

CITY OF EDGEWOOD
QUARTERLY FINANCIAL DISCLOSURE TO THE COUNCIL
SECOND QUARTER 2022 REVIEW OF FINANCIAL POSITION

General Statement of Financial Position:

The City has a strong Fund Balance position for all current expense funds for General Government operations, Street and Surface Water operations, Equipment Replacement needs and the ability to fund 2022 Budgeted Capital Expenditures. Sales tax revenue continues to outperform budgeted expectations. With the current escalating inflation, we will likely test the durability of this revenue stream. Property Tax Revenue came in slightly higher than budgeted and Surface Water fees received to date are also above budget projections. Intergovernmental revenues are below budget primarily due to the ARPA Coronavirus Grant funds not being received until July 5th (third quarter activity).

Fees for Services are lower than budgeted for the second half, which is completely dependent upon project submittal timing, something the city does not control. Second quarter new permit volume has been robust as evidenced by new submissions in the pipeline. The City expects ongoing development activity to continue at a robust pace. Inspections are also continuing at a brisk pace as is plan review. The city has one of three plans examiner/inspector positions open and posted to hire as well as an open combination inspector appropriated as of March. The city has met to discuss sharing inspection and building official case load with Sumner and Bonney Lake, a result of all three cities taking on fire plans review and inspection. It may result in a council ask to adopt a three-way ILA to share services at least from time-to-time as interim needs arise. Regulatory inspection and plans examination personnel are in short supply both for government and private contractors. No interfund transfers have been made in the first half, which makes the revenues for funds heavily dependent upon them appear underfunded (Street Fund). We are discussing the practice some governments use of making quarterly transfers as opposed to what our practice has been of making them at the end of the year when the known deficits are identifiable and we use the discretion of not making the full authorized transfer if not needed or presenting a budget amendment to council if underfunded in the current budget appropriation.

Park Impact Fees collections year-to-date are just under \$600k and Traffic Impact Fees are about \$712k as of June 30.

REET revenue to date is at \$1.28 million. LID debt is funded by property owner assessments, none of which are in default.

The Strategic Reserve Fund balance, which can only be expended via Council resolution, is slightly over \$1,350,000. Existing bond instruments were purchased before the bond rates began to rise with inflation. The city does not budget interest income, as this type of revenue is used only to preserve purchasing power against inflation.

The city has continued to operate all normal city services during the pandemic. The city received the second tranche of ARPA grant funding on July 5th, so it was a few days past the end of the second half which makes the revenue budget for intergovernmental revenue look substantially low...as it was anticipated in June. Staff continues to improve on our development review, processing and inspection services, increase our overall financial oversight practices and increase the headcount of those cross trained in the various support staff task, processes and procedures as a result of increased staffing.

Staff is meeting with our accounting consultant, Clark Nuber, to complete the ARPA grant funding project expenditure plan draft in preparation for review by the City Council. The Mayor has directed an emphasis under the final treasury guidance and consultations with Clark Nuber to focus on Surface Water NPDES efforts and general governance staffing. The draft plan is to enhance both internal capabilities (financial oversight, grant attraction, community engagement as well as to stand up community program abilities.

The City currently has no open or known pending lawsuits.

Quarterly Reporting:

- Council has chosen to receive formalized financial position statements quarterly throughout the fiscal year. The Mayor will advise Council of any interim financial concern if/when they occur. Council and the Public have full access to any interim financial data including the City's month end closing documents, as well as any ongoing financial documents such as invoices paid or receipts received, all of which are public records and available by contacting staff. The goal is to provide total access of all financial documentation and tracking information at any point on any day, while streamlining the information into a formalized standardized quarterly update that gives Council and the Public a succinct picture of the City's financial health.
- Quarterly financial disclosure documents will be posted to the City Web site after review by Council in a Study session and review and distribution to the public in a Regular Council Meeting.
- The Mayor and/or the Council have the ability to modify the presentation format and/or the timing of the release of financial information at any time or on an ad hoc basis.

Budget Amendments:

Adjustments to the Budget, which are a normal governmental process, happen through a formalized Budget Amendment presented to Council by the Mayor, specifically amending budget line items, requiring approval of a Budget Amendment Ordinance