



CITY OF
BAINBRIDGE ISLAND

Memorandum

Date: July 26, 2021
To: Blair King, City Manager; City Council
From: Finance Department
Subject: June 2021 Financial Report

INTRODUCTION:

This report presents a comparison of year-to-date (YTD) 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. Table 1 (attached) shows which funds fall into each of the two categories, and includes revenue, expenditure, and fund balance data by fund.

TAX-SUPPORTED FUNDS:

Revenues of \$19.2 million in the City's tax-supported funds were \$5.3 million or 38% higher through the month of June 2021 compared to the same time frame in 2020. This variance is primarily due to receipt of the first of two, \$3.5 million payments for the American Rescue Plan Act (ARPA) grant funds. ARPA is a \$1.9 trillion federal grant package signed into law on March 11, 2021, that provides direct relief to states, cities, and counties to help mitigate the impacts of COVID-19. The City will be receiving the second \$3.5 million payment in June of 2022 and has until December of 2024 to obligate the funds for eligible purposes. These grant funds are "one-time" monies meaning that the City is not expected to receive any additional funding for this purpose once funds are spent.

Excluding the ARPA funding, the increase is \$1.7 million or 12% higher than 2020. Increases in sales and use, Real Estate Excise Tax, and grant revenues are partially offset by a decrease in Commercial Parking Tax compared to 2020 through June. Other notable variances are further explained below. Expenditures were \$9.6 million lower through the month of June 2021 compared to the same time frame in 2020 due to the purchase of the Harrison Property for the Police Court Facility in January of 2020. Otherwise, 2021 expenses were \$679,000 or 3% less in 2021 than this time last year. Staff are closely monitoring trends in the following revenues and expenditures:

- Sales tax revenue through the end of June was \$3.0 million, an increase of \$501,000 or 20% compared to the same period in 2020. Revenue from the construction and retail trade industries each accounted for 32% and 35% of the 2021 sales tax revenue, respectively.
- Business and Occupation tax revenue was \$557,000, a decrease of \$82,000 or 13% compared to the end of June in 2020. Business and Occupation taxes are collected once per year primarily in

April and are generated from the previous year's gross revenues from Island Businesses. Since overall business activity was down in 2020, this revenue drop was expected and in line with forecasted revenue for 2021.

- REET revenue through the end of June was \$1.8 million, an increase of \$569,000 or 46% in 2021 compared to 2020. This is primarily attributed to an increase in the volume of property sales, which has increased by 29% compared to 2020. The average selling price has increased over the last year, increasing by \$109,000 or 12% compared to the average as of June 2020.
- Street Fund revenue through the end of June was \$331,000, a \$342,000 decrease or 51% less than through June 2020 primarily from less commercial parking lot tax collected due to less ferry travel during the pandemic.
- Revenue generated by building and development service (B&DS) fees through the end of June at \$662,000 was 88% or \$310,000 greater than in June 2020, with 82% of the increase in Building Permit, Plan Checking and Zoning/Subdivision fees. Permit receipts in 2020 were lower due to Covid-19 and the moratorium on certain development.
- Capital Construction grant revenues through June 2021 were \$1.3 million, an increase of \$675,000 or 110% compared to June 2020. A majority of this is attributable to grant funding for the Wyatt Way project as the project nears completion.
- Transfers out of REET were for operating transfers to Streets Fund, debt service, and to fund capital projects for Country Club Road, Sound to Olympics - Sakai Pond Trail, and Eagle Harbor Phase II.
- Salary and Benefits expenses for Tax Supported Funds were \$6.7 million, \$98,000 or 1% lower through June 2021 than through June 2020 due to ongoing vacancies.
- A new fund was created in June to capture the federally provided American Rescue Plan Act (ARPA) revenue of \$3.5 million, and future expenditures.

UTILITY FUNDS:

Revenues of \$4.6 million in the City's utility funds were \$163,000 or 4% higher through June 2021 and operating and capital expenditures were \$521,000 or 12% higher compared to the same time frame in 2020¹. Staff are closely monitoring trends in the following key revenues and expenditures:

- Water and Sewer charges through the end of June 2021 were a total of \$2.5 million, an increase of \$78,000 or 3% compared to the same time frame in 2020 due to increased rates and new customers.
- Water and sewer connection fee revenues through the end of June 2021 were at \$193,000 compared to \$153,000 at the end of June 2020. This revenue source varies depending on development activity and is largely supported by residential development.
- Storm and Surface Water Management (SSWM) fees through June were \$1.7 million, an increase of \$73,000 or 5% over 2020.
- Capital expenditures in the utility funds through the end of June 2021 were \$682,000 which was \$374,000 more than through June of 2020.

¹ The City's three utility funds are individually self-supporting, generating revenue by charging for services provided. While utility revenue figures are combined and reported on together for this report, it should be noted that revenue from one utility cannot be used to support the expenditures of another utility. Please see Table 1 for additional details on each of the City's three utility funds.

Table 1

FUND NAME	2021 STARTING FUND BALANCE	YTD 2021 REVENUES	YTD 2020 REVENUES	YTD 2021 EXPENSES	YTD 2020 EXPENSES	YTD 2021 TRANSFERS	YTD 2020 TRANSFERS	June 2021 ENDING FUND BALANCE	RESERVES
Tax Supported Funds									
General Fund	\$15,909,052	\$10,704,535	\$10,115,065	\$ (7,537,565)	\$ (8,849,938)	\$ (2,104,121)	\$ (990,447)	\$16,971,902	\$ 5,961,111
Street Fund	\$ 61,824	\$ 330,604	\$ 672,689	\$ (1,280,911)	\$ (1,302,653)	\$ 1,161,346	\$ 436,000	\$ 272,862	N/A
REET Fund	\$ 2,528,199	\$ 1,816,437	\$ 1,247,770	\$ -	\$ -	\$ (1,911,836)	\$ (520,521)	\$ 2,432,800	N/A
Civic Impr. Fund	\$ 404,264	\$ 125,420	\$ 79,087	\$ (66,019)	\$ (88,535)	\$ -	\$ (12,000)	\$ 463,665	N/A
Affordable Housing Fund	\$ 375,502	\$ 20,256	\$ 11,660	\$ (4,625)	\$ (88,755)	\$ 101,125	\$ 101,125	\$ 492,258	N/A
ARPA	\$ -	\$ 3,531,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,531,570	N/A
General Obligation Bond Fun	\$ 5,199	\$ 336,404	\$ 324,969	\$ (556,269)	\$ (498,617)	\$ 471,197	\$ 430,521	\$ 256,531	N/A
Trans. Benefit Fund	\$ 1,190,732	\$ 331,443	\$ 318,808	\$ (64,516)	\$ -	\$ (400,000)	\$ (400,000)	\$ 1,057,659	N/A
Trans. Impact Fund	\$ 181,901	\$ 94,339	\$ 41,985	\$ -	\$ -	\$ -	\$ (117,000)	\$ 276,240	N/A
Capital Const. Fund	\$10,067,317	\$ 1,286,653	\$ 818,598	\$ (1,153,252)	\$ (9,376,145)	\$ 1,873,975	\$ 207,000	\$12,074,694	N/A
Building Svcs. Fund	\$ 17,229	\$ 661,774	\$ 351,402	\$ (1,469,921)	\$ (1,542,577)	\$ 799,564	\$ 865,322	\$ 8,646	N/A
	\$30,741,220	\$19,239,434	\$ 13,982,033	\$ (12,133,078)	\$ (21,747,220)	\$ (8,750)	\$ -	\$37,838,826	\$ 5,961,111
Utility Funds									
Water Fund	\$ 7,208,298	\$ 645,642	\$ 644,493	\$ (1,083,226)	\$ (794,067)	\$ 8,750	\$ -	\$ 6,779,464	\$ 356,574
Sewer Fund	\$ 6,087,437	\$ 2,200,515	\$ 2,150,402	\$ (2,710,790)	\$ (2,586,421)	\$ -	\$ -	\$ 5,577,162	\$ 1,665,732
Storm Water Fund	\$ 3,782,075	\$ 1,716,765	\$ 1,605,103	\$ (992,282)	\$ (884,919)	\$ -	\$ -	\$ 4,506,557	\$ 491,121
	\$17,077,810	\$ 4,562,922	\$ 4,399,999	\$ (4,786,298)	\$ (4,265,407)	\$ 8,750	\$ -	\$16,863,183	\$ 2,513,427