



## BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5775  
November 2, 2020  
Special Business

### AGENDA BILL INFORMATION

<b>TITLE:</b>	AB 5775: 2021-2022 Biennial Budget: Budget Proposals Discussion	<input type="checkbox"/> Discussion Only
<b>RECOMMENDED ACTION:</b>	Prioritize budget proposals to include in the 2021-2022 Preliminary Budget scheduled for adoption on December 1, 2020.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

<b>DEPARTMENT:</b>	Finance
<b>STAFF:</b>	Matthew Mornick, Interim Finance Director
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	1. Budget Proposal Summaries 2. One-time versus Ongoing Budget Proposals 3. Corresponding Fund Balances
<b>CITY COUNCIL PRIORITY:</b>	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.

<b>AMOUNT OF EXPENDITURE</b>	\$ n/a
<b>AMOUNT BUDGETED</b>	\$ n/a
<b>APPROPRIATION REQUIRED</b>	\$ n/a

### SUMMARY

On September 30, the City Council received the [2021-2022 Preliminary Budget](#), commencing the Council's deliberative process to shape and adopt the 2021-2022 biennial budget. The purpose of this agenda item is to evaluate each budget proposal and determine which, if any, should be prioritized for funding in Fiscal Year 2021 and 2022 and included in the Final budget document.

In October, the City Council held its first public hearing and reviewed the Preliminary Budget's underlying strategy, the entirety of the Operating Budget including a General Fund six-year Forecast, new and proposed staffing changes, and overviews for each City Department. The City Council also reviewed the [2021-2026 Capital Improvement Program](#), the financing strategy that supports it, and a list of Budget Proposals for consideration as part of the 2021-2022 Biennial Budget.

The following exhibits are included:

- Exhibit 1 provides a brief description of each Budget Proposal and "new" budget proposals added after the 2021-2022 Preliminary Budget was published.

- Exhibit 2 summarizes the financial impacts of each budget proposal, including whether the budget proposal requires one-time or ongoing funding, and identifies the respective Fund(s) for each proposal.
- Exhibit 3 provides the beginning and ending Fund Balances for each Fund for reference when considering Budget Proposal requests.

The table below details the unassigned General Fund balance in fiscal year 2021 and 2022. Total revenues exceed expenditures, creating an operating surplus of \$0.8 million in 2021, and \$1.07 million in 2022. Savings from prior years that carry-forward into 2021 amount to \$3.6 million. The total unassigned General Fund balance in fiscal year 2021 is \$4.4 million, which is the primary focus of the budget proposal prioritization exercise.

Unassigned General Fund Balance (millions)	2021	2022
Revenues exceed Expenditure Estimates	\$0.8	\$1.07
One-time Carry-Over from Prior Years	\$3.6	-
<b>Total Unassigned Fund Balance</b>	<b>\$4.4</b>	<b>\$1.07</b>

#### **BUDGET PROPOSAL PRIORITIZATION TOOL AND PROCESS**

In preparation for the City Council’s deliberative process to determine what, if any, of the budget proposals should be included in the final budget, staff created a worksheet that illustrates the impacts of each budget proposal to the General Fund. To use the Budget Proposals Prioritization Tool, follow this link to the City’s website: [www.mercerisland.gov/BudgetTool](http://www.mercerisland.gov/BudgetTool). Instructions on how to use the tool as well as a short “how-to” video are included on the website.

The City Manager will provide a suggested framework for the budget proposal discussion at the City Council meeting, using a consensus-based process to inform a final recommendation.

#### **NEXT STEPS**

On November 17, the City Council will review ordinances and resolutions for adoption related to:

- Demonstrating a Substantial Need for a Property Tax increase in excess of the Implicit Price Deflator
- Setting the Property Tax Levy Amount
- Setting the percent increase to the Property Tax Levy
- Setting the Water, Sewer, and Storm Water Rates for 2021
- Setting the EMS Utility Rates for 2021
- Approving the Northeast King County Regional Public Safety Communication Agency (NORCOM) Rates for 2021
- Approving the A Regional Coalition for Housing (ARCH) work plan and Housing Trust Fund contributions for 2021

At the first City Council meeting in December, staff will return with the final version of the 2021-2022 Biennial Budget for review and consideration. The remaining budget schedule is summarized below.

Date	Topic
11/02/2020, 5:00 PM	Prioritize Budget Proposals
11/17/2020, 5:00 PM <i>Public hearing</i>	Adopt 2021 utility rates, NORCOM rates, ARCH funding, and property tax levy via resolution of substantial need.
12/1/2020, 5:00 PM	Adopt final 2021-2022 Biennial Budget

## RECOMMENDATION

Staff recommends the City Council:

1. Determine which budget proposals, if any, should be included in the final 2021-2022 budget and,
2. Provide direction on the disposition of the estimated 2021 General Fund Balance.