



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5992
December 7, 2021
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5992: 2021-2022 Mid-Biennial Budget Amendments and Utility Rate Resolutions	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Adopt Ordinance No. 21-31 to amend the 2021-2022 biennial budget and adopt Resolution No. 1606, 1607, 1608, and 1609 to update the water, sewer, storm water and emergency medical service utility tax rates for FY 2022.	<input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution

DEPARTMENT:	Finance
STAFF:	Matthew Mornick, Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Budget Amending Ordinance No. 21-31 2. Resolution 1606 – 2022 Water Utility Rate 3. Resolution 1607 – 2022 Sewer Utility Rate 4. Resolution 1608 – 2022 Storm Water Utility Rate 5. Resolution 1609 – 2022 Emergency Medical Utility Tax Rate
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.

AMOUNT OF EXPENDITURE \$ n/a

AMOUNT BUDGETED \$ n/a

APPROPRIATION REQUIRED \$ n/a

SUMMARY

The agenda bill outlines changes to the 2021-2022 biennial budget resulting from the feedback received during the mid-biennial budget review. It also presents the proposed utility rate increases for water, sewer, storm water, and emergency medical services for FY 2022. All proposed utility rate changes were unanimously approved by the Utility Board on November 17, 2021.

BACKGROUND

Per State law, the City Council is required to conduct a mid-biennial review of the City's adopted budget before the end of the first year of the fiscal biennium (RCW 35.34.130). The mid-biennial budget process commenced on October 19, 2021 (see [AB 5961](#)), when staff presented background on the City's ARPA funds, parameters for eligible uses of said funds, and an overview of capital projects for accelerated work. The City Council directed staff to work towards accelerating capital projects and using ARPA funds to stabilize YFS services during the current biennium.

On November 1, 2021, staff presented the revenue forecast (see [AB 5953](#)) and provided an overview of potential amendments to the 2021-2022 biennial budget (see [AB 5954](#)) to provide the resources necessary to continue the restoration of City services for the Recreation Division and the Mercer Island Thrift Shop. The City Council provided direction to staff, refined which items to include in the FY 2022 budget amendment, and requested the Thrift Shop Division's proposal be updated to include a management position.

On November 16, 2021, Council received the third quarter Financial Status Update and adopted the Property Tax Levy ordinance for FY 2022 (see [AB 5975](#)). The City Council sunset the YFS Endowment fund, adopted the Northeast King County Regional Public Safety Communication Agency's (NORCOM) 2022 budget allocation, and adopted a resolution to reaffirm the recovery of reasonable and necessary costs from at-fault parties when motor vehicle accidents or hazardous material spills occur on Mercer Island. The City Council also provided direction to include a limited-term analyst position in the City Manager's office as part of the mid-biennial budget amendment process on December 7, 2021.

2021-2022 BUDGET AMENDING ORDINANCE

The requested budget adjustments to the 2021-2022 adopted biennial budget are summarized in the budget amending ordinance (see Exhibit 1). Key components are discussed below.

Mercer Island Thrift Shop

On November 1, 2021, the City Council directed staff to include a management position in the Thrift Shop budget proposal for FY 2022. The new full-time manager position will oversee all Thrift Shop operations and provide the leadership necessary to stabilize operations and return to a baseline level of service delivery by FY 2023. The position will also recommend a long-term staffing strategy within six-months of their hire date for consideration as part of the 2023-2024 biennial budget.

The total mid-biennial budget amendment increases the expenditure budget from \$1.07 M to \$1.24 M. The fully burdened cost for the new management position is \$168,300, increasing total full-time and limited-term equivalent positions within the Thrift Shop from 12.40 to 13.40.

The new manager position may also be tasked with continuing work on strategic opportunities to scale-up operations at the Thrift Shop including potential modifications to the existing facility to expand retail space and the potential to permanently relocate donation processing. These items and other strategic initiatives are recommended for discussion in 2022 as part of the City Council's Annual Planning Session.

Recreation Division & ARPA Funds

On November 1, 2021, the City Council directed staff to use ARPA funds on qualified expenditures associated with the Recreation Reset Strategy, as outlined during the July 6, 2021 City Council meeting (see [AB 5908](#)). Rehiring public sector staff is a qualified use of ARPA Funds and is part of the work inherent in the mid-biennial budget proposal presented to the City Council November 1.

Staff evaluated the Recreation Division's FY 2022 proposed expenditure budget. Of the \$1.83 M proposed expenditure budget for 2022, \$416,000 is tied to payroll expenses (salary and benefit expenditures) for new staff positions that will be implementing the Recreation Reset Strategy between January 1 through August 1, 2022.

After August 1, staff anticipate the majority of the Reset Strategy will be complete, and the Recreation division will transition to delivering ongoing services based on the new level of service standards outlined

within the Recreation Reset Strategy. This meets the U.S. Treasury Department’s requirements for eligible uses of ARPA funds and section four of the City’s Financial Management Policies, that one-time revenues be used on one-time expenditures.

2022 UTILITY RATE RESOLUTIONS

The 2021 adopted and 2022 proposed bi-monthly utility rates for water, sewer, storm water, and EMS services are broken down in the table below for a typical single-family residential customer. The 2022 proposed rates were reviewed and unanimously recommended by the Utility Board November 17, 2021.

Utility Rate Component	Bi-monthly Charge		\$ Change		% Change	
	2021 Adopted	2022 Proposed	2021	2022	2021	2022
Water Meter	38.82	40.85	\$1.93	\$2.03	5.2%	5.2%
Water Usage (16 ccf)	92.84	97.73	\$4.64	\$4.88	5.3%	5.3%
Sewer Line Maint (11 ccf)	93.84	97.63	\$3.58	\$3.79	4.0%	4.0%
KC Sewage Treatment	94.74	98.54	\$4.08	\$3.80	4.5%	4.0%
Storm Water	37.74	39.81	\$1.97	\$2.07	5.5%	5.5%
EMS	9.73	9.95	\$0.17	\$0.22	1.8%	2.3%
Bi-Monthly Bill	\$ 367.71	\$ 384.51	\$ 16.37	\$ 16.80	4.7%	4.6%

The total utility rate increase in 2022 is 4.6% percent, or \$16.80 every two months, as budgeted in the 2021-2022 adopted biennial budget. Resolution No. 1606-1609 (See Exhibits 2-5), set the water, sewer, storm water, and EMS rates beginning January 1, 2022.

RECOMMENDATION

- 1) Adopt Ordinance No. 21-31, which encompasses amendments to the City of Mercer Island’s 2021-2022 biennial budget.
- 2) Approve the following utility rates:
 - a. Approve Resolution No. 1606, which establishes classifications of water users and a schedule of charges for water usage, a schedule of rates for fire service, a schedule of special service charges, meter and service installation charges, and connection charges effective January 1, 2022, and thereafter.
 - b. Approve Resolution No. 1607, which establishes rates and connection charges for sewerage disposal services provided by the City of Mercer Island effective January 1, 2022, and thereafter.
 - c. Approve Resolution No. 1608, which establishes the bi-monthly service charge for storm and surface water services provided by the City of Mercer Island effective January 1, 2022, and thereafter.
 - d. Approve Resolution No. 1609, which establishes the bi-monthly utility fee for the emergency medical and ambulance services supplied by the City of Mercer Island effective January 1, 2022, and thereafter.