2025 1ST QUARTER FINANCIAL REPORT

Executive Summary

This report provides a snapshot of the City of Des Moines' financial performance for the first quarter ending March 31, 2025.

General Fund Overview
The City's General Fund revenue totaled $5.56 million, representing 21% of the annual budget and exceeding year-to-date expectations by $126,333 (2.3%). Notably, Sales and Use Tax collections were strong, outperforming budget by 7.5%, while Utility Tax revenues continued their positive trend, surpassing projections by 6.5%.

However, some revenue sources were less than budgeted projections:

- **Business & Occupation Tax** was $129,220 (24%) below budget.
- **Red Light Running fines** declined 10.2% year-over-year, consistent with improved traffic safety.

On the expenditure side, the General Fund recorded $5.96 million in spending, or 23% of the annual budget, slightly over expectations by 2.1%. Cost increases were driven primarily by:

- Personnel costs exceeding budget by 6.4%
- A bodycam refresh covered by grant funding

It is important to note that the City's primary revenue source is property tax, which is predominantly collected in the second and fourth quarters, with only minimal amounts received during the first and third quarters. As a result, an operating loss of $394,886 in the first quarter is not unexpected.

Cash & Investment Management
Interest earnings in the Local Government Investment Pool (LGIP) reached $451,381, slightly up from the prior year.

Other Funds Summary

- **Development Fund**: Continued to support fee-based development operations with an operating income of $298,167.
- **Capital Project Funds (Real Estate Excise Tax (REET))**: Revenues were 24% (REET 1) and 22.3% (REET 2) of the annual budgets for the first quarter.
- **Enterprise Funds**: The Marina and Surface Water Management (SWM) Funds maintained operations and capital initiatives. The Marina finished the quarter with an operating income of $392,681. SWM finished the quarter with an operating loss of $615,370; however, storm water fees are collected primarily in April and October.
- **Internal Service Funds**: The Self Insurance fund expenditures were 98.3% of the annual budget as the fund paid the annual insurance invoice of $1,115,329.

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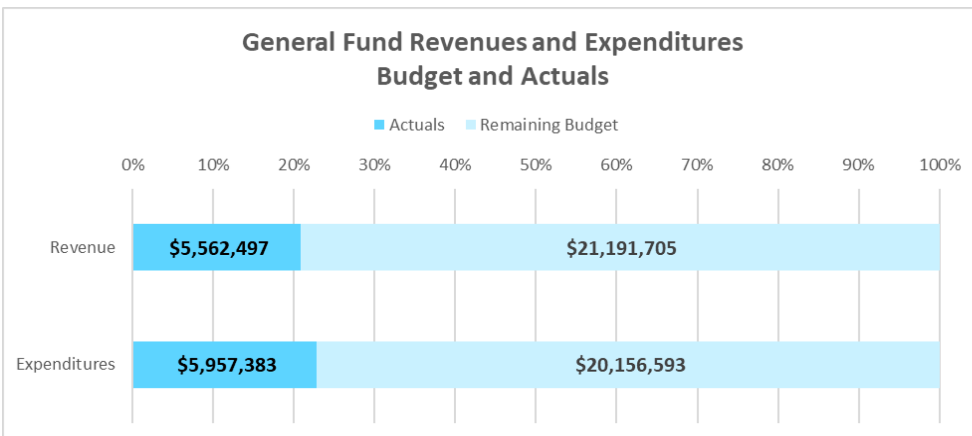
GENERAL FUND

The City's **General Fund** is the primary operating fund. It accounts for the majority of the City's day-to-day financial activities and supports essential public services that are not required to be funded by a separate, dedicated source.

Revenues for the general fund typically come from local taxes (such as property taxes, sales taxes, and business licenses), service fees, fines, and intergovernmental transfers. These funds are used to cover general government operations—such as police, public works, parks and recreation, and administration.

Through the first quarter of 2025, the General Fund received $5,562,497 of revenue, which represents 21% of budgeted revenue for the year. The General Fund also incurred $5,957,383 of expenditures representing 23% of the annual 2025 expenditure budget.



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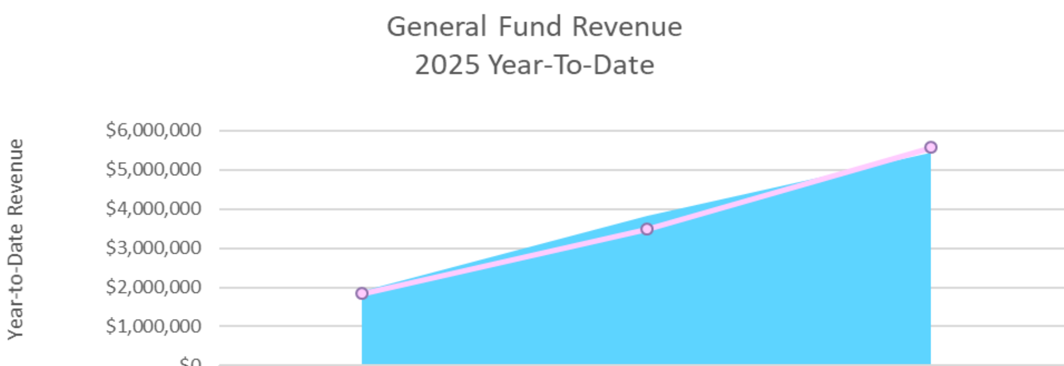
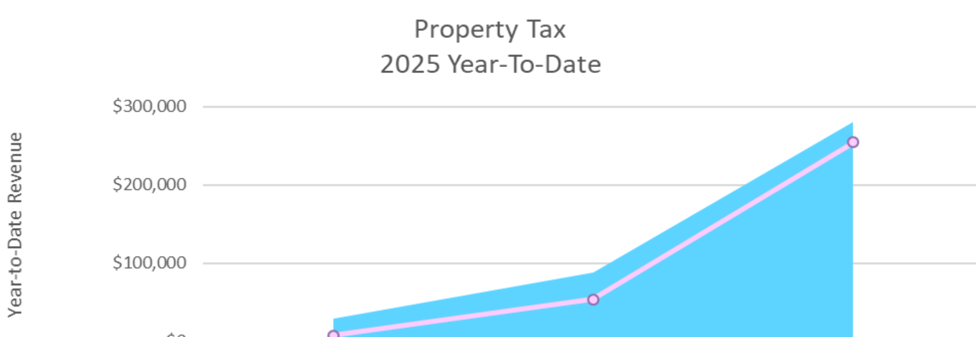
Revenue

Total General Fund Revenue totaled $5,562,497 at the end of the first quarter of 2025. This amount is $126,333 (2.3%) over the year-to-date budget and $78,397 (1.4%) more than the prior year. The adopted budget for 2025 is $26,754,202.



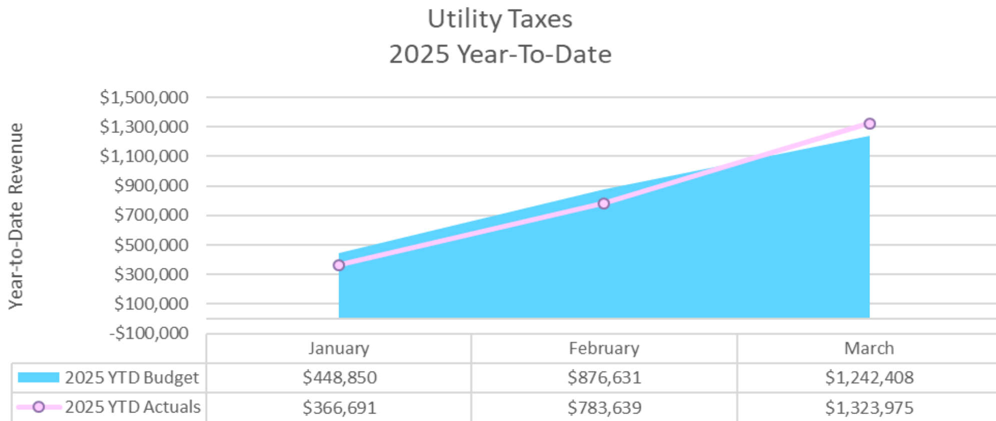
	January	February	March
2025 YTD Budget	$1,911,009	$3,820,861	$5,436,164
2025 YTD Actuals	$1,834,775	$3,478,374	$5,562,497

Property Taxes are primarily collected in the second and fourth quarters (April and October). Property tax collected through the first quarter was $254,566, which was a $25,765 (10.2%) lower than budgeted assumptions. The adopted budget for Property Tax revenue for 2025 is $5,790,457.



	January	February	March
2025 YTD Budget	$29,396	$88,076	$280,331
2025 YTD Actuals	$7,256	$53,330	$254,566

Utility Taxes collected through the first quarter of 2025 were $1,323,975, which is a $81,566 (6.5%) greater than budgeted expectations. The City collects utility tax on the usage of electricity, natural gas, solid waste disposal, cable TV, telephone, and surface water. The City continues to see an increase in utility tax collections over past years. The adopted budget for Utility Tax revenue for 2025 is $4,310,000.

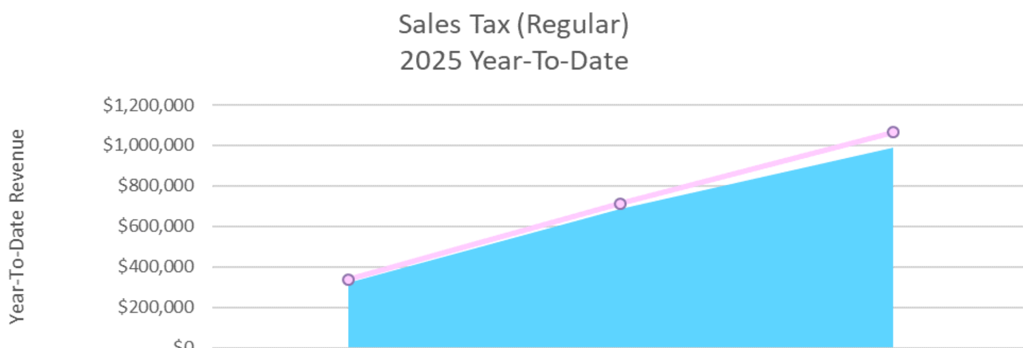


The table below demonstrates actual revenues compared to prior year collections by the different utility categories:

Utility Tax Type	2024 Q1 Total	2025 Q1 Total	Change from 2024 Amount	Change from 2024 Percent
Electricity	$ 472,259	$ 529,286	$ 57,028	12.1%
Natural Gas	176,708	230,456	53,748	30.4%
Solid Waste	199,230	163,918	(35,312)	-17.7%
Cable TV	192,735	175,702	(17,033)	-8.8%
Telephone	51,700	62,280	10,580	20.5%
SWM*	157,316	162,332	5,017	3.2%
YE Total	**$ 1,249,947**	**$ 1,323,975**	**$ 74,027**	**5.9%**

**Surface Water Management (SWM) billings include a 15% utility tax. The 15% tax is collected by the Surface Water Management Fund then paid to the General Fund and the Street Fund. The General Fund receives 87% of the SWM utility tax with the Street Fund receiving 13%.*

Sales and Use Tax (Regular) collection increased $124,843 (13.2%) over the same period in the prior year. Through the first quarter, the City collected $1,064,923 in sales tax, which was $73,976 (7.5%) over budgeted expectations. “Regular” Sales and Use Tax excludes the sales and use tax generated by construction projects that are valued at $15 million or more. The adopted budget for Sales Tax revenue for 2025 is $4,200,000.



	January	February	March
2025 YTD Budget	$322,990	$684,033	$990,947
2025 YTD Actuals	$339,784	$714,202	$1,064,923

The City receives **One-Time Sales and Use Tax** from construction projects in the City whose permits are valued at $15 million or more. Through the first quarter of 2025, the City received $5,152 of One-Time Sales Tax revenue. As new projects are expected to begin in 2025, One-Time Sales Tax is expected to increase. The adopted budget for One-Time Sales Tax revenue for 2025 is $250,000.

Please see Attachment #1 for a breakdown of sales tax by revenue category.

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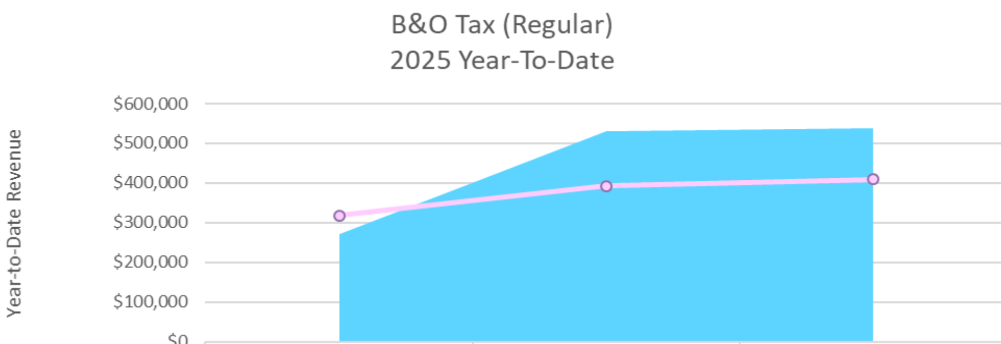
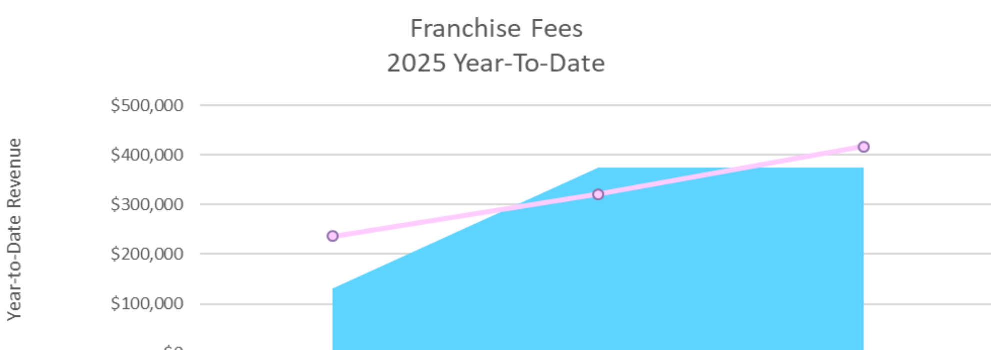
The City received $409,882 in **Business and Occupation Tax** through the first quarter of 2025. This amount was a $129,220 (76.0%) less than budget. Collections of B&O Tax through the first quarter were also $36,001 (8.1%) less than the prior year. The adopted budget for B&O Tax revenue for 2025 is $1,450,000.



	January	February	March
2025 YTD Budget	$270,906	$530,966	$539,102
2025 YTD Actuals	$318,002	$392,466	$409,882

Franchise Fees help the City recoup the cost of allowing a utility to use its public space. Through the first quarter of 2025, the City collected $417,056 in franchise fees, which was $43,177 (11.5%) more than the year-to-date budget. The adopted budget for Franchise Fee revenue for 2025 is $2,088,000.



	January	February	March
2025 YTD Budget	$130,746	$373,879	$373,879
2025 YTD Actuals	$235,974	$321,434	$417,056

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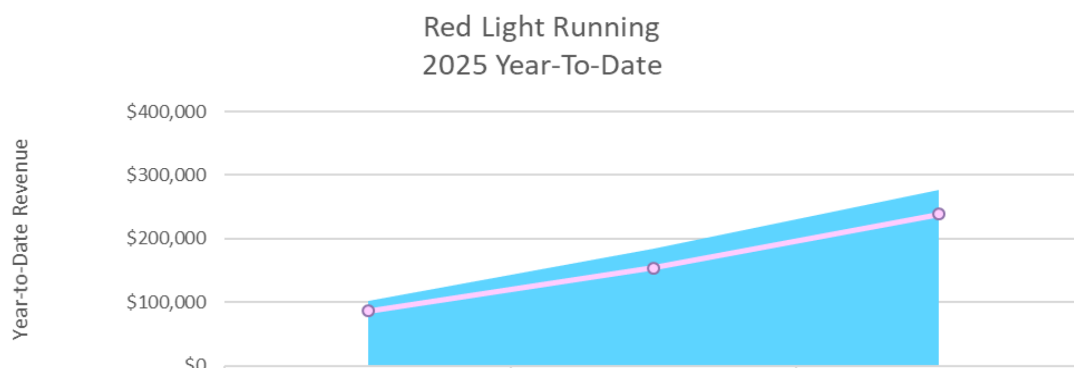
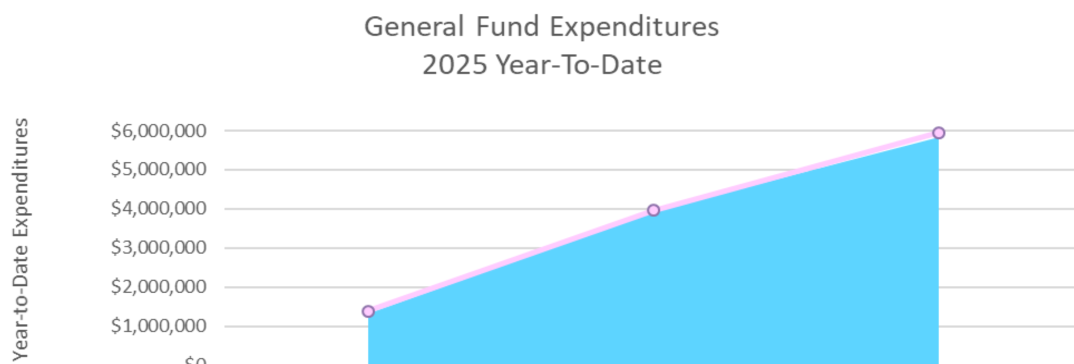
Red Light Running Infractions is revenue received from fines generated by the red light camera ticketing system installed at select intersections in the City. Through the first quarter of 2025, the City collected $238,889 in red light running fee revenue, which was $37,507 (13.6%) less than the same period in the prior year. This amount follows the trend of safer driving resulting in reduced revenues. The 2025 adopted budget for Red Light Running revenue is $1.1 million.



	January	February	March
2025 YTD Budget	$102,108	$185,007	$276,396
2025 YTD Actuals	$85,903	$153,684	$238,889

<u>Expenditures</u>

General Fund expenditures were $5,957,383, which was $120,744 (2.1%) more than budgeted expectations. The adopted budget for General Fund Expenditures for 2025 is $26,113,975.



	January	February	March
2025 YTD Budget	$1,326,922	$3,935,530	$5,836,639
2025 YTD Actuals	$1,384,494	$3,962,514	$5,957,383

2025 1ST QUARTER FINANCIAL REPORT

General Fund Summary of Uses Year to Date through June	2024 YTD Actual	2025 Annual Budget	2025 YTD Budget	2025 YTD Actual	2025 vs 2024 $	2025 vs 2024 %	2025 vs. Budget $	2025 vs. Budget %
Personnel	3,613,375	16,791,999	3,498,053	3,720,653	107,278	3.0%	222,600	6.4%
Supplies	199,519	588,255	147,064	212,839	13,321	6.7%	65,776	44.7%
Services	1,532,527	6,020,345	1,744,451	1,562,493	29,966	2.0%	(181,958)	-10.4%
Internal Services	373,063	2,713,376	447,071	453,321	80,258	21.5%	6,250	1.4%
Transfers Out	56,650	0	0	8,075	(48,575)	-85.7%	8,075	0.0%
Total Expenditures	**5,775,134**	**26,113,975**	**5,836,639**	**5,957,382**	**182,248**	**3.2%**	**120,743**	**2.1%**

Personnel: Personnel costs represent expenditure of funds for salary and benefits expenses. Through the first quarter, personnel costs were $107,278 (3.0%) higher than at the same point in the prior period and $222,600 (6.4%) greater than the year-to-date budget. The budget variance is primarily due to payments due to employees who separated from the City.

Supplies: A unbudgeted bodycam refresh expenditure of $77,230 resulted in supplies expenditures exceeding budget in the first quarter. However, these costs were reimbursed by grant funds.

Internal Services: Internal services increased $80,258 over the same period of the prior year due to increased budgeted expenditures paid to the Equipment Rental Replacement fund.

Transfers Out: A transfer out to the American Rescue Plan Act (ARPA) Fund was recorded during the first quarter. A reconciliation of ARPA funds found that $8,075 should not have been transferred to the General Fund in a prior year.

2025 1ST QUARTER FINANCIAL REPORT

General Fund Details

General Fund Summary of Sources and Uses	March 2025			2025 YTD Budget vs Actual		2025
	Adopted Budget	YTD Budget	YTD Actual	Amount	Percentage	Remaining Budget
Operating Revenues (Recurring)						
Taxes	$ 20,343,457	$ 3,843,349	$ 3,844,257	$ 908	0%	$ 16,499,200
Licenses and Permits	425,500	161,478	194,426	32,948	20%	231,074
Intergovernmental (Grants, etc.)	910,519	227,630	255,175	27,545	12%	655,344
Fees/Charges/Fines	1,897,100	475,671	526,703	51,032	11%	1,370,397
Other	2,057,758	620,570	615,574	(4,996)	-1%	1,442,184
Total Operating Revenues (Recurring)	**$ 25,634,334**	**$ 5,328,697**	**$ 5,436,135**	**$ 107,438**	**2%**	**$ 20,198,200**
Nonrecurring Revenues						
Sound Transit	154,868	38,717	44,200	5,483	14%	110,668
Body Cam Refresh	-	-	77,010	77,010	-	(77,010)
Sales Tax (One-Time)	200,000	50,000	5,152	(44,848)	-90%	194,848
B&O Tax (One-Time)	75,000	18,750	-	(18,750)	-100%	75,000
Sale of Property	690,000	-	-	-	-	690,000
Total Nonrecurring Revenues	**$ 1,119,868**	**$ 107,467**	**$ 126,362**	**$ 18,895**	**18%**	**$ 993,506**
Total Revenue	**$ 26,754,202**	**$ 5,436,164**	**$ 5,562,497**	**$ 126,333**	**2%**	**$ 1,953,354**
Operating Expenditures (Recurring)						
City Council	$ 119,696	$ 24,883	$ 18,528	(6,355)	-26%	101,168
City Manager's Office	693,087	145,137	165,606	20,470	14%	527,481
City Clerk	707,046	279,893	360,372	80,479	29%	346,674
Human Resources	279,665	62,552	54,749	(7,802)	-12%	224,916
Emergency Management	26,283	6,571	51,386	44,815	682%	(25,103)
Communications	177,188	41,852	118,176	76,324	182%	59,012
Finance	1,306,317	293,096	311,686	18,590	6%	994,631
Information Technology Services	1,332,120	299,935	330,827	30,892	10%	1,001,293
Legal	1,015,611	215,031	192,617	(22,414)	-10%	822,994
Municipal Court	1,706,115	361,647	295,811	(65,836)	-18%	1,410,304
Public Safety - (SCORE/Public Defender/Fire Services)	1,020,310	255,078	180,954	(74,124)	-29%	839,356
Police	13,047,031	2,805,204	2,736,334	(68,871)	-2%	10,310,697
Planning and Building (Tax-based)	431,611	90,778	101,888	11,110	12%	329,723
Building and Parks Maintenance	1,800,384	339,873	346,673	6,800	2%	1,453,711
Community Events and Services	1,860,093	411,595	437,921	26,326	6%	1,422,172
Non-Departmental - Organizational Memberships	97,550	58,000	58,925	925	2%	38,625
Total Operating Expenditures (Recurring)	**$ 25,620,107**	**$ 5,691,122**	**$ 5,762,451**	**$ 71,329**	**1%**	**$ 19,857,656**
Nonrecurring Expenditures						
Sound Transit	154,868	38,717	44,200	5,483	14%	110,668
Professional Development Program	15,000	13,800	13,800	-	0%	1,200
Professional Services - One-time	100,000	25,000	-	(25,000)	-100%	100,000
Sustainable Airport Master Plan	114,000	28,500	16,985	(11,515)	-40%	97,015
Body Cam Refresh	16,000	16,000	77,010	61,010	381%	(61,010)
Government relations	54,000	13,500	18,491	4,991	37%	35,509
Communications Contract	40,000	10,000	16,370	6,370	64%	23,630
Transfers Out - Fund 114 (American Rescue Plan Act Fund)	-	-	8,075	8,075	-	(8,075)
Total Operating Expenditures (Recurring)	**$ 493,868**	**$ 145,517**	**$ 194,932**	**$ 49,415**	**34%**	**$ 298,936**
Total Expenditures	**$ 26,113,975**	**$ 5,836,639**	**$ 5,957,383**	**$ 120,744**	**2%**	**$ 20,156,593**
Total Operating Income (Loss)	**$ 640,227**	**$ (400,475)**	**$ (394,886)**	**$ 5,589**		

**March is month 3 of 12= 25.0%

City of Des Moines
Cash Deposits and Investment Portfolio
Year-to-date March 31, 2025

Security Type	Fair Value as of 1/1/2025	2025 Activity	Fair Value as of 3/31/2025	% of Portfolio
Federal Farm Credit Bank	$ 7,285,589	$ 23,405	$ 7,308,994	10.8%
Federal Home Loan Bank	6,394,945	(2,456,325)	3,938,620	5.8%
Federal Home Loan Mtg. Corp.	1,492,725	5,145	1,497,870	2.2%
Federal Agricultural Mortgage Corp	4,250,310	18,943	4,269,253	6.3%
US Treasury Notes/Bonds	2,941,253	38,835	2,980,088	4.4%
United States Treasury STRIP	1,995,369	1,575,392	3,570,761	5.3%
Key Bank	5,792,655	(956,977)	4,835,678	7.2%
LGIP	41,606,900	(2,548,618)	39,058,282	57.9%
Total	**$ 71,759,746**	**$ (4,300,202)**	**$ 67,459,544**	**100.0%**

Bond Investments	24,360,191	33.9%	23,565,585	34.9%
Local Government Investment Pool	41,606,900	58.0%	39,058,282	57.9%
Key Bank Account	5,792,655	8.1%	4,835,678	7.2%
Total	**$ 71,759,746**	100%	**$ 67,459,544**	100.0%

Local Government Investment Pool Composition				
Operating Funds	17,447,505	42%	14,898,886	38%
Debt Proceeds	24,159,395	58%	24,159,395	62%
Total LGIP Funds	**41,606,900**	100%	**39,058,282**	100%

Note: LGIP transferred $3M to Key Bank account to support daily operations.

Cash Management: The City maintains a cash balance with KeyBank to fund the City's day-to-day operations, including an account for Municipal Court operations. Other funds are invested in either the Local Government Investment Pool (LGIP) or in government bonds. The net earnings rate in the LGIP at March 31st was 4.3997%, a decrease of 1.0069% from March of 2024. LGIP Interest earned in 2025 through March 31st is **$451,381.88.** In 2024, interest earned through March was $449,949.43. The increase in interest is primarily due to bond proceeds being transferred to the LGIP.

Interest Allocation: Investment interest is allocated across all City funds based on their portion of the overall cash balance at the end of the month.

Investment Transaction Listing

Maturities
During the first quarter of 2025, the following investments matured:

- Federal Home Loan Bank Corp., **$1,500,000**, matured February 2025, **yielding 0.019%**
- Federal Home Loan Bank Corp., **$1,000,000**, matured January 2025, **yielding 1.150%**

Purchases
During the first quarter of 2025, the following investment was purchased:

- United States Treasury STRIPS, **$1,730,000, yielding 4.300%,** maturing 5/15/2028

OTHER FUNDS

SPECIAL REVENUE FUNDS

A **special revenue fund** is a type of government fund used to account for money that must be spent on a specific purpose, as required by law or regulation.

Unlike the general fund, which can be used for a wide range of services, special revenue funds are restricted. The money that goes into these funds often comes from dedicated sources—such as grants, special taxes, or fees—and it can only be used for the specific program or service it was intended for.

For example, a city might have a special revenue fund for road maintenance that's funded by a gas tax, or one for parks and recreation funded by a portion of sales tax. The key point is that the money in these funds is legally earmarked and cannot be redirected to unrelated expenses.

These funds help ensure transparency and accountability by making it easier to track how specific revenue sources are used.

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Development Fund Details

Created in 2017, the purpose of the Development Fund is to account for revenue generated by fee-based development-related activities, including permitting, plan review, etc. and the associated cost of providing services. Divisions included in this fund include Planning and Development Services, Building, Joint and Minor Home Repair, Code Enforcement, Engineering Services, and City Project Management.

Development Fund Summary of Sources and Uses	2025 Adopted Budget	2025 YTD Budget	2025 YTD Actual	2025 YTD Budget vs Actual Amount	2025 YTD Budget vs Actual Percentage	2025 Remaining Budget
Operating Revenues						
Planning and Building						
Building Permits	$ 685,465	$ 171,366	$ 387,987	$ 216,620	126%	$ 297,478
Other Licenses and Permits	351,799	87,950	52,616	(35,334)	-40%	299,183
Intergovernmental (Grants, etc.)	97,749	24,437	36,633	12,196	50%	61,116
Charges for Services:						
Zoning Fees	319,278	79,820	22,129	(57,691)	-72%	297,149
Plan Check Fees	638,000	159,500	377,727	218,227	137%	260,273
Other Fees	7,480	1,870	1,625	(245)	-13%	5,855
Credt Card Fees	41,200	10,300	8,470	(1,830)	-18%	32,730
Penalties - Stop Work	15,500	3,875	1,355	(2,520)	-65%	14,145
Planning and Building Revenue Subtotal	**$ 2,156,471**	**$ 539,118**	**$ 888,542**	**$ 349,425**	**65%**	**$ 1,267,929**
Engineering						
Right-Of-Way Permits	$ 137,500	$ 34,375	$ 18,352	$ (16,023)	-47%	$ 119,148
Engineering Fees	159,254	39,814	32,810	(7,004)	-18%	126,444
Interfund Charges/ Engineering CIP Support	334,537	83,634	-	(83,634)	-100%	334,537
Engineering Revenue Subtotal	**$ 631,291**	**$ 157,823**	**$ 51,162**	**$ (106,661)**	**-68%**	**$ 580,129**
Interest Income	65,000	16,250	19,910	3,660	23%	45,090
Transfers In - PBPW Automation Fee Fund	32,484	8,121	0	(8,121)	-100%	32,484
Total Operating Revenues	**$ 2,885,246**	**$ 721,312**	**$ 959,614**	**$ 238,302**	**33%**	**$ 1,925,632**
Operating Expenditures						
Planning and Building						
Salaries and Benefits	$ 1,613,355	$ 336,116	$ 343,521	$ 7,405	2%	$ 1,269,834
Supplies	33,351	8,338	9,171	833	10%	24,180
Services	470,649	117,662	101,566	(16,096)	-14%	369,083
Planning and Building Expenditures Subtotal	$ 2,117,355	$ 462,116	$ 454,259	$ (7,857)	-2%	$ 1,663,097
Engineering						
Salaries and Benefits	$ 715,814	$ 149,128	$ 123,384	$ (25,744)	-17%	$ 592,430
Supplies	12,000	3,000	1,093	(1,907)	-64%	10,907
Services	247,359	61,840	82,711	20,871	34%	164,648
Engineering Expenditures Subtotal	$ 975,173	$ 213,968	$ 207,188	$ (6,779)	-3%	$ 767,985
Total Operating Expenditures	**$ 3,092,528**	**$ 676,083**	**$ 661,447**	**$ (14,637)**	**-2%**	**$ 2,431,082**
Total Operating Income (Loss)	**$ (207,282)**	**$ 45,228**	**$ 298,167**	**$ 252,939**		

** March is month 3 of 12 = 25%

Summary of other Special Revenue Funds

	Revenue			Expenditures		
Fund	**Budget**	**Actual**	**% of Budget**	**Budget**	**Actual**	**% of Budget**
Special Revenue Funds:						
Street	$ 2,618,000	$ 593,709	22.7%	$ 2,741,053	$ 344,933	12.6%
Arterial Pavement	1,418,000	97,598	6.9%	1,466,788	1,059	0.1%
Police Drug Seizure	26,000	-	0.0%	20,500	5,135	25.0%
Hotel-Motel Tax	125,000	21,891	17.5%	120,000	5,000	4.2%
Affordable Housing Sales Tax	35,000	9,261	26.5%	35,000	-	0.0%
American Rescue Plan Act	-	8,455	#DIV/0!	1,103,000	86,628	7.9%
Redondo Zone	129,800	613	0.5%	150,635	37,311	24.8%
Waterfront Zone	438,550	121,597	27.7%	394,462	100,467	25.5%
PBPW Automation Fee	195,000	40,524	20.8%	120,409	28,095	23.3%
Urban Forestry	5,000	-	0.0%	5,000	-	0.0%
Abatement	3,600	-	0.0%	2,500	-	0.0%
Automated Speed Enforcement (ASE)	360,000	48,489	13.5%	432,976	34,361	7.9%
Transport Benefit District	1,040,000	232,528	22.4%	1,400,000	225,000	16.1%

CAPTIAL PROJECT FUNDS

A **capital project fund** is used by a city or town to track money set aside for large, long-term construction or improvement projects—like building a new school, library, fire station, or major road.

These funds are separate from the general fund because capital projects often involve large amounts of money and take multiple years to complete. The money in a capital project fund usually comes from sources like bonds (borrowed money), grants, or dedicated taxes.

The purpose of the fund is to ensure that all the revenues and expenses related to a specific project are kept together in one place, making it easier to manage and monitor.

A capital project fund helps a municipality plan, finance, and track big infrastructure investments over time, separate from everyday operating expenses.

Real Estate Excise Tax

The State of Washington levies a real estate excise tax (REET) upon most sales of real property. The tax is calculated based on the full selling price, including the amount of any liens, mortgages, and other debts given to secure the purchase. The tax is due at the time of sale and is collected by the county when the documents of sale are presented for recording.

In addition to the state real estate excise tax, cities and counties may impose local real estate excise taxes. The City collects the following:

- **REET 1, or the "first quarter percent"** – a 0.25% REET which may be imposed by any city, town, or county primarily for capital projects and limited maintenance;
- **REET 2, or the "second quarter percent"** – an additional 0.25% REET which may be imposed by any city, town, or county fully planning under the Growth Management Act, to be used primarily for capital projects and limited maintenance;

REET revenue amounts are primarily dependent on the real estate market. Below is a chart showing the historical five-year trend of REET revenue. REET 1 and REET 2 received from King County tend to be equal amounts. However, the City does receive REET 1 revenue from the state annually each March.

REET revenue is used to fund the City's capital projects. For more information about the usage of REET funds, please see the City's Capital Improvements Plan located on the City website under Departments>Finance>Capital Improvements Plans (CIP).

Summary of Capital Project Funds

	Revenue			Expenditures		
Fund	**Budget**	**Actual**	**% of Budget**	**Budget**	**Actual**	**% of Budget**
Capital Project Funds:						
REET 1	$ 740,000	$ 177,527	24.0%	$ 2,380,979	$ 38,961	5.3%
REET 2	700,000	155,943	22.3%	483,504	91,510	13.1%
Park Levy	150,000	3,505	2.3%	-	-	0.0%
Park in Lieu	27,500	-	0.0%	46,000	-	0.0%
One-Time Sales & B+O Tax Revenues	50,000	14,118	28.2%	165,000	12,500	25.0%
Municipal Capital Improvements	5,526,000	180,282	3.3%	15,558,000	864,178	15.6%
Transportation Capital Improvements	8,430,000	1,035,528	12.3%	9,020,000	752,557	8.9%
Traffic in Lieu	460,000	4,741	1.0%	-	-	0.0%
Traffic Impact - Citywide	345,000	43,363	12.6%	140,000	-	0.0%
Traffic Impact - Pac Ridge	120,000	7,045	5.9%	-	-	0.0%

ENTERPRISE FUNDS

An **enterprise fund** is used by a city or town to manage services that operate like a business—where the goal is to cover the cost of providing the service through the fees charged to users.

Common examples include water and sewer utilities, public transportation, or municipal airports. These services are typically self-supporting, meaning the money to run them comes mostly from customer payments, not taxes.

Enterprise funds help keep these business-like operations financially separate from the rest of the city's budget. This makes it easier to see whether a specific service is paying for itself and to manage its revenues, expenses, and long-term investments (like equipment or infrastructure upgrades).

2025 1ST QUARTER FINANCIAL REPORT

Marina Fund Details

The purpose of the Marina Fund is to account for the revenues and expenditures related to Marina operations, construction, and debt.

Marina Fund Summary of Sources and Uses	2025 Adopted Budget	2025 YTD Budget	2025 YTD Actual	2025 YTD Budget vs Actual Amount	2025 YTD Budget vs Actual Percentage	2025 Remaining Budget
Operating Revenue						
Charges for Services	$ 3,883,417	$ 970,854	$ 1,000,213	$ 29,359	3%	$ 2,883,204
Fuel Sales	1,503,000	375,750	113,724	(262,026)	-70%	1,389,276
Miscellaneous Revenues	18,330	4,583	4,873	291	6%	13,457
Operating Revenue Subtotal	**$ 5,404,747**	**$ 1,351,187**	**$ 1,118,810**	**$ (232,376)**	**-17%**	**$ 4,285,937**
Operating Expense						
Salaries and Benefits	$ 1,459,598	$ 425,716	$ 277,826	$ (147,890)	-35%	$ 1,181,772
Supplies	150,550	37,638	25,163	(12,474)	-33%	125,387
Fuel Purchases	1,200,000	300,000	63,052	(236,948)	-79%	1,136,948
Services	713,909	178,477	98,509	(79,968)	-45%	615,400
Services - Interfund	1,052,806	263,202	261,579	(1,622)	-1%	791,227
Total Operating Expenses (excl. depreciation)	**$ 4,576,863**	**$ 1,205,032**	**$ 726,130**	**$ (478,903)**	**-40%**	**$ 3,850,733**
Operating Income/(Loss)	**$ 827,884**	**$ 146,154**	**$ 392,681**	**$ 246,526**	**169%**	**$ 435,203**
Non-Operating Revenue						
Interest Income	280,000	70,000	126,961	56,961	81%	153,039
Non-operating Revenue Subtotal	**$ 280,000**	**$ 70,000**	**$ 127,066**	**$ 57,066**	**82%**	**$ 152,934**
Non-operating Expense						
Capital Outlay	$ 14,692,000	$ 3,673,000	$ 51,615	$ (3,621,385)	-99%	$ 14,640,386
Debt Service	1,101,996	275,499	161	(275,338)	-100%	1,101,835
Non-operating Expense Subtotal	**$ 15,793,996**	**$ 3,948,499**	**$ 51,776**	**$ (3,896,723)**	**-99%**	**$ 15,742,221**
Net Change in Unrestricted Net Position	**$ (14,686,112)**	**$ (3,732,345)**	**$ 467,971**	**$ 4,200,316**	**-113%**	**$ (15,154,083)**

** March is month 3 of 12 = 25%

2025 1ST QUARTER FINANCIAL REPORT

Surface Water Management (SWM) Fund Details

The purpose of the Surface Water Management(SWM) Fund is to account for revenues and expenses related to Surface Water Management operations and construction.

Surnface Water Management Fund Summary of Sources and Uses	2025 Adopted Budget	2025 YTD Budget	2025 YTD Actual	2025 YTD Budget vs Actual Amount	2025 YTD Budget vs Actual Percentage	2025 Remaining Budget
Operating Revenue						
Charges for Services	$ 5,794,001	$ 498,678	$ 326,306	$ (172,372)	-35%	$ 5,467,695
Intergovernmental Revenue	844,000	211,000	-	(211,000)	-100%	844,000
Operating Revenue Subtotal	**$ 6,638,001**	**$ 709,678**	**$ 326,306**	**$ (383,372)**	**-54%**	**$ 6,311,695**
Operating Expense						
Salaries and Benefits	$ 2,023,034	$ 421,465	$ 403,848	$ (17,618)	-4%	$ 1,619,186
Supplies	119,650	29,913	17,662	(12,251)	-41%	101,988
Services	1,698,715	424,679	271,004	(153,675)	-36%	1,427,711
Services - Interfund	1,012,635	253,159	249,162	(3,997)	-2%	763,473
Total Operating Expenses (excl. depreciation)	**$ 4,854,034**	**$ 1,129,215**	**$ 941,675**	**$ (187,540)**	**-17%**	**$ 3,912,359**
Operating Income/(Loss)	**$ 1,783,967**	**$ (419,538)**	**$ (615,370)**	**$ (195,832)**	**47%**	**$ 2,399,337**
Non-Operating Revenue						
Interest Income	400,000	100,000	113,886	13,886	14%	286,115
Non-operating Revenue Subtotal	**$ 400,000**	**$ 100,000**	**$ 113,886**	**$ 13,886**	**14%**	**$ 286,115**
Non-operating Expense						
Capital Outlay	$ 2,094,000	$ 523,500	$ 1,380,311	$ 856,811	164%	$ 713,689
Transfers Out to Fund 319 (Transportation Improvements)	500,000	125,000	-	(125,000)	(1)	500,000
Non-operating Expense Subtotal	**$ 2,594,000**	**$ 648,500**	**$ 1,380,311**	**$ 731,811**	**113%**	**$ 1,213,689**
Net Change in Unrestricted Net Position	**$ (410,033)**	**$ (968,038)**	**$ (1,881,796)**	**$ (913,758)**	**94%**	**$ 1,471,763**

** March is month 3 of 12 = 25%

INTERNAL SERVICE FUNDS

Internal Service Funds are funds that cities use to manage services provided internally from one department to another, rather than to the public. These funds operate like internal businesses within the government, charging city departments for the services they use—such as vehicle maintenance, information technology support, or insurance coverage.

By tracking these costs separately, Internal Service Funds help ensure accurate budgeting, promote cost accountability, and allow departments to see the true cost of the resources they consume.

The City has internal service funds for:

- Equipment maintenance (repairing city vehicles, etc.)
- Equipment replacement
- Repair and replacement of municipal facilities
- Information technology (managing computers and networks)
- Insurance

	Revenue			Expenditures		
Fund	**Budget**	**Actual**	**% Actual to Budget**	**Budget**	**Actual**	**% Actual to Budget**
Internal Service Funds:						
Equipment Rental Operations	1,238,024	183,629	14.8%	811,082	159,886	12.9%
Equipment Rental Replacement	753,280	226,115	30.0%	1,122,000	356,503	47.3%
Facility Major Repairs	461,150	34,474	7.5%	546,000	7,822	1.7%
Computer Replacement	412,800	77,728	18.8%	939,985	58,954	14.3%
Self Insurance	1,286,315	277,397	21.6%	1,266,927	1,120,805	87.1%
Unemployment Insurance	51,950	15,202	29.3%	42,500	16,138	31.1%

2025 1ST QUARTER FINANCIAL REPORT

ATTACHMENT 1

SALES TAX SUMMARY
March 2025*(January 2025 Sales)*

NAICS	CONSTRUCTION	24 TOTAL	24 YTD	25 YTD	YTD % Diff
236	Construction of Buildings	347,585	89,372	108,364	21.2%
237	Heavy & Civil Construction	57,120	9,756	32,371	231.8%
238	Specialty Trade Contractors	371,885	72,711	87,149	19.9%
	TOTAL CONSTRUCTION	**$ 776,590**	**$ 171,840**	**$ 227,884**	
	Overall Construction Change from Previous Year			***$ 56,045***	***32.6%***

NAICS	MANUFACTURING	24 TOTAL	24 YTD	25 YTD	YTD % Diff
311	Food Manufacturing	$ 757	$ 178	$ 232	30.4%
312	Beverage & Tobacco Products	2,229	461	702	52.1%
313	Textile Mills	200	69	68	-2.8%
314	Textile Product Mills	175	58	44	-23.9%
315	Apparel Manufacturing	320	86	134	56.7%
316	Leather & Allied Products	434	110	130	18.4%
321	Wood Product Manufacturing	6,365	3,558	268	-92.5%
322	Paper Manufacturing	289	51	71	40.4%
323	Printing & Related Support	4,907	1,171	3,528	201.3%
324	Petroleum & Coal Products	80	1	9	531.1%
325	Chemical Manufacturing	1,367	346	275	-20.6%
326	Plastic & Rubber Products	289	97	17	-82.3%
327	Nonmetallic Mineral Products	4,459	1,178	670	-43.2%
331	Primary Metal Manufacturing	68	-	-	-
332	Fabricated Metal Mfg Products	1,863	234	426	81.9%
333	Machinery Manufacturing	730	298	238	-20.3%
334	Computer & Electronic Products	2,730	688	296	-56.9%
335	Electric Equipment, Appliances	1,637	172	40	-77.0%
336	Transportation Equipment Mfg	15,676	2,860	5,728	100.3%
337	Furniture & Related Products	4,249	1,222	297	-75.7%
339	Miscellaneous Manufacturing	4,278	1,616	1,202	-25.6%
	TOTAL MANUFACTURING	**$ 53,099**	**$ 14,455**	**$ 14,375**	
	Overall Manufacturing Change from Previous Year			***($80)***	***-0.6%***

NAICS	TRANSPORTATION & WAREHOUSING	24 TOTAL	24 YTD	25 YTD	YTD % Diff
481	Air Transportation	$ -	$ -	$ -	-
482	Rail Transportation	2	1	1	-40.7%
483	Water Transportation	-	-	0	-
484	Truck Transportation	6,412	1,575	1,278	-18.8%
485	Transit and Ground Passengers	-	-	-	-
487	Scenic and Sightseeing Trans	-	-	-	-
488	Transportation Support	3,486	353	616	74.3%
491	Postal Services	106	27	23	-15.8%
492	Couriers & Messengers	32,317	6,713	9,692	44.4%
493	Warehousing & Storage	371	229	63	-72.6%
	TOTAL TRANSP & WHSING	**$ 42,694**	**$ 8,899**	**$ 11,673**	
	Overall Transportation Change from Previous Year			***$2,774***	***31.2%***

NAICS	WHOLESALE TRADE	24 TOTAL	24 YTD	25 YTD	YTD % Diff
423	Whls Trade-Durable Goods	$ 135,627	$ 38,483	$ 45,060	17.1%
424	Whls Trade-Nondurable Goods	54,807	15,725	15,790	0.4%
425	Wholesale Electronic Markets	1,370	190	303	59.3%
	WHOLESALE TRADE TOTAL	**$ 191,805**	**$ 54,399**	**$ 61,153**	
	Overall Wholesale Change from Previous Year			***$6,755***	***12.4%***

NAICS	AUTOMOTIVE	24 TOTAL	24 YTD	25 YTD	YTD % Diff
441	Motor Vehicle & Parts Dealer	$ 207,679	$ 49,473	$ 37,391	-24.4%
447	Gasoline Stations	-	-	-	-
	TOTAL AUTOMOTIVE	**$ 207,679**	**$ 49,473**	**$ 37,391**	
	Overall Automotive Change from Previous Year			***($12,082)***	***-24.4%***

NAICS	RETAIL TRADE	24 TOTAL	24 YTD	25 YTD	YTD % Diff
442	Furniture & Home Furnishings	$ -	$ -	$ -	-
443	Electronics & Appliances	-	-	-	-
444	Building Material & Garden	56,297	11,944	14,536	21.7%
445	Food & Beverage Stores	184,284	44,440	43,591	-1.9%
446	Health & Personal Care	-	-	-	-
448	Clothing & Accessories	-	-	-	-
449	Furniture, Home Furnishings, Electronics, and Appliances	153,056	44,412	39,500	-11.1%
451	Sporting Goods, Hobby, Books	-	-	-	-
452	General Merchandise Stores	-	-	-	-
453	Miscellaneous Store Retailers	-	-	-	-
454	Nonstore Retailers	-	-	-	-
455	General Merchandise Retailers	63,701	16,746	18,851	12.6%
456	Health and Personal Care Retailers	58,173	17,060	13,347	-21.8%
457	Gasoline Stations and Fuel Dealers	60,038	14,695	16,740	13.9%
458	Clothing, Clothing Accessories, Shoe and Jewelry Retailers	50,849	14,949	16,054	7.4%
459	Sporting Goods, Hobby, Musical Instrument, Book and Misc	675,052	180,710	188,939	4.6%
	TOTAL RETAIL TRADE	**$ 1,301,450**	**$ 344,956**	**$ 351,558**	
	Overall General Retail Change from Previous Year			***$6,602***	***1.9%***

NAICS	SERVICES	24 TOTAL	24 YTD	25 YTD	YTD % Diff
51*	Information	$ 215,632	$ 62,249	$ 52,397	-15.8%
52*	Finance & Insurance	23,268	6,034	5,888	-2.4%
53*	Real Estate, Rental, Leasing	66,452	12,431	12,995	4.5%
541	Professional, Scientific, Tech	86,028	19,123	32,706	71.0%
551	Company Management	1,684	143	261	82.2%
56*	Admin, Supp, Remed Svcs	262,602	68,384	68,590	0.3%
611	Educational Services	18,506	4,323	3,805	-12.0%
62*	Health Care Social Assistance	7,133	1,131	2,021	78.7%
71*	Arts & Entertainment	35,015	6,819	8,430	23.6%
72*	Accommodation & Food Svcs	429,659	93,594	96,554	3.2%
81*	Other Services	161,162	35,387	53,441	51.0%
92*	Public Administration	840	214	757	254.5%
	TOTAL SERVICES	**$ 1,307,978**	**$ 309,830**	**$ 337,845**	
	Overall Services Change from Previous Year			***$28,015***	***9.0%***

NAICS	MISCELLANEOUS	24 TOTAL	24 YTD	25 YTD	YTD % Diff
000	Unknown	$ -	$ -	$ -	-
111-115	Agriculture, Forestry, Fishing	701	112	135	20.5%
211-221	Mining & Utilities	11,564	167	75	-55.0%
999	Unclassifiable Establishments	139,910	28,600	27,986	-2.1%
	MISCELLANEOUS TOTAL	**$ 152,175**	**$ 28,878**	**$ 28,196**	
	Overall Miscellaneous Change from Previous Year			***($683)***	***-2.4%***

	24 TOTAL	24 YTD	25 YTD	YTD % Diff
GRAND TOTALS	**$ 4,033,471**	**$ 982,729**	**$ 1,070,075**	
Grand Total Change from Previous Year to Date			***$87,346***	***8.89%***

Des Moines
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Q1 2025 Financial Report

June 26, 2025

What We’ll Cover

- Framework for FY25 & 26 Budget
- City Finance Basics: Where the Money Comes From, Where the Money Goes To
- Headwinds
- Tailwinds
- On the Horizon: FY 26

- Q1 2025 Financial Report:
  - General Fund
  - Recurring vs. Non -Recurring
  - Operating Reserves
  - Other Funds
  - Capital Projects

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Framework for FY25 & 26 Budget

- Budget development faced several serious challenges:
  - Rising inflation and increased operational costs
  - Revenue shortfalls
  - Results of Prop 1 Election
  - Issues from structural deficits – use of one-time revenue to plug ongoing gaps

- Adopted budget for FY25 & 26:
  - Realigned expenses to match realistic revenue projections
  - Streamline operations to reduce costs
  - Reprioritize funding for critical services
  - Reduced funding for other service areas
  - Reduction in staffing
  - Generated additional revenue through Warehouse SF tax, Utility franchise agreements, Updated fee schedule

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A Balancing Act

- Frozen and unfunded Police Officer positions
- Elimination of Crime Analyst position

- Reduced COLA for non-union employees

- Reduced staffing in Administration & Parks and Rec
- Reduced programs and events

- Minimal Animal Control Services

- Eliminated Downtown Beautification

- Warehouse Tax - new revenue!

- Maintained Fourth of July community event

- New website, enhanced communications efforts

- Maintained Minimum Fund Balance threshold

- Secured grant funding for Police Co-Responder Position (GPS)

- Reclassified vacancy into Grants Coordinator FTE

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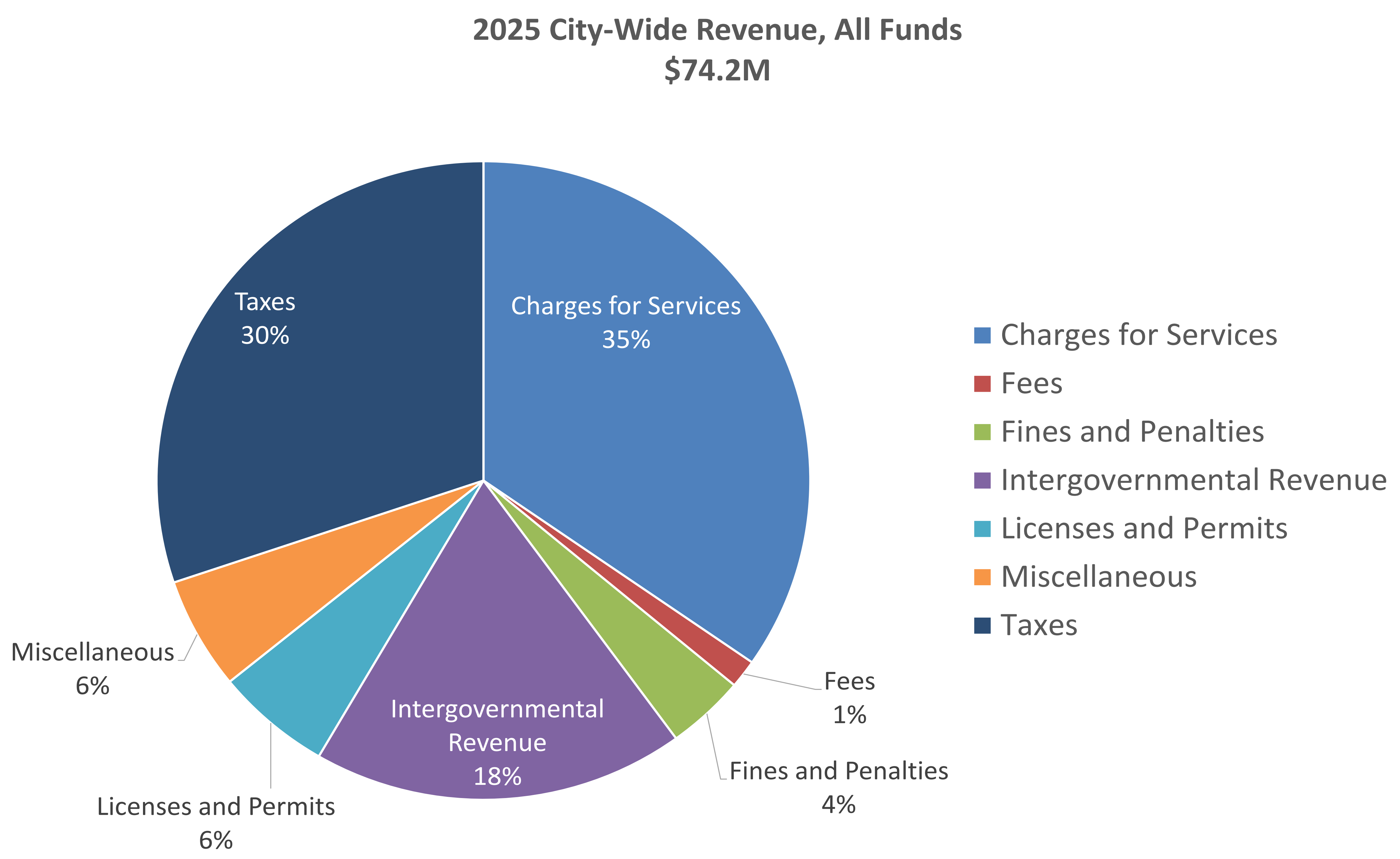
Where the Money Comes From



Typical Des Moines Residential Property Tax Distribution

Tax Year 2025

8¢ City of Des Moines:
Police
Public Works
Parks and Rec
General Government

29¢ School District

22¢ WA State Schools

13¢ King County

11¢ Fire District

3¢ Pool District

2¢ Library

2¢ EMS

2¢ Sound Transit

1¢ Port

6¢ Other

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Residential Property Tax

- Example Home Appraised Value = $732,000
- Property Tax Bill = $7,716.90, of which $623.29 goes to City of Des Moines
- Approx. 29.7% of acreage (excl. ROW) is property tax exempt
- 95.8% of parcels are residential; 75.1% of acreage is residential

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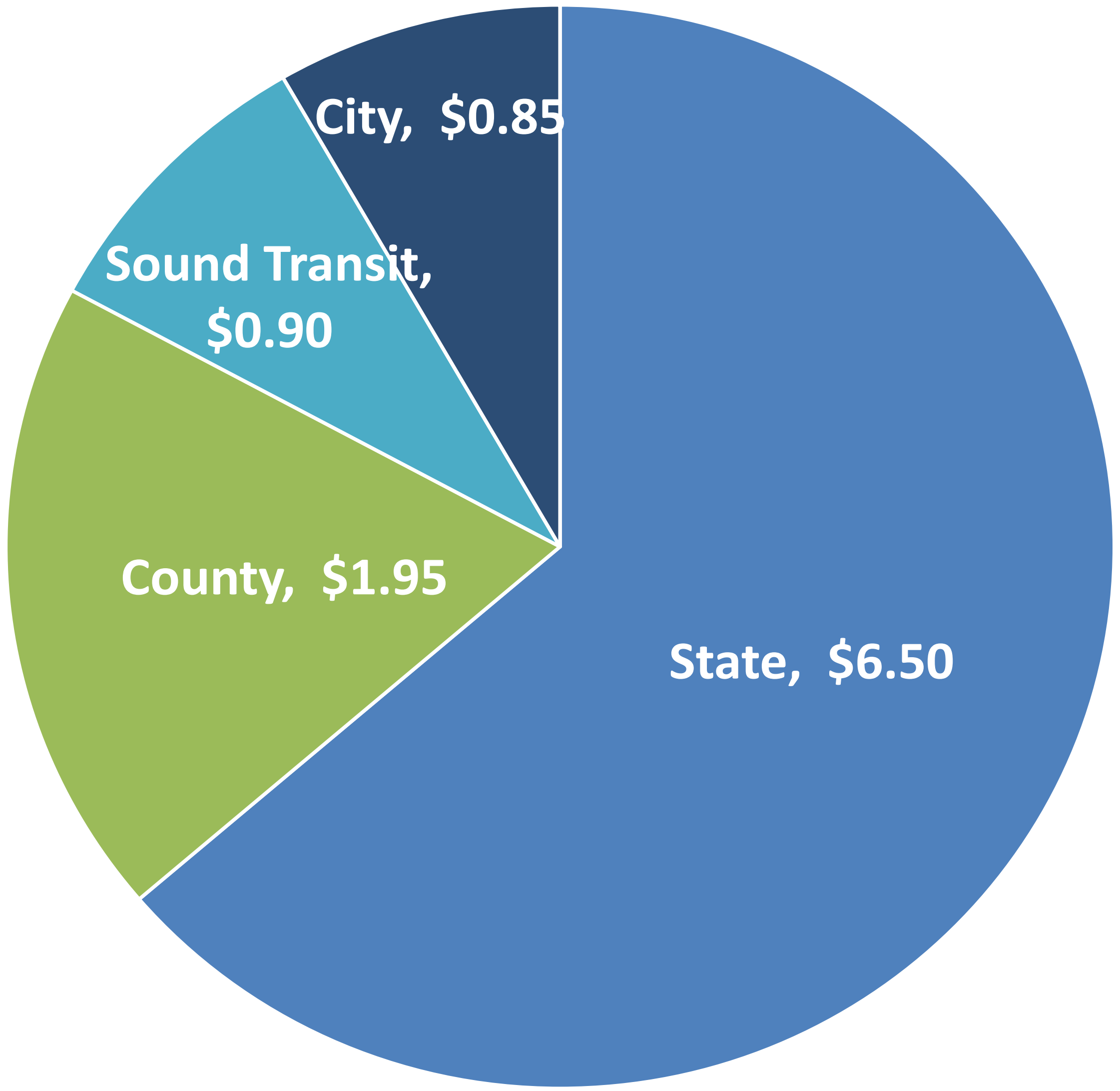
Sales Tax

Washington State Sales Tax 10.2%



For every dollar spent in Des Moines, the City gets a little less than one penny

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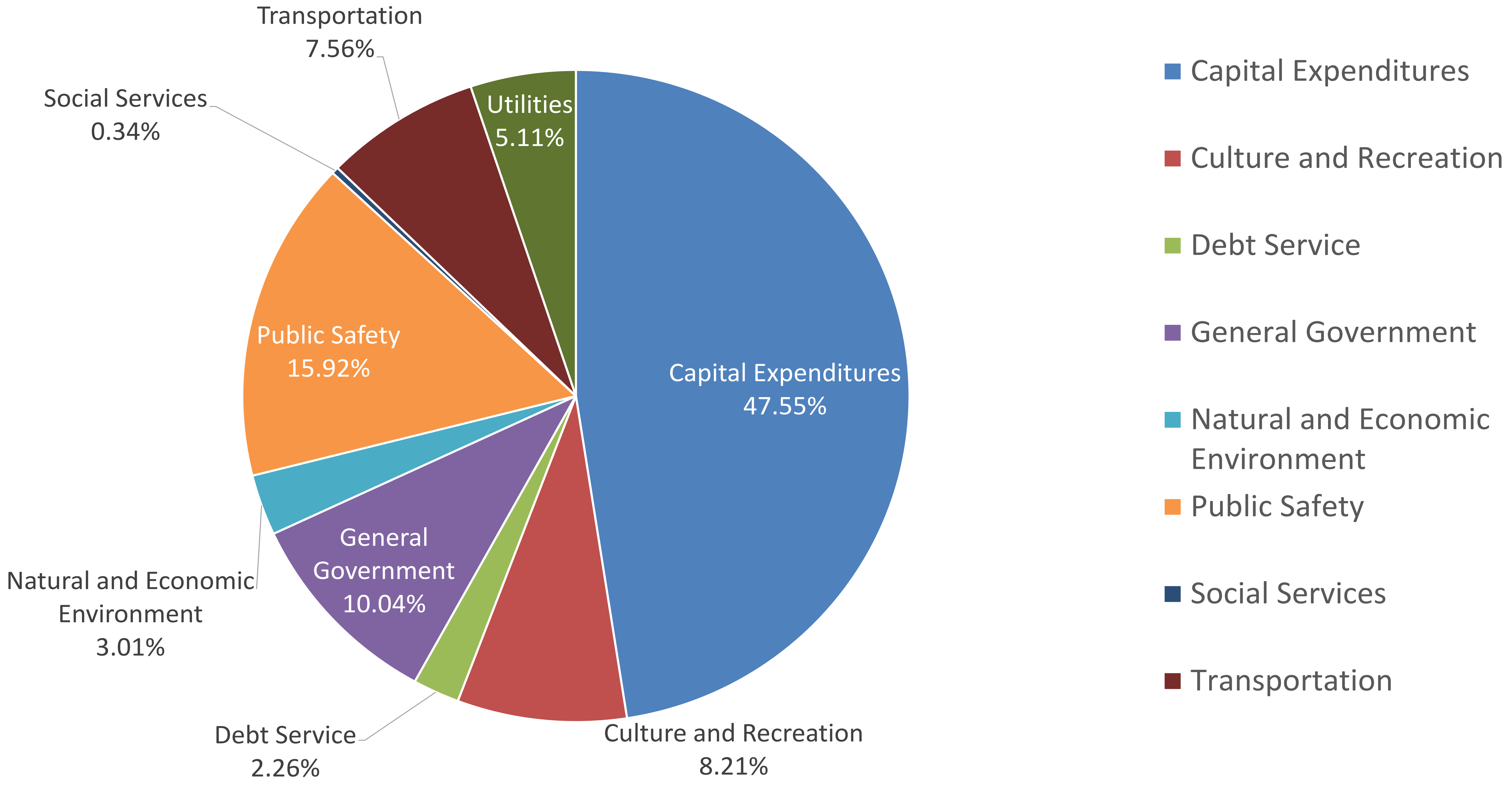
Where the Money Goes

2025 City -Wide Expenditures, All Funds
$98.29M



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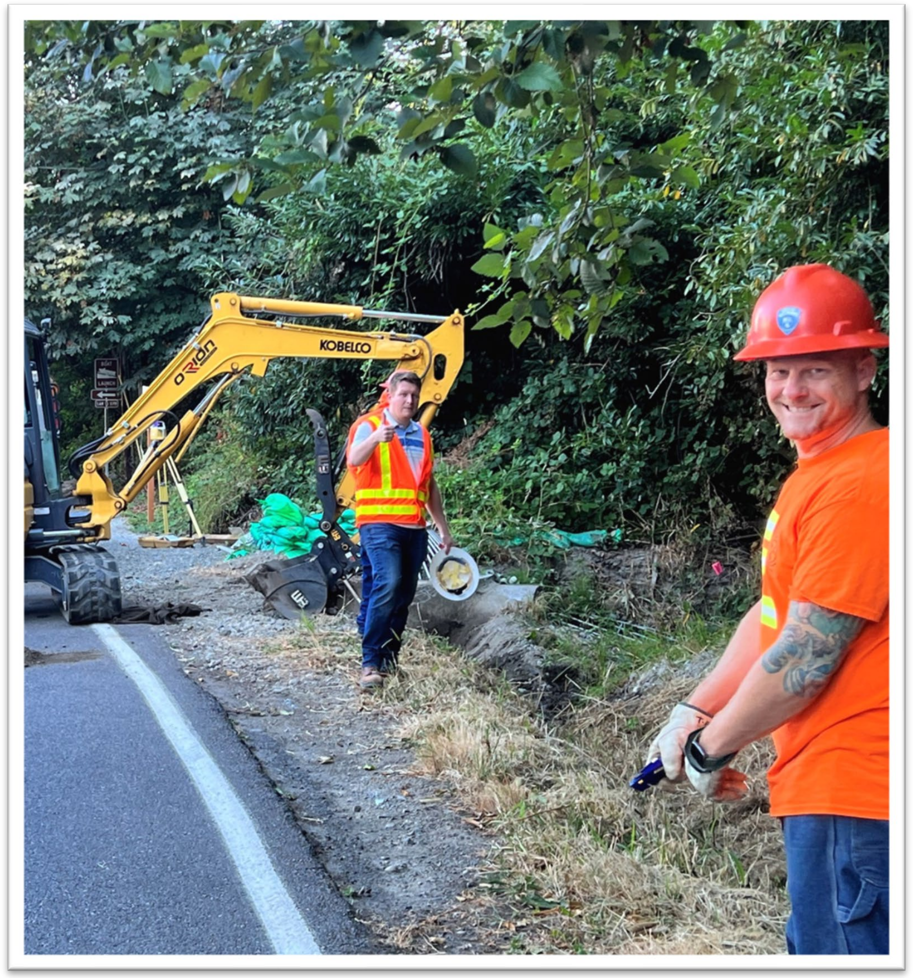
All funds revenues $74.2M < All fund expenditures $98.29 ...

What is that about?



Expenditures includes $24.09M in bond proceeds for capital projects.

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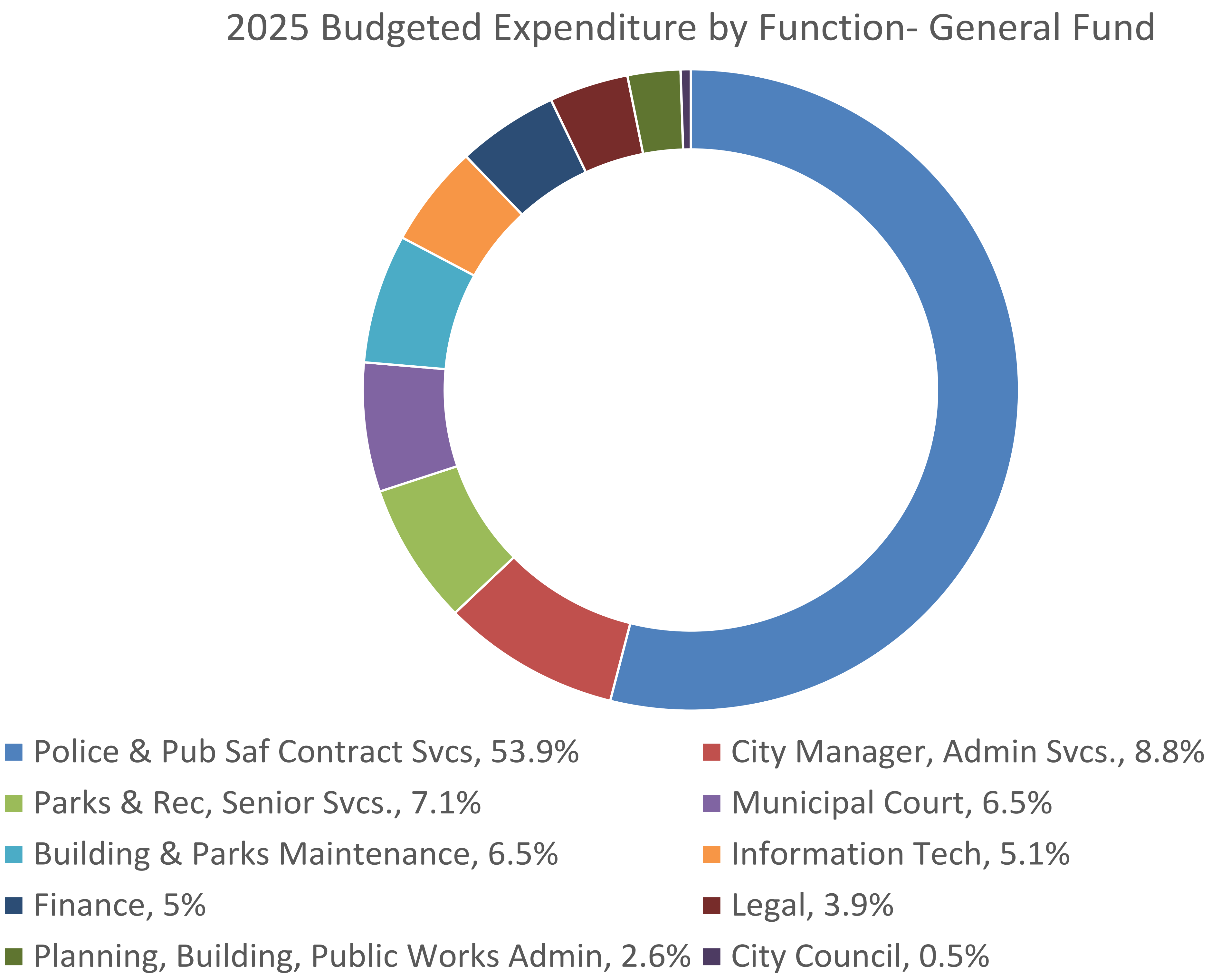
Where the Money Goes



Headwinds

- State Legislature did not revise unsustainable property tax cap
- Ramp up time for new revenues (i.e. warehouse tax)
- Economic outlook: Limited growth & uncertainty
- City’s fixed expenses growing at faster rate than revenues

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Course Corrections

New Revenue Streams

Operational Efficiencies

Grants & Partnerships

Strategic Plan

Fee Review & Adjustments

Financial Planning & Transparency

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Tailwinds

- Sales tax trending upward year over year
- Utility taxes trending slightly ahead of budget
- Updating financial policies and practices
- Potential revenue from Councilmanic sales tax for public safety
- Comprehensive fee and rate updates allow for faster progress on capital projects and needs
- Fiscal responsibility inherent in everything we do and every decision

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On the Horizon

- Momentum building on new internal efficiencies
- Results of long -range financial plan
- Strategic Plan Council and community priorities
- Significant needs outstanding
  - Public Safety staffing
  - Community Enrichment service delivery
  - Economic Development
- Will bring back information about 2026 Budget next steps

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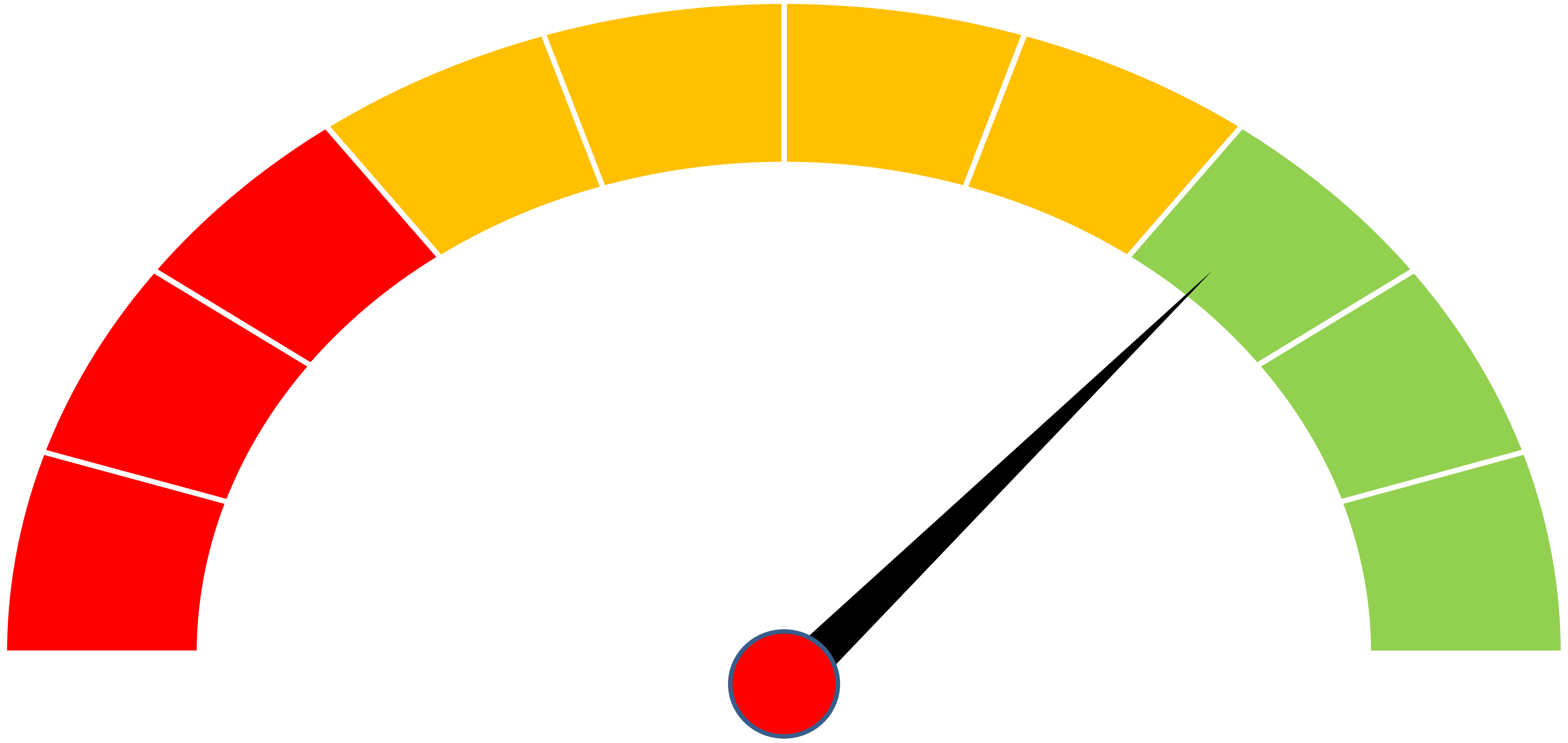
General Fund Revenue



Total Revenue $126,333 (2%) over budget through the 1st Quarter.

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General Fund Revenue

Revenue	2025 YTD Actuals	$ Over/(Under) YTD Budget	% Over/(Under) YTD Budget	
Taxes	$ 3,844,257	$ 908	0%	
Licenses and Permits	194,426	32,949	20%	
Intergovernmental	255,175	27,545	12%	
Fees/Charges/Fines	526,703	51,032	11%	
Other	615,574	(4,996)	-1%	
Non-Recurring (One-Time)	126,362	18,895	18%	
Total Revenue	**$ 5,562,497**	**$ 126,333**	**2%**	

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General Fund Expenditures

Total Expenditures $120,744 (2%) over budget through the 1st Quarter.

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General Fund Expenditures

Summary of Uses	2025 YTD Actuals	$ Over/(Under) YTD Budget	% Over/(Under) YTD Budget	
Personnel	$ 3,720,653	$ 222,600	6%	
Supplies	212,839	65,776	45%	
Services	1,562,493	(181,958)	-10%	
Internal Services	453,321	6,250	1%	
Transfers Out	8,075	8,075	0%	
Total Uses	**$ 5,957,381**	**$ 120,743**	**2%**	

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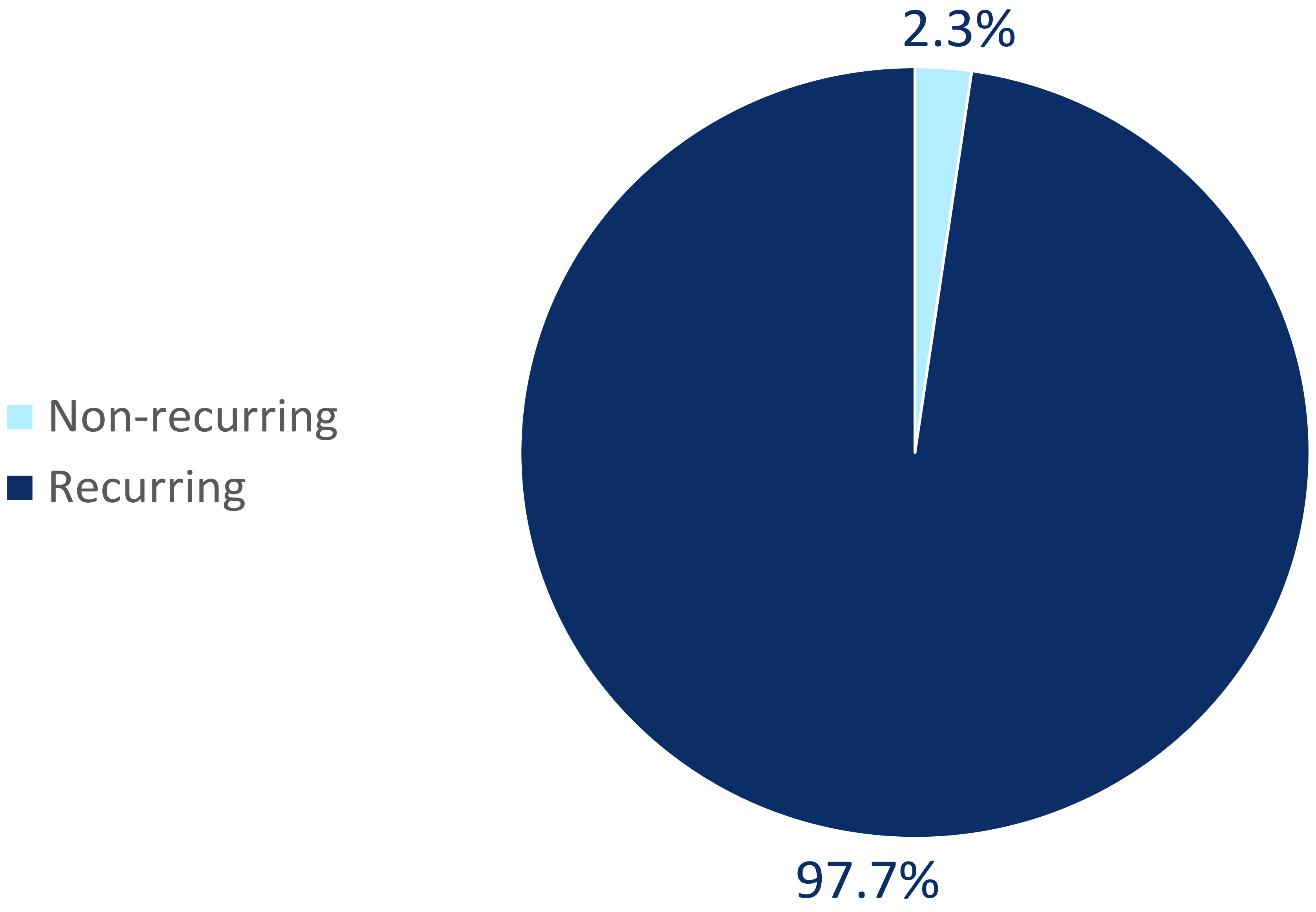
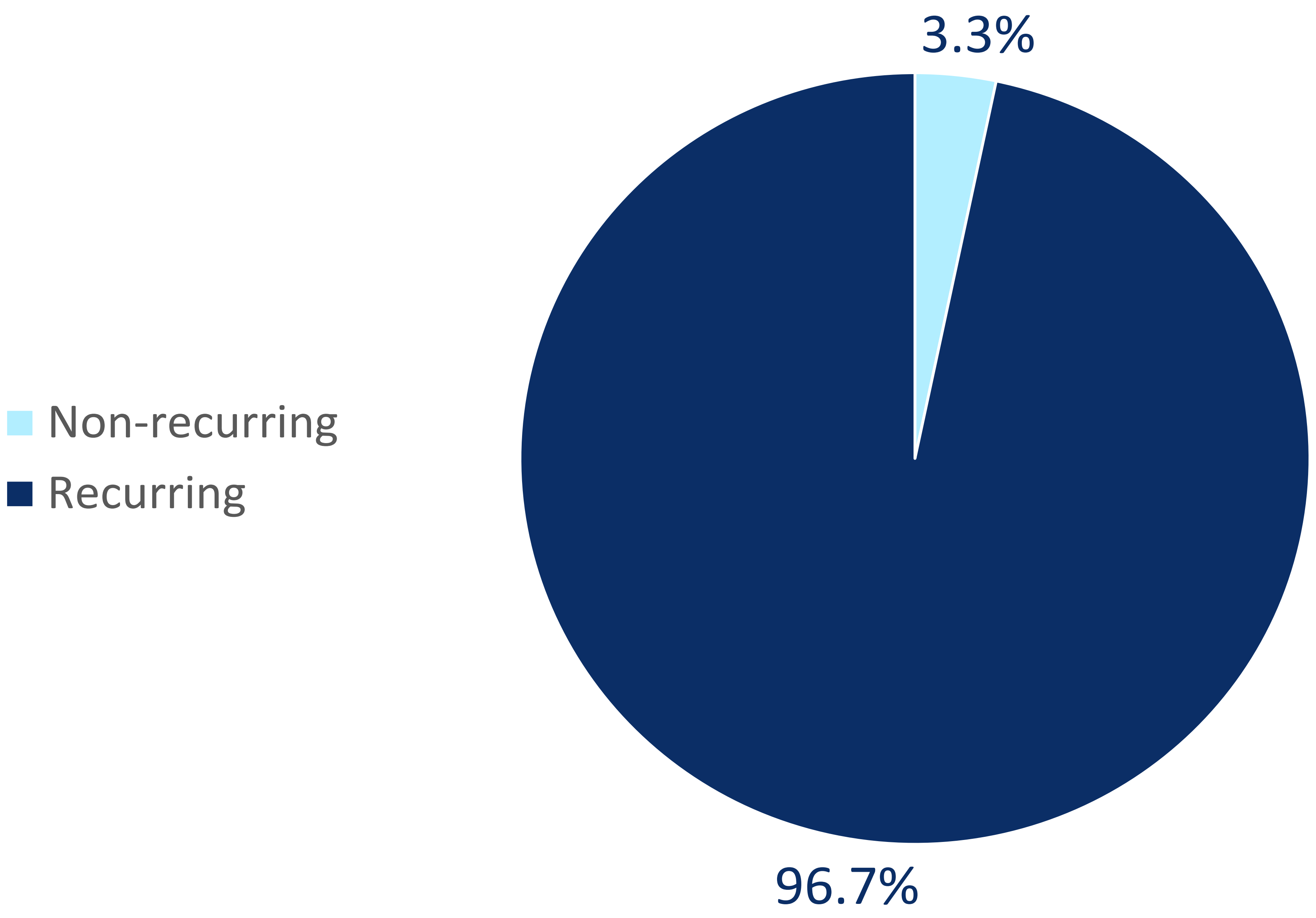
Recurring vs Nonrecurring

Revenue

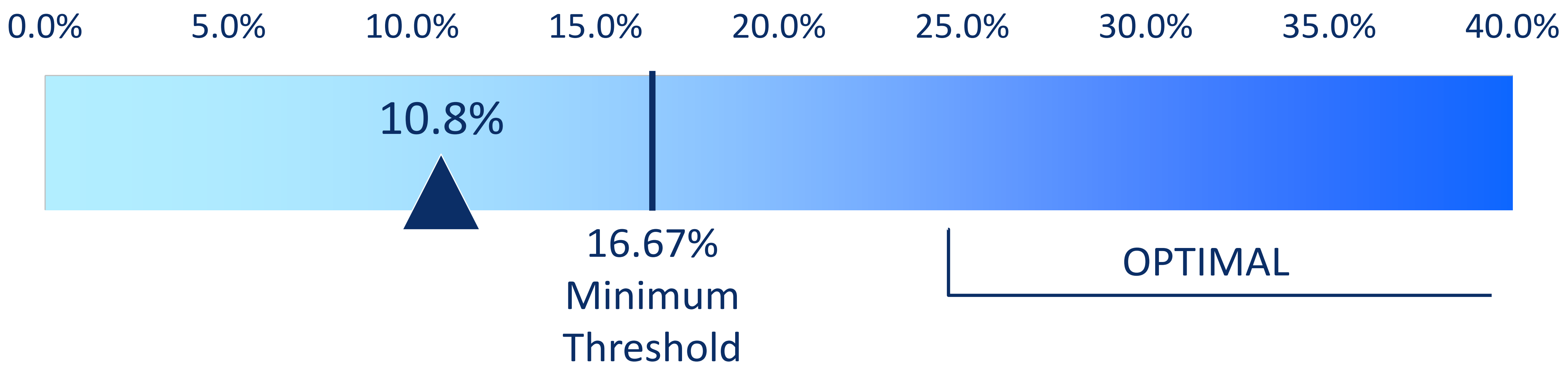


Recurring vs Nonrecurring

Expenditures



General Fund Operating Reserves



Operating Reserves = $2.5 million
16.67% threshold = $3.9 million

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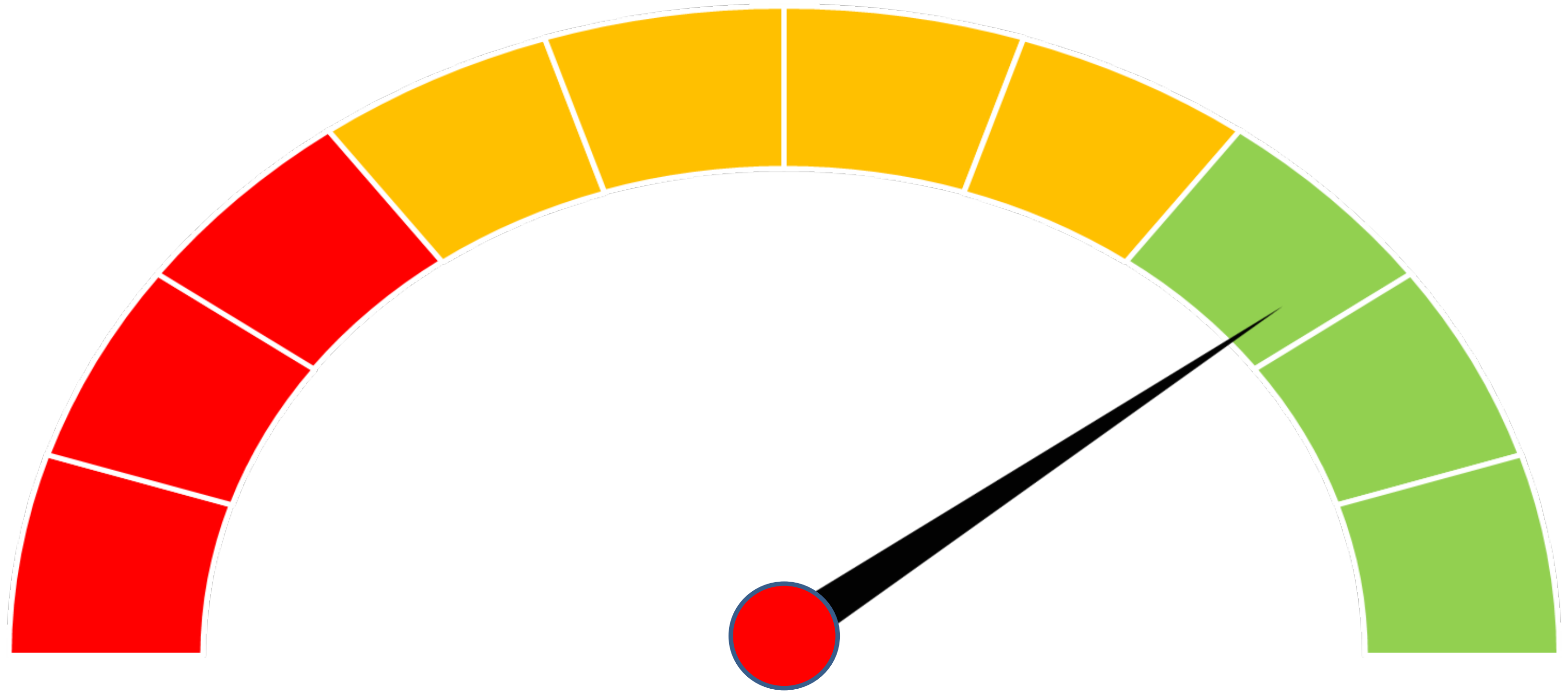
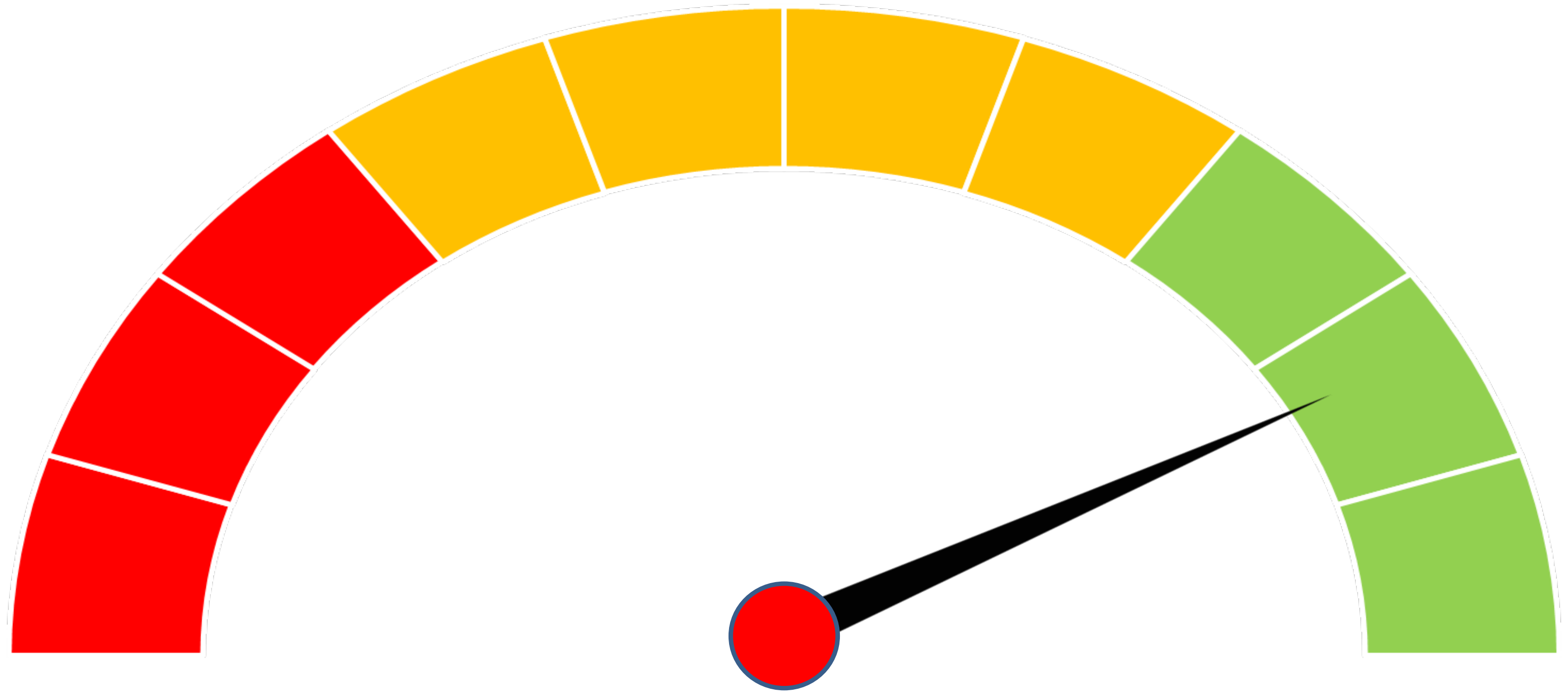
Development Fund



Operating Income = $298,167 through the 1st Quarter. $252,939 more than expected.

Marina



Operating Income = $392,681 (169%) over budget through the 1st Quarter.

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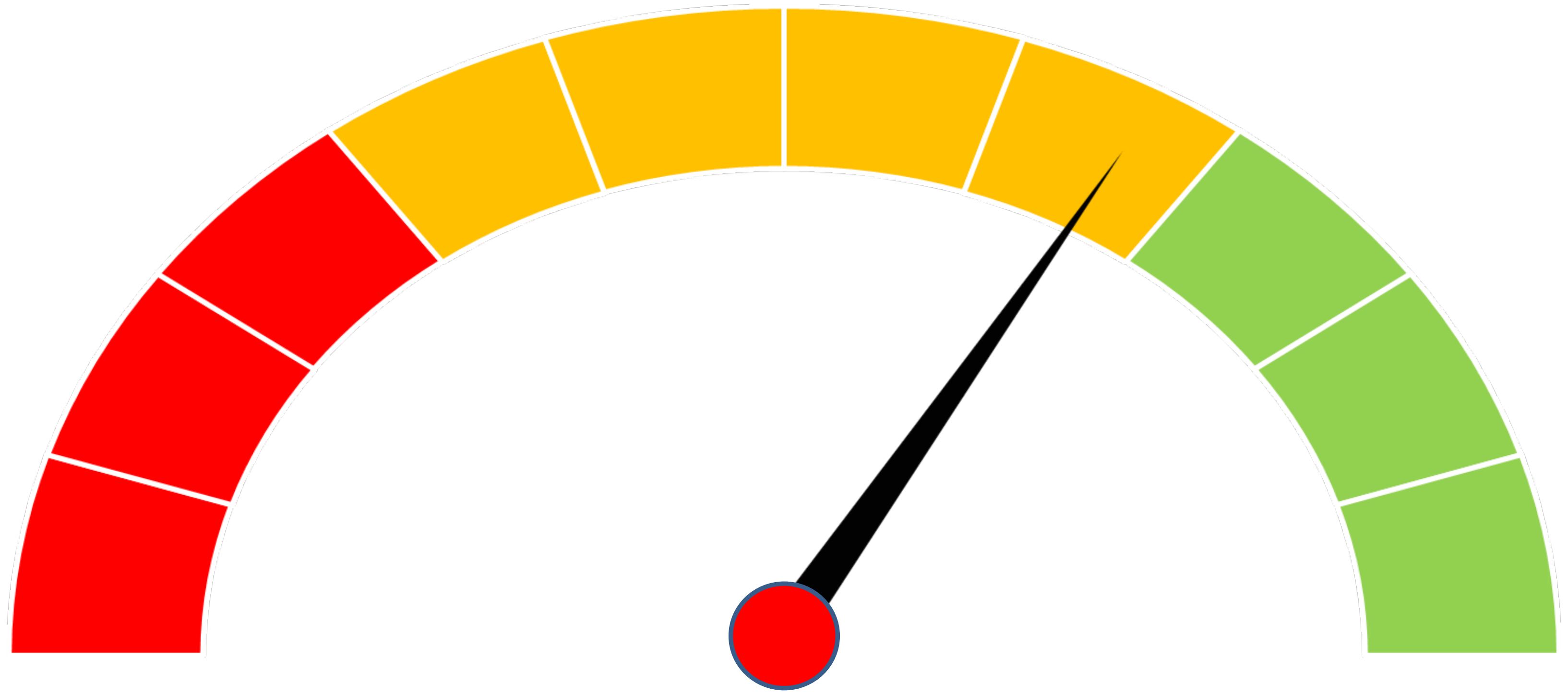
Surface Water Management (SWM)



Operating Loss = $615,370 (47%) over budget through the 1st Quarter.

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Capital Projects

- Flag Triangle – completed!
- Redondo Pier – out to bid
- Marina Steps – applied for King County grant
- Fieldhouse Slide – Open!

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QUESTIONS?