

CITY OF MERCER ISLAND 2021-2022 ADOPTED BIENNIAL BUDGET

CITY COUNCIL

Benson Wong
Mayor

Wendy Weiker
Deputy Mayor

Lisa Anderl
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Steve Heitman Fire Chief
Ed Holmes Chief of Police
Amanda Keverkamp Executive Assistant to the City Manager
Jason Kintner Chief of Operations
Matthew Mornick Interim Finance Director
Bio Park City Attorney
Ali Spietz Chief of Administration
Jeff Thomas CPD Director

BUDGET PREPARATION

Matthew Mornick Interim Finance Director
Ben Schumacher Financial Analyst
Ali Spietz Chief of Administration
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2021-2022 Biennial Budget

Section A

Budget Message & Overview



Adopted Budget

CITY OF MERCER ISLAND

2021-2022 ADOPTED BIENNIAL BUDGET

The 2021-2022 Adopted Budget document serves two distinct purposes:

1. To present the City Council and Mercer Island residents with a clear picture of City services, and the funding and cost of those services; and
2. To provide City management with an operating and capital plan that can be implemented and monitored using the City's financial system.

The budget document is divided into six sections:

A. City Manager Message & Budget Overview

In this section, the City Manager transmits the budget document to the City Council and Mercer Island residents in a transmittal letter outlining the budget strategies for the upcoming biennium. The Budget Snapshot provides a high-level summary of the budget, followed by the General Fund summary, personnel, positions, full-time equivalent (FTE) count by Fund, and the overarching budget strategy.

B. Recap by Fund

The City accounts for all its operating and capital activities within different “Funds,” each of which is considered a separate accounting entity with varied rules and requirements. This section is organized by Fund and includes revenues, expenditures, and fund balances.

C. Revenue Sources

This section focuses on the City's major revenue sources, providing useful background information, historical data, and 2021-2022 projections.

D. Operating Budget by Department

This section breaks down the City's operations by department. Each department sub-section is organized to include a department description, organizational chart, work plan, staffing summary, an overview of department changes, along with revenue and expenditure summary tables for the upcoming biennium.

E. Capital Improvement Program

The Capital Improvement Program (CIP) encompasses all planned capital projects for a six-year period (2021-2026), with the first two years proposed as part of the 2021-2022 Adopted Budget. This section is organized into six sub-sections:

1. Introduction
2. Program Summary
3. Individual Project Sheets
4. Funding by Capital Projects
5. Capital Projects by Fund
6. Project Hours by Department.

F. Appendix

The section provides information about this history of Mercer Island, a glossary of budget related terms, and an explanation of accounting basis and budgeting.

CITY MANAGER'S MESSAGE

December 1, 2020

The Honorable Members of the City Council
Members of the Mercer Island Community

Dear City Councilmembers and Community:

I am pleased to present the 2021-2022 Adopted Budget for the City of Mercer Island. Our goal with this budget is to look beyond these difficult past nine months and set the City on a more stable and future-focused course. The budget is balanced and complies with the City's adopted budget and financial policies.

This past year brought challenges to the organization, community, and region that we have not seen since the Great Recession. The City was in the process of addressing our ongoing financial challenges when the COVID-19 Pandemic swept the globe. Traditional sources of budgeted revenue slowed or completely vanished overnight, requiring a swift and decisive response that included cuts to City services, workforce reductions, use of reserves, and modifying every aspect of service delivery. While these actions helped address the immediate financial concerns, fundamental questions remain about future service levels and the long-term recovery plan.

Budget Strategy

In developing this budget recommendation, the staff team took a conservative and cautious approach to planning for the next biennium. The budget focuses on delivering essential services, fostering continuous process improvement strategies, and providing stability for the organization. It reflects a modified organizational structure and reduced staffing levels as compared to prior years, yet retains the flexibility to adapt to ongoing needs.

The overall budget strategy centers on relatively flat spending while supporting actions that will strengthen the City of Mercer Island's financial position. This two-year budget proposal:

- Pays down some of the City's long-term unfunded liabilities.
- Maintains core municipal services and supports ongoing emergency response efforts.
- Re-organizes City departments for more effective and efficient service delivery.
- Identifies opportunities and resources to improve operational services.
- Avoids new tax proposals, layoffs, and furloughs.
- Makes strategic investments that keep pace with the organization and community's evolving needs.
- Establishes new best practices for implementing capital improvements.
- Reinvests in the maintenance of the City's critical infrastructure.
- Emphasizes the ongoing need for recovery planning for services impacted by the Pandemic.

Stabilizing the Organization

Mercer Island, like many communities in the region, has faced a structural deficit in its operating budget (General Fund) in recent years. This was caused by limited revenue sources that are unable to keep pace with the rising cost of services.

City Manager's Message

In early 2020, and in response to the impacts of the Pandemic, the City Council endorsed a multi-pronged strategy to address the projected deficit in the General Fund that involved:

- Implementing cost saving measures to reduce operating costs without jeopardizing core services.
- Examining past practices and areas to prioritize new process improvements.
- Reviewing business process efficiencies, including the use of technology to reduce costs and staff time.
- Using contingency and reserve funds carefully.

This combination of actions reduced the City's projected shortfall for 2020 by \$3.8 million – the majority through cost saving measures and without having to deeply tap contingency and reserve funds. While the current five-year forecast indicates that the two-year budget balances, the Pandemic has fundamentally changed the City organization and the way we think about doing business. And while the implementation of these cost-cutting measures and organization-wide savings helped get the organization through 2020, staff is anticipating future deficits in the General Fund as expenditures are expected to exceed projected income in future years.

Budget stabilization has been one of the staff's top priorities throughout the Pandemic and this budget process. By employing the strategies described above, the City of Mercer Island can successfully navigate what may be a period of economic recession nationwide, while steadily improving internal operations and the delivery of services.

2021-2022 Adopted Budget

The 2021-2022 Adopted Expenditure Budget for the City of Mercer Island is \$70.1 million in 2021 and \$77.3 million in 2022. This budget includes diverse services, projects, and activities provided by the City of Mercer Island for public safety, quality of life, infrastructure maintenance, transportation, and development-related services.

The two largest components of the budget are the General Fund and Enterprise Funds. Much of the budget balancing work has centered on the General Fund where most municipal services are housed. The General Fund expenditure budget is \$30.5 million in 2021 and \$32.0 million in 2022. The Water, Sewer, and Storm Water Utilities Funds combined expenditure budgets are \$26.0 million in 2021 and \$31.5 million in 2022. A portion of the utility budget represents unspent dollars slated for capital improvements that have been delayed largely due to the Pandemic.

Significant Budget Issues

Many of the City's long-standing revenue-generating operations remain closed. The Thrift Shop, which supports the City's Youth and Family Services Department, was able to partially open beginning in late summer, but remains unable to fully open due to safety concerns related to the Pandemic. Staff is working with stakeholders on potential scenarios for a phased Thrift Shop re-opening. It is a top priority to safely re-open the Thrift Shop and restore this critical revenue stream.

Recreation programming continues to be significantly impacted by the Pandemic. With the Mercer Island Community and Event Center closed and recreation programs suspended, staff is working on a recovery plan and anticipate presenting a phased re-opening approach for recreation services to the City Council in early 2021.

City Manager's Message

The Community Planning and Development (CPD) Department provides critical services to customers interested or engaged in development activity on Mercer Island. Permit revenues from development activity have fallen out of line with projections going back to 2019. This downward trend accelerated through 2020 due to impacts from the Pandemic. At present, a handful of large development projects are in the pipeline and may move forward, while routine permit applications have slowed. A primary focus for the 2021-2022 biennium is to right-size the CPD Department, revisit cost recovery levels, review building code requirements, and institute new tools to ensure costs are aligned with efficient service delivery.

Budget Process Improvements

We strive to make this budget more understandable and useful. More than simply serving as a spending plan, this document shows how allocated resources will generate services, activities, and projects that will benefit the Mercer Island community for years to come. We made several changes to the process that are worth noting, including streamlining the budget. The budget document itself has been trimmed down, reducing duplicative information, saving resources, and improving readability. Our ultimate goal is to improve financial reporting, and this is the first step.

Conclusion

This 2021-2022 Adopted Budget is a starting point, built on cautious optimism during a time of unprecedented change. It will guide the organization as we work to restore suspended services in a fiscally responsible manner.

I am grateful to the City Council for its leadership and support in the development of this budget. The many residents, businesses, and non-profit organizations that have engaged with the City over the year are to be commended for their time and involvement. To the staff, I remain inspired by your professionalism and commitment to this organization and the Mercer Island community.

Thank you,



Jessi Bon
City Manager
City of Mercer Island

BUDGET OVERVIEW

This section provides an overview of the 2021-2022 Adopted Budget for the City of Mercer Island, including summary detail and changes that have occurred since the last budget. The budget overview section is divided into seven sub-sections:

1. City Organization – *how the City is organized*
2. Budget Strategy – *approach to building the budget*
3. Budget Snapshot – *overview of revenues, expenditures, and all funds*
4. Staffing – *who provides the services and staffing changes*
5. Utility Rates – *overview of proposed rate increases*
6. City Debt – *purpose and status of City debt*
7. General Fund at a Glance – *high level information about the General Fund*
8. Budget Proposals – *one-time and ongoing options for funding consideration*
9. Fund Summary – *all Fund summary with Fund balance through the biennium*

For a more in-depth understanding of the budget, continue to the more detailed information found in the *Recap by Fund, Revenues, Operating Budget by Department, and Capital Improvement Plan* sections.

City Organization

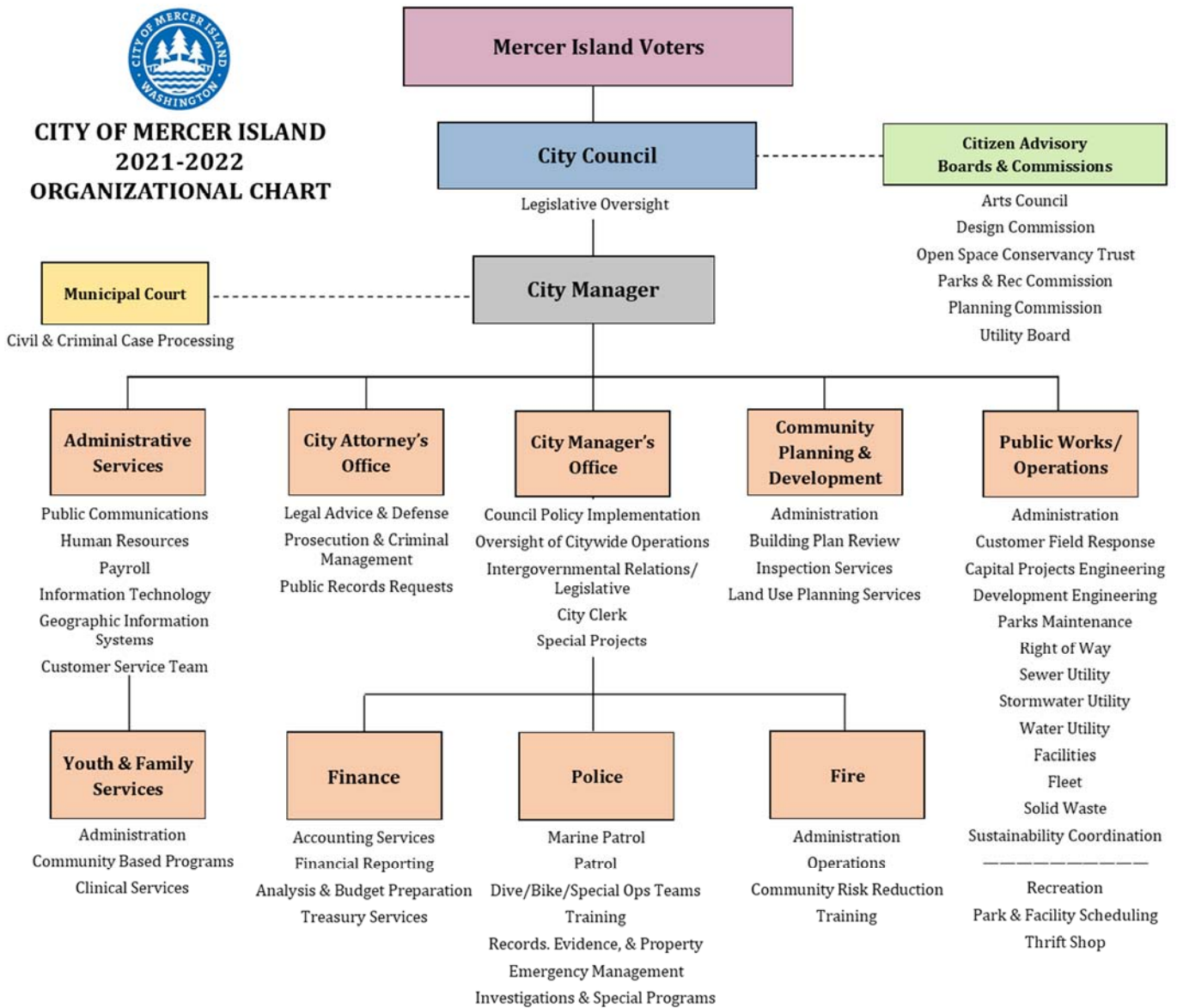
The City of Mercer Island has a Council-Manager form of government. In this form, the City Council, comprised of seven elected members, hires a City Manager to serve as the Chief Executive Officer of the City. The City Manager reports directly to the City Council and implements adopted policies. City Council members listen to their constituents, the Mercer Island residents, and receive recommendations on policy matters from the Council-appointed Boards and Commissions.

Managing the day-to-day activities of the City is the responsibility of the City Manager who oversees the nine departments shown on the chart on the following page. For a description of the functions supported by these departments, see Section D (*Operating Budget by Department*) of the budget document.

Budget Overview



CITY OF MERCER ISLAND 2021-2022 ORGANIZATIONAL CHART



Budget Strategy

The 2021-2022 Adopted Budget reflects a careful approach to planning for the next biennium. The organizational structure has been modified and staffing levels reduced as compared to prior years yet retains the flexibility to adapt to ongoing changes. The overall budget strategy centers on relatively flat spending while supporting actions that will strengthen the City's financial position. This two-year budget proposal:

- Pays down some of the City's long-term unfunded liabilities.
- Maintains core municipal services and supports ongoing emergency response efforts.
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- Makes strategic investments that keep pace with the organization and community's evolving needs.
- Establishes new best practices for implementing capital improvements.
- Reinvests in the maintenance of the City's critical infrastructure.
- Emphasizes the ongoing need for recovery planning for services impacted by the Pandemic.

This 2021-2022 Adopted Budget achieves a combination of cost saving measures totaling 9.8% of the General Fund budget in fiscal year 2021 and 0.45% in fiscal year 2022, as compared to 2020. This includes a combination of changes in the delivery of City services and a re-organization of City operations.

COVID-19 Pandemic Financial Impacts

May through September of 2020, the City Council directed staff to implement financial changes to mitigate the impacts of the Pandemic that included:

- Cost saving measures to protect City resources.
- Strategic use of the City's contingency and reserve funds.
- Use of Federal and State funds to sustain the emergency response.
- Utilization of gap funding to support modified service delivery.

All City services and operations were impacted by the Pandemic and recovery work is anticipated to be ongoing during the 2021-2022 biennium.

Long-Term Financial Forecast

The City's Biennial Budget is informed by a five-year forecast completed for each of the City's funds. The General Fund forecast serves as a risk assessment tool that contemplates the impact of economic conditions on the City's budget. The forecast accounts for a number of factors that influence the City's anticipated revenues and expenses, particularly impacts of potential recession conditions and extended restrictions on City operations due to the Pandemic.

The five-year forecast includes baseline increases in salary and benefits, healthcare, and workers' compensation costs. The long-term forecast is presented to the City Council for review and consideration annually, and more often when circumstances warrant.

Budget Overview

Budget Snapshot

Total Revenues

For 2021 and 2022, the City's total budgeted revenues amount to nearly \$72.3 million and \$80.9 million, respectively. These totals include the use of beginning fund balances to cover planned expenditures in 2021-2022 (mostly for capital projects and vehicle/equipment replacements). The remaining fund balances are not budgeted to be spent in 2021-2022 but are reserved for various purposes (e.g., operating reserve and capital projects after 2022).

2019-2022 Revenues, All Funds

Description	2019	2020	2021	2022	Percent Change	
	Actual	Forecast	Budget	Budget	20-21	21-22
Revenues						
Budgeted						
Use of Fund Balance	\$ 2,494,505	\$ 16,485,455	\$ 6,701,967	\$ 7,853,574	-59.3%	17.2%
Property Tax	13,751,926	13,934,732	14,232,110	13,776,155	2.1%	-3.2%
Sales Tax	5,257,123	4,829,043	4,824,770	5,064,510	-0.1%	5.0%
Business & Utility Tax	4,864,885	4,846,612	5,243,140	5,213,950	8.2%	-0.6%
Real Estate Excise Tax	3,558,523	3,685,675	3,777,816	3,872,262	2.5%	2.5%
Shared Revenue	3,060,307	3,533,075	2,930,074	4,012,480	-17.1%	36.9%
Utility Overhead	668,759	751,222	792,835	806,724	5.5%	1.8%
Charge for Service	26,420,879	23,616,152	25,085,637	31,455,263	6.2%	25.4%
License & Permits	3,298,929	2,861,074	3,313,450	3,033,400	15.8%	-8.5%
Municipal Court Revenue	263,083	214,604	262,600	257,400	22.4%	-2.0%
Other Resources	2,770,361	2,331,718	2,710,059	2,683,680	16.2%	-1.0%
Interest	1,274,712	662,905	568,900	572,300	-14.2%	0.6%
Interfund Transfers In	2,707,457	1,201,700	1,868,137	2,339,662	55.5%	25.2%
Total Budgeted Revenues	70,391,446	78,953,967	72,311,495	80,941,359	-8.4%	11.9%
Not Budgeted						
Beginning Fund Balance	47,738,718	37,400,623	31,967,280	26,330,531	-14.5%	-17.6%
TOTAL REVENUES	\$ 118,130,164	\$ 116,354,590	\$ 104,278,775	\$ 107,271,890	-10.4%	2.9%

Budget Overview

Total Expenditures

For 2021 and 2022, the City's total budgeted expenditures amount to \$70.1 million and \$77.3 million respectively, which are accounted for in 19 different funds. The *Recap by Fund* section of the budget provides summary level information on the revenues, expenditures, and fund balances for each fund.

2019-2022 Expenditures, All Funds

Description	2019	2020	2021	2022	Percent Change	
	Actual	Forecast	Budget	Budget	20-21	21-22
EXPENDITURES						
Budgeted						
Salaries & Wages	\$22,321,982	\$22,164,503	\$20,469,143	\$21,112,589	-7.6%	3.1%
Benefits	8,324,166	8,424,497	8,136,418	8,551,420	-3.4%	5.1%
Supplies	1,587,866	1,959,190	1,326,547	1,328,547	-32.3%	0.2%
Contractual Services	6,330,647	11,841,599	4,174,892	4,063,840	-64.7%	-2.7%
Communications	258,925	293,530	299,215	300,230	1.9%	0.3%
Equipment Rental	2,085,285	1,823,182	2,239,569	2,262,703	22.8%	1.0%
Insurance	1,030,411	974,229	885,250	931,130	-9.1%	5.2%
Utilities	855,659	910,787	900,602	935,189	-1.1%	3.8%
Other Services & Charges	2,074,553	2,058,415	2,271,581	2,189,954	10.4%	-3.6%
Intergovernmental	1,271,256	1,274,623	1,189,894	1,257,350	-6.6%	5.7%
Water/Sewer Treatment	6,719,803	6,938,624	7,383,506	7,727,086	6.4%	4.7%
Capital	6,470,461	15,253,302	16,135,699	21,611,161	5.8%	33.9%
Bond Redemption	2,193,255	2,494,642	2,814,217	2,726,491	12.8%	-3.1%
Interfund Transfers	2,719,816	1,274,221	1,868,137	2,339,662	46.6%	25.2%
Total Budgeted Expenditures	64,244,086	77,685,343	70,094,669	77,337,352	-9.8%	10.3%
Not Budgeted						
Ending Fund Balance	53,886,078	38,669,247	34,184,105	29,934,539	-11.6%	-12.4%
TOTAL EXPENDITURES	\$ 118,130,164	\$ 116,354,590	\$ 104,278,775	\$ 107,271,890	-10.4%	2.9%

Budget Overview

Fund Summary

Total revenues and total expenditures by fund for the period 2019-2022 are summarized in the tables below.

Summary of Revenues by Fund for 2019-2022

Fund No.	Description	2019 Actual	2020 Forecast	2021 Budget	2022 Budget
001	General Fund	\$ 32,411,525	\$ 31,200,233	\$ 31,011,781	\$ 32,295,187
037	Self Insurance Fund	-	10,000	60,000	10,000
061	Youth Service Endowment Fund	7,373	3,500	5,000	5,000
Subtotal General Purpose Funds		\$ 32,418,898	\$ 31,213,733	\$ 31,076,781	\$ 32,310,187
104	Street Fund	\$ 2,991,222	\$ 3,987,471	\$ 3,781,817	\$ 4,143,618
130	Contingency Fund	1,245,336	978,474	260,300	261,800
140	1% For the Arts Fund	18,403	31,465	17,000	17,000
160	Youth and Family Services Fund	3,106,656	2,559,293	2,193,182	2,142,962
Subtotal Special Revenue Funds		\$ 7,361,617	\$ 7,556,703	\$ 6,252,299	\$ 6,565,380
208	Bond Redemptiion (Voted)	\$ -	\$ -	\$ -	\$ -
239	Bond Redemption (Non-Voted)	841,800	839,700	847,200	234,100
Subtotal Debt Service Funds		\$ 841,800	\$ 839,700	\$ 847,200	\$ 234,100
342	Town Center Parking Facilities	\$ 2,454,262	\$ 358,875	\$ -	\$ -
343	Capital Improvement Fund	2,687,898	4,798,011	3,590,573	4,228,583
345	Technology and Equipment Fund	436,951	575,894	362,500	360,500
350	Capital Reserve Fund	-	-	-	-
Subtotal Capital Funds		\$ 5,579,111	\$ 5,732,780	\$ 3,953,073	\$ 4,589,083
402	Water Fund	\$ 9,008,728	\$ 13,792,687	\$ 12,317,373	\$ 17,010,992
426	Sewer Fund	9,996,145	12,589,523	10,950,027	13,486,100
432	Storm Water Fund	2,176,149	3,826,029	2,756,580	2,987,833
Subtotal Enterprise Funds		\$ 21,181,022	\$ 30,208,239	\$ 26,023,980	\$ 33,484,925
503	Equipment Rental Fund	\$ 1,875,508	\$ 1,957,252	\$ 2,737,510	\$ 2,225,162
520	Computer Equipment Fund	1,048,819	1,351,560	1,247,342	1,358,313
Subtotal Internal Service Funds		\$ 2,924,327	\$ 3,308,812	\$ 3,984,852	\$ 3,583,475
606	Firefighters Pension Fund	\$ 84,671	\$ 94,000	\$ 173,310	\$ 174,210
Subtotal Trust Funds		\$ 84,671	\$ 94,000	\$ 173,310	\$ 174,210
TOTAL REVENUES		\$ 70,391,446	\$ 78,953,967	\$ 72,311,495	\$ 80,941,359

Budget Overview

Summary of Expenditures by Fund for 2019-2022

Fund No.	Description	2019 Actual	2020 Forecast	2021 Budget	2022 Budget
001	General Fund	\$ 31,250,600	\$ 30,527,539	\$ 30,533,485	\$ 31,987,897
037	Self Insurance Fund	-	10,000	60,000	10,000
061	Youth Service Endowment Fund	3,500	3,500	5,000	5,000
Subtotal General Purpose Funds		\$ 31,254,100	\$ 30,541,039	\$ 30,598,485	\$ 32,002,897
104	Street Fund	\$ 2,991,222	\$ 3,987,471	\$ 3,366,531	\$ 4,045,768
130	Contingency Fund	1,245,336	657,900	-	-
140	1% For the Arts Fund	14,056	29,465	15,000	15,000
160	Youth and Family Services Fund	2,968,982	2,557,498	2,178,182	2,127,962
Subtotal Special Revenue Funds		\$ 7,219,596	\$ 7,232,334	\$ 5,559,713	\$ 6,188,730
208	Bond Redemption (Voted)	\$ -	\$ -	\$ -	\$ -
239	Bond Redemption (Non-Voted)	841,800	839,700	847,200	234,100
Subtotal Debt Service Funds		\$ 841,800	\$ 839,700	\$ 847,200	\$ 234,100
342	Town Center Parking Facilities	\$ 2,454,262	\$ 358,875	\$ -	\$ -
343	Capital Improvement Fund	1,820,976	4,699,223	3,590,573	4,228,583
345	Technology and Equipment Fund	340,874	575,894	287,560	234,500
350	Capital Reserve Fund	-	-	-	-
Subtotal Capital Project Funds		\$ 4,616,112	\$ 5,633,992	\$ 3,878,133	\$ 4,463,083
402	Water Fund	\$ 6,656,937	\$ 13,792,687	\$ 12,317,373	\$ 17,010,992
426	Sewer Fund	9,456,944	12,589,523	10,950,027	11,543,961
432	Storm Water Fund	1,844,400	3,826,029	2,756,580	2,987,833
Subtotal Enterprise Funds		\$ 17,958,282	\$ 30,208,238	\$ 26,023,980	\$ 31,542,786
503	Equipment Rental Fund	\$ 1,353,945	\$ 1,957,252	\$ 2,043,931	\$ 1,647,322
520	Computer Equipment Fund	915,580	1,178,788	1,060,228	1,171,434
Subtotal Internal Service Funds		\$ 2,269,525	\$ 3,136,040	\$ 3,104,159	\$ 2,818,756
606	Firefighters Pension Fund	\$ 84,671	\$ 94,000	\$ 83,000	\$ 87,000
Subtotal Trust Funds		\$ 84,671	\$ 94,000	\$ 83,000	\$ 87,000
TOTAL EXPENDITURES		\$ 64,244,086	\$ 77,685,343	\$ 70,094,669	\$ 77,337,352

Budget Overview

Staffing

The following two charts show the number of Full Time Equivalent (FTEs) and Limited Term Equivalent (LTEs) positions in 2015-2022 and by fund in 2019-2022. Limited Term Equivalent employees are hired when there is a short-term need for a position. LTEs are just like regular FTEs, except their positions are time limited.

For the coming biennium, the City is changing the approach to the use of LTE (contract) positions. LTE positions that have been in place for more than one biennium have been converted to FTE (regular) positions. Going forward, staff positions will be classified as LTEs when the staff assignment is short-term, generally two years or less, or the position is tied to grant funding or other one-time funding.

Position History by Department

Full Time Equivalents (FTEs)	2015	2016	2017	2018	2019	2020	2021	2022
Administrative Services						3.00	4.10	4.10
Human Resources	3.00	3.00	3.00	3.00	3.00	3.00	3.25	3.25
Information & Geographical Svcs	6.00	6.00	6.00	7.00	7.00	7.00	6.15	6.15
City Attorney's Office	3.00	3.00	3.30	3.30	3.30	3.30	2.30	2.30
City Manager's Office	5.00	5.00	4.70	4.70	5.00	3.00	3.20	3.20
Community Planning & Development	19.00	20.00	20.00	21.00	20.40	20.40	16.00	16.00
Finance	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00
Fire	32.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00
Municipal Court	3.45	3.45	3.45	3.45	3.30	3.30	3.30	3.30
Police	36.00	36.00	35.00	35.00	35.50	35.50	35.50	37.50
Public Works								
Capital and Engineering	5.00	5.00	5.00	5.00	5.00	5.00	16.40	16.40
Support Services/Administration	8.00	8.00	8.00	8.00	8.00	8.00	11.40	11.40
Right of Way	4.50	4.50	4.50	4.50	4.50	4.50	5.00	5.00
Utilities	13.50	16.50	16.50	16.50	16.50	16.50	18.85	18.85
Park Maintenance							9.95	9.95
Parks & Recreation (Transition Team)	27.75	27.75	29.75	29.75	25.75	25.75	0.75	0.75
Youth & Family Services	15.50	16.33	16.33	16.46	15.63	14.68	11.27	11.27
Total FTEs	188.7	193.5	194.5	196.7	191.9	191.9	186.4	189.4
Limited Term Equivalents (LTEs)	2015	2016	2017	2018	2019	2020	2021	2022
City Manager / Non-Departmental	-	-	-	0.50	0.50	0.50	-	-
Community Planning & Development	2.00	2.00	3.50	3.50	4.50	4.50	1.00	1.00
Information & Geographical Svcs	1.00	1.00	1.00	1.00	-	-	-	-
Public Works	2.00	2.00	2.10	2.10	1.80	1.80	-	-
Parks & Recreation (Transition Team)	0.75	0.75	1.25	1.25	3.05	3.05	2.00	-
Youth & Family Services	5.00	5.50	5.50	7.20	11.24	13.24	1.60	1.60
Total LTEs	10.8	11.3	13.4	15.6	21.1	23.1	4.6	2.6
Total FTEs & LTEs	199.5	204.8	207.9	212.2	213.0	215.0	191.0	192.0

FTEs & LTEs by Fund

Fund	2019	2020	2021	2022
General Fund - 001	146.16	147.16	130.75	131.25
Street Fund - 104	3.65	3.65	4.80	4.80
YFS Fund - 160	25.10	26.10	10.97	10.97
Capital Improvement Fund - 343	1.80	1.80	2.25	2.25
Water Fund - 402	12.31	12.35	15.30	15.50
Sewer Fund - 426	11.30	11.30	12.35	12.55
Storm Water Fund - 432	7.35	7.35	7.35	7.45
Equipment Rental Fund - 503	1.30	1.30	1.20	1.20
Computer Equipment Fund - 520	4.00	4.00	4.15	4.15
YFS Federal Grant			1.90	1.90
Total	213.0	215.0	191.0	192.0

The adopted changes to the City's FTEs and LTEs in 2021-2022 are summarized below and further described in the *Operating Budget by Department* section of the budget:

- Eliminate Assistant City Attorney (1.0 FTE Decrease) in 2021, replace with contract services
- Add Call Center Supervisor (1.0 FTE Increase) in 2021
- Add Call Center Representative (1.0 FTE Increase) in 2021
- Restore Permit Technician (0.5 FTE Increase) and combine with (new) Call Center Representative (0.5 FTE) to create one position in 2021
- Restore Planner (1.0 FTE Increase) in 2021
- Reduce Sr. Plans Examiner (0.5 FTE decrease) and combine with 0.5 FTE City Manager's Office Sr. Policy Analyst to create one position
- Restore Parks Maintenance Foreman (1.0 FTE Increase) in 2021
- Add Cityworks Coordinator (1.0 FTE Increase) in 2021
- Add Deputy Public Works Director (1.0 FTE Increase) in 2021
- Add Public Works Custodians (2.0 FTE Increase) in 2021; eliminate custodial services contract
- Add Support Services Manager (1.0 FTE Increase) in 2021
- Add three CIP Project Managers (3.0 FTE Increase) in 2021
- Add Public Works Development Engineer (1.0 FTE Increase) in 2021
- Add Recreation Transition Team Manager and Coordinators (2.0 LTE and 0.75 FTE)
- Continue YFS Programs Assistant (0.5 FTE Increase) in 2021
- Add HYI Prevention Specialist (0.8 LTE Increase) in 2021; funded by grant monies
- Add an Economic Development Coordinator (1.0 LTE Increase) for 2021-2022
- Add a Financial Analyst (1.0 FTE Increase) in 2022
- Add a Sustainability Program Manager (1.0 FTE Increase) in 2021
- Add two Patrol Officers (2.0 FTE Increase) in 2022

In addition to Full Time Equivalent (FTEs) and Limited Term Equivalent (LTEs) employees, the City utilizes casual labor, consultants, and contractors to address workload needs that exceed the capacity or expertise of the City's regular staff and that are time limited or seasonal.

- **Casual labor** is used primarily to address seasonal workload needs and short-term workload issues created by special projects or position vacancies. Compared to an LTE position, a casual labor position has limited benefits and is filled for a shorter period of time (1-3 months, 6 months, or 9 months). The

Budget Overview

departments that utilize casual labor the most are Parks & Recreation, Public Works, and Youth & Family Services.

- Consultants and contractors** are hired when the City’s regular staff does not have the capacity or expertise to perform specialized work that is usually short-term in nature (i.e., less than a year). Consultants are considered experts in their fields, providing specialized legal, engineering, technology, financial, or other professional services. Contractors, on the other hand, are highly skilled in the trades, providing specialized repair and maintenance services (e.g., electrical, plumbing, and heating/cooling system repairs) and bidding on public works projects (e.g., re-surfacing a road). Consultants and contractors are often more expensive on an hourly basis than regular or contract employees; however, they are generally more cost effective than trying to perform the specialized work “in-house.”

Utility Rates

The Water, Sewer, and Stormwater Funds are completely self-supporting utilities that are operated like a not-for-profit enterprise. They are primarily funded by customer charges, not taxes. The City purchases its water from the City of Seattle as do many neighboring communities. The Wastewater Treatment Division of King County provides treatment for all the sewage in the King County area, including Mercer Island.

The 2020 actual, 2021 adopted, and 2022 proposed bi-monthly utility charges for water, sewer, storm water, and Emergency Medical Services (EMS) are broken down in the table below (excluding utility taxes, which are a General Fund revenue source) for a typical single family residential customer.

Utility Rate Component	2019	2020	2021	2022	\$ Change		% Change	
	Adopted	Adopted	Adopted	Proposed	2021	2022	2021	2022
Water	\$117	\$125	\$132	\$139	\$6.57	\$6.91	5.25%	5.25%
Sewer Maintenance (City)	\$84	\$90	\$94	\$98	\$3.61	\$3.75	4.00%	4.00%
Sewer Treatment (King County)	\$88	\$91	\$95	\$99	\$4.08	\$4.26	4.50%	4.50%
Storm Water	\$35	\$36	\$38	\$40	\$1.97	\$2.08	5.50%	5.50%
EMS (estimate)	\$9	\$10	\$10	\$10	\$0.17	\$0.17	1.78%	1.78%
Total	\$334	\$351	\$368	\$385	\$16.39	\$17.18	4.7%	4.7%

City Debt

The City has issued a modest amount of debt over the years, maintaining a sizable debt capacity and consistently following a conservative fiscal management policy. This is reflected in the highest possible bond rating from Moody's: Aaa (“triple A”) rating on the City’s unlimited tax general obligation (UTGO), or voted, bonds and limited tax general obligation (LTGO), or non-voted (i.e., Councilmanic) bonds. A high bond rating enables a city to secure lower interest rates, thereby reducing debt service costs.

The City can issue five types of debt which have legal limits set by the State. The five types of debt include: voted and non-voted general obligation bonds, revenue bonds, lease debt, and loans. For the purposes of the legal limit debt calculations, leases and loans are included with the non-voted general obligation debt limits. A schedule of all the City debt classified by type is included later in this section.

Voted Debt

Voted debt must be approved by registered voters via a ballot measure, with an additional (i.e., excess) property tax levy dedicated to paying the annual debt service costs. Voted debt has typically been used to fund large public buildings and to buy land or open space. The City currently has no outstanding voted debt.

Non-Voted Debt

Non-voted debt must be approved by the City Council, with the general tax revenues of the City used to pay the annual debt service costs. Non-voted debt includes bonds, loans, and lease obligations of the City. The active issues are described below:

- **2004 LTGO MICEC Construction**

In 2004, the City issued \$2.0 million in councilmanic bonds to partially pay for the construction of a new community center. The new center was completed in December 2005. To save on interest costs, this bond issue was refunded (i.e., refinanced) in 2013. The total principal outstanding on the refunded bonds at the end of 2022 will be \$140,000.

- **2009 LTGO South Mercer Playfields**

In 2009, the City issued \$1.0 million in LTGO bonds to fund capital improvements at the South Mercer Playfields. To save on interest costs, this bond issue was refunded in 2017. The total principal on the refunded bonds will be repaid at the end of 2022.

- **2009 LTGO Sewer Lake Line**

In 2009, the City issued \$9,405,000 in LTGO bonds to fund a portion of the sewer lake line replacement project. To save on interest costs, this bond issue was refunded in 2017. Sewer utility rates are being used to repay the long-term debt. The total principal outstanding on the refunded bonds at the end of 2022 will be \$3,960,000.

- **2011 LTGO First Hill Water Improvements**

In 2011, the City issued \$1.5 million in LTGO bonds to fund a portion of a water system improvements project in the First Hill neighborhood. Water utility rates are being used to repay the long-term debt. The total principal outstanding at the end of 2022 will be \$735,000.

- **2012 Fire Apparatus Lease (Velocity Pumper)**

In 2012, the City Council authorized the purchase of a Velocity Pumper Fire Truck from Pierce Manufacturing through a 10-year lease purchase financing agreement with Municipal Asset Management for \$619,547. The total principal will be repaid by the end of 2022.

- **2013 LTGO Fire Station Construction and Fire Rescue Truck**

In 2013, the City issued \$4.94 million in LTGO bonds to fund the replacement of Fire Station 92 and a Fire Rescue Truck. The annual debt service is being funded by a 9-year levy lid lift approved by voters on November 6, 2012. The total principal will be repaid by the end of 2021.

- **2015 Fire Apparatus Lease (Mini Pumper)**

In 2015, the City Council authorized the purchase of Mini Pumper Fire Truck from Pierce Manufacturing through a 9-year lease purchase financing agreement with Municipal Asset Management for \$341,295. The total principal outstanding at the end of 2022 will be \$82,419.

- **2018 Fire Apparatus Lease (Enforcer Pumper)**

In 2018, the City Council authorized the purchase of an Enforcer Pumper Fire Truck from Pierce

Budget Overview

Manufacturing through a 9-year lease purchase financing agreement with Municipal Asset Management for \$732,778. The total principal outstanding at the end of 2022 will be \$435,358.

- **PROPOSED: 2022 SCADA Project**

In 2022, staff recommends the City Council authorize the issuance of limited tax general obligation of \$6 million (\$3.5 million to be repaid by the Water Fund and \$2.5 million to be repaid Sewer Fund) to support the Supervisory Control and Data Acquisition (SCADA) System. Water and sewer management equipment and software are obsolete and no longer available or supported by the manufacturer. This infrastructure provides system critical information and communication between sewer pump stations, the water reservoir, and the Public Works facility. Replacement of the system is included in the utilities Capital Improvement Plan through 2023. The cost will be shared by the Water and Sewer utilities.

Public Work Trust Fund Loans

In addition to the above debt, the City will have one long-term loan outstanding at the end of 2022, with \$1,611,028 in principal due for a Public Works Trust Fund loan used to fund a sewer lake line maintenance project. Public Works Trust Fund loans are low-interest loans (1% interest) administered through the State of Washington Department of Community Development. In 1985, the state legislature made provisions for this program using the Public Works Assistance Account, which is funded by the Motor Vehicle Excise Tax (MVET) collected by the State. To qualify, jurisdictions are required to do the following:

1. Impose the ¼ of one percent real estate excise tax
2. Have developed a long-term plan for financing Public Works' needs
3. Be using all local revenue sources which are reasonably available for funding public works
4. Have an adopted comprehensive plan.

Schedule of Outstanding Debt

Description (\$ in thousands)	Date Issued	Original Amount	Balance Outstanding January 2021	2021 Debt Payments	2022 Debt Payments	Balance Outstanding December 31, 2022
Non-Voted Debt:						
2011 LTGO First Hill Water Improvements	03/23/11	\$1,500	\$885	\$75	\$75	\$735
2013 Refunding (CCMV Construction)	02/06/13	1,140	405	130	135	140
2013 LTGO Fire Construction & Equipment	02/06/13	4,940	605	605	0	0
2017 REFUNDING LTGO S Mercer Playfields	08/17/17	335	175	85	90	0
2017 REFUNDING LTGO Sewer Lake Line	08/17/17	5,870	4,930	480	490	3,960
Total Non-Voter Approved		\$13,785	\$7,000	\$1,375	\$790	\$4,835
Voted Debt:						
		-	-	-	-	-
Total Voter Approved		\$0	\$0	\$0	\$0	\$0
Lease Obligations						
2012 Fire Velocity Pumper	06/01/12	620	136	67	69	0
2015 Fire Mini Pumper	06/01/15	341	161	39	40	82
2018 Pierce Enforcer Pumper	04/19/18	733	589	76	78	435
Total Lease Obligation		\$1,694	\$886	\$182	\$187	\$518
Public Works Trust Fund Loans						
Sewer Lake Line Loan	1/31/2005	6,650	2,417	403	403	1,611
Total Public Works Trust Fund Loan		\$6,650	\$2,417	\$403	\$403	\$1,611
Total Outstanding Debt		\$22,129	\$10,303	\$1,959	\$1,380	\$6,964

General Fund at a Glance

Fiscal Year 2021 Adopted General Fund

Revenues \$31.01 million
Expenditures \$30.53 million

Fiscal year 2021 General Fund revenues are projected to be \$31.01 million, which is \$188,000, or -0.6% less than the fiscal year 2020 estimated actuals, reflecting three rounds of cost saving measures implemented over the course of the 2020 fiscal year.

The City receives its General Fund revenues from a variety of revenue sources. Property Taxes, which account for 41.9% of revenues in 2021, are the largest revenue source by a wide margin at \$12.98 million. Business & Utility Taxes and Sales Tax are the second and third largest sources at \$5.24 million and \$4.79 million, or 17% and 15.5% of total revenues, respectively.

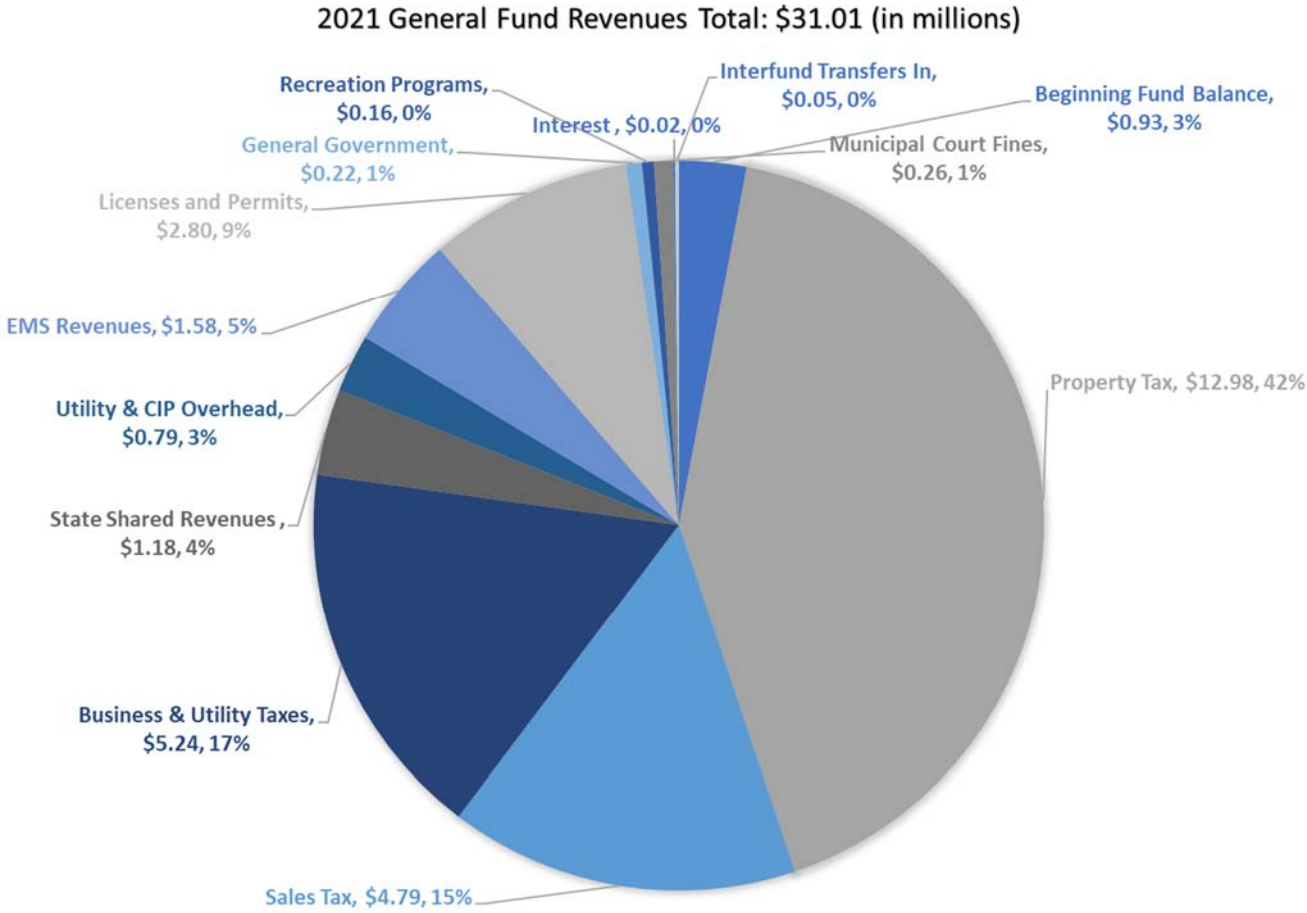
EXPENDITURES	
Description	2021 Budget
Administrative Services	\$ 478,523
Human Resources	747,009
Information & Geographic Services	157,849
City Attorney's Office	743,450
City Council	47,375
City Manager's Office	963,104
Community Planning & Development	3,066,731
Finance	944,767
Fire and EMS	6,988,873
Municipal Court	473,078
Non-Departmental	3,248,546
Public Works/Operations	4,564,217
Parks and Recreation	727,553
Police	7,382,410
Total Budgeted Expenditures	\$ 30,533,485

General fund expenditures for fiscal year 2021 are projected at \$30.53 million. Salaries & Wages and Benefits collectively account for 70.6%, or \$21.57 million, of total expenditures.

Expenditures are also broken down by departments in the table above.

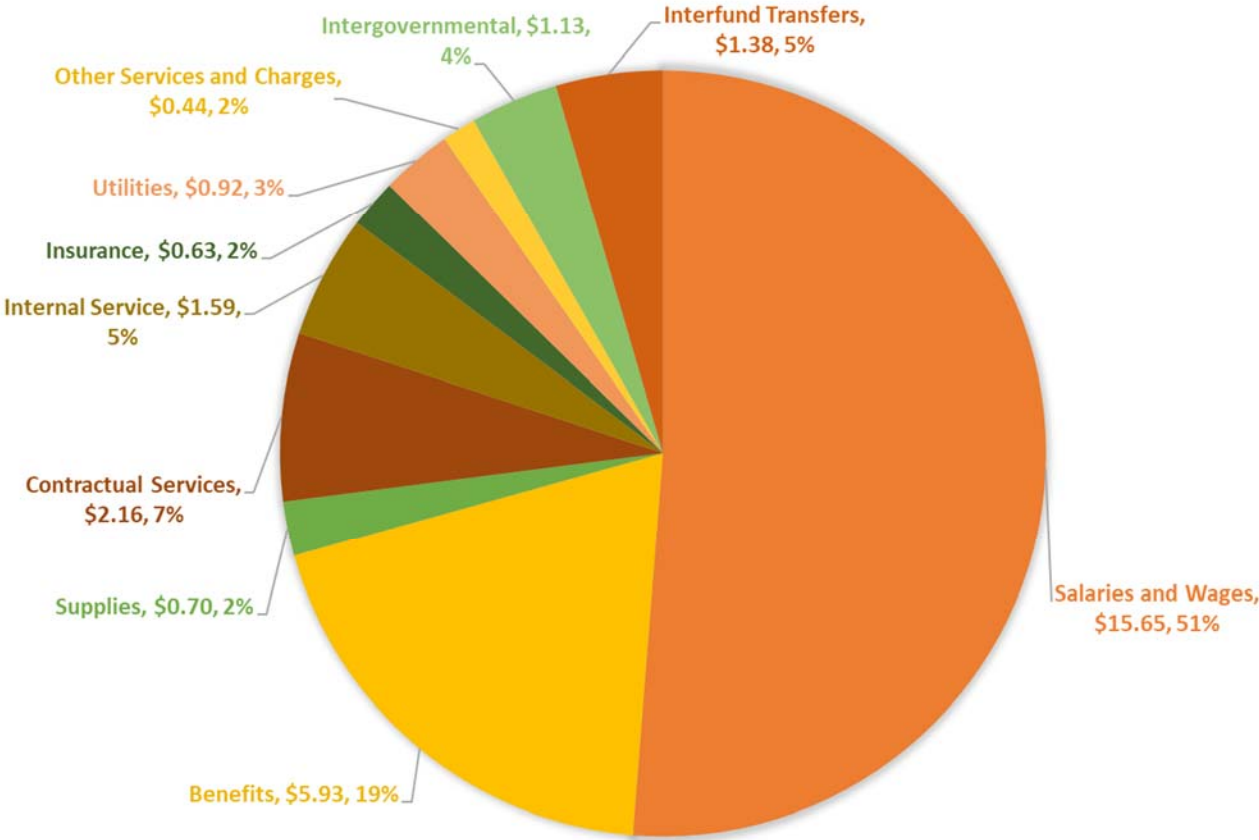
Budget Overview

Where does the money come from?



Where does the money go?

2021 General Fund Expenses Total: \$30.53 (in millions)



Budget Overview

Fiscal Year 2022 Adopted General Fund

Revenues	\$32.30 million
Expenditures	\$31.99 million

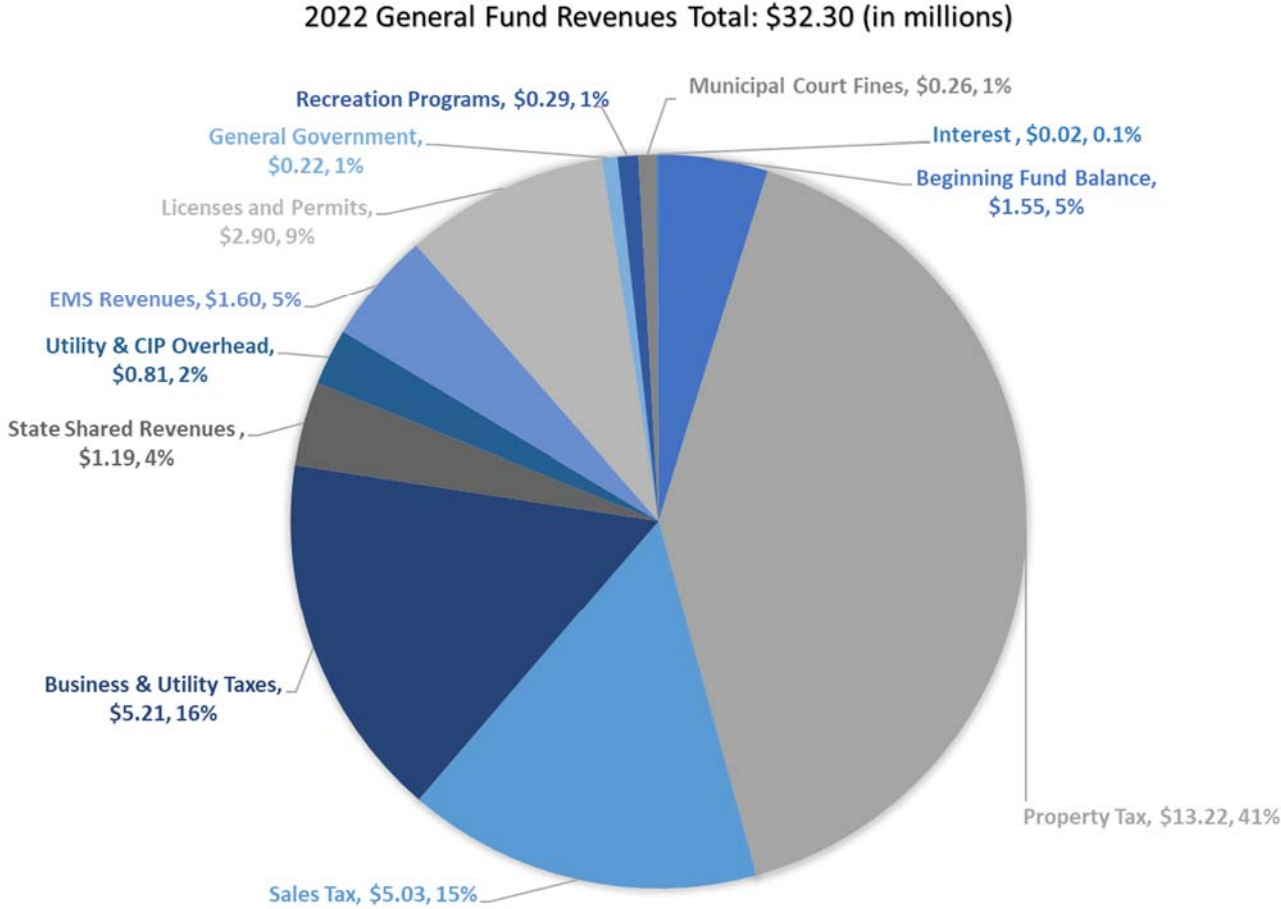
Fiscal year 2022 General Fund revenues are projected to be \$32.30 million, or 4.1% above fiscal year 2021, primarily due to an expected increase in Property Tax, Sales Tax, and Recreation Program revenues.

The General Fund expenditure budget for 2022 is \$31.99 million. General Fund expenditures increase \$1.45 million, or 4.8% compared to the 2021 expenditure budget primarily due to cost-of-living adjustments in salaries & wages and market adjustments in benefits.

Expenditures are broken down by their respective departments in the table shown to the right.

EXPENDITURES	
Description	2022 Budget
Administrative Services	\$ 489,438
Human Resources	583,410
Information & Geographic Services	163,517
City Attorney's Office	758,528
City Council	37,875
City Manager's Office	904,734
Community Planning & Development	3,231,337
Finance	1,058,817
Fire and EMS	7,200,781
Municipal Court	484,370
Non-Departmental	4,002,322
Public Works/Operations	4,694,081
Parks and Recreation	431,311
Police	7,947,376
Total Budgeted Expenditures	\$ 31,987,897

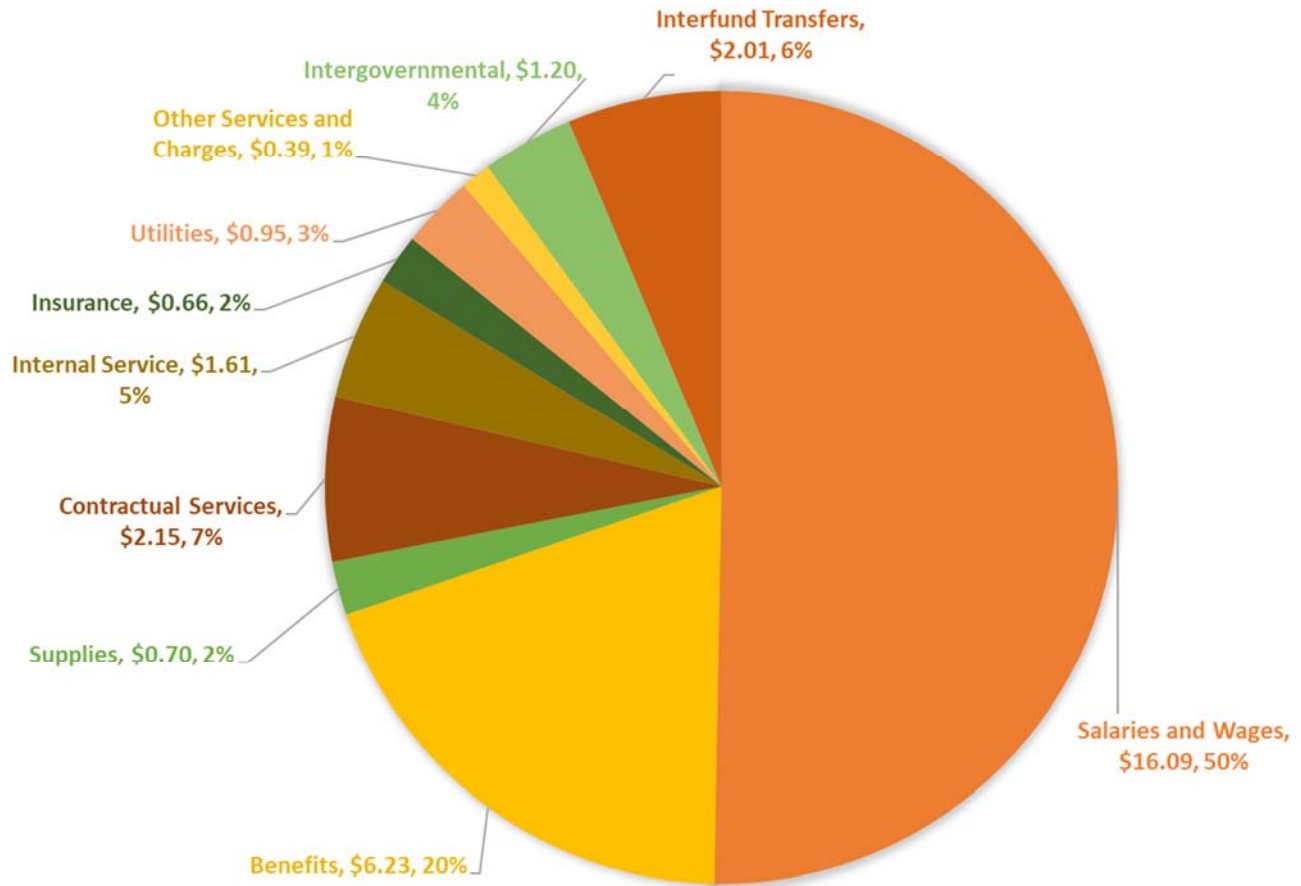
Where does the money come from?



Budget Overview

Where does the money go?

2022 General Fund Expenses Total: \$31.99 (in millions)



Budget Proposals

The 2021-2022 Adopted Budget includes several budget proposals the City Council reviewed and determined which to prioritize and fund. Budget proposals were grouped into two categories:

- One-time funding requests are typically associated with a special project of a limited duration; and,
- Ongoing funding requests are tied to proposed new staff positions or an expenditure that is ongoing.

The table on the next page shows all budget proposals by fund and department.

Budget Overview

BUDGET PROPOSALS					
Authorized by City Council?	Description	One-Time Cost		Ongoing Cost	
		2021	2022	2021	2022
GENERAL FUND					
Administrative Services					
Yes	Classification & Compensation study	\$ 60,000	\$ -	\$ -	\$ -
Yes	Cultural Competency Training	20,000	20,000	-	-
Yes	Municipal Court Services Study	20,000	-	-	-
Yes	Biennial Public Opinion Survey	-	20,000	-	-
Community Planning & Development					
Yes	Economic Development (1.0 LTE)	119,527	122,562	-	-
Yes	Town Center Retail Analysis and Code Update	50,000	-	-	-
No	Housing Action Plan	150,000	-	-	-
Yes	Housing Needs Assessment	30,000	-	-	-
Yes	Transportation, Fire and Parks Impact Fee Study	-	125,000	-	-
Yes	Senior Policy Analyst (1.0 FTE)	-	-	75,783	138,469
Finance					
Yes	ERP Financial Software Purchase & Implementation	65,500	98,250	-	-
Yes	Financial Analyst (0.50 FTE)	-	-	-	54,953
Fire Department					
No	Fire Services Request for Proposal	80,000	-	-	-
Yes	Mobile Integrated Health (MIH) Program	-	-	108,000	110,000
Yes	King County ALS/EMS Levy	-	-	(108,000)	(110,000)
Non-Departmental					
Yes	Reserve for Recreation & MICEC	400,000	-	-	400,000
Yes	Increase LEOFFI Long Term Care Reserve	200,000	200,000	-	-
Yes	Soil Remediation and Site Characterization	148,000	55,500	-	-
Yes	Youth & Family Services Funding	102,787	856,762	-	-
Yes	ADA Transition Plan	100,000	150,000	-	-
Yes	Transfer to Firefighter Pension Fund	100,000	100,000	-	-
Yes	Reserve for Thrift Shop Startup	100,000	-	-	-
Yes	Election Costs	55,000	-	-	-
Yes	Town Center Parking Study Funding	40,000	-	-	-
Yes	Chamber of Commerce Support	14,400	-	-	-
Yes	Public Camping & Shelter Support	-	-	10,000	10,000
Police					
Yes	Patrol Officers (2.0 FTE)	-	-	-	240,502
Public Works:					
Yes	Reinstate Park Maint Casual Labor	-	-	263,224	274,346
Yes	Town Center Beautification	-	-	60,000	60,000
Yes	Sustainability Program Manager (0.25 FTE)	-	-	35,551	36,423
Yes	Farmers Market Support	-	-	20,000	20,000
Subtotal General Fund		1,855,214	1,748,074	464,559	1,234,692
UTILITY FUNDS (Water, Sewer & Storm Water Funds)					
Finance:					
Yes	Financial Analyst (0.50 FTE)	-	-	-	54,953
Yes	ERP Financial Software Purchase & Implementation	34,500	51,750	-	-
Public Works:					
Yes	Sustainability Program Manager (0.25 FTE)	-	-	106,654	109,268
Yes	Utility Locate Services	-	-	60,000	60,000
Subtotal Utility Funds		34,500	51,750	166,654	224,221
YOUTH & FAMILY SERVICES FUND					
Youth & Family Services Department					
Yes	Diversity, Equity and Inclusion Training	-	-	5,000	5,000
Subtotal YFS Fund		-	-	5,000	5,000
Total Budget Proposals		\$ 1,889,714	\$ 1,799,824	\$ 636,212	\$ 1,463,913

Budget Overview

2021-2022 All Fund Summary with Fund Balance

The 2021-2022 budget summary table provides an overview of the beginning fund balances, proposed revenues, proposed expenditures, and ending fund balances across all funds for the biennium, respectively.

FUND NAME (\$ IN THOUSANDS)		2021 Estimated Beginning Fund Balance	2021-2022 Proposed Revenues	2021-2022 Proposed Expenditures	Estimated Ending 2022 Fund Balance	Budgeted Incr. (Decr.) in Fund Balance
General Purpose Funds	001 - General	6,924	63,307	62,521	5,237	(1,688)
	037 - Self-Insurance Claim Reserve	110	70	70	60	(50)
	061 - Youth Services Endowment Fund	291	10	10	291	0
	General Purpose Funds Subtotal	7,325	63,387	62,601	5,587	(1,738)
Special Revenue Funds	104 - Street Fund	2,933	7,925	7,412	3,446	513
	112 - Criminal Justice Fund	0	0	0	0	0
	130 - Contingency Fund ¹	3,792	522	0	4,314	522
	140 - 1% for the Arts Fund	165	34	30	169	4
	160 - Youth and Family Services Fund	102	4,336	4,306	130	28
Special Revenue Funds Subtotal	6,992	12,818	11,748	8,059	1,067	
Debt Service	208 - Bond Redemption Fund - Voted	19	0	0	19	0
	239 - Bond Redemption Fund - Non-Voted	5	1,081	1,081	5	0
	Debt Service Funds Subtotal	24	1,081	1,081	24	0
Capital Funds	342 - Town Center Parking Facilities Fund	492	0	0	492	0
	343 - Capital Improvement Fund	2,490	7,819	7,819	1,591	(899)
	345 - Technology & Equipment Fund	278	723	522	479	201
	350 - Capital Reserve Fund	170	0	0	170	0
	Capital Project Funds Subtotal	3,431	8,542	8,341	2,732	(698)
Enterprise Funds	402 - Water Fund	9,550	29,328	29,328	1,963	(7,586)
	426 - Sewer Fund	3,618	24,436	22,494	5,152	1,533
	432 - Storm Water Fund	3,195	5,744	5,744	2,091	(1,104)
	Enterprise Funds Subtotal	16,363	59,509	57,567	9,206	(7,158)
Internal Service Funds	503 - Equipment Rental Fund	3,295	4,963	3,691	2,848	(447)
	520 - Computer Equipment Fund	383	2,606	2,232	444	61
	Internal Service Funds Subtotal	3,678	7,568	5,923	3,292	(386)
Trust Funds	606 - Firefighter's Pension Fund	857	348	170	1,034	178
	Trust Funds	857	348	170	1,034	178
All Funds Totals		\$38,669	\$153,253	\$147,432	\$29,935	(\$8,735)

¹ Contingency Fund Balance is 7% of total General Fund expenditure budget.

² Differences may occur due to rounding.