



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 5776
November 17, 2020
Regular Business**

AGENDA BILL INFORMATION

TITLE: RECOMMENDED ACTION:	AB 5776: Q3 2020 Financial Status Update and Budget Amending Ordinance No. 20-25	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
	Receive financial status update, suspend City Council Rules of Procedure 6.3, and adopt Ordinance No. 20-25, amending the 2019 – 2020 Biennial Budget.	

DEPARTMENT:	Finance
STAFF:	Matthew Mornick, Interim Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Q3 2020 Financial Status Update 2. Ordinance No. 20-25, Q3 2020 Budget Amendments
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.

AMOUNT OF EXPENDITURE	\$ 3,997,687
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ 3,997,687

SUMMARY

FINANCIAL STATUS UPDATE

In keeping with staff’s efforts to provide the City Council with quarterly updates on the City’s financial position, Exhibit 1 includes financial results for revenue and expenditure categories through September 30, 2020. The budget reflected in the financial status update includes budget amendments adopted by ordinance through September 1, 2020.

Based on the financial data through September, the City has collected \$19.9 million in General Fund revenues, or 64.8 percent of the revenue budget as amended. Property Tax revenues are low at this point in the year due to the timing of Property Tax collections, with the latter half of the year’s payments from property owners due October 31, 2020. At this point in the year, general sales tax is performing above amended budget expectations due to higher than expected returns, while utility tax revenues are slightly below the targeted threshold due to downward trends in cellular utility taxes.

Total General Fund revenues are \$1.5 million less than at the end of the third quarter 2019. The shortfall, as compared to 2019, is driven by anticipated declines in recreation, licenses, permitting and land use revenues resulting from the COVID-19 Pandemic (“Pandemic”) impacts to City operations.

General Fund expenditures are within amended budget estimates at the end of September. Total expenditures of \$21.3 million are 70 percent of the budget as amended. Total expenditures are \$2.2 million less than the same period in 2019, reflecting the phased expenditure reductions that began in late May of 2020, which brought total cost saving measures in 2020 to \$3.8 million.

Salary and benefit costs are on track at 73% of the amended budget at the end of the third quarter. Other services and charges, which includes insurance, utilities, jails, and intergovernmental costs, are approaching 72%, but still below prior year spending.

All other expenditure categories are under budget for the end of the third quarter. Staff anticipates all categories will remain within budget expectations through year-end.

GENERAL FUND EXPENDITURES (\$ MILLIONS)	2020 Amended Budget	Actuals thru 9/30/19	Actuals thru 9/30/20	YTD as % of Budget
Salary & Benefits	\$22.6M	\$17.6M	\$16.5M	73%
Supplies	\$1.3M	\$0.5M	\$0.4M	29%
Contract Services	\$1.8M	\$1.1M	\$1.0M	57%
Other Services & Charges	\$4.5M	\$3.8M	\$3.2M	72%
Interfund Transfers Out	\$0.4M	\$0.6M	\$0.2M	55%
Total Expenditures	\$30.5M	\$23.7M	\$21.3M	70%

The City’s Water, Sewer, and Stormwater Utility funds are operating within budget expectations. Capital projects across the utility funds continue, though at a slower pace than originally anticipated due to the impacts of the Pandemic and staff spending significant time on the pre-construction phases of two major capital investments – the SCADA System Upgrade and Meter Replacement projects .

In the YFS Fund total revenues are 42.7% of the amended budget at the end of September, down \$1.2 million from the same period in 2019. The Pandemic caused the Thrift Shop and Luther Burbank Administration Building to close along with most City facilities in March 2020 severely limiting the ability of the YFS Fund to generate revenue. Expenditures for the YFS Fund are at 63% of budget at quarter end, reflecting the impact of phased reductions that began early May.

All other operating and capital funds of the City are within budget expectations, and there are no significant variances to either revenue or expenditures.

RECOMMENDATION

1. Suspend the City Council Rules of Procedure 6.3, requiring a second reading for an ordinance.
2. Adopt Ordinance No. 20-25, amending the 2019-2020 Biennial Budget.