

Edmonds Civic Roundtable Presentation

City of Edmonds Finances

Presented by
Administrative Director
David Turley

March 27, 2023



Who am I?

Experience – 5 years doing taxes and audit work in Public Accounting, 10 years as a Controller in Private Sector

20 years as a Supervisor/Manager/Director in local Government at King County and City of Edmonds

Education – BS in Accounting (1988), CPA (1990), MBA (2002), MPA (2007)

Worked at the City of Edmonds since 2016. Finance Director since early 2020.



What are we going to talk about tonight?

- How much revenue (in all funds) does the city generate annually?
- What is the trend line for this revenue (in all funds) over the past five years?
- How much in expenses (in all funds) does the city have annually?
- What is the trend line for these expenses (in all funds) over the past five years?
- How many fund categories does the city have?
- What are the fund balances in all these funds as of December 31, 2022?
- How much in reserves does the city maintain?
- What are the trend lines for our reserves?
- What are the trend lines in the operating fund (both revenue and expenses)?
- How can the average citizen access our city's financial information?
- As the key staff person overseeing the city's financial operations, what are the key financial issues the city faces over the next 3 to 5 years?



But first, some high-level stuff

Who makes the rules?

GASB – (1985) promulgates the official Statements that make up the rules

GAO – Governmental Accounting Office for audit regulations

GFOA – Association that promotes education, helps with implementation, etc.

SAO – BARS accounting, performs all government audit work in this state



How is the accounting different between private sector and government?
What are bases of accounting and how do they compare?

Balance Sheet (assets & liabilities) v Income Statement (revenue & expenses)
approach (which is the part “left over?”)

Stability (balance sheet fraud) v Accountability (you taxed me, how are you spending my tax dollars?)

Budgetary Reporting – projections and estimates

Financial Reporting – GAAP, audited statements, full or modified accrual

Managerial Reporting – often is just cash basis, used for internal monitoring



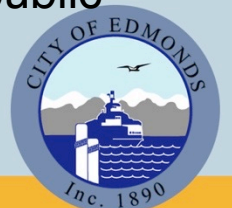
How is government different?

Private Sector:

- ✓ Board of Directors (Board is not management; little revenue control).
 - ✓ #1 Goal is to *maximize shareholder value*.
 - ✓ Responsibility is to the owners, not to the customers.
 - ✓ Revenues must cover costs and generate a profit.
 - ✓ Budgets are plans and guidelines ONLY.
 - ✓ No “double budgeting.”
 - ✓ Profitability and YOY Growth!
-
- ✓ People work with and understand private sector budgeting.

Public Sector:

- ✓ City Council (Council is not management; significant revenue control).
- ✓ #1 Goal is to provide goods/services to the public that enhance their quality of living.
- ✓ Responsibility is to their customers – the public, there are no owners.
- ✓ Much of gov’t is supported by taxes – revenues are not expected to cover costs. (PD? Courts?)
- ✓ Expense budgets are LAW.
- ✓ Budgets include transfers, double budgeting – 016.
- ✓ Profitability (increase revenue, control costs) is replaced with goals of low revenue growth and controlling costs. Growth is replaced with returning a value to your **current** taxpayers.
- ✓ You can’t apply private sector budget principals to public sector budgeting.



Government uses “Fund Accounting” – What is a fund?

Self balancing set of accounts, generally with a specific purpose, generally tied to a revenue source.

Like accounting for separate lines of business.

Transfers – allowed (or required) between funds, sometimes.



TYPES of FUNDS

General Governmental

General

Special Revenue

Hotel/Motel Tax

City Street (Gas Tax)

Impact Fees

Debt Service

General Obligation

Capital Projects

Arterial Street (Gas Tax)

Construction in Progress

Proprietary

Enterprise

Water

Sewer

Storm

Electric

Golf

Internal Service

Data Processing

Equipment Rental

Print Shop

Unemployment Compensation

Fiduciary

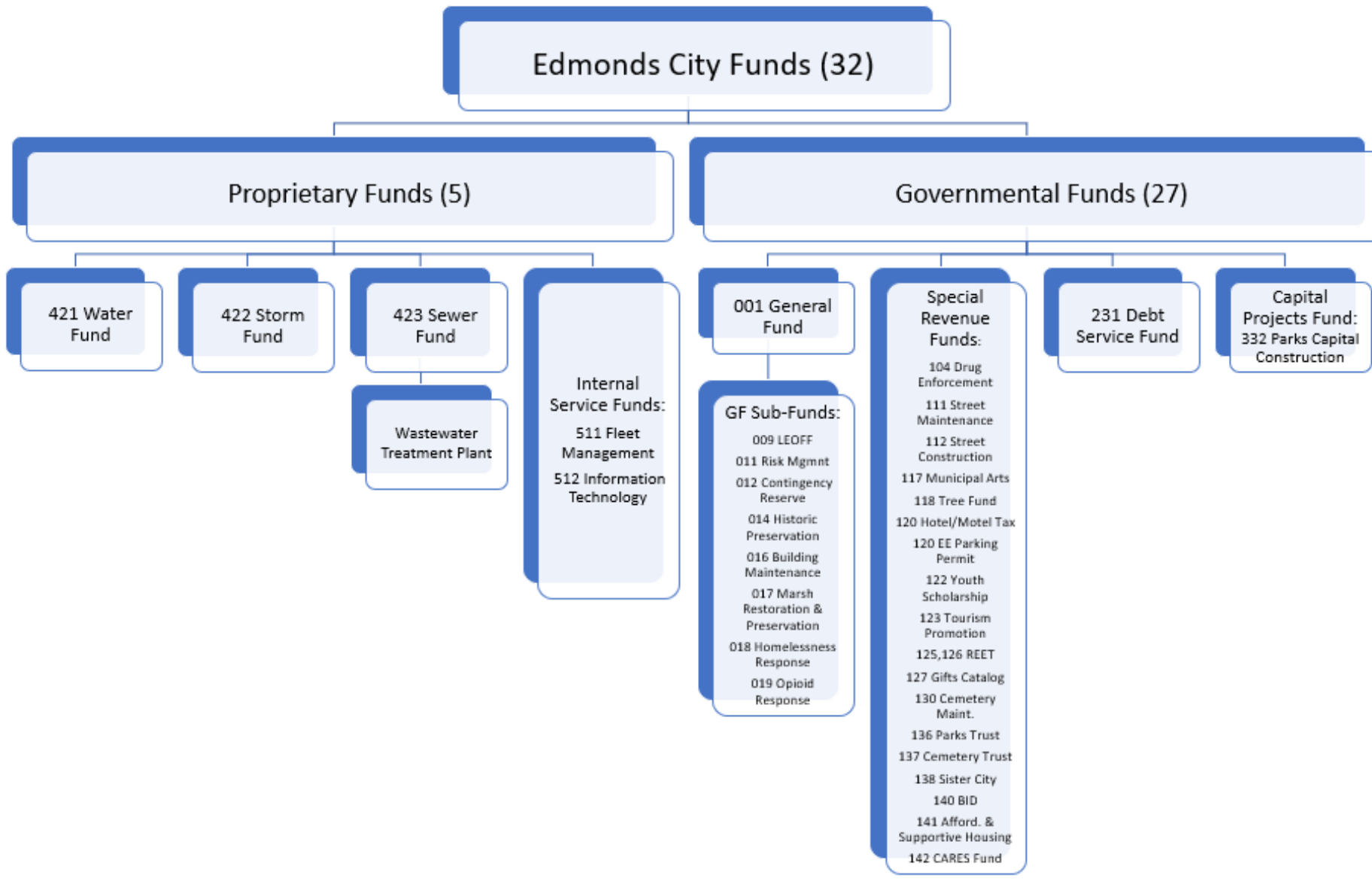
Trust

Agency

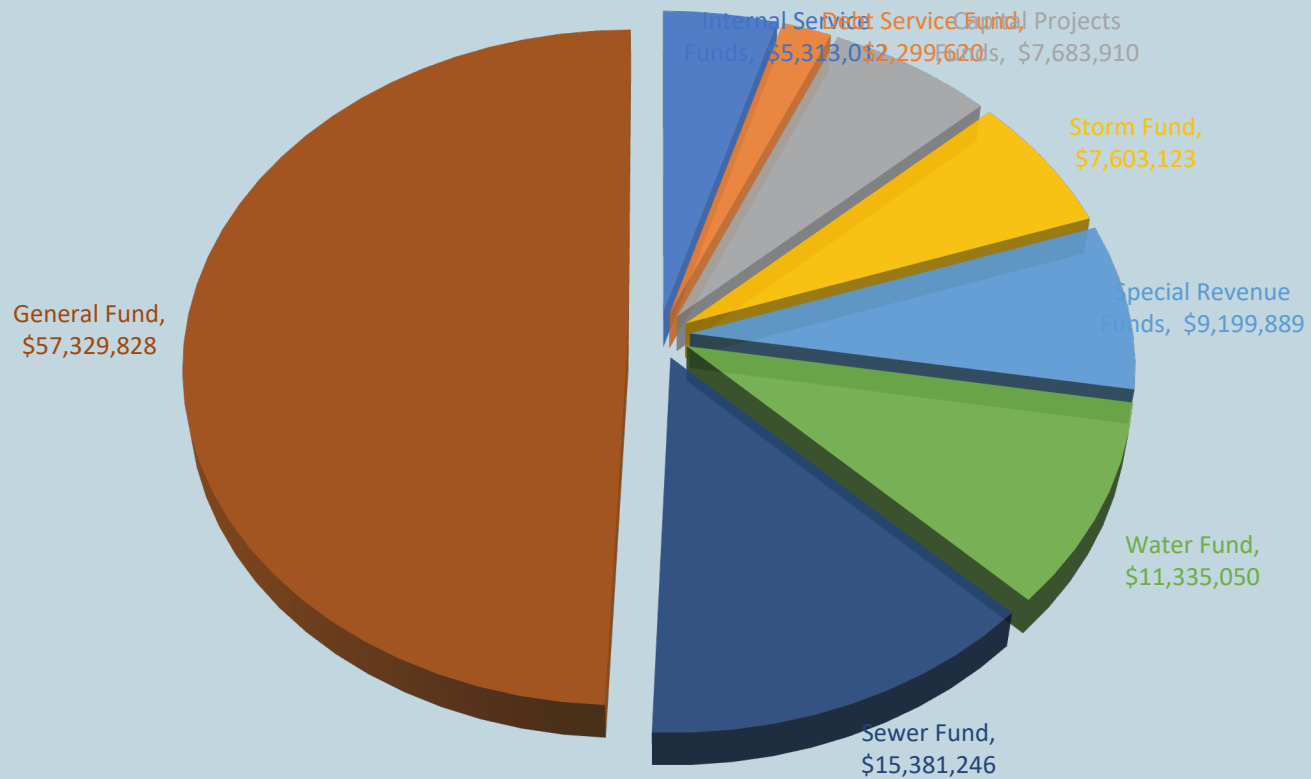
Pension

Permanent





Relative size of funds at Edmonds – 2023 Expense Budget



What are the fund balances in all these funds as of December 31, 2022?

GENERAL FUND & SUBFUNDS	BALANCES	
	---- ACTUAL ----	
	<u>12/31/2022</u> Fund Balance	<u>12/31/2022</u> Cash Balance
001-General Fund *	\$ 12,580,242	\$ 7,166,093
009-Leoff-Medical Ins. Reserve	232,816	234,598
011-Risk Management Reserve Fund	25,000	25,000
012-Contingency Reserve Fund	1,782,150	1,782,150
014-Historic Preservation Gift Fund	11,701	11,701
016-Building Maintenance	4,438,877	4,438,877
017 - Marsh Restoration & Preservation	849,767	849,766
018 - Edmonds Homelessness Response Fd	200,000	200,000
Total General Fund & Subfunds	\$ 20,120,554	\$ 14,708,185

GOVERNMENTAL FUNDS	BALANCES	
	---- ACTUAL ----	
	<u>12/31/2022</u> Fund Balance	<u>12/31/2022</u> Cash Balance
General Fund & Subfunds	\$ 20,120,554	\$ 14,708,185
Special Revenue	15,309,063	24,148,272
Capital Projects - Fund 332	(216,013)	351,842
Total Governmental Funds	\$ 35,213,604	\$ 39,208,299

ENTERPRISE FUNDS	BALANCES	
	---- ACTUAL ----	
	<u>12/31/2022</u> Fund Balance	<u>12/31/2022</u> Cash Balance
421 - Water Utility Fund	\$ 31,412,208	\$ 9,630,080
422 - Storm Utility Fund *	15,267,329	5,378,103
423 - Sewer/WWTP Utility Fund	59,326,995	15,547,546
424 - Bond Reserve Fund	853,134	853,134
411 - Combined Utility Operation	-	-
Total Enterprise Funds	\$ 106,859,666	\$ 31,408,863



How much revenue and expense (in all funds) does the city generate annually?

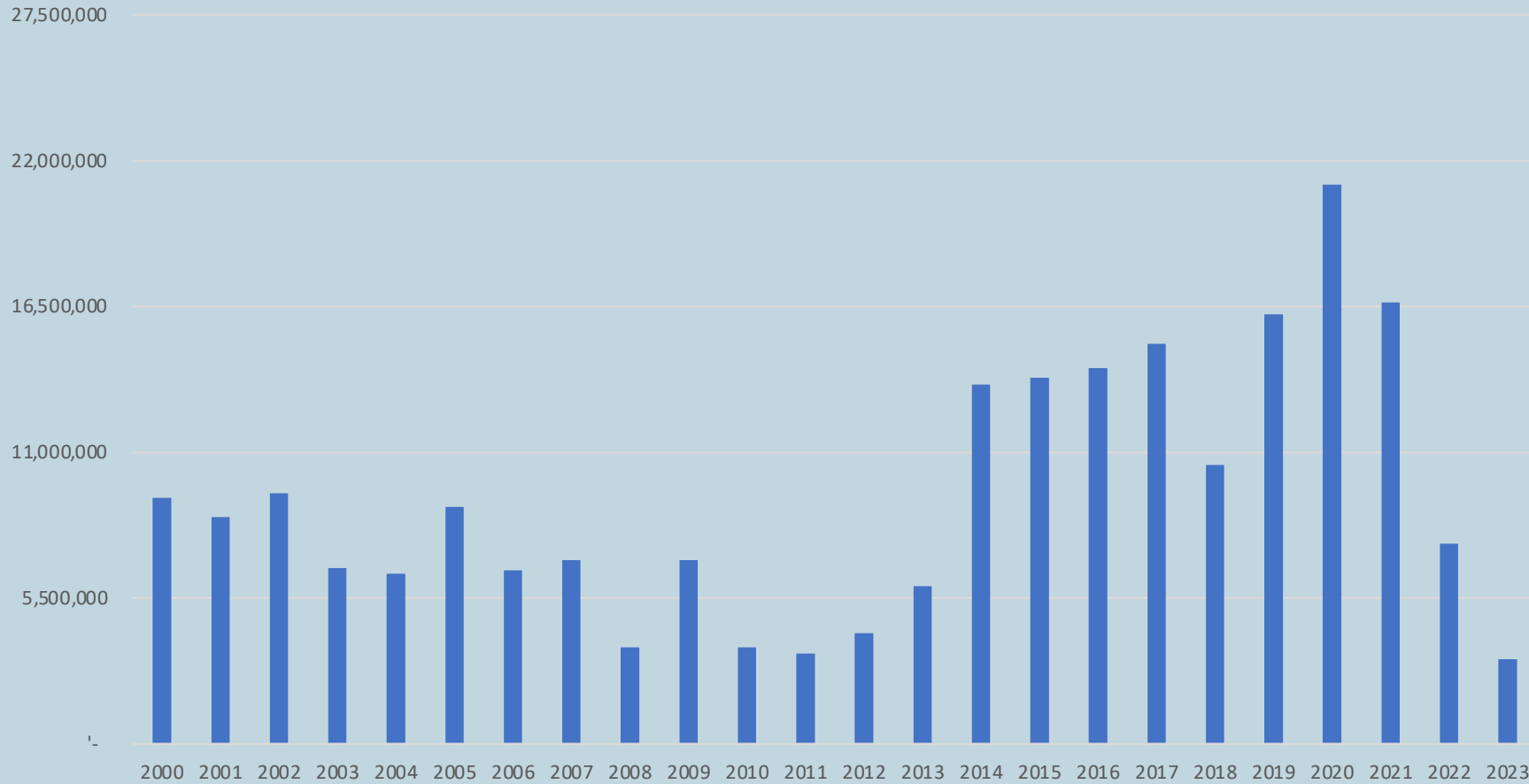
2023 BUDGET SUMMARY BY FUND			
Fund No.	Fund Description	Estimated Revenues	Appropriations / Expenditures
001	General Fund	\$ 49,991,791	\$ 55,716,788
009	LEOFF Medical Insurance Reserve Subfund	225,000	367,140
011	Risk Management Reserve Fund	-	25,000
014	Historic Preservation Gift Fund	-	5,900
016	Building Maintenance Fund	17,480	1,215,000
104	Drug Enforcement Fund	167,650	45,800
111	Street Fund	1,815,410	2,350,969
112	Street Construction Fund	8,308,065	7,214,960
117	Municipal Arts Acquisition Fund	98,098	182,880
120	Hotel/Motel Tax Fund	84,400	95,400
121	Employee Parking Permit Fund	38,960	26,880
122	Youth Scholarship Fund	1,660	3,000
123	Tourism Promotional Arts Fund	30,440	28,500
125	REET 2	2,320,090	2,473,362
126	REET 1	2,302,980	1,631,812
127	Gifts Catalog Fund	135,340	497,598
130	Cemetery Maintenance/Imp. Fund	150,960	249,413
136	Parks Trust Fund	5,460	-
137	Cemetery Maintenance Fund	51,500	25,000
138	Sister City Commission Fund	10,430	11,900
140	Business Improvement District Fund	88,645	88,575
141	Affordable and Supportive Housing Fund	65,000	-
142	Edmonds Rescue Plan Fund	1,249,000	1,249,000
143	Tree Fund	215,100	239,800
231	2012 LTGO Debt Service Fund	309,800	309,800
332	Parks Capital Construction Fund	927,205	468,950
421	Water Utility Fund	11,950,114	11,335,050
422	Storm Utility Fund	8,903,407	7,603,123
423	Sewer/WWTP Utility Fund	15,898,844	15,381,246
424	Utility Debt Service Fund	1,991,860	1,989,820
511	Equipment Rental Fund	4,188,740	3,695,807
512	Technology Rental Fund	1,413,372	1,617,205
	Totals	\$ 112,956,801	\$ 116,145,678

Note the budgeted deficit!

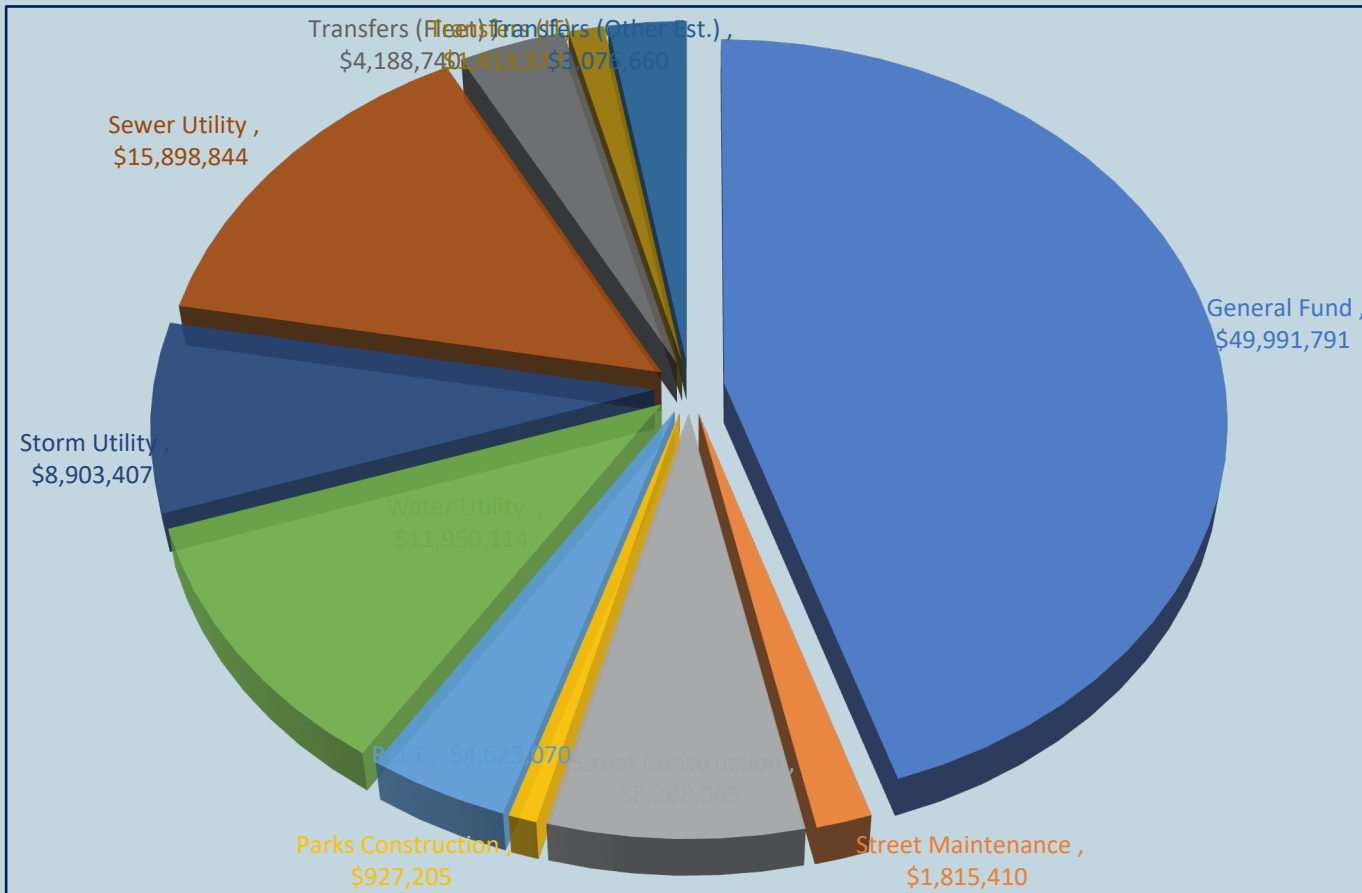


Is it irresponsible to have a budgeted deficit?

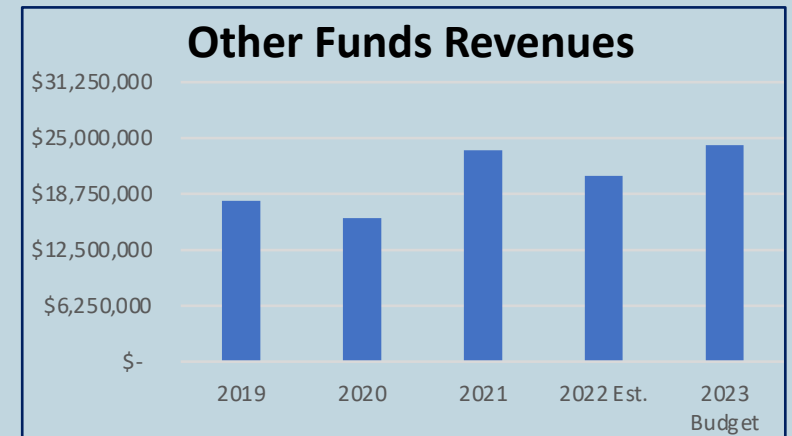
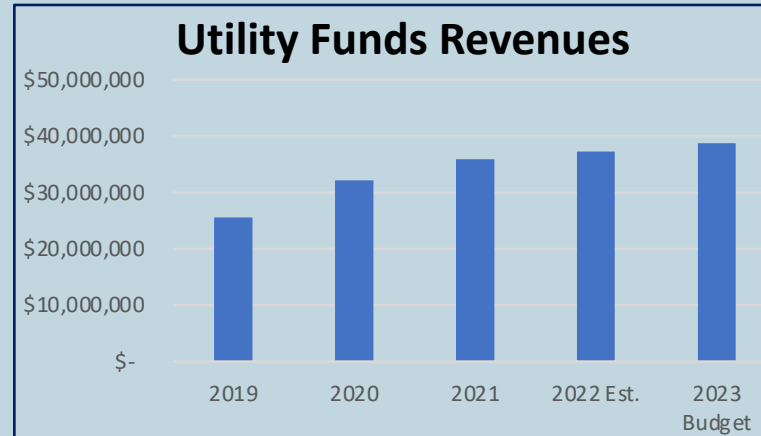
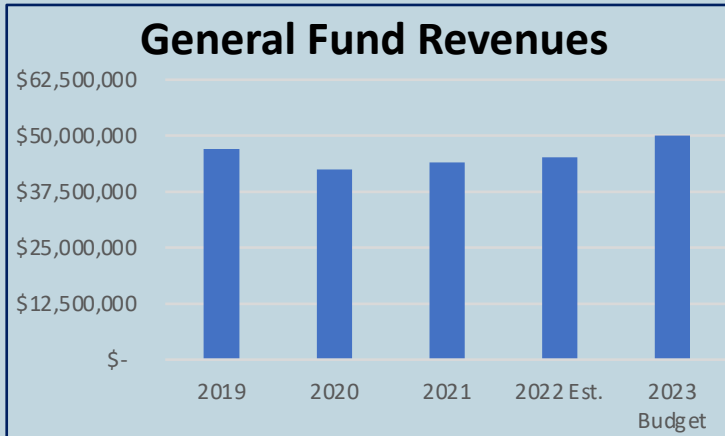
Budgeted Deficit - Amount by which Budgeted Expenses Exceed Budgeted Revenues



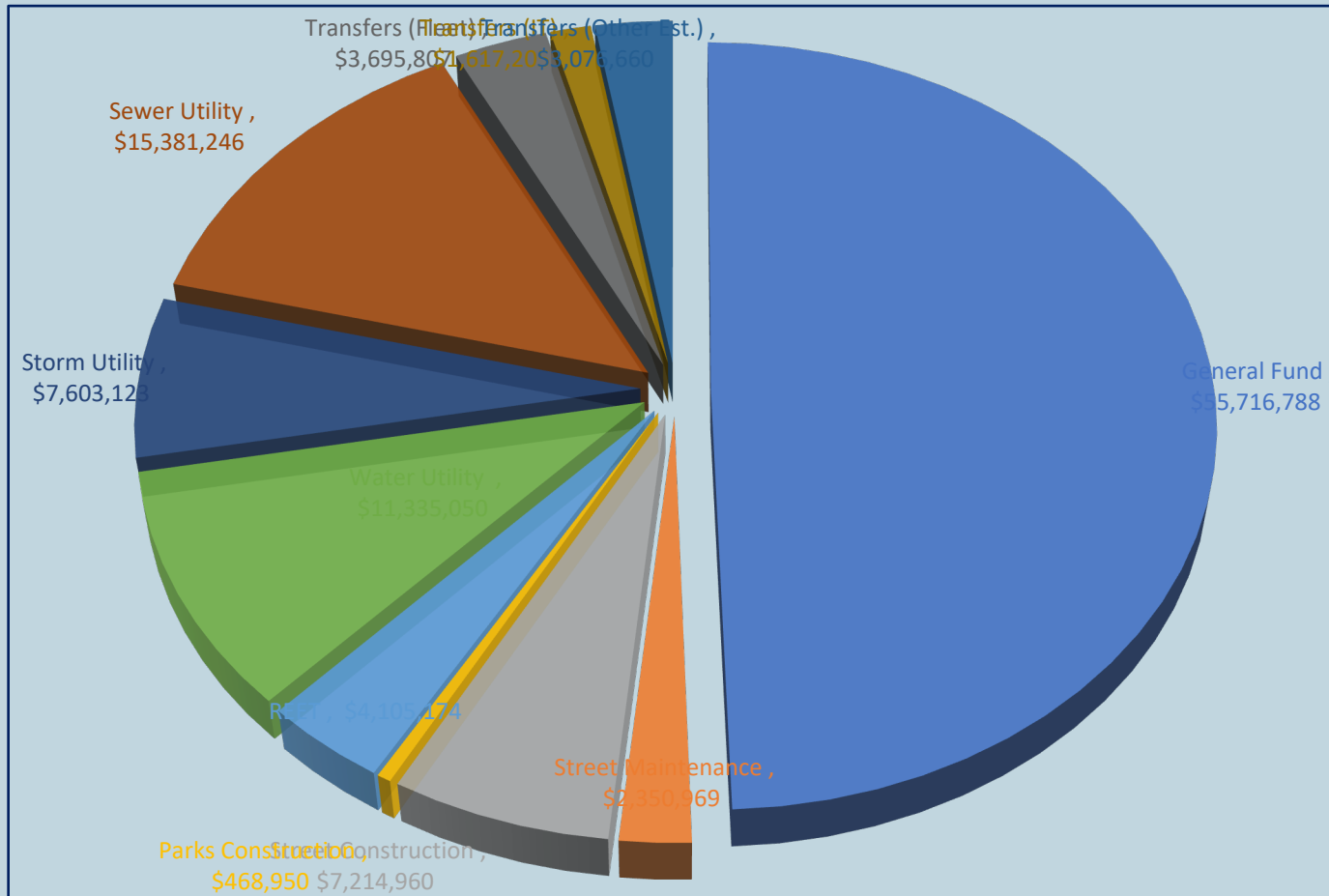
How much revenue (in all funds) does the city generate annually?



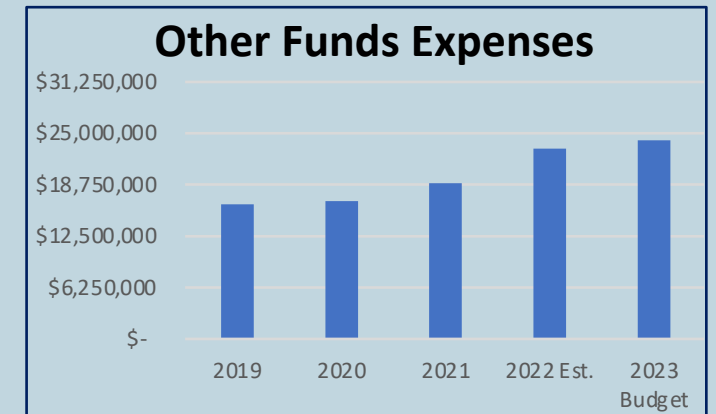
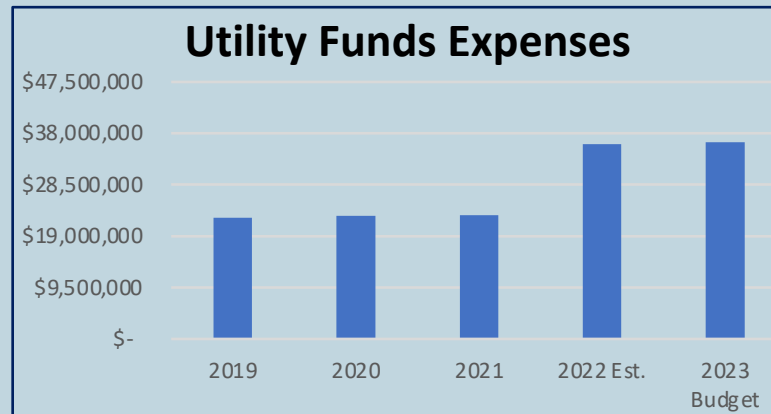
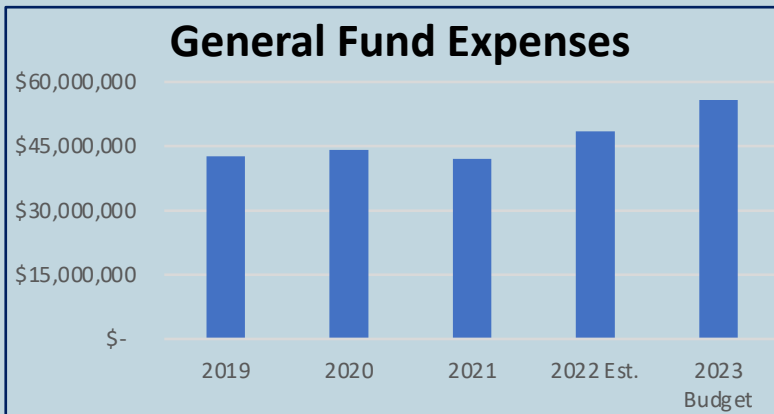
What is the trend line for this revenue (in all funds) over the past five years?



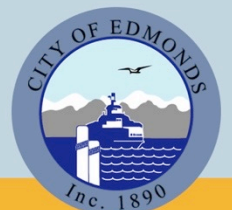
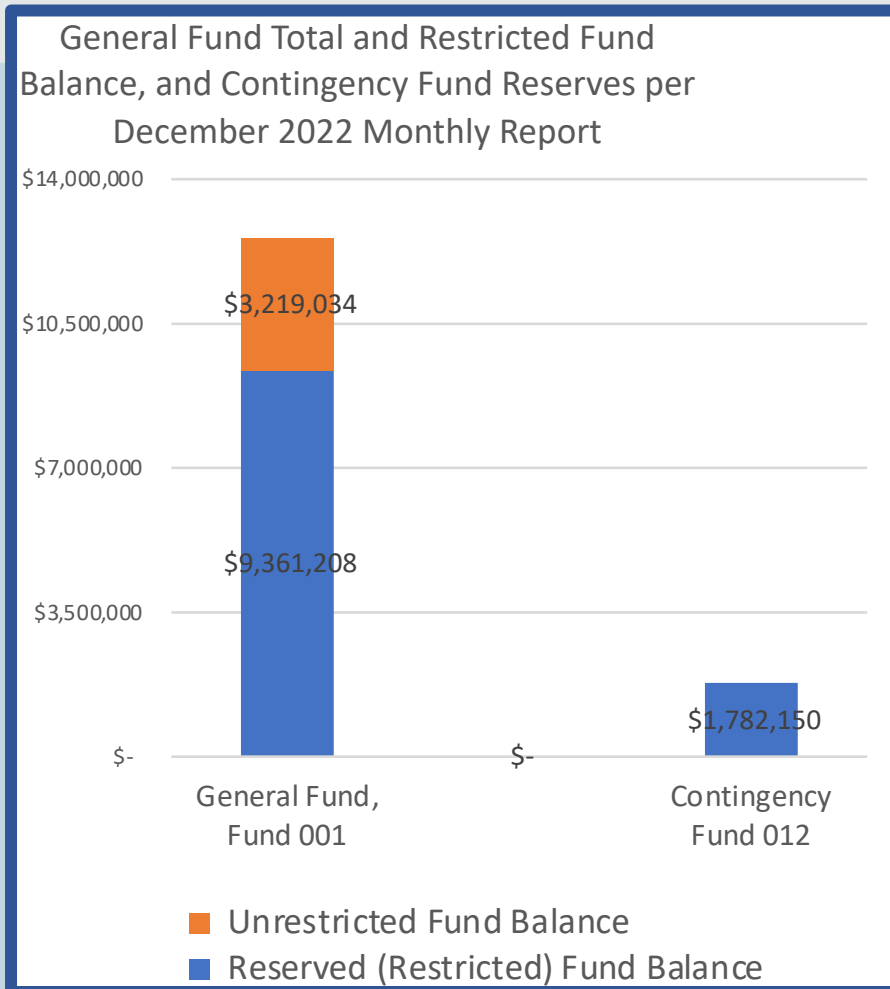
How much in expenses (in all funds) does the city have annually?



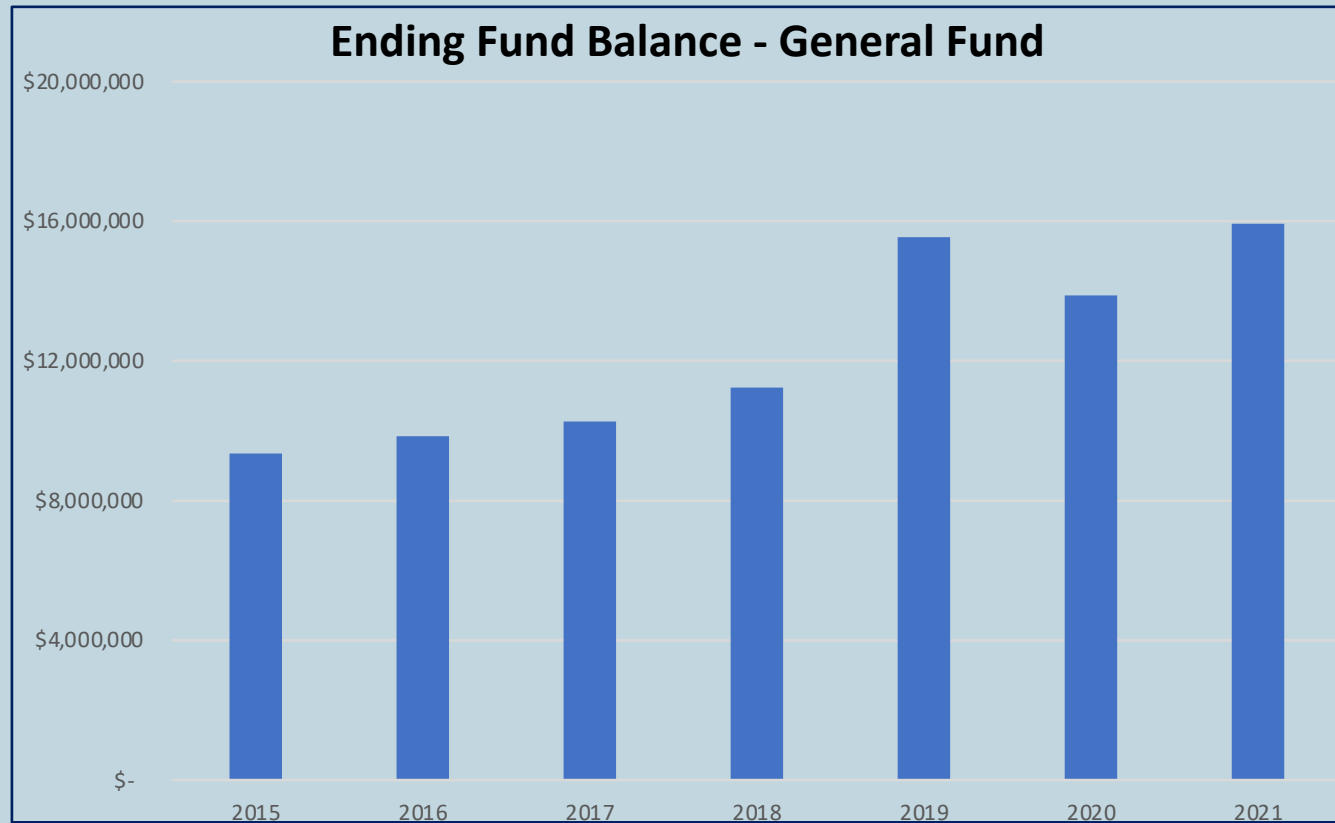
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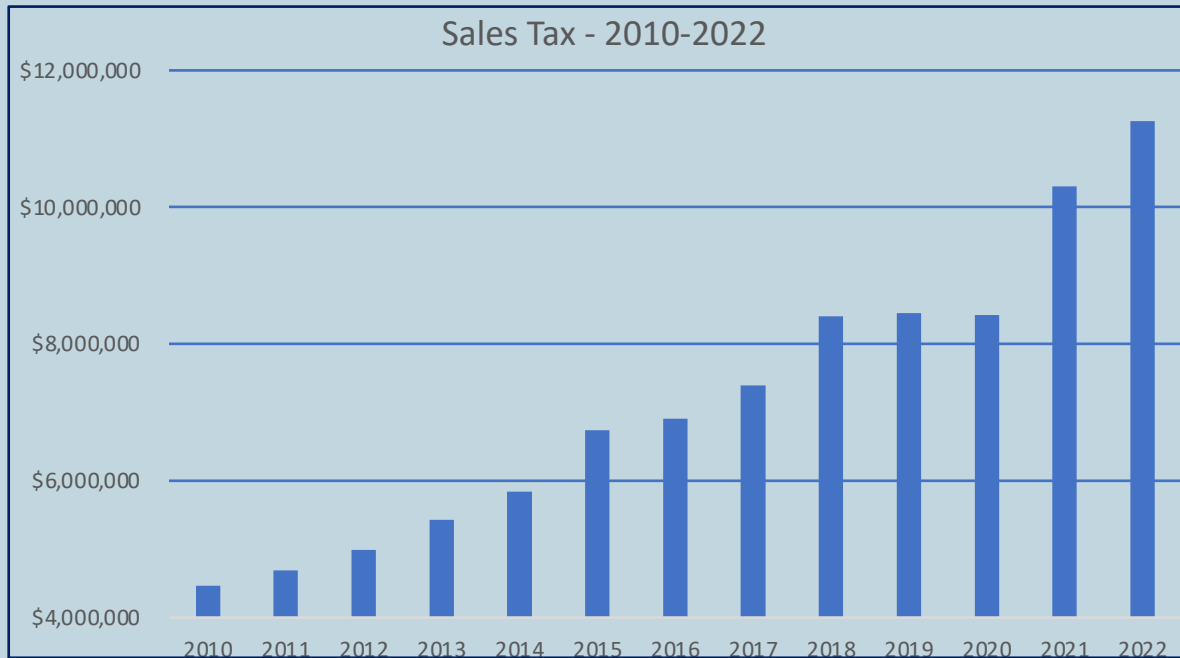
How much in reserves does the city maintain?



What are the trend lines for our reserves?



What are the trend lines in the operating fund (both revenue and expenses)?



As the key staff person overseeing the city's financial operations, what are the key financial issues the city faces over the next 3 to 5 years?

- Current economic environment is hard to forecast. We had > 10 years of low inflation and slow growth. This is manageable and predictable, but recently we've had periods of inflation. What's next? Inflation? Recession? Back to continued slow growth?
- \$12 million in ARPA money, \$4 million bequest to Parks. Some of this one-time money has funded ongoing costs. Need to be careful to not mortgage our future.
- Sales taxes and Property Taxes each make up about 20% of General Fund revenues. GF expenses increase when inflation increases, but Property Taxes remain flat.
- Annexation has been on the table. Not pursuing it now, but in 3 to 5 years?
- Who are we? Are we a small town or a big city? We really need to establish an identity and live within that identity.



How can the average citizen access our city's financial information?

Go to the city's website, at www.EdmondsWA.gov

On the Administrative Services web page we have:

3 years of Budget information

1 year of Monthly reports

18 years of Audited Annual Reports



Questions

Thank you.

