



CITY OF
BAINBRIDGE ISLAND

Memorandum

Date: April 1, 2022
To: Blair King, City Manager; City Council
From: Finance Department
Subject: February 2022 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. *Prior year ending fund balances are not finalized and are subject to change through April 2022.*

TAX-SUPPORTED FUNDS:

Revenues of \$3.8 million in the City's tax-supported funds were \$292,000 or 8% higher through February 2022 versus 2021. Increases in Sales and Use, Private Utility, and Commercial Parking Taxes are partially offset by decreases in grant revenues through February.

Expenditures were \$328,000 lower through February 2022 compared to 2021 which can be largely attributed to decreased capital spending and timing differences for the annual fire safety services payment to Bainbridge Island Fire Department.

Staff are closely monitoring trends in the following revenues and expenditures:

- Sales tax revenue through February was \$1.1 million, an increase of \$81,000 or 8% over 2021. Revenue from the construction and retail trade industries each accounted for 25% and 36% of the year-to-date sales tax revenue, respectively.
- Business and Occupation tax revenue was \$238,000, an increase of \$188,000 or 377% compared to 2021. Much of this revenue is collected in April, and thus variations at this time are unlikely to be predictive of substantial changes in revenue trends.
- Real Estate Excise Tax (REET) revenue through February was \$299,000, a decrease of \$22,000 or 7% over 2021. The volume of property sales through February was down 22%, the average sales price increased by \$159,000 or 20% when compared to 2021 Bainbridge property sales for the same time period.

- Street Fund revenue through February was \$189,000, an \$75,000 increase or 66% more than 2021. This came from increases in commercial parking lot taxes collected, a revenue source that is slowly recovering from the record lows caused by the pandemic. Street fund expenditures through February increased \$7,000 over 2021. Salaries, benefits, professional services, and insurance costs were all factors in the increase, partially offset with decreases in supplies and repairs.
- Revenues generated by building and development service (B&DS) were \$222,000 through February, an increase of 24% or \$42,500 greater than 2021. The largest portion of that increase came from Zoning/Subdivision, Plan Checking, and Development Fees.
- Capital Construction received grant revenues of \$229,000 through February, compared to \$337,000 in 2021. Capital spending through February was low, with approximately \$22,000 in salaries and benefits, and \$19,000 in total spending primarily on two capital projects: Madison Ave Sidewalk Improvements, and Sportsman Club/New Brooklyn Intersection.
- Transfers out of REET were to Streets, debt service, and to fund capital projects for Senior Community Center Renovations, Eagle Harbor Phase II, Madison Ave Sidewalk Improvements, and City Hall Lower Parking Lot Retrofit.

UTILITY FUNDS:

Revenues of \$1 million in the City's utility funds were \$47,000 or 5% higher through February compared to 2021. Operating and capital expenditures of \$1.2 million were \$126,000 or 12% higher compared to the same time frame in 2021¹.

Staff are closely monitoring trends in the following key revenues and expenditures:

- Water revenues through February were \$189,000, a decrease of \$17,000 or 8% versus 2021. While charges for water services increased about 5%, participation revenues are lower than in 2021. Operating costs of \$262,000 were \$16,000 or 7% more than in 2021, with salaries being the main factor in the increase.
- Sewer revenues through February totaled \$702,000 in 2022, an increase of \$10,000 or 2% over 2021. Operating costs were \$434,000, a decrease of \$36,000 or 8% from 2021, with lower spending in supplies and repairs compared to 2021.
- Storm and Surface Water Management (SSWM) revenues through February were \$126,000, an increase of \$54,000 or 75% compared to 2021. Increased storm drain fee revenue and a grant from the Department of Ecology are both factors in the increase. Operating costs increased 26%, or \$55,000 compared to 2021. Insurance costs, as well project permit fees were factors in the spending increase.
- Capital Spending out of the Utility fund in February was \$238,000 with expenditures related in large part to Water's chlorine generator upgrade, and Sewer's wood avenue pump station.

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 | 2022 STARTING FUND BALANCE | YTD 2022 REVENUES | YTD 2021 REVENUES | YTD 2022 EXPENSES | YTD 2021 EXPENSES | YTD 2022 TRANSFERS | YTD 2021 TRANSFERS | FEBRUARY 2022 ENDING FUND BALANCE | RESERVES |
|-----------------------------|----------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|-----------------------------------|--------------|
| Tax Supported Funds | | | | | | | | | |
| General Fund | \$ 18,763,515 | \$ 2,635,741 | \$ 2,337,394 | \$ (2,529,579) | \$ (2,674,932) | \$ (445,484) | \$ (936,240) | \$ 18,424,193 | \$ 6,120,690 |
| Street Fund | \$ 125,765 | \$ 188,713 | \$ 113,684 | \$ (466,876) | \$ (459,889) | \$ 286,210 | \$ 449,956 | \$ 133,812 | N/A |
| REET Fund | \$ 2,540,049 | \$ 299,943 | \$ 322,352 | \$ - | \$ - | \$ (1,432,668) | \$ (1,131,022) | \$ 1,407,323 | N/A |
| Civic Impr. Fund | \$ 534,667 | \$ 46,298 | \$ 24,504 | \$ (46,257) | \$ (8,337) | \$ - | \$ - | \$ 534,708 | N/A |
| Affordable Housing Fund | \$ 511,214 | \$ 9,926 | \$ 8,499 | \$ (2,100) | \$ (1,400) | \$ 100,000 | \$ - | \$ 619,040 | \$ 59,171 |
| ARPA | \$ 3,539,477 | \$ 1,446 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,540,922 | N/A |
| General Obligation Bond Fun | \$ 7,569 | \$ 23,507 | \$ 20,195 | \$ - | \$ - | \$ 156,956 | \$ 157,066 | \$ 188,031 | N/A |
| Trans. Benefit Fund | \$ 1,331,727 | \$ 96,503 | \$ 111,865 | \$ - | \$ - | \$ - | \$ - | \$ 1,428,231 | N/A |
| Trans. Impact Fund | \$ 91,285 | \$ 28,342 | \$ 34,495 | \$ - | \$ - | \$ - | \$ - | \$ 119,627 | N/A |
| Capital Const. Fund | \$ 11,089,452 | \$ 228,738 | \$ 336,756 | \$ (40,670) | \$ (229,930) | \$ 1,047,356 | \$ 1,099,000 | \$ 12,324,876 | N/A |
| Building Svcs. Fund | \$ 7,354 | \$ 222,362 | \$ 179,813 | \$ (509,121) | \$ (548,282) | \$ 287,630 | \$ 361,240 | \$ 8,226 | N/A |
| | \$ 38,542,072 | \$ 3,781,520 | \$ 3,489,558 | \$ (3,594,602) | \$ (3,922,770) | \$ - | \$ - | \$ 38,728,990 | \$ 6,179,861 |
| Utility Funds | | | | | | | | | |
| Water Fund | \$ 6,712,438 | \$ 188,786 | \$ 205,713 | \$ (456,643) | \$ (315,520) | \$ - | \$ - | \$ 6,444,581 | \$ 446,681 |
| Sewer Fund | \$ 5,574,949 | \$ 701,718 | \$ 691,292 | \$ (482,019) | \$ (551,980) | \$ - | \$ - | \$ 5,794,647 | \$ 1,454,715 |
| Storm Water Fund | \$ 4,753,738 | \$ 125,837 | \$ 72,081 | \$ (265,938) | \$ (211,012) | \$ - | \$ - | \$ 4,613,636 | \$ 713,213 |
| | \$ 17,041,124 | \$ 1,016,341 | \$ 969,086 | \$ (1,204,600) | \$ (1,078,512) | \$ - | \$ - | \$ 16,852,865 | \$ 2,614,609 |