



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6194
December 6, 2022
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6194: 2023-2024 Biennial Budget Adoption	<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:	Adopt Ordinance No. 22-23 to approve the 2023-2024 Biennial Budget.	

DEPARTMENT:	Finance
STAFF:	Matthew Mornick, Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	<ol style="list-style-type: none"> 2023-2024 Preliminary Budget available at: www.mercerisland.gov/budget. Ordinance No. 22-23
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 the final step in the City Council’s 2023-2024 Biennial Budget review process, which includes adoption of 2023-2024 Biennial Budget.

- Per Washington State law, the City Manager is required to deliver a balanced preliminary biennial budget for City Council 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 maintains current service levels and provides critical investments to preserve City infrastructure.
- Ordinance No. 22-23 (Exhibit 2) includes the estimated beginning fund balances, expenditure, and revenues for each separate Fund for the 2023-2024 biennium.
- The 2023-2024 Biennial Budget is balanced. It includes over \$200 million in expenditures across all Funds, and reflects the collective decisions made by the City Council over the past several months.

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.

On September 6, 2022 staff presented the 2022 Second Quarter Financial Status Update and long-term financial forecast to the City Council (see [AB 6145](#)). The revenue forecast projected the 2022 year-end financial position, as well as the subsequent biennium, and served as the basis for developing the 2023-2024 Preliminary Budget.

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, bringing into focus 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, including using \$3.7 million in REET-2 reserves from the Street Fund to fund the Luther Burbank Dock and Waterfront Improvements project (PA0122) and \$1.6 million in ARPA funds to begin making critical investments in City facilities. The City Council also postponed consideration of the General Fund and YFS Fund budget proposals until Q2 2023.

At the November 1 City Council meeting, the City Council approved the six budget proposals tied to the Capital, Streets, and Utility Funds (see [AB 6177](#)).

On November 15, the City Council received a status update on the City's finances through the third quarter of 2022 (see [AB 6185](#)). Furthermore, the City Council conducted a first reading of property tax levy Ordinance Nos. 22-20 and 22-21 (see [AB 6184](#)), which set the property tax rate and amount the City will levy in fiscal year 2023. The City Council also adopted the 2023 water, sewer, storm water, and EMS rates, as well as the City's annual budget contribution for the regional public safety radio system (NORCOM).

During a special meeting on November 29, the City Council held the second reading and final adoption of the property tax levies for fiscal year 2023 (see [AB 6193](#)).

NEXT STEPS

Staff will publish the final 2023-2024 Biennial Budget on the City's website no later than January 31, 2023.

RECOMMENDED ACTION

Adopt Ordinance No. 22-23, adopting the biennial budget for the City of Mercer Island, Washington, for fiscal years 2023-2024.