



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6185
November 15, 2022
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6185: Financial Status Update for the Third Quarter of 2022 and Budget Amending Ordinance	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Receive the FY 2022 Third Quarter Financial Status Update and adopt Ordinance No. 22-19, amending the 2021-2022 biennial budget.	

DEPARTMENT:	Finance
STAFF:	Matt Mornick, Finance Director Ben Schumacher, Financial Analyst
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Third Quarter Financial Status Update 2. Budget Amending Ordinance No. 22-19
CITY COUNCIL PRIORITY:	n/a

EXECUTIVE SUMMARY

The purpose of this agenda bill is to share with the City Council the 2022 Third Quarter Financial Status Update (Exhibit 1). Ordinance No. 22-19 (Exhibit 2) outlines budget amendments for items previously approved by the City Council.

- General Fund revenues and expenditures are within budget expectations through September.
- Significant revenue sources such as General Sales Tax and Real Estate Excise Tax are tracking just at or above forecasted expectations.
- Ordinance No. 22-19 (Exhibit 2) amends the 2021-2022 biennial budget based on prior Council actions which impact the General Fund, Street Fund, Capital Improvement Fund, and the Water Fund.

ISSUE/DISCUSSION

THIRD QUARTER 2022 FINANCIAL STATUS UPDATE

In keeping with staff’s efforts to provide the City Council with quarterly updates on the City’s financial position, Exhibit 1 includes financial results for revenue and expenditure categories through September 30, 2022. Based on financial data through September, the City has collected \$23.1 million in General Fund revenues, or 67.0% of the revenue budget as amended. Property tax is within expectations, and general sales tax and utility taxes are exceeding expectations at this point in the year.

General Fund expenditures are within amended budget estimates at the end of September. Total expenditures are \$24.5 million, or 70% of budget. Expenditures are up \$1.6 million over the same period in 2021 reflecting an increase in salary and benefit expenditures from filling vacant budgeted FTE and LTE positions.

Salary and benefit costs are at 70% of amended budget nine months into the year, which is due to position vacancies from earlier in the year. Other Services & Charges, which includes insurance, utilities, jails, and intergovernmental costs, are at 77% which is within expectations at this point of the year. Interfund transfers are higher than expected due to transfers for the Finance Software Replacement project ([Ordinance No. 22-04](#)) and to pay down long-term liabilities in the Firefighter’s Pension Fund. All other expenditure categories are expected to remain within budget expectations through year-end.

General Fund Expenditures (\$ in millions)	2022 Amended Budget	% of Total Amended Budget	Actuals as of September 30, 2021	Actuals as of September 30, 2022	YTD Expense as % of Amended Budget
Salaries & Benefits	23.90	68%	15.65	16.68	70%
Supplies	0.93	3%	0.42	0.61	65%
Contract Services	3.87	11%	2.25	2.14	55%
Other Services & Charges	5.58	16%	3.88	4.29	77%
Interfund Transfers Out	1.05	3%	0.71	0.83	79%
TOTAL EXPENDITURES	\$35.33	100%	\$22.91	\$24.55	69%

The Water, Sewer, and Storm Water Utilities are operating within budget expectations. Capital projects across all three Utility Funds are well underway yet continue to contend with supply chain challenges.

All other City Funds across within budget expectations with no substantial variances to either revenue or expenditures.

ORDINANCE NO. 22-16 AMENDING THE 2021-2022 BIENNIAL BUDGET

Staff compiles budget adjustments as they take place throughout the year into a budget amending ordinance, which accompanies each quarterly financial status update. Ordinance 22-19 (Exhibit 2) outlines minor changes to the General Fund, Street Fund, Capital Improvement Fund, and the Water Fund for the City Council’s approval.

NEXT STEPS

Staff is committed to closely monitoring financial data as it becomes available and will report back and notify the City Council and the community as circumstances change.

Following the review of the Third Quarter 2022 Financial Status Update, staff recommends adopting Ordinance No. 22-19 amending the 2021-2022 biennial budget.

RECOMMENDED ACTION

Review and adopt Ordinance No. 22-19 amending the 2021-2022 biennial budget.