



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6177
November 1, 2022
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6177: Receive the 2023-2024 Preliminary Budget.	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Provide staff direction on the Capital, Streets, and Utility Fund budget proposals to inform development of the Final 2023-2024 biennial budget.	

DEPARTMENT:	Finance
STAFF:	Matthew Mornick, Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. 2023-2024 Preliminary Budget available at: www.mercerisland.gov/budget . 2. 2023-2024 Capital and Utility Fund-related Budget Proposals
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.

EXECUTIVE SUMMARY

This agenda item outlines next steps in the City Council’s 2023-2024 Biennial Budget review process, which includes direction on the Capital, Streets, and Utility Fund Budget proposals.

- Per Washington State law, the City Manager is required to deliver a balanced preliminary biennial budget to the City Council for review and approval. The City Council received the 2023-2024 Preliminary Budget on September 28, 2022, (Exhibit 1) and a copy was filed with the City Clerk.
- The 2023-2024 Preliminary Budget is focused on maintaining current service levels and providing critical investments to preserve City infrastructure.
- At the October 18 City Council meeting, the City Council moved to postpone decisions regarding budget proposals tied to the General Fund and YFS Fund until Q2 2023.
- At the November 1 City Council meeting, staff is seeking final direction on the Capital, Streets, and Utility Fund budget proposals (Exhibit 2). This provides adequate time to finalize the budget document prior to adoption.

Staff will return to City Council on November 15 to answer any final questions on the 2023-2024 Preliminary Budget before the City Council adopts resolutions and ordinances related to the Property tax levy, rates for the Northeast King County Regional Public Safety Communication Agency (NORCOM), and water, sewer, storm water, and Emergency Medical Service (EMS) utility rate adjustments for fiscal year 2023.

BACKGROUND

The City Council received the 2023-2024 Preliminary Budget on September 28, 2022, and a copy was filed with the City Clerk. Per Washington State law, the City Manager must deliver a balanced preliminary biennial budget to the City Council for review and approval.

At the October 3 City Council meeting (see [AB 6163](#)), staff introduced and reviewed key budget assumptions, policy considerations, and the budget development schedule. The presentation included a six-year forecast for the General Fund and Youth and Family Services Fund, illustrating how anticipated expenditures exceed revenues in both Funds beginning in 2023.

The first of two public hearings for the 2023-2024 biennial budget was held at the October 18 City Council meeting (see [AB 6169](#)). Staff walked through the staffing plans and summarized key highlights from Departmental work plans for the next two years.

The City Council approved the 2023-2028 Capital Improvement Program financing strategy at the October 18 City Council meeting. This direction included using \$3.7 million in REET-2 reserves from the Street Fund to fund the Luther Burbank Dock and Waterfront Improvements project (PA0122). Direction also included use of \$1.6 million in ARPA funds to begin making critical investments in City facilities.

These include seismic retrofits (GB0103) and basic facility improvements (GB0110) for City Hall; partial funding for access control and security improvements at City facilities (GB0116); and partial funding to assess, design, and complete renovation work at the City property located at 7810 SE 27th Street (former Tully's Property) (GB0121).

Budget Proposals

At the March 26 Planning Session (see [AB 6044](#)), the City Council suggested a list of potential work plan items and projects to include as budget proposals for funding consideration during the 2023-2024 biennium. Since March 2022, the City Manager evaluated additional budget proposals and advanced several for City Council consideration.

As a reminder, the projects, programs, and positions included on the budget proposal list are not funded in the 2023-2024 Preliminary Budget (see [AB 6169x2](#)).

During the October 18 City Council meeting, the City Council postponed consideration of the General Fund and YFS Fund budget proposals until Q2 2023, and advanced for discussion the Capital Fund, Street Fund, and Utility Fund budget proposals for consideration at the November 1 City Council meeting (see Exhibit 2).

ISSUES / DISCUSSION

Exhibit 2 outlines the six budget proposals from the Capital, Streets or Utility Funds in detail. The list includes estimated costs for each fiscal year, identifies whether associated costs are one-time or ongoing, the potential funding source, the Department responsible for overseeing the work, and additional staff notes or comments on each proposal. They include the:

- 1.1. SE 27th Realignment Study.
- 1.2. Bike Share & Scooter Share Pilot Program.
- 1.3. Bike Parking Pilot Program.
- 1.4. Purchase Valve Turner/Vactor Combo Machine.
- 1.5. New 1.0 FTE CIP Program Inspector.
- 1.6. New 1.0 FTE Utility Engineer.

The 2023-2024 budget development schedule calls for the City Council to provide direction on all of the budget proposals at the City Council meeting on November 1. Final disposition on the budget proposals is needed by November 1 to allow staff time to incorporate the changes into the final budget document.

NEXT STEPS

Remaining Budget Development Schedule

The 2023-2024 Budget development schedule is summarized below.

Date	Topic
11/01/2022	Final Budget Workshop Receive direction on Capital-related Budget Proposals
11/15/2022	Discuss Impact of Parks Levy Outcome
<i>Public hearing*</i>	Adopt 2023 utility rates, NORCOM rates, and Property Tax Levies
12/6/2022	Adopt Final 2023-2024 Biennial Budget

Community Outreach and Public Hearings

The public is encouraged to provide feedback on the Preliminary Budget and Capital Improvement Program at the next scheduled Public Hearing scheduled on [November 15](#). Public comment is also invited at all City Council meetings.

RECOMMENDED ACTION

Receive the 2023-2024 Preliminary Budget available at www.mercerisland.gov/budget and determine which budget proposals, if any, should be included in the final 2023-2024 biennial budget.