

# Financial Status Report



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*2019 YEAR-END AND 2020 LOOK AHEAD*

CITY COUNCIL | APRIL 7, 2020

# Agenda

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- ❑ 2019 year in review
- ❑ Proposed amendments to 2019-2020 budget
- ❑ 2020 fiscal climate and impacts
- ❑ Steps forward
- ❑ Questions



# 2019 Year in Review

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# Broad Overview – budget v actuals

|                      | 2018 Actuals | 2019 Amended Budget | 2019 Actuals | % Δ over Budget |
|----------------------|--------------|---------------------|--------------|-----------------|
| <b>General Fund</b>  |              |                     |              |                 |
| Revenues             | 34.2 M       | 32.5 M              | 32.6 M       | 0.2%            |
| Expenditures         | 33.7 M       | 32.4 M              | 31.3 M       | -3.7%           |
| <b>Utility Funds</b> |              |                     |              |                 |
| Revenues             | 20.7 M       | 19.7 M              | 21.2 M       | 7.2%            |
| Expenses             | 17.7 M       | 24.2 M              | 17.6 M       | -37.9%          |



# Broad Overview – fund balance

| General Fund Balance Composition                                  | Amount           |
|-------------------------------------------------------------------|------------------|
| Law Enforcement Officer and Fire Fighter I long-term care reserve | 1,635,403        |
| Compensated absences reserve                                      | 1,051,055        |
| Deferred development fee revenue                                  | 306,947          |
| Inventory of supplies                                             | 120,857          |
| Deferred recreation fee revenue                                   | 113,778          |
| Expenditure carryovers to 2020 budget                             | 407,105          |
| Development Services Group technology fee reserve                 | 90,333           |
| Jail Advisory Group (JAG) reserve                                 | 79,437           |
| Customer deposits                                                 | 113,147          |
| Petty cash                                                        | 2,550            |
| <b>Subtotal (restricted)</b>                                      | <b>3,920,612</b> |
| <b>2019 Available Balance (working capital)</b>                   | <b>3,038,247</b> |
| <b>Total</b>                                                      | <b>6,958,859</b> |

| Utility Funds - 2019 Year-end Balances | Amount            |
|----------------------------------------|-------------------|
| <b>Water Utility Fund</b>              | <b>15,279,222</b> |
| <b>Sewer Utility Fund</b>              | <b>6,066,789</b>  |
| <b>Storm Water Utility Fund</b>        | <b>4,815,021</b>  |

| 2019 Year-end Balance | Amount           |
|-----------------------|------------------|
| <b>Contingency</b>    | <b>4,129,165</b> |

- ❑ Council discretion
  - ❑ LEOFF I long-term care reserve
  - ❑ Compensated absences reserve



# 2019-2020 budget amendments

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1. \$32,917 in Fleet Fund for the hydraulic driven drop-in sander purchase
2. \$54,624 in YFS Fund to restore the 0.5 FTE Geriatric Specialist in 2020
3. \$37,373 in YFS Fund appropriating HB 1406 proceeds to Emergency Assistance Program
4. \$26,680 in Capital Improvement Fund for a King County Flood Control Grant
5. \$7,500 in General Fund \$7,500 for revenue from the Washington Health Care Authority.



# 2019-2020 budget amendments

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## Staff recommends Council

1. Suspend Council Rules of Procedure 6.3, requiring a second reading for an ordinance.
2. Adopt Ordinance No. 20-06, amending the 2019 – 2020 Biennial Budget.
3. Reduce ARCH Housing Trust Fund allocation from \$50,000 to \$33,768 for 2020.
4. Allocate \$16,232 from the General Fund to the ARCH Administrative Budget for 2020.



# 2020 Fiscal Impact

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# Fiscal Impact – state/local government

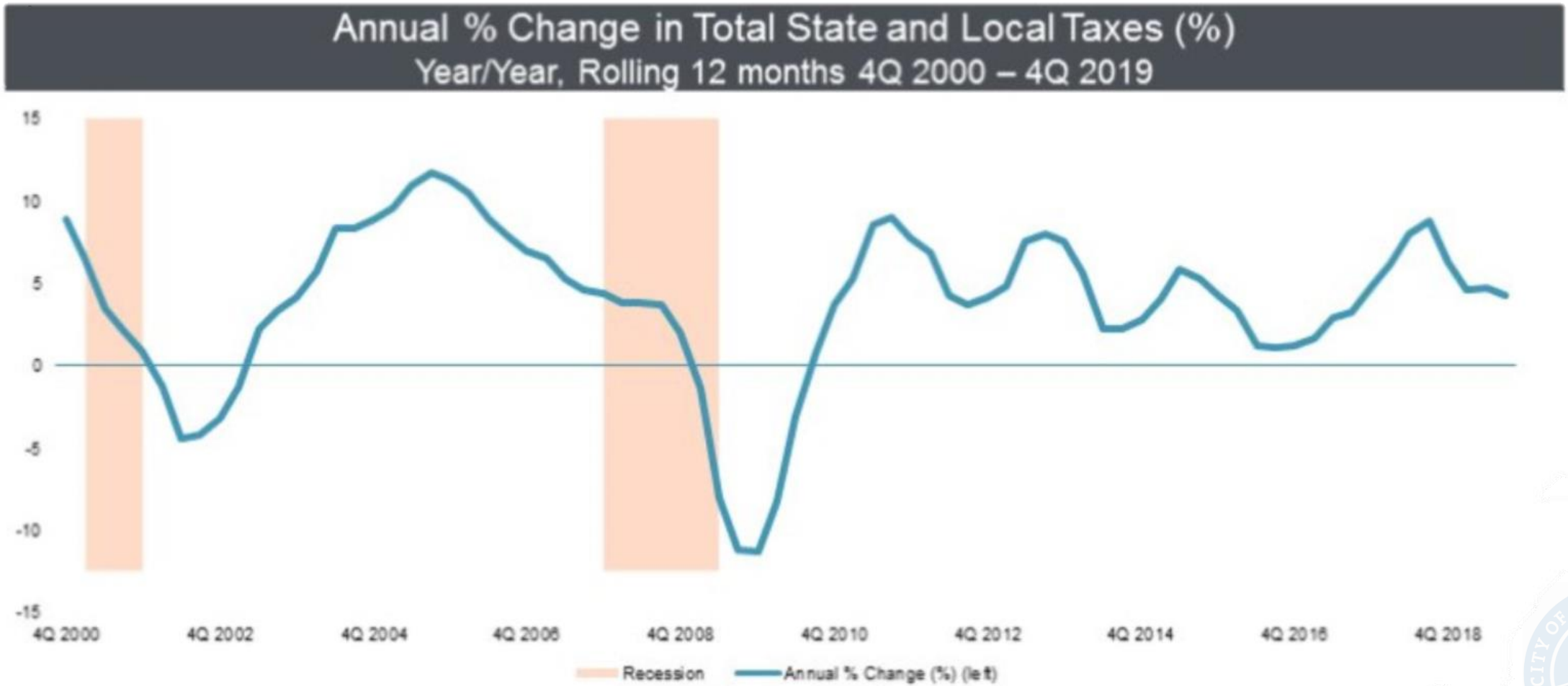


Chart provided by Peter Stettler of CenturyLink



# Fiscal Impact – lost revenues in 2020

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- ❑ Youth and Family Services Fund
- ❑ General Fund
  - ❑ Sales tax revenues
  - ❑ Park and recreation revenues
- ❑ Focus on two Funds where impacts became immediate mid-March



# Fiscal Impact – lost revenues in 2020

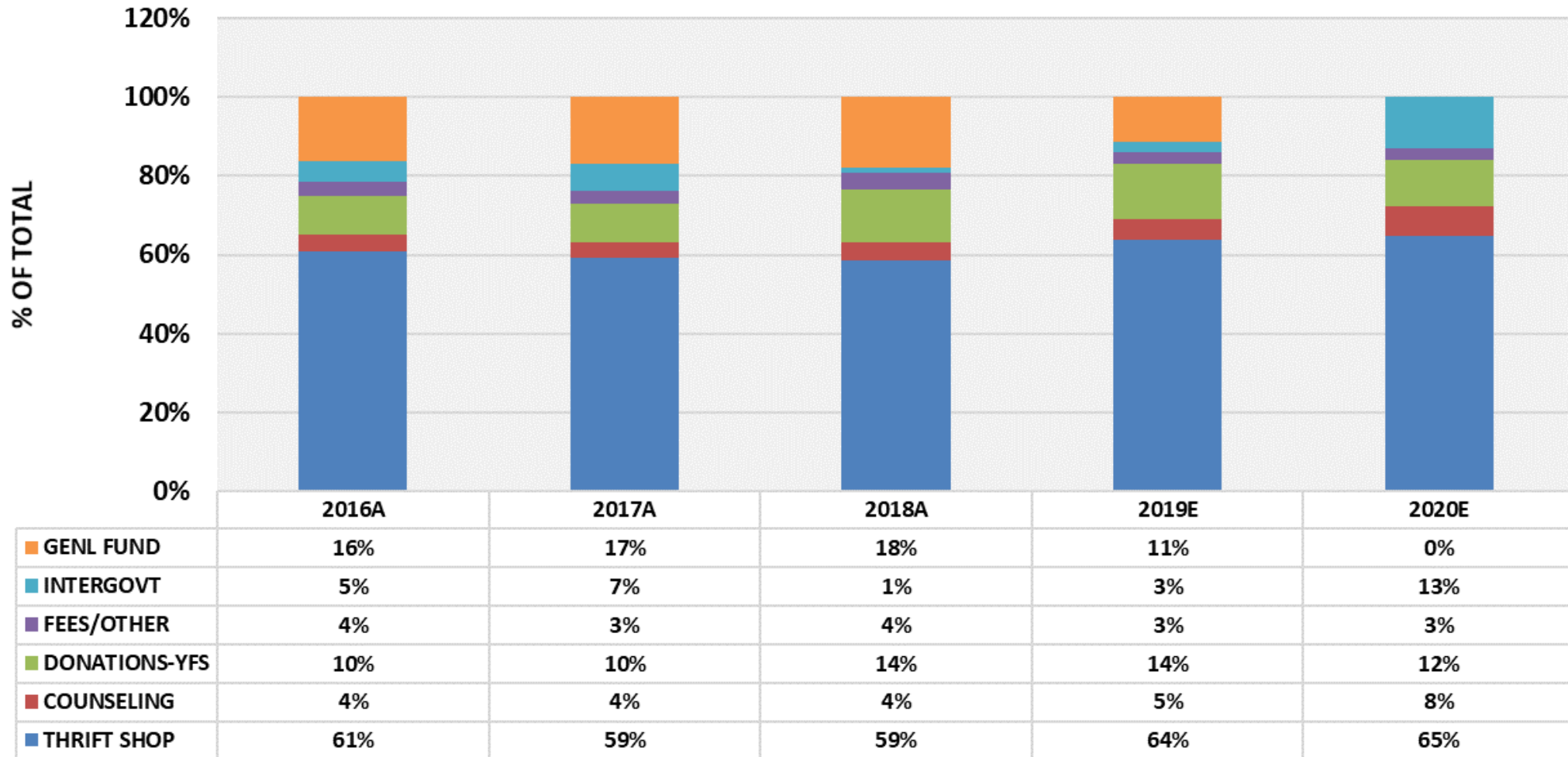
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- ❑ As a result of COVID-19, City facilities closed 03/13
  - ❑ Mercer Island Community and Event Center
  - ❑ Sport courts and fields
  - ❑ Recreation programming
  - ❑ City Thrift Shop



# Fiscal Impact – Youth & Family Services

YFS FUND REVENUES - FIVE-YEAR HISTORY



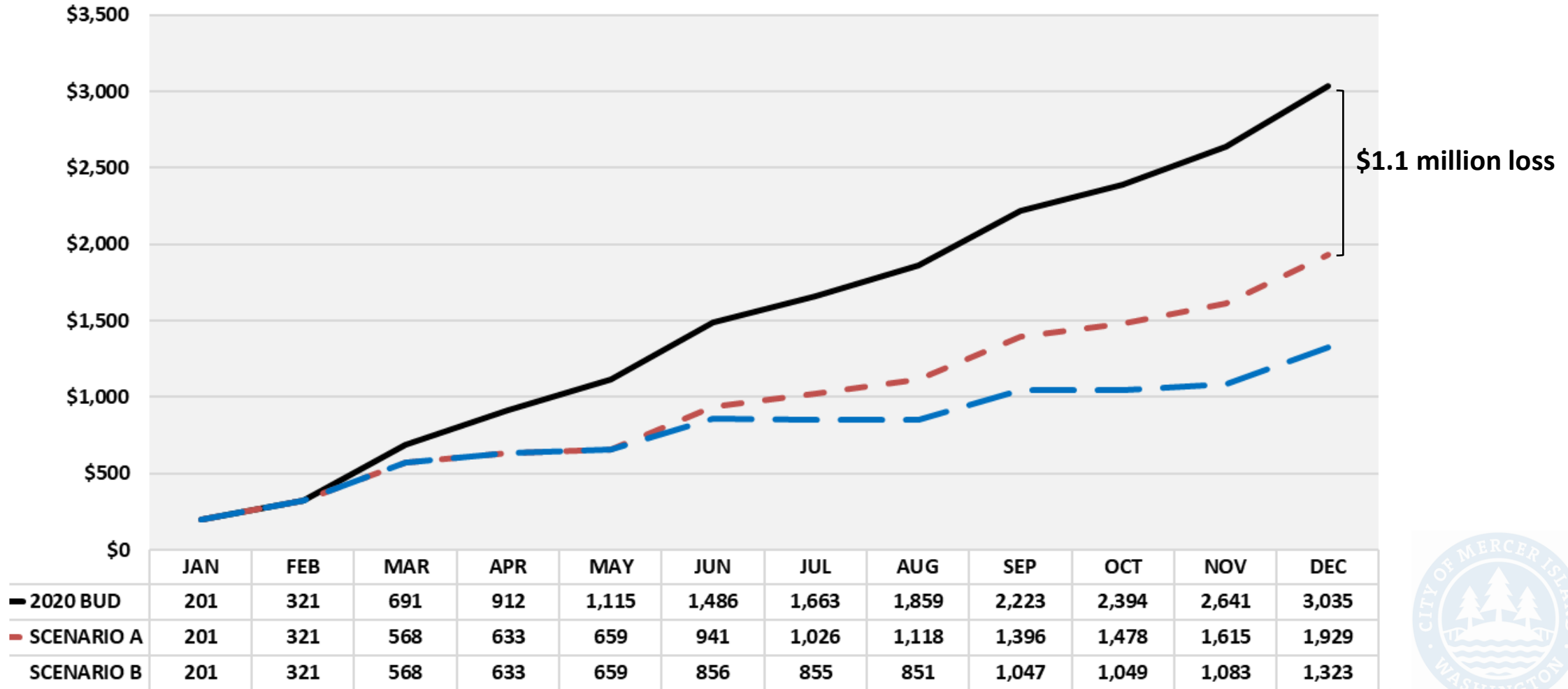
# Fiscal Impact – thrift shop revenues

| THRIFT SHOP       | Description                                   | Projected 2020<br>Year-end REV | Funding gap |
|-------------------|-----------------------------------------------|--------------------------------|-------------|
| NORMAL OPS        | <i>Pre-COVID-19 reality</i>                   | \$2.2 M                        | \$0         |
| <b>SCENARIO A</b> | Re-open June, make 50% of revenues June – Dec | \$1.1 M                        | (\$1.1 M)   |
| <b>SCENARIO B</b> | Re-open Jan 1, 2021                           | \$321,000                      | (\$1.7 M)   |

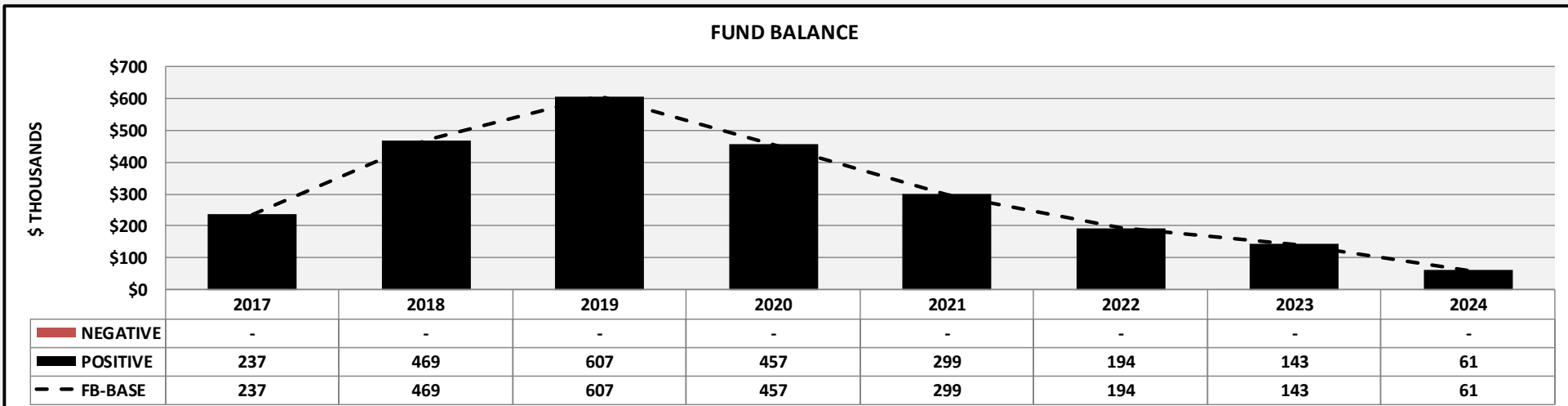
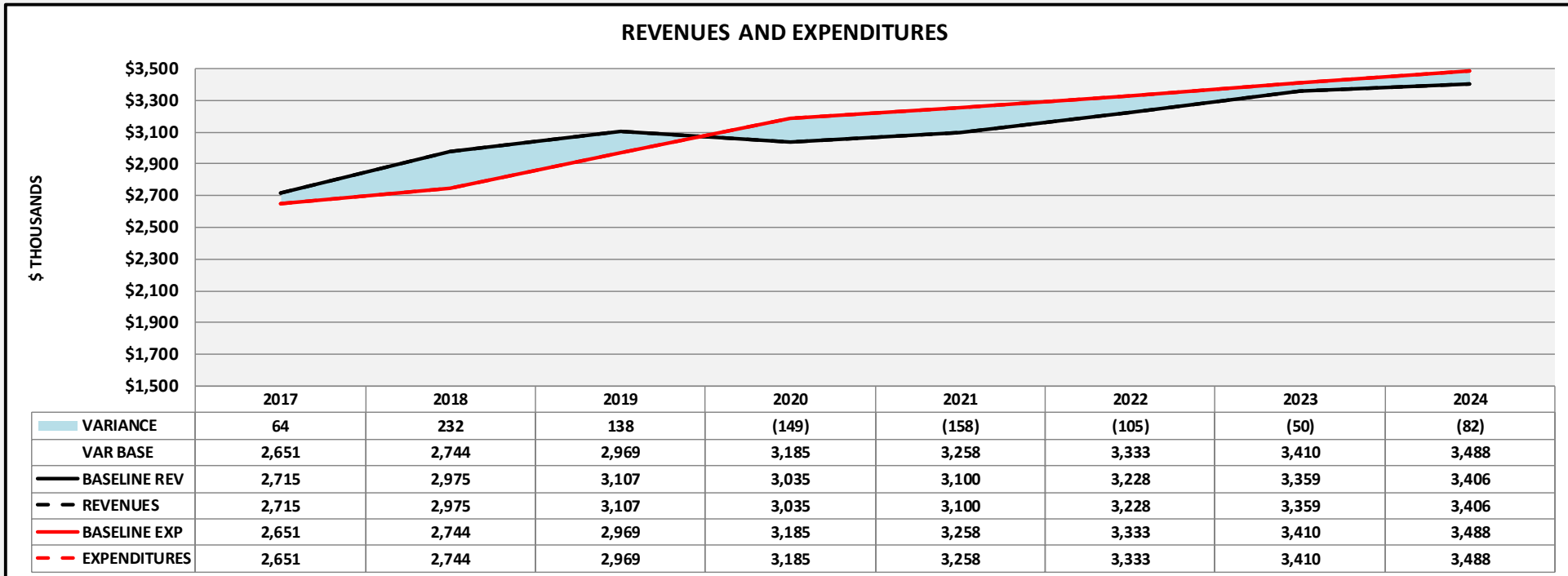


# Fiscal Impact – Youth & Family Services

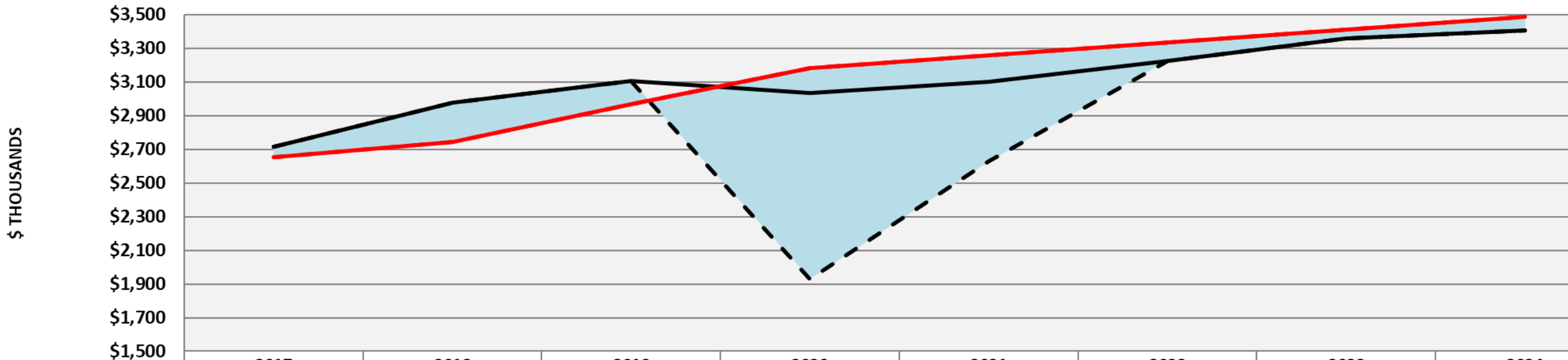
YFS REVENUE BUDGET VS. FORECAST (SCENARIOS A & B)- CUMULATIVE



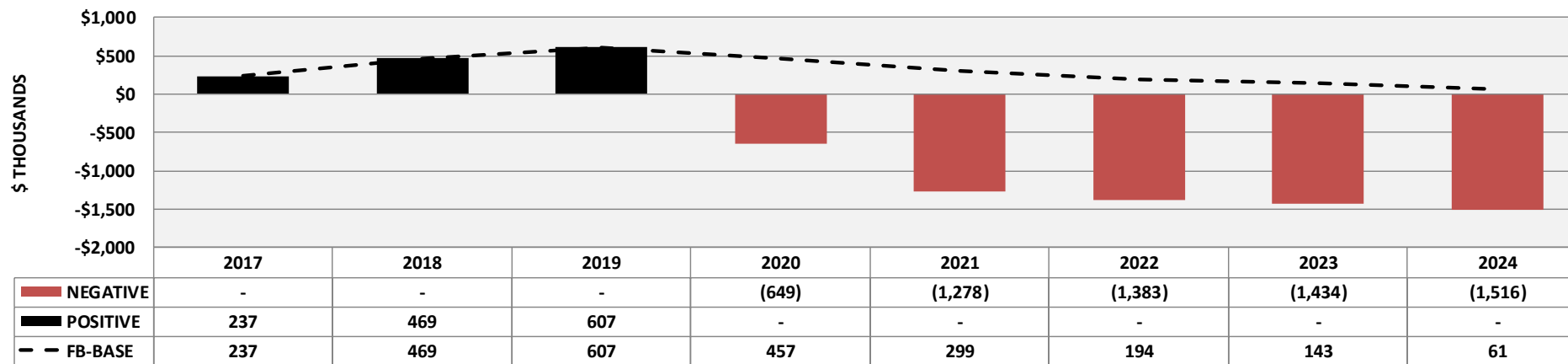
# Fiscal Impact – YFS Fund forecast



## REVENUES AND EXPENDITURES



|              | 2017  | 2018  | 2019  | 2020    | 2021  | 2022  | 2023  | 2024  |
|--------------|-------|-------|-------|---------|-------|-------|-------|-------|
| VARIANCE     | 64    | 232   | 138   | (1,255) | (629) | (105) | (50)  | (82)  |
| VAR BASE     | 2,651 | 2,744 | 2,969 | 3,185   | 3,258 | 3,333 | 3,410 | 3,488 |
| BASELINE REV | 2,715 | 2,975 | 3,107 | 3,035   | 3,100 | 3,228 | 3,359 | 3,406 |
| REVENUES     | 2,715 | 2,975 | 3,107 | 1,929   | 2,629 | 3,228 | 3,359 | 3,406 |
| BASELINE EXP | 2,651 | 2,744 | 2,969 | 3,185   | 3,258 | 3,333 | 3,410 | 3,488 |
| EXPENDITURES | 2,651 | 2,744 | 2,969 | 3,185   | 3,258 | 3,333 | 3,410 | 3,488 |



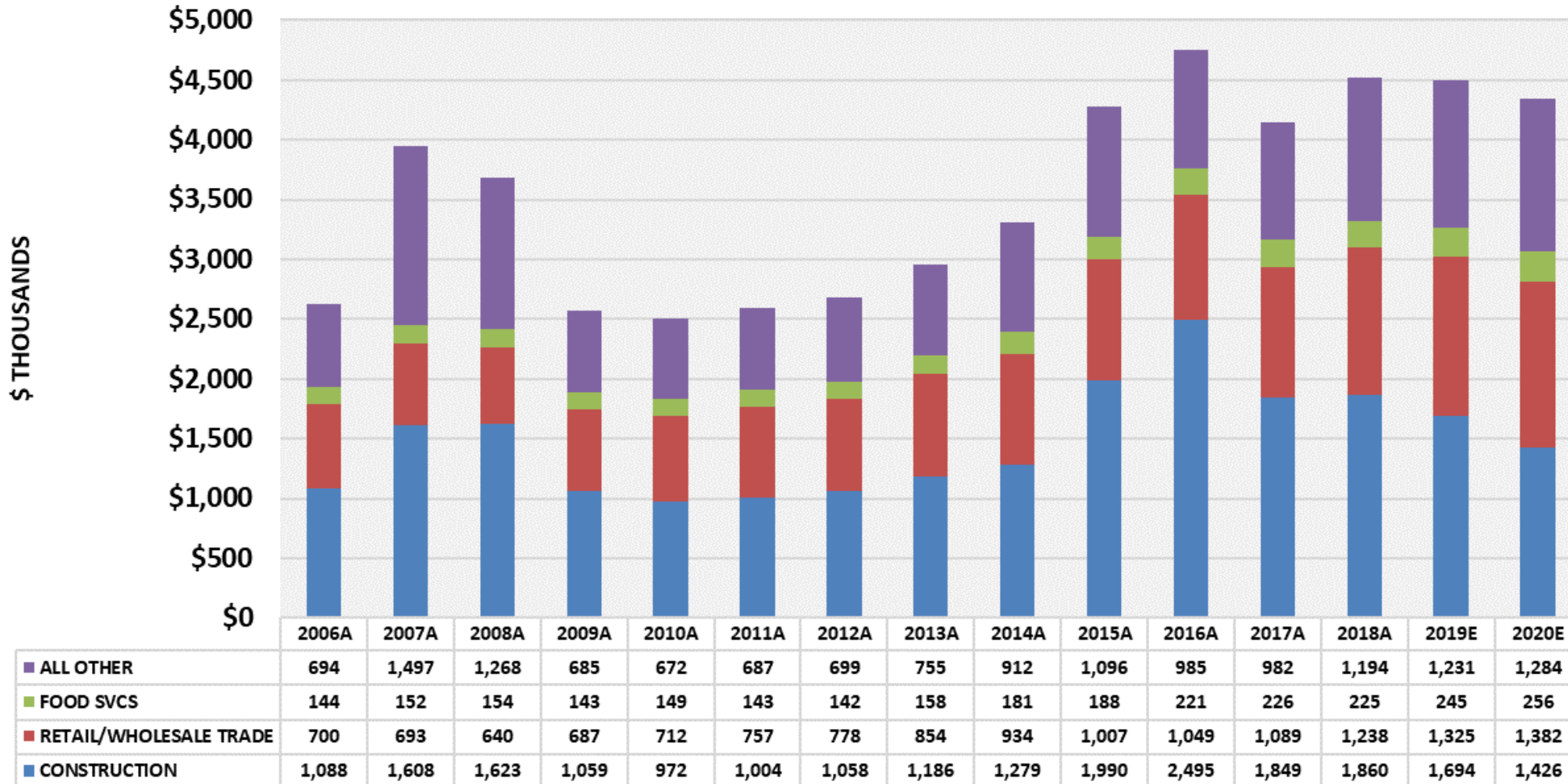
|          | 2017 | 2018 | 2019 | 2020  | 2021    | 2022    | 2023    | 2024    |
|----------|------|------|------|-------|---------|---------|---------|---------|
| NEGATIVE | -    | -    | -    | (649) | (1,278) | (1,383) | (1,434) | (1,516) |
| POSITIVE | 237  | 469  | 607  | -     | -       | -       | -       | -       |
| FB-BASE  | 237  | 469  | 607  | 457   | 299     | 194     | 143     | 61      |





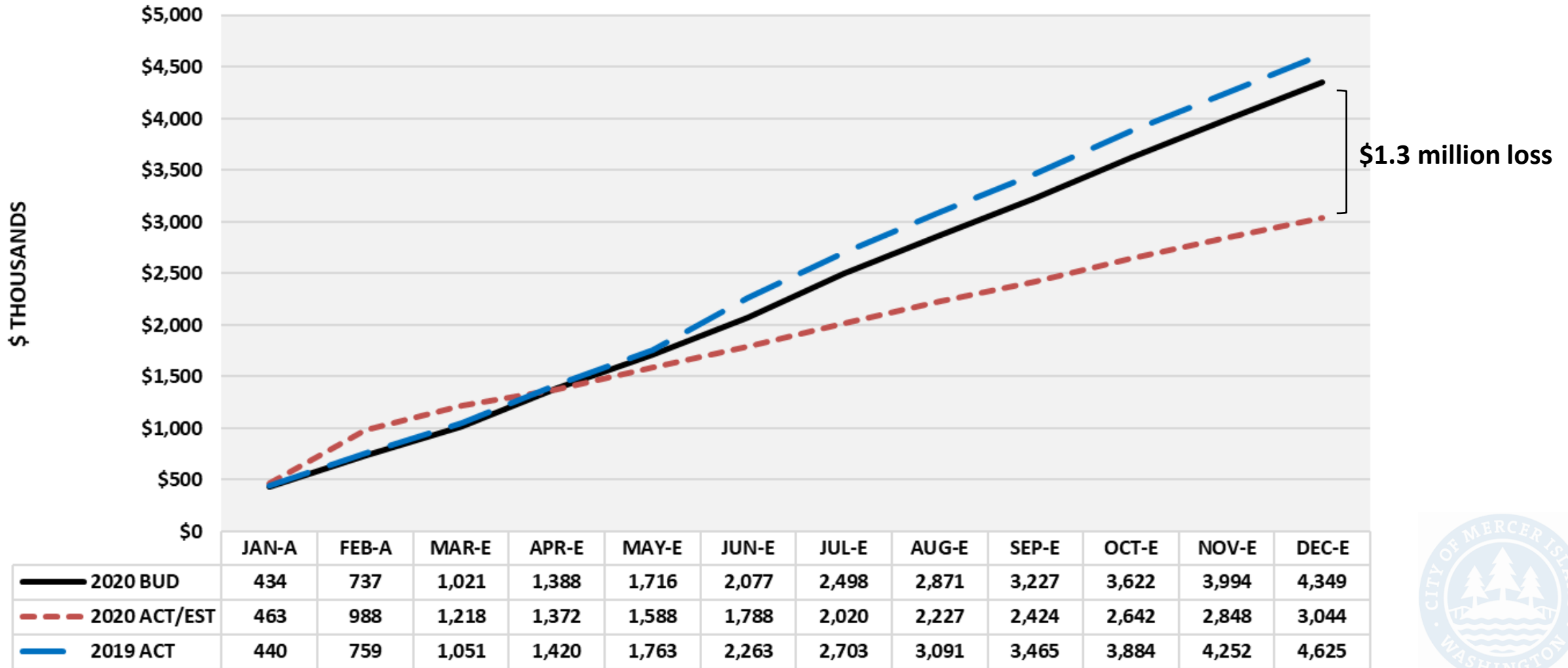
# Fiscal Impact – sales tax

SALES TAX REVENUE BY CATEGORY



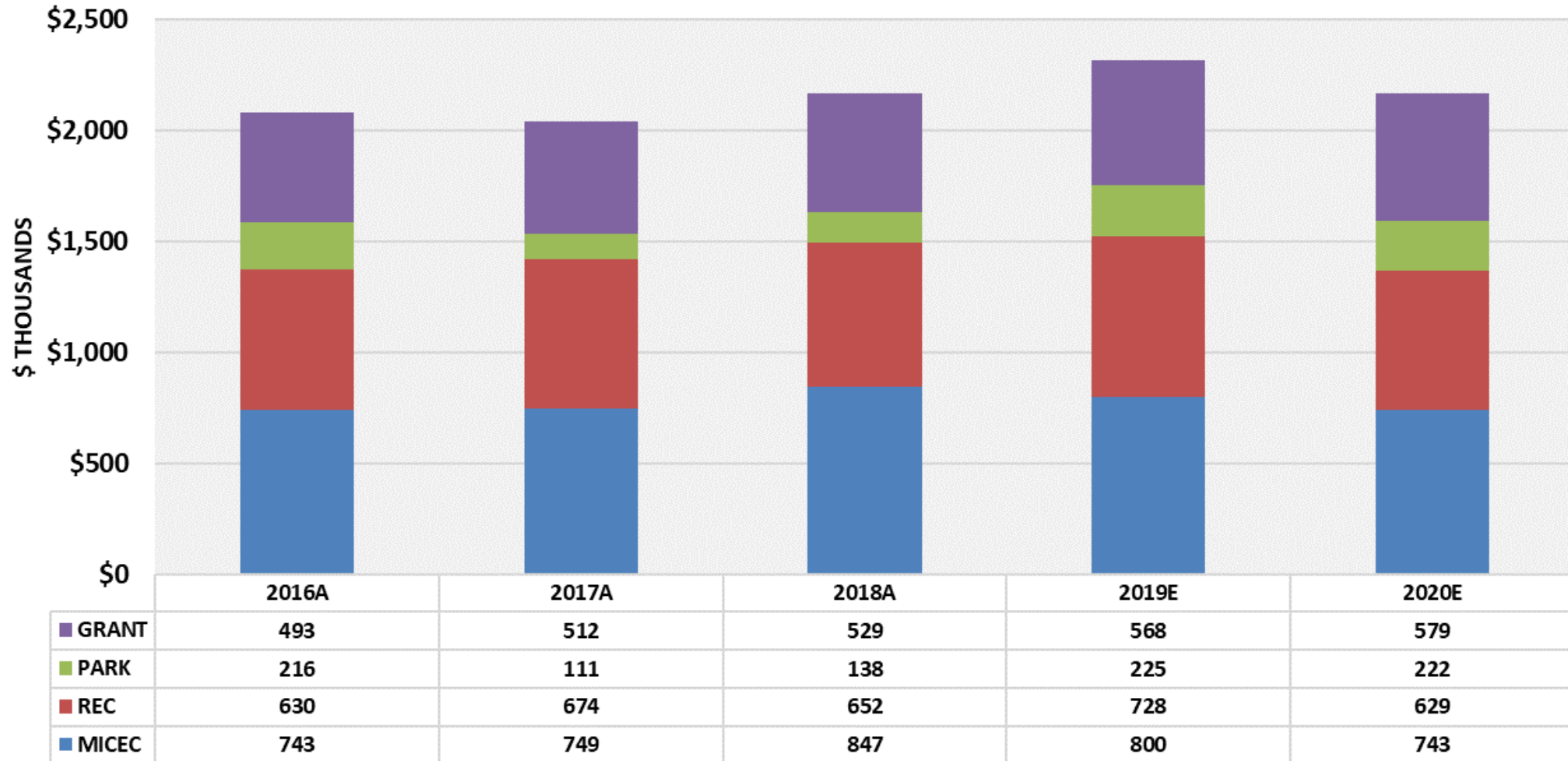
# Fiscal Impact – sales tax

2020 SALES TAX BUDGET VS. FORECAST - CUMULATIVE



# Fiscal Impact – Parks & Recreation

REVENUE BY CATEGORY



# Fiscal Impact – Parks & Recreation

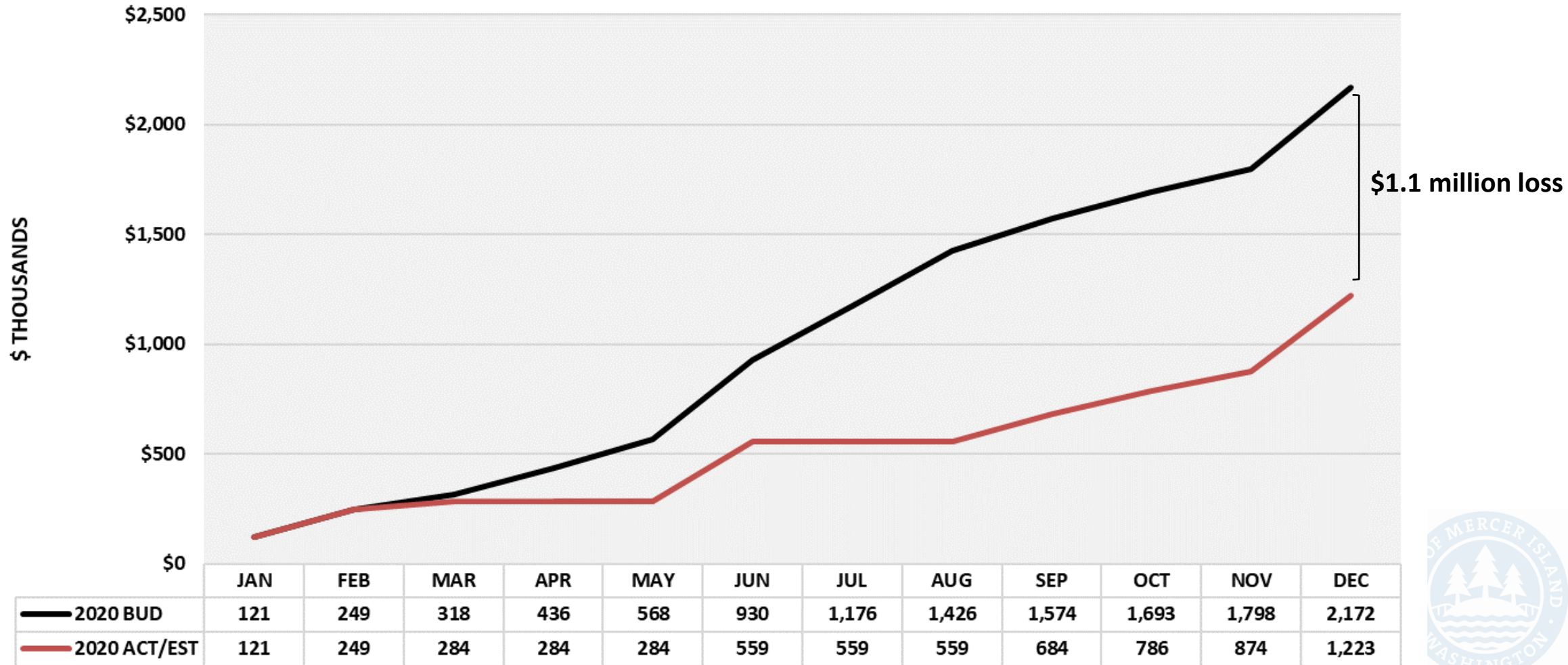
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- ❑ On March 13, city closed
  - ❑ Mercer Island Community and Event Center
  - ❑ Sport courts and fields
  - ❑ Ceased recreation programming
  
- ❑ Staff assume facilities will remain closed through August, re-open and generate 75 percent of revenues September - December



# Fiscal Impact – Parks & Recreation

FORECASTED IMPACT TO PARKS & RECREATION REVENUES 2020 - CUMULATIVE



# Fiscal Impact – 27<sup>th</sup> pay period

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- ❑ City payroll is processed every other week
  - ❑ 26 pay periods per year
- ❑ Every tenth year, there is an additional pay period
- ❑ Next is scheduled to hit fiscal year 2020
  - ❑ Not included in the 2019-2020 budget
- ❑ Fiscal impact of \$700,000 to general fund



# Fiscal Impact – delayed revenues

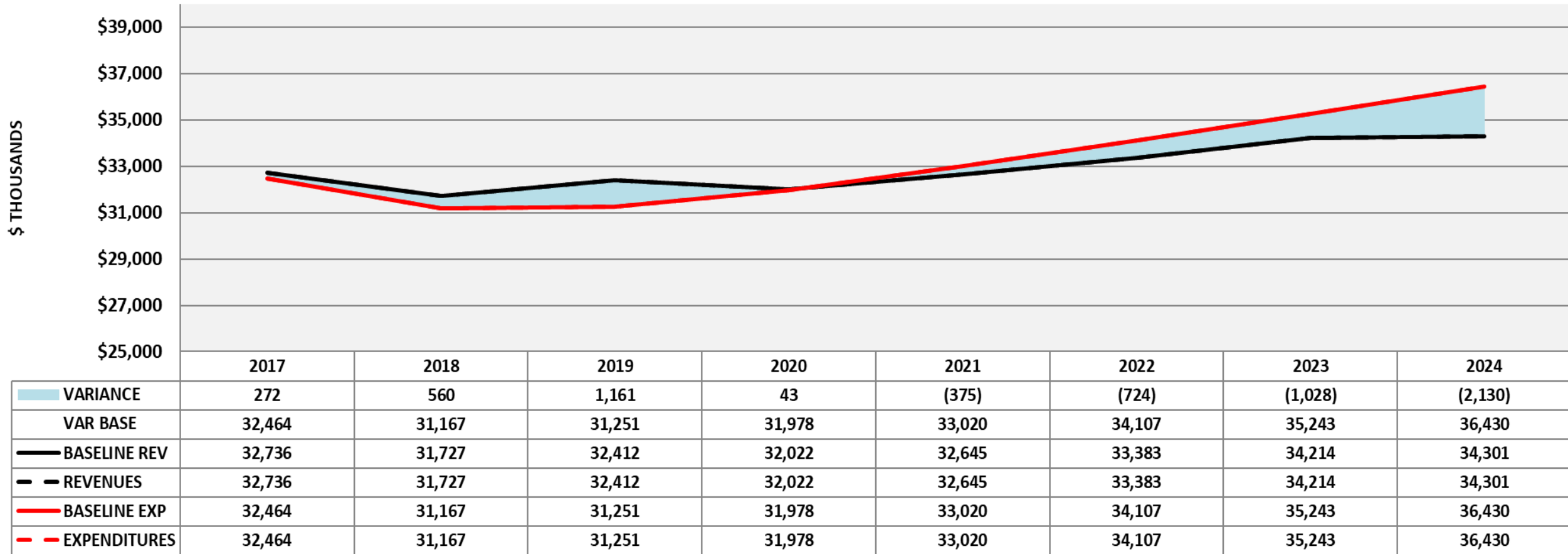
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- ❑ Policies in place to support the community
  - ❑ Water utility payment plans
  - ❑ B&O tax payment extensions
  - ❑ Property tax extensions
  - ❑ Possible rent payment extensions at MICEC
- ❑ Budgetary impacts unclear at this time



# Fiscal Impact – General Fund forecast

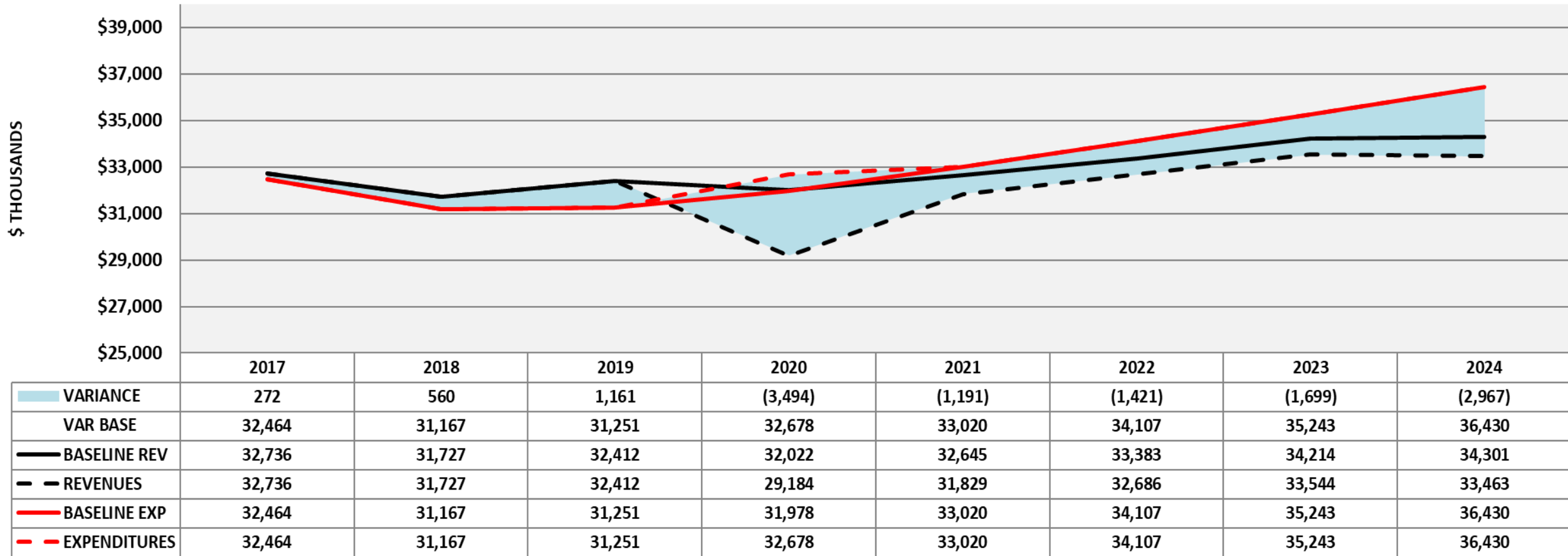
## REVENUES AND EXPENDITURES





# Fiscal Impact – General Fund forecast

## REVENUES AND EXPENDITURES



# Fiscal Impact – Contingency Fund

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- ❑ Contingency Fund balance as of 12/31/2019
  - ❑ \$4.1 million
- ❑ General fund operates at \$32 million annually
  - ❑ It cost \$615,400 per week to operate the City
  - ❑ Contingency reserves support City operations for 6.71 weeks



# Fiscal Impact – other factors

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- ❑ Other factors yet to be analyzed
  - ❑ Impacts to permit revenues
  - ❑ No new business openings
  - ❑ Impacts to municipal court revenues and other city services



# Steps Forward

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# Steps Forward – community support

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- ❑ Local Business Liaison
  - ❑ Sole focus on local business community support
  - ❑ “Take out Tuesday” and “Shop Local and Spend Like it Matters” campaigns
  - ❑ Coordinate “food pick up priority zones”



# Steps Forward – cost saving measures

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- ❑ Staff has implemented
  - ❑ Hiring freeze through 2020
  - ❑ Freeze on all professional training and related travel through 2020
  - ❑ Shut-off utilities to closed city facilities



# Steps Forward – cost saving measures

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- ❑ Staff is exploring
  - ❑ Non-essential contracts tied to General Fund
  - ❑ Workforce reductions via layoffs, furloughs, and salary reductions
  - ❑ Scaled down operations throughout the city organization
  - ❑ Potential General Fund transfers that can be delayed/eliminated
  - ❑ Federal/state resources to supplement operations
  - ❑ New discussions with labor partners to help close budget gap



# Questions

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*Prepared by Finance Department staff*

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