



CITY OF
BAINBRIDGE ISLAND

MEMORANDUM

DATE: September 22, 2023
TO: Blair King, City Manager; City Council
FROM: Finance Department
SUBJECT: July 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	While 2023 revenue is larger than the prior year, and fund performance appears sufficient due to a one-time recognition of \$521,000 of ARPA funds, current revenue trends indicate the fund will necessitate continued support by the general fund at a higher rate than anticipated.
Real Estate Excise Tax (REET)	Cautionary	2023 revenue through July is 28% lower than 2022 revenue and on pace for lowest total since 2017.
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

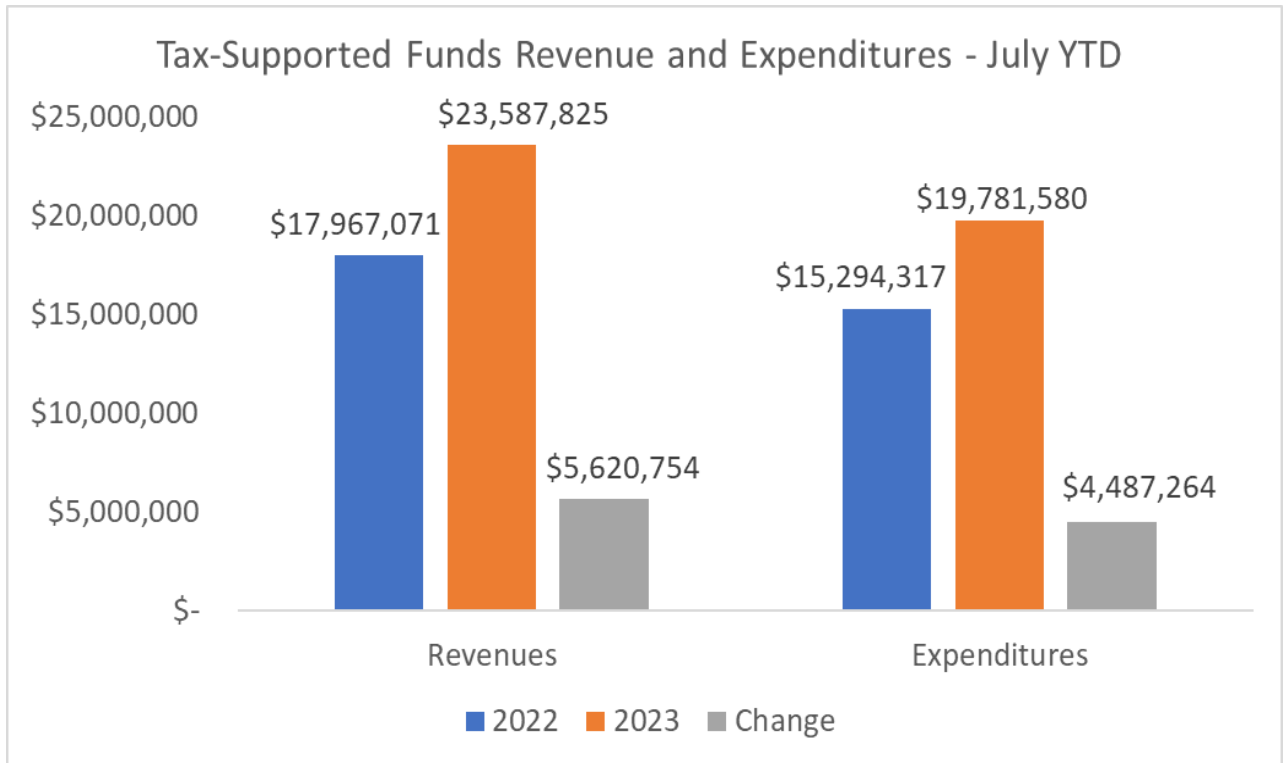
Table I is a comparison of year-to-date financial information between the current year and prior year in two categories: tax-supported funds and utility funds. Generally, tax-supported fund revenues are supported by tax inflows, while utility funds generate revenue by charging fees for services. The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

Table 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	MONTH END FUND BALANCE	RESERVES
Tax-Supported Funds								
General Fund	\$ 22,533,163	\$ 17,489,528	\$ 12,469,363	\$ (10,817,933)	\$ (9,518,706)	\$ (3,906,932)	\$ 25,297,826	\$ 6,779,742
Street Fund	\$ 52,847	\$ 978,542	\$ 504,286	\$ (1,644,788)	\$ (1,435,980)	\$ 664,612	\$ 51,214	N/A
REET Fund	\$ 2,145,584	\$ 1,737,801	\$ 2,423,863	\$ -	\$ -	\$ (1,959,497)	\$ 1,923,888	N/A
Civic Impr. Fund	\$ 551,280	\$ 218,366	\$ 196,329	\$ (164,979)	\$ (197,761)	\$ -	\$ 604,667	N/A
Affordable Housing Fund	\$ 1,432,435	\$ 509,366	\$ 307,748	\$ (25,750)	\$ (11,210)	\$ -	\$ 1,916,051	\$ 59,171
ARPA Fund	\$ -	\$ 28,984	\$ 14,011	\$ -	\$ -	\$ -	\$ 28,984	N/A
General Obligation Bond Fund	\$ 5,657	\$ 359,372	\$ 336,500	\$ (527,450)	\$ (547,334)	\$ 545,519	\$ 383,098	N/A
LID Bond Fund	\$ 128,319	\$ -	\$ -	\$ (39,044)	\$ (40,743)	\$ -	\$ 89,275	N/A
Trans. Benefit Fund	\$ 1,461,319	\$ 419,788	\$ 378,816	\$ (24,721)	\$ -	\$ (1,377,258)	\$ 479,127	N/A
Trans. Impact Fund	\$ 200,076	\$ 41,233	\$ 75,777	\$ -	\$ -	\$ -	\$ 241,309	N/A
Capital Const. Fund	\$ 8,177,257	\$ 189,672	\$ 302,830	\$ (4,344,004)	\$ (1,665,836)	\$ 5,296,544	\$ 9,319,470	N/A
Building Svcs. Fund	\$ 10,000	\$ 1,283,521	\$ 723,996	\$ (1,967,341)	\$ (1,777,917)	\$ 737,012	\$ 63,192	N/A
Equipment Rental & Revolving	\$ 2,844,995	\$ 331,651	\$ 233,550	\$ (225,571)	\$ (98,828)	\$ -	\$ 2,951,075	N/A
	\$ 39,542,933	\$ 23,587,825	\$ 17,967,071	\$ (19,781,580)	\$ (15,294,317)	\$ -	\$ 43,349,177	\$ 6,838,913
Utility Funds								
Water Fund	\$ 5,677,082	\$ 1,162,785	\$ 831,426	\$ (1,892,172)	\$ (1,470,512)	\$ -	\$ 4,947,695	\$ 449,143
Sewer Fund	\$ 5,576,585	\$ 2,872,884	\$ 2,590,157	\$ (2,763,752)	\$ (3,114,599)	\$ -	\$ 5,685,717	\$ 1,213,625
Storm Water Fund	\$ 5,536,097	\$ 2,226,560	\$ 1,838,067	\$ (1,369,341)	\$ (1,399,302)	\$ -	\$ 6,393,315	\$ 655,077
	\$ 16,789,764	\$ 6,262,228	\$ 5,259,650	\$ (6,025,265)	\$ (5,984,413)	\$ -	\$ 17,026,727	\$ 2,317,845

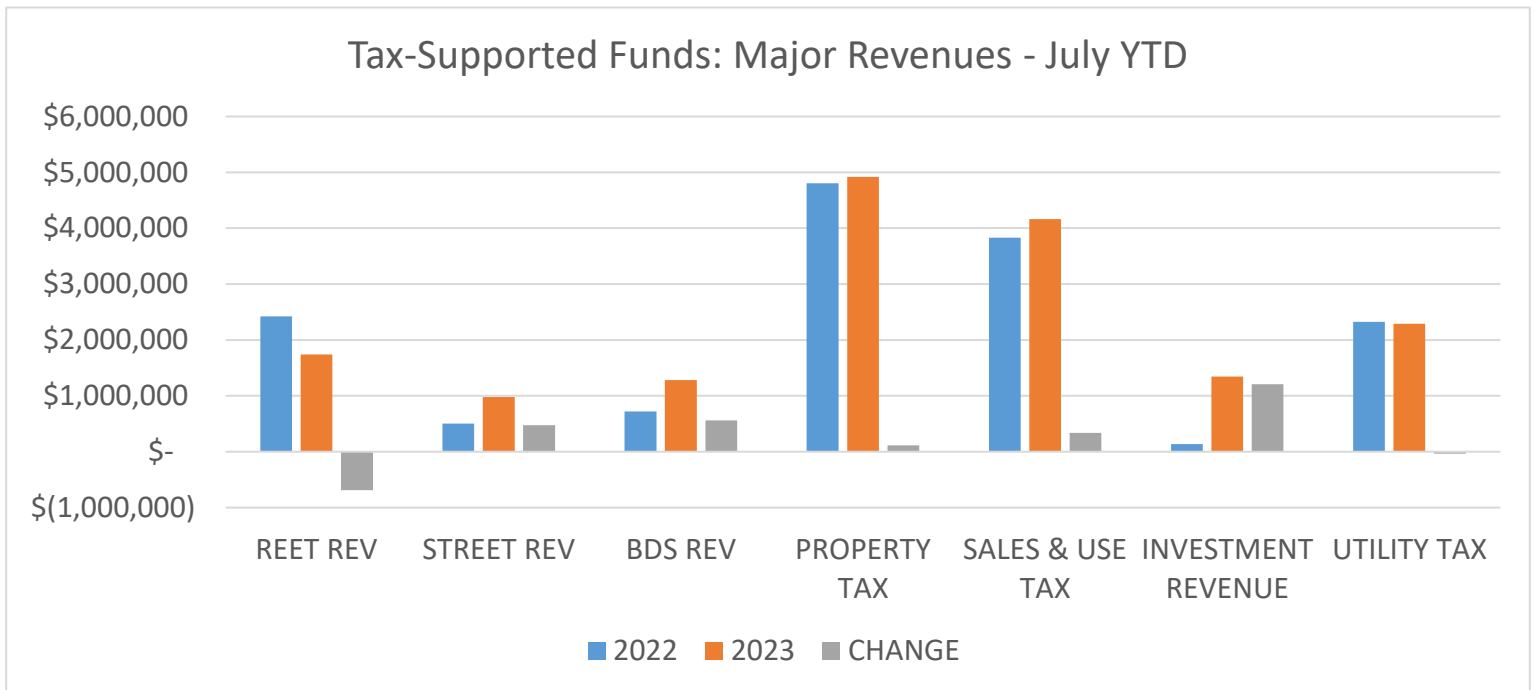
Additional notes and comments on variances can be found in subsequent sections.

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 by \$3.8 million through the end of July. This is largely due to \$3.54 million of American Rescue Plan Act (ARPA) revenue the General Fund recognized in April. Property Tax, the City's largest revenue source, is currently at \$4.6 million through July. This revenue is generally received in large batches during the months of April and October in addition to smaller monthly amounts throughout the year. Property tax received in April 2023 was \$2.93 million and, in 2022, April and October revenues were \$2.89 and \$2.74 million, respectively. Property tax is a reliable revenue source, with actual revenue typically within 1% of forecast.

Major revenue changes from prior year

Increases:

- General Fund
 - Investment Revenue \$849,000 or 736%
 - Intergovernmental Revenue \$3,664,000 or 1,179%
 - This increase is due to ARPA money that 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 12 of this report.
- Street
 - ARPA Grant \$201,000 or 100% (no revenue in 2022)
 - Commercial Parking Lot Tax \$207,000 or 101%
- Real Estate Excise Tax Fund (REET)
 - Investment Interest \$24,000 or 468%
- Civic Improvement Fund
 - Investment Interest \$13,000 or 720%
- Affordable Housing Fund
 - Housing & Related Services Sales Tax \$165,000 or 57%
 - Investment Interest \$40,000 or 100% (no revenue in 2022)
- ARPA Fund
 - Investment Interest \$15,000 or 297%
- FAR Farm/Ag Fund
 - Investment Interest \$13,000 or 672%
- ER&R Fund
 - Investment Interest \$61,000 or 709%

Decreases:

- Transportation Improvement Fund
 - Transportation Impact Fees \$39,000 or 52%

Major expenditure changes from prior year

Increases:

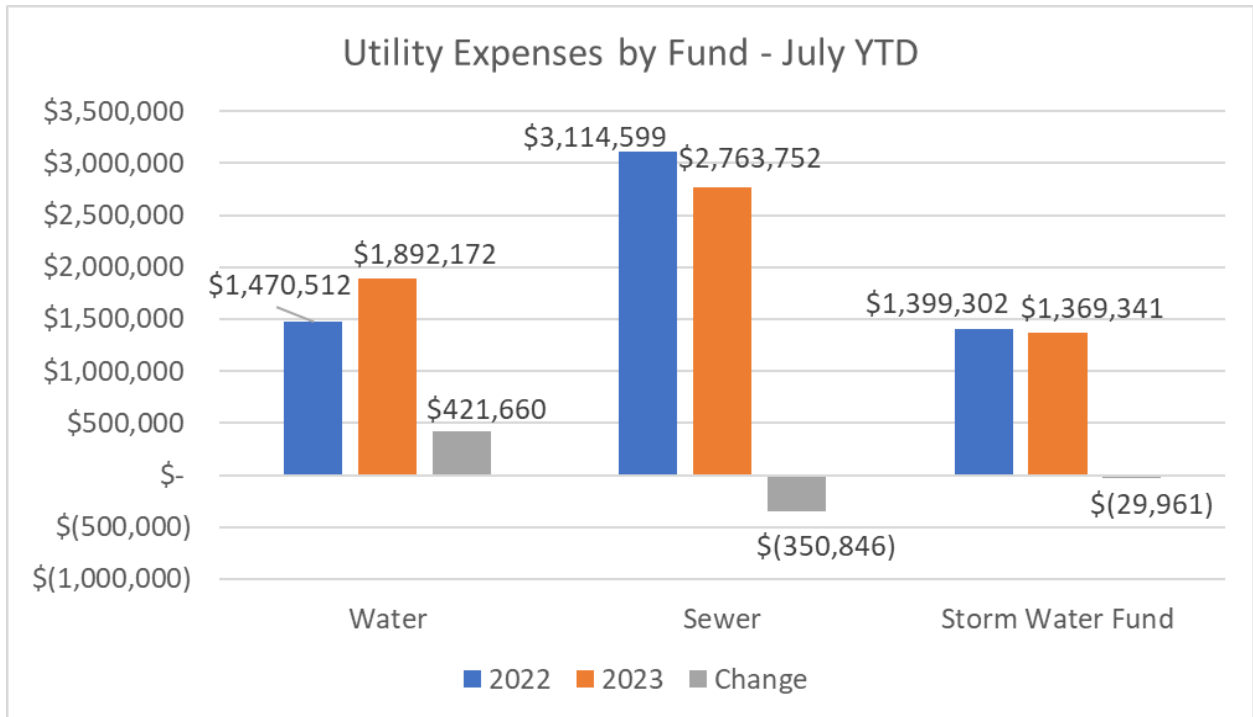
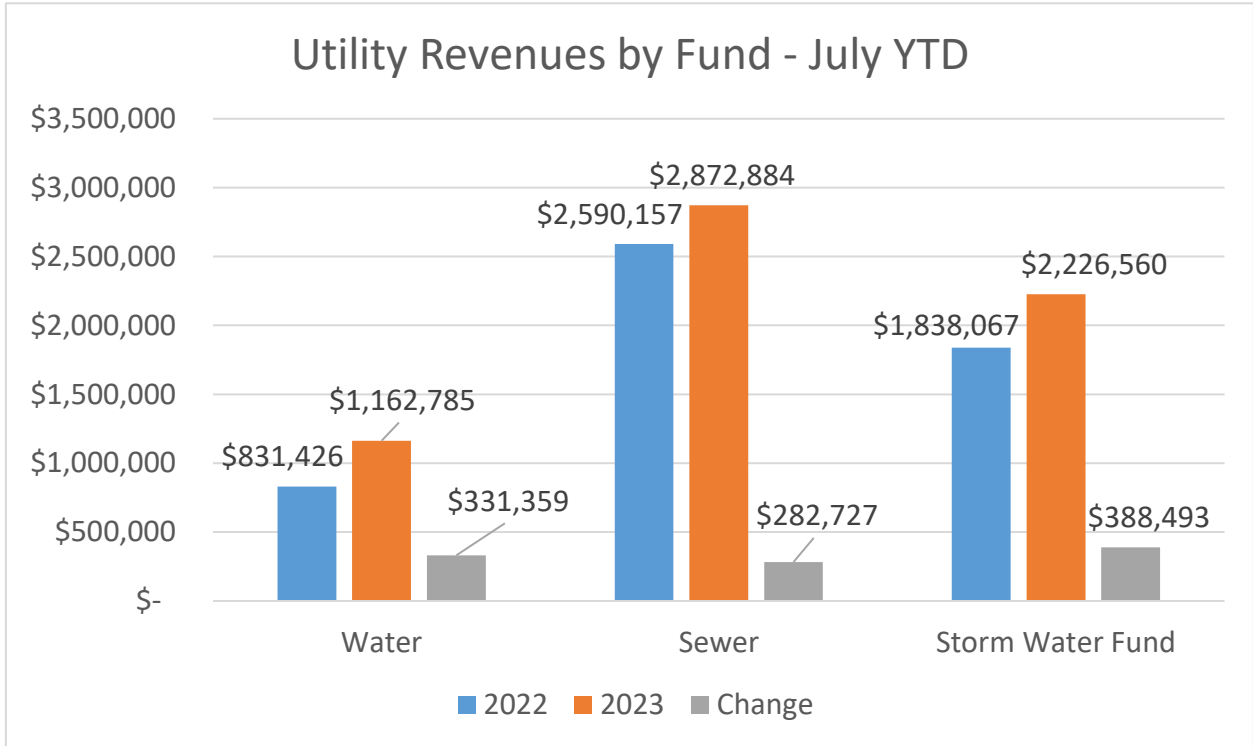
- General Fund
 - Salaries and Benefits \$745,000 or 13%
 - Insurance \$125,000 or 39%
 - Professional Services \$461,000 or 40%
 - The most significant items driving this large increase are the Winslow Subarea Plan, costs for an Interim City Attorney, an evaluation of Waste Management Services and Landfill Monitoring, and the new Ted Spearman Justice Center. These listed items account for \$380,000 of increased spending in 2023 compared to 2022.
- Street Fund
 - Supplies \$124,000 or 118%
 - Repairs \$120,000 or 621%
- Building & Development Fund
 - Insurance \$44,000 or 63%
- Affordable Housing Fund
 - Professional and Community Services \$14,000 or 130%
- Capital Construction Fund
 - Total Capital Projects \$2,780,000 or 184%
 - During 2023, a total of \$4,290,000 has been spent on capital projects. Most of which, \$3,781,000, 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.
- ER&R Fund
 - Total Machinery and Equipment \$127,000 or 128%

Decreases:

- General Fund
 - Supplies \$169,000 or 29%
 - Capital Acquisitions \$318,000 or 100%
- Capital Construction Fund
 - Salaries and Benefits \$45,000 or 47%
- Building and Development
 - Professional Services \$10,000 or 61%
 - Legal \$42,000 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 \$109,000 or 557%
- Sewer Fund
 - Connections \$69,000 or 33%
 - Investment Interest \$120,000 or 715%
- Storm & Surface Water Fund
 - Grants - Department of Ecology \$57,000 or 85%
 - Investment Interest \$127,000 or 769%

Decreases:

- Water Fund
 - Capital Contributions \$147,000 or 82%

Major expense and other changes from prior year

Increases:

- Water Fund
 - Supplies \$30,000 or 39%
 - Repairs \$12,000 or 73%
 - Insurance \$17,000 or 61%
 - Intergovernmental \$18,000 or 35%
- Sewer Fund:
 - Insurance \$24,000 or 45%
- Storm & Surface Water Fund:
 - Repairs \$30,000 or 60%
 - Professional Services \$45,000 or 43%
 - Total Capital Projects \$147,000 or 100% (no expense in 2022)

Decreases:

- Sewer Fund
 - Professional Services \$90,000 or 56%
 - Capital Projects \$132,000 or 58%
 - Repairs \$126,000 or 67%

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 July, 58% 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	\$ 21,665,400	\$ 17,525,528	\$ 4,139,872	81%	\$ (27,880,159)	\$ (14,760,865)	\$ (13,119,293)	53%
Street Fund	\$ 2,899,533	\$ 1,643,154	\$ 1,256,379	57%	\$ (3,422,710)	\$ (1,644,788)	\$ (1,777,922)	48%
REET Fund	\$ 3,257,000	\$ 1,737,801	\$ 1,519,199	53%	\$ (2,349,194)	\$ (1,959,497)	\$ (389,697)	83%
Civic Impr. Fund	\$ 341,000	\$ 218,366	\$ 122,634	64%	\$ (379,085)	\$ (164,979)	\$ (214,106)	44%
Affordable Housing Fund	\$ 523,000	\$ 509,366	\$ 13,634	97%	\$ (111,900)	\$ (25,750)	\$ (86,150)	23%
ARPA Fund	\$ 64,000	\$ 28,984	\$ 35,016	45%	\$ (64,000)	\$ -	\$ (64,000)	0%
General Obligation Bond Fund	\$ 1,590,415	\$ 904,890	\$ 685,525	57%	\$ (1,590,415)	\$ (527,450)	\$ (1,062,965)	33%
LID Bond Fund	\$ -	\$ -	\$ -	0%	\$ (39,075)	\$ (39,044)	\$ (31)	100%
Trans. Benefit Fund	\$ 655,000	\$ 419,788	\$ 235,212	64%	\$ (1,477,258)	\$ (1,401,979)	\$ 490,083	95%
Trans. Impact Fund	\$ 110,000	\$ 41,233	\$ 68,767	37%	\$ -	\$ -	\$ -	0%
Capital Const. Fund	\$ 6,415,044	\$ 5,522,217	\$ 892,828	86%	\$ (17,575,321)	\$ (4,380,004)	\$ (13,195,316)	25%
Building Svcs. Fund	\$ 3,292,829	\$ 2,020,533	\$ 1,272,296	61%	\$ (3,487,042)	\$ (1,967,341)	\$ (1,519,701)	56%
Equipment Rental & Revolving	\$ 561,000	\$ 331,651	\$ 229,349	59%	\$ (1,487,695)	\$ (225,571)	\$ (1,262,124)	15%
	\$ 41,374,221	\$ 30,903,512	\$ 10,470,709	75%	\$ (59,863,853)	\$ (27,097,267)	\$ (32,201,224)	45%
Utility Funds								
Water Fund	\$ 11,300,303	\$ 1,162,785	\$ 10,137,518	10%	\$ (16,880,728)	\$ (1,892,172)	\$ (14,988,556)	11%
Sewer Fund	\$ 7,409,000	\$ 2,872,884	\$ 4,536,116	39%	\$ (10,737,093)	\$ (2,763,752)	\$ (7,973,341)	26%
Storm Water Fund	\$ 3,282,000	\$ 2,226,560	\$ 1,055,440	68%	\$ (5,302,398)	\$ (1,369,341)	\$ (3,933,057)	26%
	\$ 21,991,303	\$ 6,262,228	\$ 15,729,075	28%	\$ (32,920,219)	\$ (6,025,265)	\$ (26,894,954)	18%

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 – unbudgeted revenues of \$3.54 million of American Rescue Plan Act (ARPA) monies year-to-date claimed against general government expenditures as noted** under Table 3.
- Affordable Housing Fund – Housing & Related Services Sales Tax and Investment Interest revenues are higher than budgeted expectations.
- 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.
- 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.
- Equipment Rental & Revolving Fund – Fewer vehicle purchases than planned for 2023 so far.
- 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.

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	96,529	799,471
HUB Solar Panels (01215)	354,000	26,563	327,438
Madison Ave - Sustainable Transp 2023 (01088)	2,000,000	749,524	1,250,476
Affordable Housing - HRB	2,000,000	-	2,000,000
Affordable Housing Set Aside	1,140,000	-	1,140,000
625 Winslow Affordable Housing Project	610,000	16,620	593,380

*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 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 July, 58.3% of the year has lapsed.

Department	Actuals through July 2023	2023 Revised Budget	\$ Budget Remaining	Budget % Remaining	Year % Remaining
City Council	179,798	543,407	363,609	67%	42%
Court	366,972	738,048	371,076	50%	42%
Executive (includes IT)	3,746,274	8,155,713	4,409,439	54%	42%
Finance	893,318	1,544,038	650,720	42%	42%
Police	3,605,182	6,366,317	2,761,135	43%	42%
Planning & Community Development	1,653,091	3,723,014	2,069,923	56%	42%
Public Works	11,254,840	56,462,685	45,207,846	80%	42%
General Government	4,107,371	6,136,477	2,029,106	33%	42%
Total	\$25,806,846	\$ 83,669,700	\$ 57,862,855	69%	42%

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.