

DATE: March 22, 2024
TO: Blair King, City Manager; City Council
FROM: Finance Department
SUBJECT: January 2024 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 | Though January revenue came in higher than 2023 by \$32,000, January expenses have increased due to a significant increase in insurance costs allocated to the fund. Fee changes in late 2023 should have a positive impact on 2024 revenues, though the fund is still anticipated to require more General Fund support than originally forecasted. |
| Real Estate Excise Tax (REET) | Cautionary | 2024 revenue through January is 30% higher than 2023 revenue, which may indicate a return to more recent revenue trends, and a recovery from the recent low revenues of 2023. |
| 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 | 2024 BEGINNING FUND BALANCE | YTD 2024 REVENUES | YTD 2023 REVENUES | YTD 2024 EXPENSES | YTD 2023 EXPENSES | YTD 2024 TRANSFERS | MONTH END FUND BALANCE | RESERVES |
| Tax-Supported Funds | | | | | | | | |
| General Fund | \$ 23,830,063 | \$ 1,424,718 | \$ 1,362,660 | \$ (2,052,345) | \$ (1,792,850) | \$ (3,736,293) | \$ 19,466,143 | \$ 5,980,196 |
| Street Fund | \$ 146,224 | \$ 47,403 | \$ 99,021 | \$ (411,722) | \$ (326,125) | \$ 339,101 | \$ 121,006 | N/A |
| REET Fund | \$ 2,784,393 | \$ 178,689 | \$ 136,089 | \$ - | \$ - | \$ (2,276,704) | \$ 686,378 | N/A |
| Civic Impr. Fund | \$ 715,531 | \$ 31,920 | \$ 25,818 | \$ - | \$ - | \$ - | \$ 747,451 | N/A |
| Affordable Housing Fund | \$ 2,317,801 | \$ 78,289 | \$ 65,870 | \$ (36,245) | \$ (1,125) | \$ - | \$ 2,359,844 | \$ 59,171 |
| FAR-Public Amenities | \$ 14,627 | \$ 61 | \$ 1,132 | \$ - | \$ - | \$ - | \$ 14,688 | N/A |
| FAR-Farm/Agriculture | \$ 91,095 | \$ 379 | \$ 1,905 | \$ - | \$ - | \$ - | \$ 91,474 | N/A |
| ARPA Fund | \$ - | \$ - | \$ 14,831 | \$ - | \$ - | \$ - | \$ - | N/A |
| General Obligation Bond Fund | \$ 4,048 | \$ 1,414 | \$ 2,204 | \$ - | \$ - | \$ 77,305 | \$ 82,767 | N/A |
| LID Bond Fund | \$ 89,275 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 89,275 | N/A |
| Trans. Benefit Fund | \$ 803,701 | \$ 61,674 | \$ 41,468 | \$ - | \$ - | \$ (442,438) | \$ 422,937 | N/A |
| Trans. Impact Fund | \$ 362,058 | \$ 8,698 | \$ 625 | \$ - | \$ - | \$ - | \$ 370,756 | N/A |
| Capital Const. Fund | \$ 6,428,312 | \$ - | \$ 41,245 | \$ (17,379) | \$ (504,155) | \$ 5,530,594 | \$ 11,941,528 | N/A |
| Building Svcs. Fund | \$ 12,299 | \$ 141,705 | \$ 109,486 | \$ (474,105) | \$ (374,512) | \$ 323,684 | \$ 3,583 | N/A |
| Equipment Rental & Revolving | \$ 3,039,094 | \$ 12,646 | \$ 8,880 | \$ (5) | \$ - | \$ - | \$ 3,051,734 | N/A |
| | \$ 40,638,519 | \$ 1,987,596 | \$ 1,911,233 | \$ (2,991,802) | \$ (2,998,766) | \$ (184,750) | \$ 39,449,564 | \$ 6,039,367 |
| Utility Funds | | | | | | | | |
| Water Fund | \$ 5,088,743 | \$ 142,422 | \$ 197,819 | \$ (248,273) | \$ (189,511) | \$ 8,750 | \$ 4,991,642 | \$ 449,143 |
| Sewer Fund | \$ 5,876,129 | \$ 371,247 | \$ 292,219 | \$ (340,303) | \$ (262,582) | \$ - | \$ 5,907,073 | \$ 1,213,625 |
| Storm Water Fund | \$ 6,268,388 | \$ 30,829 | \$ 79,849 | \$ (226,496) | \$ (290,254) | \$ 176,000 | \$ 6,248,721 | \$ 655,077 |
| | \$ 17,233,260 | \$ 544,498 | \$ 569,887 | \$ (815,072) | \$ (742,347) | \$ 184,750 | \$ 17,147,436 | \$ 2,317,845 |

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

Capital funding transfers for 2024 include:

General Fund - \$3.4 million

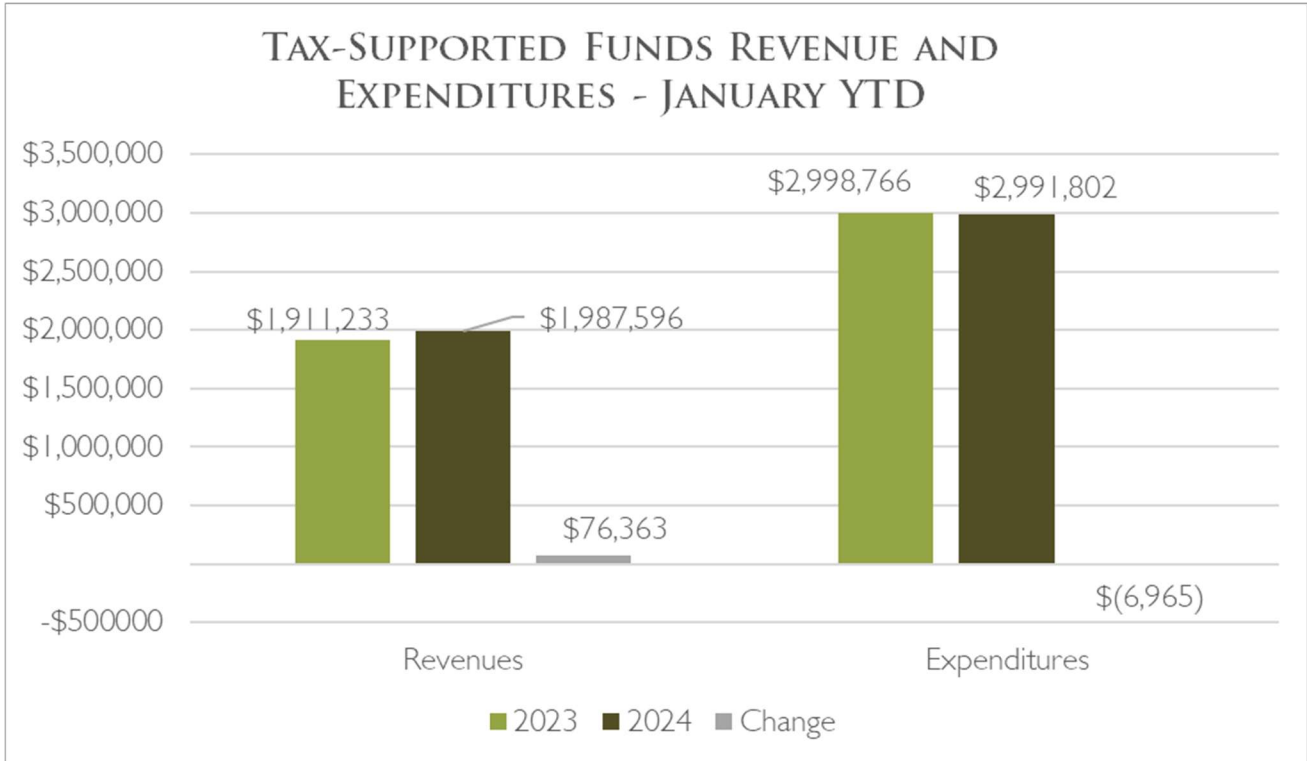
- Public Works Yard Improvements \$525,000
- Buckling Hill Rd Reconstruction \$846,000
- Country Club Bulkhead Reconstruction \$917,000
- Electric Vehicle Charging Station \$160,000
- Ted Spearman Justice Center Carbon Offset \$780,000
- Springbrook Fish Passage \$176,000

Real Estate Excise Tax - \$2.2 million

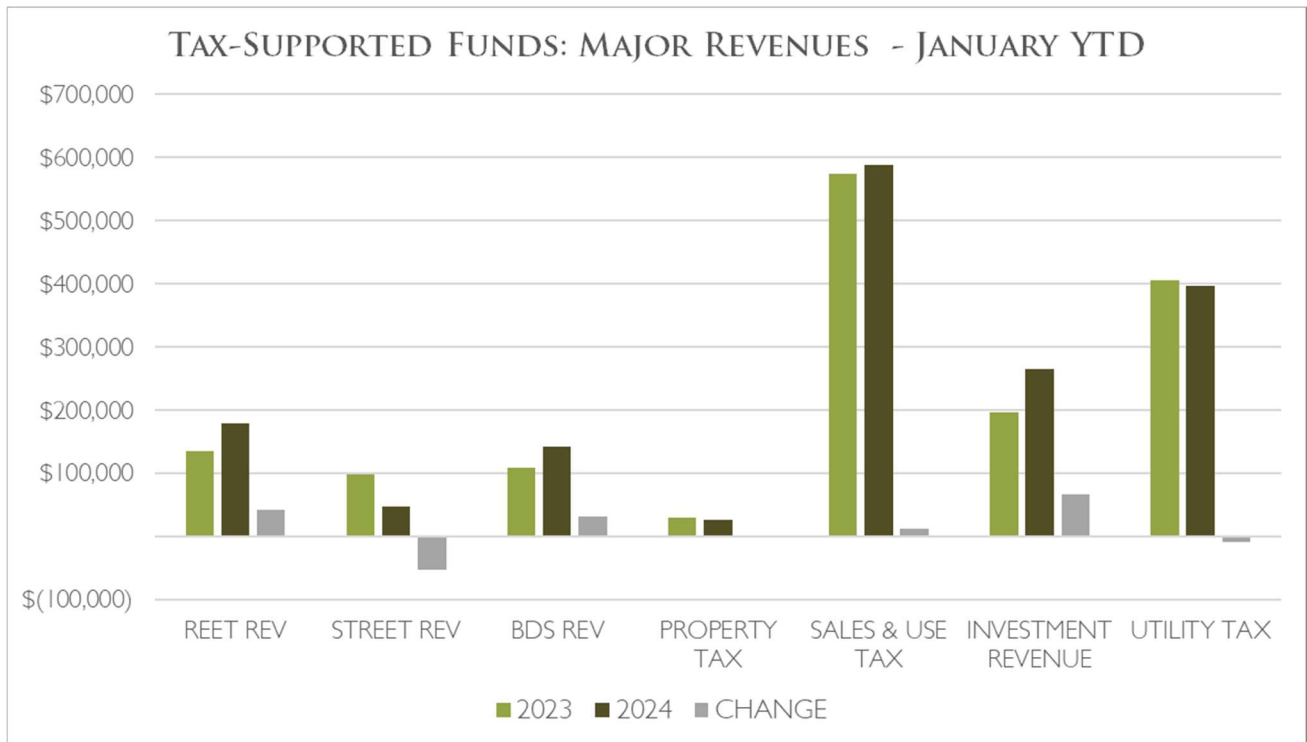
- Eagle Harbor/Wyatt Non-Motorized Improvements \$2,100,000
- City Hall Lower Parking Lot Retrofit \$14,000
- Pleasant Beach Drive Extension \$87,000

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 2023

Major Revenue **Decreases**
Since 2023

General Fund

- Intergovernmental Revenue \$18,000 or 35%
- Sales & Use Tax \$13,000 or 2%
- Investment Revenue \$46,000 or 41%

Real Estate Excise Tax Fund (REET)

- Real Estate Excise Tax \$41,000 or 30%
- Investment Interest \$2,000 or 173%

Civic Improvement Fund

- Hotel/Motel Tax \$5,000 or 20%
- Investment Interest \$1,000 or 79%

Transportation Benefit Fund

- TBD Vehicle Fees \$20,000 or 51%
- This fee was increased by \$10 for 2024, but due to late implementation by the State, it did not take effect until April of 2024.

Transportation Improvement Fund

- Transportation Impact Fees \$7,000 (no 2023 amount)

Building and Development

- Engineering Fees \$16,000 (no 2023 amount)
- Other Planning/Dev Fees \$33,000 or 180%

ER&R Fund

- Investment Interest \$4,000 or 42%

Street Fund

- Other Revenues \$50,000 or 100%
- January 2023 had a one-time donation of \$50,000 from the Bl Parks Foundation for the STO Trail.

SECTION 2 EXPENDITURE NOTES

Major Expenditure **Increases**
Since 2023

Major Expenditure **Decreases**
Since 2023

General Fund

- Computer Support/Software Maintenance \$184,000 or 243%
- This change is primarily due to the timing of payment for annual financial software costs, which were paid in April of 2023 compared to January of 2024.

Street Fund

- Insurance \$84,000 or 78%

REET Fund

- Transfers out \$785,000 or 53%
- Transfers out of REET in 2024 are for capital support, debt service, and street maintenance.

Affordable Housing Fund

- Professional Services \$13,000 or 1170%

Building & Development Fund

- Insurance \$97,000 or 86%

General Fund

- Professional Services \$25,000 of 35%

Street Fund

- Supplies \$40,000 or 64%
- January 2023 winter storm

Capital Construction Fund

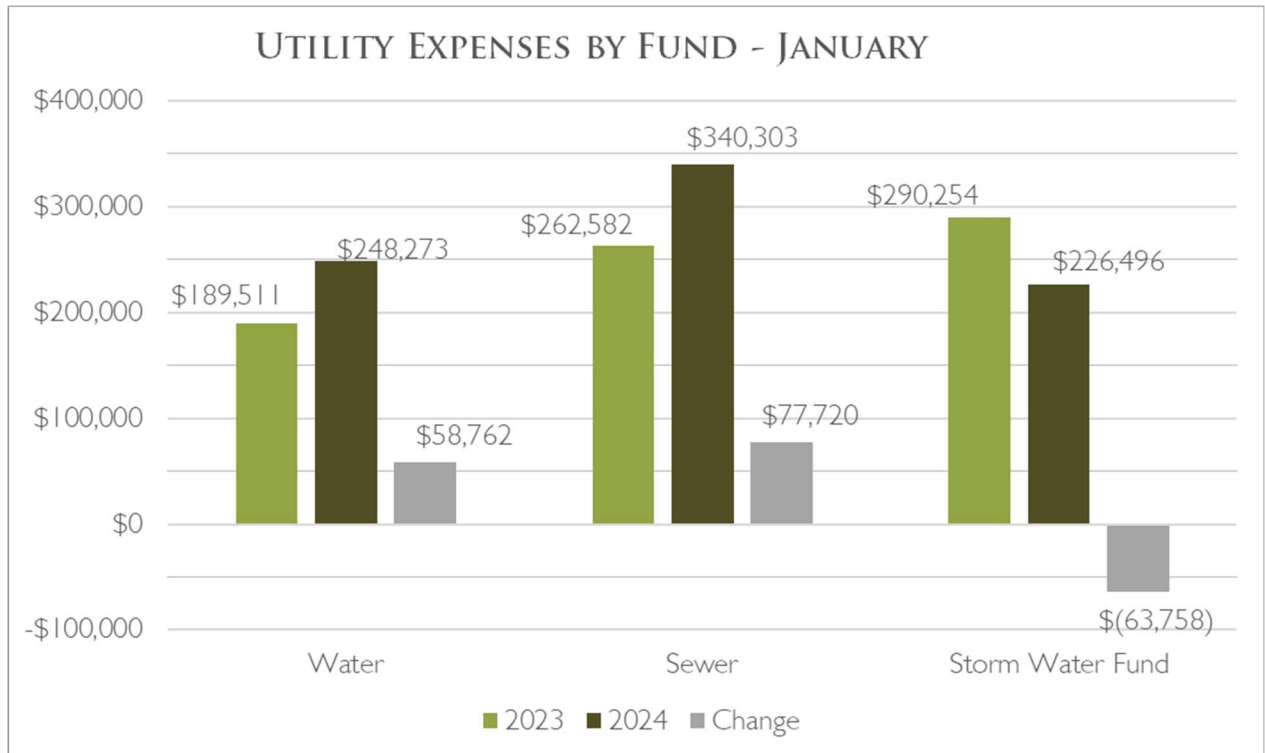
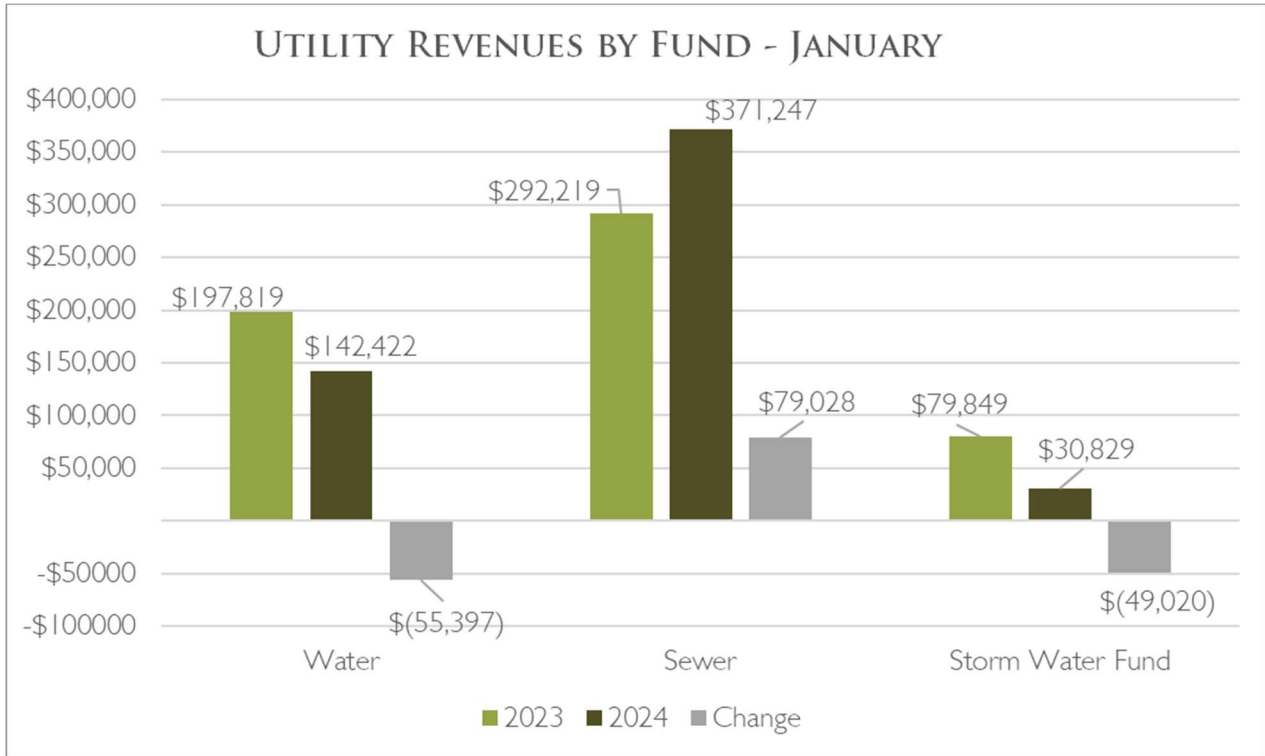
- Total Capital Projects \$496,000 or 100%
- Due to the nature of the Capital Construction Fund, year-over-year comparisons do not provide an accurate measure of fiscal health.

Transportation Benefit Fund

- Transfers Out \$536,000 or 55%
- Transfers out in 2024 are for capital and street maintenance support.

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 2023

Major Expenditure Changes
Since 2023

Increases

Water Fund

- Water Charges \$9,000 or 11%
- Capital Contributions \$10,000 or 168%

Sewer Fund

- Sewer Services \$36,000 or 13%
- Investment Interest \$8,000 or 46%
- Connection Fees \$22,000 (no 2023 amount)

Storm & Surface Water Fund

- Investment Interest \$10,000 or 59%
- Operating Transfer-In \$176,000 (no 2023 amount)
 - General Fund support for Springbrook project

Decreases

Water Fund

- Loan Proceeds \$79,000 or 90%

Storm & Surface Water Fund

- Grant Funds \$53,000 or 100%
- SSWM Fees \$4,000 or 39%

Increases

Water Fund

- Salaries & Benefits \$11,000 or 15%
- Supplies \$7,000 or 159%
- Insurance \$35,000 or 76%
- Total Capital Projects \$7,000 or 9254%
 - Water Tank

Sewer Fund

- Salaries & Benefits \$11,000 or 11%
- Supplies \$11,000 or 140%
- Operating Leases \$4,000 or 107%
- Repairs \$9,000 or 1654%

Storm & Surface Water Fund

- Insurance \$50,000 or 108%
- Total Capital Projects \$117,000 or 98% (higher capital expense in 2023)

Decreases

Sewer Fund

- Professional Services \$134,000 or 43%

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.

| Table 2 - Summary of Year-to-date Budgeted Fund Activity | | | | | | | | |
|---|-----------------------------|---------------------|-----------------------------------|---------------|---------------------------|----------------------|------------------------------------|---------|
| FUND NAME | 2024 BUDGETED INFLOWS | YTD 2024 INFLOWS | INFLOWS OVER/(UNDER) BUDGET | % RECEIVED | 2024 BUDGETED OUTFLOWS | YTD 2024 OUTFLOWS | OUTFLOWS (OVER)/UNDER BUDGET | % SPENT |
| Tax Supported Funds | | | | | | | | |
| General Fund | \$ 23,072,400 | \$ 1,424,718 | \$ (21,647,682) | 6% | \$ 31,534,881 | \$ 5,788,638 | \$ 25,746,243 | 18% |
| Street Fund | \$ 4,293,936 | \$ 386,504 | \$ 3,907,432 | 9% | \$ 4,534,351 | \$ 411,722 | \$ 4,122,629 | 9% |
| REET Fund | \$ 2,550,000 | \$ 178,689 | \$ 2,371,311 | 7% | \$ 3,227,064 | \$ 2,276,704 | \$ 950,360 | 71% |
| Civic Impr. Fund | \$ 348,000 | \$ 31,920 | \$ 316,080 | 9% | \$ 374,700 | \$ - | \$ 374,700 | 0% |
| Affordable Housing Fund | \$ 2,830,000 | \$ 78,289 | \$ 2,751,711 | 3% | \$ 2,230,565 | \$ 36,245 | \$ 2,194,320 | 2% |
| FAR-Public Amenities | \$ 10,000 | \$ 61 | \$ 9,939 | 1% | \$ - | \$ - | \$ - | N/A |
| FAR-Farm/Agriculture | \$ 20,000 | \$ 379 | \$ 19,621 | 2% | \$ - | \$ - | \$ - | N/A |
| ARPA Fund | \$ - | \$ - | \$ - | 0% | \$ - | \$ - | \$ - | 0% |
| General Obligation Bond Fund | \$ 927,665 | \$ 78,720 | \$ 848,945 | 8% | \$ 927,665 | \$ - | \$ 927,665 | 0% |
| LID Bond Fund | \$ - | \$ - | \$ - | 0% | \$ - | \$ - | \$ - | 0% |
| Trans. Benefit Fund | \$ 817,000 | \$ 61,674 | \$ 755,326 | 8% | \$ 615,318 | \$ 442,438 | \$ 141,213 | 72% |
| Trans. Impact Fund | \$ 117,000 | \$ 8,698 | \$ 108,302 | 7% | \$ - | \$ - | \$ - | 0% |
| Capital Const. Fund | \$ 7,965,594 | \$ 5,530,594 | \$ 2,435,000 | 69% | \$ 16,809,237 | \$ 17,379 | \$ 16,791,858 | 0% |
| Building Svcs. Fund | \$ 3,412,334 | \$ 465,389 | \$ 2,946,945 | 14% | \$ 3,412,320 | \$ 474,105 | \$ 2,938,214 | 14% |
| Equipment Rental & Revolving | \$ 688,000 | \$ 12,646 | \$ 675,354 | 2% | \$ 1,929,719 | \$ 5 | \$ 1,929,714 | 0% |
| | \$ 47,051,929 | \$ 8,258,281 | \$ (4,501,715) | 18% | \$ 65,595,821 | \$ 9,447,237 | \$ 56,116,917 | 14% |
| Utility Funds | | | | | | | | |
| Water Fund | \$ 14,059,328 | \$ 151,172 | \$ 13,908,156 | 1% | \$ 17,974,444 | \$ 248,273 | \$ 17,726,172 | 1% |
| Sewer Fund | \$ 6,699,000 | \$ 371,247 | \$ 6,327,753 | 6% | \$ 15,245,962 | \$ 340,303 | \$ 14,905,660 | 2% |
| Storm Water Fund | \$ 4,419,000 | \$ 206,829 | \$ 4,212,171 | 5% | \$ 7,161,739 | \$ 226,496 | \$ 6,935,242 | 3% |
| | \$ 25,177,328 | \$ 729,248 | \$ 24,448,080 | 3% | \$ 40,382,145 | \$ 815,072 | \$ 39,567,074 | 2% |

Table 2 Notes

Inflows combine revenues and transfers-in while outflows combine expenditures and transfers-out. Funds with significant variance from budget and typical trends are:

Inflows

- More info will be provided as the year progresses – there is limited comparative data against trends due to this being the first month of the new year.

Outflows

- More info will be provided as the year progresses – there is limited comparative data against trends due to this being the first month of the new year.

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 | 181,249 | 714,751 |
| HUB Solar Panels (01215) | 354,000 | 26,563 | 327,438 |
| Madison Ave - Sustainable Transp 2023 (01088) | 2,000,000 | 2,000,000 | - |
| 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 | 359,865 | 250,135 |
| ADA Transition Plan (01218)* | 61,885 | 61,885 | - |
| Total | \$7,061,885 | \$2,629,562 | \$4,432,323 |

*Because ARPA funds are not the sole source of funding for all projects listed, the total amounts spent/encumbered on some projects may exceed the amounts indicated in this table.

**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.

| Department | Actuals through January 2024 | 2024 Revised Budget | \$ Budget Remaining | Budget % Remaining | Year % Remaining |
|----------------------------------|-------------------------------------|----------------------------|----------------------------|---------------------------|-------------------------|
| City Council | 33,164 | 593,414 | 560,250 | 94% | 8% |
| Court | 42,118 | 648,774 | 606,656 | 94% | 8% |
| Executive (includes IT) | 674,633 | 8,920,486 | 8,245,854 | 92% | 8% |
| Finance | 122,172 | 3,659,034 | 3,536,862 | 97% | 8% |
| Police | 460,301 | 6,830,410 | 6,370,108 | 93% | 8% |
| Planning & Community Development | 220,492 | 3,534,713 | 3,314,221 | 94% | 8% |
| Public Works | 725,361 | 63,473,931 | 62,748,570 | 99% | 8% |
| General Government | 1,528,632 | 6,618,624 | 5,089,992 | 77% | 8% |
| Total | \$3,806,873 | \$ 94,279,387 | \$ 90,472,513 | 96% | 8% |

Table 4 Notes

- These amounts do not include transfers. Transfer amounts by fund can be seen on Table I.
- Public Works – Public Works has several significant capital projects budgeted in 2024, including the Winslow Water Tanks, Madison Ave Improvements, Eagle Harbor/Wyatt Way Non-motorized Improvements, Wastewater Treatment Plant (WWTP) Upgrades, and the Sound-to-Olympic Trail. \$47 million of the 2024 Public Works budget is slated for Capital project spending. Due to project management capacity, several project budgets will likely go unspent in the current year, and be carried forward into 2025.
- General Government – budget for this department includes a citywide vacancy rate of 5% on budgeted wages.