

# Yearend Financial Report

City of Lake Stevens, WA

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**To:** City Council

**FROM:** Barbara Stevens, Finance Director

**SUBJECT:** December 2023 Financial Report

**DATE:** March 14, 2024

## All Funds

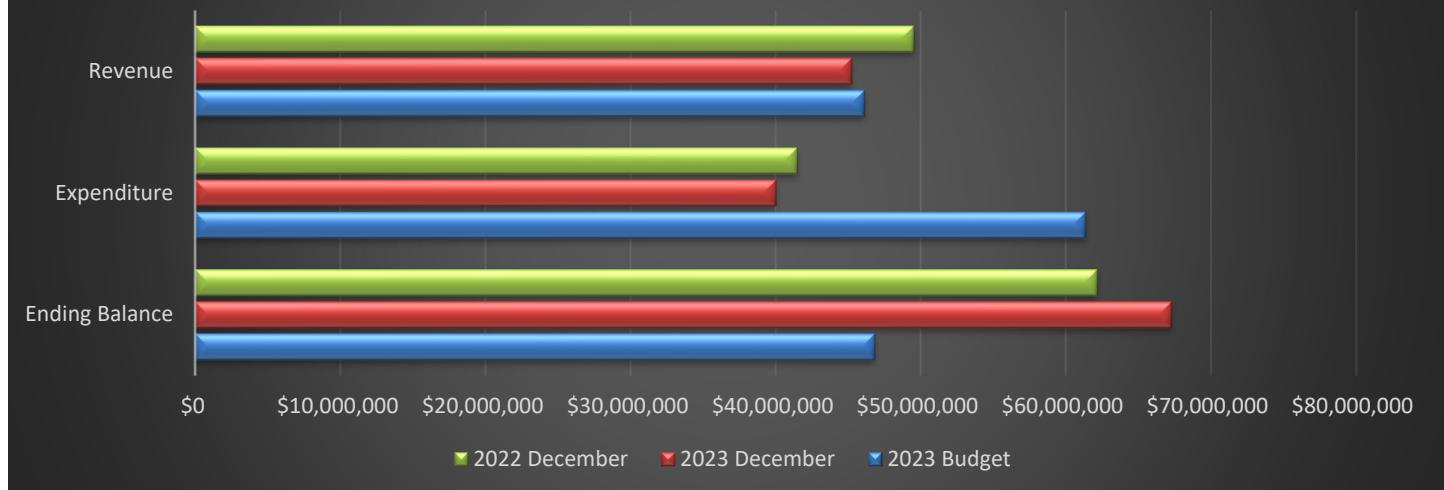
### Overview:

Overall, the City ended 2023 with a fund balance of \$67,285,057. Revenues were \$45,251,247 (98%) and expenses were \$40,070,783 (65%).

Revenues decreased by 9% from 2022. Expenditures have decreased by 3%. Overall, the fund balance ended 8% higher than 2022.

	2023 Budget	2023 December	2022 December	%BVA	% Comp 2022 - 2023
<b>Beginning Balance</b>	\$62,109,618	\$62,109,618	\$54,086,749	100%	15%
<b>Revenue</b>	\$46,150,715	\$45,251,247	\$49,570,976	98%	-9%
<b>Expenditure</b>	\$61,404,199	\$40,070,783	\$41,515,242	65%	-3%
<b>Ending Balance</b>	\$46,856,134	\$67,285,057	\$62,192,372	144%	8%

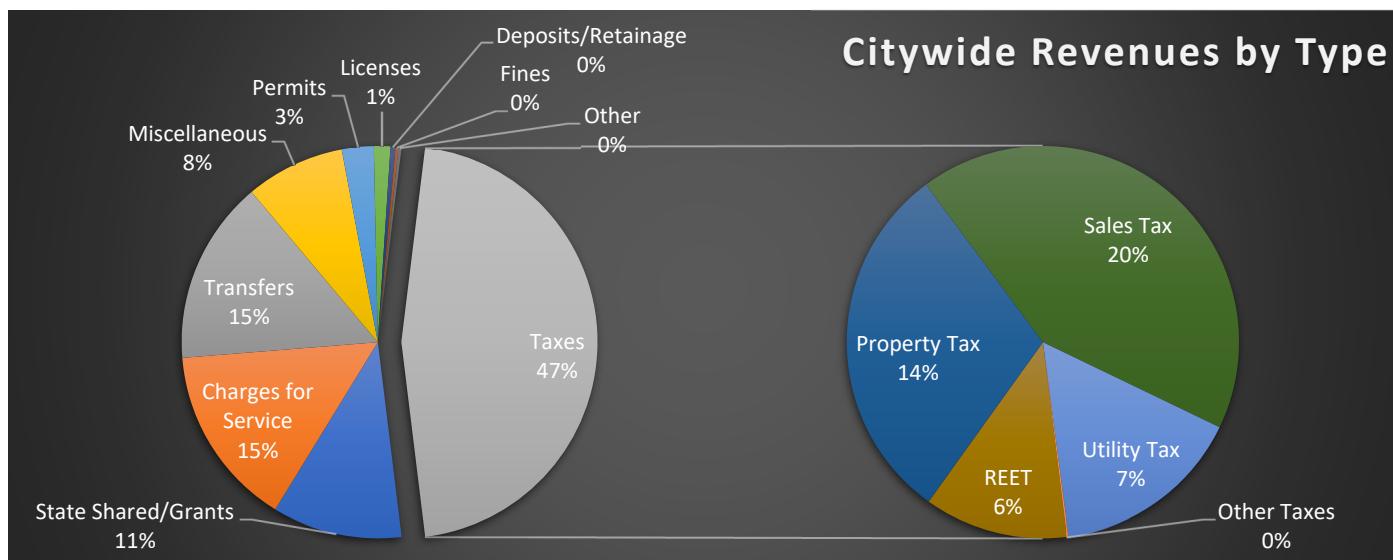
### All Fund - Budget vs Actual





### Revenues:

#### Citywide Yearend Revenues by Type



**Taxes** currently make up 47% of all revenues citywide and are at 101% of budget.

- Sales taxes are the largest source of sales tax and ended the year at 104% of budget or \$8,832,949.
  - Local Retail Sales are 64% of this amount
  - Construction Sales are 13%
  - Criminal Justice is 11%
  - Transportation Benefit taxes currently make up 11% of this amount or \$938,567
- Property taxes ended at 100% of budget or \$6,247,368
- Utility taxes ended at 114% of budget or \$3,287,142
- Real estate excise taxes (REET) ended at 82% of budget or \$2,470,397

**Charges for Services** include various fees citywide that make up 15% of total revenues. 73% of these revenues are generated by storm water fees. Also included in this total are traffic and park impact fees which make up 19% of the total and ended below expectations.

Included in **Miscellaneous** is investment interest, which makes up 83% of this category or \$2,863,840. Interest rates increased in 2022, so the 2023 budget was increased to \$1.043M. Rates continued to rise in 2023 and expenditures were slow or postponed causing fund balance to increase. As such, investment interest exceeded the full-year budget by 175% or \$1,820,940. About 67% of that amount has restriction on use based on the fund purpose.

The city invests excess funds in the Local Government Investment Pool (LGIP) which tends to correlate with the Federal Funds Rate. The rate range has been steady between at 5.25 – 5.50% since July 2023.



## Citywide Yearend Revenue Comparison 2022-2023

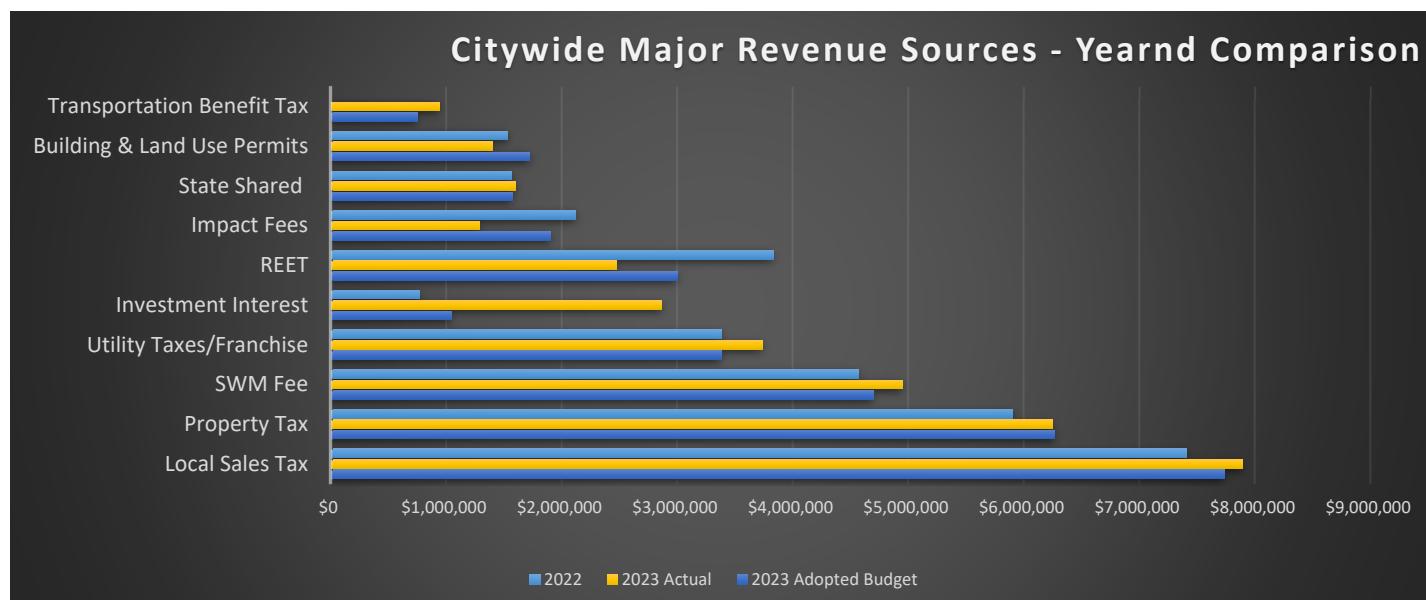
Citywide revenues have decreased by 9% over last year. The most significant contributor to this decrease was receipt of the final tranche of ARPA funds in 2022; a \$4.7M decrease for 2023.

As mentioned previously, investment has increased significantly over the prior year, by nearly \$2.1 million.

Additionally, sales tax and utility taxes have increased 19% and 13% respectively. About 66% of the sales tax increase is due to the addition of the transportation benefit program tax at \$938,567 for 2023.

Construction sales tax (-21%), real estate excise taxes (-36%), building & land use permits (-9%) and impact fees (-39%) are all down over last year, which correlates with a decrease in homes build and sold.

REET and impact fees are used for debt and capital projects; a decrease will affect future capital planning.

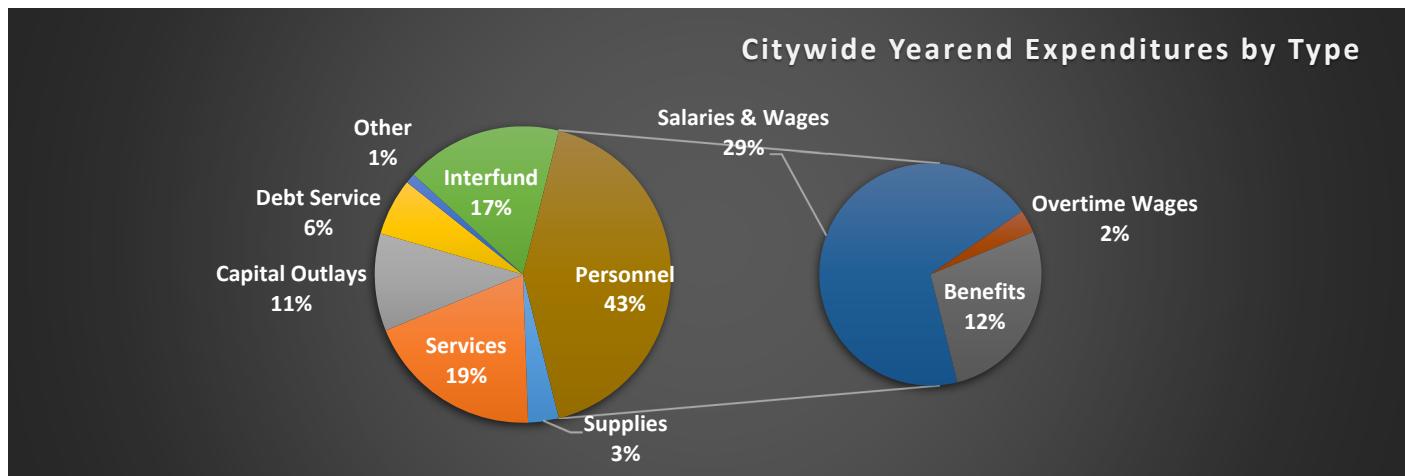




## Expenditures:

Citywide expenditures decreased by 3% over the prior year. The largest contributor to this was completion of a significant number of capital projects in 2022. Much of the capital project funding in 2023 is rolling forward into 2024.

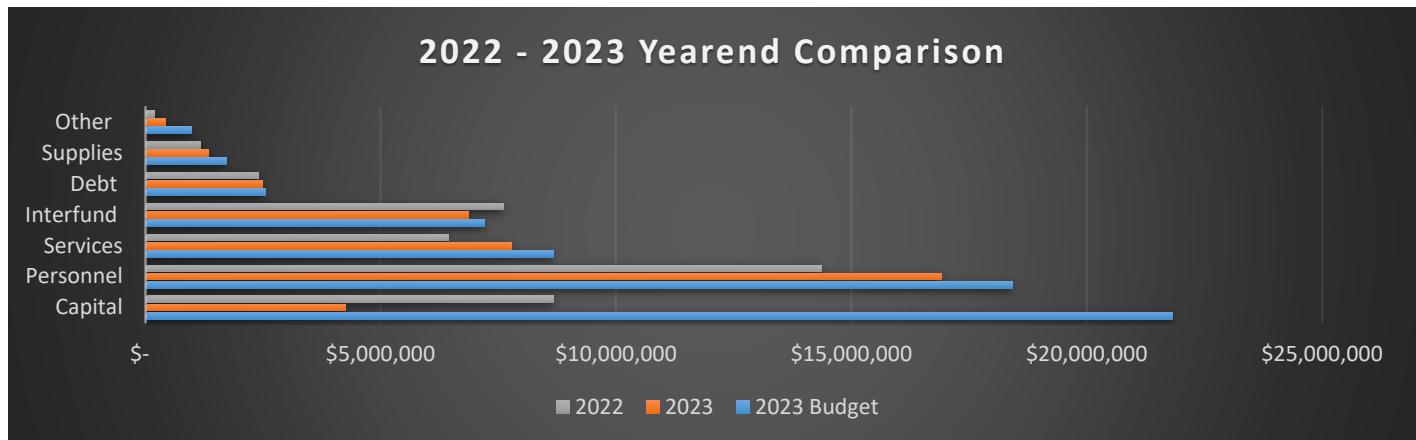
### Citywide Yearend Expenditures by Type:



Personnel costs are 36% of the annual budget. They ended the year at 92% of the budget and make up 43% of citywide expenditures at yearend, an increase of 18% over the same period in 2022.

Capital Outlays are 36% of the annual budget. Many of the planned capital projects are in the early stages. As such, they make up only 20% of the citywide expenditure costs to date a 51% decrease from prior year.

Services make up only 14% of the annual budget but are at 90% of their budget. As such, they currently make up 19% of actual expenditures to date, a 21% increase.

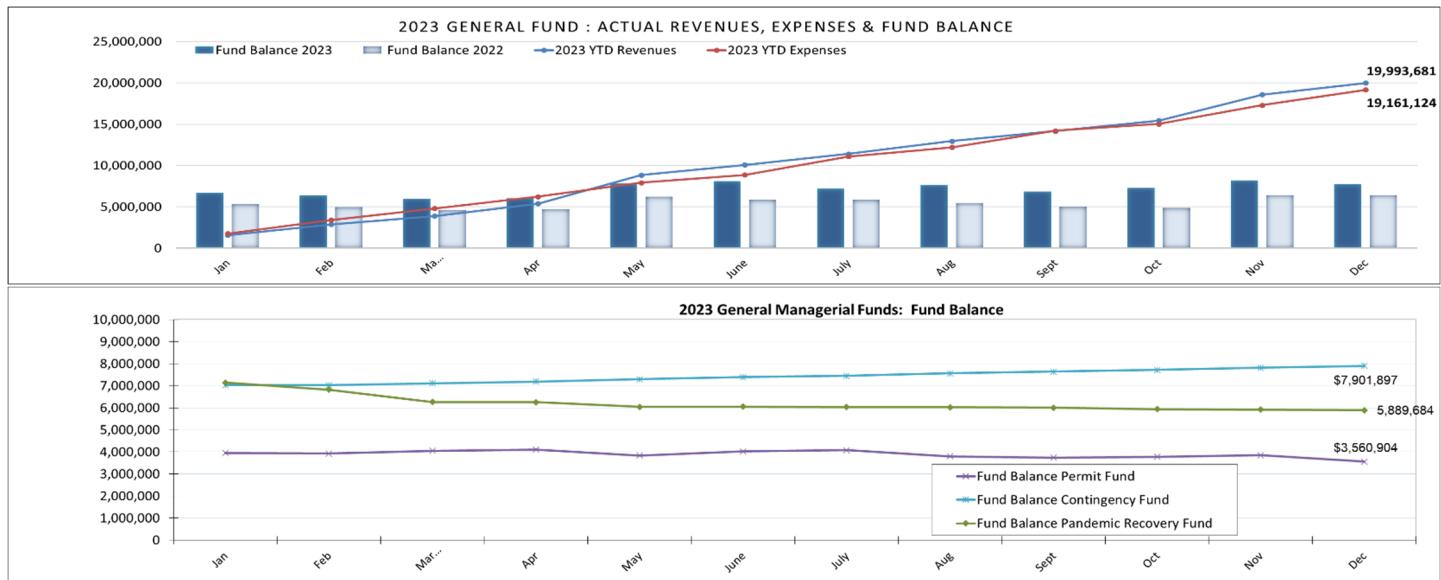




## General Fund:

### Fund Balance:

The General Fund ended the year with a fund balance of \$7,736,114. Revenues were at \$19,993,681 and expenses were at \$19,161,124.



### Revenues: (Also see Monthly General Fund Revenue Graphs)

Revenues ended at 108% collected.

The operating fund collected \$7,016,952 in sales tax, or 101% of budget. Of this amount, \$992,421 is Criminal Justice Sales Tax, \$35,349 is Affordable Housing Sales Tax, and \$300,000 is construction sales tax. An additional \$877,429 in construction sales tax was collected in the reserve fund for future capital projects.

Utility taxes ended at 114% or \$2,792,802. This tax is imposed on gas, telephone, electric and water providers at 6% of revenues and is based on their estimated receipts.

Licenses & Permit revenues (other than Building & Land Use) ended at 91% of budget or \$565,530. The majority (78%) of this is from Cable Franchise Fees.

Intergovernmental revenues ended at 103% of budget or \$1,233,019. These revenues consist of state shared revenues and grant receipts.

Charges for services ended at 99% of budget or \$252,635. The bulk of these revenues are from School Resource officer services to the school district and extra duty law enforcement services to outside organizations.

Investment interest (under miscellaneous classification) ended at 221% of budget or \$1,103,955.



REVENUE SOURCES	2023 BUDGET	THROUGH DECEMBER 2023	% OF BUDGET
<b>Taxes:</b>			
-Property Tax-Regular	\$ 4,513,600	\$ 4,498,105	99.7%
-Sales -.85%	5,490,875	5,689,182	103.6%
-Criminal Justice Sales - 0.1%	1,098,175	992,421	90.4%
-Affordable & Sup. Housing	46,460	35,349	76.1%
- Construction Sales Tax	300,000	300,000	100.0%
-Utility	2,439,877	2,792,802	114.5%
-Gambling tax/leasehold excise	34,166	33,258	97.3%
Licenses & Permits	621,124	565,530	91.0%
Intergovernmental	1,197,422	1,233,019	103.0%
Charges for services	254,454	252,635	99.3%
Fines & Forfeitures	151,000	105,042	69.6%
Miscellaneous	889,712	1,613,010	181.3%
Other financial sources/Transfers	1,432,500	1,883,328	131.5%
<b>Total Revenues</b>	<b>\$ 18,469,365</b>	<b>\$ 19,993,681</b>	<b>108%</b>
Beginning Fund Balance	\$ 6,903,558	\$ 6,903,558	100.0%
<b>Total Resources</b>	<b>\$ 25,372,923</b>	<b>\$ 26,897,238</b>	<b>106.00%</b>

**Permit Fund (Managerial Fund):**

Zoning and Subdivision fees are at \$211,779 or 96% of budget.

Building Permits ended at \$1,187,394 or 79% of budget.

These revenues are used to offset permit related expenditures in the General Fund.

**Expenditures: (Also see Monthly General Fund Expenditure Graphs)**

Overall, General Fund expenditures ended at 92% spent or \$19,161,124.

EXPENDITURES	2023 BUDGET	THROUGH DECEMBER 2023	% OF BUDGET
Legislative & Executive	\$ 432,109	\$ 416,692	96.4%
Administration	288,386	282,863	98.1%
City Clerk	183,360	175,061	95.5%
Finance	891,891	843,078	94.5%
Human Resources	659,014	562,205	85.3%
Information Technology	589,635	511,244	86.7%
Planning & Community Development	2,964,355	2,624,282	88.5%
Law Enforcement	9,910,859	9,044,136	91.3%
Parks	2,383,047	2,139,871	89.8%
Legal	682,576	782,998	114.7%
Community	150,837	137,938	91.4%
General Government	1,742,501	1,640,757	94.2%
<b>Total Expenditures</b>	<b>\$ 20,878,570</b>	<b>\$ 19,161,124</b>	<b>92%</b>
<b>Ending Fund Balance</b>	<b>\$ 4,494,353</b>	<b>\$ 7,736,114</b>	<b>172.10%</b>



### Street Fund:

(Also, see Street Fund Operating Revenues and Expenditure BvA)

The Street Maintenance Division maintains the City's public roadway system in a safe and passable condition. Maintenance activities include pothole repair; traffic signal maintenance and operation; installation and replacement of traffic control signs and pavement markings; vegetation control and maintenance; sidewalk repair; street sweeping; snow and ice removal; and street lighting.

#### **Revenues:**

Total Street Fund revenues were \$3,408,587 or 103% of budget. The main revenue sources are Motor Vehicle Fuel Tax, which is a per gallon tax allocated on a per capita basis, and a 28% allocated contribution of Property Tax from the General Fund equaling approximately \$1.75 million annually. Additionally, the City imposed a utility tax on garbage providers in the amount of 6% that is used for road maintenance.

REVENUE SOURCES	THROUGH DECEMBER		
	2023 BUDGET	2023	% OF BUDGET
<b>Taxes:</b>			
-Property Tax-Regular	\$ 1,755,289	\$ 1,749,263	99.7%
-Utility Tax - Garbage	\$ 438,801	494,340	112.7%
Licenses & Permits	42,680	51,000	119.5%
Intergovernmental	840,048	869,168	103.5%
Charges for services	-	1,721	0.0%
Miscellaneous	58,208	127,737	219.4%
Other financial sources/Transfers	175,769	115,358	65.6%
<b>Total Revenues</b>	<b>\$ 3,310,795</b>	<b>\$ 3,408,587</b>	<b>103%</b>
Beginning Fund Balance	\$ 2,518,999	\$ 2,518,999	100.0%
<b>Total Resources</b>	<b>\$ 5,829,794</b>	<b>\$ 5,927,586</b>	<b>101.70%</b>

#### **Expenditures:**

Total Street Fund expenditures were \$3,373,539 or 91% of budget.

EXPENDITURES	THROUGH DECEMBER		
	2023 BUDGET	2023	% OF BUDGET
Salaries	\$ 1,233,240	\$ 1,070,367	86.8%
Benefits	506,555	473,284	93.4%
Supplies	276,700	384,870	139.1%
Professional Services	826,642	634,989	76.8%
Capital Outlays	208,737	150,359	72.0%
Other financial uses	\$ 40,000	47,067	117.7%
Interfund Transfers	612,603	612,603	100.0%
<b>Total Expenditures</b>	<b>\$ 3,704,477</b>	<b>\$ 3,373,539</b>	<b>91%</b>
<b>Ending Fund Balance</b>	<b>\$ 2,125,317</b>	<b>\$ 2,554,046</b>	<b>120%</b>



## Storm and Surface Water Fund:

(Also, see Storm & Surface Water Fund Operating & Capital Fund Revenues and Expenditure BvA)

The Storm and Surface Water Fund maintains the City's storm system conveyance, detention, and retention systems, which includes: drainage pipes and ditches, catch basins, storm detention vaults and ponds, and water filtering systems.

### **Revenues:**

The Storm and Surface Water Fund revenues ended at 103%, or \$7,446,695. The main revenue source is from storm drainage charges, which we contract payment processing through Snohomish County and receive quarterly.

REVENUE SOURCES	THROUGH		
	2023 BUDGET	DECEMBER 2023	% OF BUDGET
<b>Taxes:</b>			
Intergovernmental	\$ 54,020	\$ 54,019	100.0%
Charges for services	4,695,800	4,947,045	105.4%
Miscellaneous	105,996	242,214	228.5%
Other Financial Sources/Transfers	2,358,637	2,203,417	93.4%
<b>Total Revenues</b>	<b>\$ 7,214,453</b>	<b>\$ 7,446,695</b>	<b>103.2%</b>
Beginning Fund Balance	\$ 4,884,258	\$ 4,884,258	100.0%
<b>Total Resources</b>	<b>\$ 12,098,711</b>	<b>\$ 12,330,953</b>	<b>101.90%</b>

### **Expenditures:**

The funds' Expenditures are 89% of budget at \$5,867,647. In addition to operating expenditures, the Surface Water Capital Fund and Surface Water Debt Service Fund are included in the totals.

EXPENDITURES	THROUGH		
	2023 BUDGET	DECEMBER 2023	% OF BUDGET
Salaries	\$ 1,761,109	\$ 1,588,926	90.2%
Benefits	753,003	707,543	94.0%
Supplies	318,433	272,650	85.6%
Professional Services	677,652	658,297	97.1%
Capital Outlays	607,034	171,101	28.2%
Debt Service	231,264	231,263	100.0%
Interfund Transfers	2,237,867	2,237,867	100.0%
Other	\$ 10,000	-	0.0%
<b>Total Expenditures</b>	<b>\$ 6,596,362</b>	<b>\$ 5,867,647</b>	<b>89%</b>
<b>Ending Fund Balance</b>	<b>\$ 5,502,349</b>	<b>\$ 6,463,306</b>	<b>118%</b>



### Transportation Benefit Fund:

The Transportation Benefit District was created on January 1, 2019, for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements. Shortly after, the City followed RCW 36.74 and assumed the rights, powers, functions, and obligations of the district, eliminating the need for a separate entity and creating a Transportation Benefit Fund to account for all program transactions.

Voters approved a 0.2% sales tax or two cents on a \$10 purchase that became effective April 1, 2023. This funding method means visitors who shop, dine, or recreate in Lake Stevens also help pay for city sidewalks, roads, and trails they use. The tax is projected to raise approximately \$1.5 million per year beginning year 2, for projects and matching funds for larger grants.

### **Revenues:**

The Transportation Benefit Fund revenues ended at 127%, or \$953,359. The main revenue source is from transportation benefit tax, which the city began to receive in June.

REVENUE SOURCES	2023		% OF BUDGET
	BUDGET	THROUGH DECEMBER 2023	
Transportation Benefit Tax	\$ 750,000	\$ 938,567	125.1%
Investment Interest	-	14,791	100.0%
<b>Total Revenues</b>	<b>\$ 750,000</b>	<b>\$ 953,359</b>	<b>127%</b>
Beginning Fund Balance	\$ -	\$ -	
<b>Total Resources</b>	<b>\$ 750,000</b>	<b>\$ 953,359</b>	<b>127.10%</b>

### **Expenditures:**

The budget includes transfers to capital project funds for the design and engineering costs related to the following sidewalk/trail projects currently in the planning stage:

- SW2 – 91<sup>st</sup> Ave SE, 4<sup>th</sup> St SE to Market St
- SW3 – 91<sup>st</sup> Ave SE, 8<sup>th</sup> St SE to 4<sup>th</sup> St SE
- SW4 – 117<sup>th</sup> Ave NE – 20<sup>th</sup> St NE to 26<sup>th</sup> St NE
- SW5 – 91<sup>st</sup> Ave SE – 20<sup>th</sup> St SE to 12<sup>th</sup> SE

EXPENDITURES	2023		% OF BUDGET
	BUDGET	THROUGH DECEMBER 2023	
Transfer Out - Wages	\$ 70,769	\$ 46,464	65.7%
Transfer Out - SW2	\$ 80,000	\$ -	0.0%
Transfer Out - SW3	\$ 110,000	\$ -	0.0%
Transfer Out - SW4	\$ 175,000	\$ -	0.0%
Transfer Out - SW5	\$ 155,000	\$ -	0.0%
<b>Total Expenditures</b>	<b>\$ 590,769</b>	<b>\$ 46,464</b>	<b>8%</b>
<b>Ending Fund Balance</b>	<b>\$ 159,231</b>	<b>\$ 906,894</b>	