



CITY OF
BAINBRIDGE ISLAND

Memorandum

Date: November 22, 2021
To: Blair King, City Manager; City Council
From: Finance Department
Subject: October 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 \$30 million in the City's tax-supported funds were \$5 million or 20% higher through the month of October 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. On September 28th the City Council discussed and decided how to spend the \$7 million in ARPA funds. More than half of the money will be used to fund affordable housing projects. The remaining amount will support sustainable transportation, wastewater treatment upgrades, emergency hubs and human services. The projects include:

- Affordable Housing Project – Wyatt & Madison: \$2,000,000
- Sustainable Transportation Plan set-aside: \$2,000,000
- Affordable housing Capital set-aside: \$1,750,000
- Wastewater Beneficial Reuse: \$1,000,000
- Solar panels/batteries at emergency hubs: \$250,000
- Human Services Funding increase: \$61,000

Excluding the ARPA funding, the increase to revenue is \$1.5 million or 6% 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 October. Other notable variances are further explained below.

Expenditures were \$8.4 million lower through the month of October 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 \$564,000 or 2% more in 2021 than this time last year, which can be attributed to an increase capital spending. Staff are closely monitoring trends in the following revenues and expenditures:

- Sales tax revenue through the end of October was \$5.3 million, an increase of \$860,000 or 19% compared to the same period in 2020. Revenue from the construction and retail trade industries each accounted for 27% and 33% of the 2021 sales tax revenue, respectively.
- Business and Occupation tax revenue was \$568,000, a decrease of \$76,000 or 12% compared to the end of October 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 October was \$3.6 million, an increase of \$556,000 or 18% in 2021 compared to 2020. This is primarily attributed to an increase in the volume of property sales, which has increased 4% compared to 2020. In addition to volume, the average selling price has increased over the last year, increasing \$136,000 or 13% compared to the average as of October 2020. There was a \$21.8 million dollar sale in July 2021 which is driving up the overall 2021 average. Omitting that outlier, the 2021 selling price average is still at an increase of \$103,000, or 10%, compared to 2020.
- Street Fund revenue through the end of October was \$630,000, a \$269,000 decrease or 30% less than through October 2020 primarily from less commercial parking lot tax collected due to less ferry travel during the pandemic. Street fund expenditures through October 2021 have increased \$556,000 over the same time frame in 2020. Notable expense items in 2021 include \$502,000 for annual road maintenance, and \$355,000 in equipment purchases which include a bucket truck and new dump truck.
- Revenue generated by building and development service (B&DS) fees through the end of October at \$1.2 million was 45% or \$357,000 greater than through October 2020, with 39% of the increase in Plan Checking, Development 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 October 2021 were \$1.8 million, an increase of \$900,000 or 97% compared to October 2020. A majority of this is attributable to grant funding for the Wyatt Way project, which is nearing 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.

UTILITY FUNDS:

Revenues of \$10.6 million in the City's utility funds were \$3.3 million or 44% higher through October 2021. Operating and capital expenditures were \$3.8 million or 60% higher compared to the same time frame in 2020¹. \$3 million each in revenue and expense in the Sewer fund are related to the refinance of the 2011 WWTP Upgrade Limited Tax General Obligation bond, which finalized in September. The refinance is set to save \$372,000 in interest costs over the next 9 years.

Excluding the refinance, utility fund revenues were \$222,000 or 3% higher than through October last year and operating and capital expenditures were \$783,000 or 12% higher. Staff are closely monitoring trends in the following key revenues and expenditures:

- Water revenues through the end of October 2021 were a total of \$1.3 million, an increase of \$33,000 or 2.5% compared to the same time frame in 2020 due to increased rates and new customers. Operating costs of \$1.1 million were \$22,000 or 2% less than in 2020.
- Sewer revenues through the end of October 2021 totaled \$3.7 million compared to \$3.6 million at the end of October 2020. This includes \$197,000 in connection and participation fee revenue, a source which varies depending on development activity and is largely supported by residential development. Operating costs were \$2.3 million, an increase of \$61,000 or 3% over 2020.
- Storm and Surface Water Management (SSWM) fees through October were \$2.6 million, an increase of \$86,000 or 3% over 2020. Operating costs increased 10%, or \$124,000 to \$1.4 million through October 2021.
- Capital expenditures in the utility funds through the end of October 2021 were \$1 million which was \$689,000 more than through October of 2020. At \$239,000, Wyatt Way makes up 24% of 2021 utility fund capital spending to date. Other notable projects out of the utility funds are the Wood Avenue Pump Station, and Rockaway Intertie. These three projects combined make up approximately 58% of utility fund capital spending.

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	OCTOBER 2021 ENDING FUND BALANCE	RESERVES
Tax Supported Funds									
General Fund	\$ 15,909,052	\$ 17,561,233	\$ 17,810,277	\$ (12,204,078)	\$ (12,611,571)	\$ (2,152,451)	\$ (1,966,887)	\$ 19,113,756	\$ 6,374,611
Street Fund	\$ 61,824	\$ 630,399	\$ 899,817	\$ (3,134,790)	\$ (2,579,195)	\$ 2,599,425	\$ 1,345,214	\$ 156,858	N/A
REET Fund	\$ 2,528,199	\$ 3,599,498	\$ 3,047,905	\$ -	\$ -	\$ (3,288,472)	\$ (1,941,749)	\$ 2,839,225	N/A
Civic Impr. Fund	\$ 404,264	\$ 259,192	\$ 165,419	\$ (139,095)	\$ (134,250)	\$ -	\$ (12,000)	\$ 524,361	N/A
Affordable Housing Fund	\$ 375,502	\$ 38,137	\$ 26,530	\$ (6,875)	\$ (121,280)	\$ 101,125	\$ 102,250	\$ 507,889	\$ 59,171
ARPA	\$ -	\$ 3,537,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,537,915	N/A
General Obligation Bond Fund	\$ 5,199	\$ 556,940	\$ 554,705	\$ (556,269)	\$ (498,617)	\$ 785,329	\$ 717,535	\$ 791,198	N/A
Trans. Benefit Fund	\$ 1,190,732	\$ 565,618	\$ 549,803	\$ (64,666)	\$ -	\$ (460,000)	\$ (400,000)	\$ 1,231,684	N/A
Trans. Impact Fund	\$ 181,901	\$ 140,832	\$ 94,692	\$ -	\$ -	\$ (250,000)	\$ (117,000)	\$ 72,734	N/A
Capital Const. Fund	\$ 10,067,317	\$ 1,833,266	\$ 932,857	\$ (2,420,395)	\$ (10,741,175)	\$ 1,470,200	\$ 867,277	\$ 10,950,389	N/A
Building Svcs. Fund	\$ 17,229	\$ 1,155,396	\$ 798,151	\$ (2,306,469)	\$ (2,518,286)	\$ 1,136,093	\$ 1,396,610	\$ 2,250	N/A
	\$ 30,741,220	\$ 29,878,426	\$ 24,880,156	\$ (20,832,637)	\$ (29,204,374)	\$ (58,750)	\$ (8,750)	\$ 39,728,259	\$ 6,433,782
Utility Funds									
Water Fund	\$ 7,208,298	\$ 1,311,493	\$ 1,278,954	\$ (1,624,433)	\$ (1,449,225)	\$ 8,750	\$ 8,750	\$ 6,904,107	\$ 356,574
Sewer Fund	\$ 6,087,437	\$ 6,767,958	\$ 3,624,664	\$ (6,935,665)	\$ (3,517,724)	\$ -	\$ -	\$ 5,919,730	\$ 1,665,732
Storm Water Fund	\$ 3,782,075	\$ 2,582,791	\$ 2,497,085	\$ (1,609,881)	\$ (1,379,640)	\$ 50,000	\$ -	\$ 4,804,985	\$ 491,121
	\$ 17,077,810	\$ 10,662,242	\$ 7,400,704	\$ (10,169,979)	\$ (6,346,589)	\$ 58,750	\$ 8,750	\$ 17,628,823	\$ 2,513,427