

Sub Group Option

1. Immediately implement a cost containment program following the 2005-06 format or similar program.
2. Recast the 2019-2020 biennial budgets to reflect the movement of funds such as the Beautification and Criminal justice funds to the general fund, REET funds that can legitimately be used for maintenance of capital projects and the final 2017 numbers to reflect more currently the 2019-2020 biennial position.
3. Send a recommendation to the City Council to create formal committees to study such long-term projects as eliminating the Marine Patrol and negotiating with KCLS to capture some of the excessive fees we pay for the MI library. Enlist the help of an economic development expert to provide guidance on increasing revenues.
4. Do not place an operational levy lift on the November 2018 ballot.
5. Consider placing the levy on the November 2020 ballot if expenditures cannot be controlled to match revenues.
6. Solutions for addressing 2019-2020 Forecasted \$4.34 million shortfall if needed

Funding:

Option 1

Vacancy	\$ 200,000
Criminal Justice Fund	\$ 1,263,429
Beautification Fund	\$ 1,388,761
Contingency Fund	\$ 2,563,017
Total	\$ 5,415,207

Option 2

Vacancy	\$ 200,000
Criminal Justice Fund	\$ 1,263,429
Beautification Fund	\$ 1,388,761
Spend 5% less GF	\$ 1,500,000
Total	\$ 4,352,190

Option 3

Vacancy	\$ 200,000
Criminal Justice Fund	\$ 1,263,429
Beautification Fund	\$ 1,388,761
Spend 2% less	\$ 600,000
Use some REET money	\$ 1,000,000
Total	\$ 4,452,190



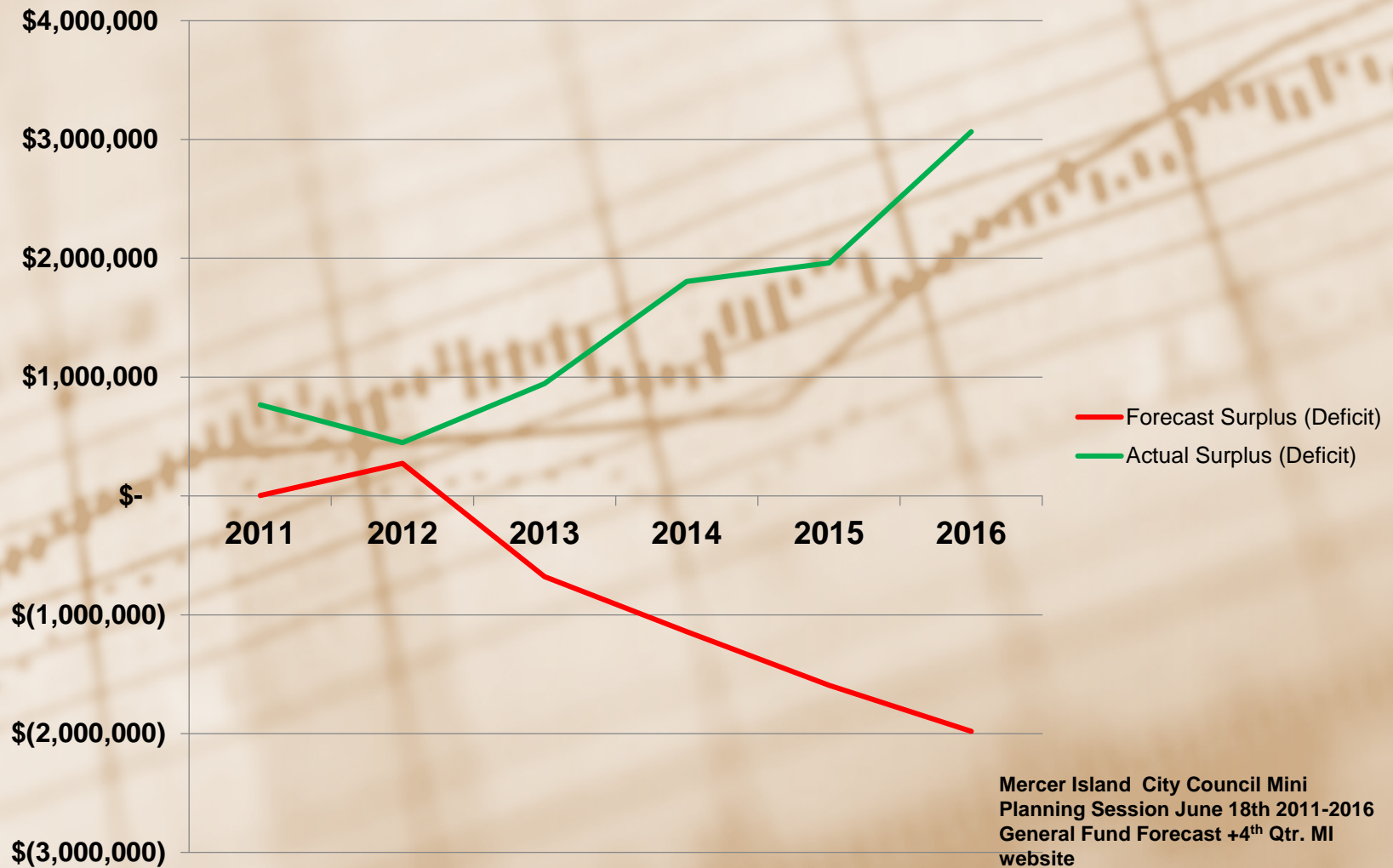
Mercer Island Financial Challenges

COMMUNITY ADVISORY SUB-GROUP

Questions

- Do We Need a Levy Lift?
 - If The Forecast is Accurate, Yes
 - If the Forecast is not Accurate, No
- Do We Need to Run a Cost Containment Program?
 - If the Forecast is Accurate, Yes
 - If the Forecast is not Accurate, Yes

Forecast Surplus/Deficit vs Actual



Actual vs Forecast

Revenue General Fund

	2010	2011	2012	2013	2014	2015	2016	2017	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	(Estimate)
Property Tax	\$ 9,998,598	\$ 10,123,128	\$ 10,349,560	\$ 10,516,441	\$ 10,805,922	\$ 11,258,047	\$ 11,460,974	\$ 11,793,342	
		1.2%	2.2%	1.6%	2.8%	4.2%	1.8%	2.9%	2.4%
All Other	\$ 11,757,381	\$ 12,379,296	\$ 12,476,755	\$ 14,083,267	\$ 14,997,704	\$ 16,735,260	\$ 17,648,190	\$ 18,788,872	
		5.3%	0.8%	12.9%	6.5%	11.6%	5.5%	6.5%	7.0%
Total Revenue	\$ 21,755,979	\$ 22,502,424	\$ 22,826,315	\$ 24,599,708	\$ 25,803,626	\$ 27,993,307	\$ 29,109,164	\$ 30,582,215	
		3.4%	1.4%	7.8%	4.9%	8.5%	4.0%	5.1%	5.0%
		2018	2019	2020	2021	2022	2023	2024	
		Forecast*	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Property tax		\$ 12,198,327	\$ 12,442,294	\$ 12,691,139	\$ 12,944,962	\$ 13,203,861	\$ 13,467,939	\$ 13,737,297	
		3.4%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.2%
All other		\$ 18,897,625	\$ 18,961,827	\$ 19,548,736	\$ 20,159,358	\$ 20,794,742	\$ 21,455,987	\$ 22,144,243	
		0.6%	0.3%	3.1%	3.1%	3.2%	3.2%	3.2%	2.4%
Total Revenue		\$ 31,095,952	\$ 31,404,120	\$ 32,239,876	\$ 33,104,320	\$ 33,998,603	\$ 34,923,926	\$ 35,881,541	
			1.0%	2.7%	2.7%	2.7%	2.7%	2.7%	2.4%

* does not include starting balance

All Other Revenues

Sales taxes

Utility taxes

License, permit & zoning fees

Park, recreation & rental fees

EMS levy & charges for
services

Intergovernmental revenues

Business & occupation tax

Utility overhead

Court fines

CIP overhead

General government

Interest

REET Analysis

0.5% REET Option for Operating Expenditures

2008-2017 Analysis Based on Actual Revenues Less Extraordinary Receipts

* Extraordinary REET receipts encompass property sales of \$20 million or more that generated \$100,000 or more in REET revenue.

** Extraordinary sales tax receipts encompass one-time sales that generated \$100,000 or more in sales tax revenue.

Year	Property Sales	REET Revenue	Less Extraord. Receipts*	Net REET Revenue	Additional Revenue: 0.5% REET Option	Sales Tax Revenue	Less Extraord. Receipts**	Net Sales Tax Revenue	Reduction in Revenue: 0.5% Sales Tax Cut	Net Additional Revenue: 0.5% REET - 0.5% Sales Tax	Approximate Size Transaction
2008	265	2,346,509	(554,820)	1,791,689	1,791,689	3,683,977	(455,336)	3,228,641	(1,614,321)	177,369	\$ 1,352,218
2009	270	1,257,880	-	1,257,880	1,257,880	2,574,993	-	2,574,993	(1,287,497)	(29,617)	\$ 931,763
2010	321	2,207,060	(544,141)	1,662,919	1,662,919	2,505,482	-	2,505,482	(1,252,741)	410,178	\$ 1,036,087
2011	372	1,827,174	-	1,827,174	1,827,174	2,591,039	-	2,591,039	(1,295,520)	531,655	\$ 982,352
2012	424	2,160,053	(107,044)	2,053,009	2,053,009	2,775,708	-	2,775,708	(1,387,854)	665,155	\$ 968,400
2013	494	2,605,106	-	2,605,106	2,605,106	2,990,245	-	2,990,245	(1,495,123)	1,109,984	\$ 1,054,699
2014	502	3,268,727	-	3,268,727	3,268,727	3,213,003	-	3,213,003	(1,606,502)	1,662,226	\$ 1,302,282
2015	509	3,269,379	(247,995)	3,021,384	3,021,384	4,168,855	(109,395)	4,059,460	(2,029,730)	991,654	\$ 1,187,184
2016	461	3,700,746	(479,312)	3,221,434	3,221,434	4,750,432	-	4,750,432	(2,375,216)	846,218	\$ 1,397,585
2017	504	5,690,681	(1,711,513)	3,979,168	3,979,168	4,145,605	-	4,145,605	(2,072,803)	1,906,366	\$ 1,579,035
10 Year Ave	412			10 Year Annual Averages	2,468,849				(1,641,730)	827,119	\$ 1,197,889
5 Year Ave	494		Extraordinary Receipts		3,219,164				(1,915,875)	1,303,289	\$ 1,303,305

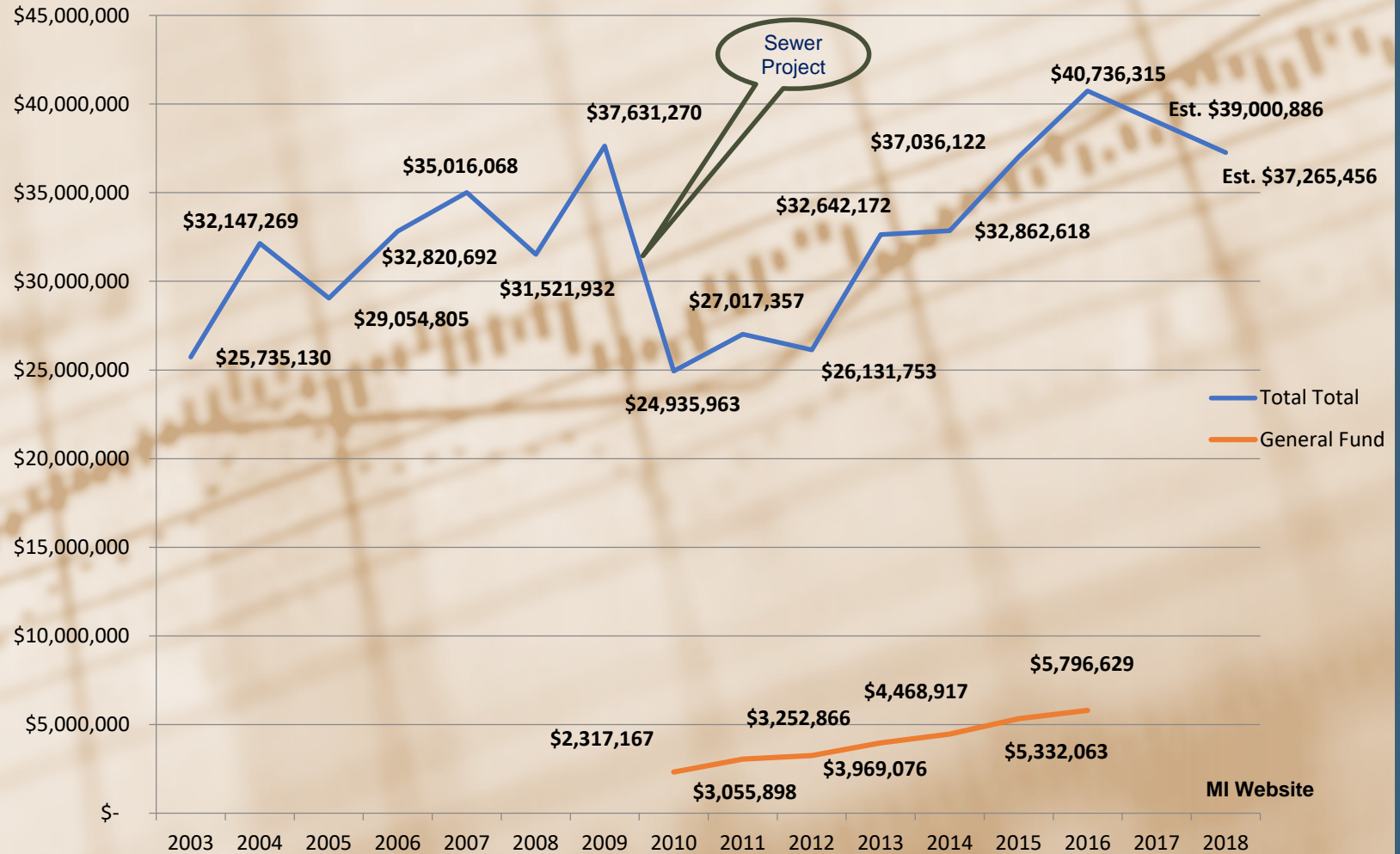
10 years \$ (3,644,825)

Average/Year \$ (364,483)

Chip's Analysis 10 Year Average Less Extraordinary Receipts				
There are 5 components in this analysis				
		Discount PY*	Discount 5 yr Average	
1. The Number of Transactions	412	-18%	-17%	
2. The Size of the transaction	\$ 1,197,889	-24%	-8%	
3. Additional REET Revenue	\$ 2,468,849	-38%	-23%	
4. Lost sales tax	\$ (1,641,730)	-21%	-14%	
5. Net Add Revenue	\$ 827,119	-57%	-37%	
*PY is previous year				

Bob's Analysis 5 Year Average Less Extraordinary Receipts					Change in REET Rev YOY Less Extraordinary Receipts	
There are 5 components in this analysis						
		Discount PY*			2009	-42%
1. The Number of Transactions	494	-2%			2010	24%
2. The Size of the transaction	\$ 1,303,305	-17%			2011	9%
3. Additional REET Revenue	\$ 3,219,164	-19%			2012	11%
4. Lost sales tax	\$ (1,915,875)	-8%			2013	21%
5. Net Add Revenue	\$ 1,303,289	-32%			2014	20%
Zillow is forecasting a 6% growth rate in 2018					2015	-8%
					2016	6%
					2017	19%
With a 32 % discount to the previous year you clearly cover the worst case. Except for 2009						

History Balances 2003-2018



Fund Balances 2016

General Fund	\$	5,796,629
Self Insurance	\$	109,750
Youth services Endow	\$	310,700
Street	\$	3,874,030
Criminal Justice	\$	1,100,614
Beautification	\$	1,108,708
Contingency	\$	2,629,429
Muni arts/1%	\$	178,927
YFS	\$	173,020
Bond Red Non Voted	\$	18,943
Bond Red Voted	\$	5,038
Capital Improvement	\$	4,143,042
Tech and Equipment	\$	656,890
Capital Reserve	\$	169,999
Equipment Rental	\$	3,092,248
Computer Equip	\$	397,184
Firemans Pension	\$	901,717
Water Fund	\$	7,857,529
Sewer fund	\$	4,204,431
Storm water Fund	\$	3,971,292
Fire Station Reserve	\$	36,195
Total	\$	40,736,315



Can the City Improve Productivity/
Efficiency?

Results

- Total Budget Reduction of \$1,046,680
- 5.5% of 2005-2006 budgets

Members

- Lisa Anderl
- Heather Cartwright
- Doris Cassan
- Robert Harper
- El Jahncke
- Elaine Kavalok