

DATE: March 11, 2023
TO: Blair King, City Manager; City Council
FROM: Finance Department
SUBJECT: December 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 December is 25% lower than 2022 revenue and the 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.

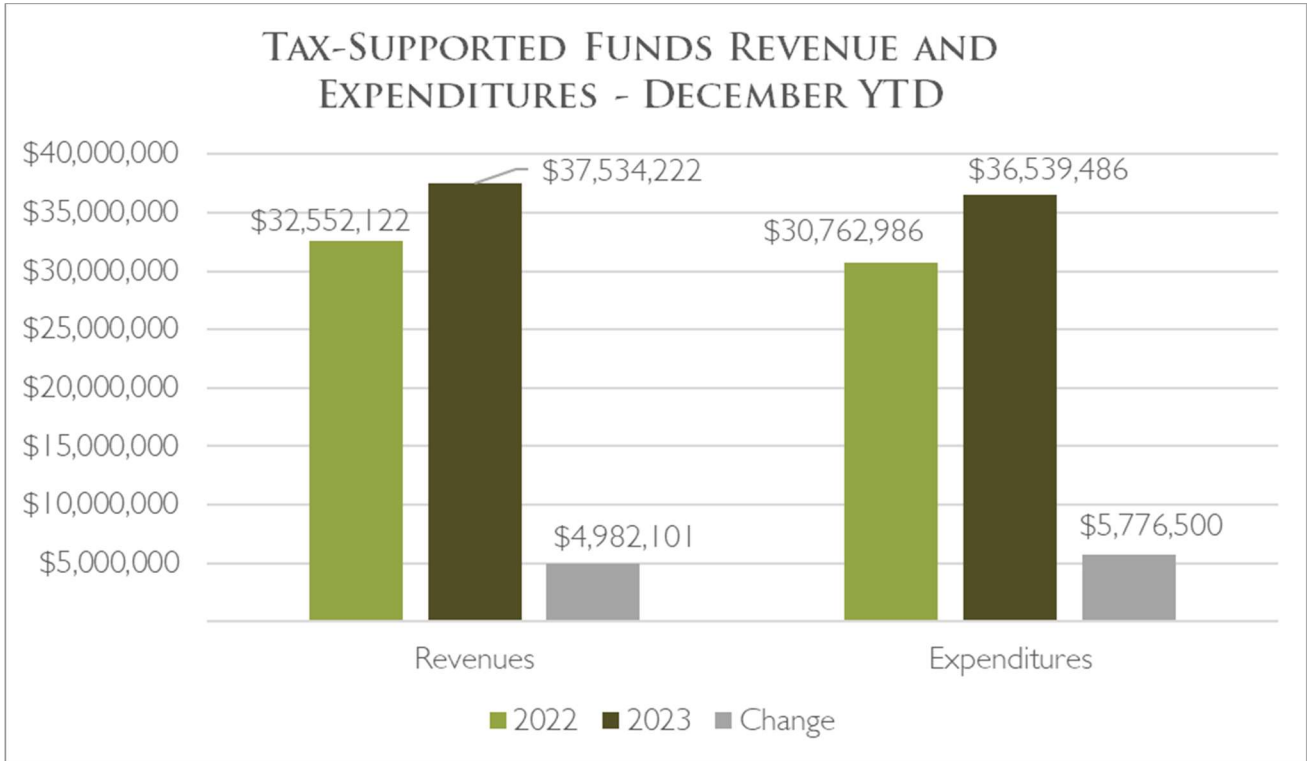
Table 1 - Summary of Year-to-date Fund Activity									
FUND NAME	2023 BEGINNING FUND BALANCE	YTD 2023 REVENUES	YTD 2022 REVENUES	YTD 2023 EXPENSES	YTD 2022 EXPENSES	YTD 2023 TRANSFERS	MONTH END FUND BALANCE	RESERVES	
Tax-Supported Funds									
General Fund	\$ 22,533,163	\$ 27,405,126	\$ 21,624,096	\$ (18,941,412)	\$ (16,500,034)	\$ (7,146,382)	\$ 23,850,495	\$ 5,980,196	
Street Fund	\$ 52,847	\$ 1,428,306	\$ 1,067,746	\$ (3,018,937)	\$ (3,266,340)	\$ 1,613,630	\$ 75,847	N/A	
REET Fund	\$ 2,145,584	\$ 2,987,962	\$ 3,885,236	\$ -	\$ -	\$ (2,349,153)	\$ 2,784,393	N/A	
Civic Impr. Fund	\$ 551,280	\$ 457,302	\$ 398,681	\$ (293,052)	\$ (382,068)	\$ -	\$ 715,531	N/A	
Affordable Housing Fund	\$ 1,432,435	\$ 978,943	\$ 839,581	\$ (86,465)	\$ (18,360)	\$ -	\$ 2,324,913	\$ 59,171	
FAR-Public Amenities	\$ 21,770	\$ (7,142)	\$ 4,826	\$ -	\$ -	\$ -	\$ 14,627	N/A	
FAR-Farm/Agriculture	\$ 98,870	\$ (7,775)	\$ 8,120	\$ -	\$ -	\$ -	\$ 91,095	N/A	
ARPA Fund	\$ -	\$ 28,984	\$ 83,156	\$ -	\$ -	\$ (28,984)	\$ (0)	N/A	
General Obligation Bond Fund	\$ 5,657	\$ 653,590	\$ 611,324	\$ (1,590,375)	\$ (1,554,534)	\$ 935,175	\$ 4,048	N/A	
LID Bond Fund	\$ 128,319	\$ -	\$ -	\$ (39,044)	\$ (40,743)	\$ -	\$ 89,275	N/A	
Trans. Benefit Fund	\$ 1,461,319	\$ 807,658	\$ 669,592	\$ (88,019)	\$ -	\$ (1,377,258)	\$ 803,701	N/A	
Trans. Impact Fund	\$ 200,076	\$ 161,982	\$ 112,243	\$ -	\$ -	\$ -	\$ 362,058	N/A	
Capital Const. Fund	\$ 8,177,257	\$ 196,069	\$ 1,514,184	\$ (8,794,549)	\$ (5,696,480)	\$ 6,709,706	\$ 6,288,484	N/A	
Building Svcs. Fund	\$ 10,000	\$ 1,921,143	\$ 1,246,083	\$ (3,359,658)	\$ (3,062,209)	\$ 1,438,516	\$ 10,000	N/A	
Equipment Rental & Revolving	\$ 2,844,995	\$ 522,075	\$ 487,255	\$ (327,976)	\$ (242,218)	\$ -	\$ 3,039,094	N/A	
	\$ 39,663,573	\$ 37,534,222	\$ 32,552,122	\$ (36,539,486)	\$ (30,762,986)	\$ (204,750)	\$ 40,453,560	\$ 6,039,367	
Utility Funds									
Water Fund	\$ 5,677,082	\$ 2,434,021	\$ 1,957,669	\$ (3,104,631)	\$ (2,975,289)	\$ 78,750	\$ 5,085,222	\$ 449,143	
Sewer Fund	\$ 5,576,585	\$ 5,370,588	\$ 4,964,987	\$ (5,246,535)	\$ (5,008,092)	\$ 126,000	\$ 5,826,638	\$ 1,213,625	
Storm Water Fund	\$ 5,536,097	\$ 3,639,910	\$ 3,086,452	\$ (2,910,759)	\$ (2,265,508)	\$ -	\$ 6,265,247	\$ 655,077	
	\$ 16,789,764	\$ 11,444,518	\$ 10,009,107	\$ (11,261,925)	\$ (10,248,889)	\$ 204,750	\$ 17,177,108	\$ 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.

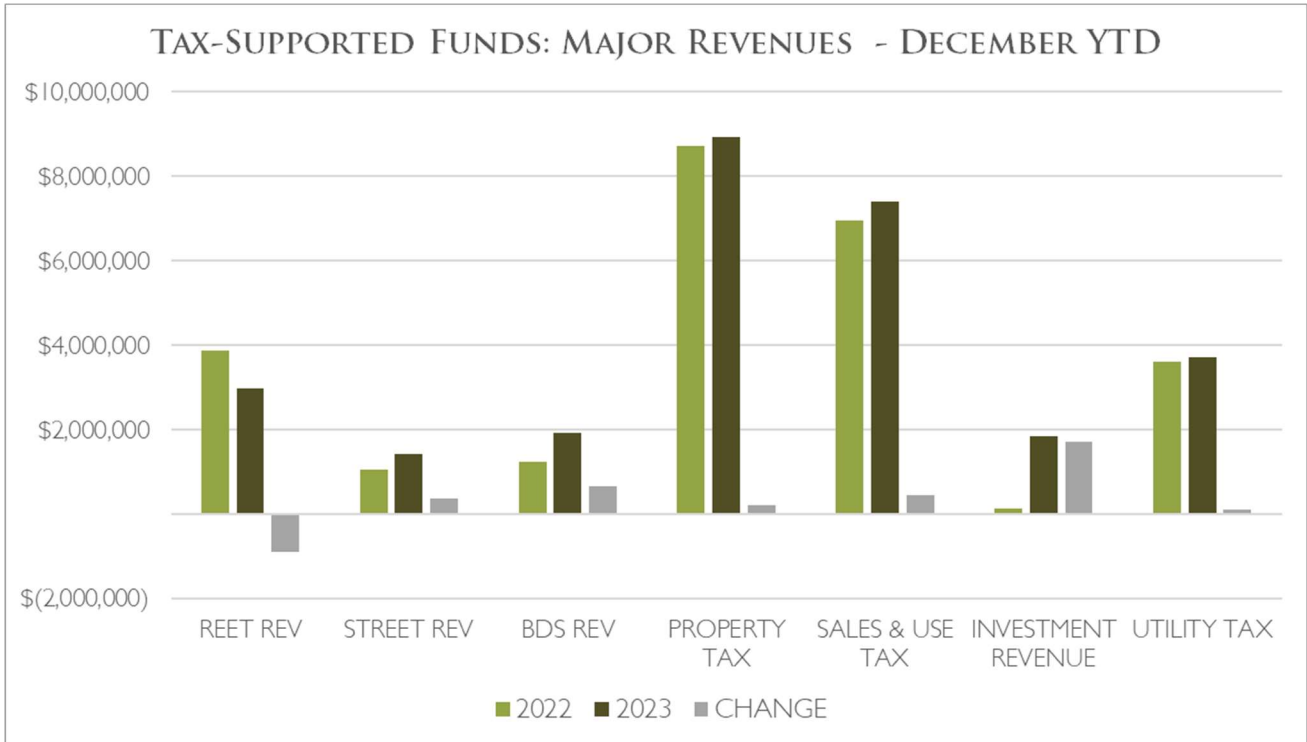
Additional notes and comments on variances can be found in subsequent sections.

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

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 \$189,000 or 36%
- Fines & Forfeits \$37,000 or 127%
- Investment Revenue \$1,250,000 or 263%

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 41%

Real Estate Excise Tax Fund (REET)

- Investment Interest \$20,000 or 262%

Civic Improvement Fund

- Investment Interest \$19,000 or 311%

Affordable Housing Fund

- Housing & Related Services Sales Tax \$176,000 or 28%
- Investment Interest \$83,000 or 100% (no revenue in 2022)

Transportation Improvement Fund

- Transportation Impact Fees \$41,000 or 38%

ER&R Fund

- Investment Interest \$91,000 or 244%

REET Fund

- Real Estate Excise Tax \$950,000 or 25%

SECTION 2 EXPENDITURE NOTES

Major Expenditure **Increases**
Since 2022

Major Expenditure **Decreases**
Since 2022

General Fund

- Salaries and Benefits \$839,000 or 8%
- Insurance \$125,000 or 39%
- Repair and Maintenance \$140,000 or 58%
- Professional Services \$1,300,000 or 57%
- The largest items driving this increase are the Shade Covenant Tree Removal, Winslow Subarea Plan, Interim City Attorney costs, and Climate Action Plan.

Street Fund

- Supplies \$129,000 or 56%

Building & Development Fund

- Salaries and Benefits \$329,000 or 13%
- Insurance \$44,000 or 63%

Affordable Housing Fund

- Professional and Community Services \$54,000 or 296%

Capital Construction Fund

- Total Capital Projects \$2,740,000 or 50%
- During 2023, a total of \$8,222,000 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 \$86,000 or 36%

General Fund

- Capital Acquisitions \$319,000 or 100%

Street Fund

- Repairs \$323,000 or 45%
- 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 \$2,264,000 or 49%
- Transfers out of REET in 2023 were for capital projects, debt service, and street maintenance.

Capital Construction Fund

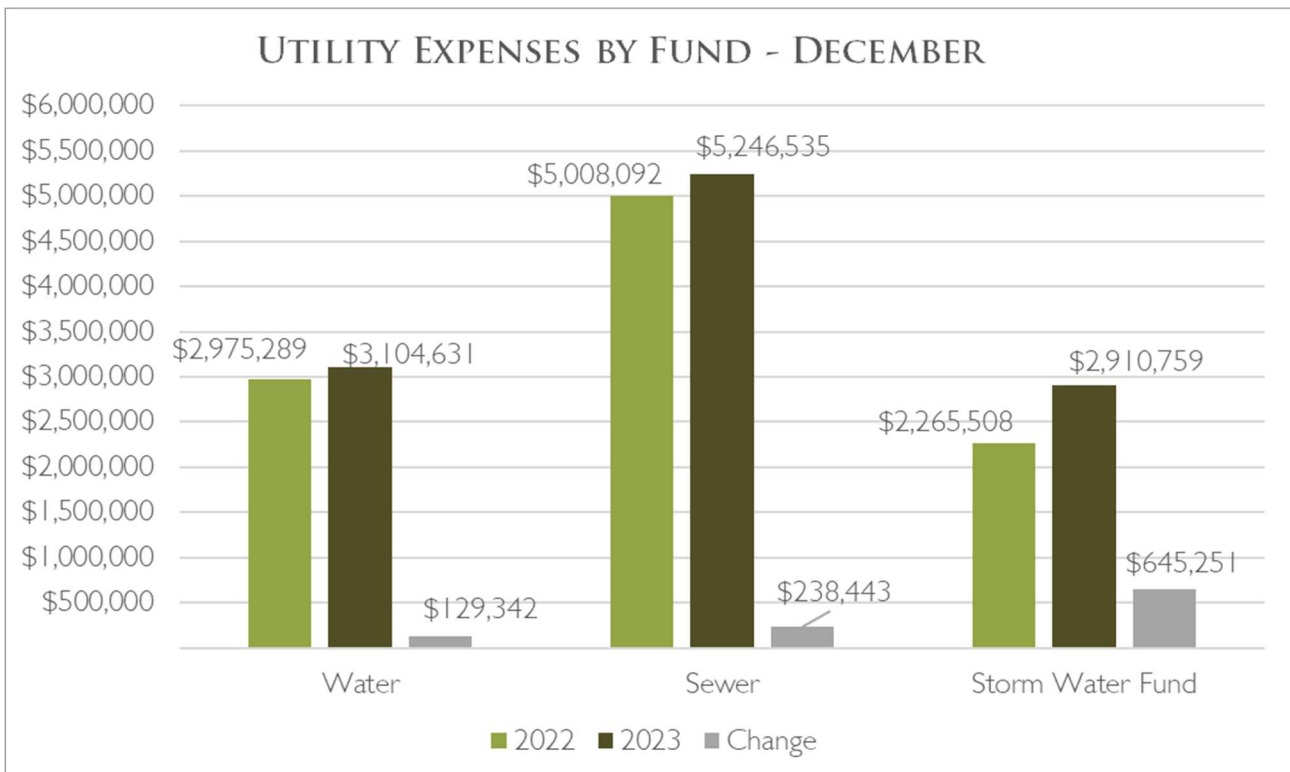
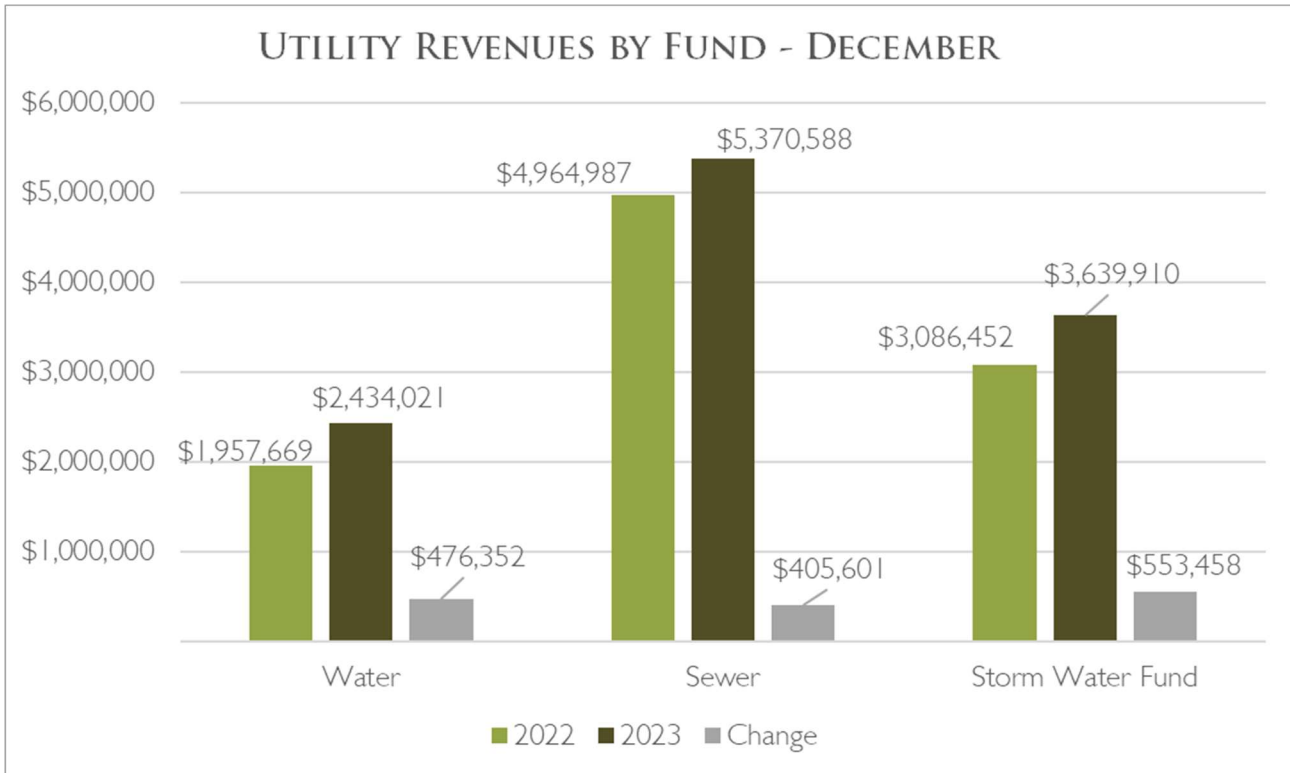
- Salaries and Benefits \$81,000 or 45%

Building and Development

- Legal \$67,000 or 36%

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 \$240,000 or 18%
- Investment Interest \$146,000 or 181%
- Loan Proceeds \$70,000 or 800%

Sewer Fund

- Sewer Services \$299,000 or 7%
- Investment Interest \$178,000 or 236%

Storm & Surface Water Fund

- SSWM Fees \$316,000 or 11%
- Investment Interest \$200,000 or 275%

Decreases

Water Fund

- Capital Contributions \$69,000 or 32%

Sewer Fund

- Loan Proceeds \$336,000 or 84%

Increases

Water Fund

- Supplies \$56,000 or 45%
- Utilities \$23,000 or 19%
- Insurance \$17,000 or 61%

Sewer Fund

- Operating Leases \$26,000 or 31%
- Utilities \$33,000 or 10%
- Insurance \$24,000 or 45%

Storm & Surface Water Fund

- Total Capital Projects \$888,000 or 2,870%
(low capital expense in 2022)

Decreases

Water Fund

- Professional Services \$42,000 or 23%
- Repairs \$112,000 or 73%
- Machinery & Equipment \$44,000 or 100%

Sewer Fund

- Professional Services \$134,000 or 43%

Storm & Surface Water Fund

- Professional Services \$114,000 or 37%
- Repairs \$180,000 or 60%

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	2023 BUDGETED INFLOWS	YTD 2023 INFLOWS	INFLOWS OVER/(UNDER) BUDGET	% RECEIVED	2023 BUDGETED OUTFLOWS	YTD 2023 OUTFLOWS	OUTFLOWS (OVER)/UNDER BUDGET	% SPENT
Tax Supported Funds								
General Fund	\$ 21,665,400	\$ 27,470,110	\$ 5,804,710	127%	\$ 30,484,941	\$ 26,152,778	\$ 4,332,163	86%
Street Fund	\$ 2,899,533	\$ 3,041,936	\$ 142,403	105%	\$ 3,336,090	\$ 3,018,937	\$ 317,153	90%
REET Fund	\$ 3,257,000	\$ 2,987,962	\$ (269,038)	92%	\$ 2,349,194	\$ 2,349,153	\$ 40	100%
Civic Impr. Fund	\$ 341,000	\$ 457,302	\$ 116,302	134%	\$ 379,085	\$ 293,052	\$ 86,033	77%
Affordable Housing Fund	\$ 523,000	\$ 978,943	\$ 455,943	187%	\$ 111,900	\$ 86,465	\$ 25,435	77%
FAR-Public Amenities	\$ 7,000	\$ (7,142)	\$ (14,142)	-102%	\$ -	\$ -	\$ -	N/A
FAR-Farm/Agriculture	\$ 12,000	\$ (7,775)	\$ (19,775)	-65%	\$ -	\$ -	\$ -	N/A
ARPA Fund	\$ 64,000	\$ 28,984	\$ (35,016)	45%	\$ 64,000	\$ 28,984	\$ 35,016	45%
General Obligation Bond Fund	\$ 1,590,415	\$ 1,588,765	\$ (1,650)	100%	\$ 1,590,415	\$ 1,590,375	\$ 40	100%
LID Bond Fund	\$ -	\$ -	\$ -	0%	\$ 39,075	\$ 39,044	\$ 31	100%
Trans. Benefit Fund	\$ 655,000	\$ 807,658	\$ 152,658	123%	\$ 1,477,258	\$ 1,465,276	\$ 11,981	99%
Trans. Impact Fund	\$ 110,000	\$ 161,982	\$ 51,982	147%	\$ -	\$ -	\$ -	0%
Capital Const. Fund	\$ 8,268,206	\$ 6,941,775	\$ (1,326,431)	84%	\$ 8,831,680	\$ 8,830,549	\$ 1,131	100%
Building Svcs. Fund	\$ 3,692,829	\$ 3,359,658	\$ (333,171)	91%	\$ 3,487,042	\$ 3,359,658	\$ 127,384	96%
Equipment Rental & Revolving	\$ 561,000	\$ 522,075	\$ (38,925)	93%	\$ 327,976	\$ 327,976	\$ -	100%
	\$ 43,646,383	\$ 48,332,233	\$ 4,685,850	111%	\$ 52,478,655	\$ 47,542,246	\$ 4,936,408	91%
Utility Funds								
Water Fund	\$ 11,370,303	\$ 2,512,771	\$ (8,857,532)	22%	\$ 3,242,949	\$ 3,104,631	\$ 138,318	96%
Sewer Fund	\$ 7,535,000	\$ 5,496,588	\$ (2,038,412)	73%	\$ 5,913,009	\$ 5,246,535	\$ 666,474	89%
Storm Water Fund	\$ 3,282,000	\$ 3,639,910	\$ 357,910	111%	\$ 3,550,495	\$ 2,910,759	\$ 639,736	82%
	\$ 22,187,303	\$ 11,649,268	\$ (10,538,035)	53%	\$ 12,706,453	\$ 11,261,925	\$ 1,444,528	89%

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 December 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 and Sewer Funds – Revenues are below expectations due to lower-than-expected capital activity, resulting in reduced loan draws compared to the budget.

Outflows

- General Fund – Budgeted spend for various projects is occurring at a slower pace than budgeted. Approximately \$2 million in operating budget to be carried over into 2024 for continuing project work. Additional variance due to Street and BDS support needs being lower than budgeted.
- 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.

ORIGINAL** ARPA PROJECT STATUS			
Project List	Amount Committed	Amount Spent / Encumbered	Amount Remaining
Wastewater Beneficial Reuse (01192)	896,000	222,502	673,498
HUB Solar Panels (01215)	354,000	26,563	327,438
Madison Ave - Sustainable Transp 2023 (01088)	2,000,000	760,229	1,239,771
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	113,384	496,616
ADA Transition Plan (01218)*	61,885	106,517	-
Total	\$7,061,885	\$1,229,195	\$5,877,322

*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.

Department	Actuals through December 2023	2023 Revised Budget	\$ Budget Remaining	Budget % Remaining	Year % Remaining
City Council	314,571	552,257	237,686	43%	0%
Court	635,686	738,048	102,362	14%	0%
Executive (includes IT)	6,538,441	8,231,863	1,693,423	21%	0%
Finance	1,533,266	1,544,038	10,772	1%	0%
Police	6,023,795	6,296,317	272,522	4%	0%
Planning & Community Development	3,100,767	3,707,014	606,247	16%	0%
Public Works	22,863,833	26,415,559	3,551,726	13%	0%
General Government	6,791,052	6,136,477	(654,575)	-11%	0%
Total	\$47,801,410	\$ 53,621,574	\$ 5,820,164	11%	0%

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 were not used in 2023.
- Planning & Community Development – Underspending on professional services.
- Public Works – currently under budget due to vacancies, and reduced levels of repairs. Unspent Capital budget has been moved forward to 2024 and is no longer accounted for in these figures.
- General Government – budget for this department includes a citywide vacancy rate of 5% on budgeted wages, which reduces the overall available budget for this department.