



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

**AB 5605
September 3, 2019
Regular Business**

**SECOND QUARTER 2019 FINANCIAL
STATUS REPORT & 2019-2020 BUDGET
ADJUSTMENTS**

Action:
Receive report and adopt Ordinance
No. 19-12, amending the 2019-2020
Budget.

☐ Discussion Only
☒ Action Needed:
☒ Motion
☒ Ordinance
☐ Resolution

DEPARTMENT OF Finance (Chip Corder)

COUNCIL LIAISON n/a

EXHIBITS
1. Second Quarter 2019 Financial Status Report
2. Ordinance No. 19-12 (amends 2019-2020 Budget)

2019-2020 CITY COUNCIL PRIORITY n/a

APPROVED BY CITY MANAGER

AMOUNT OF EXPENDITURE	\$	n/a
AMOUNT BUDGETED	\$	n/a
APPROPRIATION REQUIRED	\$	n/a

SUMMARY

The Second Quarter 2019 Financial Status Report is attached as Exhibit 1. The Capital Improvement Program ("CIP") section of the report typically includes an overview of real estate excise tax receipts, highlights of particularly notable projects, and a Project Management Report, which provides an update on the status of every CIP project. Due to a key position vacancy in the Finance Department, which has not been filled yet, this section focuses on real estate excise tax receipts only. A complete update on CIP projects and a project management report will be scheduled prior to the end of the year in collaboration with the Public Works and the Parks and Recreation Department.

An ordinance amending the 2019-2020 Budget is attached as Exhibit 2, which constitutes financial "housekeeping." Accordingly, staff recommends that the procedural requirement for a second reading be suspended and that the ordinance be adopted on September 3, 2019.

RECOMMENDATION

Finance Director

- MOVE TO:
1. Suspend the City Council Rules of Procedure 6.3, requiring a second reading for an ordinance.
 2. Adopt Ordinance No. 19-12, amending the 2019-2020 Budget.

City of Mercer Island
FINANCIAL STATUS REPORT
Second Quarter 2019

FOREWORD

The Financial Status Report provides a summary budget to actual comparison of revenues and expenditures for the General Fund (four times a year) and all other funds (twice a year) through the end of the most recently completed fiscal quarter. Revenue and expenditure comparisons are also made to the same period in the prior year. In addition, a comprehensive progress update on the City's Capital Improvement Program (CIP) is included twice a year in the second and fourth quarter reports. A separate fund balance analysis for every fund is included annually in the fourth quarter report as well. Finally, if needed, budget adjustments are identified in a separate section of this report, along with a budget amending ordinance.

This report is comprised of the following five sections:

- General Fund
- Utility Funds
- All Other Funds
- Capital Improvement Program
- Budget Adjustments

It should be noted that, where significant, revenues are recognized when earned, regardless of when cash is received, and expenditures are recognized when a liability has been incurred or when resources have been transferred to another fund. Finally, beginning fund balance represents net excess resources from a prior year that have been appropriated to fund budgeted expenditures in the current year.

GENERAL FUND

The General Fund ended the second quarter of 2019 with total revenues down 0.8 percent relative to the first half of 2018 and total expenditures (excluding one-time interfund transfers) slightly below (49.7 percent) the 50 percent budget threshold. It should be noted that the Beautification Fund was combined with the General Fund beginning in 2019. To ensure an “apples to apples” comparison between years, the Beautification Fund has been included in the General Fund’s 2018 actual and budgeted revenues and expenditures.

Revenues

Comparing total actual to total budgeted revenues (excluding Beginning Fund Balance and Transfer from Other Funds) through the second quarter of the year, the General Fund is 49.7 percent of budget in 2019 compared to 50.7 percent of budget in 2018 (see table below).

GENERAL FUND: Revenues As of June 30, 2018 and 2019

Revenue Category	Actuals			Budget		% of Budget	
	6/30/2018*	6/30/19	% Chg	2018*	2019	2018	2019
Property Tax	6,672,225	6,878,571	3.1%	12,159,785	12,454,555	54.9%	55.2%
General Sales Tax (0.85%)	2,171,018	2,133,834	-1.7%	4,580,000	4,401,736	47.4%	48.5%
Utility Taxes	2,125,029	2,031,812	-4.4%	4,216,700	4,190,106	50.4%	48.5%
License, Permit & Zoning Fees	1,673,325	1,599,077	-4.4%	3,384,500	3,757,847	49.4%	42.6%
Recreation Program Fees	750,416	668,923	-10.9%	1,668,815	1,577,400	45.0%	42.4%
EMS Levy & Charges for Service	666,929	675,124	1.2%	1,323,578	1,363,488	50.4%	49.5%
Intergovernmental Revenues	489,529	486,268	-0.7%	1,149,570	1,208,336	42.6%	40.2%
Criminal Justice Sales Tax (0.10%)	350,268	364,015	3.9%	695,000	728,206	50.4%	50.0%
B&O Tax	115,955	145,929	25.8%	673,000	642,884	17.2%	22.7%
Utility Overhead Charges	232,053	226,938	-2.2%	464,106	453,876	50.0%	50.0%
Court Fines	169,904	140,898	-17.1%	415,000	346,604	40.9%	40.7%
CIP Administration	139,093	137,882	-0.9%	278,185	275,765	50.0%	50.0%
Misc General Government	277,601	217,400	-21.7%	224,700	226,700	123.5%	95.9%
Investment Interest	15,321	19,334	26.2%	6,000	25,604	255.4%	75.5%
Total Revenues	15,848,666	15,726,005	-0.8%	31,238,939	31,653,107	50.7%	49.7%
Beginning Fund Balance	1,844,480	176,053	-90.5%	1,844,480	176,053	100.0%	100.0%
Transfer from Other Funds	-	607,920	N/A	-	607,920	N/A	100.0%
Total Resources	17,693,146	16,509,978	-6.7%	33,083,419	32,437,080	53.5%	50.9%

* The 2018 actuals and budget include the Beautification Fund, which was combined with the General Fund in 2019.

Comparing 2019 to 2018, total revenues are down \$122,661, or 0.8 percent, through the second quarter of the year primarily due to the following:

- \$93,217, or 4.4 percent, decrease in utility taxes;
- \$74,248, or 4.4 percent, decrease in license, permit, and zoning fees; and
- \$60,201, or 21.7 percent, decrease in miscellaneous general government fees.

A more in-depth analysis is provided for the following revenues:

- **Property tax is 55.2 percent of budget in 2019 compared to 54.9 percent of budget in 2018.** This is normal reflecting King County's practice of distributing property taxes to cities primarily in April/May and October/November. Relative to 2018, revenue is up \$206,346, or 3.1 percent, in 2019 due to the following: 1) the 1.0 percent optional increase in the 2019 levy; 2) "new construction" additions to the 2019 levy; and 3) a temporary timing increase, with distributions in the first half of the year being greater than the second half of the year.
- **General sales tax is 48.5 percent of budget in 2019 compared to 47.4 percent of budget in 2018.** Relative to 2018, revenue is down \$37,184, or 1.7 percent, in 2019. The following table compares sales tax revenue, which is broken down by business sector, through the first half of the year for 2017-2019.

2017-2019 Sales Tax Revenue (Including Significant, One-Time Receipts)

Business Sector	Revenue (Jan-Jun)			% Change		% of Total		
	2017	2018	2019	2018	2019	2017	2018	2019
Construction	945,838	880,248	813,802	-6.9%	-7.5%	45.8%	40.5%	38.1%
Retail & Wholesale Trade	557,324	593,421	625,740	6.5%	5.4%	27.0%	27.3%	29.3%
Admin & Support Services	97,358	157,375	162,879	61.6%	3.5%	4.7%	7.2%	7.6%
Food Services	108,622	107,385	113,275	-1.1%	5.5%	5.3%	4.9%	5.3%
Prof, Scientific & Tech Services	58,015	58,120	77,943	0.2%	34.1%	2.8%	2.7%	3.7%
Finance/Insurance/Real Estate	57,729	70,431	76,540	22.0%	8.7%	2.8%	3.2%	3.6%
Telecommunications	75,904	79,658	69,215	4.9%	-13.1%	3.7%	3.7%	3.2%
All Other Sectors	164,862	224,380	194,440	36.1%	-13.3%	8.0%	10.3%	9.1%
Total	2,065,652	2,171,018	2,133,834	5.1%	-1.7%	100.0%	100.0%	100.0%

The overall decrease of 1.7 percent is primarily driven by the net effect of the following:

- \$66,446, or 7.5 percent, decrease in "construction;" and
- \$32,319, or 5.4 percent, increase in "retail & wholesale trade."

Note that the "construction" and "retail & wholesale trade" sectors comprise two-thirds of the City's total general sales tax receipts.

- **Utility taxes are 48.5 percent of budget in 2019 compared to 50.4 percent of budget in 2018.** The table below compares utility tax revenues, which are broken down by type of utility, through the second quarter of the year for 2017-2019.

2017-2019 Utility Tax Revenue

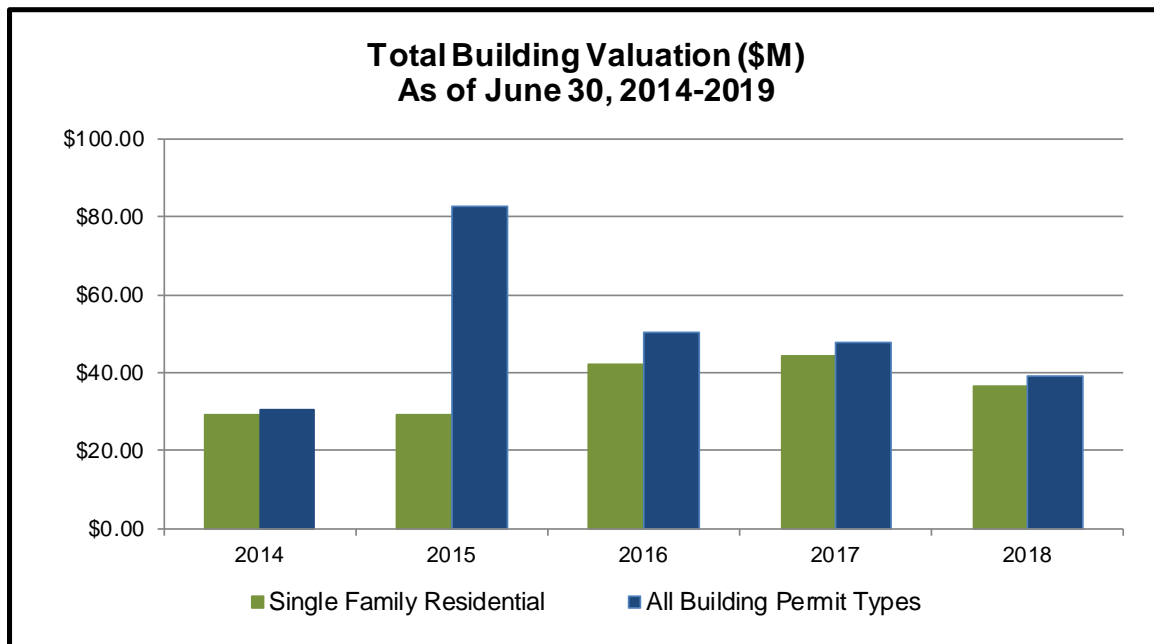
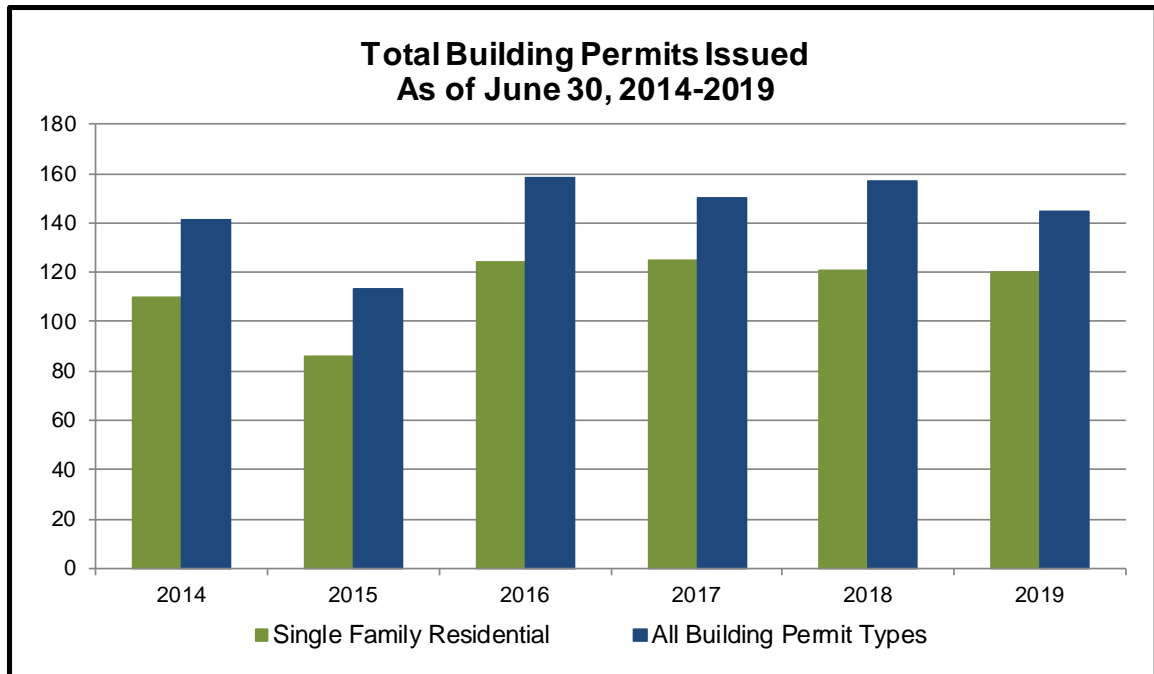
Utility Tax	Revenue (Jan-Jun)			% Change		% of Total	
	2017	2018	2019	2018	2019	2018	2019
Electric/Gas	978,418	910,566	864,428	-6.9%	-5.1%	42.8%	42.5%
Water, Sewer & Stormwater	428,032	470,358	477,952	9.9%	1.6%	22.1%	23.5%
Cable TV	355,127	328,589	315,295	-7.5%	-4.0%	15.5%	15.5%
Garbage	143,842	144,736	148,301	0.6%	2.5%	6.8%	7.3%
Cellular	200,274	170,858	130,509	-14.7%	-23.6%	8.0%	6.4%
Long Distance	62,003	63,035	62,783	1.7%	-0.4%	3.0%	3.1%
Telephone	40,062	36,886	32,545	-7.9%	-11.8%	1.7%	1.6%
Total	2,207,758	2,125,029	2,031,812	-3.7%	-4.4%	100.0%	100.0%

Relative to 2018, revenues are down \$93,217, or 4.4 percent, in 2019 primarily due to the following:

- 5.1 percent decrease in electric/gas utility tax; and
- 23.6 percent decrease in cellular utility tax, reflecting the ongoing downward trend that began in 2009 due to a highly competitive business environment, the popularity of texting over talking, and the exclusion of data plans from utility taxes.
- **License, permit, and zoning fees are 42.6 percent of budget in 2019 compared to 49.4 percent of budget in 2018.** This revenue category consists of all fees related to development, business licenses, and a cable franchise. Relative to 2018, revenues are down \$74,248, or 4.4 percent, in 2019. As measured by the number of building permits issued and the total building valuation, development activity in the first half of 2019 is compared to the first half of 2018 in percentage change terms for single family residential permits and all building permit types in the table below.

Building Permit Type	% Change: First Half 2019 vs. First Half 2018	
	# of Building Permits Issued	Total Building Valuation (\$)
Single family residential	-0.8%	-18.8%
All building permit types	-7.6%	-12.4%

The two graphs on the next page show the total number of building permits issued and the total building valuation for single family residential versus all building permit types through the second quarter of the year for 2014-2019.



Finally, cable franchise fees are down 4.0 percent in 2019 compared to the prior year (\$225,238 in 2019 vs. \$234,707 in 2018), reflecting the growth of online streaming services as households opt to “cut the cable.”

- **Recreation program fees are 42.4 percent of budget in 2019 compared to 45.0 percent of budget in 2018.** This is typical for this revenue category at this point in the year given that registration for summer activities has not yet been received. Relative to

2018, revenues are down \$81,493, or 10.9 percent, in 2019. This is deceiving and is directly related to the implementation of a new recreation system in 2018. Class registration fees in the first half of 2018 were mistakenly booked as revenues before they were earned. This revenue recognition issue was fixed in the second half of 2018.

- **Intergovernmental revenues are only 40.2 percent of budget in 2019 compared to 42.6 percent of budget in 2018.** This is typical for this revenue category at this point in the year. The major revenue sources include the liquor excise tax and liquor profits that are shared by the state, I-90 corridor landscape maintenance contract revenue from the Washington State Department of Transportation, vessel registration fees that are received from the state through King County, and marine patrol services contract revenue from the City of Renton. The vessel registration fees and marine patrol contract revenue will not be received, or otherwise recognized, until December 31, 2019.
- **Business & occupation (B&O) tax is 22.7 percent of budget in 2019 compared to 17.2 percent of budget in 2018.** Trailing the 50 percent budget threshold so significantly is normal, because over 95 percent of the City's registered businesses file an annual, rather than a quarterly, B&O tax return that is not due until January 31st of the following year.
- **Court fines are 40.7 percent of budget in 2019 compared to 40.9 percent of budget in 2018.** Relative to 2018, revenues are down \$29,006, or 17.1 percent, in 2019 due to a 20.5 percent drop in total court filings in the first half of 2019. Court filings are generated by Police citations. A breakdown of Mercer Island and Newcastle Police citations in the first half of 2018 and 2019 is provided below.

City	# of Citations		% Change	% of Total	
	2018	2019		2018	2019
Mercer Island	1,461	1,011	-30.8%	82.4%	71.7%
Newcastle	313	400	+27.8%	17.6%	28.3%
Total	1,774	1,411	-20.5%	100.0%	100.0%

- **Miscellaneous general government fees are 95.9 percent of budget in 2019 compared to 123.5 percent of budget in 2018.** Relative to 2018, revenues are down \$60,201, or 21.7 percent, in 2019 due to employee disability reimbursement monies, which were received from the Washington State Department of Labor and Industries in the first half of 2018.

All other revenues are either within expected norms through the second quarter of the year or too insignificant to highlight.

Expenditures

Comparing total actual to total budgeted expenditures (excluding one-time interfund transfers) through the second quarter of the year, the General Fund is 48.3 percent of budget in 2019 compared to 48.7 percent of budget in 2018. The following two tables compare actual to budgeted expenditures, first by category and then by department, as of June 30, 2018 and 2019.

GENERAL FUND: Expenditures by Category As of June 30, 2018 and 2019

Expenditure Category	Actuals			Budget		% of Budget	
	6/30/2018*	6/30/19	% Chg	2018*	2019	2018	2019
Salaries & Wages	8,297,758	8,517,811	2.7%	16,466,514	16,712,875	50.4%	51.0%
Benefits	3,118,128	3,036,691	-2.6%	6,166,921	6,136,304	50.6%	49.5%
Contractual Services	756,535	636,518	-15.9%	2,376,401	2,543,909	31.8%	25.0%
Fleet & IT Internal Charges	724,638	784,163	8.2%	1,476,090	1,543,496	49.1%	50.8%
Intergovernmental Services	534,897	626,915	17.2%	1,430,076	1,361,494	37.4%	46.0%
Utilities	275,851	244,392	-11.4%	829,731	929,947	33.2%	26.3%
Supplies	373,598	317,647	-15.0%	844,155	836,625	44.3%	38.0%
Insurance	623,968	794,201	27.3%	629,827	803,959	99.1%	98.8%
Other Services & Charges	226,595	223,474	-1.4%	432,713	472,115	52.4%	47.3%
Communications	48,542	46,619	-4.0%	136,019	136,744	35.7%	34.1%
Interfund Transfers (Regular):							
To YFS Fund	200,000	177,000	-11.5%	400,000	354,000	50.0%	50.0%
To Technology & Equipment Fund	171,000	154,000	-9.9%	342,000	308,000	50.0%	50.0%
To Non-Voted Bond Fund	7,820	6,600	-15.6%	94,759	88,200	8.3%	7.5%
To Water Fund	50,930	-	-100.0%	147,000	-	34.6%	N/A
To Computer Equip Fund	102,526	-	-100.0%	102,526	-	100.0%	N/A
To Equipment Rental Fund	21,000	-	-100.0%	21,000	-	100.0%	N/A
Total Expenditures	15,533,786	15,566,031	0.2%	31,895,732	32,227,668	48.7%	48.3%
Interfund Transfers (One-Time):							
To Capital Improvement Fund	302,500	-	-100.0%	452,500	-	66.9%	N/A
To YFS Fund	-	-	N/A	258,186	-	0.0%	N/A
To Equipment Rental Fund	141,468	112,928	-20.2%	141,468	112,928	100.0%	100.0%
To Street Fund	-	-	N/A	68,000	-	0.0%	N/A
To Town Center Parking Fund	-	11,000	N/A	-	-	N/A	N/A
Total Expenditures + One-Time Interfund Transfers	15,977,754	15,689,959	-1.8%	32,815,886	32,340,596	48.7%	48.5%

* The 2018 actuals and budget include the Beautification Fund, which was combined with the General Fund in 2019.

GENERAL FUND: Expenditures by Department
As of June 30, 2018 and 2019

Department	Actuals			Budget		% of Budget	
	6/30/2018*	6/30/19	% Chg	2018*	2019	2018	2019
Police	3,367,608	3,660,647	8.7%	7,049,541	7,372,776	47.8%	49.7%
Fire	3,266,353	3,353,388	2.7%	6,443,305	6,607,227	50.7%	50.8%
Parks & Recreation	2,564,162	2,410,774	-6.0%	5,801,670	5,776,636	44.2%	41.7%
Community Planning & Development	1,696,735	1,582,547	-6.7%	3,592,751	3,382,805	47.2%	46.8%
Non-Departmental	1,720,902	1,627,410	-5.4%	3,022,985	3,001,400	56.9%	54.2%
Public Works	855,785	858,340	0.3%	1,908,268	1,912,172	44.8%	44.9%
City Manager's Office	594,734	607,670	2.2%	1,080,961	1,107,616	55.0%	54.9%
Finance	461,048	474,273	2.9%	954,744	970,990	48.3%	48.8%
City Attorney's Office	364,307	370,389	1.7%	743,275	799,770	49.0%	46.3%
Human Resources	326,918	308,253	-5.7%	609,219	630,721	53.7%	48.9%
Municipal Court	214,092	217,802	1.7%	494,611	476,239	43.3%	45.7%
Information & Geographic Services	69,635	69,132	-0.7%	129,571	129,985	53.7%	53.2%
City Council	31,507	25,406	-19.4%	64,831	59,331	48.6%	42.8%
Total Expenditures	15,533,786	15,566,031	0.2%	31,895,732	32,227,668	48.7%	48.3%
Non-Departmental (One-Time Interfund Transfers)	443,968	123,928	-72.1%	920,154	112,928	48.2%	109.7%
Total Expenditures + One-Time Interfund Transfers	15,977,754	15,689,959	-1.8%	32,815,886	32,340,596	48.7%	48.5%

* The 2018 actuals and budget include the Beautification Fund, which was combined with the General Fund in 2019.

In reviewing **expenditures by category**, the following are noteworthy:

- **Salaries, which equal 52 percent of total budgeted expenditures in 2019, are 51.0 percent of budget in 2019 compared to 50.4 percent of budget in 2018.** This modest overage relative to the 50 percent budget threshold is primarily due to the following: 1) significant vacation cash-outs by eight employees, who retired or otherwise left the City in the first half of 2019; and 2) higher than expected overtime in the Fire Department. With a couple of exceptions, the vacation cash-outs will be mostly offset by position vacancy savings in the second half of the year. Relative to 2018, expenditures are up \$220,053, or 2.7 percent, in 2019 due to the net effect of the following: 1) significant vacation cash-outs (noted above); 2) higher than expected overtime (noted above); 3) cost of living allowances for employees; 4) step increases for represented employees; 5) position vacancies, which have been greater than last year; and 6) positions that were cut in the 2019-2020 budget.
- **Benefits, which equal 19 percent of total budgeted expenditures in 2019, are 49.5 percent of budget in 2019 compared to 50.6 percent of budget in 2018.** This modest underage relative to the 50 percent budget threshold is primarily due to the following: 1) lower than budgeted medical premium increases for all employees, excluding Police and Fire; and 2) position vacancies, which have been greater than last year. The medical premium savings will likely be absorbed in the second half of the year by higher than expected long-term care costs. Relative to 2018, expenditures are down \$81,437, or 2.6 percent, in 2019 mostly due to the following: 1) front-loaded VEBA

contributions for Police and non-represented employees in 2018 versus quarterly distributions in 2019; 2) position vacancies, which have been greater than last year; and 3) positions that were cut in the 2019-2020 budget.

- **Contractual services, which equal 8 percent of total budgeted expenditures in 2019, are 25.0 percent of budget in 2019 compared to 31.8 percent of budget in 2018.** This expenditure category includes outside legal counsel, software support, development and engineering support, recreation instructors, repairs and maintenance, and other professional services. This significant underage relative to the 50 percent budget threshold is due to the following: 1) many contractual services occur in the second and third quarters of the year; 2) the ADA Transition plan (\$250,000 budget) will begin in the second half of 2019; 3) the Parks, Recreation, and Open Space plan update (\$175,000 budget) will begin in the second half of 2019; and 4) the organizational efficiency assessments (\$110,000 budget) will begin in the second half of 2019.
- **Intergovernmental services, which equal 4 percent of total budgeted expenditures in 2019, are 46.0 percent of budget in 2019 compared to 37.4 percent of budget in 2018.** This expenditure category includes contracted police and fire dispatch services (NORCOM), contracted jail services (City of Issaquah, SCORE, and King County), affordable housing services and contributions (ARCH), contracted fire apparatus maintenance (City of Redmond), regional radio system services (EPSCA), and payments to various governmental agencies for other services. Relative to 2018, expenditures are up \$92,018, or 17.2 percent, in 2019 primarily due to a late quarterly NORCOM payment for police and fire dispatch services, which was due in April 2018 but not paid until July 2018.
- **Insurance, which equals 2 percent of total budgeted expenditures in 2019, is 98.8 percent of budget in 2019 compared to 99.1 percent of budget in 2018.** The City pays its annual insurance assessment to the Washington Cities Insurance Authority (WCIA) in the first quarter of the year. Relative to 2018, the cost is up \$170,233, or 27.3 percent, in 2019. The City's liability insurance premiums are based on the City's claims experience and total number of worker hours over the past five years.

In reviewing **expenditures by department**, the following are noteworthy:

- **The Fire Department has spent 50.8 percent of its budget through the first half of 2019** due to higher than expected overtime costs as a result of the following: 1) one firefighter vacancy; 2) two firefighters on FMLA leave; 3) one firefighter on extended medical leave (duty-related injury); and 4) backfilling for a Battalion Chief, who temporarily served as Interim Fire Marshal until a permanent Fire Marshal was hired.
- **Parks & Recreation has spent only 41.7 percent of its budget through the first half of 2019** primarily due to the following: 1) the Parks, Recreation, and Open Space plan update (\$175,000 budget) will begin in the second half of 2019; 2) contracted services for youth & teen camps ramp up during the summer months; and 3) casual labor expenditures in the Community Center have been reduced as a result of department restructuring efforts and reduced facility hours.
- **Non-Departmental has spent 54.2 percent of its budget through the first half of 2019**, because the City paid its annual insurance assessment to the Washington Cities

Insurance Authority (WCIA) in the first quarter of the year, which was noted above under “insurance.”

- **The City Manager’s Office has spent 54.9 percent of its budget through the first half of 2019** primarily due to King County’s late invoice for 2018 voter registration costs, which was paid in the first quarter of 2019.

All other expenditures are either within expected norms through the second quarter of the year or too insignificant to highlight.

UTILITY FUNDS

Water Fund

Comparing 2019 to 2018 through the second quarter of the year, total operating revenues are up 6.3 percent, and total operating expenditures are down 1.6 percent. See the summary of revenues and expenditures in the table below.

WATER FUND: Revenues and Expenditures As of June 30, 2018 and 2019

Category	Actuals			Budget		% of Budget	
	6/30/18	6/30/19	% Chg	2018	2019	2018	2019
Operating Revenues:							
Charges for Services	3,033,857	3,286,484	8.3%	6,981,643	7,334,836	43.5%	44.8%
Water Utility Tax (Gen Fund Xfr)	50,930	-	-100.0%	119,857	-	42.5%	N/A
Miscellaneous	22,117	16,247	-26.5%	27,300	27,300	81.0%	59.5%
Total Operating Revenues	3,106,904	3,302,731	6.3%	7,128,800	7,362,136	43.6%	44.9%
Operating Expenditures:							
Maintenance & Operations	1,367,925	1,303,230	-4.7%	2,643,908	3,009,000	51.7%	43.3%
Water Purchased for Resale	754,592	784,345	3.9%	2,110,825	2,014,302	35.7%	38.9%
Total Operating Expenditures	2,122,517	2,087,575	-1.6%	4,754,733	5,023,302	44.6%	41.6%
Operating Income (Loss)	984,387	1,215,156	23.4%	2,374,067	2,338,834	41.5%	52.0%
Non-Operating Items:							
Interest	94,839	128,209	35.2%	32,306	211,100	293.6%	60.7%
Water Connection Charges	139,037	134,784	-3.1%	137,548	125,000	101.1%	107.8%
Debt Service	(17,302)	(16,427)	-5.1%	(111,525)	(109,425)	15.5%	15.0%
Capital Projects	(572,180)	(839,676)	46.8%	(3,233,295)	(4,720,291)	17.7%	17.8%
Total Non-Operating Items	(355,606)	(593,110)	66.8%	(3,174,966)	(4,493,616)	11.2%	13.2%
Net Increase (Decrease)	628,781	622,046	N/A	(800,899)	(2,154,782)	N/A	N/A

Of particular note are the following:

- **Charges for services (i.e., water utility customer charges) are only 44.8 percent of budget in 2019**, because the high water usage months are in the summer. Relative to 2018, charges for services are up \$252,627, or 8.3 percent, in 2019 due to the following:
 - 6.5 percent increase in water rates (mostly driven by planned capital replacement needs in 2019-2024); and
 - 23.7 percent increase in total water purchases (by volume) from Seattle Public Utilities (SPU) in May 2019 versus May 2018 due to higher than normal temperatures, with “peak” SPU rates taking effect in mid-May.
- **Maintenance and operations are only 43.3 percent of budget at the mid-year point in 2019** primarily due to the following: 1) there have been position vacancies on the water crew that have resulted in four new hires in the first half of 2019 at a significantly

lower cost; and 2) contracted repairs and maintenance will occur mostly in the second half of 2019.

- **Water purchased for resale is up \$29,753, or 3.9 percent, in the first half of 2019 compared to the prior year** due to the net effect of the following: 1) 6.0 percent average increase in the cost of water from SPU; and 2) 0.9 percent decrease in total water purchases (by volume) through the first half of 2019 versus the first half of 2018.
- **Water utility tax is down \$50,930, or 100.0 percent, in the first half of 2019 compared to the prior year**, because the interfund transfer of a portion of the water utility tax from the General Fund to the Water Fund ceased beginning in 2019.
- **Capital projects are only 17.8 percent of budget in 2019** primarily due to the following:
 - **Booster Chlorination Station** (\$6,592 actual vs. \$1,160,000 budget);
 - **Residential Meter Replacement** (\$18,226 actual vs. \$662,000 budget);
 - **96th Ave, 97th Ave & SE 34th St Water System Improvements** (\$0 actual vs. \$392,000 budget); and
 - **Reservoir Generator** (\$0 actual vs. \$200,000 budget).

At the mid-year point, it is typical to have spent only 10-20 percent of the capital budget, because the construction season for many projects does not begin until June.

Sewer Fund

Comparing 2019 to 2018 through the second quarter of the year, total operating revenues are up 3.9 percent, and total operating expenditures are down 4.8 percent. See the summary of revenues and expenditures in the table below.

SEWER FUND: Revenues and Expenditures As of June 30, 2018 and 2019

Category	Actuals			Budget		% of Budget	
	6/30/18	6/30/19	% Chg	2018	2019	2018	2019
Operating Revenues:							
Charges for Services	4,637,416	4,812,362	3.8%	9,247,936	9,731,556	50.1%	49.5%
Miscellaneous	22,289	30,972	39.0%	-	30,000	N/A	103.2%
Total Operating Revenues	4,659,705	4,843,334	3.9%	9,247,936	9,761,556	50.4%	49.6%
Operating Expenditures:							
King County Sewage Treatment	2,416,402	2,401,311	-0.6%	4,722,582	4,833,160	51.2%	49.7%
Maintenance & Operations	1,081,172	929,593	-14.0%	2,189,329	2,450,794	49.4%	37.9%
Total Operating Expenditures	3,497,574	3,330,904	-4.8%	6,911,911	7,283,954	50.6%	45.7%
Operating Income (Loss)	1,162,131	1,512,430	30.1%	2,336,025	2,477,602	49.7%	61.0%
Non-Operating Items:							
Sewer Connection Charges	10,430	(2,112)	-120.2%	21,218	19,580	49.2%	-10.8%
Interest	42,193	58,333	38.3%	16,481	80,162	256.0%	72.8%
Debt Service	(494,183)	(489,158)	-1.0%	(1,100,979)	(1,046,897)	44.9%	46.7%
Capital Projects	(151,540)	(212,947)	40.5%	(2,027,999)	(2,796,523)	7.5%	7.6%
Total Non-Operating Items	(593,100)	(645,884)	8.9%	(3,091,279)	(3,743,678)	19.2%	17.3%
Net Increase (Decrease)	569,031	866,546	N/A	(755,254)	(1,266,076)	N/A	N/A

Of particular note are the following:

- **Charges for services (i.e., sewer utility customer charges) are up \$174,946, or 3.8 percent, in the first half of 2019 compared to the prior year** due to the net effect of the following:
 - 7.7 percent increase in “City sewer maintenance” rate (mostly driven by planned capital replacement needs in 2019-2024); and
 - 2.5 percent increase in “King County sewage treatment” rate (this is a pass-through charge).

Each rate component makes up about one-half of the total bi-monthly sewer utility bill for a single family residential customer.

- **Maintenance and operations are only 37.9 percent of budget at the mid-year point in 2019** primarily due to the following: 1) a sewer crew member was temporarily assigned to backfill for a water crew member who was on extended medical leave; 2) contracted repairs and maintenance will occur mostly in the second half of 2019; and 3) the purchase of a CCTV vehicle and a combination vactor/jetter truck will occur in the second half of 2019.

- **Capital projects are only 7.6 percent of budget in 2019** primarily due to the following:
 - **Pump Station Generator & Pump Replacements** (\$0 actual vs. \$665,371 budget);
 - **Pump Station 23, 24 & 25 Capacity Improvements** (\$0 actual vs. \$370,000 budget);
 - **General Sewer System Improvements** (\$0 actual vs. \$300,000 budget); and
 - **SCADA System Upgrade** (\$14,296 actual vs. \$235,000 budget).

At the mid-year point, it is typical to have spent only 10-20 percent of the capital budget, because the construction season for many projects does not begin until June. However, spending less than 10 percent of the capital budget is not typical and is a direct result of staff spending a significant amount of time on the pre-construction phases of the SCADA System Upgrade, Residential Meter Replacement, and Booster Chlorination Station projects, delaying work on other sewer capital projects in 2019.

Stormwater Fund

Comparing 2019 to 2018 through the second quarter of the year, total operating revenues are up 1.3 percent, and total operating expenditures are down 10.4 percent. See the summary of revenues and expenditures in the table below.

STORMWATER FUND: Revenues and Expenditures
As of June 30, 2018 and 2019

Category	Actuals			Budget		% of Budget	
	6/30/18	6/30/19	% Chg	2018	2019	2018	2019
Operating Revenues:							
Charges for Services	956,768	988,634	3.3%	1,935,314	1,952,990	49.4%	50.6%
Grants	21,721	2,539	N/A	100,000	2,539	21.7%	100.0%
Total Operating Revenues	978,489	991,173	1.3%	2,035,314	1,955,529	48.1%	50.7%
Operating Expenditures:							
Maintenance & Operations	643,946	577,087	-10.4%	1,470,439	1,430,471	43.8%	40.3%
Total Operating Expenditures	643,946	577,087	-10.4%	1,470,439	1,430,471	43.8%	40.3%
Operating Income (Loss)	334,543	414,086	23.8%	564,875	525,058	59.2%	78.9%
Non-Operating Items:							
Fee in Lieu	58,782	22,863	-61.1%	100,000	90,000	58.8%	25.4%
Interest	36,181	45,663	26.2%	14,256	57,600	253.8%	79.3%
Capital Projects	(189,924)	(141,599)	-25.4%	(1,279,425)	(1,763,090)	14.8%	8.0%
Total Non-Operating Items	(94,961)	(73,073)	-23.0%	(1,165,169)	(1,615,490)	8.1%	4.5%
Net Increase (Decrease)	239,582	341,013	N/A	(600,294)	(1,090,432)	N/A	N/A

Of particular note are the following:

- **Charges for services (i.e., storm water utility customer charges) are up \$31,866, or 3.3 percent, in the first half of 2019 compared to the prior year** primarily due to a 3.2 percent increase in stormwater rates.
- **Maintenance and operations are only 40.3 percent of budget at the mid-year point in 2019**, because staff focused on catch basin and storm pipe inspections to meet NPDES requirements in the first half of 2019. Contracted repairs and maintenance will occur in the second half of 2019.
- **Capital projects are only 8.0 percent of budget in 2019** primarily due to the following:
 - **Sub-Basin 49b Watercourse** (\$7,155 actual vs. \$252,690 budget);
 - **Sub-Basin 6 Drainage System** (\$0 actual vs. \$220,000 budget);
 - **Sub-Basin 51a Watercourse** (\$6,798 actual vs. \$165,867 budget);
 - **Drainage System Pipe Replacement** (\$0 actual vs. \$130,000 budget); and
 - **Storm Pipe System Extension** (\$0 actual vs. \$130,000 budget).

At the mid-year point, it is typical to have spent only 10-20 percent of the capital budget, because the construction season for many projects does not begin until June. However, spending less than 10 percent of the capital budget is not typical and is primarily due to staff focusing on street paving projects in the first half of 2019, with street-related drainage projects slated for the second half of 2019.

ALL OTHER FUNDS

Highly summarized revenue and expenditure information is displayed for all other funds in the table below.

ALL OTHER FUNDS: Revenues and Expenditures As of June 30, 2018 and 2019

Fund Name	Actuals			Budget		% of Budget	
	6/30/18	6/30/19	% Chg	2018	2019	2018	2019
Self Insurance Claim							
Revenues	-	-	N/A	10,000	10,000	0.0%	0.0%
Expenditures	-	-	N/A	10,000	10,000	0.0%	0.0%
Youth Services Endowment							
Revenues	2,803	2,828	0.9%	500	3,500	560.6%	80.8%
Expenditures	-	-	N/A	500	3,500	0.0%	0.0%
Street							
Revenues	1,745,988	1,337,244	-23.4%	3,301,165	3,132,315	52.9%	42.7%
Expenditures	828,464	431,249	-47.9%	5,199,230	3,868,015	15.9%	11.1%
Transportation Benefit District*							
Revenues	184,274	-	-100.0%	350,000	-	52.6%	N/A
Expenditures	175,000	-	-100.0%	350,000	-	50.0%	N/A
Beautification*							
Revenues	377,899	-	-100.0%	1,209,660	-	31.2%	N/A
Expenditures	381,069	-	-100.0%	1,249,640	-	30.5%	N/A
Contingency							
Revenues	414,030	221,570	-46.5%	25,000	320,574	1656.1%	69.1%
Expenditures	-	912,758	N/A	-	1,340,542	N/A	68.1%
1% for the Arts							
Revenues	-	-	N/A	20,000	19,000	0.0%	0.0%
Expenditures	29,289	1,050	-96.4%	79,251	28,521	37.0%	3.7%
Youth & Family Services							
Revenues	1,419,576	1,556,922	9.7%	2,926,689	2,878,046	48.5%	54.1%
Expenditures	1,378,563	1,470,250	6.7%	2,924,123	3,053,304	47.1%	48.2%
Bond Redemption (Voted)							
Revenues	-	-	N/A	-	-	N/A	N/A
Expenditures	-	-	N/A	-	-	N/A	N/A
Bond Redemption (Non-Voted)							
Revenues	324,020	320,900	-1.0%	847,159	841,800	38.2%	38.1%
Expenditures	39,020	30,900	-20.8%	847,159	841,800	4.6%	3.7%
Town Center Parking Facilities							
Revenues	-	315,838	N/A	-	304,838	N/A	103.6%
Expenditures	-	125,478	N/A	-	2,480,560	N/A	5.1%

* Beginning in 2019, the Transportation Benefit District Fund was combined with the Street Fund and the Beautification Fund was combined with the General Fund.

ALL OTHER FUNDS: Revenues and Expenditures (cont'd)
As of June 30, 2018 and 2019

Fund Name	Actuals			Budget		% of Budget	
	6/30/18	6/30/19	% Chg	2018	2019	2018	2019
Capital Improvement							
Revenues	1,623,884	1,314,377	-19.1%	3,059,519	3,520,891	53.1%	37.3%
Expenditures	1,369,546	730,668	-46.6%	5,856,594	3,918,846	23.4%	18.6%
Technology & Equipment							
Revenues	173,500	165,497	-4.6%	537,422	537,500	32.3%	30.8%
Expenditures	272,042	86,314	-68.3%	890,261	807,965	30.6%	10.7%
Capital Reserve							
Revenues	-	-	N/A	-	-	N/A	N/A
Expenditures	-	-	N/A	-	-	N/A	N/A
Equipment Rental							
Revenues	843,819	844,336	0.1%	2,349,002	1,497,000	35.9%	56.4%
Expenditures	711,682	574,501	-19.3%	2,877,239	1,915,695	24.7%	30.0%
Computer Equipment							
Revenues	574,176	521,388	-9.2%	1,045,826	1,207,852	54.9%	43.2%
Expenditures	516,626	582,520	12.8%	1,103,193	1,196,047	46.8%	48.7%
Firemen's Pension							
Revenues	54,098	55,099	1.9%	57,910	71,822	93.4%	76.7%
Expenditures	40,378	37,480	-7.2%	103,000	89,000	39.2%	42.1%

In reviewing revenues and expenditures through the second quarter of the year, the following funds are particularly noteworthy:

- **Street Fund:**
 - **Total revenues are only 42.7 percent of budget in 2019 compared to 52.9 percent of budget in 2018** primarily due to the following:
 - None of the \$250,000 in budgeted Sound Transit mitigation funding has been received yet; and
 - Only \$20,000 of the \$256,315 in budgeted interlocal grant funding has been received to date.
 - **Total expenditures are only 11.1 percent of budget in 2019** primarily due to the following capital projects:
 - **Residential Street Improvements** (\$55,572 actual vs. \$1,020,210 budget); and
 - **East Mercer Way Re-surfacing—4300 Block to SE 53rd** (\$35,612 actual vs. \$872,836 budget).

At the mid-year point, it is typical to have spent only 10-20 percent of the capital budget, because the construction season for many projects does not begin until June.

- **Contingency Fund:**

- **Total expenditures are 68.1 percent of budget in 2019 compared to no budgeted expenditures in 2018** due to the following:
 - After the Council approved \$427,784 in deficit spending reductions to the 2019 General Fund budget, only \$607,920 of the \$1,035,704 budgeted interfund transfer from the Contingency Fund was needed to balance the 2019 General Fund budget; and
 - A \$304,838 interfund transfer to the Town Center Parking Facilities Fund was approved by the Council to fund additional due diligence and negotiation costs related to the City's proposed Commuter Parking project.

- **Youth & Family Services Fund:**

- **Total revenues are up \$137,346, or 9.7 percent, in the first half of 2019 compared to the prior year** primarily due to the net effect of the following:
 - \$105,042, or 12.7 percent, increase in Thrift Shop sales;
 - \$56,131, or 35.2 percent, increase in MIYFS Foundation donations, reflecting the Foundation's commitment to: 1) fund 10 percent of YFS Fund expenditures; 2) restore the 0.5 FTE reduction to the Geriatric Specialist in 2019; and 3) restore the 0.5 FTE reduction to the Administrative Assistant in the first half of 2019; and
 - \$23,000, or 11.5 percent, decrease in General Fund support per the 2019-2020 adopted budget.

- **Bond Redemption (Non-Voted) Fund:**

- **Total expenditures are only 3.7 percent of budget in 2019**, because trailing the 50.0 percent budget threshold is directly related to the December 1st timing of the principal payments on the limited tax general obligation (LTGO) and refunding bonds issued in February 2013.

- **Town Center Parking Facilities Fund:**

- **Total expenditures are only 5.1 percent of budget in 2019** due to the Commuter Parking project (\$125,478 actual vs. \$2,480,560 budget). As background, the City entered into a Purchase and Sale Agreement (PSA) with Parkway Management Group on June 5, 2018 to acquire the BP/ARCO (formerly known as Tully's) property, which is located at 7810 SE 27th Street. The PSA contains a due diligence period that has been extended several times as the City has sought to finalize negotiations with BP/ARCO to cover all site remediation costs. When the negotiations are completed, the City will purchase the

BP/ARCO property and finalize a mixed-use development agreement, which will include commuter parking spaces for Island residents.

- **Capital Improvement Fund:**

- **Total revenues are only 37.3 percent of budget in 2019 compared to 53.1 percent of budget in 2018** primarily due to the following:
 - The \$617,000 King County Flood Control District grant has not been received yet;
 - Only \$35,000 of the \$173,000 Washington State Recreation and Conservation Office grant has been received to date; and
 - None of the \$100,000 in budgeted Sound Transit mitigation funding has been received yet.
- **Total expenditures are only 18.6 percent of budget in 2019** primarily due to the following capital projects:
 - **Lincoln Landing Street End Park** (\$22,789 actual vs. \$651,041 budget);
 - **Vegetation Management** (\$64,605 actual vs. \$566,000 budget);
 - **City Hall Building Repairs** (\$10,185 actual vs. \$343,493 budget); and
 - **Luther Burbank Dock Repairs & Reconfiguration** (\$191 actual vs. \$261,000 budget).

At the mid-year point, it is typical to have spent only 10-20 percent of the capital budget, because the construction season for many projects does not begin until June.

- **Technology & Equipment Fund:**

- **Total revenues are only 30.8 percent of budget in 2019 compared to 32.3 percent of budget in 2018**, because none of the budgeted interfund transfers, which total \$201,000, from the Water Fund, Sewer Fund, Stormwater Fund, and Street Fund have been made yet. These transfers are tied to specific projects, which will commence in the second half of 2019.
- **Total expenditures are only 10.7 percent of budget in 2019** primarily due to the following capital projects:
 - **Network Infrastructure** (\$15,997 actual vs. \$130,000 budget);
 - **Mobile Asset Data Collection** (\$0 actual vs. \$85,000 budget);
 - **Watercourse GIS Layer** (\$1,960 actual vs. \$75,340 budget);
 - **Fire Equipment** (\$2,450 actual vs. \$68,730 budget);
 - **Permitting System Upgrades** (\$0 actual vs. \$57,000 budget); and
 - **Website Redesign** (\$0 actual vs. \$55,000 budget).

Technology projects have been delayed temporarily following the departure of the IGS Director in March 2019. However, most planned projects are in progress currently and are expected to be completed.

- **Equipment Rental Fund:**

- **Total expenditures are only 30.0 percent of budget in 2019** primarily due to the following:
 - **Vehicle Replacements** (\$68,917 actual vs. \$637,152 budget); and
 - **Soil Remediation** (\$41,896 actual vs. \$528,601 budget).

All other variances are either within expected norms through the second quarter of the year or too insignificant to highlight.

CAPITAL IMPROVEMENT PROGRAM

This section of the Financial Status Report typically includes an overview of real estate excise tax receipts, highlights of particularly notable projects, and a Project Management Report, which provides an update on the status of every CIP project. Due to a key position vacancy in the Finance Department, which has not been filled yet, this section focuses on real estate excise tax receipts only.

Real Estate Excise Tax

Real estate excise tax (REET) is the 0.5 percent tax paid by the seller in property transactions, and its use is restricted by state law for specific capital purposes. REET 1 (the 1st quarter of 1.0 percent of the sales price) may be used for streets, parks, facilities, or utilities. REET 2 (the 2nd quarter of 1.0 percent of the sales price) may be used for the same capital purposes as REET 1, except for facilities, which are specifically prohibited. Neither REET 1 nor REET 2 may be used for equipment or technology.

Prior to 2019, REET was split 50/50 between the Street Fund and Capital Improvement Fund, with 100 percent of REET 1 going to the Capital Improvement Fund and 100 percent of REET 2 going to the Street Fund. Beginning in 2019, the Council approved a staff recommended change in the allocation, with 45 percent of REET going to the Street Fund (i.e., 90 percent of REET 2) and 55 percent going to the Capital Improvement Fund (i.e., 100 percent of REET 1 + 10 percent of REET 2).

Through the first half of the year, REET is 50.5 percent of budget in 2019 compared to 61.8 percent of budget in 2018, as shown in the table below.

REET Revenue: Actual vs. Budget
As of June 30, 2018 and 2019

Actual			Budget		% of Budget	
6/30/18	6/30/19	% Change	2018	2019	2018	2019
\$2,029,707	\$1,871,613	-7.8%	3,284,000	3,706,000	61.8%	50.5%

Relative to 2018, revenue is down \$158,094, or 7.8 percent, in 2019 primarily due to the number of property sales, which is down 11.0 percent, as shown in the table below. The average sales price, which is up 7.2 percent, is \$1.69 million through the first half of 2019.

Property Sale Statistics
As of June 30, 2018 and 2019

Number of Sales			Average Sales Price		
6/30/18	6/30/19	% Change	6/30/18	6/30/19	% Change
237	211	-11.0%	\$1,579,150	\$1,692,288	7.2%

In the following table, REET is broken down according to property sales (i.e., ≤\$5.0 million and >\$5.0 million) for the period 2009-2018. In addition, the average property sales price and the number of sales are identified for those properties that sold for \$5.0 million or less.

2009-2018 REET Revenue (Dollars in Thousands)
Property Sales ≤\$5.0M and >\$5.0M

Property Sale Breakdown	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Avg
Property Sales ≤\$5.0M:											
Average Sales Price	\$854	\$994	\$916	\$899	\$1,046	\$1,119	\$1,182	\$1,318	\$1,483	\$1,587	\$1,140
% Change in Avg Sales Price	-30.9%	16.3%	-7.8%	-1.9%	16.4%	7.0%	5.6%	11.5%	12.5%	7.0%	3.6%
Number of Property Sales	267	318	367	418	492	493	499	454	490	423	422
REET Revenue	\$1,129	\$1,565	\$1,665	\$1,860	\$2,548	\$2,742	\$2,919	\$2,955	\$3,597	\$3,307	\$2,429
Property Sales >\$5.0M:											
Number of Property Sales	3	3	5	6	2	9	10	7	14	13	7
REET Revenue	\$129	\$642	\$162	\$300	\$57	\$527	\$350	\$746	\$2,093	\$519	\$553
Total REET Revenue	\$1,258	\$2,207	\$1,827	\$2,160	\$2,605	\$3,269	\$3,269	\$3,701	\$5,690	\$3,826	\$2,981

During this 10-year period, the average annual number of property sales is 422 for properties that sold for \$5.0 million or less.

BUDGET ADJUSTMENTS

In the interest of administrative ease, a budget amending ordinance is prepared and submitted to the Council quarterly, if needed, along with the Financial Status Report. Budget adjustments are divided into three groups: 1) those previously approved by the Council but not formally adopted via a budget amending ordinance; 2) new requests; and 3) carryover requests. New requests typically encompass financial housekeeping items, minor requests, and unanticipated expenditures that the City had to incur and was unable to absorb within the authorized budget. Carryover requests of unspent budget from the prior year to the current year are typically included in the fourth quarter financial status report for the second year of the biennium. Council approval is required when unspent budget is being moved from the prior biennium to the current biennium, not when unspent budget is being moved within the biennium and within the same fund.

Budget adjustments previously approved but not formally adopted via a budget amending ordinance by the Council are summarized in the table below.

Fund	Department	Description	Agenda Bill	Budget Year	Amount	Funding Source(s)
Street	Public Works	I-90 Trail Crossing at Sunset Highway/77 th Ave SE project design (per adopted 2020-2025 TIP)	AB 5576, 6/4/19	2020	\$100,000	Sound Transit settlement monies
Contingency	Non-Dept'l	Interfund transfer to Town Center Parking Facilities Fund	AB 5584, 7/16/19	2019	\$269,523	Unappropriated fund balance
Youth & Family Services	YFS	Thrift Shop staff transition (phase 3)	AB 5570, 6/4/19	2019	\$76,878	Thrift Shop sales
		WA State Health Care Authority grant to expand YFS' work in Trauma Informed Approaches	AB 5579, 6/18/19	2019	\$50,000	WA State Health Care Authority grant
Town Center Parking Facilities	City Manager's Office	Additional due diligence, negotiation, and other costs related to City's proposed commuter parking and mixed-use project	AB 5584, 7/16/19	2019	\$269,523	Interfund transfer from Contingency Fund

New requests not approved or formally adopted by the Council are summarized in the table below.

Fund	Department	Description	Budget Year	Amount	Funding Source(s)
General	Fire	EMS supplies (hospital quality thermometers, glucose monitors, blood pressure cuff sets, and specialized trauma bags) and ballistic helmets	2019	\$20,604	King County EMS levy (BLS Core Services Program)
		Private donation to Fire Department for firefighter overtime	2019	\$20,000	Private donation
Computer Equipment	IGS	Deficit spending reductions to IGS: eliminate Helpdesk Technician, reclassify Director to Manager, and eliminate pay-for-performance (the General Fund budget impact of these reductions was included in AB 5569, but the Computer Equipment Fund budget impact was overlooked)	2019 2020	-\$161,097 -\$174,523	Reduced IT rates

A budget amending ordinance is attached as Exhibit 2. Two summary listings of the originally adopted 2019-2020 Budget (expenditures only), broken down by year, and all subsequent amendments, including Exhibit 2, are presented below.

**2019 Budget Adjustment Summary
Expenditures by Fund**

Fund Type / Fund Name	Original 2019 Budget	2019 Budget Adjustments				Amended 2019 Budget
		Q4 2018 FSR, 5/7/2019	Q1 2019 FSR, 5/21/2019	Q2 2019 FSR, 9/3/2019		
General Purpose Funds:						
General	32,505,106	117,246	(281,756)	40,604		32,381,200
Self-Insurance	10,000					10,000
Youth Services Endowment	3,500					3,500
Special Revenue Funds:						
Street*	3,567,588	306,315				3,873,903
Contingency	1,035,704	304,838		269,523		1,610,065
1% for the Arts	15,000	13,521				28,521
Youth & Family Services	2,870,274	131,570	51,460	126,878		3,180,182
Debt Service Funds:						
Bond Redemption (Voted)	-					-
Bond Redemption (Non-Voted)	841,800					841,800
Capital Projects Funds:						
Town Center Parking Facilities*	139,930	2,340,630		269,523		2,750,083
Capital Improvement*	3,041,056	877,790				3,918,846
Technology & Equipment*	640,000	167,965				807,965
Capital Reserve*	-					-
Enterprise Funds:						
Water*	9,557,767	242,285	17,831			9,817,883
Sewer*	10,310,350	807,728	9,296			11,127,374
Stormwater*	2,680,563	500,654	12,344			3,193,561
Internal Service Funds:						
Equipment Rental*	1,537,942	225,354	152,399			1,915,695
Computer Equipment*	1,196,047			(161,097)		1,034,950
Trust Funds:						
Firemen's Pension	89,000					89,000
Total	70,041,627	6,035,896	(38,426)	545,431	-	76,584,528

* Capital Improvement Program (CIP) projects are accounted for in these funds.

**2020 Budget Adjustment Summary
Expenditures by Fund**

Fund Type / Fund Name	Original 2020 Budget	2020 Budget Adjustments				Amended 2020 Budget
		Q1 2019 FSR, 5/21/2019	Q2 2019 FSR, 9/3/2019			
General Purpose Funds:						
General	32,741,117	(861,130)				31,879,987
Self-Insurance	10,000					10,000
Youth Services Endowment	3,500					3,500
Special Revenue Funds:						
Street*	3,210,098		100,000			3,310,098
Contingency	-					-
1% for the Arts	15,000					15,000
Youth & Family Services	2,844,145	(7,947)				2,836,198
Debt Service Funds:						
Bond Redemption (Voted)	-					-
Bond Redemption (Non-Voted)	839,700					839,700
Capital Projects Funds:						
Town Center Parking Facilities*	-					-
Capital Improvement*	2,549,045					2,549,045
Technology & Equipment*	287,000					287,000
Capital Reserve*	-					-
Enterprise Funds:						
Water*	11,797,813					11,797,813
Sewer*	12,081,909					12,081,909
Stormwater*	2,601,762					2,601,762
Internal Service Funds:						
Equipment Rental*	1,649,995					1,649,995
Computer Equipment*	1,339,994		(174,523)			1,165,471
Trust Funds:						
Firemen's Pension	94,000					94,000
Total	72,065,078	(869,077)	(74,523)	-	-	71,121,478

* Capital Improvement Program (CIP) projects are accounted for in these funds.

**CITY OF MERCER ISLAND
ORDINANCE NO. 19-12**

**AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON,
INCORPORATING CERTAIN BUDGET REVISIONS
TO THE 2019-2020 BIENNIAL BUDGET AND
AMENDING ORDINANCE NOS. 18-18, 19-08 AND 19-09**

WHEREAS, the City Council adopted the 2019-2020 Budget by Ordinance No. 18-18 on December 4, 2018, representing the total for the biennium of estimated resources and expenditures for each of the separate funds of the City; and

WHEREAS, budget adjustments are needed that have been previously approved by the City Council, as noted in the following table;

Fund	Department	Description	Agenda Bill	Budget Year	Amount	Funding Source(s)
Street	Public Works	I-90 Trail Crossing at Sunset Highway/77 th Ave SE project design (per adopted 2020-2025 TIP)	AB 5576, 6/4/19	2020	\$100,000	Sound Transit settlement monies
Contingency	Non-Dept'l	Interfund transfer to Town Center Parking Facilities Fund	AB 5584, 7/16/19	2019	\$269,523	Unappropriated fund balance
Youth & Family Services	YFS	Thrift Shop staff transition (phase 3)	AB 5570, 6/4/19	2019	\$76,878	Thrift Shop sales
		WA State Health Care Authority grant to expand YFS' work in Trauma Informed Approaches	AB 5579, 6/18/19	2019	\$50,000	WA State Health Care Authority grant
Town Center Parking Facilities	City Manager's Office	Additional due diligence, negotiation, and other costs related to City's proposed commuter parking and mixed use project	AB 5584, 7/16/19	2019	\$269,523	Interfund transfer from Contingency Fund

WHEREAS, budget adjustments are needed that have not been previously approved by the City Council, as noted in the following table;

Fund	Department	Description	Budget Year	Amount	Funding Source(s)
General	Fire	EMS supplies (hospital quality thermometers, glucose monitors, blood pressure cuff sets, and specialized trauma bags) and ballistic helmets	2019	\$20,604	King County EMS levy (BLS Core Services Program)
		Private donation to Fire Department for firefighter overtime	2019	\$20,000	Private donation

Fund	Department	Description	Budget Year	Amount	Funding Source(s)
Computer Equipment	IGS	Deficit spending reductions to IGS: eliminate Helpdesk Technician, reclassify Director to Manager, and eliminate pay-for-performance (the General Fund budget impact of these reductions was included in AB 5569, but the Computer Equipment Fund budget impact was overlooked)	2019 2020	-\$161,097 -\$174,523	Reduced IT rates

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Amending the 2019-2020 Budget

The 2019-2020 Budget for the City of Mercer Island, as adopted in Ordinance No. 18-18 and amended by Ordinance Nos. 19-08 and 19-09, is hereby amended to incorporate increases and decreases in resources and expenditures in the following funds for the 2019-2020 biennium:

Fund No.	Fund Name	Resources	Expenditures
001	General	\$40,604	\$40,604
104	Street	\$100,000	\$100,000
130	Contingency	\$269,523	\$269,523
160	Youth & Family Services	\$126,878	\$126,878
342	Town Center Parking Facilities	\$269,523	\$269,523
520	Computer Equipment	-\$335,620	-\$335,620
Totals		\$470,908	\$470,908

Section 2. Amending Previously Adopted Budget Ordinances

City Ordinance Nos. 18-18, 19-08 and 19-09, as previously adopted and as hereby amended, are hereby ratified, confirmed, and continued in full force and effect.

Section 3. Effective Date

This Ordinance shall take effect and be in force 5 days after passage and publication.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT
ITS MEETING ON THE 3RD DAY OF SEPTEMBER, 2019.

CITY OF MERCER ISLAND

Debbie Bertlin, Mayor

ATTEST:

Deborah A. Estrada, City Clerk

APPROVED AS TO FORM:

Bio Park, Interim City Attorney

Date of Publication: _____