

Date: September 23, 2024
To: Blair King, City Manager; City Council
From: Finance Department
Subject: August 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 the financial data to the prior year, notes explaining outlier information, and status on American Rescue Plan Act (ARPA) spending.

Important note: Timing is a key factor in year-over-year revenue and expenditure variances. For example, the largest revenue source, Property Tax, is typically received in April and October. Additionally, contributions from other funds to the Capital Construction 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 compared to previous years are not a good indicator of financial performance.



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Section 1: Fund Financial Health Indicators

Financial Health Indicators are derived from analysis of revenue, expenditure, and fund balance trends, as well as foreseeable situations that will impact future financial performance.

Fund	Indicator	Comments
General	Good	
Building & Development Services (B&DS)	Cautionary	Though 2024 revenue through June are higher than 2023 by \$245,000, expenses have increased due to a significant increase in insurance and legal costs. Despite positive revenue trends, the fund is still anticipated to require more General Fund support than originally forecasted.
Real Estate Excise Tax (REET)	Cautionary	2024 revenue through June is 2% lower than 2023 revenue. The uncertainty surrounding the real estate market continues to make this revenue source difficult to predict.
Other Governmental Funds	Good	
Water	Cautionary	Fund balance is expected to decrease by the end of 2024. A rate study is underway with results expected in Q1 2025.
Sewer	Cautionary	Fund balance is expected to decrease by the end of 2024. A rate study is underway with results expected in Q1 2025.
Storm and Surface Water	Good	

*Only cautionary indicators will include pertinent comments.

Section 1 Notes

- Other Governmental Funds include:
 - Streets
 - Civic Improvement
 - Affordable Housing
 - General Obligation Bond
 - Transportation Benefit
 - Transportation Impact
 - Capital Construction
- A rate study for the Water, Sewer, and Storm and Surface Water funds began in 2024 and is expected to conclude in early 2025.

Table 1: Summary of Year-to-Date Fund Activity

Table 1 compares 2024 year-to-date financial information with the prior year in two categories: Tax-supported funds and utility funds. Generally, tax-supported funds revenues are comprised of taxes, 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 BEG FUND BAL	YTD 2024 REVENUES	YTD 2023 REVENUES	YTD 2024 EXPENSES	YTD 2023 EXPENSES	YTD 2024 TRANSFERS	MONTH END FUND BAL	RESERVES
Tax-Supported Funds								
General Fund	\$ 23,782,391	\$ 15,552,639	\$ 18,955,798	\$ (12,645,054)	\$ (12,184,035)	\$ (8,570,426)	\$ 18,119,550	\$ 5,109,111
Street Fund	\$ 81,483	\$ 849,789	\$ 1,055,179	\$ (3,102,299)	\$ (1,887,840)	\$ 2,275,155	\$ 104,128	N/A
REET Fund	\$ 2,785,347	\$ 2,329,380	\$ 2,052,870	\$ -	\$ -	\$ (3,109,592)	\$ 2,005,135	N/A
Civic Impr. Fund	\$ 715,531	\$ 291,493	\$ 264,875	\$ (221,214)	\$ (174,366)	\$ -	\$ 785,810	N/A
Aff. Housing Fund	\$ 2,317,801	\$ 631,458	\$ 648,878	\$ (57,469)	\$ (48,275)	\$ 1,140,000	\$ 4,031,790	\$ 59,171
FAR-Public Amenities	\$ 14,627	\$ 478	\$ 10,197	\$ -	\$ -	\$ -	\$ 15,106	N/A
FAR-Farm/Agriculture	\$ 91,095	\$ 2,979	\$ 17,158	\$ -	\$ -	\$ -	\$ 94,074	N/A
G.O. Bond Fund	\$ 4,050	\$ 4,033	\$ 362,932	\$ (505,790)	\$ (527,450)	\$ 618,443	\$ 120,737	N/A
Trans. Benefit Fund	\$ 803,701	\$ 592,434	\$ 506,670	\$ (2,611)	\$ (24,721)	\$ (618,337)	\$ 775,186	N/A
Trans. Impact Fund	\$ 362,058	\$ 104,778	\$ 49,668	\$ -	\$ -	\$ -	\$ 466,836	N/A
Capital Const. Fund	\$ 6,352,199	\$ 586,933	\$ 189,672	\$ (3,406,358)	\$ (5,778,126)	\$ 6,717,344	\$ 10,250,118	N/A
Building Svcs. Fund	\$ (24,492)	\$ 1,184,463	\$ 1,409,973	\$ (2,515,433)	\$ (2,229,891)	\$ 1,362,662	\$ 7,200	N/A
ER&R Fund	\$ 3,170,344	\$ 405,009	\$ 342,981	\$ (173,093)	\$ (225,740)	\$ -	\$ 3,402,259	N/A
	\$ 40,545,408	\$ 22,535,867	\$ 25,895,836	\$ (22,629,321)	\$ (23,119,489)	\$ (184,750)	\$ 40,267,203	\$ 5,168,282
Utility Funds								
Water Fund	\$ 5,077,118	\$ 7,500,016	\$ 1,388,547	\$ (11,201,877)	\$ (2,063,593)	\$ 8,750	\$ 1,384,006	\$ 449,143
Sewer Fund	\$ 5,874,315	\$ 3,574,731	\$ 3,414,950	\$ (4,172,006)	\$ (3,099,333)	\$ -	\$ 5,277,041	\$ 1,213,625
Storm Water Fund	\$ 6,235,081	\$ 2,304,886	\$ 2,265,938	\$ (1,517,611)	\$ (1,504,472)	\$ 176,000	\$ 7,198,355	\$ 655,077
	\$ 17,186,514	\$ 13,379,633	\$ 7,069,436	\$ (16,891,494)	\$ (6,667,397)	\$ 184,750	\$ 13,859,402	\$ 2,317,845

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

Table 1 Notes

Capital projects (in blue color text below) and other activities are supported by internal transfers (in rust color text below) in 2024:

General Fund:

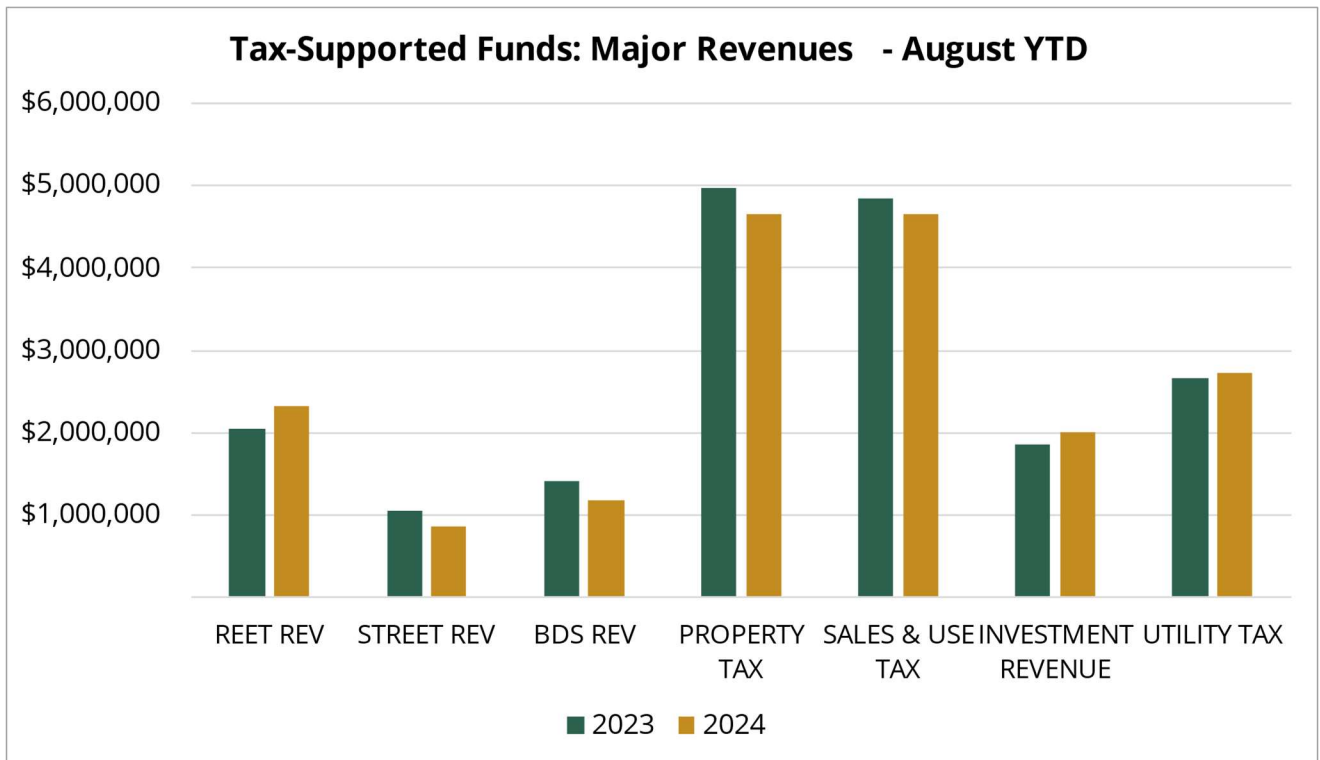
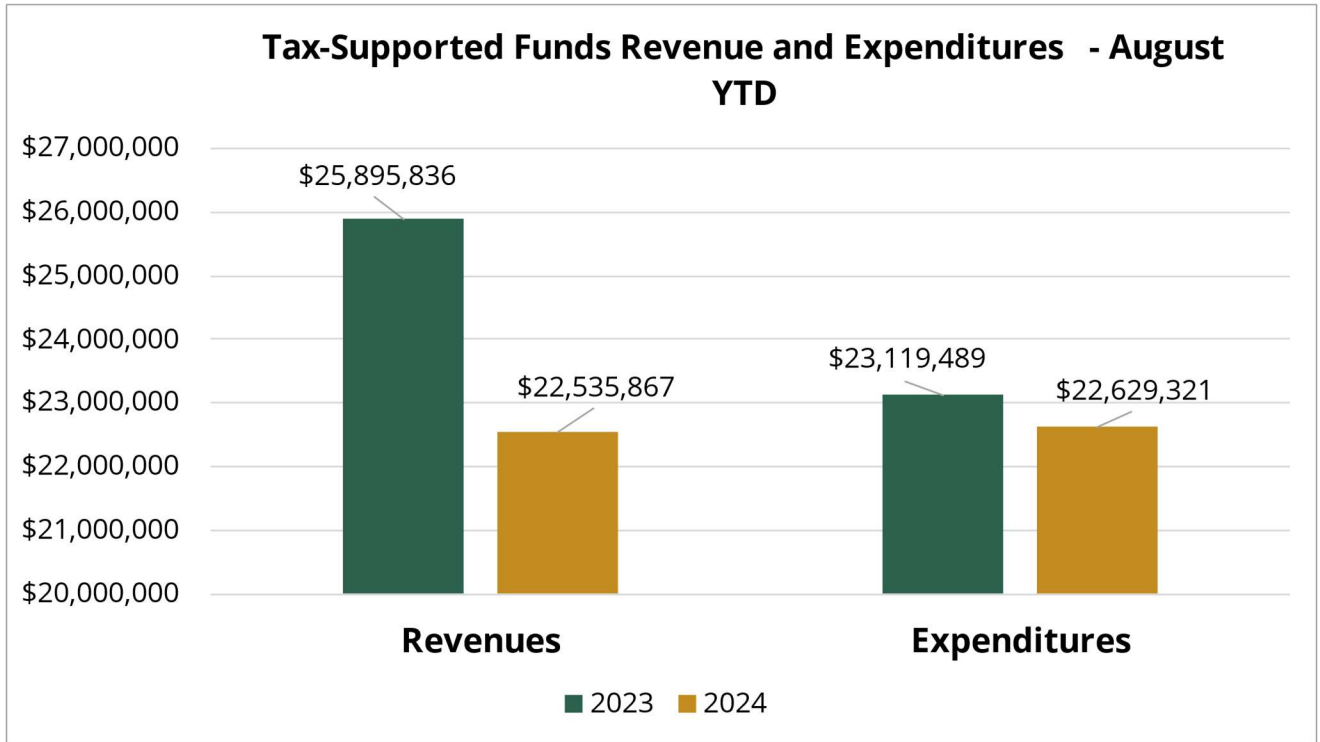
- Public Works Yard Improvements \$525,000
- Bucklin Hill Rd Reconstruction \$846,000
- Country Club Bulkhead Reconstruction \$917,000
- Electric Vehicle Charging Station \$160,000
- Ted Spearman Justice Center Carbon Offset \$780,000
- Springbrook Fish Passage \$176,000
- B&DS Fund Support \$1,363,000
- Street Fund Support \$1,675,000
- Affordable Housing Fund Support \$1,140,000

Real Estate Excise Tax:

- Eagle Harbor/Wyatt Non-Motorized Improvements \$2,300,000
- 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 last year to the current year.



Section 2 Revenue Notes

Major Revenue **Increases** Over 2023

General Fund

- Miscellaneous Revenue \$148,000 or 128%
 - March Opioid settlement of \$64,000
 - August Opioid settlement of \$75,000

Affordable Housing Fund

- Investment Interest \$53,000 or 111%

Building and Development Services Fund

- Building Permits \$129,000 or 42%
- Zoning & Subdivision Fees \$72,000 or 48%
- Other Planning and Development Fees \$49,000 or 29%

Transportation Improvement Fund

- Transportation Impact Fees \$48,000 or 111%

Major Revenue **Decreases** Over 2023

General Fund

- ARPA Related Revenue \$3,484,000 or 100%
 - One-time recognition of ARPA revenue in April 2023.

Street Fund

- ARPA Related Revenue \$201,000 or 100%
 - One-time recognition of ARPA revenue in April 2023.
- Other Revenue \$95,000 or 101%
 - January 2023 had a one-time donation of \$50,000 from the BI Parks Foundation for the STO Trail.
 - February 2023 had \$22,000 in proceeds from the sale of capital assets.

Section 2 Expenditure Notes

Major Expenditure Decreases Over 2023

Street Fund

- Supplies \$91,000 or 34%
 - 2023 winter storms
- Repairs \$796,000 or 579%

Affordable Housing Fund

- Professional Services \$29,000 or 60%

Capital Construction Fund

- Total Capital Projects \$2,481,000 or 43%
 - Due to the nature of capital projects, year-over-year comparisons do not provide an accurate measure of fiscal health.

Transportation Benefit Fund

- Transfers Out \$759,000 or 55%
 - Transfers out in 2024 are for capital and street maintenance support.

Major Expenditure Increases Over 2023

General Fund

- Training \$31,000 or 36%
- Utilities \$62,000 or 38%
- Repair & Maintenance \$340,000 or 149%
 - Includes one-time demolition costs for the old Police Station.

Street Fund

- Insurance \$84,000 or 78%
- Professional Services \$53,000 or 53%

REET Fund

- Transfers out \$1,072,000 or 53%
 - Transfers out of REET in 2024 were for capital project support, debt service, and street maintenance.

Capital Construction Fund

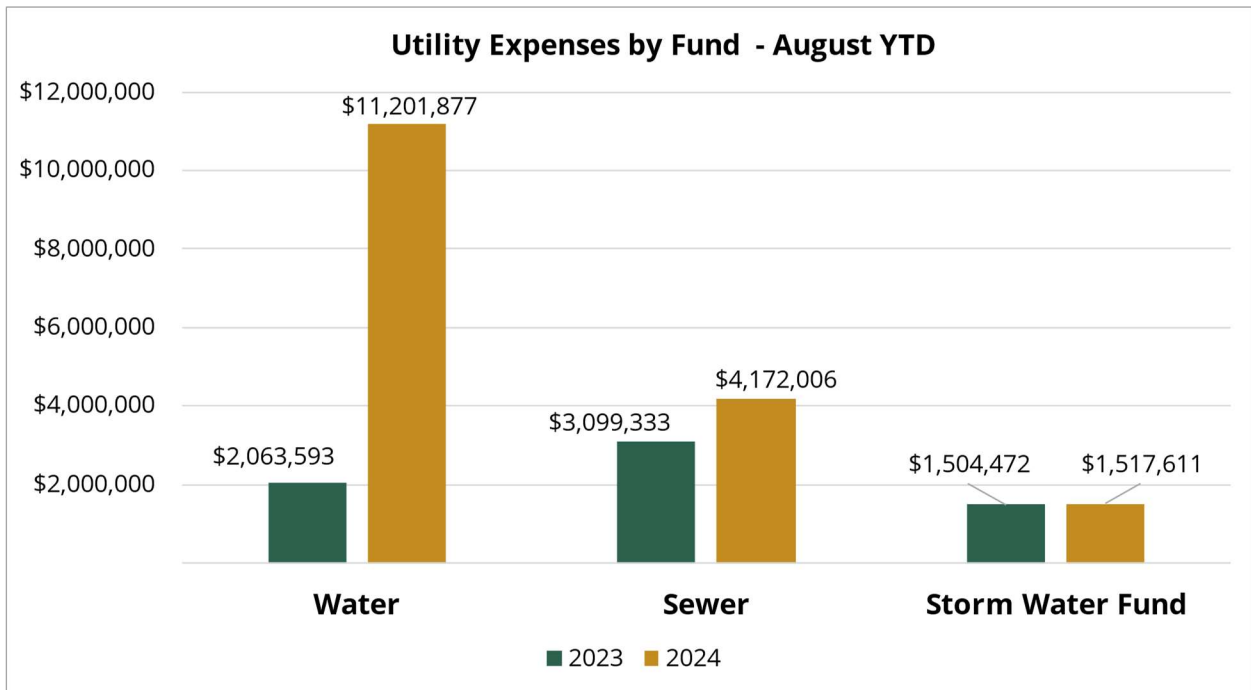
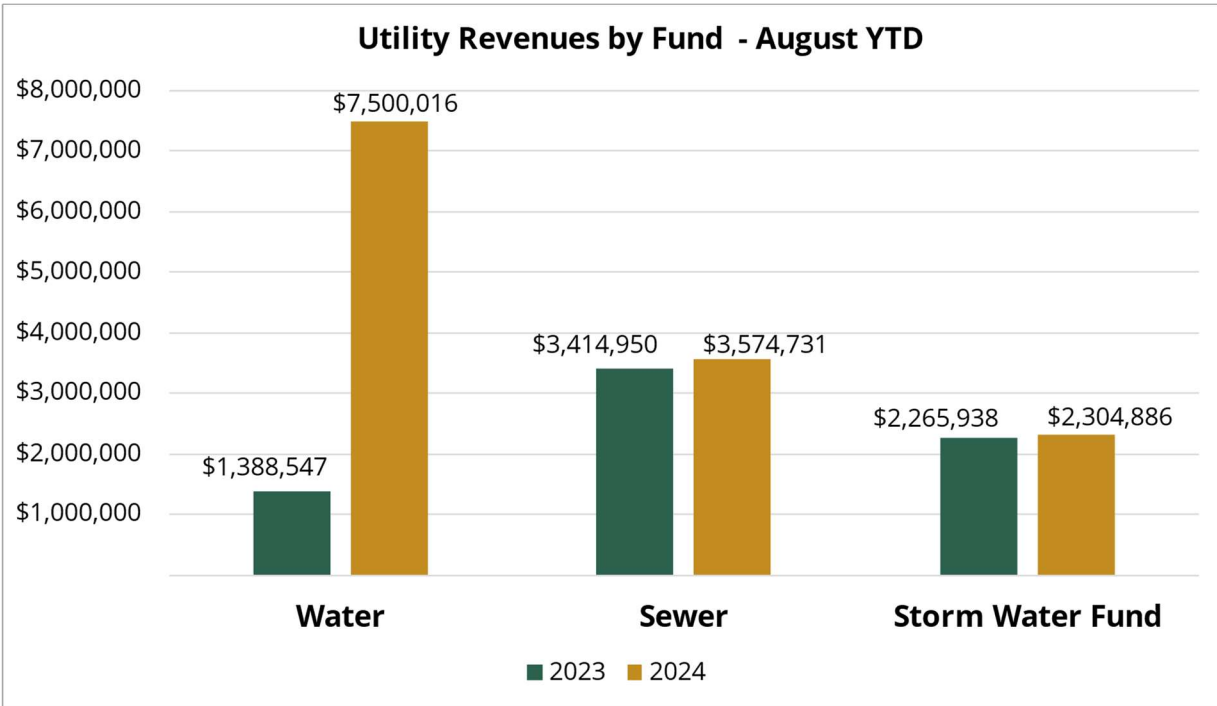
- Capital Salary & Benefits \$109,000 or 174%

Building & Development Fund

- Insurance \$97,000 or 86%
- Legal/Hearing Examiner \$143,000 or 309%

Section 3: Utility Funds Revenue and Expense Graphs

These graphs show the change in amount at month-end from the prior year to the current year. Revenue includes operating as well as other inflows such as debt proceeds. Expense graphs include capital project spending that fluctuates from year-to-year.



Section 3 Revenue, Other Inflows, and Expenditure Notes

Major Revenue Changes Over 2023	Major Expenditure Changes Over 2023
<p style="text-align: center; color: green;"><u>Increases</u></p> <p>Water Fund</p> <ul style="list-style-type: none"> • Water Charges \$267,000 or 30% <ul style="list-style-type: none"> ○ Water rates were increased 25% in 2024 • Loan Proceeds \$5,894,000 or 1,997% <ul style="list-style-type: none"> ○ This increase is due to loan proceeds for the new Water Tank capital project. <p>Storm & Surface Water Fund</p> <ul style="list-style-type: none"> • Investment Interest \$52,000 or 31% • Operating Transfer-In \$176,000 (no 2023 amount) <ul style="list-style-type: none"> ○ General Fund support for Springbrook Fish Passage project 	<p style="text-align: center; color: red;"><u>Increases</u></p> <p>Water Fund</p> <ul style="list-style-type: none"> • Insurance \$35,000 or 76% • Debt Service \$145,000 or 509% • Total Capital Projects \$8,893,000 or 1,086% <ul style="list-style-type: none"> ○ New Water Tank ongoing construction <p>Sewer Fund</p> <ul style="list-style-type: none"> • Supplies \$77,000 or 82% • Insurance \$63,000 or 81% • Professional Services \$102,000 or 120% • Total Capital Projects \$638,000 or 373% <ul style="list-style-type: none"> ○ WWTP Outfall, Wing Pt Pump Station, WWTP Upgrades, Olympic Dr Pump Station Generator <p>Storm & Surface Water Fund</p> <ul style="list-style-type: none"> • Insurance \$50,000 or 108%
<p style="text-align: center; color: red;"><u>Decreases</u></p> <p>Water</p> <ul style="list-style-type: none"> • Investment Interest \$66,000 or 45% <p>Storm & Surface Water Fund</p> <ul style="list-style-type: none"> • Grant Funds \$77,000 or 61% 	<p style="text-align: center; color: green;"><u>Decreases</u></p> <p>Water Fund</p> <ul style="list-style-type: none"> • Supplies \$35,000 or 30% <p>Storm & Surface Water Fund</p> <ul style="list-style-type: none"> • Professional Services \$131,000 or 84% • Repairs \$66,000 or 84% • Permits \$48,000 or 99%

Table 2: Summary of Year-to-Date Activity and Budget by Fund

Table 2 is a comparison of budget to year-to-date 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	\$ 23,203,653	\$ 15,552,639	\$ (7,651,014)	67%	\$ 32,899,509	\$ 21,215,480	\$ 11,684,029	64%
Street Fund	\$ 4,293,936	\$ 3,124,944	\$ (1,168,992)	73%	\$ 4,636,434	\$ 3,102,299	\$ 1,534,136	67%
REET Fund	\$ 2,550,000	\$ 2,329,380	\$ (220,620)	91%	\$ 3,418,814	\$ 3,109,592	\$ 309,222	91%
Civic Impr. Fund	\$ 348,000	\$ 291,493	\$ (56,507)	84%	\$ 424,700	\$ 221,214	\$ 203,486	52%
Aff. Housing Fund	\$ 3,970,000	\$ 1,771,458	\$ (2,198,542)	45%	\$ 2,112,500	\$ 57,469	\$ 2,055,031	3%
FAR-Public Amenities	\$ 10,000	\$ 478	\$ (9,522)	5%	\$ -	\$ -	\$ -	N/A
FAR-Farm/Agriculture	\$ 20,000	\$ 2,979	\$ (17,021)	15%	\$ -	\$ -	\$ -	N/A
G.O. Bond Fund	\$ 927,665	\$ 622,477	\$ (305,188)	67%	\$ 927,665	\$ 505,790	\$ 421,875	55%
Trans. Benefit Fund	\$ 817,000	\$ 592,434	\$ (224,566)	73%	\$ 630,318	\$ 620,948	\$ 9,370	99%
Trans. Impact Fund	\$ 117,000	\$ 104,778	\$ (12,222)	90%	\$ -	\$ -	\$ -	0%
Capital Const. Fund	\$ 9,152,344	\$ 7,304,277	\$ (1,848,067)	80%	\$ 17,934,237	\$ 3,406,358	\$ 14,527,879	19%
Building Svcs. Fund	\$ 3,412,334	\$ 2,547,125	\$ (865,209)	75%	\$ 3,587,420	\$ 2,515,433	\$ 1,071,986	70%
ER&R Fund	\$ 688,000	\$ 405,009	\$ (282,992)	59%	\$ 1,929,719	\$ 173,093	\$ 1,756,626	9%
	\$ 49,509,932	\$ 34,649,471	\$ (14,860,461)	70%	\$ 68,501,316	\$ 34,927,675	\$ 33,573,640	51%
Utility Funds								
Water Fund	\$ 14,059,328	\$ 7,508,766	\$ (6,550,562)	53%	\$ 18,173,294	\$ 11,201,877	\$ 6,971,417	62%
Sewer Fund	\$ 6,699,000	\$ 3,574,731	\$ (3,124,269)	53%	\$ 15,558,762	\$ 4,172,006	\$ 11,386,757	27%
Storm Water Fund	\$ 4,419,000	\$ 2,480,886	\$ (1,938,114)	56%	\$ 7,209,939	\$ 1,517,611	\$ 5,692,327	21%
	\$ 25,177,328	\$ 13,564,383	\$ (11,612,945)	54%	\$ 40,941,995	\$ 16,891,494	\$ 24,050,501	41%

**Table 3: Summary of Federal 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	\$ 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 (1251)	\$ 610,000	\$ 496,019	\$ 113,981
ADA Transition Plan (01218)*	\$ 61,885	\$ 61,885	\$ -
Total	\$ 7,061,885	\$ 2,806,969	\$ 4,254,916

*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, the 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 Actuals vs. Budget by Department

Department	Actuals through Aug 2024	2024 Revised Budget	\$ Budget Remaining	Budget % Remaining	Year % Remaining
City Council	\$ 257,728	\$ 593,414	\$ 335,686	57%	33%
Court	\$ 334,544	\$ 648,774	\$ 314,230	48%	33%
Executive (includes IT)	\$ 4,551,418	\$ 9,297,724	\$ 4,746,307	51%	33%
Finance	\$ 947,459	\$ 3,569,534	\$ 2,622,075	73%	33%
Police	\$ 3,948,703	\$ 6,874,410	\$ 2,925,707	43%	33%
Planning & Community Development	\$ 1,917,584	\$ 3,619,713	\$ 1,702,130	47%	33%
Public Works	\$ 22,607,243	\$ 64,071,288	\$ 41,464,044	65%	33%
General Government	\$ 4,956,136	\$ 6,743,124	\$ 1,786,988	27%	33%
Total	\$39,520,815	\$ 95,417,982	\$ 55,897,166	59%	33%

Table 4 Notes

- These amounts do not include transfers. Transfer amounts by fund can be seen on Table 1.
- Public Works – Public Works has \$47 million in capital projects budgeted in 2024. Due to project management capacity, several project budgets will likely go unspent in the current year and be carried forward into 2025. Major projects include the Winslow Water Tank, Madison Ave Improvements, Eagle Harbor/Wyatt Way Non-motorized Improvements, Wastewater Treatment Plant (WWTP) Upgrades, and the Sound-to-Olympic Trail.
- General Government – budget for this department includes a citywide vacancy rate of 5% on budgeted wages.