



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5943
September 21, 2021
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5943: Second Review and Adoption of the City's Updated Financial Management Policies	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Adopt Resolution No. 1602 updating the City's Financial Management Policies.	<input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution

DEPARTMENT:	Finance
STAFF:	Matthew Mornick, Finance Director
COUNCIL LIAISON:	Wendy Weiker Salim Nice Craig Reynolds
EXHIBITS:	1. Resolution No. 1602 & Updated Financial Management Policies 2. Redline Version: Financial Management Policies
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

On August 31, 2021, the City Council reviewed and provided feedback on the Financial Management Policies (Policies) drafted by the Ad-Hoc Finance Committee (Finance Committee). Exhibit 1 (clean copy with resolution) and Exhibit 2 (track changes) reflects the revisions supported by a majority of the City Council.

The Policies are the result of a six-month collaboration between the Finance Committee, City staff, and outside counsel that inform the formation of the biennial budget, the capital improvement program, and other long-term fiscal management strategies. Staff recommends the City Council adopt Resolution No. 1602 (Exhibit 1) updating the City's Financial Management Policies.

BACKGROUND

On March 16, 2021, the City Council established a three-member Finance Committee to draft revised financial management policies (see [AB 5829](#)). From March through August Deputy Mayor Weiker, Councilmember Nice, Councilmember Reynolds, and the Finance Director met monthly to incrementally draft new financial policies, pulling from current policies, recent experiences, and established best practices in municipal finance. The City Manager and staff have also been involved in the policy development and review process.

At the April 27, 2021 City Council Planning Session, staff provided insight into the Finance Committee's strategy for drafting the new Financial Management Policies (see [AB 5864](#)). Focus was placed on establishing one comprehensive policy document to address the many aspects of financial management.

The draft Financial Management Policies underwent multiple rounds of revisions under the guidance of the Finance Committee. Members of the City's Leadership Team, the City Manager, the City's Bond Counsel, as

well as a former City Manager/Finance Director also collaborated on the review process. In sum, the draft Financial Management Policies are the result of a six-month collaboration that builds upon the City's history of strong fiscal management while incorporating established best practices to lead the City into the future.

On August 31, 2021, the City Council reviewed [AB 5931](#) and the Policies in their entirety. These revisions (see Exhibit 2) outline the changes agreed upon by the majority of the City Council.

DISCUSSION

The Policies guide financial decisions, make clear what actions are and are not acceptable, identify lines of responsibility between the City Council and the City Manager, and increase transparency and accountability. Once adopted, the Finance Department staff, and the City Manager will ensure that procedures are implemented consistent with adopted policy direction.

The Policies, as presented, will exist separate from the biennial budget, and will be reviewed and updated as required or at minimum, every five to seven years.

Taken together, the Policies empower staff to manage the City's fiscal health and help guide City Council policy decisions now and in the future. Financial Management Policies also support good bond ratings and reduce the cost of borrowing. They will provide consistency and continuity spanning multiple biennial budgets and serve as a basis for executing long-term financial strategies to strengthen the City's financial position.

RECOMMENDATION

Adopt Resolution No. 1602 to update the City's Financial Management Policies.