



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6346
September 19, 2023
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 6346: Reconstitute the City Council Finance Ad-Hoc Committee	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Reconstitute the City Council Finance Ad-Hoc Committee to assist with the review and evaluation of the Cost Allocation Policy and the Compensation Policy.	

DEPARTMENT:	City Manager
STAFF:	Jessi Bon, City Manager Casey Thompson, Executive Assistant to the City Manager Robbie Cunningham Adams, Management Analyst
COUNCIL LIAISON:	n/a
EXHIBITS:	1. n/a
CITY COUNCIL PRIORITY:	4. Focus efforts and actions to be an environmentally and fiscally sustainable, connected, and diverse community.

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

This agenda bill is to obtain City Council approval to reinstate the City Council Finance Ad Hoc Committee:

- On March 16, 2021 the City Council created the City Council Finance Ad Hoc Committee to work directly with Finance staff to develop financial management policies to guide fiscal decision-making ([AB 5829](#)) under [Sections 9.3\(B\) and 9.5 of the Council Rules of Procedure](#).
- Following the adoption of the Financial Management Policies of the City of Mercer Island in September 2021, the City Council Finance Ad Hoc Committee was retired.
- The City Manager is seeking assistance for an early look and refinement of a cost allocation plan and the Compensation Policy (including a Salary Schedule for non-represented employees).
- The City Manager recommends reconstituting the City Council Finance Ad Hoc Committee for this work and to appoint Mayor Nice, Councilmember Reynolds, and Councilmember Weiker to serve on the Committee.

BACKGROUND

In March 2021, the City Council established an Ad-Hoc Finance Committee (Finance Committee) to draft policies that guide how the City will manage its financial resources ([AB 5829](#)). The Finance Committee was retired following the adoption of the City's Financial Management Policies.

ISSUE/DISCUSSION

The City Manager is seeking assistance in reviewing and refining two financial policies that are underway:

- **Cost Allocation Plan**

The Cost Allocation Plan outlines the process for accounting and recording the total costs of providing municipal services by capturing indirect or "overhead" costs in addition to direct costs of a service. Staff is updating both the underlying goals and methods to allocate direct and indirect costs based on available, meaningful, and measurable information that matches the service provided to the service received.

The Cost Allocation Plan can be used as a basic information tool in a variety of budgetary decision-making situations including allocating resources, establishing cost-recovery fees, recovering indirect costs resulting from interlocal agreements, and reimbursing internal services associated with providing support to enterprise and other special revenue funds.

- **Compensation Policy**

The Compensation Policy will articulate the desired outcome of attracting, motivating, and retaining satisfied and engaged employees who perform well. The Policy will include the following key components:

- **Internal Equity & Salary Hierarchy:** This includes the philosophy, compensable factors, and mechanisms used to establish the City's pay structure based on a job classification plan.
- **Market Definition and Trends:** The agencies or data sources that are used to measure the labor market to ensure the City's compensation plan is anchored to labor market practices.
- **Survey Data Collection & Market Position:** The relative position the City will maintain in the market to ensure its recruitment and retention needs are met within available financial resources.
- **Pay Delivery Mechanisms:** This includes the width of the pay range and the mechanisms and criteria for salary progression.

Staff would benefit from an early review of the draft policies by a subset of the City Council to provide guidance on scope, results, and presentation to the City Council and staff. Reconstituting the City Council Finance Ad Hoc Committee provides an avenue for this review.

The committee will not take action on behalf of the City Council, conduct hearings, or take testimony or public comment.

Staff recommends having the same members on the Finance Committee: Mayor Nice, Councilmember Reynolds, and Councilmember Weiker. Staff anticipates needing 4-5 meetings to review both policies with the goal of presenting draft policy documents to the full City Council in Q1 2024, with City Council adoption anticipated in Q1/Q2 2024.

RECOMMENDED ACTION

Reconstitute City Council Finance Ad Hoc Committee to review and evaluate the Cost Allocation Plan and Compensation Policy and appoint Mayor Nice, Councilmember Reynolds, and Councilmember Weiker to serve on the Committee.