

# *City of Mercer Island*

## **2019-2020 BIENNIAL BUDGET: COUNCIL DIRECTION**

Presented by: Julie Underwood, City Manager and Chip Corder,  
Assistant City Manager/Finance Director

Presented to: Mercer Island City Council

Date: August 28, 2018

# Tonight's Discussion

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- Confirm Council Direction for the 2019-2020 Biennial Budget, in light of Contingency Fund target recommendation
- Provide preliminary service level reductions
- Not intended for detailed budget discussions – please hold for budget meetings this fall

# Council's Direction (June 9, 2018)

- Assume no levy lid lift
- Draw down all available one-time monies to avoid (or minimize) service level reductions
- Other Key Assumptions:
  - 2% property tax growth in 2019 (includes 1% new construction and 1% Council optional increase)
  - Beautification Fund is combined with General Fund in 2019
  - No utility tax increase in 2019-2024 (temporary utility tax increase expires at the end of 2018)
  - No B&O tax increase in 2019-2024

# Contingency Fund Recommendation

- July 10, 2018 – Management Partners recommends a Contingency Fund target of 2 months of General Fund Expenditures (17%)
- City's Contingency Fund target balance is currently 10% (or 1.2 months) of General Fund Expenditures

# Contingency Fund Recommendation

- Staff recommends building toward this over time
  - Start with the target of 1.5 months of General Fund Expenditures (12.5%)
- Contingency Fund (Savings) addresses:
  - Economic downturn
  - Natural catastrophe
  - Unforeseen extraordinary financial expenditures

# 2019-2020 Biennial Budget

- Strategy to meet Contingency Fund target and balance the budget:
  - \$911,000 – one-time resources to meet 1.5 months target at end of 2018
  - \$1.99 million – one-time resources to balance budget
  - \$1.20 million – service level reductions to balance budget (detailed on p.2 of agenda bill)

# To Balance 2019-2022 Biennial Budgets – Reductions Required

	2019	2020	2021	2022
<b>Ongoing Expenditure Reductions</b>	\$437K	\$437K	\$437K	\$437K
		\$374K	\$374K	\$374K
			\$3.44M	\$3.44M
				\$680K
<b>Total</b>	<b>\$437K</b>	<b>\$811K</b>	<b>\$4.25M</b>	<b>\$4.93M</b>
<b>FTE cuts each year</b>	<b>2.5*</b>	<b>2.5</b>	<b>31.0**</b>	<b>6.0***</b>

\* The FTE cuts in 2019 are net of the 0.5 FTE added for Police Records support.

\*\* The FTE cuts in 2021 correspond to the \$3.44M in expenditure reductions.

\*\*\* The FTE cuts in 2022 correspond to the \$680K in expenditure reductions.

# 2019-2020 Biennial Budget – Preliminary Proposed Reductions

Department	\$Amount
Fire Department	(215,030)
Non-Departmental	(136,000)
Parks & Recreation	(439,923)
Public Works	(100,000)
Police	(185,269)
Youth & Family Services	(297,817)
<b>SUBTOTAL</b>	<b>(\$1,374,039)</b>
Police (records support)	125,630
<b>TOTAL</b>	<b>(\$1,248,409)</b>



# 2019-2020 Biennial Budget – Council Review and Adoption Schedule

Topic	Date (2018)
Council Direction – Preliminary Proposed Reductions	August 28
City Manager Delivers Proposed Budget	October 16
Operating Budget Review by Department and Public Hearing	October 23
Capital Budget & Utility Rates Review	November 5
Public Hearing, Finalize Changes, Adopt Ordinances and Resolutions	November 20
Final Budget Adoption	December 4

# Recommendation

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- Move to adopt a target of 1.5 months of General Fund Expenditures for the Contingency Fund