

MUKILTEO CITY COUNCIL AGENDA BILL 2020-68	
SUBJECT TITLE: 2021 Final Budget –Public Hearing	Meeting Date: November 9, 2020
Staff Lead: Mayor Jennifer Gregerson	Exhibits:
Department Director:	1. Memos and 2021 Preliminary Budget Document
Estimated Time: 120 minutes	
Previous Review: Council Worksession: 9/14/20 , Regular Meeting: 10/05/2020 , Special Meeting 10/12/20 , Regular Meeting 10/19/20 , Special Meeting 10/26/20 ; Regular Meeting 11/02/20	

RECOMMENDATION: Council **MOTION** to continue the public hearing on the 2021 Final Budget to November 16, 2020.

SUMMARY:

The Mayor's goals for the 2021 Preliminary Budget are:

- focus on core services
- identify all possible savings and communicate impacts
- seek funding options to continue preferred levels of city services where possible

The chart below lists items that came up as questions or proposals from Councilmembers through the budget hearings.

Further explanation for many of the items below can be found [here](#).

Council member	Proposed Budget Adjustments	Revenues	Expenditures	Those Opposed
GENERAL FUND				
BC, JM	One Day of Furlough, All Employees except Public Safety		(15,968)	
EC	Additional Dog Park Maintenance, Public Works		500	
BC, RK, RE	Scenario A, Rosehill Closure through July 1 (difference between budgeted April 1 and July 1)	(281,943)	(233,205)	
BC, LH, EC	Scenario B, Rosehill Closure through October 1 (difference between July 1 and October 1)	(150,848)	(123,259)	
BC, SK, EC, LH	Expand Large Item Pick Up from limits in Waste Management contract (\$15,000-\$25,000)		20,000	
BC	Reduce 1/2 Contribution to the Snohomish Health District (requires add'l \$2500 for naloxone purchase)		(8,239)	EC, LH, RE
RE	Staff Equity Training		20,000	JM
BC	Additional 6 Months Vacancy Streets Maintenance Worker 1		(30,924)	LH, SK
BC	Additional 9 Months Vacancy Assistant Planner		(65,412)	LH, SK
JM	Reduce Sales Tax Estimates down to \$2,100,000 (this includes the \$135,000 staff proposed cut)	(600,000)		
LH, SK	Reduce construction sales tax by 25% to reflect lack of WSF sales tax (does not include the \$135k cut)	(140,000)		
Subtotal Net Impact to General Fund Balance			(596,284)	
SURFACE WATER FUND				
BC, JM	One Day of Furlough, All Employees		(3,560)	
BC	Reduce Surface Water Rates to 2019 Rate, \$2.33 per month per residential unit		(366,432)	
BC, JM	Remove Dump Truck Purchase (or find a cheaper alternative)		(310,000)	
Subtotal Net Impact to Surface Water Fund Balance			3,560	
WATERFRONT PARKING FUND				
BC, JM	One Day of Furlough, All Employees		(850)	
Subtotal Net Impact to Waterfront Parking Fund Balance			850	
CAPITAL PROJECTS FUND				
BC	Reduce Traffic Calming Budget		(25,000)	RE, LH, SK
Subtotal Net Impact to Capital Projects Fund Balance			25,000	

Councilmembers: Bob Champion (BC), Elisabeth Crawford (EC), Richard Emery (RE), Riaz Khan (RK), Sarah Kneller (SK), Louis Harris (LH), Joe Marine (JM)

ROSEHILL OPERATING SCENARIOS

Liability Concerns

The City's insurance provider, WCIA, said that their recommendation would be to follow the Governor's orders under the Safe Start Washington plan (those guidelines currently allow for wedding and memorials of 30 people or less). They provided a template for a waiver for anyone entering the facility as well as other resources. The City Attorney also provided liability release language that will be used.

Ability to Operate

Scenario A and B both assume three employees with some furlough (7-10 days) but relatively steady employment all year long. Their focus will be on cancellations and reservations for future dates. Very few community events or recreation programming will be possible during the assumed closure. The City will focus on opening following the Governor's guidelines, but early opening may not be possible with the assumed furloughs and layoffs.

Staffing

Both scenarios include extended layoffs which might require a longer ramp up to rehire if employees find other employment during that time-period. Scenario B, as a hypothetical scenario, would require employees to be ready to return to work immediately on October 1 after 9 months of unemployment. Historical hiring challenges in the customer service clerk positions, as well as the time needed to train new employees if necessary, means that this scenario will likely leave Rosehill shuttered even while state guidelines would allow rentals and community programs. Scenario A would do the same but might allow for a more successful reopening earlier in the year.

Councilmember Champion asked about the staff hours that are represented in various scenarios. A full year (which is not budgeted for 2021) is 17,550. The budget includes 17,296.50 of staff hours. Scenario A includes 11,500 hours. Scenario B includes 8,842 hours.

In addition to recommendations about a likely reopening that have been discussed previously, the staff **would request Council direction** to meet an expenditure goal. This would allow the City to identify a successful reopening plan within those expenditure limits.

Expenditure Reduction

2021 Preliminary Budget	-\$179,200	From the 2020 Budget
Scenario A	-\$233,205	From 2021 Preliminary Budget
Scenario B	-\$356,464	From 2021 Preliminary Budget

UPDATED EXHIBITS

The following exhibits reflect these changes from the 2021 Preliminary Budget document:

- Increased 2020 Sales Tax Estimates to \$2,565,000 based on third quarter report
- Reduced 2021 Sales Tax Estimates to \$2,565,000
- Use of \$364,367 of Ending Fund Balance, leaving 22.6% in the balance
- Additional changes outlined in the blue chart below:

Summary of Changes to 2021 Preliminary Budget prior to Final Budget Public Hearing			
GENERAL FUND		Revenues	Expenditures
Decrease Sales Tax Revenues based on Economic Forecast		(135,000)	
Increase Property Tax Revenues based on Preliminary Assessed Valuation from County		19,787	
Reduce Transfer-Out to Emergency Medical Services Fund due to higher tax revenues in EMS			(7,676)
Subtotal Net Impact to General Fund Balance		(107,537)	
EMERGENCY MEDICAL SERVICES FUND		Revenues	Expenditures
Increase Property Tax Revenues based on Preliminary Assessed Valuation from County		7,676	
Decrease Transfer-In from General Fund due to higher property tax revenues		(7,676)	
Subtotal Net Impact to Emergency Medical Services Fund Balance		0	
SURFACE WATER FUND		Revenues	Expenditures
Decrease Surface Water Dump Truck Cost, Removing Trailer			(15,000)
Increase SW Billing Services based on updated overhead rate received from MWWD			3,950
Subtotal Net Impact to Surface Water Fund Balance		(11,050)	

Exhibit 1 - BUDGET SUMMARY BY FUND

	BEGINNING FUND BALANCE	REVENUE	INCOMING TRANSFERS	TOTAL FUND SOURCES	EXPENDITURES	OUTGOING TRANSFERS	TOTAL FUND USES	ENDING FUND BALANCE	General Fund Analysis
GENERAL & SPECIAL REVENUE FUNDS									
General	\$ 3,899,996	\$ 15,111,481	\$ 154,000	\$ 15,265,481	\$ 14,026,838	\$ 1,603,010	\$ 15,629,848	\$ 3,535,629	\$ 2,605,495.66 16.67 Reserve Policy
City Reserve	1,000,000	-	-	-	-	-	-	1,000,000	\$ 930,133.34 Room left to stay in compliance
LEOFF I Reserve	19,957	-	-	-	11,200	-	11,200	8,757	
Transportation Benefit District	411,826	317,650	-	317,650	-	729,476	729,476	-	\$ 364,367 Current year use of fund balance
Streets	17,959	548,250	306,541	854,791	872,750	-	872,750	-	
Waterfront Parking	16,626	769,700	-	769,700	729,550	-	729,550	56,776	
Hotel/Motel Lodging Tax	144,031	245,000	-	245,000	250,600	-	250,600	138,431	
Emergency Medical Services	36,911	2,989,320	1,171,469	4,160,789	4,134,700	63,000	4,197,700	-	
Drug Enforcement	4,279	20,000	-	20,000	20,000	-	20,000	4,279	
DEBT SERVICE FUND	10,132	-	870,000	870,000	879,140	-	879,140	992	
CAPITAL PROJECT FUNDS									
Capital Projects	-	9,192,025	2,477,375	11,669,400	11,669,400	-	11,669,400	-	
Park Acquisition & Development	250,449	20,000	-	20,000	-	-	-	270,449	
Transportation Impact Fee	120,589	50,000	-	50,000	-	92,400	92,400	78,189	
Real Estate Excise Tax I	2,047,661	700,000	-	700,000	-	895,000	895,000	1,852,661	
Real Estate Excise Tax II	1,045,999	700,000	-	700,000	-	1,745,999	1,745,999	-	
PROPRIETARY FUNDS									
Surface Water Management	5,076,643	4,228,640	-	4,228,640	5,125,871	48,950	5,174,821	4,130,462	
Surface Water Reserve	300,000	-	-	-	-	-	-	300,000	
INTERNAL SERVICE FUNDS									
Technology Replacement Reserve	128,837	18,500	103,000	121,500	125,000	-	125,000	125,337	
Equipment Replacement Reserve	1,582,146	256,000	-	256,000	231,000	-	231,000	1,607,146	
Facilities Maintenance	-	801,750	-	801,750	801,750	-	801,750	-	
Facility Renewal	320,662	15,000	95,450	110,450	100,000	-	100,000	331,112	
	\$ 16,434,703	\$ 35,983,316	\$ 5,177,835	\$ 41,161,151	\$ 38,977,799	\$ 5,177,835	\$ 44,155,634	\$ 13,440,220	

Exhibit 2 - EXPENDITURE SUMMARY BY FUND

	2019 Actuals	2020 Budget	2020 Estimated Actuals	2021 Budget	Change in Budget (\$)	Change in Budget (%)
General	\$ 14,469,986	\$ 15,377,568	\$ 15,346,947	\$ 15,629,848	\$ 252,280	1.6%
City Reserve	-	-	-	-	-	-
LEOFF I Reserve	11,938	11,200	11,200	11,200	-	0.0%
Transportation Benefit District	804,813	924,536	465,000	729,476	(195,060)	-21.1%
Streets	773,415	863,650	779,500	872,750	9,100	1.1%
Waterfront Parking	631,883	719,200	615,400	729,550	10,350	1.4%
Recreation & Cultural Services	859,996	-	-	-	-	-
Hotel/Motel Lodging Tax	229,426	262,200	188,200	250,600	(11,600)	-4.4%
Emergency Medical Services	2,844,428	2,880,250	2,988,375	4,197,700	1,317,450	45.7%
Drug Enforcement	-	20,000	20,000	20,000	-	0.0%
Debt Service	876,981	877,000	877,000	879,140	2,140	0.2%
Capital Projects	-	20,567,102	11,387,927	11,669,400	(8,897,702)	-43.3%
Park Acquisition & Development	146,224	242,749	242,749	-	(242,749)	-100.0%
Transportation Impact Fee	87,200	90,700	90,700	92,400	1,700	1.9%
Real Estate Excise Tax I	930,845	905,345	880,345	895,000	(10,345)	-1.1%
Real Estate Excise Tax II	2,149,137	2,020,566	986,658	1,745,999	(274,567)	-13.6%
Surface Water Management	2,950,067	6,384,763	4,449,470	5,174,821	(1,209,942)	-19.0%
Surface Water Reserve	-	-	-	-	-	-
Technology Replacement Reserve	124,854	125,000	125,000	125,000	-	0.0%
Equipment Replacement Reserve	484,615	95,000	215,000	231,000	136,000	143.2%
Facilities Maintenance	758,806	784,200	832,450	801,750	17,550	2.2%
Facility Renewal	126,618	375,000	375,000	100,000	(275,000)	-73.3%
	\$ 29,261,232	\$ 53,526,029	\$ 40,876,921	\$ 44,155,634	\$ (9,370,395)	(17.5%)

Exhibit 2 - REVENUE SUMMARY BY FUND

	2019 Actuals	2020 Budget	2020 Estimated Actuals	2021 Budget	Change in Budget (\$)	Change in Budget (%)
General	\$ 14,890,235	\$ 15,504,118	\$ 15,439,018	\$ 15,265,481	\$ (238,637)	-1.5%
City Reserve	-	-	-	-	-	-
LEOFF I Reserve	10,000	-	-	-	-	-
Transportation Benefit District	956,502	317,650	292,006	317,650	-	0.0%
Streets	803,524	788,575	692,275	854,791	66,216	8.4%
Waterfront Parking	688,642	719,200	575,200	769,700	50,500	7.0%
Recreation & Cultural Services	898,505	-	-	-	-	-
Hotel/Motel Lodging Tax	247,170	245,000	145,000	245,000	-	0.0%
Emergency Medical Services	2,861,590	2,894,924	2,894,924	4,160,789	1,265,865	43.7%
Drug Enforcement	4,279	20,000	20,000	20,000	-	0.0%
Debt Service	880,345	880,345	880,345	870,000	(10,345)	-1.2%
Capital Projects	-	20,567,102	11,387,927	11,669,400	(8,897,702)	-43.3%
Park Acquisition & Development	149,571	262,749	262,749	20,000	(242,749)	-92.4%
Transportation Impact Fee	114,461	50,000	50,000	50,000	-	0.0%
Real Estate Excise Tax I	696,053	713,500	706,750	700,000	(13,500)	-1.9%
Real Estate Excise Tax II	1,862,166	700,000	700,000	700,000	-	0.0%
Surface Water Management	3,669,996	5,586,606	5,669,842	4,228,640	(1,357,966)	-24.3%
Surface Water Reserve	-	-	-	-	-	-
Technology Replacement Reserve	149,897	78,500	78,500	121,500	43,000	54.8%
Equipment Replacement Reserve	503,307	471,200	471,200	256,000	(215,200)	-45.7%
Facilities Maintenance	817,721	784,200	833,884	801,750	17,550	2.2%
Facility Renewal	62,176	290,450	290,450	110,450	(180,000)	-62.0%
	\$ 30,266,140	\$ 50,874,119	\$ 41,390,070	\$ 41,161,151	\$ (9,712,968)	(19.1%)

Exhibit 3 - TOTAL REVENUE AND EXPENDITURE SUMMARY FOR ALL FUNDS

	2019 Actuals	2020 Budget	2020 Estimated Actuals	2021 Budget	Change in Budget (\$)	Change in Budget (%)
REVENUE SOURCE:						
Taxes	\$ 15,752,438	\$ 15,591,762	\$ 15,029,618	\$ 15,418,091	\$ (173,671)	-1.1%
Licenses and permits	1,529,088	1,716,900	1,607,200	1,801,250	84,350	4.9%
Intergovernmental revenue	2,877,438	20,678,555	14,001,345	10,818,125	(9,860,430)	-47.7%
Charges for goods and services	6,152,327	6,554,630	6,541,629	6,420,350	(134,280)	-2.0%
Fines and penalties	136,524	210,350	139,350	180,550	(29,800)	-14.2%
Miscellaneous revenue	1,567,498	1,434,150	901,600	1,344,950	(89,200)	-6.2%
TOTAL REVENUES	\$ 28,015,313	\$ 46,186,347	\$ 38,220,742	\$ 35,983,316	\$ (10,203,031)	(22.1%)
EXPENDITURE TYPE:						
Salaries and wages	\$ 10,779,498	\$ 11,419,600	\$ 11,192,800	\$ 11,931,400	\$ 511,800	4.5%
Benefits	4,068,351	4,378,340	4,350,690	4,573,940	195,600	4.5%
Supplies	759,635	685,200	659,150	660,950	(24,250)	-3.5%
Other services and charges	7,134,235	6,407,383	6,425,692	6,181,893	(225,490)	-3.5%
Intergovernmental services	-	-	-	-	-	-
Capital Outlay	3,391,705	25,070,734	14,202,261	14,750,476	(10,320,258)	-41.2%
Debt service	876,981	877,000	877,000	879,140	2,140	0.2%
TOTAL EXPENDITURES	\$ 27,010,405	\$ 48,838,257	\$ 37,707,593	\$ 38,977,799	\$ (9,860,458)	(20.2%)

Exhibit 4 - GENERAL FUND REVENUE AND EXPENDITURE SUMMARY

	2019 Actuals	2020 Budget	2020 Estimated Actuals	2021 Budget	Change in Budget (\$)	Change in Budget (%)
REVENUE SOURCE:						
Taxes	\$ 11,827,920	\$ 11,635,068	\$ 11,208,568	\$ 11,436,381	\$ (198,687)	-1.7%
Licenses and permits	1,528,288	1,716,900	1,607,200	1,801,250	84,350	4.9%
Intergovernmental revenue	645,718	681,400	1,712,950	758,900	77,500	11.4%
Charges for goods and services	379,562	462,550	354,900	397,650	(64,900)	-14.0%
Fines and penalties	136,524	210,350	139,350	180,550	(29,800)	-14.2%
Miscellaneous revenue	224,423	646,750	264,950	536,750	(110,000)	-17.0%
TOTAL REVENUES	\$ 14,742,435	\$ 15,353,018	\$ 15,287,918	\$ 15,111,481	\$ (241,537)	(1.6%)
EXPENDITURE TYPE:						
Salaries and wages	\$ 6,732,341	\$ 7,594,150	\$ 7,415,550	\$ 7,031,800	\$ (562,350)	-7.4%
Benefits	2,585,761	2,953,840	2,929,790	2,831,190	(122,650)	-4.2%
Supplies	374,119	334,900	277,050	288,150	(46,750)	-14.0%
Other services and charges	3,907,083	4,006,303	4,236,182	3,875,698	(130,605)	-3.3%
TOTAL EXPENDITURES	\$ 13,599,304	\$ 14,889,193	\$ 14,858,572	\$ 14,026,838	\$ (862,355)	(5.8%)

GENERAL FUND REVENUE SOURCE SUMMARY

	2019 Actuals	2020 Budget	2020 Estimated Actuals	2021 Budget	Change in Budget (\$)	Change in Budget (%)
TAXES						
Property Taxes	\$ 5,577,574	\$ 5,652,568	\$ 5,652,568	\$ 5,728,881	\$ 76,313	1.4%
Sales Tax	3,039,474	2,700,000	2,565,000	2,565,000	(135,000)	-5.0%
Utility Taxes	2,558,831	2,690,000	2,490,000	2,550,000	(140,000)	-5.2%
Other Taxes	652,041	592,500	501,000	592,500	-	-
TOTAL TAXES	11,827,920	11,635,068	11,208,568	11,436,381	(198,687)	(1.7%)
LICENSES & PERMITS						
Business Licenses	508,533	511,500	470,000	475,500	(36,000)	-7.0%
Franchise Fees	803,073	965,000	925,000	1,101,850	136,850	14.2%
Building & Other Permits	216,682	240,400	212,200	223,900	(16,500)	-6.9%
TOTAL LICENSES & PERMITS	1,528,288	1,716,900	1,607,200	1,801,250	84,350	4.9%
INTERGOVERNMENTAL REVENUES						
Liquor Board Profits	173,795	171,200	171,200	168,750	(2,450)	-1.4%
Liquor Excise Tax	118,531	117,200	122,500	120,900	3,700	3.2%
PUD Privilege Tax	119,961	115,000	120,000	125,000	10,000	8.7%
Other Intergovernmental Revenue	233,431	278,000	1,299,250	344,250	66,250	23.8%
TOTAL INTERGOVERNMENTAL	645,718	681,400	1,712,950	758,900	77,500	11.4%
CHARGES FOR SERVICE						
Development Revenues	173,814	155,000	152,000	150,500	(4,500)	-2.9%
Overhead Cost Recovery	180,500	174,350	174,350	142,400	(31,950)	-18.3%
Recreation		109,700	18,800	90,000	(19,700)	100.0%
Miscellaneous Services	25,248	23,500	9,750	14,750	-	-
TOTAL CHARGES FOR SERVICE	379,562	462,550	354,900	397,650	(56,150)	(12.1%)
FINES & FORFEITURES						
Traffic Violations	51,464	54,000	52,000	54,000	-	-
Parking Fines	66,396	128,000	65,500	102,700	(25,300)	-19.8%
Other Fines	18,664	28,350	21,850	23,850	(4,500)	-15.9%
TOTAL FINES & FORFEITURES	136,524	210,350	139,350	180,550	(29,800)	(14.17%)
MISCELLANEOUS REVENUES						
Rental Income	21,268	22,500	22,500	23,500	1,000	4.44%
Interest Income	144,555	40,000	105,000	93,000	53,000	132.5%
Recreation	-	548,000	81,950	388,500	(159,500)	100.0%
Other Miscellaneous Revenue	58,600	36,250	55,500	31,750	(4,500)	-12.4%
TOTAL MISCELLANEOUS REVENUE	224,423	646,750	264,950	536,750	(110,000)	(17.0%)
TOTAL GENERAL FUND REVENUE	\$ 14,742,435	\$ 15,353,018	\$ 15,287,918	\$ 15,111,481	\$ (232,787)	-1.5%

REVENUE OPTIONS

There are not many options that remain possible besides voter-approved ballot measures.

The 2021 Preliminary Budget includes an increase to water/wastewater franchise fees which go to the General Fund. Any increase in the water/wastewater utility tax would offset the franchise revenue. It also includes an increase in EMS Transport revenues and Waterfront Parking fees. Other fees in the Fee Schedule can be increased.

Admissions tax is at max of 5% with 2020 Budget.

Tourism Promotion Fees can be increased up to \$3 per room now.

The city could impose a B&O tax, but that would likely result in a lowering or elimination of our current business license fee structure.

The City is generally capturing everything else that is allowed for a City of our size within Snohomish County. For a reference, here are the City's current taxes (not including state shared revenues):

<https://mukilteowa.gov/wp-content/uploads/Mukilteo-City-Levied-Taxes-2020.pdf>

BACKGROUND

The 2021 budget process timeline is below:

- June 8 Council Meeting
 - Reviewed Proposed Equipment Replacement and Facility Renewal New Budget Items (NBIs)
- July 13 Work Session
 - Reviewed proposed methodology for updating the personnel cost split for the Fire Department
- August 10 Work Session
 - Reviewed Capital Project NBIs
- September 14 Work Session
 - Reviewed Preliminary Budget Estimates
- October 5 Council Meeting
 - Council Receives Full Budget Document (October 1)
 - Open Preliminary Hearing
 - Mayor's Budget Address
 - Budget Overview, Revenues
- October 12 Council Special Meeting (6pm start)
 - Continue Preliminary Public Hearing
 - Department Presentations: Fire & EMS Funds, Finance, Planning and Community Development, Recreation
- October 19 Council Meeting
 - Continue Preliminary Public Hearing
 - Department Presentations: Executive, Police, Public Works, Capital Projects, Equipment Replacement & Facility Renewal
- October 26 Council Special Meeting (6pm start)
 - Close Preliminary Public Hearing and Open & Continue Tax Hearings
- November 2 Council Meeting
 - Open Final Budget Public Hearing
- November 9 Council Special Meeting (6pm start)
 - Continue Final Budget Hearing
- November 16 Council Meeting
 - Continue & Close Final Budget Public Hearing
 - Close Tax Hearings and Adopt Property Tax Levies
 - Adopt Final Budget