

DATE: October 6, 2023  
TO: Blair King, City Manager; City Council  
FROM: Finance Department  
SUBJECT: August 2023 Financial Report

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### 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:

Section 1: Fund Financial Health Indicators .....	3
Table 1: Summary of Year-to-Date Fund Activity.....	4
Section 2: Tax-Supported Revenue & Expenditure Graphs.....	5
Section 3: Utility Funds Revenue and Expense Graphs.....	8
Table 2: Summary of Year-to-Date Budgeted Activity by Fund .....	10
Table 3: Summary of American Rescue Plan Act (ARPA) Funds .....	11
Table 4: Summary of Year-to-Date Budget Activity by Department .....	12

## **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.

<b>Fund</b>	<b>Indicator</b>	<b>Comments</b>
General	Good	
Building & Development Services (B&DS)	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 August is 33% lower than 2022 revenue and on pace for lowest total since 2017.
Other Governmental Funds	Good	
Water	Good	
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**

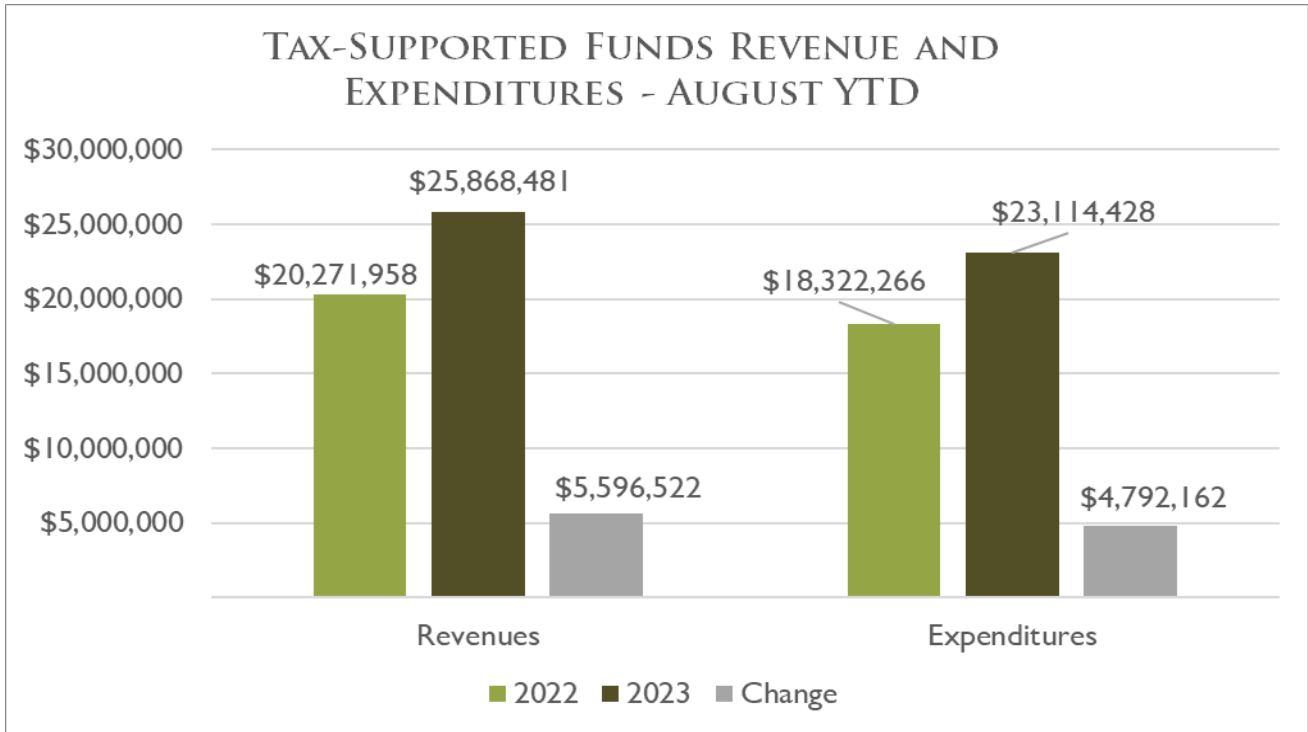
Table I is a comparison of year-to-date financial information between the current year and prior year in two categories: tax-supported funds and utility funds. Generally, tax-supported fund revenues are supported by tax inflows, while utility funds generate revenue by charging fees for services. The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

<b>Table I - Summary of Year-to-date Fund Activity</b>								
<b>FUND NAME</b>	<b>2023 BEGINNING FUND BALANCE</b>	<b>YTD 2023 REVENUES</b>	<b>YTD 2022 REVENUES</b>	<b>YTD 2023 EXPENSES</b>	<b>YTD 2022 EXPENSES</b>	<b>YTD 2023 TRANSFERS</b>	<b>MONTH END FUND BALANCE</b>	<b>RESERVES</b>
<b>Tax-Supported Funds</b>								
General Fund	\$ 22,533,163	\$ 18,955,798	\$ 13,562,196	\$ (12,184,035)	\$ (10,685,771)	\$ (4,165,588)	\$ 25,139,338	\$ 5,891,106
Street Fund	\$ 52,847	\$ 1,055,179	\$ 675,366	\$ (1,882,780)	\$ (2,098,156)	\$ 831,611	\$ 56,858	N/A
REET Fund	\$ 2,145,584	\$ 2,052,870	\$ 3,009,612	\$ -	\$ -	\$ (2,037,428)	\$ 2,161,026	N/A
Civic Impr. Fund	\$ 551,280	\$ 264,875	\$ 238,059	\$ (174,366)	\$ (219,070)	\$ -	\$ 641,789	N/A
Affordable Housing Fund	\$ 1,432,435	\$ 648,878	\$ 497,180	\$ (48,275)	\$ (12,610)	\$ -	\$ 2,033,038	\$ 59,171
ARPA Fund	\$ -	\$ 28,984	\$ 23,004	\$ -	\$ -	\$ -	\$ 28,984	N/A
General Obligation Bond Fund	\$ 5,657	\$ 362,932	\$ 339,013	\$ (527,450)	\$ (547,334)	\$ 623,450	\$ 464,590	N/A
LID Bond Fund	\$ 128,319	\$ -	\$ -	\$ (39,044)	\$ (40,743)	\$ -	\$ 89,275	N/A
Trans. Benefit Fund	\$ 1,461,319	\$ 506,670	\$ 425,870	\$ (24,721)	\$ -	\$ (1,377,258)	\$ 566,010	N/A
Trans. Impact Fund	\$ 200,076	\$ 49,668	\$ 86,106	\$ -	\$ -	\$ -	\$ 249,744	N/A
Capital Const. Fund	\$ 8,177,257	\$ 189,672	\$ 303,906	\$ (5,778,126)	\$ (2,545,655)	\$ 5,296,544	\$ 7,885,348	N/A
Building Svcs. Fund	\$ 10,000	\$ 1,409,973	\$ 874,519	\$ (2,229,891)	\$ (2,022,759)	\$ 819,918	\$ 10,000	N/A
Equipment Rental & Revolving	\$ 2,844,995	\$ 342,981	\$ 237,127	\$ (225,740)	\$ (150,167)	\$ -	\$ 2,962,236	N/A
	\$ 39,542,933	\$ 25,868,481	\$ 20,271,958	\$ (23,114,428)	\$ (18,322,266)	\$ -	\$ 42,288,235	\$ 5,950,277
<b>Utility Funds</b>								
Water Fund	\$ 5,677,082	\$ 1,388,547	\$ 1,087,698	\$ (2,063,478)	\$ (1,767,465)	\$ 8,750	\$ 5,010,902	\$ 449,143
Sewer Fund	\$ 5,576,585	\$ 3,414,950	\$ 3,359,712	\$ (3,099,333)	\$ (3,477,073)	\$ -	\$ 5,892,202	\$ 1,213,625
Storm Water Fund	\$ 5,536,097	\$ 2,265,938	\$ 1,876,300	\$ (1,504,472)	\$ (1,530,600)	\$ -	\$ 6,297,563	\$ 655,077
	\$ 16,789,764	\$ 7,069,436	\$ 6,323,710	\$ (6,667,283)	\$ (6,775,137)	\$ 8,750	\$ 17,200,667	\$ 2,317,845

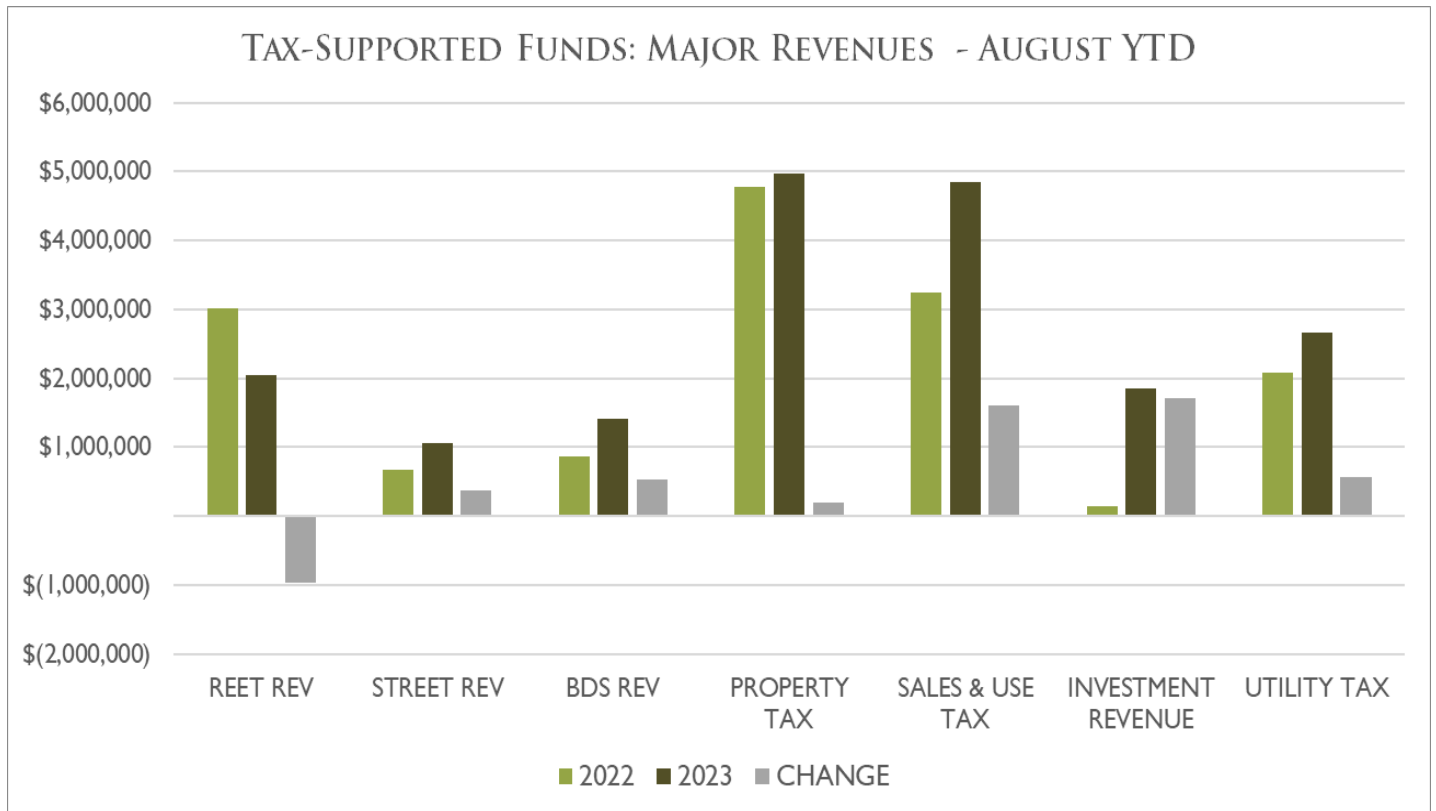
Additional notes and comments on variances can be found in subsequent sections.

## 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 Revenue Notes

### Major Revenue **Increases** Since 2022

### Major Revenue **Decreases** Since 2022

- General Fund
  - ARPA Related Revenues \$3,484,000 or 100% (no revenue in 2022)
    - Spending on committed ARPA projects previously approved by Council will continue to be tracked separately on page 12 of this report.
  - Intergovernmental Revenue \$210,000 or 67%
  - Fines & Forfeits \$23,000 or 130%
  - Investment Revenue \$956,000 or 592%
- Street
  - Commercial Parking Lot Tax \$112,000 or 34%
  - ARPA Grant \$201,000 or 100% (no revenue in 2022)
  - Other Revenues \$77,000 or 466%
- Real Estate Excise Tax Fund (REET)
  - Investment Interest \$30,000 or 387%
- Civic Improvement Fund
  - Investment Interest \$13,000 or 570%
- Affordable Housing Fund
  - Housing & Related Services Sales Tax \$169,000 or 47%
  - Investment Interest \$48,000 or 100% (no revenue in 2022)
- FAR Farm/Ag Fund
  - Investment Interest \$14,000 or 532%
- ER&R Fund
  - Investment Interest \$61,000 or 709%

- REET Fund
  - Real Estate Excise Tax \$986,000 or 33%
- Transportation Improvement Fund
  - Transportation Impact Fees \$39,000 or 52%

**Section 2 Expenditure Notes**

Major Expenditure **Increases**  
Since 2022

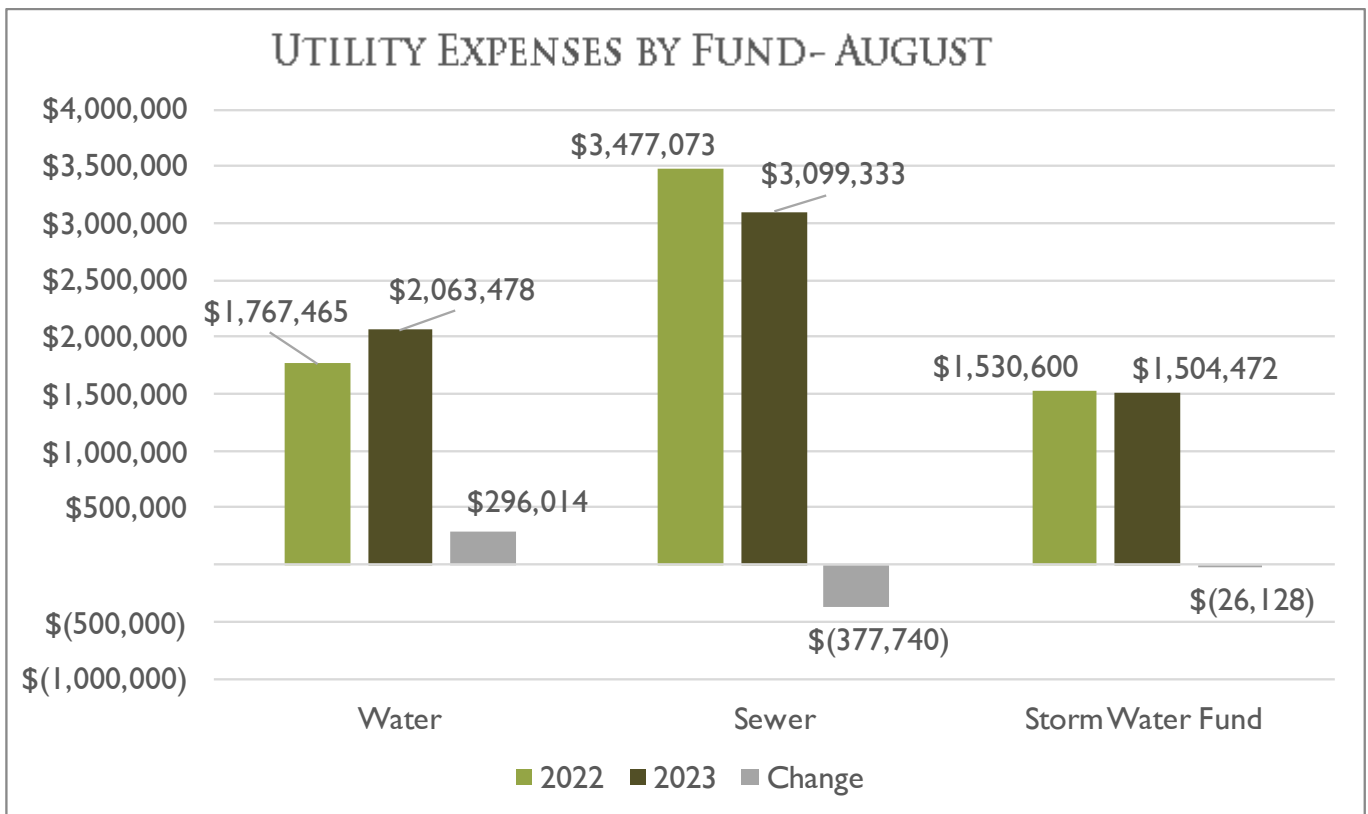
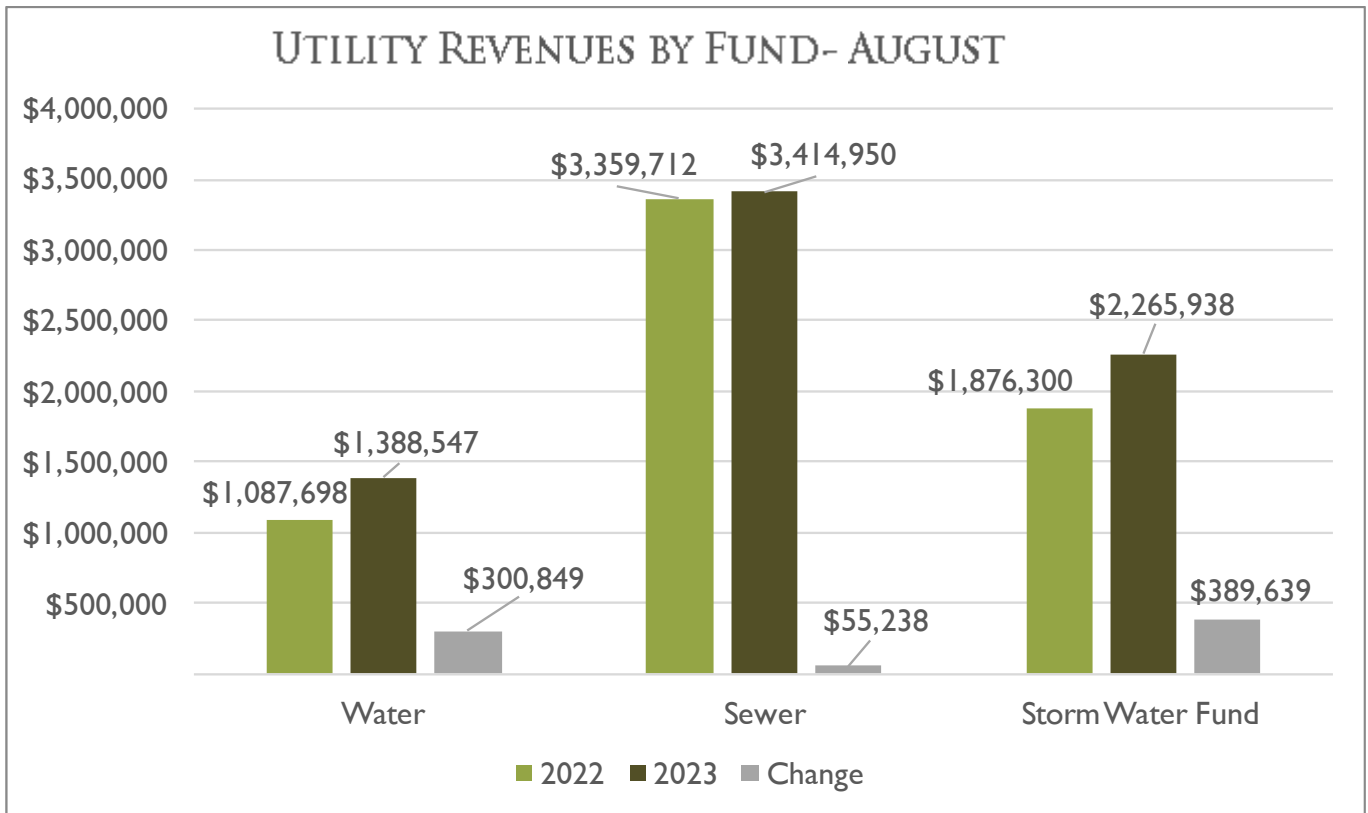
Major Expenditure **Decreases**  
Since 2022

- General Fund
  - Salaries and Benefits \$838,000 or 13%
  - Insurance \$125,000 or 39%
  - Professional Services \$556,000 or 42%
    - The most significant items driving this large increase are the Winslow Subarea Plan, Interim City Attorney costs, an evaluation of Waste Management Services and Landfill Monitoring, and the new Ted Spearman Justice Center. These items account for \$380,000 of increased spending in 2023.
- Street Fund
  - Supplies \$152,000 or 135%
- Building & Development Fund
  - Insurance \$44,000 or 63%
- Affordable Housing Fund
  - Professional and Community Services \$36,000 or 283%
- Capital Construction Fund
  - Total Capital Projects \$3,357,000 or 184%
    - During 2023, a total of \$5,715,000 has been spent on capital projects. Most of that spending is for the Ted Spearman Justice Center.
    - Due to the nature of the Capital Construction Fund, year over year comparisons do not provide an accurate measure of fiscal health.
- Transportation Benefit Fund
  - Transfers Out \$837,000 or 155%
- ER&R Fund
  - Total Machinery and Equipment \$76,000 or 50%

- General Fund
  - Capital Acquisitions \$319,000 or 100%
- Street Fund
  - Repairs \$381,000 or 73%
- REET Fund
  - Transfers Out \$1,603,000 or 44%
- Capital Construction Fund
  - Salaries and Benefits \$65,000 or 51%
- Building and Development
  - Legal \$45,000 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 Revenue and Expenditure Notes

#### Major Revenue Changes Since 2022

#### Major Expenditure Changes Since 2022

##### Increases

- Water Fund
  - Investment Interest \$120,000 or 432%
  - Loan Proceeds \$184,000 or 167%
- Sewer Fund
  - Investment Interest \$135,000 or 558%
- Storm & Surface Water Fund
  - Grants - Department of Ecology \$35,000 or 39%
  - Investment Interest \$145,000 or 623%

##### Decreases

- Water Fund
  - Capital Contributions \$133,000 or 74%
- Sewer Fund
  - Loan Proceeds \$277,000 or 82%

##### Increases

- Water Fund
  - Insurance \$17,000 or 61%
  - Total Capital Projects \$158,000 or 24%
- Sewer Fund:
  - Insurance \$24,000 or 45%
- Storm & Surface Water Fund:
  - Total Capital Projects \$157,000 or 100% (no expense in 2022)

##### Decreases

- Sewer Fund
  - Professional Services \$128,000 or 60%
  - Total Capital Projects \$124,000 or 42%
  - Repairs \$126,000 or 64%
- Storm & Surface Water Fund
  - Repairs \$220,000 or 73%

## **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 August, 67% of the year has lapsed.

<b>FUND NAME</b>	<b>2023 BUDGETED INFLOWS</b>	<b>YTD 2023 INFLOWS</b>	<b>INFLOW BUDGET REMAINING</b>	<b>% RECEIVED</b>	<b>2023 BUDGETED OUTFLOWS</b>	<b>YTD 2023 OUTFLOWS</b>	<b>OUTFLOW BUDGET REMAINING</b>	<b>% SPENT</b>
<b>Tax Supported Funds</b>								
General Fund	\$ 21,665,400	\$ 18,991,798	\$ 2,673,602	88%	\$ (27,880,159)	\$ (16,385,623)	\$ (11,494,536)	59%
Street Fund	\$ 2,899,533	\$ 1,886,790	\$ 1,012,743	65%	\$ (3,422,710)	\$ (1,882,780)	\$ (1,539,930)	55%
REET Fund	\$ 3,257,000	\$ 2,052,870	\$ 1,204,130	63%	\$ (2,349,194)	\$ (2,037,428)	\$ (311,765)	87%
Civic Impr. Fund	\$ 341,000	\$ 264,875	\$ 76,125	78%	\$ (379,085)	\$ (174,366)	\$ (204,719)	46%
Affordable Housing Fund	\$ 523,000	\$ 648,878	\$ (125,878)	124%	\$ (111,900)	\$ (48,275)	\$ (63,625)	43%
ARPA Fund	\$ 64,000	\$ 28,984	\$ 35,016	45%	\$ (64,000)	\$ -	\$ (64,000)	0%
General Obligation Bond Fund	\$ 1,590,415	\$ 986,382	\$ 604,033	62%	\$ (1,590,415)	\$ (527,450)	\$ (1,062,965)	33%
LID Bond Fund	\$ -	\$ -	\$ -	0%	\$ (39,075)	\$ (39,044)	\$ (31)	100%
Trans. Benefit Fund	\$ 655,000	\$ 506,670	\$ 148,330	77%	\$ (1,477,258)	\$ (1,401,979)	\$ 752,633	95%
Trans. Impact Fund	\$ 110,000	\$ 49,668	\$ 60,332	45%	\$ -	\$ -	\$ -	0%
Capital Const. Fund	\$ 6,415,044	\$ 5,522,217	\$ 892,828	86%	\$ (17,575,321)	\$ (5,814,126)	\$ (11,761,194)	33%
Building Svcs. Fund	\$ 3,292,829	\$ 2,229,891	\$ 1,062,938	68%	\$ (3,487,042)	\$ (2,229,891)	\$ (1,257,151)	64%
Equipment Rental & Revolving	\$ 561,000	\$ 342,981	\$ 218,019	61%	\$ (1,487,695)	\$ (225,740)	\$ (1,261,955)	15%
	\$ 41,374,221	\$ 33,512,004	\$ 7,862,217	81%	\$ (59,863,853)	\$ (30,766,702)	\$ (28,269,239)	51%
<b>Utility Funds</b>								
Water Fund	\$ 11,300,303	\$ 1,397,297	\$ 9,903,006	12%	\$ (16,880,728)	\$ (2,063,478)	\$ (14,817,250)	12%
Sewer Fund	\$ 7,409,000	\$ 3,414,950	\$ 3,994,050	46%	\$ (10,737,093)	\$ (3,099,333)	\$ (7,637,760)	29%
Storm Water Fund	\$ 3,282,000	\$ 2,265,938	\$ 1,016,062	69%	\$ (5,302,398)	\$ (1,504,472)	\$ (3,797,926)	28%
	\$ 21,991,303	\$ 7,078,186	\$ 14,913,117	32%	\$ (32,920,219)	\$ (6,667,283)	\$ (26,252,936)	20%

### **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.

<b>ORIGINAL** ARPA PROJECT STATUS</b>			
<b>Project List</b>	<b>Amount Committed</b>	<b>Amount Spent / Encumbered</b>	<b>Amount Remaining</b>
Wastewater Beneficial Reuse (01192)	896,000	208,239	687,761
HUB Solar Panels (01215)	354,000	26,563	327,438
Madison Ave - Sustainable Transp 2023 (01088)	2,000,000	754,392	1,245,608
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	89,901	520,099
ADA Transition Plan (01218)*	61,885	111,534	-
<b>Total</b>	<b>\$7,061,885</b>	<b>\$1,190,628</b>	<b>\$5,920,906</b>

\*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 August, 67% of the year has lapsed.

<b>Department</b>	<b>Actuals through August 2023</b>	<b>2023 Revised Budget</b>	<b>\$ Budget Remaining</b>	<b>Budget % Remaining</b>	<b>Year % Remaining</b>
City Council	205,265	543,407	338,142	62%	33%
Court	418,603	738,048	319,445	43%	33%
Executive (includes IT)	4,191,400	8,202,713	4,011,314	49%	33%
Finance	1,022,115	1,544,038	521,923	34%	33%
Police	4,078,810	6,296,317	2,217,508	35%	33%
Planning & Community Development	1,927,396	3,653,014	1,725,618	47%	33%
Public Works	13,643,164	56,555,685	42,912,521	76%	33%
General Government	4,294,958	6,136,477	1,841,519	30%	33%
<b>Total</b>	<b>\$29,781,711</b>	<b>\$ 83,669,700</b>	<b>\$ 53,887,989</b>	<b>64%</b>	<b>33%</b>

#### **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.