



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5942
September 21, 2021
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5942: Second Quarter 2021 Financial Status Update & 2021-2022 Budget Amendments (Ord. No. 21-20).	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Receive the FY 2021 Q2 Financial Status Update and adopt Ordinance No. 21-20 (Amendment No. 4)	<input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Finance
STAFF:	Matthew Mornick, Finance Director Ben Schumacher, Financial Analyst
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Financial Status Update – FY 2021 Second Quarter 2. Ordinance No. 21-20 – 2021-2022 Biennial Budget Amendments
CITY COUNCIL PRIORITY:	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.

SUMMARY

The purpose of this agenda bill is to provide the City Council with the 2021 Second Quarter Financial Status Update (see Exhibit 1), which includes financial actuals for revenue and expenditure categories through June 30, 2021. Ordinance No. 21-20 (see Exhibit 2) outlines budget amendments in the current biennium and includes new requests involving a staffing increase in the Community Planning and Development Department, a limited-term position in Human Resources, increased funding for the City Attorney's Office, and Police interview/interrogation room system upgrades. The budget reflected in the financial status update includes all budget amending ordinances for the 2021-2022 biennial budget adopted by June 30, 2021.

Financial Status Update: Second Quarter in Review

Based on financial data through the month of June, the City has collected \$16.9 million, or 50.5 percent of the amended budget, in General Fund revenues. Sales tax revenues performed above budget expectations, up \$323,000 compared to the same period in 2020.

License, Permit & Zoning revenues are up \$908,000 compared to the same period in 2020. A large one-time receipt of funds relating to the Xing Hua property development in Town Center came through earlier in the year. Also, a better system for employee time-tracking has resulted in more accurately charging for permit-related services. Staff caught up on a backlog of work and processed a high volume of permits in June, which added to this increase in permit-related revenues through the first half of the year.

General fund expenditures are within amended budget estimates at the end of June totaling \$15.1 million, or 45.7 percent of expected expenditures. The Water, Sewer, and Stormwater Utility funds are all well within their respective operating expenditure budgets. Capital project spending in the Utility funds is lower than anticipated, with staff spending significant time on a handful of large-scale, complicated projects.

All other operating and capital funds throughout the City are within budget expectations, and there are no significant variances to either revenue or expenditures.

Budget Amendments 2021-2022

Ordinance No. 21-20 (Exhibit 2) outlines budget amendments previously approved by the City Council since the May 18, 2021, Council Meeting when Ordinance No. 20-11 was passed, as well as new requests. Summary descriptions of the new budget amending requests are included below for the City Council's consideration.

Community Planning and Development Department (CPD) Staffing Increase

Staff recommends the City Council consider adding new positions to keep pace with current demand for development and construction fee-related services. The table below outlines full-time equivalent (FTE) and limited-term equivalent (LTE) staffing requests in CPD:

POSITION	REQUEST	FUNDING SOURCE	FY 2021 Q4 COST	FY 2022 COST
Senior Plans Examiner	0.5 FTE	Permit Revenues	\$ 17,926	\$ 74,080
Permit Tech	0.5 FTE	Permit Revenues	\$ 11,586	\$ 48,878
Assistant Planner	1.0 FTE	Permit Revenues	\$ 29,161	\$ 120,695
Administrative Assistant	0.5 LTE thru 12/2022	General Fund	\$ 12,219	\$ 50,833
Total	2.0 FTE/ 0.5 LTE		\$ 70,892	\$ 294,485

1. Senior Plans Examiner (Add 0.5 FTE) - This request restores a current position to 1.0 FTE with permit revenues after being reduced in 2020. This position performs a wide variety of building plan review, ranging from "over the counter" development permits such as decks to large, complex residential and commercial development permits as well as building code customer service. The total building plan review staff resource will increase from 1.5 FTE to 2.0 FTE should this request be approved by City Council.
2. Permit Technician (Add 0.5 FTE) - This request also restores a current position to 1.0 FTE with permit revenues after being reduced in 2020. This position performs core functions of the City's Permit Center, including the intake, routing and issuance of development permits as well as general development related customer service supporting planning, building engineering and fire staff. The total Permit Center staff resource will increase from 2.5 FTE to 3.0 FTE should this request be approved by City Council.
3. Assistant Planner (Add 1.0 FTE) - This request is a new position with permit revenues. An Assistant Planner position is an entry level classification typically found in a series along with that for Planner and Senior Planner. While this is a new request, in 2020 the City did reduce multiple other planner positions including Planner (FTE), Senior Planner (FTE) and Planning Manager (LTE). This position will perform a large volume of planning reviews for development permits, processing of Type I and II planning / design permits as well as planning code customer service. The total planning / design review staff resource will increase from 3.0 FTE to 4.0 FTE should this request be approved by City Council.
4. Administrative Assistant (Extend 0.5 LTE) - This request is to extend an existing LTE position through 2022 with general funds. This position has primarily been supporting the fulfillment of public records requests, permit noticing requirements and during a recent period of short staffing, other Permit Center functions. In addition to continuing to support public records requests and permit noticing requirements, this position will help bring the department current on permit archiving and records management.

Limited-term Human Resources Specialist

The Human Resources Division has gone through tremendous change in the past 18 months, placing an immoderate burden on the HR team with numerous layoffs, safety measure policies and implementation, remote work guidance, citywide reorganization, and recruiting and hiring staff across all departments,

including restarting Recreation and the Thrift Shop. As a result, staff has been limited in completing the Department's work plan items, which include:

1. NEOGOV Implementation: The City's new human resources information system (HRIS) will automate and support the entire employee lifecycle and streamline processes, all from one centralized platform. Due to numerous setbacks on the vendor side and the City side the project is proceeding slower than anticipated. Next steps include deploying the new software, training staff, and identifying technical issues.
2. Classification & Compensation Study: HR staff is working with a consultant to examine and evaluate the City's current salary schedule for non-represented employees, develop a classification system for all positions, and recommend improvements or changes to be implemented. Phase one of the study is underway; the consultant is reviewing and editing job descriptions for all non-represented positions. Phase two of the study, completing a market analysis for the positions, will begin in the fall.
3. Recruiting: In a typical year, the City completes 20-25 recruitments for all departments (excluding Police and Fire). In December 2020 and January 2021, HR supported the transition of 25 employees into new positions or reclassifications. So far in 2021, the City has conducted 47 recruitments (not including Police and Fire) resulting in the hiring of 35 new employees (including new Police and Fire employees). Currently, there are 19 positions open or in the process of being filled.
4. Long-Term Care: in 2020, the WA State Legislature established a long-term care insurance benefit for all eligible workers to address the future long-term care liability requiring all Washington workers to pay \$0.58 per \$100 of earnings starting in January 2022. The new law also allowed for exemptions to the tax and to opt-out of the state plan by securing a private plan. Informing employees of the new law and options for private plans, working with private plan vendors, and answering questions from employees has taken an inordinate amount of HR staff time.
5. Policies and Procedures: HR staff has continued work on updating the Employee Handbook and Accident Prevention Program which are both out of date.

The Human Resources division has hit a critical point. In order to keep the momentum with these work plan items additional staffing is needed. With another employee on board dedicated to HR work, the Division will be able to finish long standing items and complete current projects over the next year. It is anticipated that HR Division staffing will return to current levels in 2023.

To help with the current workload, staff is seeking an appropriation of up to \$156,000 from the 2020 General Fund year-end surplus to hire a 1.0 LTE Human Resources Specialist through December 31, 2022. The position will provide immediate temporary support.

City Attorney

The number of special projects and litigation requiring outside legal counsel this year has outpaced the City Attorney's Office FY 2021 expenditure budget. Unanticipated projects related to revision and implementation of the Code of Ethics, real estate transaction, and other environmental and personnel matters have increased expenditures on outside legal counsel.

Expenditures on Special Projects and Lawsuits are currently \$120,544 dollars over budget. Staff recommends the City Council consider an additional appropriation of \$275,000 to cover the expenditures to date and to continue to provide specialized legal support to CPD and Public Works departments on complex projects, Human Resources department on collective bargaining negotiations and negotiations related to workplace impacts from COVID-19 mandates, and the City Manager's Office on various special projects.

All legal costs related to COVID-19 are being tracked, and opportunities for reimbursement and use of ARPA funds are being explored.

Police Interview Room Surveillance System Upgrade

In July, the City received \$98,693 in one-time money from the State City Assistance Fund to offset the impact of implementing new law enforcement legislative changes from the 2021 Legislative session. Staff recommends \$16,900 of these funds be used to upgrade the interview/interrogation room's audio and video recording system.

House Bill 1223 was passed which requires Law Enforcement agencies to electronically record custodial interrogations of all juveniles and adults that are in custody for a felony-level crime. Section 3 of this HB specifically requires, "A custodial interrogation at a jail, police or sheriff's station, holding cell, or correctional or detention facility must be recorded by audio and video means."

The City's current system is at the end of its useful life. A full system upgrade is required to meet these legislative requirements and provide the most reliable means to meet the recording standards.

RECOMMENDED ACTION

Adopt Ordinance No. 21-20, amending the 2021-2022 Biennial Budget.