

MEMORANDUM

Date: June 22, 2022
From: Douglas Martin, Island County Budget Manager
To: Board of County Commissioners
Subject: Monthly Financial Report – May 2022

EXECUTIVE SUMMARY

The May 31, 2022 financial report shows that actual activity through five months is staying in line with the 2022 budget. Revenues are consistent with expectations. Transfers & Other Sources are below plan due to a delay in recognizing cost allocation revenue. Expenditures are better than expected and consistent with prior year measures. Salaries & Benefits costs are below plan and roughly equal to prior years costs on a percentage basis. Budgeted increases in wages are partially offset by numerous vacancies. Benefits costs are lower than expected. Capital costs are lower than expected due to delays in Roads, Conservation Futures & ER&R expenditures. Debt Service payments are scheduled for later in the year.

SUMMARY

The chart on page 2 outlines countywide financial results for 2022. General observations are as follows:

- Overall, Revenues are at 32% of budget through 42% of the fiscal year. This is consistent with prior years due to the timing of some revenue receipts including Sales Taxes and Cost Allocation transfers.
- Other Taxes, which include REET revenue, total \$3.0 million, 48% of the 2022 budget. This reflects continued high levels of activity for Real Estate Excise Taxes.
- Licenses & Permits revenue total \$1.1 million in 2022 to date, slightly below target for 2022.
- Intergovernmental Revenues are those sources paid to Island County from State and federal agencies. 2022 revenues of \$9.4 million are slightly below expectation of the 2022 budget. The receipt of ARPA funding in June will elevate this revenue level significantly.
- Charges for Services total \$6.1 million, slightly below target for the 2022 budget.
- Fine & Penalties revenue total \$61,747, below the 2022 budget expectation and the 2021 actuals. It is expected that this revenue source will continue to trail behind expectations due to court actions and revisions in the law.
- Miscellaneous and Interest revenue are those sources for fees & rents paid for internal services, insurance reserves activity and interest income for the County. 2022 revenue of \$2.4 million is on target for the 2022 budget. It is expected that this revenue source will exceed budget due to rising interest rates.
- Transfers and Other Sources are payments between funds as well as debt or capital financing. The 2022 balance of \$6,294 reflects the delay of the Cost Allocation entry between Island County funds that will occur in June.
- Salaries and Benefits costs reflect ten pay periods. These costs are at 35% of the annual budget and in line with expectations. Vacancies continue to have an impact on these costs throughout the County.
- Maintenance & Operations costs are at \$12.4 million in 2022, lower than the 2022 budget but generally consistent with the 2021 activity. Weather had a dampening effect on expenditure levels of this category.
- Intergovernmental costs account for payments to outside government agencies. The 2022 costs of \$2.1 million to date is 18% of the 2022 budget and consistent with historical trends.
- Capital costs for all funds total \$269,280 through May 31st. Delays in planned expenditures in several funds contributed to this temporary variance.
- InterDept & Transfer costs track payments between funds. Lower than expected activity in this category is due to a delay in the Cost Allocation entry. This will be resolved in June.

	Countywide - All Departments & Funds		
42% of Fiscal Year Elapsed	2022	2022	Percentage
	Yr To Date @	Adopted	of
Description	5/31/2022	Budget	2022 Budget
USE FUND BALANCE/RESERVE	-	9,012,791	-
PROPERTY TAXES	10,820,107	19,367,110	55.9%
SALES TAXES	4,590,892	18,957,744	24.2%
OTHER TAXES	3,017,838	6,289,500	48.0%
LICENSES & PERMITS	1,098,738	2,889,697	38.0%
INTERGOVERNMENT REVENUES	9,436,860	32,932,256	28.7%
CHARGES FOR SERVICES	6,099,793	19,782,555	30.8%
FINES & PENALTIES	61,747	305,025	20.2%
MISCELLANEOUS & INTEREST	2,430,786	5,537,154	43.9%
TRANSFERS & OTHER SOURCES	6,294	3,385,785	0.2%
Total Revenues	37,563,055	118,459,617	31.7%
NOT APPLICABLE	-	-	-
SALARIES	11,223,109	31,750,917	35.3%
BENEFITS	4,915,413	14,464,080	34.0%
MAINTENANCE & OPERATIONS	12,377,686	35,251,953	35.1%
INTERGOVERNMENT	1,661,093	7,998,338	20.8%
CAPITAL	269,280	5,162,503	5.2%
INTERDEPT & TRANSFERS	2,091,121	11,504,017	18.2%
DEBT SERVICE	29	2,221,750	0.0%
OTHER	-	-	-
ACCUM FUND BALANCE/RESERVE	-	10,106,059	0.0%
Total Expenditures	32,537,731	118,459,617	27.5%
Revenues Over(Under) Expenditures	5,025,324	-	-

RESULTS BY FUND

A Financial Report by Fund is that breaks down revenues and expenses by category is available upon request. This report provides detail as to how each fund has performed through the first five months of the year. The five largest funds, whose budgets represent nearly 60% of the entire Island County budget, are discussed below:

- Current Expense (001)
 - Revenues of \$10.9 million represent over 35% of the 2022 budget. Property tax payments of \$5 million are almost 50% of this year-to-date total. Sales Tax revenue are trending to budget. The Cost Allocation revenue of \$1.3 million will be recognized in June.
 - Expenditures of \$11.9 million represent almost 39% of the 2022 budget. Salaries & Benefits total about \$8.5 million, or about 34% of the annual budget which is consistent with prior years.
- Roads (101)
 - Revenues for the Road Fund total \$7.8 million through May 31, 35% of the 2022 budget. This is consistent with 2021 activity.
 - Expenditures total \$4.5 million through May 31, only 20% of the 2022 budget. Salaries & Benefits are consistent with countywide ratios. Maintenance & Operations are lower due to weather delays, consistent with prior years activity.
- Planning (152)
 - Revenues for the Planning Fund are at \$1.1 million through five months, or 29% of the 2022 budget.
 - Expenditures total \$1.1 million through May 31st, 30% of budget. All costs are running slightly below the year to date budget.

- Solid Waste (401)
 - Revenues for the Solid Waste Fund total \$3.1 million through May 31, 32% of the 2022 budget. Expenditures total \$2.7 million through five months, nearly 28% of the 2022 budget. Positive results in Salaries & Benefits as well as Maintenance & Operations are noted. In addition, timing differences in Capital and Transfers bring the year-to-date totals down and will catch up as costs are incurred.
- ER&R (501)
 - The Equipment Rental & Revolving Fund (ER&R) manages the vehicles and heavy equipment used primarily by Public Works. Revenues for the first five months of 2022 totaled just under \$996,000, 23% of the 2022 budget. This is slightly lower than 2021 levels and reflects lower than anticipated activity due to weather in the first part of 2022.
 - Expenditures total \$1.1 million, 26% of the 2022 budget. As with revenues, this reflects a lower than anticipated level of activity due to weather delays. Increased activity in the summer months will bring the costs in this fund in line with budget.

OTHER TOPICS

- The County is on firm financial footing through the first 5 months of this fiscal year. However, increased inflation and national economic instability may cause adverse impacts on the remainder of the year.
- The second tranche of funding from the American Rescue Plan Act (ARPA), totaling \$8,268,820.50 will arrive in June.