



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5874
May 18, 2021
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5874: First Quarter 2021 Financial Status Update & 2021-2022 Budget Amendments (Ord. No. 21-11).	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Receive the FY 2021 Q1 Financial Status Update and adopt Ordinance No. 21-11.	<input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Finance
STAFF:	Matthew Mornick, Finance Director Ben Schumacher, Financial Analyst
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Financial Status Update – FY 2021 First Quarter 2. Ordinance No. 21-11 – 2021-2022 Biennial 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.

SUMMARY

The purpose of this agenda bill is to provide the City Council with the 2021 First Quarter Financial Status Update (see Exhibit 1), which includes financial actuals for revenue and expenditure categories through March 31, 2021. Ordinance No. 21-11 (see Exhibit 2) outlines budget amendments in the current biennium, which involve grant revenues, efforts to restart the Thrift Shop and Recreation services, water system improvements (see [AB 5826](#)), and City Council approved uses of the FY 2020 year-end General Fund surplus. The budget reflected in the financial status update does not include any budget amendments adopted by ordinance for the 2021-2022 biennial budget.

Financial Status Update: First Quarter in Review

Based on financial data through the month of March, the City has collected \$5.9 million, or 18.1 percent of the adopted budget, in General Fund revenues. Sales tax is performing better than anticipated, up \$79,000 from what was seen in the first quarter of 2020. License, Permit and Zoning revenues are up \$478,000 from the same time last year, primarily from a one-time receipt of permitting funds in February relating to the Xing Hua property development in Town Center.

General fund expenditures are within adopted budget estimates at the end of March. Total expenditures of \$7.6 million are 25.2 percent of the adopted budget. Total expenditures are \$634,000 less than the same period in 2020. The significant difference is a result of Parks and Recreation staff and operation expenditures being severely reduced throughout the prior year in response to the COVID-19 Pandemic. The Water, Sewer, and Stormwater Utility funds are operating within adopted budget expectations. Capital project pre-construction phases began at a slower than anticipated pace while recruitments continue for unfilled positions.

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

Budget Amendments 2021-2022

Ordinance No. 21-11 (Exhibit 2) outlines all budget amendments that have been previously approved by the Council as well as three new requests. Summary descriptions of each of the new budget amending requests is included here for the City Council's consideration.

Artist Reimbursement

Reimbursement to Artist for the loss/theft of the *Counterpoint* art piece per the Artist agreement. The \$17,000 expenditure will be funded by a reimbursement from the City's insurance and the Self Insurance fund for the deductible amount.

4Culture Sustained Support Grant

The City has been awarded a 2021 4Culture Arts Sustained Support grant in the amount of \$10,580. Grant funds will be used to coordinate a community arts project that engages Island residents in artmaking and reflects on the community's experience during the pandemic. This project will be open to all Island residents to participate and offered in partnership with the Mercer Island Arts Council and Mercer Island Visual Arts League (MIVAL). The \$10,580 in expenditures will be fully funded by the Grant, with no match requirements.

Accelerated Police Officer Hires

Recently, the Mercer Island Police Department has had a difficult time maintaining the authorized staffing levels due to departures and retirements. Since the beginning of the year, two officers retired, and one departed. One position has since been filled, leaving two vacant positions.

Last week, staff interviewed four candidates to fill the two vacancies. All four candidates interviewed were very sharp with diverse backgrounds and have the potential to be great officers in this community. Staff extended job offers to two of the candidates to fill the existing vacancies. Due to the quality of the candidates in this round of interviews, staff recommends hiring ahead for the two positions authorized for 2022 to address the safety concerns associated with the Light Rail Station.

Recruitment processes are costly, take several months to complete, and often only result in one viable candidate. Staff would like to take advantage of this opportunity to hire the remaining two candidates now, as they will likely be hired by other police departments if the City does not hire them now.

To ease the costs of onboarding new officers, their hiring dates will be staggered. It will take some time to get all four candidates through the academy, but the Police Department can make good use of their time while they wait. They can attend training sessions, assist the Marine Patrol unit during the busy boating season, learn Department policies and procedures, and familiarize themselves with Department operations.

Staff is seeking a budget amendment in the amount of \$91,245 using 2020 General Fund surplus (Fund Balance) to cover the salary and benefit costs for hiring two officers earlier than January 1, 2022, as authorized in the adopted 2021-2022 budget.

RECOMMENDATION

1. Suspend the City Council Rules of Procedure 6.3, requiring a second reading for an ordinance.
2. Adopt Ordinance No. 21-11, amending the 2021-2022 Biennial Budget.