



City Council Business Agenda Item City of Kenmore, WA

<p>Subject/Topic: 2nd Quarter 2024 Financial Report Presentation</p> <p>Proposed Council Action/Motion: Receive & File: 2nd Quarter 2024 Financial Reports for the City of Kenmore</p>	<p>For Council Meeting Agenda of: September 9, 2024</p> <p>Department: Finance & Administration</p> <p>Prepared by: Melinda Merrell, Finance Director</p> <table border="0" style="width: 100%;"> <tr> <td></td><td style="text-align: right;"><u>Initial & Date</u></td></tr> <tr> <td>Approved by Department Head:</td><td style="text-align: right;">____ MM</td></tr> <tr> <td>Approved by City Attorney:</td><td style="text-align: right;">____ N/A</td></tr> <tr> <td>Approved by Finance Director:</td><td style="text-align: right;">____ MM</td></tr> <tr> <td>Approved by City Manager:</td><td style="text-align: right;">____ RK</td></tr> </table> <p>Exhibits/Attachments: 2nd Quarter 2024 Financial Report for the City of Kenmore</p>		<u>Initial & Date</u>	Approved by Department Head:	____ MM	Approved by City Attorney:	____ N/A	Approved by Finance Director:	____ MM	Approved by City Manager:	____ RK
	<u>Initial & Date</u>										
Approved by Department Head:	____ MM										
Approved by City Attorney:	____ N/A										
Approved by Finance Director:	____ MM										
Approved by City Manager:	____ RK										
<p>Summary:</p> <p>The 2nd Quarter 2024 Financial Reports are presented for Council review. It provides a look into the first eighteen (18) months of the biennium through June 30, 2024.</p>											
<p>Information/Background:</p> <p>This report provides the opportunity for the City Council and the community to receive information on the City of Kenmore's biennium to date revenues and expenditures in comparison to the City's 2023-2024 adopted biennial budget. The budget was adopted on November 21, 2022.</p>											
<p>Fiscal Consideration:</p> <p>The end of the June 30, 2024 is the eighteenth (18th) month of the 2023-2024 biennium budget period with 75% of the biennium budget elapsed.</p> <p><u>General Fund:</u> As of the 2nd Quarter of 2024, the biennium to date revenues exceeded expenditures by \$6,846,938. Revenues were \$26.0 million while expenditures were \$19.2 million. Revenues (78.9%) for the biennium are slightly above the target of 75% for the biennium while expenditures (58.5%) came in at 16.5% below. Expenses are running low for the biennium due to the use of ARPA funds in 2023 to cover our police costs in the amount of \$4.6 million. Including the police costs puts expenses at 63.6% for the biennium.</p> <p>Property taxes, the major revenue source for the City, are cyclical with due dates in April and October each year. \$2,822,083 in property tax revenue was received for the quarter ended June 30, 2024, bringing</p>											

the total for the biennium to \$8.8 million or 76.4% of the amount budgeted. Property taxes are expected to bring in \$11.4 million in revenue for the biennium.

Utility taxes, development fees, and permits are ahead of the biennial target of 75% at 84.3% and 116.5%, respectively.

With current interest rates, our investment interest is ahead of target, coming in at \$100,052 for Q2, 2024 and \$361,940 for the biennium. This is 120% of the budgeted biennium amount of \$300,000.

Annual payment of the AWC dues (\$20K) in the first quarter along with the Council retreat in April caused an uptick in City Council expenses. Legal fees have been running higher than expected for the biennium. Housing and Human Services expenses are running higher than expected as \$100K has been spent on Human Services Contributions but was originally budgeted in the City Clerk's budget.

The General Fund ending fund balance as of June 30, 2024, was \$10.4 million.

City Council Priority or Budget Objective Being Addressed:

The [2025-2026 City Council Priorities](#) Preamble lists the City's top priority as fulfilling its core mission, including safeguarding the City's finances.



City of Kenmore, Washington

Memorandum

Date: August 29, 2024

To: Rob Karlinsey, City Manager

From: Melinda Merrell, Finance Director

Regarding: 2nd Quarter 2024 Financial Reports for the City of Kenmore

2nd Quarter 2024 financial information is presented for your review and delivery to the City Council. Attached you will find the following reports:

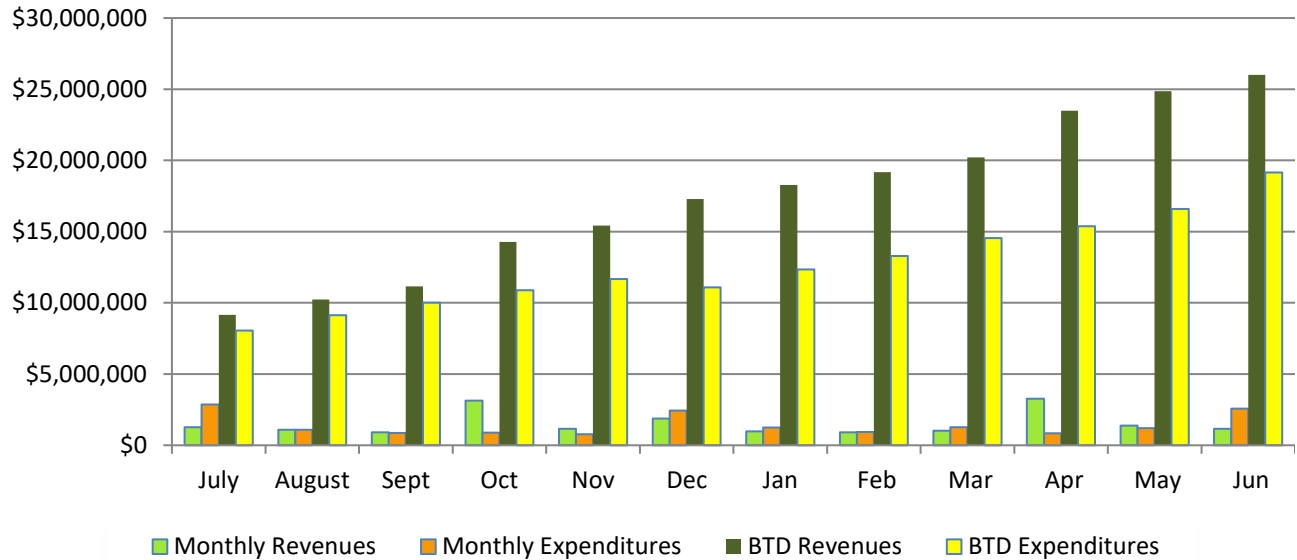
- General Fund Summary
- Street Fund Summary
- Other Funds Monthly Activity
- Investment Schedule and Portfolio Analysis
- Retail Sales and Use Tax Distribution

If you would like additional information or have any questions regarding the financial reports, please feel free to contact me.

GENERAL FUND

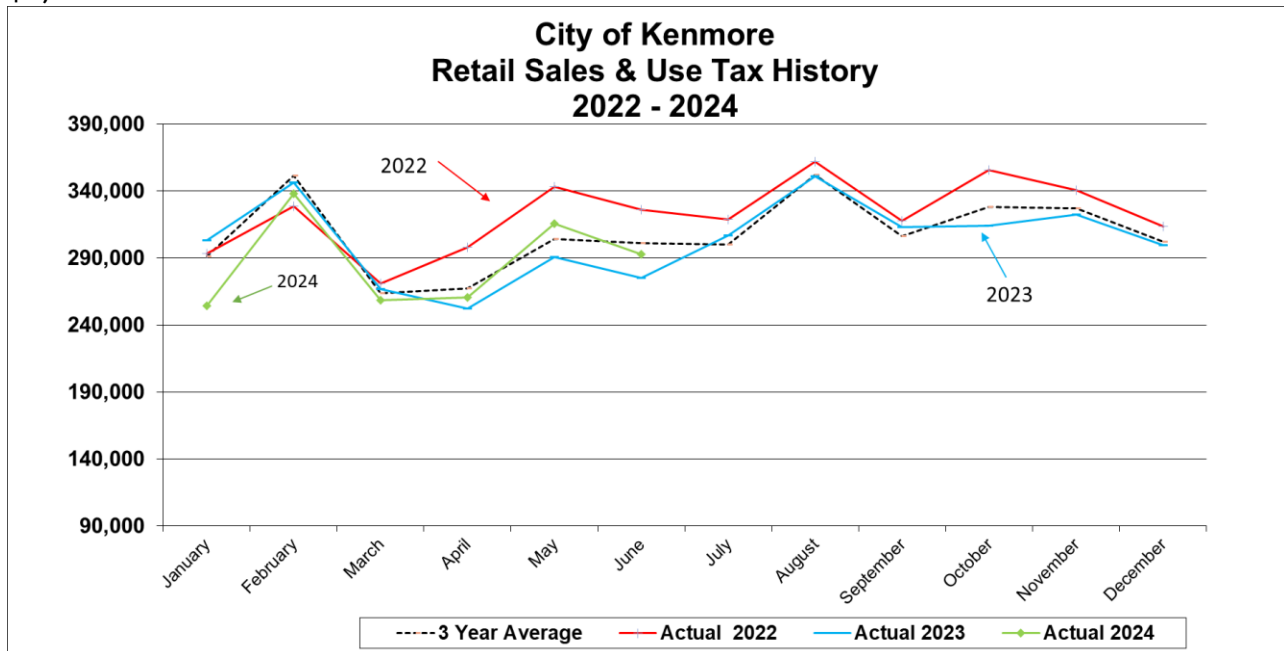
The first section of the quarterly financial report is a review of the General Fund. This fund accounts for operational activities and includes all financial resources except those required or elected to be accounted for in another fund. Revenues include various taxes, per capita distributions from the State, fines and forfeitures, permits and licenses, and fees for service. In the context of the biennial budget, the 2nd Quarter is the sixteenth through the eighteenth month of the 2023-2024 biennial budget period. For the quarter ending March 31, 2024, revenues exceed expenditures in the General Fund by \$1,191,535. Biennium to date, revenues exceed expenditures by \$6,846,938. This is due to the use of ARPA funds in 2023 to cover our police costs in the amount of \$4.6 million. In addition, development fees and permits revenues are running higher than anticipated as well as higher investment interest than expected.

The following chart illustrates the monthly revenue and expenditure activity in the General Fund for the twelve (12) month period through June 2024.

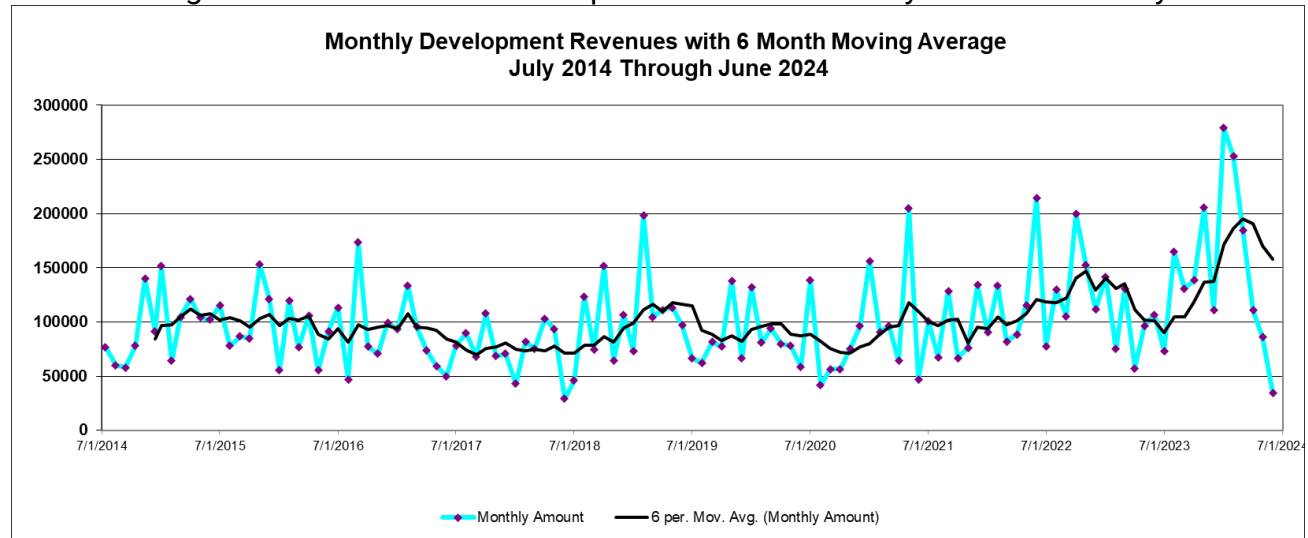


Total **revenues** for Q2, 2024 were **\$5,804,693**. Biennium to date revenues were \$26,009,584 which is 78.9% of the amended budgeted revenues of \$32,967,258. Primary sources of revenue for the quarter included \$2.8 million in property taxes, \$663,047 in development fees & permits, \$868,915 in sales and use taxes, \$295,694 in intergovernmental & grants, and \$831,151 in utility taxes.

A summary of sales tax revenues received in **June** is attached. These receipts are based on **April** sales activity. The chart below gives a historical perspective of monthly sales tax receipts over the last few years. The black dotted 3 Year Average line is a monthly average of actual receipts during 2021, 2022, and 2023. The green line represents 2024 actual receipts by month, which are \$8,342 above 2023 and below the 3 Year Average by \$7,023.



The following chart illustrates the Development Revenue activity over the last 10 years.



For the quarter ended June 30, 2024, expenditures were \$4,613,157. Biennium to date expenditures were \$19,162,646 which is 58.5% of the amended biennial budget expenditures of \$32,736,301. Human Resources is running lower than budgeted as the HR Director position was vacant as of June 2023 and will not be filled. The savings from this was rolled toward the Deputy Clerk position. Annual payment of the AWC dues (\$20K) in the first quarter along with the Council retreat in April caused an uptick in City Council expenses which will even out over the remainder of the year. Legal fees have been running higher than expected. As noted previously, \$4.6 million of ARPA funds were used to cover most of our Public Safety costs in 2023. As happens every year, a six-month police services contract invoice was received and paid in the month of June. Environmental Services expenses are lower than anticipated as no expenses have been incurred for Grant Matches or Strategic Partnerships thus far. Housing and Human Services expenses are running higher than expected as \$100K has been spent on Human Services Contributions but was originally budgeted in the City Clerk's budget.

City cash, \$27,952,115, and investments, \$8,412,816, at the end of June 30, 2024, totaled \$36,364,931.

OTHER FUNDS

Total non-General Fund revenues for the quarter ended June, 2024, were \$8,387,111 and total non-General Fund expenditures were \$2,153,033.

In the **Street Fund**, expenses are outpacing revenues year to date as transfers from the General Fund and Transportation Benefit District have not yet been recorded. Thus, revenues are lower than expected at 44.8% for the biennium vs the 75% target.

In the 2nd Quarter, the **Transportation Capital Fund** had expenditures in the amount of \$195,135 on pedestrian safety projects & street maintenance. The fund received \$329,451 in grant reimbursements during the quarter.

The **Real Estate Excise Tax Fund** received \$549,950 of real estate excise taxes (REET) in 2nd Quarter 2024. One hundred and four (104) transactions were reported.

The **Park Impact Fee Fund** received \$31,590 in revenues during the quarter.

In the 2nd Quarter, there was \$70,992 in revenues for the **Transportation Impact Fee Fund**.

In the 2nd Quarter, the **Walkways & Waterways Debt Service Fund** collected \$504,553 in property taxes related to the Prop 1 Bond for a biennium to date total revenue of \$1,614,361.

The **KAPE Fund** received \$215,520 in photo enforcement infraction revenue during the quarter which was offset by \$45,800 in expenses.

The **Transportation Benefit District Fund** received \$179,305 in vehicle license fees during the quarter.

SUMMARY

This concludes the financial report for the City of Kenmore as of the **2nd Quarter 2024**. I appreciate your feedback and encourage you to contact me if you have any questions prior to the City Council meeting.

**City of Kenmore
General Fund Summary Report
June 30, 2024**

	CURRENT PERIOD 2023-2024				PREVIOUS PERIOD 2021-2022				
	2nd Quarter <u>2024</u>	BIENNIUM TO DATE <u>2023-2024</u>	% of <u>BUDGET</u>	AMENDED BIENNIUM BUDGET <u>2023-2024</u>	2nd Quarter <u>2021</u>	2nd Quarter <u>2022</u>	BIENNIUM TO DATE <u>2021-2022</u>	% of <u>BUDGET</u>	AMENDED BIENNIUM BUDGET <u>2021-2022</u>
REVENUES									
Beginning Fund Balance		3,533,762		3,533,762			2,748,005		2,748,005
Property Taxes	2,822,083	8,778,012	76.4%	11,493,841	2,512,046	2,575,502	8,236,543	75.8%	10,865,654
Sales and Use Taxes	868,915	5,402,407	74.7%	7,231,794	833,931	966,893	5,436,738	80.5%	6,754,280
Utility Taxes	831,151	3,711,572	84.3%	4,400,745	266,406	282,332	1,639,261	68.3%	2,399,290
Other Taxes	48,395	262,551	97.2%	270,010	21,773	26,134	157,789	86.6%	182,200
Development Fees & Permits	663,047	2,862,997	116.5%	2,458,416	276,618	463,777	2,073,729	120.6%	1,720,003
Franchise Fees	134,275	1,321,005	73.1%	1,807,003	185,866	206,868	1,295,037	74.1%	1,746,569
Intergovernmental and Grants	295,694	1,929,456	62.7%	3,075,004	306,898	337,604	2,141,111	73.8%	2,902,594
Investment Interest	100,052	361,940	120.6%	300,000	3,762	6,560	34,556	52.4%	66,000
Transfers and Other Revenues	41,081	1,379,645	71.5%	1,930,445	19,585	26,726	3,296,319	63.4%	5,203,180
Total Revenues	5,804,693	26,009,584	78.9%	32,967,258	4,426,886	4,892,396	24,311,083	76.4%	31,839,770

City of Kenmore
General Fund Summary Report
June 30, 2024

	CURRENT PERIOD 2023-2024				PREVIOUS PERIOD 2021-2022				
	2nd Quarter	BIENNIUM	% of	AMENDED	2nd Quarter	2nd Quarter	BIENNIUM	% of	AMENDED
	<u>2024</u>	<u>TO DATE</u>	<u>BUDGET</u>	<u>BIENNIUM</u>	<u>2021</u>	<u>2022</u>	<u>TO DATE</u>	<u>BUDGET</u>	<u>BIENNIUM</u>
		<u>2023-2024</u>		<u>BUDGET</u>			<u>2021-2022</u>		<u>BUDGET</u>
<u>EXPENDITURES</u>									
Post Center									
City Council	40,600	354,309	87.5%	405,013	22,176	38,127	250,518	75.3%	332,711
City Manager	247,437	2,776,998	76.3%	3,640,924	282,688	402,912	2,173,994	69.6%	3,121,846
City Clerk	217,296	806,692	82.4%	978,750	143,761	212,816	762,498	81.4%	937,052
Finance	256,742	2,407,942	76.6%	3,141,637	144,995	160,419	1,680,733	76.0%	2,212,820
Human Resources	22,628	175,547	34.4%	510,304	30,167	47,217	206,237	64.6%	319,432
Legal	105,040	625,852	89.4%	700,000	103,583	149,412	718,925	127.2%	565,000
Interfund Transfers/Non Department	0	428,000	30.4%	1,407,093	0	0	2,303,405	33.7%	6,830,617
Public Safety *	2,033,283	2,557,538	25.7%	9,956,950	1,478,461	1,504,522	5,586,433	61.0%	9,152,371
Special Projects	110,528	241,325	0.0%	0	0	0	0	0.0%	0
Engineering	249,763	1,383,402	79.3%	1,745,035	163,718	232,007	1,116,925	66.1%	1,689,574
Environmental Services	55,048	321,967	56.2%	572,820	0	0	0	0.0%	0
Housing & Human Services	113,065	566,667	102.9%	550,700	0	0	0	0.0%	0
Community Development	205,390	1,291,866	63.4%	2,038,723	177,919	206,116	1,262,678	74.5%	1,695,828
Developmental Services	404,512	2,399,198	71.2%	3,371,076	310,835	360,973	2,000,509	70.3%	2,845,428
Parks & Facility Maintenance	551,824	2,825,342	76.0%	3,717,276	331,029	355,026	1,993,503	74.5%	2,676,904
Total Expenditures	4,613,157	19,162,646	58.5%	32,736,301	3,189,332	3,669,547	20,056,358	61.9%	32,379,582
Expenditures (over) under Revenues	1,191,535	6,846,938		230,957	1,237,554	1,222,849	4,254,725		(530,812)
Ending Fund Balance		10,380,700		3,764,719	1,237,554	1,222,849	7,002,730		2,208,193

* The use of ARPA funds in 2023 to cover our police costs in the amount of \$4.6 million

City of Kenmore
Street Fund Summary Report
June 30, 2024

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CURRENT PERIOD 2023 - 2024				
	2nd Quarter <u>2024</u>	BIENNIUM TO DATE <u>2023-2024</u>	% of <u>BUDGET</u>	<u>BUDGET</u> <u>2023-2024</u>
REVENUES				
Beginning Fund Balance		2,270,562		2,270,562
Fuel Tax	97,632	609,387	66.4%	917,905
Investment Interest	16,993	92,298	461.5%	20,000
Miscellaneous	823	10,162	169.4%	6,000
ROW Permit Fees/Inspections	39,609	289,201	118.7%	243,612
Multimodal Transportation	7,766	46,811	73.2%	63,948
MVA Transpo City	6,795	40,960	100.9%	40,602
Transfer from General Fund	0	400,000	21.5%	1,858,313
Transfer from TBD	0	450,000	38.1%	1,180,000
Total Revenues	169,617	1,938,820	44.8%	4,330,380

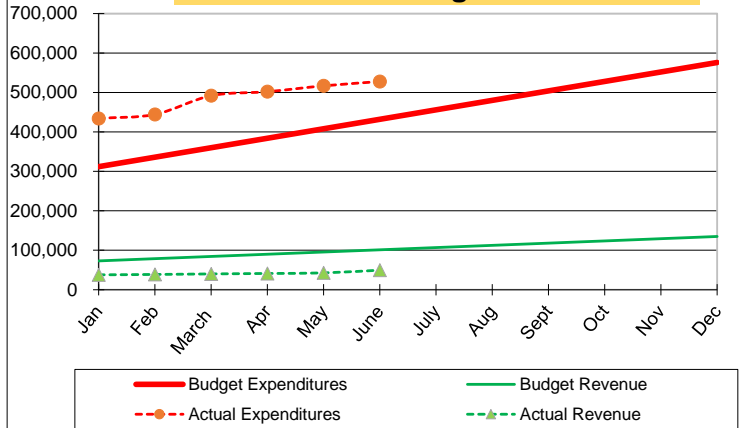
CURRENT PERIOD 2023 - 2024				
	2nd Quarter <u>2024</u>	BIENNIUM TO DATE <u>2023-2024</u>	% of <u>BUDGET</u>	<u>BUDGET</u> <u>2023-2024</u>
EXPENDITURES				
Salary and Benefits	194,079	1,119,240	66.8%	1,675,300
Maintenance & Operations	131,259	1,151,715	57.6%	1,998,800
Capital	53,089	74,489	135.4%	55,000
Transfer to PW Shop Fund	0	52,000	95.1%	54,682
Total Expenditures	378,428	2,397,444	63.4%	3,783,782
Expenditures (over) under Revenue	(208,811)	(458,624)		546,598
Ending Fund Balance		1,811,938		2,817,160

June 30, 2024

STRATEGIC OPPORTUNITIES FUND

	2023-2024 Budget Expenditures	2023-2024 Actual Expenditures	2023-2024 Budget Revenue	2023-2024 Actual Revenue
Jan	312,000	434,303	73,138	37,821
Feb	336,000	444,494	78,764	38,774
March	360,000	491,833	84,389	40,109
Apr	384,000	501,977	90,015	41,291
May	408,000	516,832	95,641	42,737
June	432,000	527,733	101,267	49,693
July	456,000		106,892	
Aug	480,000		112,518	
Sept	504,000		118,144	
Oct	528,000		123,769	
Nov	552,000		129,393	
Dec	576,000		135,018	
2023-24	576,000		135,018	
Total Actual to Date vs Total Budget		122%		49%

**STRATEGIC OPPORTUNITIES FUND
Actual v. Budget Results**

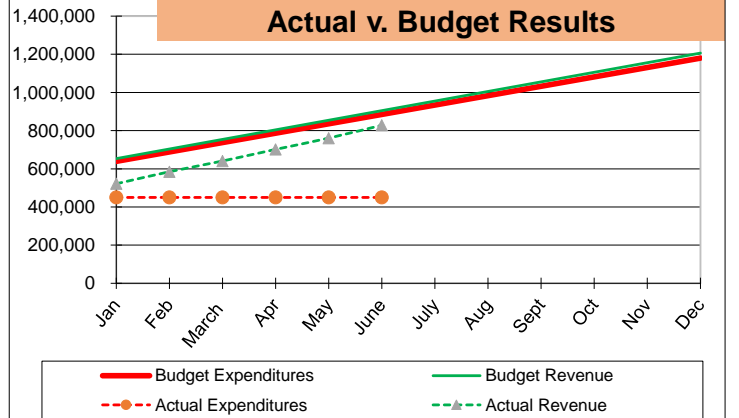


The purpose of the Strategic Opportunities Fund is to have funds available for the City to make key investments or take advantage of strategic opportunities as they present themselves.

TRANSPORTATION BENEFIT DISTRICT FUND

	2023-2024 Budget Expenditures	2023-2024 Actual Expenditures	2023-2024 Budget Revenue	2023-2024 Actual Revenue
Jan	639,171	450,000	653,419	521,481
Feb	688,337	450,000	703,681	584,622
March	737,504	450,000	753,944	640,848
Apr	786,671	450,000	804,207	701,745
May	835,837	450,000	854,470	760,815
June	885,004	450,000	904,732	828,370
July	934,171		954,995	
Aug	983,337		1,005,258	
Sept	1,032,503		1,055,519	
Oct	1,081,669		1,105,781	
Nov	1,130,834		1,156,043	
Dec	1,180,000		1,206,305	
2023-24	1,180,000		1,206,305	
Total Actual to Date vs Total Budget		51%		92%

**TRANSPORTATION BENEFIT DISTRICT FUND
Actual v. Budget Results**

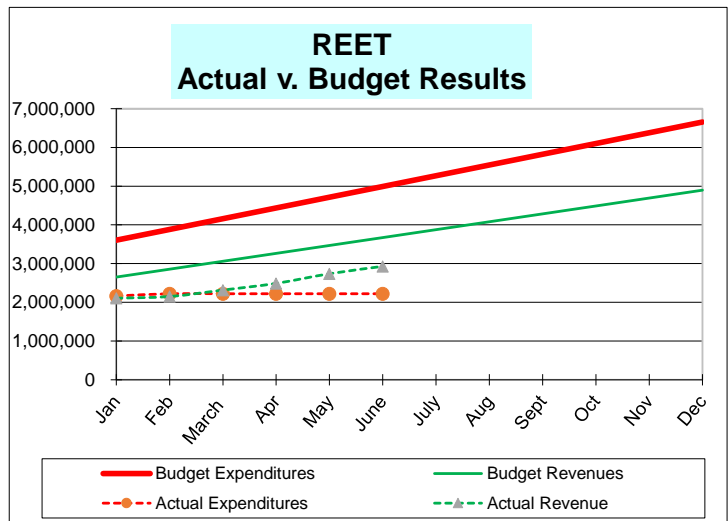


The Transportation Benefit District fund accounts for the \$40 vehicle license tab fees levied on vehicles located in the Kenmore city limits. The fee was increased from \$20 to \$40 in late 2023. The revenue generated will be used in maintaining the City's transportation system.

June 30, 2024

REAL ESTATE EXCISE TAX FUND

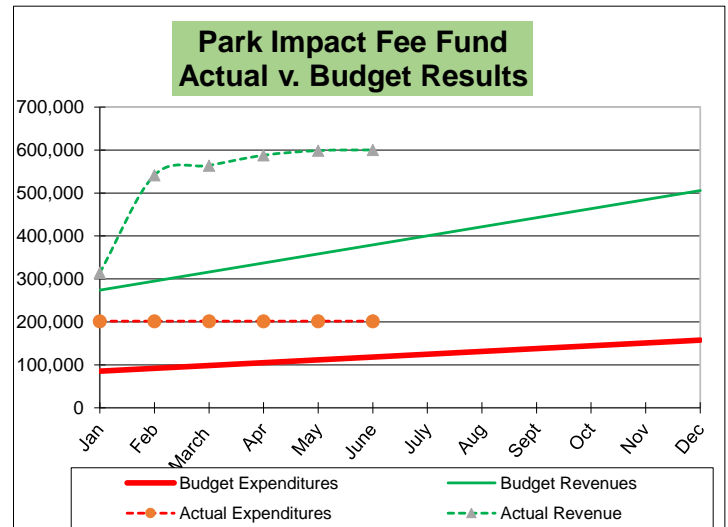
	2023-2024 Budget Expenditures	2023-2024 Actual Expenditures	2023-2024 Budget Revenue	2023-2024 Actual Revenue
Jan	3,604,900	2,163,622	2,652,091	2,105,710
Feb	3,882,200	2,222,009	2,856,098	2,149,867
March	4,159,500	2,222,009	3,060,105	2,315,946
Apr	4,436,800	2,222,009	3,264,112	2,489,696
May	4,714,100	2,222,009	3,468,119	2,738,433
June	4,991,400	2,222,009	3,672,126	2,928,987
July	5,268,700		3,876,133	
Aug	5,546,000		4,080,140	
Sept	5,823,300		4,284,147	
Oct	6,100,600		4,488,154	
Nov	6,377,900		4,692,161	
Dec	6,655,201		4,896,168	
2023-24	6,655,201		4,896,168	
Total Actual to Date vs Total Budget		45%		80%



The Real Estate Excise Tax Fund accounts for the 1/2% real estate excise taxes levied by the City which are restricted to capital projects and improvements. Expenditures include transfers to the Park Capital Fund for park improvements and Transportation Capital Fund for transportation improvements.

PARK IMPACT FEE FUND

	2023-2024 Budget Expenditures	2023-2024 Actual Expenditures	2023-2024 Budget Revenue	2023-2024 Actual Revenue
Jan	85,319	201,725	273,910	314,420
Feb	91,881	201,725	294,979	541,436
March	98,444	201,725	316,049	564,168
Apr	105,006	201,725	337,118	587,908
May	111,569	201,725	358,188	598,786
June	118,131	201,725	379,258	600,288
July	124,693		400,327	
Aug	131,254		421,396	
Sept	137,816		442,464	
Oct	144,377		463,533	
Nov	150,939		484,601	
Dec	157,500		505,670	
2023-24	157,500		505,670	
Total Actual to Date vs Total Budget		171%		158%

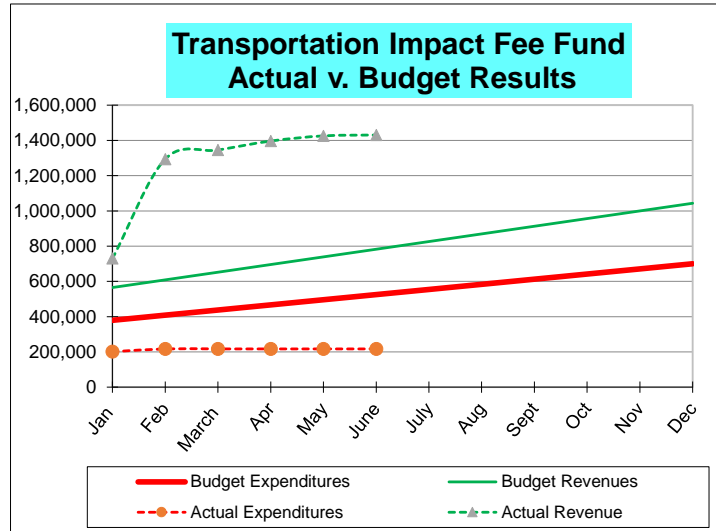


This fund accounts for City imposed park impact fees on new development. Expenditures are for public park acquisitions and improvements.

June 30, 2024

TRANSPORTATION IMPACT FEE FUND

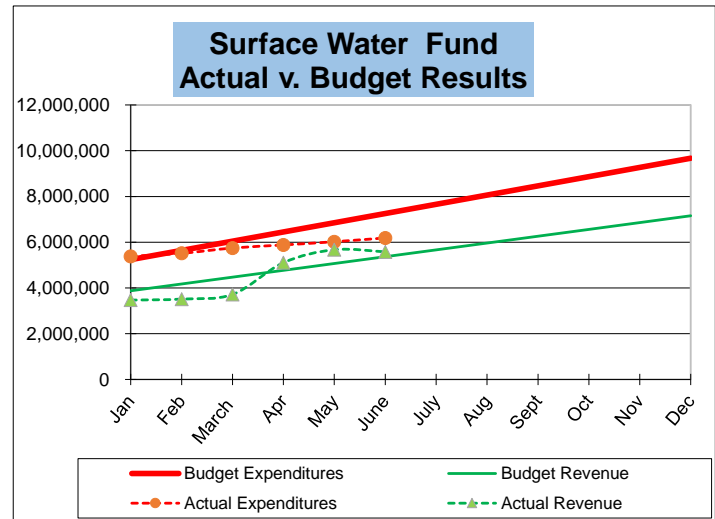
	2023-2024 Budget Expenditures	2023-2024 Actual Expenditures	2023-2024 Budget Revenue	2023-2024 Actual Revenue
Jan	379,171	200,890	565,136	729,482
Feb	408,337	216,856	608,609	1,293,536
March	437,504	216,856	652,081	1,344,992
Apr	466,671	216,856	695,553	1,396,280
May	495,837	216,856	739,025	1,425,703
June	525,004	216,856	782,498	1,430,519
July	554,171		825,970	
Aug	583,337		869,442	
Sept	612,503		912,914	
Oct	641,669		956,388	
Nov	670,834		999,861	
Dec	700,000		1,043,334	
2023-24	700,000		1,043,334	
Total Actual to Date vs Total Budget		41%		183%



This fund accounts for City imposed transportation impact fees on new development. Expenditures are for public transportation improvements.

SURFACE WATER MANAGEMENT FUND

	2023-2024 Budget Expenditures	2023-2024 Actual Expenditures	2023-2024 Budget Revenue	2023-2024 Actual Revenue
Jan	5,238,766	5,384,725	3,875,989	3,468,896
Feb	5,641,747	5,513,372	4,174,141	3,513,940
March	6,044,729	5,746,178	4,472,294	3,717,775
Apr	6,447,710	5,878,688	4,770,447	5,103,747
May	6,850,692	6,021,571	5,068,600	5,671,792
June	7,253,673	6,186,287	5,366,752	5,576,096
July	7,656,654		5,664,905	
Aug	8,059,634		5,963,058	
Sept	8,462,615		6,261,209	
Oct	8,865,595		6,559,361	
Nov	9,268,576		6,857,513	
Dec	9,671,557		7,155,665	
2023-24	9,671,557		7,155,665	
Total Actual to Date vs Total Budget		85%		104%



This fund accounts for receipts from surface water assessments. The assessments are collected through the property tax billings; the majority of the receipts are collected in May and November. Expenditures are for surface water maintenance activities such as sweeping and drainage as well as capital improvements.

City of Kenmore
Investment Schedule
June 30, 2024

Average Yield to Maturity-Securities								Average Yield	4.07%
		Purchase		Maturity				Principal or	Yield
Investment #	Type	Date		Date	Rate	Yield		Balance	Equivalents
Time Value Investments									
	91282CCX7	US TREAS		7/14/2023	9/15/2024	0.38%	5.00%	1,445,711.91	72,285.60
	91282CDN8	US TREAS		8/7/2023	12/15/2024	1.00%	5.02%	1,493,005.50	74,948.88
	3130AQTTO	FHLB		3/2/2022	2/28/2025	1.55%	1.67%	1,494,768.00	24,962.63
	912828XB1	US TREAS		12/4/2023	5/15/2025	2.13%	4.56%	1,497,687.50	68,294.55
	912828R36	US TREAS		1/17/2024	5/15/2026	1.63%	3.98%	996,479.38	39,659.88
	91282CBS9	US TREAS		3/26/2024	3/31/2028	1.25%	4.20%	1,485,163.35	62,406.56
Total TVI Purchases								8,412,815.64	342,558.09

CD's									
Total CD's								0.00	0.00

TOTAL ALL SECURITIES \$ 8,412,815.64 \$ 342,558.09

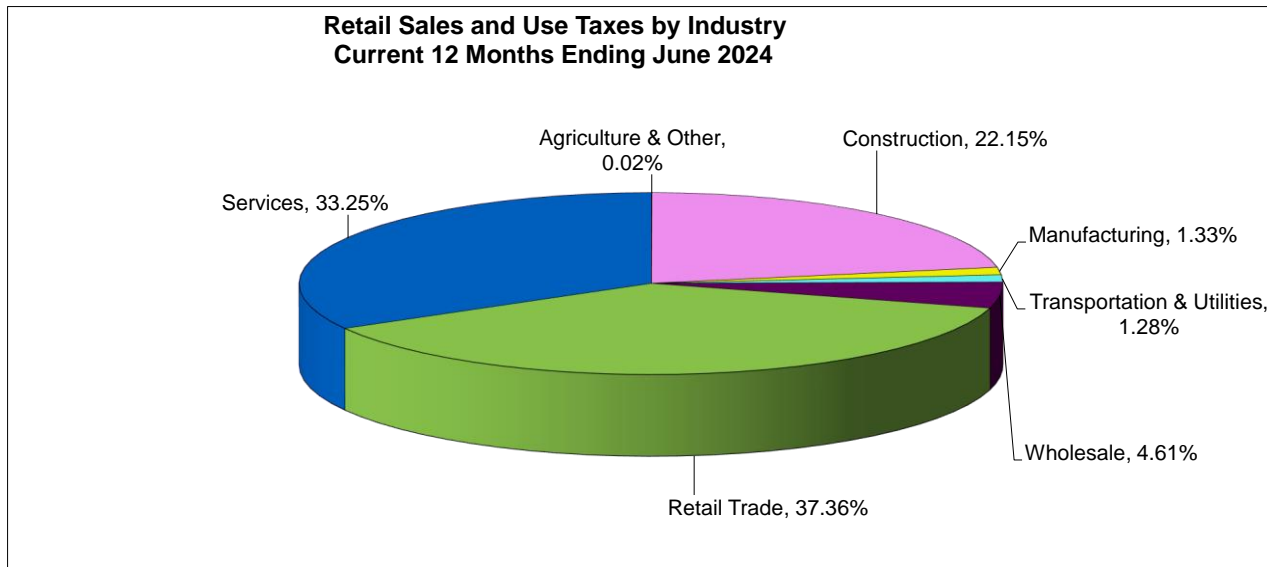
Banner Checking and Savings	0.02%		7,318,441.49	1,463.69
Pacific Premier Savings	5.44%		3,455,546.61	187,888.44
LGIP - Primary Account	5.40%		10,336,131.26	558,533.52
LGIP - Bond Proceeds Account	5.40%		6,841,995.74	369,666.19
			27,952,115.10	1,117,551.84

Total Accounts \$ 36,364,930.74 2,577,661.76

City of Kenmore
Retail Sales and Use Tax Distribution
June 30, 2024

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Industry	Prior 12 Months ending June 2023	Current 12 Months ending June 2024	% Increase/ (Decrease)	% of Total
Agriculture & Other (Landscaping, Animal Hospitals)	\$1,068	\$853	-20.09%	0.02%
Construction	839,206	812,506	-3.18%	22.15%
Manufacturing (Printing, Publishing, Other Manuf.)	62,254	48,851	-21.53%	1.33%
Transp/Comm/Utilities (Telecomm., Air Transport.)	46,079	46,986	1.97%	1.28%
Wholesale (Lumber, Other Wholesale)	184,694	168,970	-8.51%	4.61%
Retail Trade (Eating, Merchandise, Food Stores)	1,367,776	1,370,663	0.21%	37.36%
Services (Auction, Recreation, Auto Repair, Financial)	<u>1,241,433</u>	<u>1,219,581</u>	-1.76%	33.25%
Totals	<u>\$3,742,510</u>	<u>\$3,668,410</u>	<u>-1.98%</u>	100%
Increase/(Decrease)		<u>(\$74,100)</u>	<u>-1.98%</u>	



NOTE: Due to the City's Confidentiality Agreement with the Department of Revenue, specific business information cannot be disclosed.

There is a sixty-day lag between sales taxes collected and when they are remitted to the City

