

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



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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 November is 28% 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.

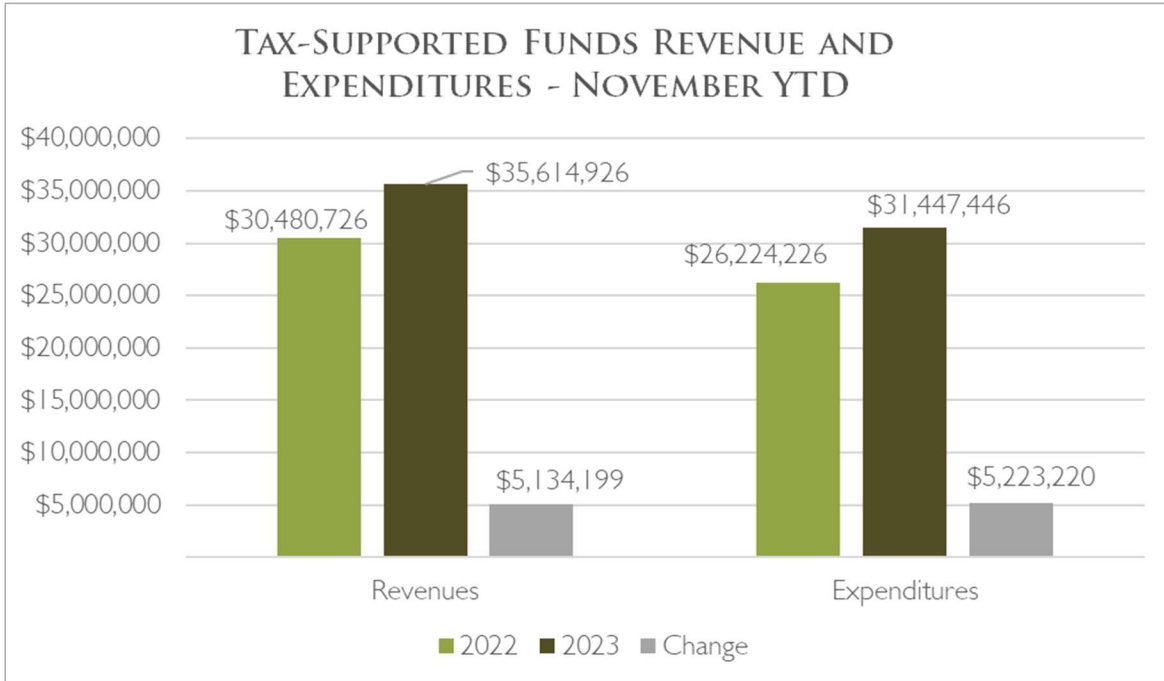
| <b>Table 1 - Summary of Year-to-date Fund Activity</b> |  |                              |                              |                              |                              |                               |                                       |                 |  |
|--|--|------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|---------------------------------------|-----------------|--|
| <b>FUND NAME</b>                                       | <b>2023<br/>BEGINNING<br/>FUND<br/>BALANCE</b> | <b>YTD 2023<br/>REVENUES</b> | <b>YTD 2022<br/>REVENUES</b> | <b>YTD 2023<br/>EXPENSES</b> | <b>YTD 2022<br/>EXPENSES</b> | <b>YTD 2023<br/>TRANSFERS</b> | <b>MONTH END<br/>FUND<br/>BALANCE</b> | <b>RESERVES</b> |  |
| <b>Tax-Supported Funds</b>                             |  |                              |                              |                              |                              |                               |                                       |                 |  |
| 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                             | N/A             |  |
| 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    |  |
| <b>Utility Funds</b>                                   |  |                              |                              |                              |                              |                               |                                       |                 |  |
| 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.

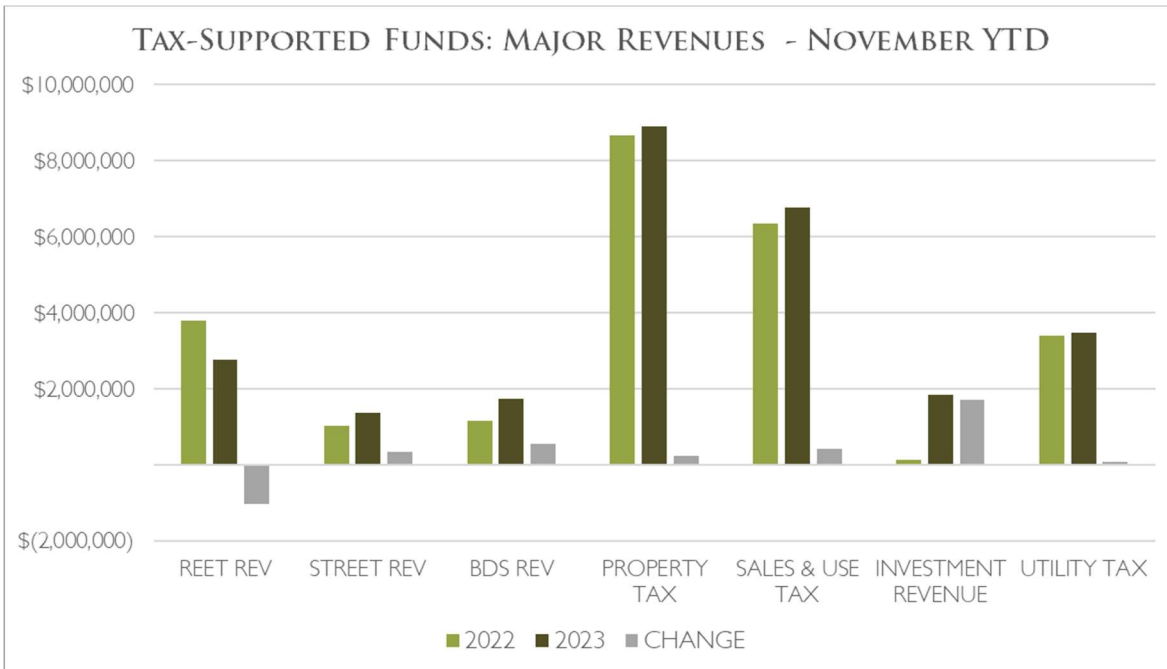
Additional notes and comments on variances can be found in subsequent sections.

## SECTION 2: TAX-SUPPORTED REVENUE & EXPENDITURE

The graphs show the change in amount at month-end from the prior year to the current year.



Graph 1 includes all combined 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

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### **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 \$188,000 or 40%
- Fines & Forfeits \$35,000 or 137%
- Investment Revenue \$1,194,000 or 315%

### **Street Fund**

- Commercial Parking Lot Tax \$131,000 or 27%
- ARPA Grant \$201,000 or 100% (no revenue in 2022)
- Other Revenues \$32,000 or 46%

### **Real Estate Excise Tax Fund (REET)**

- Investment Interest \$46,000 or 230%

### **Civic Improvement Fund**

- Investment Interest \$19,000 or 311%

### **Affordable Housing Fund**

- Housing & Related Services Sales Tax \$174,000 or 31%
- Investment Interest \$73,000 or 100% (no revenue in 2022)

### **ER&R Fund**

- Investment Interest \$87,000 or 298%

### **REET Fund**

- Real Estate Excise Tax \$1,060,000 or 28%

### **Transportation Improvement Fund**

- Transportation Impact Fees \$57,000 or 52%

## SECTION 2 EXPENDITURE NOTES

Major Expenditure **Increases**  
Since 2022

Major Expenditure **Decreases**  
Since 2022

### **General Fund**

- Salaries and Benefits \$810,000 or 9%
- Insurance \$125,000 or 39%
- Repair and Maintenance \$167,000 or 91%
- Professional Services \$948,000 or 49%
- 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.

### **Street Fund**

- Supplies \$120,000 or 56%

### **Building & Development Fund**

- Insurance \$44,000 or 63%

### **Affordable Housing Fund**

- Professional and Community Services \$56,000 or 352%

### **Capital Construction Fund**

- Total Capital Projects \$2,954,000 or 66%
- During 2023, a total of \$7,400,000 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%
- Transfers out in 2023 we for capital and street maintenance support.

### **ER&R Fund**

- Total Machinery and Equipment \$140,000 or 93%

### **General Fund**

- Capital Acquisitions \$319,000 or 100%

### **Street Fund**

- Repairs \$391,000 or 55%
- 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 \$2,105,000 or 48%
- Transfers out of REET in 2023 were for capital projects, debt service, and street maintenance.

### **Capital Construction Fund**

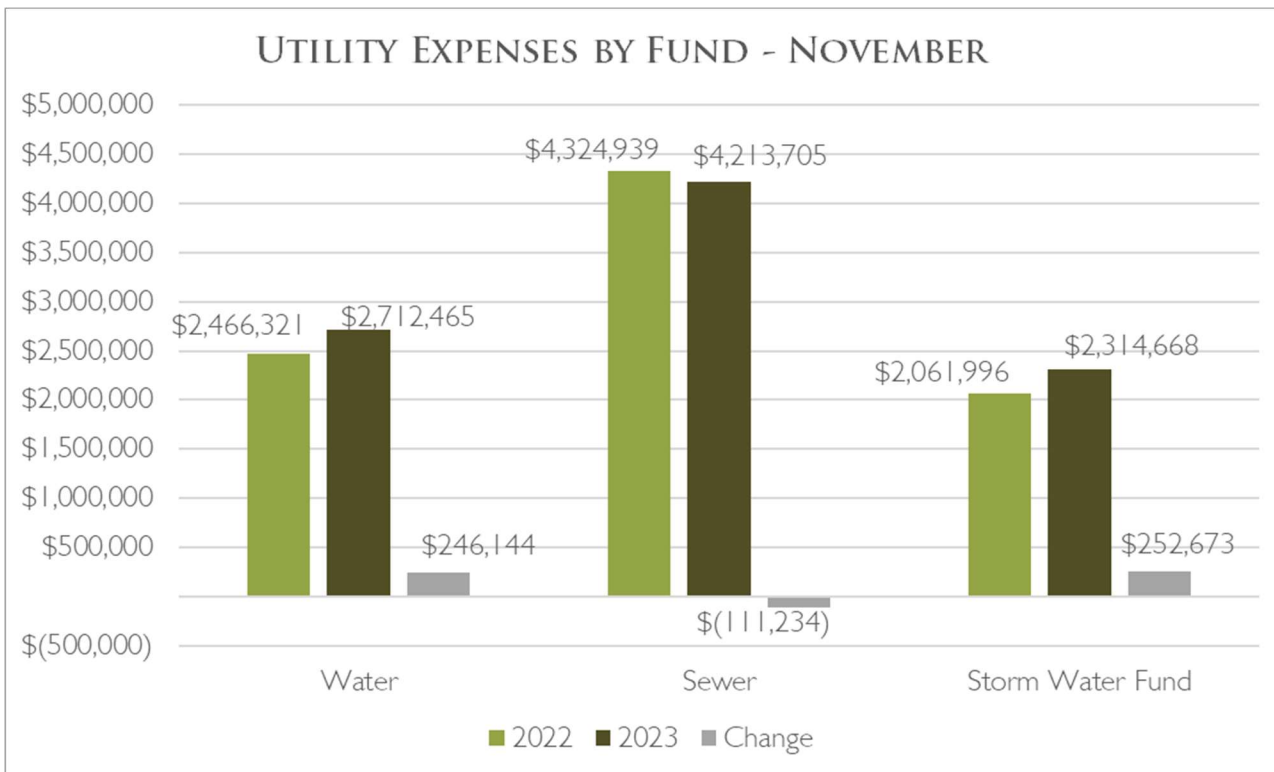
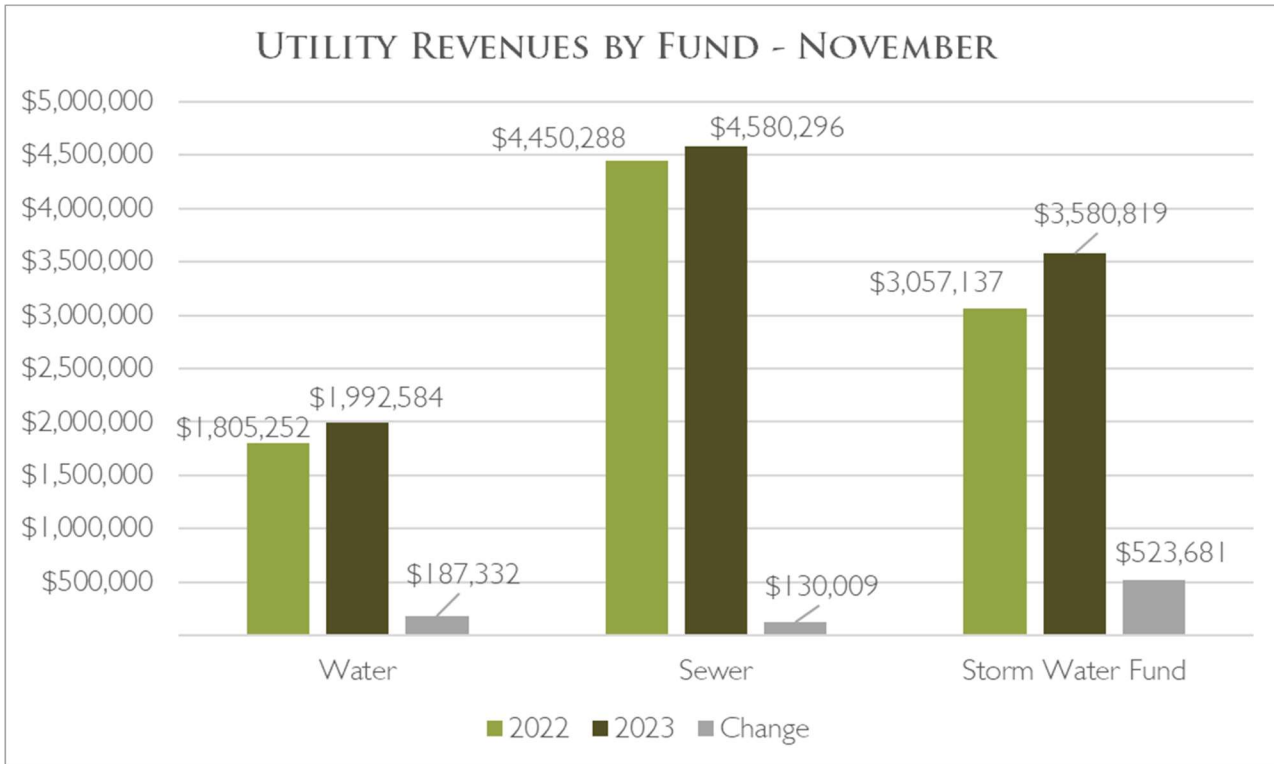
- Salaries and Benefits \$90,000 or 51%

### **Building and Development**

- Legal \$83,000 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. 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**

- Water Services \$218,000 or 19%
- Investment Interest \$141,000 or 219%

**Sewer Fund**

- Sewer Services \$321,000 or 9%
- Investment Interest \$168,000 or 284%

**Storm & Surface Water Fund**

- Investment Interest \$189,000 or 333%

Decreases

**Water Fund**

- Capital Contributions \$141,000 or 65%

**Sewer Fund**

- Loan Proceeds \$336,000 or 84%

Increases

**Water Fund**

- Supplies \$34,000 or 29%
- Utilities \$24,000 or 24%
- Insurance \$17,000 or 61%

**Sewer Fund**

- Insurance \$24,000 or 45%

**Storm & Surface Water Fund**

- Total Capital Projects \$491,000 or 24,313%  
(low capital expense in 2022)

Decreases

**Water Fund**

- Professional Services \$62,000 or 36%
- Repairs \$112,000 or 42%
- Machinery & Equipment \$44,000 or 100%

**Sewer Fund**

- Professional Services \$151,000 or 55%
- Repairs \$90,000 or 37%

**Storm & Surface Water Fund**

- Repairs \$184,000 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 for the current year. As of the end of November, 92% 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 |
|------------------------------|-----------------------|------------------|-------------------------|------------|------------------------|-------------------|--------------------------|---------|
| <b>Tax Supported Funds</b>   |                       |                  |                         |            |                        |                   |                          |         |
| General Fund                 | \$ 21,665,400         | \$ 26,259,930    | \$ (4,594,530)          | 121%       | \$ (30,484,941)        | \$ (22,111,929)   | \$ (8,373,011)           | 73%     |
| Street Fund                  | \$ 2,899,533          | \$ 2,759,909     | \$ 139,624              | 95%        | \$ (3,406,090)         | \$ (2,756,103)    | \$ (649,987)             | 81%     |
| REET Fund                    | \$ 3,257,000          | \$ 2,776,701     | \$ 480,299              | 85%        | \$ (2,349,194)         | \$ (2,271,222)    | \$ (77,972)              | 97%     |
| Civic Impr. Fund             | \$ 341,000            | \$ 425,131       | \$ (84,131)             | 125%       | \$ (379,085)           | \$ (255,537)      | \$ (123,548)             | 67%     |
| Affordable Housing Fund      | \$ 523,000            | \$ 896,937       | \$ (373,937)            | 171%       | \$ (111,900)           | \$ (82,683)       | \$ (29,217)              | 74%     |
| FAR-Public Amenities         | \$ 7,000              | \$ (7,202)       | \$ 14,202               | -103%      | \$ -                   | \$ -              | \$ -                     | N/A     |
| FAR-Farm/Agriculture         | \$ 12,000             | \$ (8,147)       | \$ 20,147               | -68%       | \$ -                   | \$ -              | \$ -                     | N/A     |
| ARPA Fund                    | \$ 64,000             | \$ 28,984        | \$ 35,016               | 45%        | \$ (64,000)            | \$ -              | \$ (64,000)              | 0%      |
| General Obligation Bond Fund | \$ 1,590,415          | \$ 1,507,460     | \$ 82,955               | 95%        | \$ (1,590,415)         | \$ (527,450)      | \$ (1,062,965)           | 33%     |
| LID Bond Fund                | \$ -                  | \$ -             | \$ -                    | 0%         | \$ (39,075)            | \$ (39,044)       | \$ (31)                  | 100%    |
| Trans. Benefit Fund          | \$ 655,000            | \$ 742,976       | \$ (87,976)             | 113%       | \$ (1,477,258)         | \$ (1,445,991)    | \$ 1,579,732             | 98%     |
| Trans. Impact Fund           | \$ 110,000            | \$ 62,130        | \$ 47,870               | 56%        | \$ -                   | \$ -              | \$ -                     | 0%      |
| Capital Const. Fund          | \$ 8,268,206          | \$ 5,528,613     | \$ 2,739,593            | 67%        | \$ (17,675,321)        | \$ (7,543,948)    | \$ (10,131,373)          | 43%     |
| Building Svcs. Fund          | \$ 3,692,829          | \$ 3,056,990     | \$ 635,839              | 83%        | \$ (3,487,042)         | \$ (3,056,990)    | \$ (430,052)             | 88%     |
| Equipment Rental & Revolving | \$ 561,000            | \$ 509,682       | \$ 51,318               | 91%        | \$ (1,487,695)         | \$ (290,469)      | \$ (1,197,226)           | 20%     |
|                              | \$ 43,646,383         | \$ 44,540,094    | \$ (893,710)            | 102%       | \$ (62,552,015)        | \$ (40,381,364)   | \$ (20,559,651)          | 65%     |
| <b>Utility Funds</b>         |                       |                  |                         |            |                        |                   |                          |         |
| Water Fund                   | \$ 11,370,303         | \$ 2,001,334     | \$ 9,368,969            | 18%        | \$ (16,950,728)        | \$ (2,712,465)    | \$ (14,238,263)          | 16%     |
| Sewer Fund                   | \$ 7,535,000          | \$ 4,580,296     | \$ 2,954,704            | 61%        | \$ (10,975,299)        | \$ (4,213,705)    | \$ (6,761,594)           | 38%     |
| Storm Water Fund             | \$ 3,282,000          | \$ 3,580,819     | \$ (298,819)            | 109%       | \$ (5,363,598)         | \$ (2,314,668)    | \$ (3,048,930)           | 43%     |
|                              | \$ 22,187,303         | \$ 10,162,449    | \$ 12,024,854           | 46%        | \$ (33,289,624)        | \$ (9,240,838)    | \$ (24,048,787)          | 28%     |

### 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. Investment Interest revenues through November are \$1.2 million higher than budgeted expectations.
- 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.
- Water Fund – Revenues are below expectations due to lower-than-expected capital activity, resulting in reduced loan draws compared to the budget.

#### 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 due to reduced capital activity, and lower than budgeted loan payments for loans directly related to that activity.

### 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                 | 215,577                          | 680,423                 |
| HUB Solar Panels (01215)                      | 354,000                 | 26,563                           | 327,438                 |
| Madison Ave - Sustainable Transp 2023 (01088) | 2,000,000               | 757,554                          | 1,242,446               |
| 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                 | 98,137                           | 511,863                 |
| ADA Transition Plan (01218)*                  | 61,885                  | 111,537                          | -                       |
| <b>Total</b>                                  | <b>\$7,061,885</b>      | <b>\$1,209,367</b>               | <b>\$5,902,169</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 November, 92% of the year has lapsed.

| <b>Department</b>                | <b>Actuals through November 2023</b> | <b>2023 Revised Budget</b> | <b>\$ Budget Remaining</b> | <b>Budget % Remaining</b> | <b>Year % Remaining</b> |
|----------------------------------|--------------------------------------|----------------------------|----------------------------|---------------------------|-------------------------|
| City Council                     | 280,745                              | 552,257                    | 271,513                    | 49%                       | 8%                      |
| Court                            | 589,281                              | 738,048                    | 148,767                    | 20%                       | 8%                      |
| Executive (includes IT)          | 5,749,771                            | 8,231,863                  | 2,482,092                  | 30%                       | 8%                      |
| Finance                          | 1,421,545                            | 1,544,038                  | 122,493                    | 8%                        | 8%                      |
| Police                           | 5,549,539                            | 6,296,317                  | 746,778                    | 12%                       | 8%                      |
| Planning & Community Development | 2,697,326                            | 3,707,014                  | 1,009,688                  | 27%                       | 8%                      |
| Public Works                     | 19,410,984                           | 57,072,091                 | 37,661,107                 | 66%                       | 8%                      |
| General Government               | 4,989,093                            | 6,136,477                  | 1,147,384                  | 19%                       | 8%                      |
| <b>Total</b>                     | <b>\$40,688,284</b>                  | <b>\$ 84,278,106</b>       | <b>\$ 43,589,822</b>       | <b>52%</b>                | <b>8%</b>               |

**Table 4 Notes**

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