

Log #	Received From	Comment/Question	Staff Response																																												
01	Councilmember Weinberg	<p>The general sales tax revenues are up about 5% from last year. Did our budget for this year take inflation into account? Is there a delta between the inflation we anticipated and the actual inflation that's been observed in Q1? Does this delta cover some or all of this 5% gap?</p>	<p>In August 2020 when the revenue forecast was developed, inflation was not included on the revenue side of the budget. See the chart below, which includes food, energy, and consumer goods. Inflation, however, was included on the expenditure side of the budget.</p> <p>The revenue forecast presented to Council in September 2020 served as the basis for developing the 2021-2022 budget. The top of page 6 outlined assumptions regarding sales tax at that time.</p> <div data-bbox="1171 483 1864 873" data-label="Figure"> <table border="1"> <caption>CPI Chg% - All Items US</caption> <thead> <tr> <th>Month</th> <th>Percentage Change</th> </tr> </thead> <tbody> <tr><td>Aug 20</td><td>1.3%</td></tr> <tr><td>Sep 20</td><td>1.4%</td></tr> <tr><td>Oct 20</td><td>1.2%</td></tr> <tr><td>Nov 20</td><td>1.2%</td></tr> <tr><td>Dec 20</td><td>1.4%</td></tr> <tr><td>Jan 21</td><td>1.4%</td></tr> <tr><td>Feb 21</td><td>1.7%</td></tr> <tr><td>Mar 21</td><td>2.6%</td></tr> <tr><td>Apr 21</td><td>4.2%</td></tr> <tr><td>May 21</td><td>5.0%</td></tr> <tr><td>Jun 21</td><td>5.4%</td></tr> <tr><td>Jul 21</td><td>5.4%</td></tr> <tr><td>Aug 21</td><td>5.3%</td></tr> <tr><td>Sep 21</td><td>5.4%</td></tr> <tr><td>Oct 21</td><td>6.2%</td></tr> <tr><td>Nov 21</td><td>6.8%</td></tr> <tr><td>Dec 21</td><td>7.0%</td></tr> <tr><td>Jan 22</td><td>7.5%</td></tr> <tr><td>Feb 22</td><td>7.9%</td></tr> <tr><td>Mar 22</td><td>8.5%</td></tr> <tr><td>Apr 22</td><td>8.3%</td></tr> </tbody> </table> </div> <p>On the revenue side, inflation directly impacts sales tax revenues given it is typically passed on in higher prices. The 5% increase in the first quarter of 2022 is in part a result of inflation, reflected as an initial increase in gross receipts. We anticipate sales tax revenues will reach a tipping point if/when consumers pull back from spending due to higher prices.</p> <p>Inflation is now a material factor and will be included in the Revenue Forecast presented later this year.</p> <p>General Sales tax revenues are closely tracked via data we receive from the Department of Revenue. We are tracking gross sales by sector and now transaction volume to see how demand in each sector is impacted in FY 2022. My hope is to observe how inflation is impacting the number of purchases by sector, which will inform the 2023-2024 forecast given inflation is unlikely to go down in the foreseeable future.</p>	Month	Percentage Change	Aug 20	1.3%	Sep 20	1.4%	Oct 20	1.2%	Nov 20	1.2%	Dec 20	1.4%	Jan 21	1.4%	Feb 21	1.7%	Mar 21	2.6%	Apr 21	4.2%	May 21	5.0%	Jun 21	5.4%	Jul 21	5.4%	Aug 21	5.3%	Sep 21	5.4%	Oct 21	6.2%	Nov 21	6.8%	Dec 21	7.0%	Jan 22	7.5%	Feb 22	7.9%	Mar 22	8.5%	Apr 22	8.3%
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02	Councilmember Weinberg	The county-wide criminal justice sales tax revenues are up over 15% from last year – which is triple the growth rate of general sales tax. I wonder why the two are not within a couple percentage points of each other. Was there an outlier event at the county level, such as a big airplane order for Boeing or something?	<p>General sales tax is based on sales for Mercer Island alone and is limited by the types of businesses and business sectors that exist on the Island. Criminal justice sales tax is from King County and distributed on a per capita basis to Cities. This criminal justice sales tax is affected by more varied types of businesses and business sectors and, because of this, performs differently.</p> <p>Staff has not been notified of any outlier event but presume the high growth rate in Q1 2022 ties to the strong recovery that occurred throughout 2021 in countywide taxable sales.</p>																																						
03	Councilmember Weinberg	I notice that the Municipal Court revenues are 40% lower in Q1'22 than in Q1'21. Judge Gregory informs me fewer cases are being filed. When comparing Q1'22 to Q1'21, have the island's rates of property crime and domestic violence (historically our 2 highest generators of court cases) gone down just as dramatically? If not, any theories as to why cases filed per 100 crimes is lower?	<p>During the roughly 2-year pandemic there were fewer court filings due primarily to a reduction in traffic citations.</p> <p>When looking specifically at Q1 2021 compared with Q1 2022 our court did see an overall decrease in case filings and revenue. The main driver behind the reductions is due to Newcastle's significant reduction in activity as seen in the below chart. As you know, the City of Newcastle contracts with Mercer Island for their court services.</p> <p>Mercer Island's filings increased from 118 in Q1 2021 to 159 in Q1 2022. Mercer Island's court revenue was down approximately \$4,000 during that same time, or -15%. Cases can take time to work their way through the court once filed, resulting in a lag between case filings and court revenues.</p> <table border="1"> <thead> <tr> <th colspan="2"></th> <th>Q1 2021</th> <th>Q1 2022</th> <th>\$ Difference</th> <th>% Difference</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Court Filings</td> <td>Mercer Island</td> <td>118</td> <td>159</td> <td>41</td> <td>35%</td> </tr> <tr> <td>Newcastle</td> <td>409</td> <td>45</td> <td>(364)</td> <td>-89%</td> </tr> <tr> <td>Total</td> <td>527</td> <td>170</td> <td>-323</td> <td>-61%</td> </tr> <tr> <td rowspan="3">Court Revenue (rounded)</td> <td>Mercer Island</td> <td>\$27,000</td> <td>\$23,000</td> <td>(\$4,000)</td> <td>-15%</td> </tr> <tr> <td>Newcastle</td> <td>\$38,000</td> <td>\$17,000</td> <td>(\$21,000)</td> <td>-55%</td> </tr> <tr> <td>Total</td> <td>\$65,000</td> <td>\$40,000</td> <td>(\$25,000)</td> <td>-38%</td> </tr> </tbody> </table>			Q1 2021	Q1 2022	\$ Difference	% Difference	Court Filings	Mercer Island	118	159	41	35%	Newcastle	409	45	(364)	-89%	Total	527	170	-323	-61%	Court Revenue (rounded)	Mercer Island	\$27,000	\$23,000	(\$4,000)	-15%	Newcastle	\$38,000	\$17,000	(\$21,000)	-55%	Total	\$65,000	\$40,000	(\$25,000)	-38%
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04	Councilmember Weinberg	I'm curious as to why the \$125,000 allocated for CAP is being categorized under City Council and not Public Works.	Staff budgeted the Climate Action Plan to the City Council given this was a City Council driven initiative discussed in prior City Council meetings.																																						
05	Councilmember Weinberg	I notice that 8 of the general fund departments expended less than 20% of their annual budget in Q1. Other than the City Council dept, which you explained, is there a common reason why the other 7 are coming in below 20%? Are they	It is common for expenditures to lag in the first quarter of the year, partly due to salary savings due to unfilled positions, but largely due to underspending operating supplies. Based on historical seasonality, expenditures increase as we progress through the calendar year.																																						

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		all seasonal where Q1 is expected to be low? Are some of them underspending due to unfilled positions where we're realizing a salary savings in the short term but potentially creating a work backlog longer term?	Additionally, departments have yet to tap into their professional service expense budgets through the first quarter, of which only 16.2 percent has been spent to date across all departments.
06	Councilmember Weinberg	The water revenues are 14% higher in Q1 2022 than they were in Q1 2021, while the sewer revenues are only 5% higher and storm water only 1.6% higher. I wonder why these 3 rates of growth aren't much closer to one another. Theoretically, inflation should affect them all the same. Did water rates go up while sewer rates didn't? Is storm water revenue in some way proportional to the weather?	<p>Water based revenues are more volatile compared to sewer and stormwater revenues because water revenues are based on consumption. Sewer and stormwater rates are largely based on fixed costs.</p> <p>Utility rates will be updated with the next biennial budget. Staff is working with an outside consulting firm to ensure that cost recovery is being met efficiently and adequately through the current rates.</p>
07	Councilmember Weinberg	As Supply Chain Management issues impact the progress of various in-flight projects, to what extent are we able to switch resources over to other projects not facing such delays? Is there anything that can be done to mitigate SCM's "shift to the right" impact on the city's long-term CIP? Anything Council can do to help?	<p>Staff is working to address resource delays with projects by completing design and having "construction ready" projects. Additionally, staff is working with the design teams to identify potential material or resource delays early in design and begin procurement of these elements sooner to help account for resource/material delays.</p> <p>Switching to other projects is only successful if projects are designed and ready to be constructed, hence the focus on getting "construction ready" projects.</p>