

# AB 6451

## FY 2023 Year-end Review

May 7, 2024

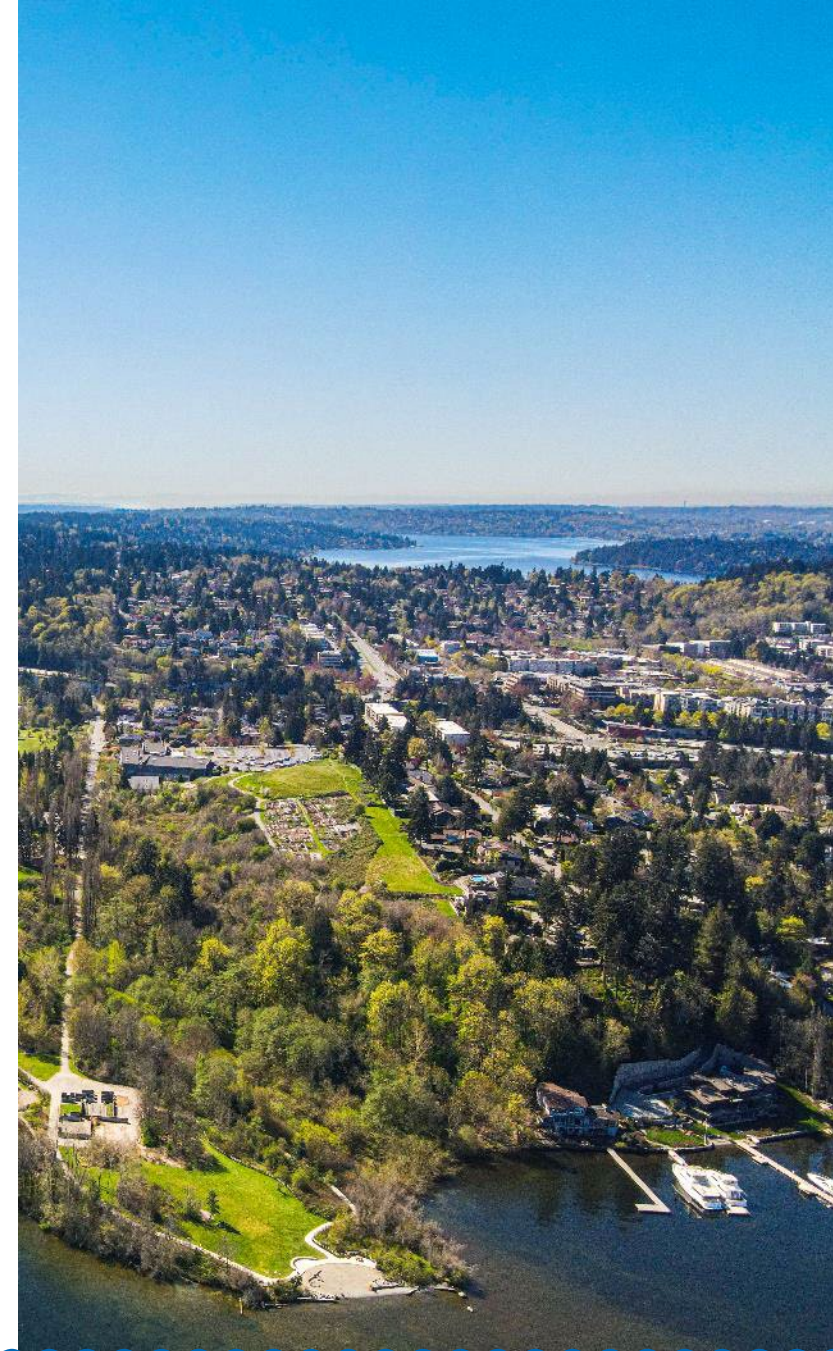


# Agenda

1. Fund Balance Overview
2. Non-General Fund Revenues
3. General Fund Revenue Surplus
4. Staff Recommendation
5. Budget Schedule
6. Questions



# FY 2023 Fund Balances



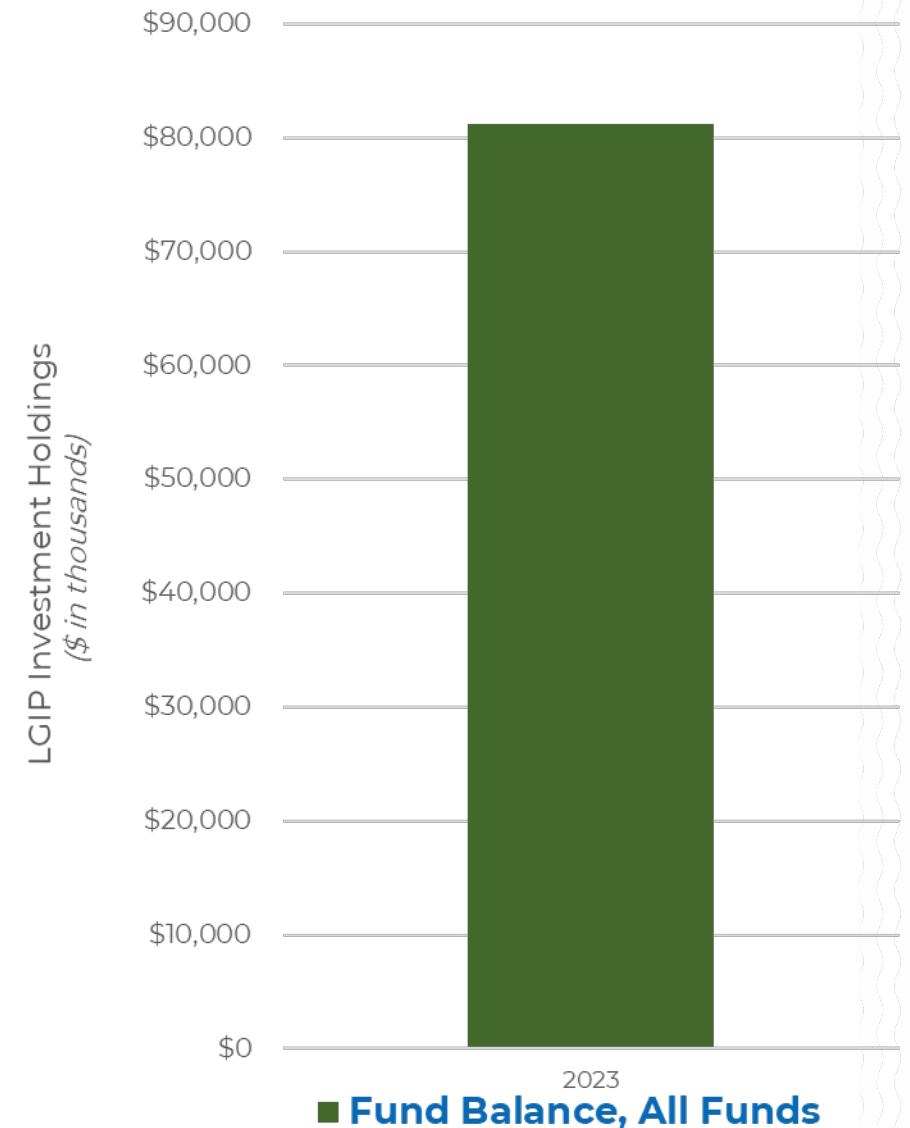
# Fund Balance Terminology

- **Reserved** fund balances includes the following categories:
  1. **Non-spendable.** Non-cash City inventories.
  2. **Restricted.** Limitations on use set by outside entities.
  3. **Committed.** Long-term limitations on use set by City Council.
  4. **Assigned.** Earmarked for specific short-term uses by City Council.
- **Available** is the remaining unassigned balance.

# Fund Balance Overview

*as of 12/31/2023*

- ❑ The City invests in the WA State Local Government Investment Pool.
- ❑ Fund balance is net difference between fund's assets versus liabilities.
- ❑ Across all Funds, total investments at 2023 year-end were over \$80 million.

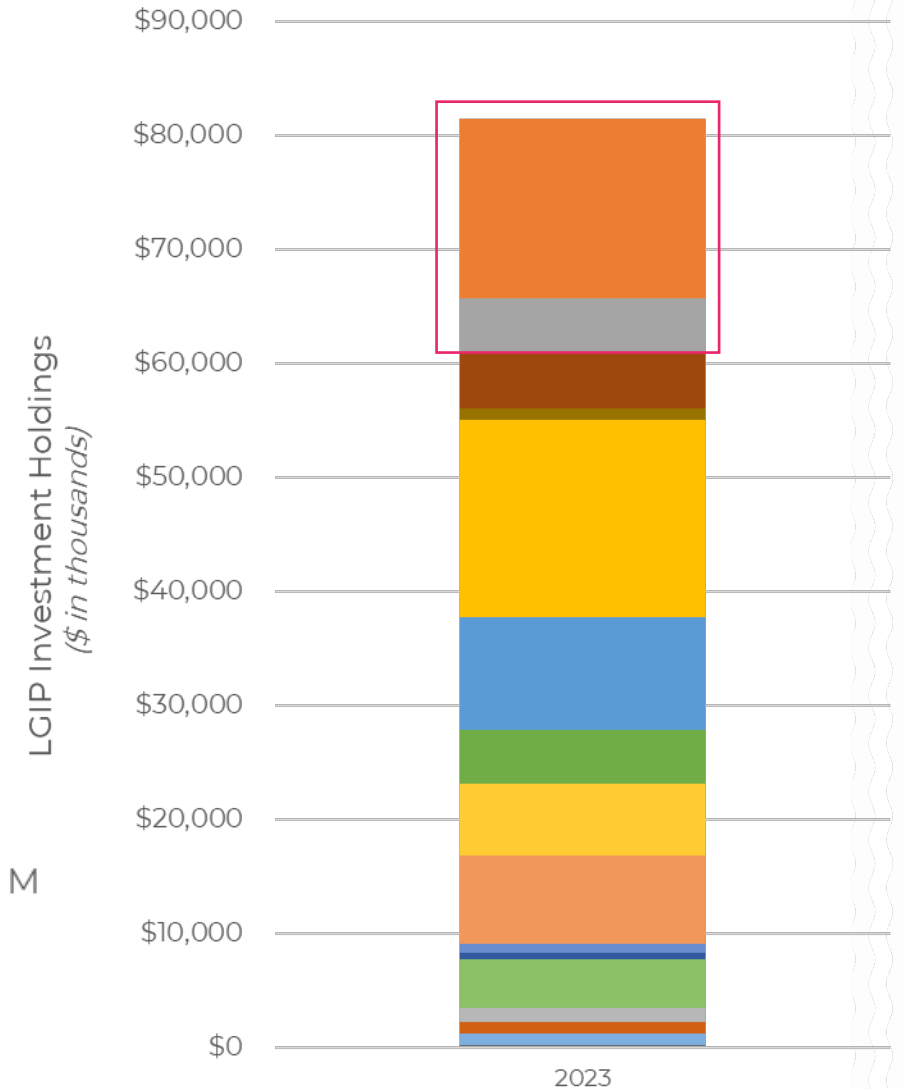


# Fund Balance Overview

as of 12/31/2023

## Total balance ties to 19 different Funds.

- General Fund, \$15.75 M
- ARPA Fund, \$4.67 M
- Contingency, \$4.87 M
- Youth & Family Services Fund, \$1.06 M
- Water Fund, \$17.23 M
- Sewer Fund, \$9.90 M
- Storm Water Fund \$4.75 M
- Street Fund, \$6.23 M
- Capital Improvement Fund, \$7.84 M
- Long-Term Parking Fund, \$0.70 M
- Facility Capital Replacement \$0.58 M
- Equipment Rental \$4.28 M
- Technology & Equipment Fund, \$1.24 M
- Computer Equipment \$0.96 M
- Firefighter's Pension Fund \$1.04 M
- 1% for the Arts Fund, \$0.15 M
- Self Insurance Fund, \$0.06 M
- Bond Redemption - Voted Fund, \$0.18 M
- Bond Redemption - Unvoted Fund, \$0.005 M



# Fund Balance Overview

as of 12/31/2023

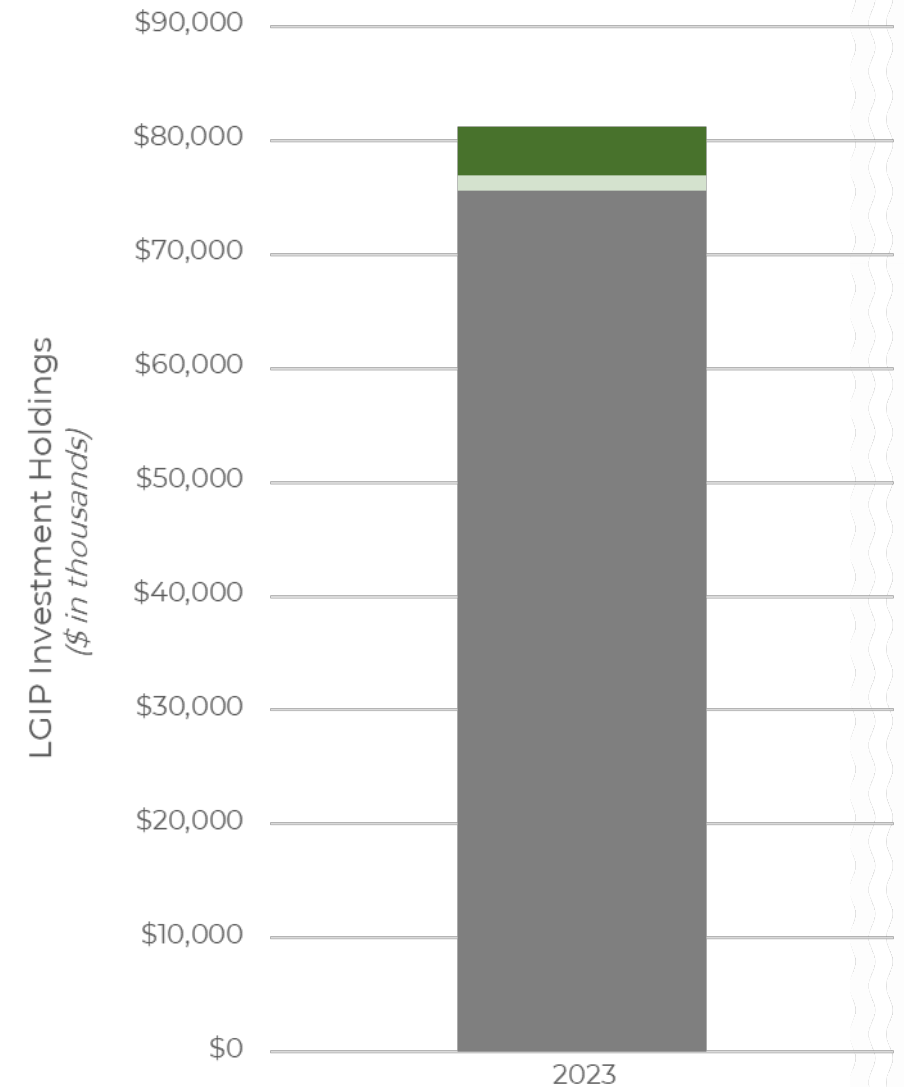
■ **\$4.2 M** General Fund Unassigned Fund Balance.

■ **\$1.3 M** remaining ARPA Funds.

■ **\$75.7 M** remaining Fund Balance.

□ Restricted by law.

□ Reserved in biennial budget or by Council policy.



# General Fund Balance

- Revenue surplus due to sales tax revenues, interest earnings, and strategic use of ARPA funds.

<b>GENERAL FUND</b> <i>(\$ in thousands)</i>	<b>TOTAL</b>
<b>RESERVED</b>	
Non-Spendable	\$122
Restricted	1,425
Committed	4,308
Assigned	5,693
<b>RESERVED SUBTOTAL</b>	<b>11,548</b>
<b>AVAILABLE BALANCE</b>	<b>4,201</b>
<b>TOTAL FUND BALANCE</b>	<b>\$15,749</b>



# ARPA Funds

- ❑ At 2023 year-end, **\$1.3 M** of the \$7.2 M remains available.
- ❑ Variety of critical uses to date
  - ❑ Immediate Pandemic Response
  - ❑ Community & Mental Health Services
  - ❑ Utility Bill Relief Program
  - ❑ Deferred Park Maintenance
  - ❑ Sewer System Investments
  - ❑ Water System Improvements
  - ❑ Low Income Heat Pump Program
  - ❑ Asbestos response/City Hall closure
  - ❑ Interim Police Operations Facilities
  - ❑ Interim Municipal Court Site
  - ❑ Enhanced Recycling/Composting Programs
  - ❑ Greenhouse Gas Emissions Tracking
  - ❑ MICEC Improvements for Hybrid Meetings
  - ❑ Gun Buyback Program

# ARPA Funds

- ❑ Funds must be encumbered by 12/2024 & spent by 12/2026.
- ❑ ARPA-related appropriation requests anticipated this year.
  - ❑ Interim facility needs for various City operations.
  - ❑ Pre-design for new Public Safety & Maintenance Facility.

# Utilities Fund Balance

- ❑ Reserved includes:
  - ❑ Minimum levels for cash flow purposes.
  - ❑ Balance committed in 2023-2024 CIP.
  - ❑ 2023 budget carryovers into 2024.
  
- ❑ LTGO Bond issuance scheduled this summer for Water Fund.

<b>UTILITY FUNDS</b> <i>(\$ in thousands)</i>	<b>TOTAL</b>
<b>WATER</b>	<b>\$ 17,227</b>
Reserved	\$26,613
Available	(9,386)
<b>SEWER</b>	<b>\$ 9,899</b>
Reserved	\$9,588
Available	\$311
<b>STORM WATER</b>	<b>\$ 4,753</b>
Reserved	\$1,187
Available	\$3,566

# Contingency Fund Balance

- As of December 31, 2023, balance is \$4,871,961.
- At target funding level.
- Funding target is 12.5% of General Fund Expenditures.

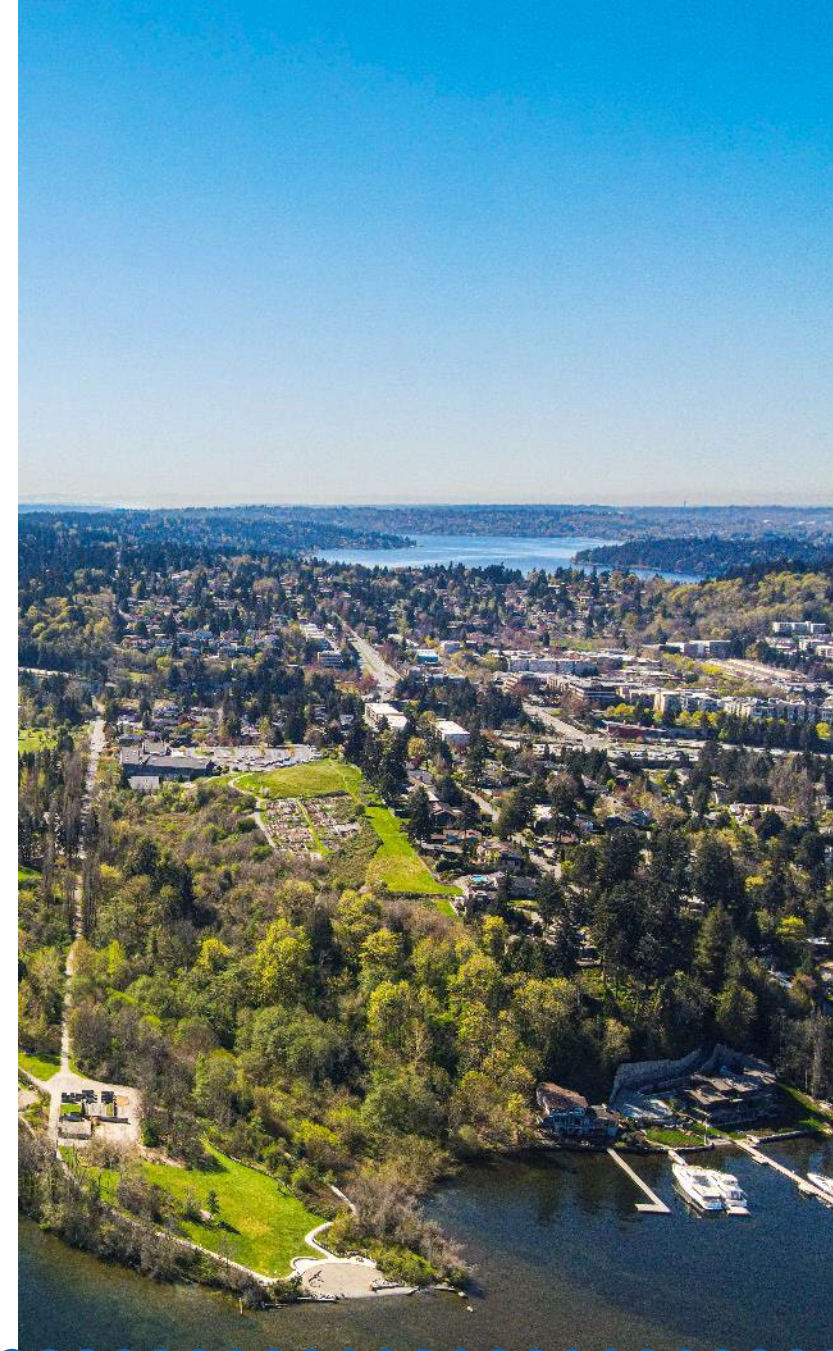


# Capital-Related Fund Balances

- ❑ Outstanding grant funds tied to Luther Burbank shoreline project.
- ❑ Closely tracking cash flow needs.
- ❑ Significant lag in real estate excise tax revenues in 2023.

<b>CAPITAL-RELATED FUNDS</b> <i>(\$ in thousands)</i>	<b>TOTAL</b>
<b>STREET FUND</b>	<b>\$ 6,234</b>
Reserved	\$6,234
Available	\$0
<b>CAPITAL IMPROVEMENT FUND</b>	<b>\$ 7,843</b>
Reserved	\$9,083
Available	\$(1,240)

# Non-General Fund Revenues



# REET Revenues

- ❑ Primary resource for the Capital Improvement Program.
- ❑ 2023 year-end revenues were roughly \$3.5 M.
  - ❑ \$0.9 M below budget expectations.
  - ❑ Real estate activity began slowing in 2022 through 2023.
  - ❑ Real estate sales decreased as Federal funds rate increased.
  - ❑ In 2023, total property sales were 290, lower than 303 in 2022.
- ❑ Decline in REET during active period of capital investment.
- ❑ Keep Council informed ahead of any cash flow challenges.

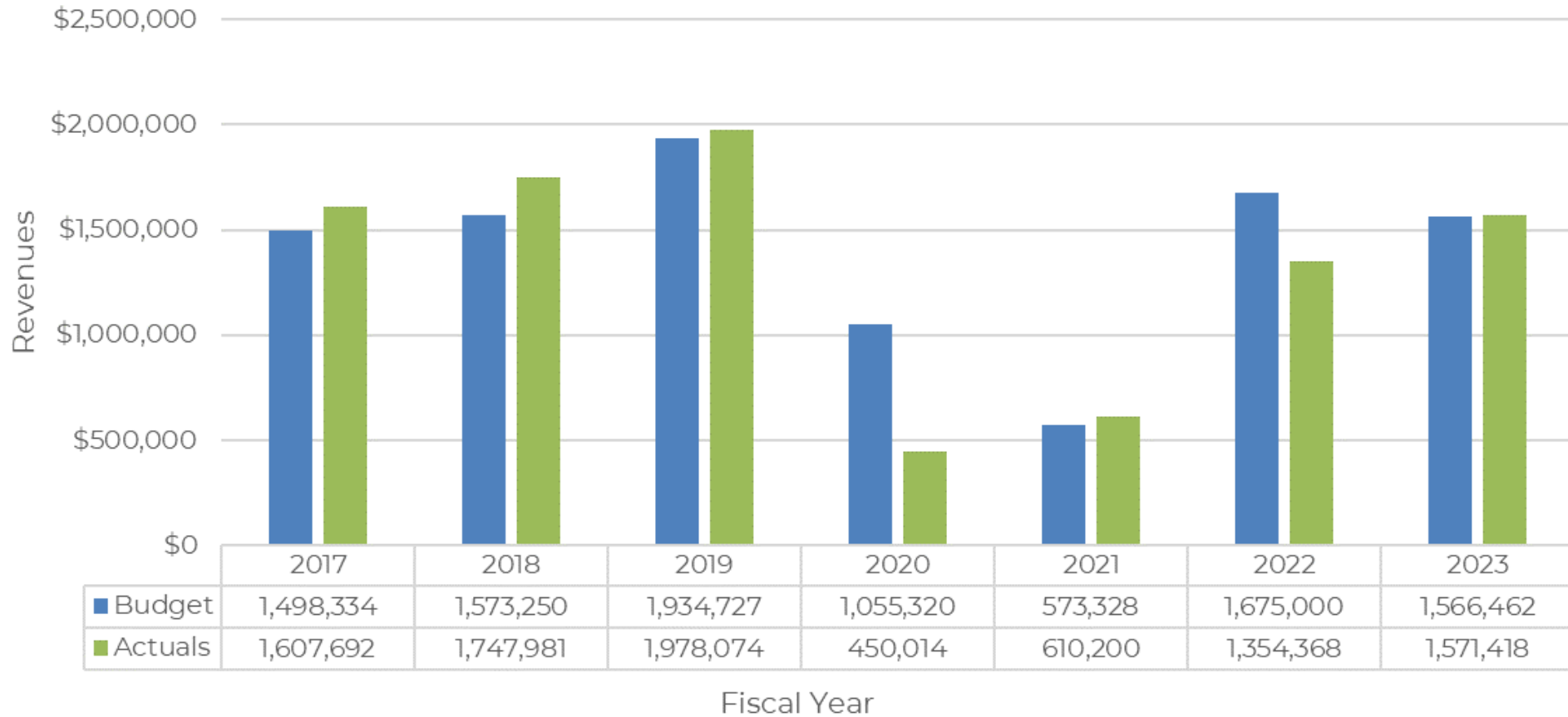
# Mercer Island Thrift Shop

- 2023 Revenue targets were met!
  - *\$1,566,462*      *budget expectations*
  - \$1,571,418      revenue actuals
- Compared to 2022
  - Gross revenues grew 16% relative to 2022.
  - **\$573,864 net profits**, up \$234,000 compared to 2022.



# Mercer Island Thrift Shop

Gross Revenues  
Budget v Actual



# License, Permit, & Zoning Fees

- ❑ Total revenues at year-end were \$3.9 M.
- ❑ Exceeded budget expectations due to:
  1. Higher permit activity.
  2. High valuation projects (e.g., King County pump station).
  
- ❑ Net operating revenues increased CPD operating balance to \$723,438, up from \$303,000 in 2022.

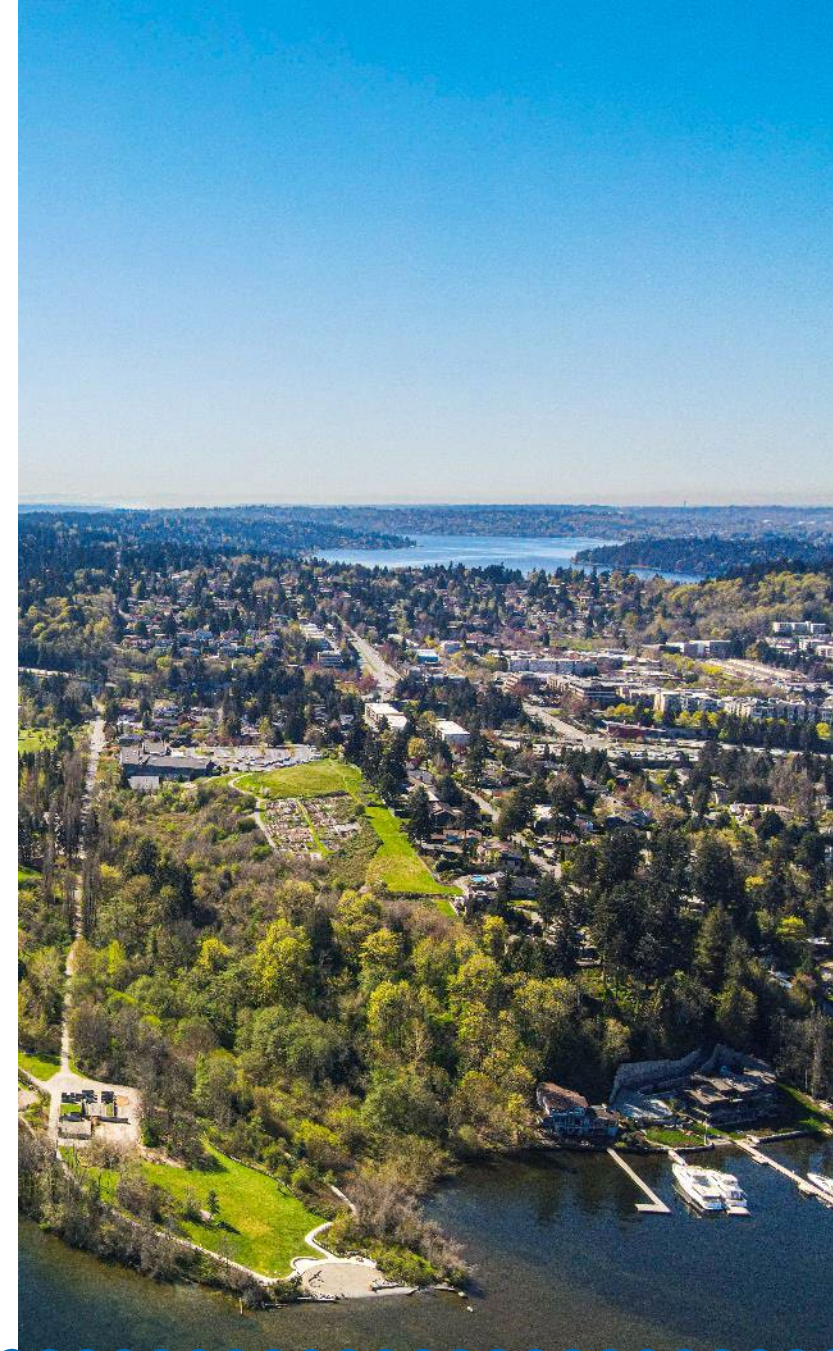
# Parks & Recreation

## Recreation restart is gaining momentum.

- ❑ Encouraging year-over-year revenue growth.
- ❑ Field rentals, rent payments, boat launch and program fees.

Parks & Recreation	2021A	2022A	2023A
Gross Operating Revenues	\$ 338,760	\$ 823,063	\$ 1,159,581
Year-to-Year Percent Change	-	143%	41%

# 2023 General Fund Revenue Surplus





# Budget v. Actuals

<b>GENERAL FUND</b> <i>(\$ in millions)</i>	<b>2022 Actuals</b>	<b>2023 Amended Budget</b>	<b>2023 Actuals</b>	<b>Actuals v Amended Budget</b>
<b>Revenues</b>	<i>\$35.0</i>	<b>\$37.2</b>	<b>\$39.0</b>	<b>106%</b>
<b>Expenditures</b>	<i>\$33.9</i>	<b>\$37.2</b>	<b>\$36.2</b>	<b>97%</b>

*\*Differences may occur due to rounding.*

# General Fund Expenditures

- In 2023, expenditures were \$0.9 underbudget.
- After carryovers into 2024, less than 1% went unspent.

GENERAL FUND	TOTAL
<b>CARRYOVERS FROM 2023 TO 2024</b>	
Election expenses	\$ 141,000
Municipal Court audio-visual grant	34,991
Comprehensive Plan update	129,000
Financial Software implementation	35,000
Mobile Integrated Health resources for EFR	213,517
Climate Action Plan funding	48,900
<b>TOTAL</b>	<b>\$602,408</b>

# General Sales Tax

- ❑ Received \$6.4 M in 2023, nearly \$0.7 M more than 2022.
- ❑ Increased revenue across most sectors, with Construction-related sales tax growth making up \$0.5 M of the YOY growth.

# General Sales Tax

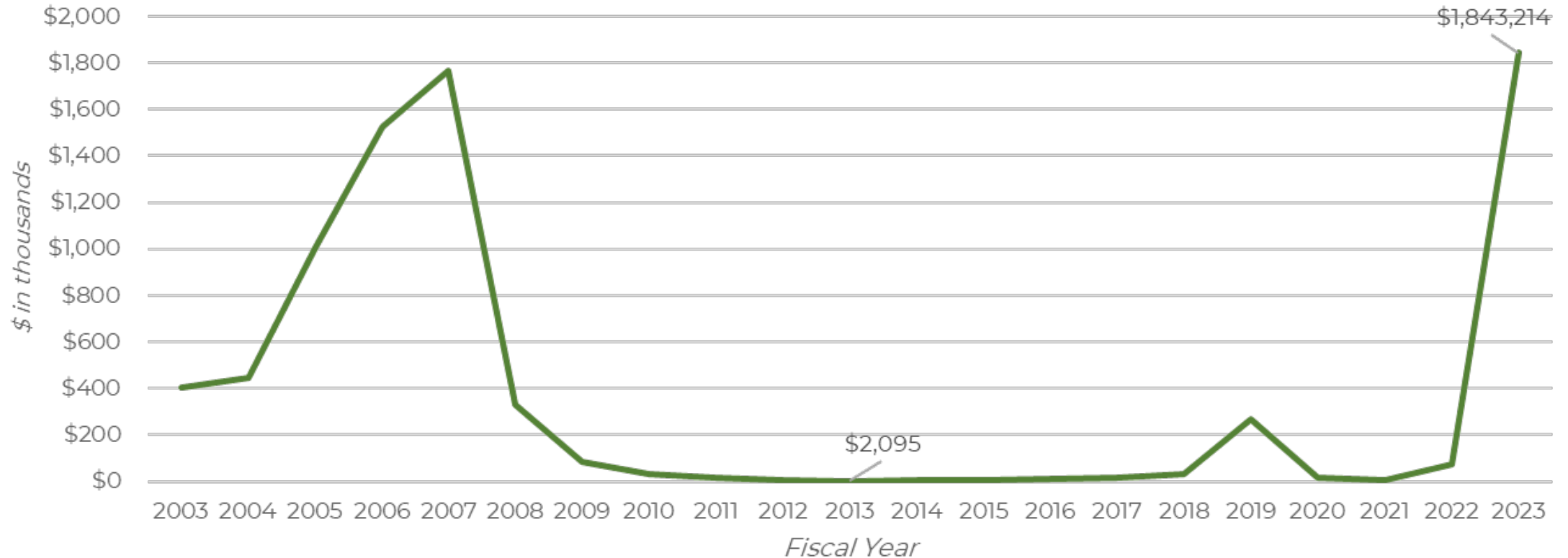
Annual Revenue





# Interest Earnings

**General Fund**  
*Annual Interest Earnings*



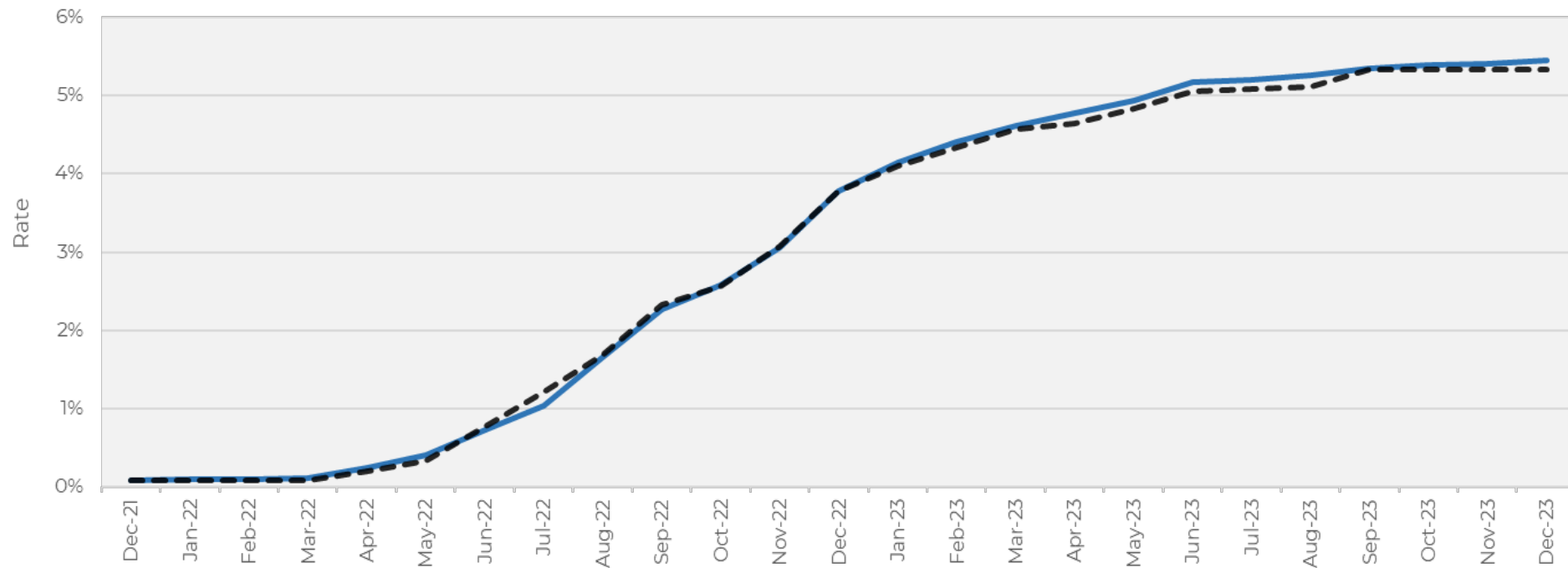
**Total interest earnings in 2023 were over \$1.8 M.**

# Interest Earnings

## WA State Treasurer Local Government Investment Pool

Dec 2021 - Dec 2023

— LGIP True 30-day Yield    - - - Federal Funds Rate



**Average earnings rate in 2023 was 5%, up from 1.3% in 2022.**

# Key Take-Aways

- ❑ Year-end revenue surplus due to sales tax, interest earnings, and use of ARPA funds.
  - ❑ As interest earnings rose, REET revenues have markedly fallen.
- ❑ Focus going into the 2025-2026 biennium
  - ❑ Judicious use of unassigned General Fund Balance and remaining ARPA funds.
  - ❑ Interim workspace for City staff and pre-design of the PS&M building.
  - ❑ Help see thru ongoing capital work in the wake of REET shortfall.

# Staff Recommendation

1. Adopt Ordinance No. 24-04, amending the 2023-2024 Biennial Budget.
2. Appropriate unassigned General Fund balance and direct the City Manager to include in a subsequent budget amending ordinance that includes:

<b>GENERAL FUND UNASSIGNED FUND BALANCE</b>	<b>TOTAL</b>
<b>2023 UNASSIGNED BALANCE</b>	<b>\$ 4,201,273</b>
1. YFS Operating Fund Balance contribution	150,000
2. Municipal Facility Replacement Fund contribution	2,400,000
3. Long-term Facility Support	150,000
<b>SUBTOTAL</b>	<b>\$ 2,700,000</b>
<b>REMAINING UNASSIGNED FUND BALANCE</b>	<b>\$ 1,501,273</b>

# Biennial Budget Schedule



*\*Public hearings.*



# Questions

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