



**BUSINESS OF THE CITY COUNCIL  
CITY OF MERCER ISLAND, WA**

**AB 5340  
September 5, 2017  
Regular Business**

**REVISED PUBLIC ENGAGEMENT PLAN ON  
CITY'S FINANCIAL CHALLENGES**

**Proposed Council Action:**

Review revised plan and provide direction to staff.

<b>DEPARTMENT OF</b>	Finance (Chip Corder)
<b>COUNCIL LIAISON</b>	n/a
<b>EXHIBITS</b>	1. Pro/Con Analysis of Levy Election Date Options 2. Telephone Town Hall Information
<b>2017-2018 CITY COUNCIL GOAL</b>	4. Address the City's Financial Challenges
<b>APPROVED BY CITY MANAGER</b>	

<b>AMOUNT OF EXPENDITURE</b>	\$	n/a
<b>AMOUNT BUDGETED</b>	\$	n/a
<b>APPROPRIATION REQUIRED</b>	\$	n/a

**SUMMARY**

**PROBLEM STATEMENT**

Significant deficits are projected in 2017-2018 in the General Fund and Youth & Family Services (YFS) Fund, which account for most of the City's services, excluding utilities. Using one-time resources, these projected deficits have been temporarily bridged, buying time to engage the community on the City's financial challenges.

What is driving these projected deficits? Simply put, annual revenue growth is not keeping pace with annual expenditure growth. At the root of the General Fund revenue growth problem is property tax, which makes up 41% of total General Fund revenues and is limited to 1% annual growth per state law plus an allowance for "new construction," which equates to another 1% per year on average. In addition, development activity, which experienced a spike in 2015-2016, resulting in record levels of construction-related sales tax and development fees, is projected to slow down in 2017-2019, returning to a more normal activity level based on what is known about future development on the Island.

For the YFS Fund, the revenue growth problem is directly related to the following:

1. The School District was compelled to reduce its financial support for YFS mental health counselors from 42% of the total cost to a fixed sum of \$60,000 beginning in 2010 due to the Great Recession; and
2. The City was compelled to reduce its financial support of YFS from \$465,000 per year to \$320,000 per year in 2011-2013 and then to \$200,000 per year in 2014 due to the Great Recession (note: this was increased to \$400,000 per year beginning in 2015);

As a service organization, most of the City's costs are tied to staff, accounting for 71% of total General Fund expenditures and 82% of total YFS Fund expenditures in 2017. Personnel costs grow faster than inflation (even in the private sector). However, unlike the private sector, the City cannot spread those personnel cost increases across the number of "widgets" sold or the number of clients served, with very few exceptions (e.g. parks & recreation fees and development fees).

To maintain current service levels, a new, ongoing revenue source is needed. Otherwise, it is estimated that 25% of the City's workforce will have to be cut in 2019-2024 to balance the budget due to a projected \$1.08 million average annual growth differential between total expenditures and total revenues in the General Fund and YFS Fund combined in 2019-2024.

## **BACKGROUND**

At its July 17, 2017 meeting, the Council approved staff's recommended public engagement plan on the City's financial challenges, the timeline for which was driven by the February 13, 2018 special election. Despite significant concerns about voter fatigue (due to the passage of Sound Transit 3 and the state legislature's "McCleary fix") as well as major community issue fatigue (due to Town Center code update, I-90 loss of mobility negotiations, and residential code update), staff's recommendation attached more weight to the following:

1. Finance Director's concern, which is based on the forecasts of various national and regional economists, that the nation is due for another recession, which occurs about every 10 years on average;
2. Management's strong desire to know before the 2019-2020 Budget process begins if service level cuts in 2019 are going to be required or not; and
3. Management's concern that pushing a levy lid lift ballot measure to August or November 2018 invites greater risk from a staff perspective, negatively impacting morale and increasing the likelihood of losing our best employees.

In August, staff discovered that a six-year levy lid lift with annual increases greater than 1% can only be placed on an August or November ballot, not a February ballot. This oversight, while not critical, caused the City Manager and the Finance Director to press the "pause button" and to re-look at the public engagement process timeline. Pushing out and lengthening the engagement process will provide staff more time to work with the Citizen Advisory Group (CAG), as well as more time to inform and educate the larger community. Islanders will have more time to fully understand the issues and the options for addressing them. **As a result, staff recommends pushing the public engagement process from September-October 2017 to October 2017-April 2018, thereby pushing a potential ballot measure to the November 2018 general election.**

It should be noted that there is one very significant risk associated with a November 2018 ballot measure. If the levy fails, the City cannot go back to the voters until 2019, and a levy lid lift approved in 2019 would not take effect until 2020, leaving a projected operating budget deficit of \$2.0M in 2019. The pros and cons of a February 2018 special election versus an August 2018 primary election versus a November 2018 general election for a levy lid lift are summarized in Exhibit 1.

## PROPOSED REVISED TIMELINE

The revised public engagement timeline recommended by staff is detailed below.

Action	Date
<b>Council meeting:</b> Review & approve <b>revised</b> public engagement plan on City's operating & capital funding challenges	Sep 5, 2017
<b>City Manager:</b> Solicit applications to serve on Citizen Advisory Group (limited to approximately 20 residents)	Sep 6-Oct 27, 2017
<b>Chamber of Commerce meeting:</b> First public presentation to a community group (open to the public)	Oct 5, 2017 (Thu) (12:00-1:00pm)
<b>Telephone Town Hall:</b> Intended to solicit questions from Islanders on the City's financial challenges	Oct 11, 2017 (Wed) (7:00-8:30pm)
<b>Initial public notification:</b> Advertise dates/times/locations of citizen advisory committee meetings & community meetings on City's website and via social media	Nov 3, 2017 (Fri)
<b>Citizen Advisory Group kick-off meeting (MICEC):</b> Get acquainted, address ground rules, find out what participants want to know, provide high level presentation on City's financial challenges, and distribute information binders (including 2017-2018 Budget Message, Mar 2016 citizen survey results, and other information)	Nov 15, 2017 (Wed)
<b>Island-wide mailer:</b> Distribute information summarizing the City's financial challenges & detailing the public engagement process in Jan-Apr 2018, noting dates/times/locations of Citizen Advisory Group meetings and community meetings	Dec 1, 2017 (Fri)
<b>Citizen Advisory Group meetings (MICEC):</b> <ul style="list-style-type: none"> <li>• 1<sup>st</sup> meeting: Review operating funding challenges &amp; options (3.5 hours)</li> <li>• 2<sup>nd</sup> meeting: Deliberate &amp; make a recommendation on operating funding options (2.0 hours)</li> <li>• 3<sup>rd</sup> meeting: Review capital funding challenges &amp; options (3.5 hours)</li> <li>• 4<sup>th</sup> meeting: Deliberate &amp; make a recommendation on capital funding options (2.0 hours)</li> </ul>	Jan 6, 2018 (Sat) Feb 5, 2018 (Mon) Mar 3, 2018 (Sat) Apr 2, 2018 (Mon)
<b>Other public engagement:</b> Hold 3 community meetings, hold a second Telephone Town Hall meeting, and meet with various Island community groups	Feb-Apr 2018
<b>Community survey:</b> Conduct telephone survey on potential operating & capital levy lid lifts	Apr 22-28, 2018
<b>Council meeting:</b> Review Citizen Advisory Group's recommendation, review community survey results, review City Manager's recommendation, and decide whether or not to direct staff to prepare levy lid lift ordinance(s) for Nov 6, 2018 ballot	May 15, 2018
<b>Council meetings:</b> If the Council favors going to the voters, conduct first & second readings of proposed levy lid lift ordinance(s)	Jun 5, 2018 Jun 19, 2018
<b>King County Elections Office:</b> Submit levy lid lift ordinance(s), ballot measure(s), explanatory statement for voter's pamphlet, and pro/con committee appointments	Aug 7, 2018
<b>King County Elections Office:</b> Submit pro/con statements for voter's pamphlet	Aug 14, 2018
<b>King County Elections Office:</b> Submit rebuttal statements for voter's pamphlet	Aug 16, 2018
<b>General election</b>	Nov 6, 2018

## **TELEPHONE TOWN HALL**

In an effort to reach as many residents as possible, staff has arranged to use an outside vendor, Telephone Town Hall Meeting (TTH), which conducts “telephone town halls” across the country. The way it works is that TTH will “recruit” MI residents to attend the town hall by calling them and asking them to attend, then dialing them in the day-of the scheduled telephone town hall. TTH works off phone lists, including anyone who would like to register to join the meeting (TTH will create a web registration page). Not all recruitment calls will reach everyone, so having the option to register in advance is helpful.

The telephone town hall will last for approximately one hour. TTH provides an experienced moderator to run the call, screen questions, etc. After staff provides basic information about the City’s financial challenges for approximately 4-6 minutes, the moderator will offer up some questions to cover the basics before opening it up to more citizen Q&A for the remainder of the hour. After the call, attendees can be offered the option of leaving comments on a voicemail line, which TTH records and provides to the City. The City also has the option of doing survey questions during the town hall (people use their phone to answer by pressing 1, 2, 3, etc.). Please see Exhibit 2 for a company overview and current customer feedback. Staff is excited to try this new approach and is hopeful that we can engage a group of residents who may not have considered attending an in-person meeting about the City’s financial challenges.

## **NEXT STEPS**

In addition to promoting the new timeline, staff will update the Citizen Advisory Group application and continue to recruit applicants through October 27. Staff will also make a presentation to the Chamber of Commerce on October 5, 2017 (which will be open to the public), conduct a “telephone town hall” meeting on October 11, 2017, and hold a kick-off meeting with the Citizen Advisory Group on November 15, 2017. These meetings will help staff determine if there are any questions that have not been anticipated. If so, staff will have time to prepare answers for the public engagement meetings scheduled for January-April 2018.

## **RECOMMENDATION**

*Finance Director*

Review revised plan and provide direction to staff.

## Pro/Con Analysis of Levy Election Date Options

### Upsides

Feb 2018 Special Election	Aug 2018 Primary Election	Nov 2018 General Election
Can place a 6 year levy lid lift on ballot, but the annual increases are limited to 1% in years 2-6	Can place a 6 year levy lid lift on ballot with annual increases >1% in all 6 years	Can place a 6 year levy lid lift on ballot with annual increases >1% in all 6 years
Would know future funding status before starting 2019-2020 Budget development process	Can extend public engagement process from 2 to 5-6 months, providing more time for Islanders to ask questions, weigh options, and make an informed decision	Can extend public engagement process from 2 to 5-6 months, providing more time for Islanders to ask questions, weigh options, and make an informed decision
If levy fails, the City could go back to voters in Nov 2018	Public engagement process would be completed by Apr 2018, which is when the City Manager and Finance Director begin an initial review of the 2019-2024 Preliminary CIP	Public engagement process would be completed by Apr 2018, which is when the City Manager and Finance Director begin an initial review of the 2019-2024 Preliminary CIP
	Would know future funding status before finalizing 2019-2020 Preliminary Budget in late Aug 2018	

### Downsides

Feb 2018 Special Election	Aug 2018 Primary Election	Nov 2018 General Election
Cannot place a 6 year levy lid lift on ballot with annual increases >1% in all 6 years	If levy fails, the City cannot go back to the voters until 2019, and a levy lid lift approved in 2019 would not take effect until 2020, leaving a projected operating budget deficit of \$2.0M in 2019	If levy fails, the City cannot go back to the voters until 2019, and a levy lid lift approved in 2019 would not take effect until 2020, leaving a projected operating budget deficit of \$2.0M in 2019
Very compressed public engagement process (Sep-Oct 2017) for a difficult topic, running the risk of not giving residents enough time to ask questions, weigh options, and make an informed decision	Voter turnout is significantly less in Aug vs. Nov election, with many families on vacation in Jul-Aug	Would know future funding status after 2019-2020 Preliminary Budget is developed and presented to the Council
	Pushing ballot measure to Aug 2018 invites greater risk from a staff perspective, negatively impacting morale and increasing the likelihood of losing our best employees	Pushing ballot measure to Nov 2018 invites greater risk from a staff perspective, negatively impacting morale and increasing the likelihood of losing our best employees



# TELEPHONE TOWNHALL MEETING

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## TTHM Company Profile

### Overview

Telephone TownHall Meeting (TTHM) was created in March of 2010 to bring this relatively new communications technology to municipalities, school districts and advocacy organizations.

Initially, Telephone TownHall Meetings were used almost exclusively as a means of connecting Congressmen and Senators in Washington, DC with their constituents in home districts. Using a full-service approach to orchestrating these forums, TTHM has been able to produce events for a much broader range of clientele.

### The TTHM Advantage

We provide Screeners to ensure quality Q&A, a Moderator to facilitate the live event, and Collectors to acquire opt-in email addresses and other useful information. By taking care of the details, TTHM allows the client to focus on educating the audience in the context of a professionally rendered event.

### Personnel

Telephone Town Hall Meeting has a core staff of just ten employees. Additional Screeners, Collectors and Sales Staff are hired as needed to ensure that even during the most demanding part of the year, each of our clients gets maximum value out of their communications dollars.

## Telephone Town Hall Meeting Testimonials

In researching this Telephone Town Hall technology and vendor, staff spoke with the City of Dallas. They gave a 100% positive reference. They've used TTH annually for four years running, to talk with their community about the city budget. Some highlights from the conversation:

- *It's been a great success here.*
- *Attendance at our budget public meetings went from 10-20 (in person) to over 300 (using TTH)*
- *Feedback from our citizens has been glowing. They love it.*
- *It's a good solid product; a lot like talk radio*
- *The TTH moderator and staff does an amazing job screening and moderating.*
- *It's a good value for the money.*

Staff also spoke with the City of Frisco, Texas, who has been using TTH since 2011. "Attendance" averages 1500-2000 compared to about 200 people who'd attend in person prior to that. Essentially, the service works well, they like it, the public likes it a lot, and they "can count on one hand the number of people who've called over the years to complain about getting a robocall" (to invite them to join the call).

Arapahoe County in Colorado also reports a good experience. They've used TTH for one and a half years. They say, "TTH are awesome to work with; they do a really nice job."