

Log #	Received From	Comment/Question	Staff Response
1	Councilmember Weinberg	On page 2 of the Financial Management Policies document (page 31 of the agenda bill), did the Finance Committee discuss updating the page to reflect current roles – i.e. Salim Nice as Mayor, Dave Rosenbaum as Deputy Mayor, and add my name to the list of City Councilmembers? Did the Finance Committee consider adding another section on page 2 to reflect contributors to prior editions, including Mayor Benson Wong?	The names of the Councilmembers included on the cover page was from the original adoption of the Financial Management Policies. Given that there will be subsequent revisions to the policy document and the impracticality of recognizing every Councilmember as we go, the names of the Council will be struck from the document.
2	Councilmember Weinberg	I've been under the impression that CPD was a "self-supporting" department, meaning its building permit fees covered 100% of their permitting services costs. Per the new Appendix B, will building permit fees actually include some overhead covering a share of the City's indirect costs (HR, IT, Legal, etc)? Do they already?	<p>As a reminder, the City Council establishes cost recovery targets for CPD fee-based services. Current cost recovery targets were established in 2019 and are set to recover 95% of building services, 90% of engineering services, and 90% of planning services total costs. <b>Please reference the enclosed email attachment with responses to a similar question you asked May 3.</b></p> <p>Inherent in permit fees is an indirect service charge distinct to services provided by the CPD Department (e.g., administration, customer service, inspection scheduling, software support, etc.) that support the direct permit-related services (e.g., plan review).</p> <p>In addition, Finance charges a 'City' administrative overhead for indirect services (HR, IT, Legal, etc.) to the portion of Community Planning and Development Department's fee-based operations – separate from the "CPD indirect service charge" inherent in permit fees. This is a current and long-standing practice that will continue when the new CPD special revenue fund is operational on January 1, 2025.</p>

<p>3 Councilmember Weinberg</p>	<p>The last sentence of section 3.4 on page 5 of the Financial Management Policies document states that 2/3 of non-salary operating budget savings “will return to the General Fund Balance to replenish City reserves and support the Emerging Innovations Reserve.” I’m looking at the 2023-2024 Biennial Budget and I’m not seeing an “Emerging Innovations Reserve” line item in the General Fund.</p> <p>Was it not listed in the 2023-24 budget because that reserve had only been conceived in September of 2021 and had not yet been implemented as of the passage of the 2023-2024 biennial budget?</p> <p>Did the reserve exist but not get listed in the budget because it had a zero balance?</p> <p>Were there any non-salary operating budget savings from 2023 which we expect to go into the Emerging Innovations Reserve, or are we planning to channel all such savings into the fund for replacing City Hall?</p>	<p>The Emerging Innovations Reserve is listed and included as part of the General Fund 2023 year-end fund balance, as indicated in the table on page 13 of <a href="#">AB 6451x1</a>. The balance at the end of 2023 is \$0. The City Council has not taken action to move resources into the Emerging Innovations Reserve. Guidance for the use of year-end fund balance is outlined in section 6.2 of the Financial Management Policies.</p> <p>As a result of the Expenditure Control Budgeting policy, a total of \$19,053 of year-end savings was retained in the expenditure control budgeting reserve, increasing the total reserve to \$34,588 at the end of 2023. Permitted uses of this reserve are outlined in section 3.4 of the Financial Management Policies.</p>
<p>4 Councilmember Weinberg</p>	<p>Section 4.7 on page 6 of the Financial Management Policies document states that all revenue forecasts will be performed using established local government best practices. Is forecasting Interest Revenues to be 0.1% when in the prior year it was over 5.0% – 50 times as high – considered to be such a best practice? Is that what neighboring cities are also doing?</p>	<p>Please see response to question #3 in the AB 6474 Q&amp;A Matrix, clarifying the distinction between the Revenue Forecast and the Amended Budget.</p> <p>The most recent Revenue Forecast (see <a href="#">AB 6357</a>) projected interest earnings using, at the time, the most up to date information and forecasting techniques available. Please refer to pages nine and ten of AB 6357 Exhibit 1 for a detailed explanation of the most recent interest earning projections in the General Fund.</p>

<p>5 Councilmember Weinberg</p>	<p>In section 5.11 on page 8 of the Financial Management Policies document, we indicate that CIP project funds may only be reallocated within a CIP category and only when one project is over budget and another project, within the same period is under budget.</p> <p>Do you know whether the Finance Committee considered the possibility that the City may wish to place one project within a CIP category on hold, freeing up the funds it was using so another project might proceed?</p> <p>This is a normal practice at Seattle Public Utilities, where only 7 out of 10 capital IT projects scheduled to graduate from design into execution each year actually do so. This enables the City to move forward with those projects that are “most ready” and allows those projects which encounter unforeseen delays – often due to supply chain issues – to pause until a future fiscal year. This practice enables SPU to plan for \$15 million worth of projects each year (including some that were previously postponed) with just ~\$10.5 million of funding, counting on ~\$4.5m of the \$15m of projects to encounter delays and get postponed.</p>	<p>This did not come up in recent discussions with the Finance Ad Hoc Committee and was outside the scope of policy review work assigned to the Committee.</p>
<p>6 Councilmember Weinberg</p>	<p>In section 10.2.1 at the top of page 14 of the Financial Management Policies document, we indicate that state law limits us to issuing debt in support of Utilities equal to 2.5% of the total assessed valuation of taxable property on the island. With the significant uptick in utility infrastructure modernization work in recent years, how close are we currently to that 2.5% ceiling?</p>	<p>In 2024, the City’s total assessed valuation is \$20,284,128,934, of which 2.5% is \$507,103,223.</p> <p>The City’s non-voted outstanding general obligation debt associated with the Sewer Utility is \$3,450,000, and the Water Utility is \$655,000 at the end of 2023.</p>

<p>7</p>	<p>Councilmember Weinberg</p>	<p>The first sentence of section 10.2.4 on page 14 of the Financial Management Policies document states that the City Council may consider using long term debt toward public improvements associated with economic development.</p> <p>Considering the Tully’s property’s proximity to retail establishments in Town Center, would the addition of a dozen high-speed electric vehicle chargers to the proposed Tully’s project be reasonably considered a public improvement associated with economic development?</p> <p>Could a bond issued for the addition of such chargers be structured to be paid for entirely or in part by user fees, effectively making their construction either low-cost or even zero-cost to Mercer Island residents and small businesses?</p> <p>Does the economic development aspect of such EV chargers enable us to apply for grants from other sources, such as the Port of Seattle?</p>	<p>The Ad-Hoc Finance Committee did not consider this scope of work, nor has direction been provided by the City Council to pursue this work.</p> <p>Electrical conduit is being placed as part of the Commuter Parking Project to accommodate the future deployment of EV Chargers at that facility.</p>
<p>8</p>	<p>Councilmember Weinberg</p>	<p>Should the new fund we’ve created for replacing facilities (e.g. City Hall, Police and Public Works building, etc) be added to the Capital Improvement Fund section of Appendix A?</p> <ul style="list-style-type: none"> <li>• If so, is Tuesday’s discussion of AB 6475 the appropriate time for such a change, or should that wait until the next periodic review of the Financial Management Policies document?</li> </ul>	<p>Staff elected to keep revisions to the financial management policies focused on the cost allocation policy update. Staff will address other policy clean-up items this fall as part of the Biennial Budget process.</p>
<p>9</p>	<p>Councilmember Weinberg</p>	<p>What does the “(N)” refer to in the name of the “Town Center Street (N) Reserve” on page 19 of Appendix A of the Financial Management Policies document?</p>	<p>North. The balance is tied to dollars collected from private developers for roadway repair and investment in the Town Center.</p>

<p>10 Councilmember Weinberg</p>	<p>The last sentence in the description of the Self-Insurance Claim Reserve on page 19 of the Financial Management Policies document says, “Set a new target funding level at \$60,000 (MICC 4.40.130).”</p> <ul style="list-style-type: none"> <li>• Is this sentence a reminder to recommend to the Council that we raise the minimum balance from \$40k (per the current code) to \$60k?</li> <li>• If so, would Tuesday’s meeting be an appropriate place and time to make such a motion, or should that be done as part of the next periodic review of the Financial Management Policies document?</li> </ul>	<p>When the City Council adopted the Financial Management Policies in September 2021, the new target funding level was set to \$60,000, down from the previous funding level of \$109,000. The current balance is \$60,000, as outlined on page 22 of <a href="#">AB 6451x1</a>.</p>
<p>11 Councilmember Weinberg</p>	<p>I’m noticing that the balance of the Park Impact Fees Reserve in the 2023-2024 Biennial Budget is \$189,011 and that balance hasn’t changed in 4 years. According to the description of the reserve on page 19 of the Financial Management Policies document, “The Reserve consists of fees collected from development projects for increasing capacity of publicly owned parks, open space, and recreation facilities.” I’m curious as to why the balance hasn’t changed in 4 years.</p> <ul style="list-style-type: none"> <li>• Are parks impact fees only assessed on development projects of a certain type and size?</li> <li>• If so, what types of projects would qualify for such fees?</li> </ul>	<p>The park impact fee reserve fluctuates year to year based on the impact fees collected relative to the expenditures on qualifying projects. At the end of 2021, the parks impact fee reserve was \$155,394. At the end of 2023, the reserve was reduced to \$36,793, as indicated in <a href="#">AB 6451x1</a>, page 22 in the Capital Improvement Fund.</p> <p>Park impact fees are used to address the impact from new development on park facilities including publicly owned parks, open space, and recreational facilities. For more information on park impact fees, please review this <a href="#">webpage</a> and the 2022 Parks Impact Fee <a href="#">Rate Study</a>.</p>

<p>12 Councilmember Weinberg</p>	<p>I'm noticing in the 2023-2024 Biennial Budget that the balance in the KC Parks Expansion Levy Reserve was \$459,377 in 2021 but has been zero ever since.</p> <ul style="list-style-type: none"> <li>• Does this mean that we spent the last \$459k that was in that budget in 2021?</li> <li>• Was it spent on acquiring the land at the corner of SE 40th and Island Crest Way?</li> <li>• Prior to 2021, did Mercer Island receive an annual allotment from the KC Parks Expansion Levy, or is money from that levy only distributed from KC to a city when there's a specific project and/or land acquisition that the city wants to execute?</li> <li>• If the KC Parks Expansion Levy is still an ongoing concern, and if one needs to apply for it with a specific project in mind, do we know whether the KC levy has enough to be able to consider buying back the East Seattle School site and converting it into open space?</li> </ul>	<p>The King County Parks Levy reserve in the Capital Improvement Fund ended FY 2023 at \$569,790. The City receives an annual allocation. Half of the allocation is based on population and the other half is based on assessed valuation. A total of \$872,000 is authorized for use on eligible projects in the 2023-2024 capital improvement program. Given the volume of parks capital project work this biennium (and in future years), the funds are fully encumbered.</p> <p>Unspent funds are maintained and can be spent on eligible parks projects within the 2020-2025 timeframe.</p> <p>The property purchased on SE 40<sup>th</sup> and Island Crest Way was purchased for future transportation purposes. That property acquisition is not an eligible use of KC Parks Levy Funds.</p>
<p>13 Councilmember Weinberg</p>	<p>I'm noticing that the "Freeman Landing Reserve" and the "Reserve - RCO Property" at the top of page 20 of the Financial Management Policies document have identical wording regarding the allowed uses of the funds.</p> <ul style="list-style-type: none"> <li>• Is there any reason why these two funds cannot or should not be merged?</li> <li>• Would the discussion of AB 6475 on Tuesday be an appropriate time to discuss such a change, or is the scope of the discussion really just around Appendix B and any other changes should be reserved for the next periodic review of the Financial Management Policies document?</li> </ul>	<p>The restrictions on use are slightly different.</p> <p>The Freeman Landing reserve resulted from a street vacation and must be used in accordance with <a href="#">RCW 35.79.035 (3)</a></p> <p>The Washington State Recreation and Conservation Office (RCO) requires the City to acquire property of equivalent or greater value and recreation function as the property converted.</p>

<p>14</p>	<p>Councilmember Weinberg</p>	<p>I'm noticing that the "Police In-Car Camera Replacement Reserve" mentioned on page B-21 of the 2023-2024 Biennial Budget isn't listed among the Technology &amp; Equipment Fund reserves on page 20 of the Financial Management Policies document.</p> <ul style="list-style-type: none"> <li>• Is that because the Finance Ad-Hoc Committee hasn't yet discussed what the target fund balance should be for that fund?</li> <li>• Does funding for our in-car cameras come from another agency (e.g. a state or federal grant)?</li> </ul>	<p>The Police in-car camera replacement reserve came into existence to replace camera technology in patrol cars. A total of \$12,000 in general government dollars is set aside annually to replace in-car camera technology.</p> <p>This reserve lives in the Technology and Equipment Fund and will be incorporated into Appendix A of the Financial Management Policies during a future policy update.</p>
<p>15</p>	<p>Councilmember Weinberg</p>	<p>I'm curious as to why the Water Fund Operating Fund Balance on page 20 of the Financial Management Policies document has a 90-day operating reserve, while the Sewer Fund has a 60-day reserve and the Street &amp; Storm Water funds just a 45-day reserve.</p> <p>Do Water and Sewer projects tend to involve more funding sources from other agencies resulting in it taking longer on average to get expenditures reimbursed?</p>	<p>The operating fund balances for each Utility Fund are based on the assessed value of each utility system, monthly cash flow needs, and the anticipated systemwide investments as outlined in the 2023-2028 capital improvement program. As a result, the Water Fund has a higher operating reserve relative to the Sewer Fund.</p>
<p>16</p>	<p>Councilmember Weinberg</p>	<p>The description for the Water Fund Capital Reserve on page 20 of the Financial Management Policies document says its target balance is 1% of total asset value, revisited each biennium.</p> <ul style="list-style-type: none"> <li>• With the increasing rate of water main breaks in recent years – and with the primary SPU line break in April of this year – have we needed to dip into this reserve recently?</li> <li>• Would the 2025-2026 budget review in Q3-Q4 of this year be the right time to consider whether to raise the target balance above 1%?</li> </ul>	<p>Yes, staff has used the capital reserve to address the SPU water main break.</p> <p>During development of the 2025-2026 biennial budget, staff will work on the utility rate models and revisit the capital reserve funding target with the Utility Board. A recommendation will be made to the City Council on whether a new capital reserve target funding balance is appropriate.</p>

17	Councilmember Weinberg	I'm noticing that the Lake Line reserve on page 20 of the Financial Management Policies document wasn't listed in the 2023-2024 Biennial Budget. Is that because this reserve was created by the Utility Board subsequent to the publishing of the 2023-4 budget?	The sewer lake line reserve is included in the 2023-2024 budget. At the end of 2023, the reserve's funding level is \$1.5 million, as listed in <a href="#">AB 6451x1</a> , page 17.
18	Councilmember Weinberg	I'm noticing that the Basin Improvement Reserve listed on page 21 of the Financial Management Policies document doesn't show in the 2023-2024 Biennial Budget. Is that because this reserve's creation post-dated the 2023-2024 budget?	The basin improvement reserve is included in the 2023-2024 budget. At the end of 2023, the reserve's funding level is \$24,694, as listed in <a href="#">AB 6451x1</a> , page 17.
19	Councilmember Weinberg	<p>It would appear that the language of Appendix B of the Financial Management Policies document only discusses how the City will decide how much overhead to charge to each of the City's operating programs, departments and funds. It is *not* discussed or calculated in Appendix B how each program/department/fund will then translate its assigned overhead costs into fee adjustments. Is that translation of overhead costs into fee adjustments something that is captured in the every 3 years update to the Master Fee Schedule?</p> <ul style="list-style-type: none"> <li>If so, the next time the Master Fee Schedule is published, could it include a breakdown of how much of the fee is direct costs from that program/department/fund and how much is indirect costs covering the overhead of internal services?</li> </ul>	<p>The cost allocation plan outlines the framework and basis for allocating internal service costs (AKA indirect costs) to the City programs, services, government funds, and operating departments that benefit from said services. The policy seeks to create consistency in how overhead costs are identified and allocated to internal and external functions.</p> <p>For operational divisions that recover costs by charging fees, overhead charges will be included in the cost recovery targets. The breakdown of direct versus indirect costs will be most evident in future expenditure budgets, not in the Master Fee Schedule. The cost allocation plan informs overhead rates and, where appropriate, staff incorporate these overhead charges in establishing fees for government services.</p>