



Monthly Financial Report - August 2019

FUND No.	FUND NAME	2019 STARTING FUND BALANCE	YTD 2019 REVENUES	2018 REVENUES	YTD 2019 EXPENSES	2018 EXPENSES	AUGUST 2019 ENDING FUND BALANCE	RESERVES
001	General Fund	\$ 18,565,810	\$ 12,773,499	\$ 12,350,174	\$ (10,766,563)	\$ (11,257,125)	\$ 20,572,746	\$ 5,633,000
101	Street Fund	\$ 264,921	\$ 2,163,398	\$ 1,914,682	\$ (1,671,595)	\$ (2,173,427)	\$ 756,724	N/A
103	REET Fund	\$ 777,649	\$ 1,887,839	\$ 2,212,679	\$ (1,288,540)	\$ (1,245,339)	\$ 1,376,949	N/A
104	Civic Impr. Fund	\$ 302,403	\$ 197,579	\$ 154,180	\$ (149,825)	\$ (84,499)	\$ 350,157	N/A
301	Capital Const. Fund	\$ 3,591,488	\$ 1,506,807	\$ 1,957,477	\$ (1,668,554)	\$ (1,602,935)	\$ 3,429,741	N/A
401	Water Fund	\$ 7,713,900	\$ 951,144	\$ 984,756	\$ (1,107,342)	\$ (916,255)	\$ 7,557,702	\$ 396,789
402	Sewer Fund	\$ 6,377,475	\$ 2,904,949	\$ 2,473,052	\$ (2,913,001)	\$ (3,158,221)	\$ 6,369,423	\$ 1,731,847
403	Storm Water Fund	\$ 1,771,357	\$ 1,551,891	\$ 1,418,460	\$ (1,157,987)	\$ (1,175,599)	\$ 2,165,262	\$ 831,661
407	Building Svcs. Fund	\$ 325,784	\$ 2,074,265	\$ 1,835,233	\$ (2,081,286)	\$ (1,839,754)	\$ 318,764	N/A

NOTES:

The City has adopted reserve policies for the General Fund and the Utility Funds (Water, Sewer, and Storm Water). The General Fund reserve amount consists of a \$1 million emergency reserve plus 25% of ongoing revenues, totalling \$5.6 million. Please see page 25 of the 2019-2020 Adopted Budget for further information. Utility reserves are calculated as 1% of each utility's capital assets at net book value, plus 60 days of operating costs for Water and Sewer, and 120 days of operating costs for Storm Water.

Monthly revenue and expense amounts may include non-cash transactions.



MONTHLY FINANCIAL REPORT HIGHLIGHTS AUGUST 2019

- **GENERAL FUND:** Year-to-date (YTD) revenue in the General Fund was \$423,000 (3%) higher through August 2019 compared to the same timeframe in 2018. Sales tax revenue was \$390,000 (13%) higher so far in 2019, with revenue from the construction and retail trade industries accounting for 36% and 30% of the total, respectively. Sales tax revenue from the construction industry was 16% higher through August 2019, and revenue from the retail trade industry was 10% higher. Federal and State grant funding contributed \$220,000 to the 2019 increase, while utility tax revenues for telephone and electric were down by \$91,000 (21%) and \$59,000 (5%), respectively. Staff attributes the decrease in telephone tax revenue to a continual drop in the number of landline accounts maintained on the Island, and preliminary research ties the decrease in electricity tax revenue to lower rates charged by the local electric utility in 2019. Business license revenue was \$43,000 (26%) lower in 2019¹.

Expenses in the General Fund were \$490,000 (4%) lower YTD 2019 compared to the same timeframe in 2018. Excluding a \$784,000 (37%) decrease in transfers out of the General Fund to support capital construction projects and the maintenance of other funds' minimum fund balance targets², expenses in the General Fund increased \$293,000 (3%) in 2019. Professional services expenses, the largest of which included services for City planning, the 2018 financial audit, and legal services, were \$296,000 (34%) higher through August 2019. Intergovernmental professional services increased by \$66,000 (17%), and repair costs, including repairs to the Waterfront Park bridge and City Hall cooling tower, were \$192,000 (159%) higher. Spending for temporary employees was \$17,000 (67%) higher so far in 2019 due to staff vacancies, which were at 5% of the approved staffing level (adjusted for new budget adds in 2019) compared to 3% at the same time last year. Expenses for machinery and equipment purchases were \$216,000 (96%) lower so far in 2019, while expenses for copies and printing increased \$17,000 YTD 2019 to fund the printing of the City's monthly COBI Connects newsletter.

- **STREET FUND:** Revenue in the Street Fund was \$248,000 (13%) higher through August 2019 compared to the same timeframe in 2018. Transfers in from other funds to maintain the Street Fund's minimum fund balance target exhibited normal fluctuations, ending August \$204,000 (25%) higher than last year. Revenues from the sale of surplus vehicles and business and occupation taxes for commercial parking facilities were \$20,000 (136%) and \$34,000 (5%) higher, respectively, while gas tax revenue dropped by \$17,000 (5%).

Expenses in the Street Fund were \$501,000 (23%) lower YTD 2019 compared to 2018. Weather-related workload increases in the first quarter of 2019 generated higher overtime pay, direct labor charges, and supplies expenses, which were \$15,000 (70%), \$86,000 (9%), and \$50,000 (83%) higher in 2019, respectively. Meanwhile, expenses for repairs were \$672,000 (84%) lower because of a schedule variance between the 2018 and 2019 asphalt repair programs.

¹ Business license fees were historically collected by the City and due in the first quarter of the year, concentrating revenue between January and April. The State now administers the business license program and, as of January 2019, collects fees year-round. This distributes the City's revenue over the entire year. Thus, while business license revenue was lower so far in 2019, it is expected to catch up to the 2018 level by the end of the year.

² The City establishes and maintains minimum fund balance targets, the amounts of which are determined by staff, for the Streets, REET, and B&DS funds. Targets are \$135,000, \$35,000, and \$370,000, respectively. These are internal targets and should not be confused with codified reserve balances.

- **REAL ESTATE EXCISE TAX (REET) FUND:** REET revenue was \$324,000 (15%) lower so far in 2019 compared to 2018. YTD transaction volume was 19% lower, the average selling price was 2% lower, and August 2019 revenue was 9% below the 5-year average for that month. The selling price of the most expensive property in 2019 was \$4.2 million, compared to \$8.7 million through August of last year. Sales of properties below \$700,000 decreased 22% in volume and 33% in total value, and sales in the \$700,000 to \$3 million range decreased 22% in volume and 20% in total value. Conversely, sales of properties above \$3 million increased 29% in volume (nine transactions through August 2019 compared to seven in 2018) and 3% in total value.
- **CAPITAL CONSTRUCTION FUND:** Expenses in the Capital Construction Fund were \$565,000 (35%) higher YTD 2019 compared to the same period in 2018³. 2019 capital professional services costs and land or right-of-way acquisition costs were \$86,000 (47%) and \$57,000 (138%) higher, respectively. Construction costs, including costs for Miller Road and Olympic Drive non-motorized improvements, were \$307,000 (37%) higher than they were at the end of August 2018.
- **WATER FUND:** Water Fund revenue was \$33,000 (3%) lower so far in 2019 compared to the same timeframe in 2018. Excluding \$119,000 of investment revenue⁴, however, Water Fund revenue was \$152,000 (15%) lower in 2019. Water sales revenue was \$88,000 (15%) higher⁵, but that increase was offset by falling connection fee revenue, which varies depending on the level and stage of development activity taking place on the Island and was \$211,000 (76%) lower so far in 2019. Transaction volume for water connection fees dropped by 53%, from 66 transactions in 2018 to only 31 in 2019.

Expenses in the Water Fund were \$191,000 (21%) higher through August 2019 compared to 2018. Personnel costs were \$90,000 (22%) higher in 2019 due to cost of living and salary step increases, as well as an increase in the Water Fund's labor cost allocation percentage. 2019 capital construction expenses included \$170,000 for the water component of the Olympic Drive non-motorized project, while capital professional services, machinery and equipment, and supplies expenses were collectively \$122,000 (88%) lower in 2019.

³ In June 2018, a \$500,000 subsidy for the pedestrian bridge project across highway 305 was returned when the project was cancelled. That unusual transaction has been excluded from this analysis to provide a more accurate comparison of capital expenditures between 2018 and 2019.

⁴ The City's accounting procedure to record investment interest revenue changed at the beginning of 2019. Prior to 2019, all investment interest revenue was allocated to the City's various funds once per year by a percentage based on the funds' respective cash balances. The same allocation method is being used in 2019, but the revenue is allocated monthly instead of annually, potentially increasing the complexity of revenue comparisons between 2019 and 2018 through November.

⁵ A timing variance between 2018 and 2019 water sales revenue accruals will cause 2019 revenues to appear higher in this category in 2019.

- **SEWER FUND:** Revenue in the Sewer Fund was \$331,000 (13%) higher YTD 2019 compared to 2018⁶. Revenue from sewer service charges was up by \$318,000 (15%)⁷, while connection fee revenue in 2019 dropped by \$55,000 (32%), with transaction volume decreasing 38% (from 58 through August 2018 to only 36 in 2019). Like water connection fees, sewer connection fee revenue varies depending on development activity.

Expenses in the Sewer Fund were \$245,000 (8%) lower through August 2019 compared to 2018. Capital construction expenses in the Sewer Fund were \$233,000 (44%) lower so far in 2019. Expenses in 2019 included \$162,000 and \$86,000 for the Old Treatment Plant and Village pump station replacement projects, respectively.

- **STORM WATER FUND:** Revenue in the Storm Water Fund was \$133,000 (9%) higher YTD 2019 compared to 2018. Revenue from stormwater management fees was \$59,000 (4%) higher so far, reflecting the City's 3.2% stormwater management fee increase combined with a 1% increase in the number of properties receiving this fee in 2019. An additional \$45,000 in State Grant revenue and \$33,000 in investment revenue⁸ in 2019 created the remainder of the difference.
- **BUILDING & DEVELOPMENT SERVICES (B&DS) FUND:** Overall revenue in the B&DS Fund was \$293,000 (13%) higher through August 2019 compared to the same timeframe in 2018. However, excluding transfers from the General Fund to maintain the minimum fund balance target, YTD revenue in 2019 was \$334,000 (26%) lower. Contributing factors included building permit revenue, which was \$220,000 (37%) lower with both transaction volume and the average permit fee amount dropping by 20% and 21%, respectively. Revenue from other planning and development fees saw a 15% increase in the average fee amount, but a 44% reduction in transaction volume led to a \$35,000 (35%) decrease in revenue compared to January through August 2018. Similarly, revenue from plan checking fees dropped \$56,000 (17%) compared to 2018 because, although the average fee amount was 5% higher, YTD transaction volume was 21% lower.

B&DS Fund expenses were \$241,000 (13%) higher so far in 2019 compared to 2018. Legal professional services costs decreased \$110,000 (67%), while personnel costs were \$323,000 (22%) higher through August 2019. Cost of living and salary step increases, additional staff direct-charging time to the B&DS Fund, and an increase in the B&DS Fund's labor cost allocation percentage all contributed to the increase in personnel expenses.

⁶ Adjusted for investment interest revenue in 2019. Please see footnote 4 for further details.

⁷ A timing variance between 2018 and 2019 sewer sales revenue accruals will cause 2019 revenues to appear higher in this category in 2019.

⁸ See footnote 4.