

INTRODUCTION

The Financial Status Update provides a budget to actual comparison of revenues and expenditures for the General Fund and all other Funds from January through March 2021.

This report is comprised of the following four sections:

- General Fund
- Utility Funds
- All Other Funds
- Budget Adjustment Summary

It should be noted that, where significant, revenues are recognized when earned, regardless of when cash is received, and expenditures are recognized when a liability has been incurred or when resources have been transferred to another Fund. Beginning Fund Balance represents net excess resources from a prior year that have been appropriated to Fund budgeted expenditures in the current year.

MAY 18, 2021

FINANCIAL STATUS UPDATE

AS OF MARCH 31, 2021

2021 General Fund

Adopted Revenue Budget

\$31.0 million

Revenue Actuals

as of March 31,

*\$5.9 million (18.1% of
amended budget)*

Adopted Expenditure Budget

\$30.5 million

Expenditure Actuals

as of March 31,

*\$7.6 million (25.2% of
amended budget)*

Contingency Fund Balance

\$3.9 million

GENERAL FUND

Revenues

Overall, General Fund revenues performed as expected at the end of March despite the ongoing COVID-19 Pandemic (Pandemic). The 2021 adopted revenue budget is included in the Table below along with year-to-date (YTD) actuals, and YTD actuals as a percentage of the adopted budget. Prior YTD actuals are presented for comparative purposes.

The budget and actual amounts are for the first three months of the year, through the end of March. Additional detail regarding primary General Fund revenues and material variances from the original budget is discussed in the narrative below.

GENERAL FUND: Revenues

As of March 31, 2021

Revenue Category	2021 Adopted Budget	Prior YTD 3/31/2020	YTD 3/31/2021	YTD Revenue as % of Adopted Budget
Property Tax	\$ 12,982,811	\$ 954,555	\$ 1,212,120	9.3%
Sales Tax - General	4,116,770	1,103,302	1,182,392	28.7%
Sales Tax - Criminal Justice	674,900	181,422	183,422	27.2%
Utility Taxes	4,734,540	1,146,625	1,295,228	27.4%
B&O Taxes	508,600	11,186	33,735	6.6%
Shared Revenues	1,181,024	104,845	111,126	9.4%
Cost Allocation-Overhead	792,835	187,806	198,204	25.0%
EMS Revenues	1,575,537	366,482	371,864	23.6%
Parks & Recreation	163,400	219,286	63,602	38.9%
License, Permit & Zoning	2,800,750	588,483	1,067,284	38.1%
Municipal Court	262,600	55,678	66,295	25.2%
Miscellaneous Revenue	218,200	115,795	64,857	29.7%
Interest Earnings	24,600	9,151	2,066	8.4%
Interfund Transfers	50,000	0	50,000	N/A
Total Revenues	\$ 30,086,567	\$ 5,044,616	\$ 5,902,195	18.5%
Beginning Fund Balance	925,214	0	0	0.0%
Total Resources	\$ 31,011,781	\$ 5,044,616	\$ 5,902,195	18.1%

Property Tax is at 9.3 percent of the budget at the end of March. This lag in revenues reflects annual timings of property tax payments to the City which typically occur in April and October.

General Sales Tax is 28.7 percent of the amended budget at the end of March. Because of the delay in receiving Sales Tax from the State, tax revenue is recognized one month later than it is collected (i.e., March Sales Tax revenue numbers represent February sales). Sales Tax revenue is performing above

budget expectations primarily due to higher-than-expected returns. This higher than anticipated return is due to an increase of online sales in lieu of limited in-person shopping by the Pandemic.

Construction has historically been the largest component of Sales Tax revenue but due to the increase of online sales, Retail & Wholesale Trade now represents a greater share of total revenue. The following table compares Sales Tax revenue by business sector through March for 2020 and 2021.

2020-2021 General Sales Tax Revenue by Business Sector (in thousands)						
Business Sector	Year to Date 3/31/2020	Year to Date 3/31/2021	Increase / (Decrease)	% of Total		
				2020	2021	Sector Totals Change
Construction	\$377	\$368	(\$9)	34.2%	31.1%	-3.1%
Retail & Wholesale Trade	\$354	\$429	\$76	32.1%	36.3%	4.2%
Admin & Support Services	\$93	\$120	\$27	8.4%	10.2%	1.7%
Food Services	\$56	\$45	(\$11)	5.1%	3.8%	-1.3%
Telecommunications	\$33	\$41	\$8	3.0%	3.5%	0.5%
Finance/Insurance/Real Estate	\$46	\$44	(\$1)	4.1%	3.7%	-0.4%
Professional, Scientific & Tech	\$39	\$35	(\$4)	3.6%	3.0%	-0.6%
All Other Sectors	\$104	\$100	(\$4)	9.4%	8.5%	-1.0%
Total	\$1,100	\$1,182	\$82	100.0%	100.0%	

Business & Occupation (B&O) Tax is 6.6 percent of budget at the end of March. This underage is expected because most of the City’s registered businesses file an annual, rather than quarterly, B&O tax return. Annual B&O tax returns for the prior year are due on the Federal deadline of April 15. B&O tax revenues for 2021 are likely to be received early fiscal year 2022, before the Federal filing deadline.

Shared Revenues are 9.4 percent of budget at the end of March. Major revenue sources include State shared taxes; hazardous waste grants; the I-90 corridor landscape maintenance revenue from the Washington State Department of Transportation; vessel registration fees received from the state through King County; the marine patrol services contract revenue from the City of Renton; and financial support for the School Resource Officer received from the Mercer Island School District. Timing of these revenues is variable throughout the year, with most expected in the third and fourth quarters of the year.

Parks and Recreation revenues are 38.9 percent of budget at the end of March. Revenue sources include limited field rentals, boat launch fees, and rent payments from the annex building outside the Mercer Island Community and Event Center (MICEC). Staff has presented to Council an implementation strategy to kickstart limited Recreation services that were canceled in 2020 due to the Pandemic. If the budget amending ordinance passes, staff intends to begin collecting revenue from these reintroduced services.

License, Permit, and Zoning Fees are 38.1 percent of budget at the end of March. This revenue category consists of fees related to development services, business licenses, and a cable franchise. This revenue stream is performing better than expected due to a large, one-time permitting revenue payment received in February relating to the Xing Hua property in Town Center.

Interest Earnings are budgeted in the General Fund as an estimate of earnings tied to the balance of the reserve for LEOFF 1 long term care. The City’s idle cash resources are invested in the State Treasury Local

Government Investment Pool. Per current budget policy, interest earnings are distributed to the various Funds based on their relative cash balances at the end of each quarter. Across all Funds, interest earnings are experiencing a decline compared to 2020.

All other revenues are within normal expectations through the end of the year.

Expenditures

Overall, General Fund expenditures are within budget estimates at the end of March. The table below lists the 2021 adopted expenditure budget, year-to-date actuals, and year-to-date actuals as a percentage of the adopted budget. Prior year actuals are presented for comparative purposes.

The budget and actual amounts are through the first three months of the year – the end of March. Additional detail of material variances from the adopted budget are discussed in the narrative below.

GENERAL FUND: Expenditures

As of March 31, 2021

General Fund Department	2021 Adopted Budget	Prior YTD 3/31/2020	YTD 3/31/2021	YTD Expense as % of Adopted Budget
Administrative Services	\$ 478,523	N/A	\$ 106,361	22.2%
City Attorney's Office	743,450	143,404	276,436	37.2%
City Council	47,375	51,210	10,107	21.3%
City Manager's Office	963,104	250,153	178,335	18.5%
Community Planning & Development	2,744,975	876,859	566,380	20.6%
Finance	944,767	171,034	203,932	21.6%
Fire	6,988,873	1,986,575	1,860,290	26.6%
Human Resources	747,009	233,121	209,771	28.1%
Information & Geographic Services	157,849	40,715	39,399	25.0%
Municipal Court	473,078	114,156	105,103	22.2%
Non-Departmental	1,882,759	1,005,789	825,553	43.8%
Parks & Recreation	727,553	1,067,477	197,039	27.1%
Police	7,382,410	1,994,196	1,912,336	25.9%
Public Works	4,885,973	384,853	726,305	14.9%
Total Expenditures	\$ 29,167,698	\$ 8,319,541	\$ 7,217,348	24.7%
Interfund Transfers	1,365,787	0	467,721	34.2%
Total Expenditures + Interfund Transfers	\$ 30,533,485	\$ 8,319,541	\$ 7,685,070	25.2%

In reviewing expenditures by department, the following are noteworthy:

City Attorney's Office has expended 37.2 percent of budget at the end of March. This higher-than-expected amount is due to Sound Transit litigation expenditures. Ordinance 21-07, adopted by Council on

April 20th, included a budget carryover amount for litigation costs that is not reflected in the 2021 Adopted Budget column in the table above.

Human Resources expenditures ended March at 28.1 percent of budget. A yearly subscription cost for the City’s job posting site is the cause of the slight overage.

Non-Departmental has expended 43.8 percent of budget at the end of March. The largest line-item expenditure in non-departmental is the annual payment of liability and property insurance which is paid in full in January. Expenditures are expected to remain within budget throughout the remainder of the year.

Public Works expenditures ended March at 14.9 percent of budget. This underage is a result of Parks Operations being rolled into Public Works as part of the City’s staff reorganization that took place in November of 2020. The seasonality of work in Parks Operations causes the majority of operating expenditures to occur in the second and third quarter of the year.

All other expenditures are meeting expectations through the end of the year.

UTILITY FUNDS

At the end of March, all three utility Funds are within expectations for operating revenues and expenditures.

Revenues

The table below lists the 2021 revenue budget, January through March actuals, and a percentage of budget received. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the end of March. Additional detail of major variances is discussed in the narrative following the table.

UTILITY FUNDS: Revenues

As of March 31, 2021

Revenue Category	2021 Adopted Budget	Prior YTD 3/31/20	YTD 3/31/21	YTD Revenue as % of Adopted Budget
Operating Revenues				
Water Utility	\$ 8,735,800	\$ 1,653,566	\$ 1,604,387	20.3%
Sewer Utility	10,478,100	2,733,603	2,782,544	27.6%
Storm Water Utility	2,216,300	548,497	598,101	27.7%
Interest Earnings				
Water Utility	156,100	65,736	11,342	6.5%
Sewer Utility	63,000	25,859	5,414	7.6%
Storm Water Utility	45,100	20,525	2,908	5.7%
Total Revenues	\$ 21,694,400	\$ 5,047,786	\$ 5,004,697	24.5%

Water, Sewer, and Storm Water Utility operating revenues are within expectations and reflect the seasonality of utility revenues. Adopted rate increases that became effective January 1, 2021 result in dollar increases as compared to 2020 revenues for the same period.

Interest earnings for the Water, Sewer, and Storm Water Utility Funds are well below expected budget numbers. The local government investment pool saw a steady decline in yields (likely caused by the Pandemic) through 2020 which has continued into 2021.

Expenditures

The table below lists the 2021 adopted expenditure budget by Utility Fund and category, year to date actuals, and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the end of March. Additional detail of major variances is discussed following the table.

UTILITY FUNDS: Expenditures

As of March 31, 2021

Category	2021 Adopted Budget	Prior YTD 3/31/10	YTD 3/31/21	YTD Expense as % of Adopted Budget
Operating Expenditures				
Water Utility	\$ 5,929,827	\$ 895,551	\$ 1,003,039	16.6%
Sewer Utility	7,686,517	1,870,887	1,792,042	22.1%
Storm Water Utility	1,684,308	334,794	304,998	20.0%
Capital Projects				
Water Utility	6,277,671	148,339	258,155	3.1%
Sewer Utility	2,216,440	184,811	31,525	0.8%
Storm Water Utility	1,072,272	203,822	47,605	2.1%
Debt Service				
Water Utility	109,875	-	-	0.0%
Sewer Utility	1,047,070	-	-	0.0%
Storm Water Utility	-	-	-	N/A
Total Expenditures	\$26,023,980	\$ 3,638,204	\$ 3,437,364	11%

Operating expenditures are below the first quarter 25 percent threshold for the following reasons:

- Position vacancies are resulting in salary and benefit savings while position recruitments are underway.
- Water purchased for resale is at 8.4 percent of budget. Given the seasonality of water consumption this is consistent with expectations and prior year experience.

Utility capital projects are below budget projections in 2021. This underage is typical for the first quarter of the year as projects are being designed and prepared for the construction season that mostly occurs in the second and third quarters. The significant unspent budget allocation is also a result of current staff spending a significant amount of time on the pre-construction phases of the SCADA System Upgrade, Booster Chlorination Station, and Meter Replacement projects, delaying work on other capital projects.

The SCADA System Upgrade is currently in design. Progress has been slow due to staff vacancies and system complexities. The SCADA system supports both water and sewer operations. Design continued in the first quarter of 2021. Consultant worked on graphics and programming for the water sites which are anticipated to finish construction in Q3 of 2021. The draft report for the ventilation study of the sewer pump stations was completed at the end of 2020. Design and operational control and communication strategies will continue throughout 2021.

The Booster Chlorination Station is currently in design. This project aims to construct a booster disinfection system to reduce the risk of future water system contaminations, a need identified by the 2014 Boiled Water Advisory long-term action plan. The consultant under contract submitted 50 percent design to the City in November 2020. Design work will continue into Q2 of 2021.

Progress on the Meter Replacement project has also been slow due to key staff vacancies. This project will replace the aging water meters throughout the City, more than 60 percent of which are 15 years or older. Once completed, the project will implement new Advanced Metering Infrastructure (AMI) technologies that integrate with the SCADA System Upgrade to better support future system analysis and operations. The City has identified its first-choice vendor for the project and work is expected to start in Q3 of 2021.

ALL OTHER FUNDS

Revenues

The table below lists the 2021 adopted revenue budget, end of March actuals, and a percentage of budget received. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the end March. Additional detail of major variances is discussed in the narrative following the table.

ALL OTHER FUNDS: Revenues

As of March 31, 2021

Fund Name	2021 Adopted Budget	Prior YTD 3/31/2020	YTD 3/31/2021	YTD Revenue as % of Adopted Budget
Self Insurance Claim	\$ 10,000	\$ -	\$ -	N/A
Youth Services Endowment	5,000	1,236	166	3.3%
Street	3,781,817	430,560	677,182	17.9%
Contingency	260,300	83,072	14,961	5.7%
1% for the Arts	17,000	-	-	N/A
Youth & Family Services	2,191,387	542,447	622,025	28.4%
Bond Redemption (Voted)	-	-	-	N/A
Bond Redemption (Non-Voted)	847,200	-	-	0.0%
Town Center Parking Facilities	-	-	-	N/A
Capital Improvement	3,293,899	431,862	630,867	19.2%
Technology & Equipment	362,500	-	70,000	19.3%
Capital Reserve	-	-	-	N/A
Equipment Rental	1,751,656	267,387	494,409	28.2%
Computer Equipment	1,134,492	264,734	283,574	25.0%
Firemen's Pension	173,310	3,645	100,540	58.0%

Youth Services Endowment Fund revenues are at 3.3 percent of budget at the end of March. Interest earnings were lower than anticipated due to a steady decline in local government investment pool yields, likely caused by the Pandemic.

Street Fund revenues are at 17.9 percent of budget at the end of March. This is up \$246 thousand over the same period in 2020 due to REET revenues being higher than historical averages for the first 3 months of 2021, in addition to the Transportation Benefit District (TBD) and Multimodal Transportation state shared revenues being reinstated compared to the prior year as a result of the State Supreme Court's decision finding Initiative 976 unconstitutional.

Revenues in the **Contingency Fund** are made up of interest earnings, which totaled 5.7 percent of budget at the end of March. Across all funds, interest earnings were much lower than anticipated due to a steady decline in local government investment pool yields seen throughout 2020 and continuing into 2021, likely caused by the Pandemic.

Capital Improvement Fund revenues are at 19.2 percent of budget at the end of March. The primary revenue source for the Capital Improvement Fund is Real Estate Excise Tax (REET). Total REET revenues in the Capital Improvement Fund to date are \$560 thousand, or 27.0 percent of revenue estimates.

Firemen’s Pension Fund: Total revenues are 58.0 percent of budget at the end of March, up \$96.8 thousand from 2020. This difference is a result of a one-time interfund transfer from the General Fund into the Firemen’s Pension Fund. Investment interest earnings are down \$3.1 thousand when compared to 2020. This lower-than-expected interest earnings as local government investment pool yields saw a continued decline throughout 2020 and has continued into 2021, likely caused by the Pandemic.

All other revenues are within expected norms through the end of the first quarter.

Expenditures

The table below lists the 2021 adopted expenditures budget by Fund, end of March actuals and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the end of March. Additional detail of major variances is discussed in the narrative following the table.

ALL OTHER FUNDS: Expenditures

As of March 31, 2021

Fund Name	2021 Adopted Budget	Prior YTD 3/31/2020	YTD 3/31/2021	YTD Expense as % of Adopted Budget
Self Insurance Claim	\$ 60,000	\$ -	\$ 50,000	N/A
Youth Services Endowment	3,500	-	-	0.0%
Street	3,366,531	370,222	148,402	4.4%
Contingency	-	-	-	N/A
1% for the Arts	15,000	24,734	-	0.0%
Youth & Family Services	2,178,182	773,122	490,209	22.5%
Bond Redemption (Voted)	-	-	-	N/A
Bond Redemption (Non-Voted)	847,200	-	-	0.0%
Town Center Parking Facilities	-	56,901	6,588	N/A
Capital Improvement	3,590,573	173,813	128,841	3.6%
Technology & Equipment	287,560	113,747	3,840	1.3%
Capital Reserve	-	-	-	N/A
Equipment Rental	2,043,931	468,888	318,090	15.6%
Computer Equipment	1,060,228	405,731	290,777	27.4%
Firemen's Pension	83,000	27,619	35,134	42.3%

Computer Equipment Fund: Total expenditures are 27.4 percent of budget at end of March. Expenditures in this fund include yearly service costs for software maintenance and support that occur within the first quarter. Operating expenditures are within budget estimates.

All other variances meet budget expectations through the end of March.

Two summary listings of the originally adopted 2021-2022 Budget (expenditures only), broken down by year, and amendments adopted by Ordinance through March 31, 2021 are presented below.

Fund Type / Fund Name	Original 2021 Budget	2021 Budget Adjustments					Amended 2021 Budget
		Administrative Biennial Corrections					
General Purpose Funds:							
General	30,533,485						30,533,485
Self-Insurance	60,000						60,000
Youth Services Endowment	5,000						5,000
Special Revenue Funds:							
Street*	3,366,531						3,366,531
Contingency	-						-
1% for the Arts	15,000						15,000
Youth & Family Services	2,178,182						2,178,182
Debt Service Funds:							
Bond Redemption (Voted)	-						-
Bond Redemption (Non-Voted)	847,200						847,200
Capital Projects Funds:							
Town Center Parking Facilities*	-						-
Capital Improvement*	3,590,573						3,590,573
Technology & Equipment*	287,560						287,560
Capital Reserve*	-						-
Enterprise Funds:							
Water*	12,317,373						12,317,373
Sewer*	10,950,027						10,950,027
Stormwater*	2,756,580						2,756,580
Internal Service Funds:							
Equipment Rental*	2,043,931						2,043,931
Computer Equipment*	1,060,228						1,060,228
Trust Funds:							
Firemen's Pension	83,000						83,000
Total	70,094,670	-	-	-	-	-	70,094,670

* Capital Improvement Program (CIP) projects are accounted for in these funds.

Fund Type / Fund Name	Original 2022 Budget	2022 Budget Adjustments									Amended 2022 Budget
		Administrative Biennial Corrections									
General Purpose Funds:											
General	31,987,897										31,987,897
Self-Insurance	10,000										10,000
Youth Services Endowment	5,000										5,000
Special Revenue Funds:											
Street*	4,045,768										4,045,768
Contingency	-										-
1% for the Arts	15,000										15,000
Youth & Family Services	2,127,962										2,127,962
Debt Service Funds:											
Bond Redemption (Voted)	-										-
Bond Redemption (Non-Voted)	234,100										234,100
Capital Projects Funds:											
Town Center Parking Facilities*	-										-
Capital Improvement*	4,228,583										4,228,583
Technology & Equipment*	234,500										234,500
Capital Reserve*	-										-
Enterprise Funds:											
Water*	17,010,992										17,010,992
Sewer*	11,543,961										11,543,961
Stormwater*	2,987,833										2,987,833
Internal Service Funds:											
Equipment Rental*	1,647,322										1,647,322
Computer Equipment*	1,171,434										1,171,434
Trust Funds:											
Firemen's Pension	87,000										87,000
Total	77,337,352	-	-	-	-	-	-	-	-	-	77,337,352

* Capital Improvement Program (CIP) projects are accounted for in these funds.