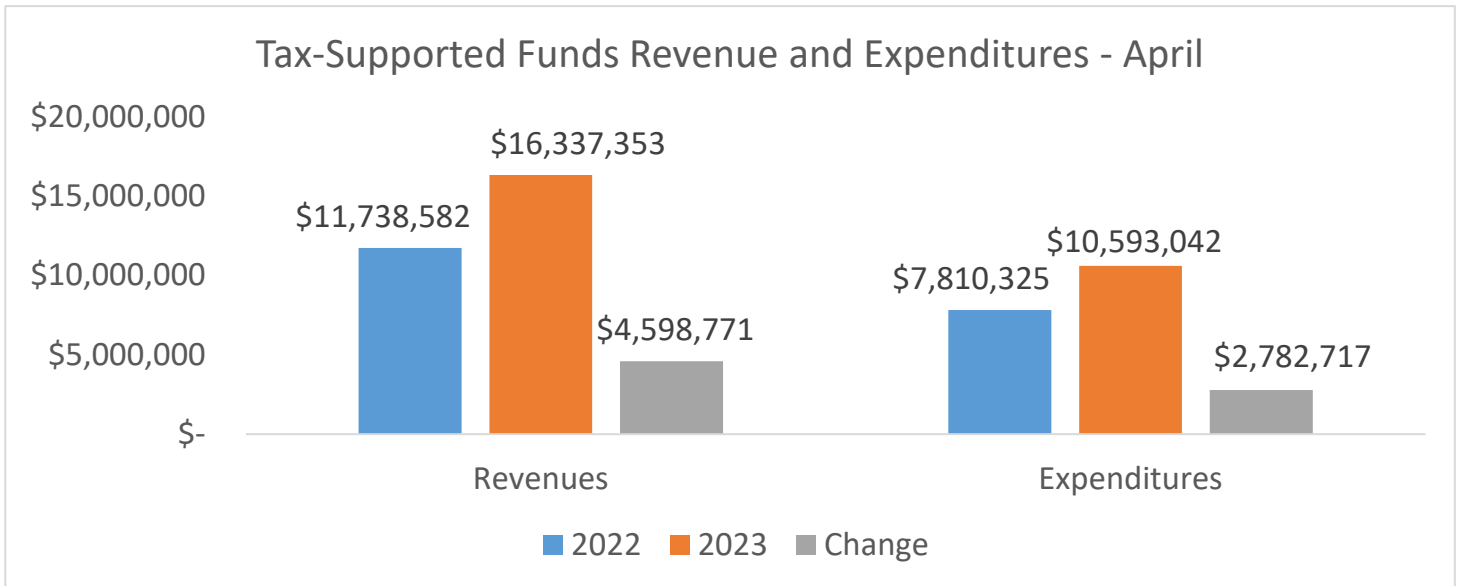
Table I Notes

2023 Starting Fund Balance figures are preliminary and may change as the 2022 year-end audited financial report 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 exceed expenditures through the end of April due to the receipt of \$2.93 million of Property Tax and \$3.54 million of American Rescue Plan Act (ARPA) in the General Fund. Property Tax, the City's largest revenue source, is generally received in April and October. Property tax received in April and October 2022 was \$2.89 and \$2.74 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 \$450,000 or 1,284%
 - Sales and Use Tax \$194,000 or 9%
 - Intergovernmental Revenue \$3,490,000 or 2,052%
 - This increase is due to ARPA money was recognized as “revenue replacement” in the general fund as allowed by the federal treasury. Spending on committed ARPA projects previously approved by Council will continue to be tracked separately on page 11 of this report.
- Street
 - ARPA Grant \$201,000 or 100% (no revenue in 2022)

Decreases:

- Real Estate Excise Tax Fund (REET)
 - Real Estate Excise Tax \$525,000 or 44%
- Building and Development Fund
 - Building Permits \$41,000 or 21%
- Street Fund
 - Commercial Parking Lot Tax \$28,000 or 16%

Major expenditure change from prior year

Increases:

- General Fund
 - Salary and Benefits \$466,000 or 15%
 - Increases of Salary and Benefits are due to non-recurring separation compensation pay outs, other compensation pay outs and new positions.
 - Utilities \$329,000 or 276%
 - Travel \$72,000 or 1,963%
 - Professional Services \$223,000 or 39%
- Street Fund
 - Supplies \$86,000 or 108%

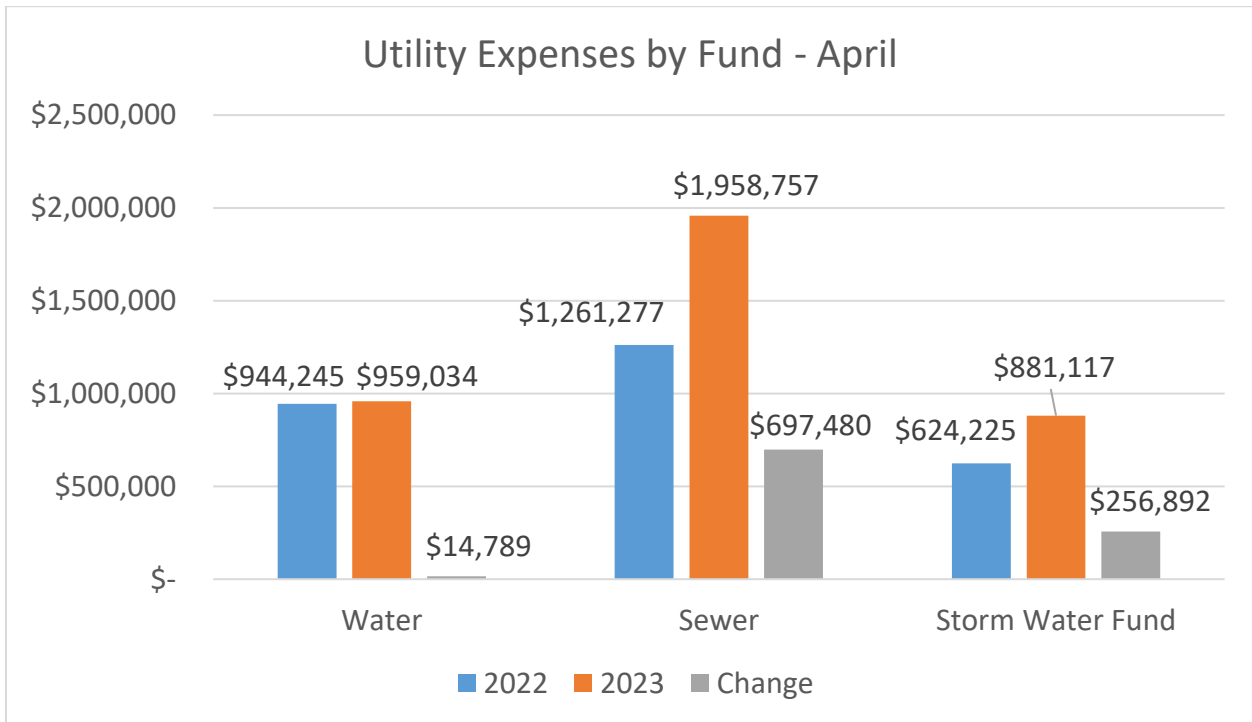
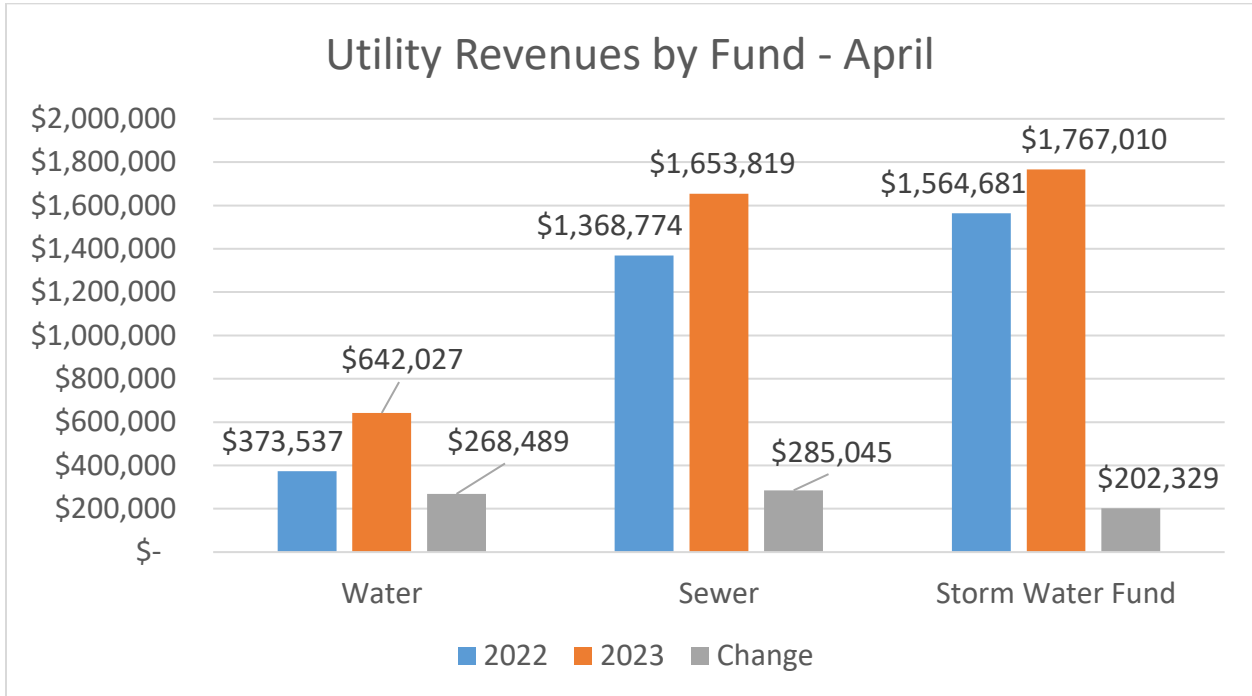
- Building & Development Fund
 - Salary & Benefits \$106,000 or 12%
 - Insurance \$44,000 or 63%
- Capital Construction Fund
 - Capital Projects \$1,460,000 or 325%
 - \$1,700,000 of the \$1,900,000 total capital project expenditures in 2023 are related to the Police & Municipal Court Building.
 - Due 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 \$250,000 or 61%
- Street Fund
 - Professional Services \$26,000 or 48%

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.



Section 3 Notes

Major revenue and other changes from prior year

Increases:

- Water Fund
 - Investment Interest \$62,000 or 985%
 - Loan Proceeds – Water Tanks/Ferndale \$179,000 or 100% (no revenue in 2022)
- Sewer Fund
 - Connections \$91,000 or 264%
 - Investment Interest \$67,000 or 1,176%
- Storm & Surface Water Fund
 - Investment Interest \$64,000 or 1,307%
 - Storm Water Management Charges \$108,000 or 7%

Major expense and other changes from prior year

Increases:

- Water Fund
 - Salaries and Benefits \$37,000 or 12%
 - Insurance \$17,000 or 61%
 - Supplies \$24,000 or 55%
- Sewer Fund:
 - Professional Services \$14,000 or 54%
 - Utilities \$35,000 or 42%
 - Insurance \$24,000 or 45%
 - Debt Service \$977,000 or 100% (2022 payment was made in May)
 - Debt is associated with the following projects: Eagle Harbor Beach Sewer Main, Wastewater Treatment Plant upgrades, Sewer LID Construction
- Storm & Surface Water Fund:
 - Repairs \$74,000 or 1,242%
 - Capital Projects \$135,000 or 100% (no expense in 2022)

Decreases:

- Water Fund
 - Capital Projects \$109,000 or 28%
- Sewer Fund
 - Salary & Benefits \$57,000 or 16%
 - Capital Projects \$183,000 or 81%

- 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 April, 33% 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	\$ 12,941,189	\$ 8,688,211	60%	\$ (24,737,017)	\$ (8,323,204)	\$ (16,413,813)	34%
Street Fund	\$ 2,899,533	\$ 1,109,333	\$ 1,790,200	38%	\$ (3,291,090)	\$ (909,012)	\$ (2,382,078)	28%
REET Fund	\$ 3,257,000	\$ 676,178	\$ 2,580,822	21%	\$ (2,448,840)	\$ (1,725,703)	\$ (723,137)	70%
Civic Impr. Fund	\$ 341,000	\$ 109,305	\$ 231,695	32%	\$ (379,085)	\$ (91,192)	\$ (287,893)	24%
Affordable Housing Fund	\$ 523,000	\$ 279,707	\$ 243,293	53%	\$ (295,133)	\$ (24,350)	\$ (270,783)	8%
ARPA Fund	\$ 64,000	\$ 28,984	\$ 35,016	45%	\$ (64,000)	\$ -	\$ (64,000)	0%
General Obligation Bond Fund	\$ 1,590,415	\$ 599,280	\$ 991,135	38%	\$ (1,590,415)	\$ (27,925)	\$ (1,562,490)	2%
LID Bond Fund	\$ -	\$ -	\$ -	0%	\$ (39,075)	\$ -	\$ (39,075)	0%
Trans. Benefit Fund	\$ 655,000	\$ 204,280	\$ 450,720	31%	\$ (1,477,258)	\$ (1,311,110)	\$ (332,658)	89%
Trans. Impact Fund	\$ 110,000	\$ 20,263	\$ 89,737	18%	\$ -	\$ -	\$ -	0%
Capital Const. Fund	\$ 7,049,691	\$ 3,567,217	\$ 3,482,474	51%	\$ (15,357,968)	\$ (1,932,922)	\$ (13,425,046)	13%
Building Svcs. Fund	\$ 3,180,829	\$ 1,664,154	\$ 1,516,675	52%	\$ (3,292,829)	\$ (1,144,599)	\$ (2,148,230)	35%
Equipment Rental & Revolving	\$ 561,000	\$ 147,597	\$ 413,403	26%	\$ (1,637,695)	\$ (113,159)	\$ (1,524,537)	7%
	\$ 41,860,868	\$ 21,347,486	\$ 20,513,382	51%	\$ (54,610,405)	\$ (15,603,175)	\$ (39,173,740)	29%
Utility Funds								
Water Fund	\$ 11,300,303	\$ 642,027	\$ 10,658,276	6%	\$ (16,052,083)	\$ (959,034)	\$ (15,093,049)	6%
Sewer Fund	\$ 7,409,000	\$ 1,653,819	\$ 5,755,181	22%	\$ (9,115,846)	\$ (1,958,757)	\$ (7,157,089)	21%
Storm Water Fund	\$ 3,282,000	\$ 1,767,010	\$ 1,514,990	54%	\$ (5,186,191)	\$ (881,117)	\$ (4,305,074)	17%
	\$ 21,991,303	\$ 4,062,856	\$ 17,928,447	18%	\$ (30,354,120)	\$ (3,798,909)	\$ (26,555,211)	13%

Table 2 Notes

Inflows combine revenues and transfers while outflows combine expenditures and transfers. Funds with significant variance from the City's typical trend are:

Inflows

- General Fund – ARPA revenues of \$3.54 million of American Rescue Plan Act (ARPA) monies in the General Fund and \$2.93 million of April Property Tax.
- Capital Construction Fund – Transfers in from other City funds to support and fund 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 based on the number and funding of approved projects.
- Affordable Housing Fund – Housing & Related Services Sales Tax and Investment Interest revenues are higher than budgeted expectations.
- Real Estate Excise Tax (REET) Fund – Real estate excise tax is low due to a lower volume of real estate transactions than expected.
- Water Fund – Revenues are below expectation because the budgeted revenues include expected loan draws for construction of the New Water Tank project that have not occurred.

Outflows

- REET Fund – 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.
- Water Fund – Expenses are below expectations because the budgeted expenses include expected loan payments for construction of the New Water Tank project that have not occurred.
- General Obligation (GO) Bond Fund – Major outflows typically occur in June and December

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	620,759	1,379,241
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	103,482	-
Total	7,061,885	841,340	6,262,141

*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. As of the end of April, 33% of the year has lapsed.

Department	Actuals through Apr	2023 Revised Budget	\$ Budget Remaining	Budget % Remaining	Year % Remaining
City Council	100,751	543,407	442,656	81%	67%
Court	195,424	656,048	460,624	70%	67%
Executive (includes IT)	2,233,897	7,864,174	5,630,277	72%	67%
Finance	512,196	1,544,038	1,031,842	67%	67%
Police	2,086,234	6,366,317	4,280,083	67%	67%
Planning & Community Development	926,305	3,558,014	2,631,709	74%	67%
Public Works	5,420,252	50,629,670	45,209,418	89%	67%
General Government	2,916,891	6,089,837	3,172,946	52%	67%
Total	\$ 14,391,951	\$ 77,251,506	\$ 62,859,555	81%	67%

Table 4 Notes

- These amounts do not include transfers. Transfer amounts by fund can be seen on Table I.
- The 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.