

11.4% of governmental fund expenditures was attributable to the Street fund in 2021; with a change due primarily to capital outlay, of \$7.05 million from last year. Fund balance changed by approximately \$4.2 million, mostly due to the timing delay of expenditures and enhanced real estate excise tax revenues, fueled by a robust real estate activity within city limits..

The Consolidated Capital Improvement Fund, established in 1977 to fund major capital projects in the City, is being reported as a major fund in 2021 due to the amount of capital projects during the year. Fund expenditures accounted for 3.78% of total governmental fund expenditures, a change of \$5.9 million compared to 2020, mostly due to Fire Station 11 project being constructed in 2021. Fund balance changed by \$7.7 million.

The Consolidated Park Impact Fees Fund was established in 1995 to account for the accumulation and disposition of impact fees assessed against new development under the Growth Management Act of 1990. Fund expenditures accounted for 0.02%, less than 1% of total governmental operating expenditures. Fund balance changed by \$2.7 million from last year due to a robust development within City boundaries, and a fee increase that went into effect as of January 1, 2021. Funds are accumulating cash for future capital projects that will serve new population of the City.

There are two changes to the Major Fund schedule for 2021. A new fund was added -- the Americal Rescue Plan. Like many other governments, the City received the first installment of the ARPA grant from the federal government. In 2021 the City has reported \$.99 million of expenditures, directly related to the pandemic and funded by the proceeds from the grant. Future plans for these received funds include almost \$15 million to be used to offset revenue losses due to the COVID pandemic. City Council made a decision to invest the grant dollars into the capital projects along the Fourth Plain corridor to improve public infrastructure, including parks, in the corridor and fund a portion of the Main Street Transportation project. City staff is working with the community to prioritize the projects to be built within the Fourth Plain corridor. The General Obligation Debt Service Fund was also added to the Major Funds schedule for 2021 due to the refunding of 2011 General Obligation bonds and the issuance of new 2021 General Obligation bonds.

All other non-major governmental operating, debt service and capital construction funds comprise the remaining governmental expenditures.

### **Business-Type Funds Analysis**

Proprietary, or business-type, funds are those funds that account for government operations where the intent is for the costs to be primarily paid by user charges. Enterprise funds are those funds that provide services primarily to external users, and the internal service funds provide their services primarily within the City. The City has twelve business-type funds: six enterprise funds, and six internal service funds.

The Consolidated Water Sewer Fund is the largest business-type fund in the City, accounting for 93.80% of net position for the enterprise funds at \$582.8 million. This fund encompasses three legally consolidated utilities: water, sewer, and drainage operations. The Water Sewer Fund's net position changed by \$44.3 million in 2021. This fund also reported operating income of \$22.8 million in 2021, a change of \$15.13 million from the prior year. Of that, operating revenue changed \$10.3 million or 8.9% from the prior year due to an increase in utility rates, and operating expenses also changed \$(4.8) million or (4.5)%, related to an increase in taxes and professional services for maintenance. Additionally, Water Sewer Fund net capital assets were \$446.6 million.

The Parking Services Fund reported a change in net position of \$2.6 million. Operating income totaled \$1.0 million.

The non-major business-type funds present a total operating income of \$4.9 million. The Building Inspection, Solid Waste and Airport funds reported operating income while the Tennis Center reported an operating loss. The Building Inspection Fund had \$4.6 million in operating income, which was a change of \$2.0 million from the prior year. Solid Waste had \$428 thousand in operating income, which was a change of \$376 thousand from the prior year. The Airport fund reported a \$75 thousand net operating income which was a change of \$182 thousand from the prior year. The non-major business-type funds represent \$0.3 million of the Net Pension Liability in 2021.

Internal Service Funds operate similar to enterprise funds, but perform services primarily for other funds within the City. Because of the nature of these funds, they are charged with operating as close as possible to a break-even point. They bill other funds based on estimated costs which are reconciled to actual annually or biennially depending on the fund. City Internal Service funds as reported in 2021 realized a net position change of \$9.5 million, reflective of the change to move some plans from a biennial reconciliation of rates to an annual one. In total Internal Service funds reported an operating income of \$6.6 million. The Internal Service Funds proportionate share of the Pension Liability is \$1.0 million at the end of 2021.