

DATE: December 8, 2023
TO: Blair King, City Manager; City Council
FROM: Finance Department
SUBJECT: October 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.



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SECTION 1: 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 Services (B&DS)	Cautionary	While 2023 revenue is higher 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 October is 30% lower than 2022 revenue and on pace for lowest total since 2019.
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 1: SUMMARY OF YEAR-TO-DATE FUND ACTIVITY

Table 1 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.

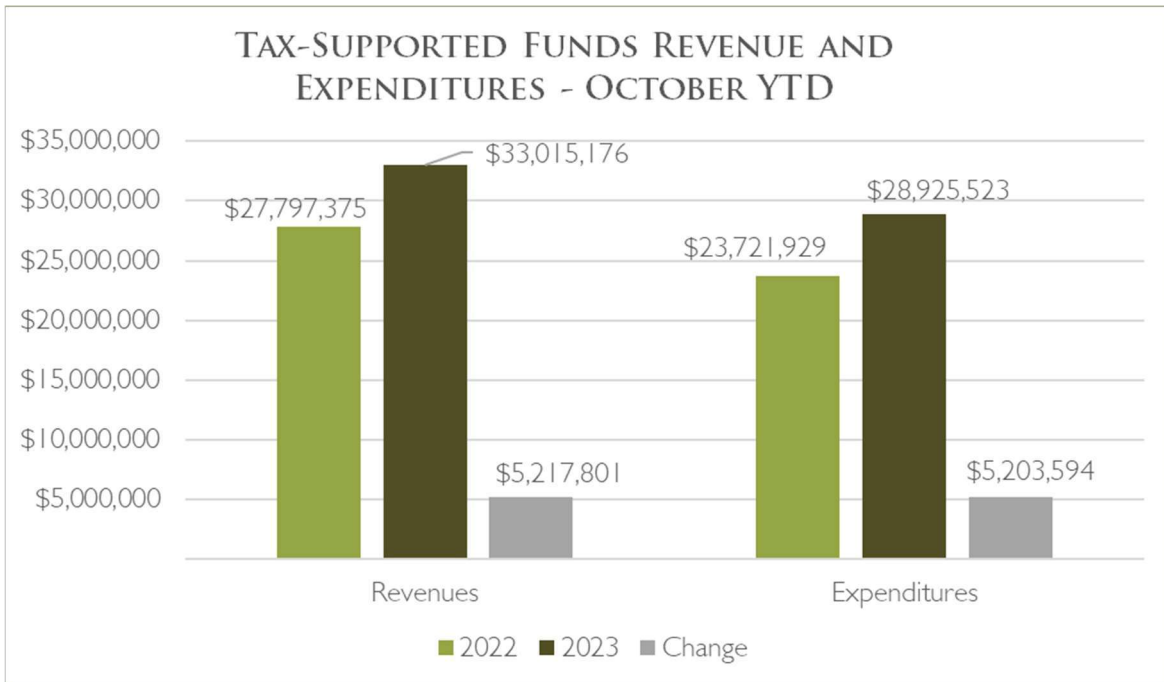
Table 1 - Summary of Year-to-date Fund Activity									
FUND NAME	2023 BEGINNING FUND BALANCE	YTD 2023 REVENUES	YTD 2022 REVENUES	YTD 2023 EXPENSES	YTD 2022 EXPENSES	YTD 2023 TRANSFERS	MONTH END FUND BALANCE	RESERVES	
Tax-Supported Funds									
General Fund	\$ 22,533,163	\$ 24,458,218	\$ 18,822,518	\$ (15,247,368)	\$ (13,390,711)	\$ (5,051,083)	\$ 26,692,931	\$ 5,951,535	
Street Fund	\$ 52,847	\$ 1,163,143	\$ 984,070	\$ (2,524,455)	\$ (2,724,633)	\$ 1,379,633	\$ 71,168	N/A	
REET Fund	\$ 2,145,584	\$ 2,534,650	\$ 3,572,871	\$ -	\$ -	\$ (2,193,291)	\$ 2,486,944	N/A	
Civic Impr. Fund	\$ 551,280	\$ 376,320	\$ 327,383	\$ (218,301)	\$ (293,399)	\$ -	\$ 709,299	N/A	
Affordable Housing Fund	\$ 1,432,435	\$ 812,382	\$ 694,660	\$ (102,858)	\$ (15,135)	\$ -	\$ 2,141,959	\$ 59,171	
FAR-Public Amenities	\$ 21,770	\$ (81)	\$ 2,924	\$ (7,179)	\$ -	\$ -	\$ 14,510	N/A	
FAR-Farm/Agriculture	\$ 98,870	\$ 2,263	\$ 4,920	\$ (10,768)	\$ -	\$ -	\$ 90,366	N/A	
ARPA Fund	\$ -	\$ 28,984	\$ 47,606	\$ -	\$ -	\$ -	\$ 28,984	N/A	
General Obligation Bond Fund	\$ 5,657	\$ 597,698	\$ 555,250	\$ (527,450)	\$ (547,334)	\$ 779,312	\$ 855,217	N/A	
LID Bond Fund	\$ 128,319	\$ -	\$ -	\$ (39,044)	\$ (40,743)	\$ -	\$ 89,275		
Trans. Benefit Fund	\$ 1,461,319	\$ 668,380	\$ 558,319	\$ (24,721)	\$ -	\$ (1,377,258)	\$ 727,720	N/A	
Trans. Impact Fund	\$ 200,076	\$ 56,474	\$ 106,447	\$ -	\$ -	\$ -	\$ 256,549	N/A	
Capital Const. Fund	\$ 8,177,257	\$ 191,034	\$ 665,040	\$ (7,180,912)	\$ (4,026,362)	\$ 5,296,544	\$ 6,483,924	N/A	
Building Svcs. Fund	\$ 10,000	\$ 1,628,155	\$ 1,095,729	\$ (2,764,319)	\$ (2,533,472)	\$ 1,157,392	\$ 31,228	N/A	
Equipment Rental & Revolving	\$ 2,844,995	\$ 497,556	\$ 359,637	\$ (278,150)	\$ (150,142)	\$ -	\$ 3,064,401	N/A	
	\$ 39,663,573	\$ 33,015,176	\$ 27,797,375	\$ (28,925,523)	\$ (23,721,929)	\$ (8,750)	\$ 43,744,475	\$ 6,010,706	
Utility Funds									
Water Fund	\$ 5,677,082	\$ 1,805,876	\$ 1,445,649	\$ (2,586,251)	\$ (2,254,019)	\$ 8,750	\$ 4,905,458	\$ 449,143	
Sewer Fund	\$ 5,576,585	\$ 4,237,231	\$ 4,144,235	\$ (3,877,276)	\$ (4,044,353)	\$ -	\$ 5,936,540	\$ 1,213,625	
Storm Water Fund	\$ 5,536,097	\$ 3,343,500	\$ 2,785,065	\$ (1,899,751)	\$ (1,881,306)	\$ -	\$ 6,979,846	\$ 655,077	
	\$ 16,789,764	\$ 9,386,607	\$ 8,374,948	\$ (8,363,278)	\$ (8,179,678)	\$ 8,750	\$ 17,821,843	\$ 2,317,845	

Due to one-time payments related to interest earned on a large permit refund out of the Floor to Area Ratio (FAR) – Public Amenities, and Floor to Area Ratio (FAR) – Farm/Agriculture funds, these funds have been added to the report where they were previously omitted due to limited fund activity.

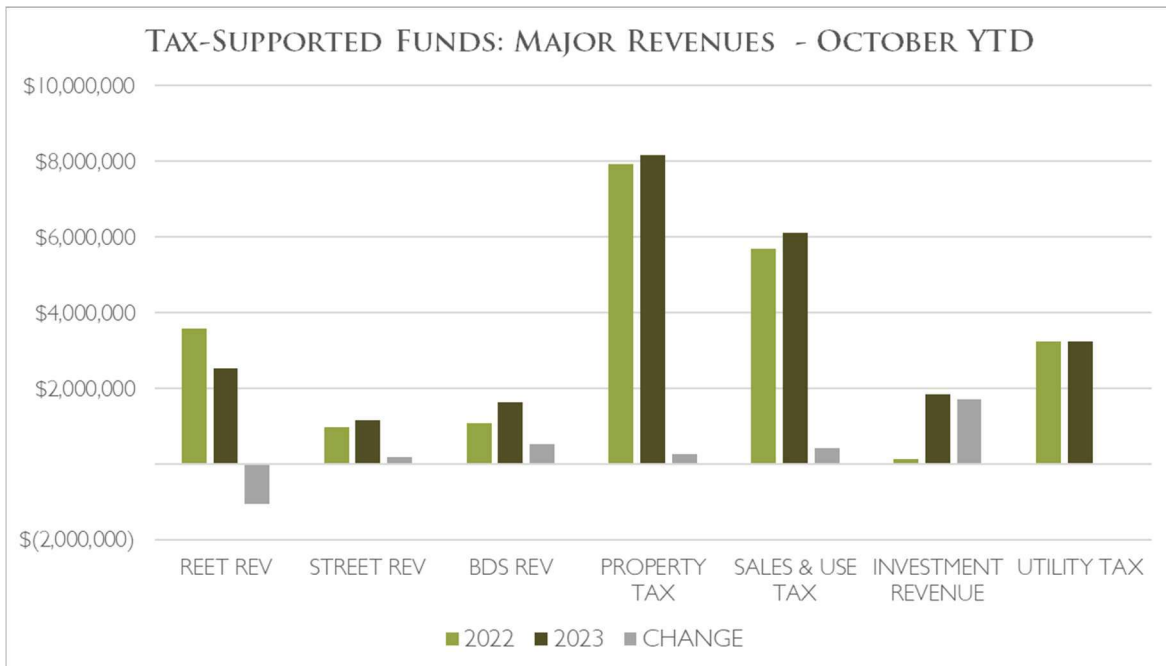
Additional notes and comments on variances can be found in subsequent sections.

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

-
- | Major Revenue Increases
Since 2022 | Major Revenue Decreases
Since 2022 |
|---|---|
| <ul style="list-style-type: none">• General Fund<ul style="list-style-type: none">○ ARPA Related Revenues \$3,484,000 or 100% (no revenue in 2022)<ul style="list-style-type: none">▪ Spending on committed ARPA projects previously approved by Council will continue to be tracked separately on page 12 of this report.○ Intergovernmental Revenue \$202,000 or 45%○ Fines & Forfeits \$32,000 or 145%○ Investment Revenue \$1,129,000 or 391%• Street Fund<ul style="list-style-type: none">○ ARPA Grant \$201,000 or 100% (no revenue in 2022)○ Other Revenues \$32,000 or 46%• Real Estate Excise Tax Fund (REET)<ul style="list-style-type: none">○ Investment Interest \$41,000 or 266%• Civic Improvement Fund<ul style="list-style-type: none">○ Investment Interest \$18,000 or 381%• Affordable Housing Fund<ul style="list-style-type: none">○ Housing & Related Services Sales Tax \$173,000 or 36%○ Investment Interest \$64,000 or 100% (no revenue in 2022)• ER&R Fund<ul style="list-style-type: none">Investment Interest \$82,000 or 369% | <ul style="list-style-type: none">• Street Fund<ul style="list-style-type: none">○ Commercial Parking Lot Tax \$43,000 or 9%• REET Fund<ul style="list-style-type: none">○ Real Estate Excise Tax \$1,079,000 or 30%• Transportation Improvement Fund<ul style="list-style-type: none">○ Transportation Impact Fees \$57,000 or 54% |

SECTION 2 EXPENDITURE NOTES

Major Expenditure **Increases**
Since 2022

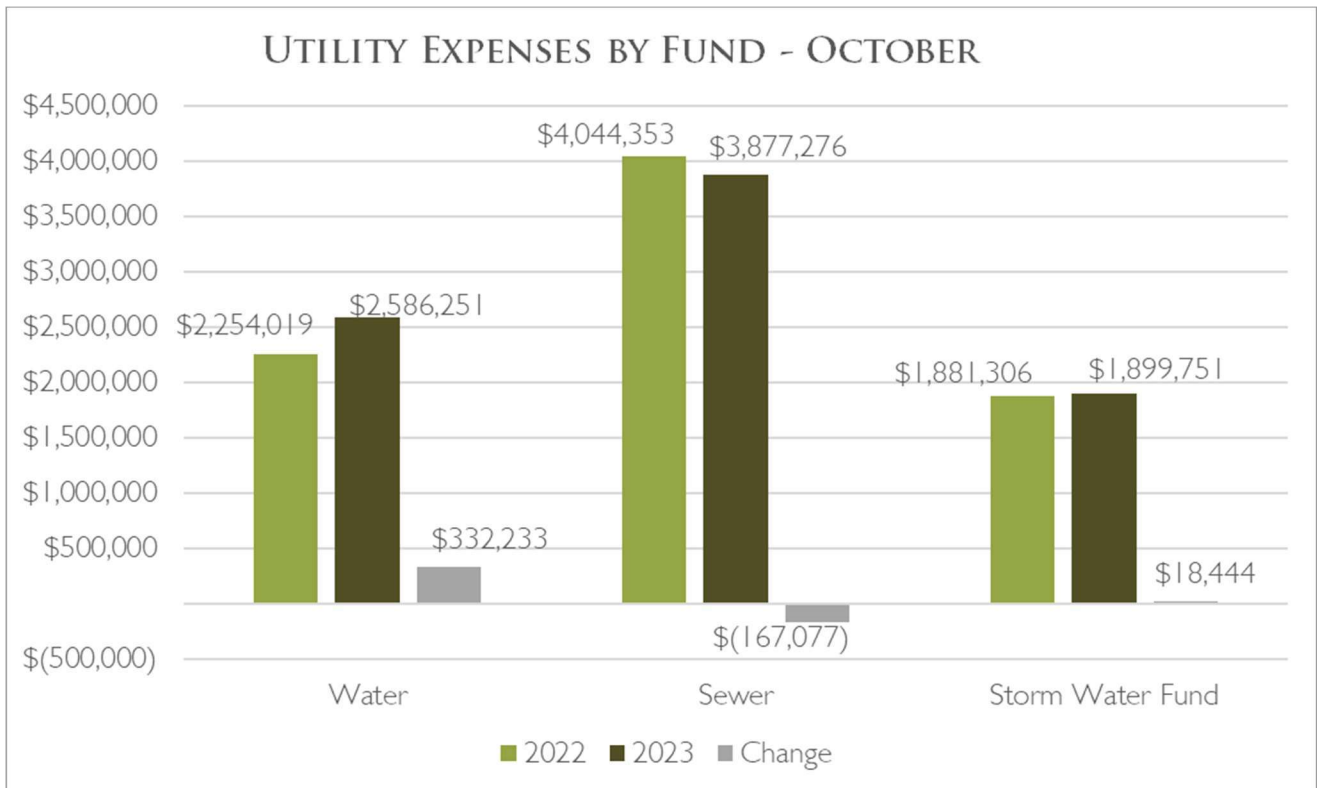
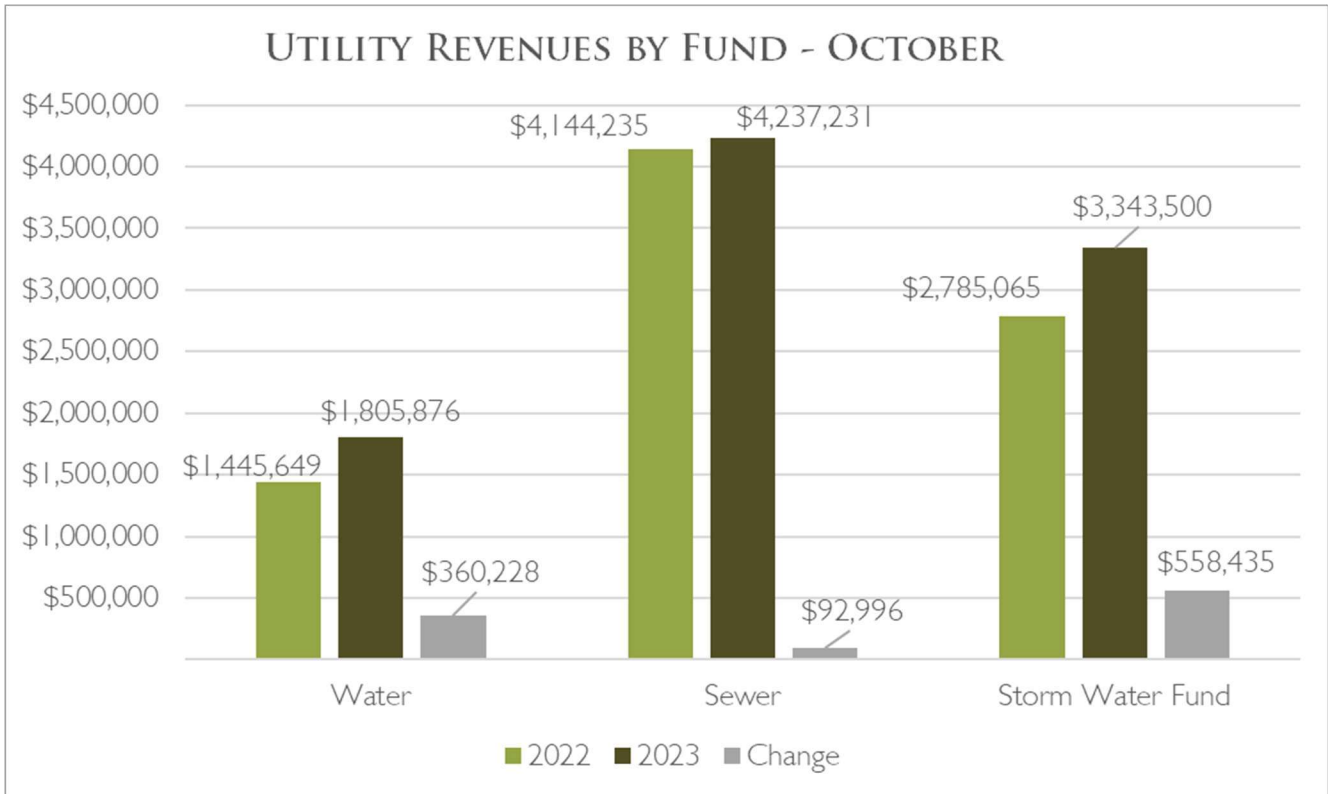
Major Expenditure **Decreases**
Since 2022

- General Fund
 - Salaries and Benefits \$767,000 or 9%
 - Insurance \$125,000 or 39%
 - Repair and Maintenance \$112,000 or 66%
 - Professional Services \$797,000 or 48%
 - The largest items driving this increase are the Winslow Subarea Plan, Interim City Attorney costs, evaluation of Waste Management Services and Landfill Monitoring, Public Works Fuel Software Upgrade, and the new Ted Spearman Justice Center. These items account for \$726,000 of increased spending in 2023.
- Street Fund
 - Supplies \$154,000 or 93%
- Building & Development Fund
 - Insurance \$44,000 or 63%
- Affordable Housing Fund
 - Professional and Community Services \$56,000 or 368%
- Capital Construction Fund
 - Total Capital Projects \$3,294,000 or 87%
 - During 2023, a total of \$7,100,000 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 \$128,000 or 85%

- General Fund
 - Capital Acquisitions \$319,000 or 100%
- Street Fund
 - Repairs \$400,000 or 57%
 - A portion of the \$1M in Street repair/maintenance budget was redirected to the Madison Ave Improvement capital project in 2023.
- REET Fund
 - Transfers Out \$1,928,000 or 47%
- Capital Construction Fund
 - Salaries and Benefits \$80,000 or 50%
- Building and Development
 - Legal \$77,000 or 59%

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. Revenues include operating as well as other inflows such as debt proceeds. 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 \$136,000 or 277%
 - Loan Proceeds \$186,000 or 164%
- Sewer Fund
 - Investment Interest \$160,000 or 357%
- Storm & Surface Water Fund
 - Grants - Department of Ecology \$35,000 or 39%
 - Investment Interest \$160,000 or 512%

Decreases

- Water Fund
 - Capital Contributions \$155,000 or 72%
- Sewer Fund
 - Loan Proceeds \$339,000 or 84%

Increases

- Water Fund
 - Supplies \$33,000 or 33%
 - Utilities \$36,000 or 41%
 - Insurance \$17,000 or 61%
- Sewer Fund:
 - Insurance \$24,000 or 45%
 - Utilities \$69,000 or 28%
- Storm & Surface Water Fund:
 - Total Capital Projects \$184,000 or 100% (no expense in 2022)

Decreases

- Water Fund
 - Professional Services \$54,000 or 33%
 - Repairs \$50,000 or 63%
 - Machinery & Equipment \$44,000 or 100%
- Sewer Fund
 - Professional Services \$155,000 or 59%
 - Repairs \$90,000 or 37%
- Storm & Surface Water Fund
 - Repairs \$185,000 or 61%

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 October, 83% 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	\$ 24,494,218	\$ (2,828,818)	113%	\$ (27,880,159)	\$ (20,334,450)	\$ (7,545,708)	73%
Street Fund	\$ 2,899,533	\$ 2,542,775	\$ 356,758	88%	\$ (3,422,710)	\$ (2,524,455)	\$ (898,255)	74%
REET Fund	\$ 3,257,000	\$ 2,534,650	\$ 722,350	78%	\$ (2,349,194)	\$ (2,193,291)	\$ (155,903)	93%
Civic Impr. Fund	\$ 341,000	\$ 376,320	\$ (35,320)	110%	\$ (379,085)	\$ (218,301)	\$ (160,784)	58%
Affordable Housing Fund	\$ 523,000	\$ 812,382	\$ (289,382)	155%	\$ (111,900)	\$ (102,858)	\$ (9,042)	92%
FAR-Public Amenities	\$ 7,000	\$ (81)	\$ 7,081	-1%	\$ -	\$ (7,179)	\$ 7,179	N/A
FAR-Farm/Agriculture	\$ 12,000	\$ 2,263	\$ 9,737	19%	\$ -	\$ (10,768)	\$ 10,768	N/A
ARPA Fund	\$ 64,000	\$ 28,984	\$ 35,016	45%	\$ (64,000)	\$ -	\$ (64,000)	0%
General Obligation Bond Fund	\$ 1,590,415	\$ 1,377,010	\$ 213,405	87%	\$ (1,590,415)	\$ (527,450)	\$ (1,062,965)	33%
LID Bond Fund	\$ -	\$ -	\$ -	0%	\$ (39,075)	\$ (39,044)	\$ (31)	100%
Trans. Benefit Fund	\$ 655,000	\$ 668,380	\$ (13,380)	102%	\$ (1,477,258)	\$ (1,401,979)	\$ (75,279)	95%
Trans. Impact Fund	\$ 110,000	\$ 56,474	\$ 53,526	51%	\$ -	\$ -	\$ -	0%
Capital Const. Fund	\$ 6,415,044	\$ 5,523,579	\$ 891,466	86%	\$ (17,575,321)	\$ (7,216,912)	\$ (10,358,408)	41%
Building Svcs. Fund	\$ 3,292,829	\$ 2,785,546	\$ 507,283	85%	\$ (3,487,042)	\$ (2,764,319)	\$ (722,723)	79%
Equipment Rental & Revolving	\$ 561,000	\$ 497,556	\$ 63,444	89%	\$ (1,487,695)	\$ (278,150)	\$ (1,209,545)	19%
	\$ 41,393,221	\$ 41,700,057	\$ (306,835)	101%	\$ (59,863,853)	\$ (37,619,154)	\$ (22,244,699)	63%
Utility Funds								
Water Fund	\$ 11,300,303	\$ 1,814,626	\$ 9,485,677	16%	\$ (16,880,728)	\$ (2,586,251)	\$ (14,294,477)	15%
Sewer Fund	\$ 7,409,000	\$ 4,237,231	\$ 3,171,769	57%	\$ (10,737,093)	\$ (3,877,276)	\$ (6,859,817)	36%
Storm Water Fund	\$ 3,282,000	\$ 3,343,500	\$ (61,500)	102%	\$ (5,302,398)	\$ (1,899,751)	\$ (3,402,647)	36%
	\$ 21,991,303	\$ 9,395,357	\$ 12,595,946	43%	\$ (32,920,219)	\$ (8,363,278)	\$ (24,556,941)	25%

Table 2 Notes

Inflows combine revenues and transfers while outflows combine expenditures and transfers. Funds with significant variance from budget and typical trends 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 – Grant revenues are lower year-to-date than budgeted due to delays in capital project spending. Transfer activity is \$440,000 higher than budget due to budget transfers relating to 2022 budget amendments that were not previously recorded. The latter will be corrected with the final budget amendment of 2023, which is being considered by Council on December 12, 2023.
- 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

- Equipment Rental & Revolving Fund – Supply chain issues continue to cause slowing in the purchasing processes for various new City vehicles.
- Water Fund – Expenses are below expectations because the budgeted expenses include expected loan payments for loan draws to fund 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	205,989	690,011
HUB Solar Panels (01215)	354,000	26,563	327,438
Madison Ave - Sustainable Transp 2023 (01088)	2,000,000	756,967	1,243,033
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	98,057	511,943
ADA Transition Plan (01218)*	61,885	111,537	-
Total	\$7,061,885	\$1,199,113	\$5,912,424

*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 October, 83% of the year has lapsed.

Department	Actuals through October 2023	2023 Revised Budget	\$ Budget Remaining	Budget % Remaining	Year % Remaining
City Council	255,753	552,257	296,504	54%	17%
Court	540,667	738,048	197,381	27%	17%
Executive (includes IT)	5,223,778	8,136,863	2,913,085	36%	17%
Finance	1,283,378	1,544,038	260,660	17%	17%
Police	5,061,632	6,296,317	1,234,685	20%	17%
Planning & Community Development	2,446,033	3,663,014	1,216,981	33%	17%
Public Works	17,657,093	56,602,685	38,945,592	69%	17%
General Government	4,820,468	6,136,477	1,316,010	21%	17%
Total	\$37,288,801	\$ 83,669,700	\$ 46,380,899	55%	17%

Table 4 Notes

- These amounts do not include transfers. Transfer amounts by fund can be seen on Table I.
- Public Works – 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.
- Planning & Community Development – Underspensing on professional service.
- City Council – The Council Contingency funds have yet to be used this year.