

# Budget Workshop

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AB 5776: Q3 2020 Financial Status Update

AB 5777: Resolutions & Ordinances for 2021-2022 Budget

November 17, 2020 City Council Meeting

# Agenda

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## AB5776

- ❑ Q3 Financial Status Update
- ❑ Budget Proposal Selection Results (11/02)

## AB5777

- ❑ Property Tax Levy
  - ❑ Finding of Substantial Need
- ❑ Water, Sewer, Storm Water, and EMS Rate Resolutions
- ❑ NORCOM Rate Resolutions
- ❑ Next Steps



# Approved Budget Proposals

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# Summary of November 2 Council Actions

- Unassigned General Fund Balance for FY 2021-2022 of \$4.4 M

<b>GENERAL FUND OVERVIEW</b> (\$ millions)	<b>2021</b>	<b>2022</b>
Unassigned General Fund Balance FYE	\$4.4	\$5.3
Net Impact, One-time Changes	1.6	1.7
Net Impact, Ongoing Changes	0.5	1.2
<b>Remaining Unassigned Fund Balance</b>	<b>\$2.3</b>	<b>\$0.3</b>



# November 2 Council Actions

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- ❑ **\$3.3 M in funding for 17 one-time proposals:**
  - ❑ One-time contributions to pay down the City's unfunded long-term liabilities.
  - ❑ Projects, purchases, and a limited-term position.
  - ❑ One-time resources to restart recreation services and the Thrift Shop.
- ❑ **\$1.7 M in funding for 13 proposals with ongoing costs, most beginning in 2022:**
  - ❑ New positions and Park and Town Center maintenance.
  - ❑ Diversity training, health initiatives, and a Farmer's Market subsidy.



# November 2 Council Actions

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- ❑ **Budget Proposal:** Housing Action Plan versus a Housing Needs Assessment
- ❑ Staff requests \$30,000 to complete a Housing Needs Assessment:
  - ❑ Inventory community's existing housing stock.
  - ❑ Analyze current and future housing needs and gaps in housing stock.
  - ❑ Review existing policies, programs, and regulations to focus future work.
- ❑ First step towards Comp Plan update (2024), foundational for future Housing Action Plan.



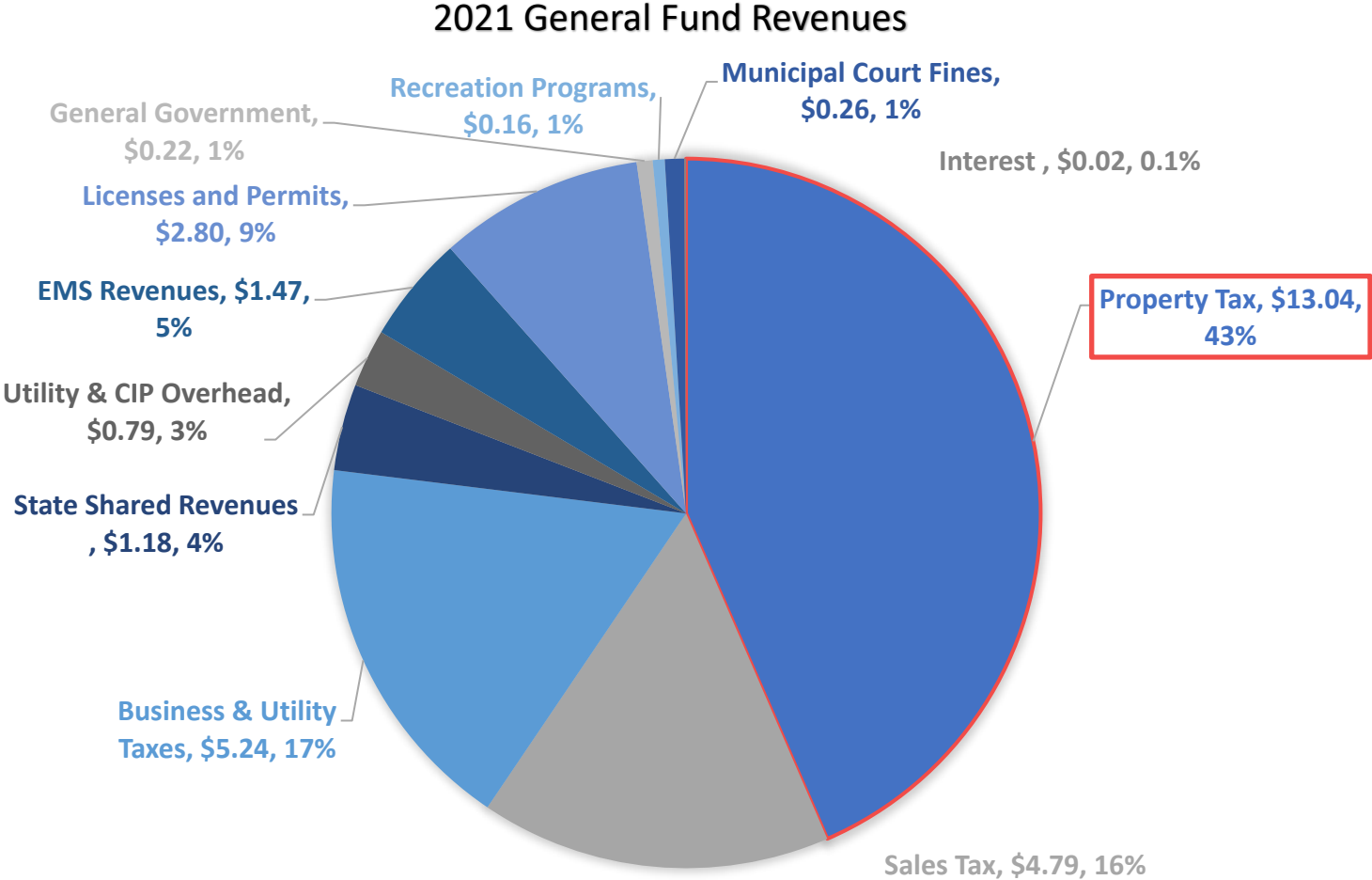
# Property Tax Levy

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# Property Tax Overview

- Property Tax represents 43% of General Fund's \$29.98 M revenues.





# Property Tax Overview

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- Property Tax revenues are divided among five different Funds
  1.  $\approx 92\%$  goes to the General Fund
  2. 4% goes to the Bond Redemption Fund
  3. 2% goes to the Capital Improvement Fund
  4. 2% goes to the Equipment Rental Fund
  5.  $\approx 0.2\%$  goes to the Firefighter's Pension Fund



# Property Tax Overview

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- Property Tax consists of many different elements
  1. Regular levy
  2. 2008 levy lid lift (Parks maintenance and operations)
  3. 2012 levy lid lift (Fire Station 92 debt service and apparatus replacement)
  4. 1.0% optional annual increase
  5. New construction
  6. Re-levy from prior year refunds



# Allowable Property Tax Increases

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- ❑ State law permits Cities to increase property tax annually
  - ❑ 1.0% or the Implicit Price Deflator (IPD), whichever is lower, plus new construction.
  - ❑ IPD for 2021 is 0.602%
  - ❑ The City can still levy 1.0% when a “substantial need” is declared.
- ❑ Staff recommends Council adopt the resolution of substantial need.



# Substantial Need Declaration

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- ❑ Considerations in determining “substantial need”:
  1. General Fund revenues are forecast to decline in 2021 by 8.4%.
  2. Personnel costs increase 4% in 2021 relative to 2020.
  3. \$1.8M in one-time funds is allocated to address revenue shortfalls and to re-start operations impacted by the ongoing Pandemic.
  
- ❑ Compounding effect in future years.



# Property Tax Levy for FY 2021

Levy Elements	2020 Final Levy	2021 PRELIM Levy
<b>Total Regular Levy</b>	<b>\$12,281,223</b>	<b>\$12,503,176</b>
<b>Levy Lid Lifts</b>		
2008 Parks Maintenance & Operations + 1%	964,630	974,276
2012 Fire Station & Fire Rescue Truck + 1%	688,880	695,769
<b>Total Levy Lid Lifts</b>	<b>1,653,510</b>	<b>1,670,045</b>
<b>Total Levy</b>	<b>\$13,934,733</b>	<b>\$14,173,221</b>
<b>% Change Relative to Prior Year</b>	<b>1.00%</b>	<b>1.00%</b>



# Utility and Other Rate Changes

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# Utility Rate Changes

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- ❑ Last external rate study completed in 2010.
- ❑ Water, Sewer, and Storm Water Rate Study conducted this Fall.
  - ❑ Focus on fiscal year 2021, forecast 2022.
- ❑ Considered operating costs, current debt service, & capital program costs.
- ❑ Proposed Rate Plan
  - ❑ Balances financial needs and minimizes customer impacts.
  - ❑ Reaches reinvestment funding targets AND current capital needs.



# Proposed Rates

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- Unanimous recommendation from Utility Board on October 14, 2020.

Rate	Percent Increase 2021 and 2022	Increase per Month in 2021	Increase per Month in 2022
Water	5.25%	\$2.89	\$3.05
Sewer (local)	4.00%	\$1.81	\$1.88
Storm Water	5.50%	\$0.98	\$1.04
EMS	1.78%	\$0.09	\$0.09





# NORCOM Budget

- ❑ Participant Cities must adopt a resolution before NORCOM approves its 2021 budget.
  - ❑ The City's NORCOM allocation in 2021 is \$705,034 in 2021.

NORCOM Budget Allocations				
Department	2020	2021	\$ Change	% Change
Police	569,569	539,114	(30,455)	-5.3%
Fire	165,022	165,920	898	0.5%
<b>Total</b>	<b>\$ 734,591</b>	<b>\$ 705,034</b>	<b>\$ (29,557)</b>	<b>-4.0%</b>



# Next Steps

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- ❑ December 1

- ❑ Return with final 2021-2022 Biennial Budget for City Council adoption.



# Staff Recommendation

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# Staff Recommendation

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1. Approve Resolution No. 1587, declaring a finding of “substantial need” setting the 2021 Property Tax levy limit at 101%.
2. Suspend the City Council Rules of Procedure 6.3, requiring a second reading for an ordinance.
3. Adopt Ordinance No. 20-22, appropriating funds and establishing the amount of Property Taxes to be levied for fiscal year 2021.
4. Adopt Ordinance No. 20-23, establishing the dollar amount and percentage increases of the regular Property Tax levy and the levy lid lifts for fiscal year 2021.
5. Allocate \$30,000 of unassigned General Fund Balance to complete the Housing Needs Assessment as part of the 2021-2022 budget.



# Staff Recommendation

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6. Approve the following utility rates:
  - A. Approve Resolution No. 1588, establishing classifications of water users and a schedule of charges for water usage, a schedule of rates for fire service, a schedule of special service charges, meter and service installation charges, and connection charges effective January 1, 2021 and thereafter.
  - B. Approve Resolution No. 1589, establishing rates and connection charges for sewage disposal services provided by the City of Mercer Island effective January 1, 2021 and thereafter.
  - C. Approve Resolution No. 1590, establishing the bi-monthly service charge for storm and surface water services provided by the City of Mercer Island effective January 1, 2021 and thereafter.
  - D. Approve Resolution No. 1591, establishing the bi-monthly utility fee for the emergency medical and ambulance services supplied by the City of Mercer Island effective January 1, 2021 and thereafter.



# Staff Recommendation

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7. Approve Resolution No. 1592, approving NORCOM's 2021 budget allocation.



# Questions

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