

Log #	AB	Received From	Comment/Question	Staff Response
1	6542	Councilmember Reynolds	Were budget 2024 numbers developed anticipating / reflecting a switch to cash basis accounting?	Budgetary assumptions and the budget itself are always based on available cash on hand, which is cash-basis accounting.
2	6542	Councilmember Reynolds	Are we planning to restate 2023 to be on a cash basis accounting to facilitate comparison to 2024? If not, why not? Wouldn't that normally be done?	<p>There is no plan to restate 2023 quarterly Financial Status Update reports that were presented to the City Council and staff does not see a benefit to doing so. The Finance department's staff resources are limited and focused on completing other critical work items before the end of the year. Fiscal years 2024 and 2025 are transition-years, impacting year-to-year comparisons to prior years. However, this only applies to making year-to-year comparisons for a limited number of the City's revenues.</p> <p>It is worth noting the 2023 financial statements submitted to the State Audit Office (SAO) were prepared using the Cash Basis method as defined by SAO's Budgeting Accounting and Reporting System (BARS) manual.</p>

<p>3</p>	<p>6542</p>	<p>Councilmember Reynolds</p>	<p>Please remind me why we switched to cash basis.</p>	<p>Short answer, we made the change because continuing with accrual basis generally accepted accounting principles (GAAP) was onerous and time-consuming, with very little benefit to City Finances or the community. Given the direction GAAP is heading, (requiring more and more complex reporting), switching to cash basis proved a more efficient use of the City's limited staff resources.</p> <p>Long answer, as you recall, the switch to cash basis accounting (as outlined by the WA state Auditor's Office) and financial reporting is outlined part of the Finance department's 2023-2024 work plan (goal 1.3 on page D-28) and approved by the City Council. Reasons for this change include:</p> <p>Simplicity. Cash basis accounting focuses on the inflow and outflow of cash, making it more straightforward to understand for non-financial professionals. It also significantly reduces the overall workload for accounting staff for recording transactions and producing year-end financial statements.</p> <p>Improved Cash Flow Management. Clearer picture of cash position: Cash basis accounting provides a real-time view of the government's cash balance, aiding in cash flow management decisions and providing a clearer picture of the City's cash position at a point in time.</p>
<p>4</p>	<p>6542</p>	<p>Councilmember Reynolds</p>	<p>What is the cadence of payments to EF&R? Monthly? If so, does the 6/30 statement effectively represent payment for 5 or 6 months of services?</p>	<p>There are elements of the contract with EF&R that are paid annually and elements that are paid monthly. As of June 30, expenditures include an annual payment for the EF&R equipment replacement fund contribution, the first installment of the vacation and sick leave liability transition costs, and six months of the primary contract fees.</p>

AB 6550 – Introduction to the Preliminary 2025-2026 Biennial Budget & Overview of the 2025-2030 Capital Improvement Program (CIP)

5	6542	Councilmember Reynolds	Can you split YTD fire expenses between one time and recurring?	<p>The breakdown between one time and ongoing costs is as follows. One-time costs include:</p> <ul style="list-style-type: none"> • \$114,000 – 2024 contribution to EF&R equipment replacement fund per the contract. Will only occur in the 1st quarter. • \$369,872 – First installment to transfer compensated absence liability funding to EF&R. • \$254,586 in payroll costs to cover 12/23/2023 - 12/31/2023 firefighter payroll up to transition (paid on first payroll 01/12/2024). • \$27,804 in payroll costs for the 1.0 FTE position related to Mobile Integrated Health program. This employee was transitioned to EF&R at the end of March and is no longer a City of Mercer Island employee.
6	6542	Councilmember Reynolds	How did we end up 18% off on firefighter pension payments? What drives this volatility? Early retirements? Mortality, or lack thereof? Inflation indexing?	<p>The Firefighter pension fund is a closed system, any volatility is inflationary. In 2023 the percentage increases (COLA and bargaining impacts) were higher than anticipated in the original budget.</p>
7	6542	Councilmember Reynolds	Is Figure 1 YTD?	<p>Figure 1 in AB 6542 represents January 1 through June 30, 2024, relative to the same period in the prior year.</p>
8	6542	Councilmember Reynolds	For the programs/projects that we are proposing NOT to do so we can spend ARPA money this year on facilities, are we allocating other funds to those projects, or are they being cancelled?	<p>Council authorized many programs/ projects funded with ARPA at the 5/23/23 Council planning session, on the heels of when City Hall closed and facility testing began. Priorities have since changed.</p> <p>At the October 15 City Council meeting the Council will receive a 2023-2024 Work Plan update and will also discuss the 2025-2026 Operating Budget, which includes the 2025-2026 Work Plan. At that meeting, the City Council will have time to review which programs/projects received ARPA funding, which are completed, and which staff is proposing to defer to the next biennium or beyond. To be frank, given the current capital program workload, including the new PSM Building and the new water transmission line, there is not much capacity left for other projects.</p>

9	6542	Councilmember Reynolds	Property tax is at 54% of actual YTD (Ex 1, page 6). As these amounts are due every April and October, shouldn't we expect to be at darn near 50%? Or do some people pay taxes in advance? Or will we be 5% off for the whole year?	The City typically receives slightly greater than 50% of Property Tax revenues in April of the current fiscal year, and less than 50% of budget expectations in October. For additional context, in FY 2023 we ended Q2 at 55% of budget expectations for property tax revenues and ended the year at 99.4% of budget. The 54% received through Q2 2024 is well within historical norms and staff is confident the revenue will end the year within budget expectations.
10	6542	Councilmember Reynolds	Are sales tax revenues received monthly? Do the actuals in Ex1 page 6 reflect 5 months of revenues? Is this why we are so much lower than 2023 YTD, which will include accruals for the 6 months?	<p>Yes, sales tax revenues are received from the state on a monthly basis. The table on page 6 of Exhibit 1 compares Jan-Jun of 2023 to Jan-Jun of 2024, which can be viewed as 6 months of revenues under accrual to 5 months of revenues under the cash basis, exactly as you've outlined.</p> <p>The table on page 7 of Exhibit 1 aims to provide a more apples to apples comparison between the years by only including Feb-Jun revenues for both fiscal years. That data is further broken up by business sector for comparison between 2023 and 2024.</p>
11	6542	Councilmember Weinberg	<p>I noticed on page 4 of the agenda bill that staff is proposing to "not proceed" with the creation of a Diversity, Equity, and Inclusion Plan in 2024.</p> <p>Does this mean you're proposing to postpone the creation of the DEI plan to 2025, or are you proposing to remove it from the work plan entirely?</p> <p>Also, I did not see any reference to the effect on the DEI Plan in the text of the proposed ordinance on pages 19-20. If we're removing from the work plan something which the City Council originally put there, should that be called out in the ordinance?</p>	<p>See response to question #8. The City Council will discuss the 2025-2026 work plan at the October 15 CC meeting.</p> <p>The budget amending ordinance tracks movement of funds, not specific projects. We have not historically included references to projects/programs that are postponed in the budget amending ordinances and staff do not recommend doing so.</p>

12	6550	Councilmember Weinberg	<p>In my initial read-through of the proposed 2025-2026 biennial budget, I don't recall spotting a line item for funding the replacement of any of the marine patrol boats.</p> <p>Do you know if that is something the Police department is planning to bring separately to Council at a later date?</p>	<p>Work related to the Marine Patrol vessels is not called out in the 2025-2026 biennial budget because efforts are currently underway to refurbish Patrol Vessel 14 and purchase a new vessel to replace Patrol 11. This is happening as part of the 2023-2024 work plan and budget. Public Works, Finance, and the Police department are coordinating this work, which will be paid for from the City's Fleet Sinking Fund.</p> <p>As a reminder, the Fleet Sinking Fund is a financial reserve specifically set aside to replace aging fleet vehicles and equipment. It's a proactive approach to ensure the City has the funds necessary to maintain a reliable and efficient fleet for public services. The City allocates a portion of its annual budget to the sinking fund, as outlined in the Capital Improvement Program, project 90.15.0003.</p> <p>Costs to refurbish Patrol Vessel 14 are already accounted for in the Fleet Sinking Fund. This work includes upgrades to navigation systems, communication equipment, and safety equipment, strengthening the vessel's operational capabilities.</p> <p>The Police department is conducting a Request for Proposal (RFP) process to replace Patrol Vessel 11. Staff will score and select a vendor. The bids will be guaranteed for 90 days, which will likely result in the City making a down payment in the first quarter of 2025. Staff anticipates presenting an agenda bill to the City Council to approve a purchase agreement for the vessel replacement.</p>
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