



CITY OF
BAINBRIDGE ISLAND

MEMORANDUM

DATE: July 27, 2023
TO: Blair King, City Manager; City Council
FROM: Finance Department
SUBJECT: May 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 May is down 33% from 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	Good	
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

FUND NAME	2023 BEGINNING FUND BALANCE	YTD 2023 REVENUES	YTD 2022 REVENUES	YTD 2023 EXPENSES	YTD 2022 EXPENSES	YTD 2023 TRANSFERS	May 2023 ENDING FUND BALANCE	RESERVES
Tax Supported Funds								
General Fund	\$ 22,533,163	\$ 14,958,549	\$ 10,351,520	\$ (7,715,595)	\$ (6,648,317)	\$ (1,973,320)	\$ 27,802,797	\$ 6,779,742
Street Fund	\$ 52,847	\$ 743,265	\$ 397,209	\$ (1,081,132)	\$ (1,025,021)	\$ 533,852	\$ 248,833	N/A
REET Fund	\$ 2,145,584	\$ 1,005,395	\$ 1,475,987	\$ -	\$ -	\$ (1,803,635)	\$ 1,347,345	N/A
Civic Impr. Fund	\$ 551,280	\$ 142,937	\$ 127,653	\$ (123,773)	\$ (140,980)	\$ -	\$ 570,444	N/A
Affordable Housing Fund	\$ 1,432,435	\$ 353,790	\$ 180,384	\$ (24,350)	\$ (7,560)	\$ -	\$ 1,761,875	\$ 59,171
ARPA Fund	\$ -	\$ 28,984	\$ 5,154	\$ -	\$ -	\$ -	\$ 28,984	N/A
General Obligation Bond Fund	\$ 5,657	\$ 351,788	\$ 330,414	\$ (27,925)	\$ (28,634)	\$ 389,656	\$ 719,177	N/A
LID Bond Fund	\$ 128,319	\$ -	\$ -	\$ (39,072)	\$ (40,743)	\$ -	\$ 89,247	N/A
Trans. Benefit Fund	\$ 1,461,319	\$ 266,125	\$ 260,224	\$ -	\$ -	\$ (1,311,110)	\$ 416,334	N/A
Trans. Impact Fund	\$ 200,076	\$ 25,274	\$ 54,554	\$ -	\$ -	\$ -	\$ 225,349	N/A
Capital Const. Fund	\$ 8,177,257	\$ 139,672	\$ 243,525	\$ (2,654,189)	\$ (594,641)	\$ 3,427,544	\$ 9,090,285	N/A
Building Svcs. Fund	\$ 10,000	\$ 1,038,691	\$ 538,008	\$ (1,440,525)	\$ (1,231,772)	\$ 737,012	\$ 345,178	N/A
Equipment Rental & Revolving	\$ 2,844,995	\$ 159,815	\$ 116,474	\$ (113,159)	\$ (11,056)	\$ -	\$ 2,891,651	N/A
	\$ 39,542,933	\$ 19,214,286	\$ 14,081,106	\$ (13,219,719)	\$ (9,728,724)	\$ -	\$ 45,537,500	\$ 6,838,913
Utility Funds								
Water Fund	\$ 5,677,082	\$ 756,306	\$ 499,526	\$ (1,168,916)	\$ (1,137,437)	\$ -	\$ 5,264,472	\$ 449,143
Sewer Fund	\$ 5,576,585	\$ 2,032,256	\$ 1,776,481	\$ (2,174,371)	\$ (2,474,409)	\$ -	\$ 5,434,470	\$ 1,213,625
Storm Water Fund	\$ 5,536,097	\$ 2,075,762	\$ 1,786,179	\$ (1,055,756)	\$ (855,929)	\$ -	\$ 6,556,103	\$ 655,077
	\$ 16,789,764	\$ 4,864,323	\$ 4,062,186	\$ (4,399,043)	\$ (4,467,776)	\$ -	\$ 17,255,044	\$ 2,317,845

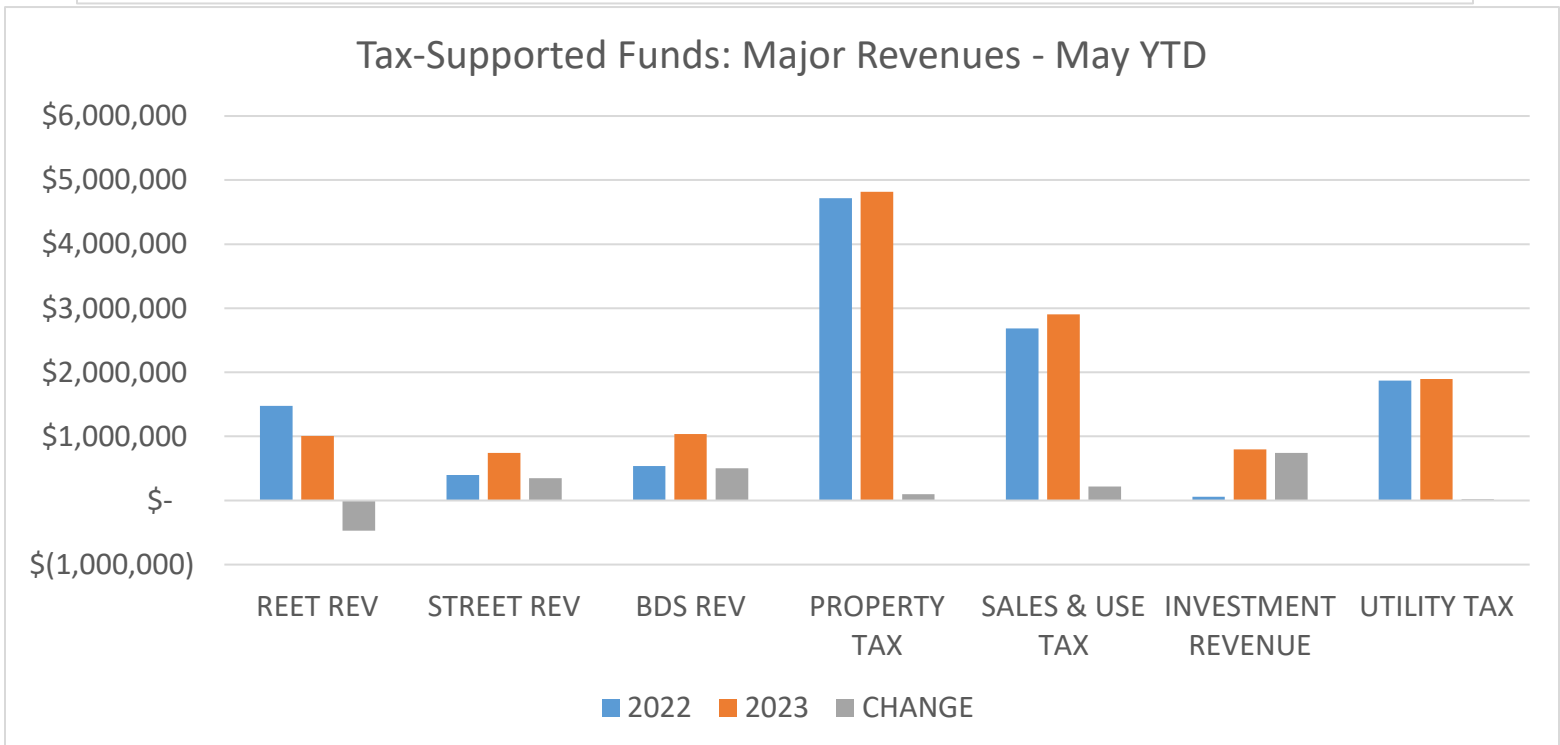
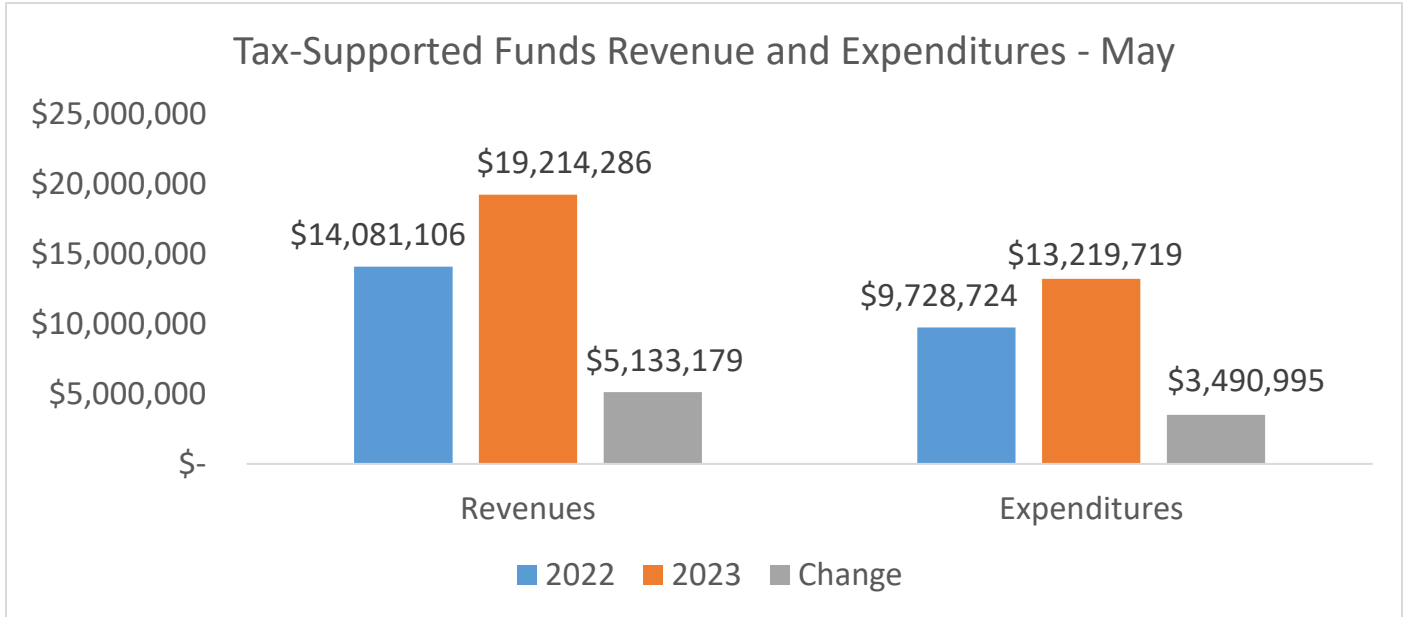
Table I is a comparison of year-to-date financial information between the current year and prior year in two categories: tax-supported funds and utility funds. Generally, tax-supported fund revenues are supported by tax inflows, while utility funds generate revenue by charging fees for services. The table shows which funds fall into each of the two categories, and includes revenue, expenditure, and fund balance data by fund.

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

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 May largely due to the prior month's receipt of \$2.93 million of Property Tax and recognition of \$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 large batches April and October in addition to smaller monthly amounts throughout the year. 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 \$612,000 or 1,102%
 - Intergovernmental Revenue \$3,496,000 or 2,056%
 - 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 Fund
 - Commercial Parking Lot Tax \$80,000 or 41%
 - ARPA Grant \$201,000 or 100% (no revenue in 2022)
 - Other Revenues \$72,000 or 879%
- Real Estate Excise Tax Fund (REET) Fund
 - Investment Interest \$14,000 or 631%
- Affordable Housing Fund
 - Investment Interest \$26,000 or 100% (no revenue in 2022)
 - Housing and Related Services Sales Tax \$150,000 or 92%
- ARPA Fund
 - Investment Interest \$24,000 or 462%
- Building and Development Fund
 - Grant Funding \$521,000 or 100% (no revenue in 2022)
- Equipment Rental and Revolving Fund
 - Investment Interest \$43,000 or 1,091%

Decreases:

- Real Estate Excise Tax Fund (REET) Fund
 - Real Estate Excise Tax \$484,000 or 33%

Major expenditure change from prior year

Increases:

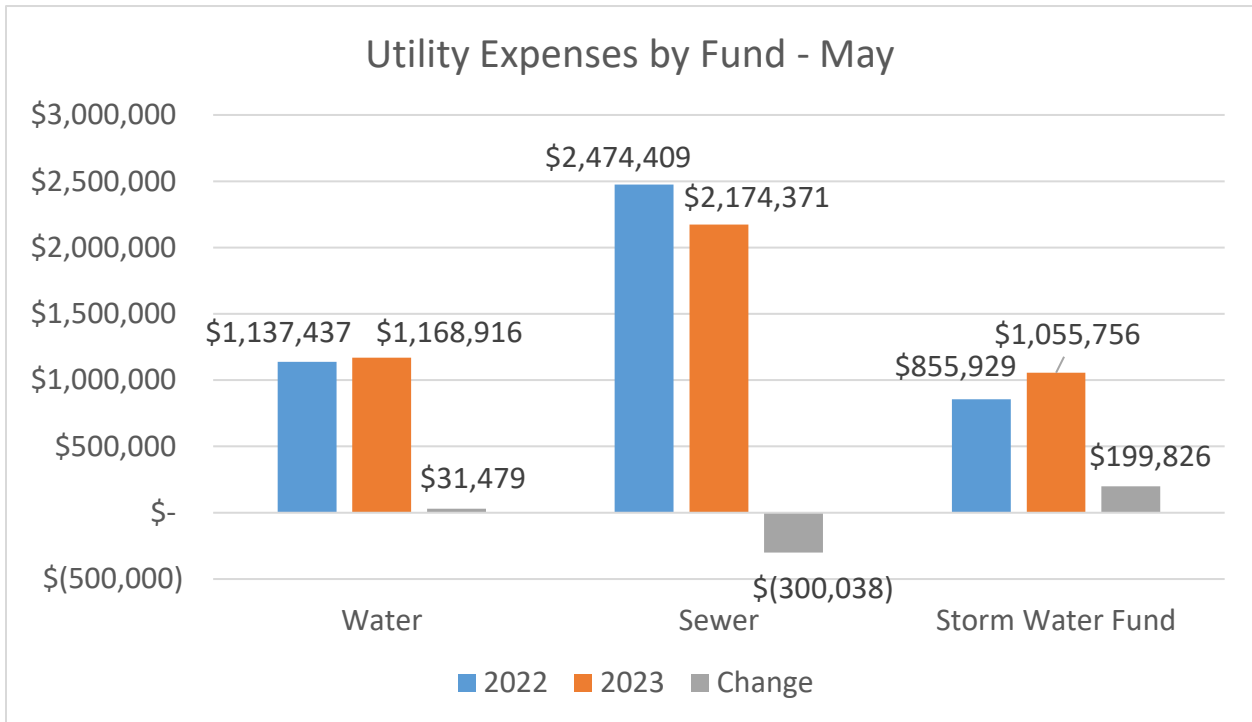
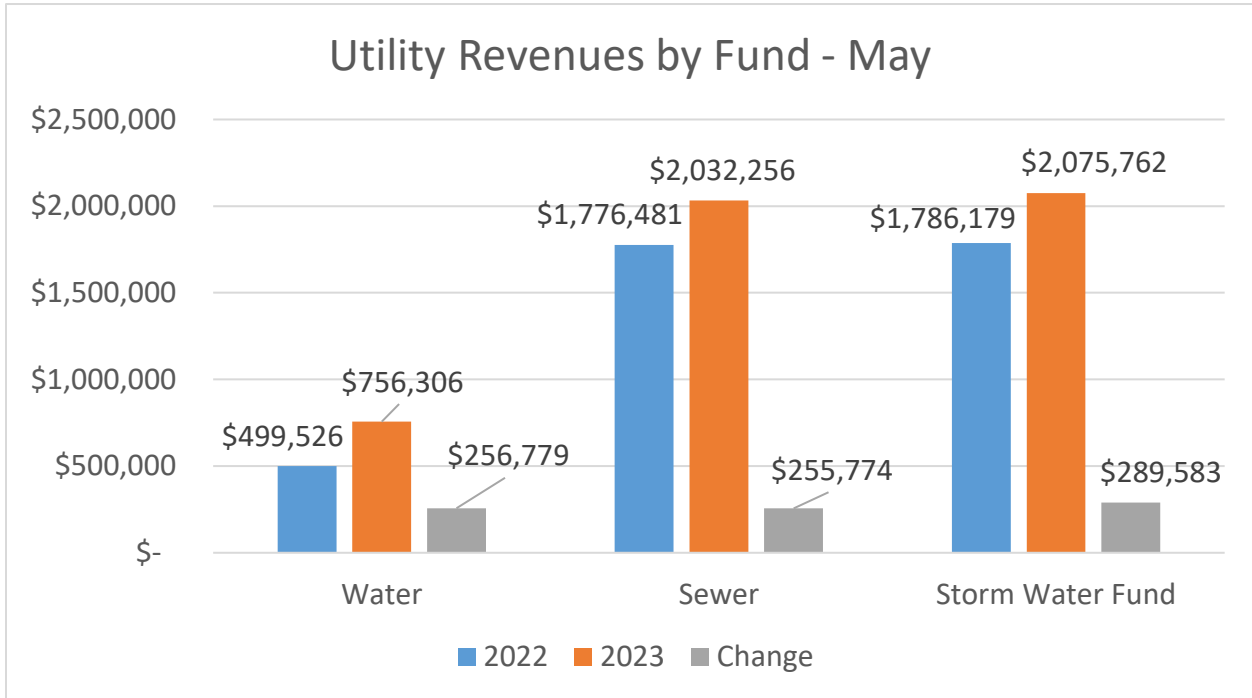
- General Fund
 - Professional Services \$359,000 or 57%
 - Insurance \$125,000 39%
 - Repair and Maintenance \$274,000 or 129%
 - Service – Other Miscellaneous \$27,000 or 31%
- Street Fund
 - Supplies \$84,000 or 90%
 - Repairs \$25,000 or 573%
- Affordable Housing Fund
 - Professional and Community Services \$17,000 or 222%
- Capital Construction Fund
 - Capital Projects \$2,153,000 or 458%
 - During 2023, a total of \$2,623,000 has been spent on capital projects. Most of which, \$2,304,000, has been spent on 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.
- Building & Development Fund
 - Insurance \$44,000 or 63%
- Equipment Rental and Revolving Fund
 - Machinery and Equipment \$102,000 or 924%

Decreases:

- General Fund
 - Supplies \$299,000 or 57%
- Street Fund
 - Professional Services \$36,000 or 52%
- Capital Construction Fund
 - Salary \$25,000 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.



Section 3 Notes

Major revenue and other changes from prior year

Increases:

- Water Fund
 - Investment Interest \$82,000 or 869%
 - Loan Proceeds – Water Tanks/Ferndale \$182,000 or 100% (no revenue in 2022)
- Sewer Fund
 - Connections \$31,000 or 32%
 - Investment Interest \$87,000 or 1,068%
 - Loan Proceeds PWTF \$56,000 or 100% (no revenue in 2022)
- Storm & Surface Water Fund
 - Investment Interest \$89,000 or 1,148%
 - Miscellaneous Revenues \$22,000 or 100% (no revenue in 2022)

Major expense and other changes from prior year

Increases:

- Water Fund
 - Repairs \$12,000 or 72%
 - Insurance \$17,000 or 61%
- Sewer Fund:
 - Utilities \$37,000 or 33%
 - Insurance \$24,000 or 45%
- Storm & Surface Water Fund:
 - Professional Services \$31,000 or 54%
 - Repairs \$30,000 or 60%
 - Capital Projects \$135,000 or 100% (no expense in 2022)

Decreases:

- Water Fund
 - Capital Projects \$81,000 or 19%
- Sewer Fund
 - Repairs \$170,000 or 96%
 - Capital Projects \$180,000 or 79%

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 May, 42% of the year has lapsed.

Table 2 - Summary of Year-to-date Budgeted Fund Activity

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	\$ 21,665,400	\$ 14,958,549	\$ 6,706,851	69%	\$ (27,860,159)	\$ (9,688,914)	\$ (18,171,244)	35%
Street Fund	\$ 2,899,533	\$ 1,277,118	\$ 1,622,415	44%	\$ (3,422,710)	\$ (1,081,132)	\$ (2,341,578)	32%
REET Fund	\$ 3,257,000	\$ 1,005,395	\$ 2,251,605	31%	\$ (2,349,194)	\$ (1,803,635)	\$ (545,559)	77%
Civic Impr. Fund	\$ 341,000	\$ 142,937	\$ 198,063	42%	\$ (379,085)	\$ (123,773)	\$ (255,312)	33%
Affordable Housing Fund	\$ 523,000	\$ 353,790	\$ 169,210	68%	\$ (111,900)	\$ (24,350)	\$ (87,550)	22%
ARPA Fund	\$ 64,000	\$ 28,984	\$ 35,016	45%	\$ 1,936,000	\$ -	\$ 1,936,000	0%
General Obligation Bond Fund	\$ 1,590,415	\$ 741,444	\$ 848,971	47%	\$ (1,590,415)	\$ (27,925)	\$ (1,562,490)	2%
LID Bond Fund	\$ -	\$ -	\$ -	0%	\$ (39,075)	\$ (39,072)	\$ (3)	100%
Trans. Benefit Fund	\$ 655,000	\$ 266,125	\$ 388,875	41%	\$ (1,477,258)	\$ (1,311,110)	\$ (36,733)	89%
Trans. Impact Fund	\$ 110,000	\$ 25,274	\$ 84,726	23%	\$ -	\$ -	\$ -	0%
Capital Const. Fund	\$ 7,049,691	\$ 3,567,217	\$ 3,482,474	51%	\$ (17,054,321)	\$ (2,654,189)	\$ (14,400,132)	16%
Building Svcs. Fund	\$ 3,292,829	\$ 1,775,703	\$ 1,517,126	54%	\$ (3,487,042)	\$ (1,440,525)	\$ (2,046,517)	41%
Equipment Rental & Revolving	\$ 561,000	\$ 159,815	\$ 401,185	28%	\$ (1,487,695)	\$ (113,159)	\$ (1,374,537)	8%
	\$ 42,008,868	\$ 24,302,350	\$ 17,706,518	58%	\$ (57,322,853)	\$ (18,307,783)	\$ (38,885,654)	32%
Utility Funds								
Water Fund	\$ 11,300,303	\$ 756,306	\$ 10,543,998	7%	\$ (16,880,728)	\$ (1,168,916)	\$ (15,711,812)	7%
Sewer Fund	\$ 7,409,000	\$ 2,032,256	\$ 5,376,744	27%	\$ (10,387,093)	\$ (2,174,371)	\$ (8,212,722)	21%
Storm Water Fund	\$ 3,282,000	\$ 2,075,762	\$ 1,206,238	63%	\$ (5,302,398)	\$ (1,055,756)	\$ (4,246,642)	20%
	\$ 21,991,303	\$ 4,864,323	\$ 17,126,980	22%	\$ (32,570,219)	\$ (4,399,043)	\$ (28,171,176)	14%

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.
- 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 May, 42% of the year has lapsed.

Department	Actuals through May 2023	2023 Revised Budget	\$ Budget Remaining	Budget % Remaining	Year % Remaining
City Council	127,489	543,407	415,918	77%	58%
Court	271,000	738,048	467,048	63%	58%
Executive (includes IT)	2,659,644	8,050,507	5,390,863	67%	58%
Finance	637,539	1,544,038	906,499	59%	58%
Police	2,568,316	6,366,317	3,798,001	60%	58%
Planning & Community Development	1,159,759	3,723,014	2,563,255	69%	58%
Public Works	7,030,850	56,567,891	49,537,042	88%	58%
General Government	3,164,164	6,136,477	2,972,313	48%	58%
Total	\$ 17,618,761	\$ 83,669,700	\$ 66,050,939	79%	58%

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.