



# BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5765  
October 13, 2020  
Special Business

## AGENDA BILL INFORMATION

<b>TITLE:</b>	AB 5765: Receive the 2021-2022 Preliminary Budget	<input checked="" type="checkbox"/> Discussion Only
<b>RECOMMENDED ACTION:</b>	No action required.	<input type="checkbox"/> Action Needed: <input 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. <a href="#">2021-2022 Preliminary Budget</a>
<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

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 2021-2022 Preliminary Budget on September 30 and a copy was filed with the City Clerk. The presentation on Tuesday kicks-off the budget review and adoption process, a process that will likely span the remainder of the year. Here is the link to the [2021-2022 Preliminary Budget](#).

### Overview of Budget Meetings

At Tuesday's City Council meeting, the City Manager will provide an overview of the 2021-2022 Preliminary Budget. This will include background information along with an explanation of the underlying assumptions used to develop the budget. Also featured in the presentation:

- An overview of the General Fund five-year forecast.
- A high-level look at each Fund Category.
- Review and discussion of Department budgets, work plans, and budget proposals.

On October 20, staff will continue the presentation where it ends on Tuesday evening. This will include wrapping up the Department budget discussions and addressing City Council questions received at the prior

meeting. The meeting will conclude with a presentation and discussion on the proposed Capital Improvement Program.

The October budget presentations are intended to be interactive, addressing questions and comments from the City Council. The Department Heads and other key staff will be attending and participating in the discussion.

On November 2, staff will return to City Council to discuss the 2021-2022 budget proposals and determine what, if any, are to receive funding in the upcoming biennium. The staff welcome any final feedback on the Preliminary Budget at this meeting as the following weeks will be dedicated to preparing the final budget.

On November 17, the City Council will adopt ordinances and resolutions related to 2021 utility rates, set the property tax levy rate for 2021, and approve the ARCH work plan and Housing Trust Fund Contributions for 2021.

The first meeting in December, staff will return to the City Council for adoption of the final version of the 2021-2022 Biennial Budget. The budget schedule is summarized below.

<b>Date</b>	<b>Topic</b>
10/13/2020 5:00 PM	Budget Overview Department Overviews
10/20/2020 5:00 PM <i>Public hearing*</i>	Department Overviews (continued) Capital Improvement Program <ul style="list-style-type: none"> <li>○ Programmatic Improvements</li> <li>○ Major Highlights</li> <li>○ Asset Category Overview</li> </ul>
11/02/2020 5:00 PM	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

**Implicit Price Deflator**

Recent news from the Bureau of Economic Analysis set the implicit price deflator (IPD) at 0.60152%. The implicit price deflator for personal consumption expenditures is a figure used to measure inflation, and it impacts how much property tax revenue a jurisdiction can collect each year.

Under state law, a local government may increase its property tax levy 1% or the rate of inflation (IPD), whichever is less. When the IPD is less than 1%, a super majority (i.e. 5 aye votes) of the City Council must make a finding of “substantial need” via a resolution or ordinance to increase the property tax levy by the full 1%. The last time this occurred was in 2016 to set the 2017 levy, when the IPD was at 0.953 percent. This also occurred in 2015 when the IPD was at 0.251 percent. In both cases, the City Council approved the resolution demonstrating substantial need.

**Community Outreach and Public Hearings**

The public is encouraged to provide feedback on the Preliminary Budget and Capital Improvement Program at two scheduled Public Hearings on [October 20](#) and [November 17](#). Public comment is also invited at all City Council meetings.

**RECOMMENDATION**

Receive the 2021-2022 Preliminary Budget available at [www.mercerisland.gov/budget](http://www.mercerisland.gov/budget)

No additional action required.