

MUKILTEO CITY COUNCIL AGENDA BILL 2020-68	
<b>SUBJECT TITLE:</b> 2021 Final Budget – Public Hearing	<b>Meeting Date:</b> November 23, 2020
<b>Staff Lead:</b> Mayor Jennifer Gregerson	<b>Exhibits:</b>
<b>Department Director:</b>	<ol style="list-style-type: none"> <li>1. <a href="#">Memos and 2021 Preliminary Budget Document</a></li> <li>2. Ordinance 1445</li> <li>3. Powerpoint</li> </ol>
<b>Estimated Time:</b> 120 minutes	
<b>Previous Review:</b> Council Worksession: <a href="#">9/14/20</a> , Regular Meeting: <a href="#">10/05/2020</a> , Special Meeting <a href="#">10/12/20</a> , Regular Meeting <a href="#">10/19/20</a> , Special Meeting <a href="#">10/26/20</a> ; Regular Meeting <a href="#">11/02/20</a> ; Special Meeting <a href="#">11/09/20</a> ; Regular Meeting <a href="#">11/16/20</a>	

**RECOMMENDATION:** Council **MOTION** to approve 2020 Final Budget Adoption Ordinance 1445, as amended.

#### **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

After processing the motions approved by Council last week, the 2021 Budget now includes adopted Property Tax rates, as well as the amendments as approved last week:

- Rosehill “subsidy” limited to \$112,000
  - Mix of supply/services cuts (about \$20,000) and salaries and benefits (remaining \$40,000)
- \$66,288 in other General Fund adjustments as approved by Council

These changes result in the use of \$288,679 of ending fund balance (EFB). This would leave \$3,655,765 in EFB, which is 23.8% of annual operations.

The following pages include the last remaining staff recommended changes, ideas proposed by Councilmembers to date, information about Rosehill operations in the first quarter of 2021, and a list of current vacancies and an answer to Councilmember Champion's question about cost of living increases included in the budget.

## STAFF RECOMMENDED CHANGES

Summary of Changes to 2021 Preliminary Budget prior to Final Budget Public Hearing			
	<b>GENERAL FUND</b>	Revenues	Expenditures
Adopted	Increase Property Tax Revenues based on Preliminary Assessed Valuation from County	19,787	
Adopted	Reduce Transfer-Out to Emergency Medical Services Fund due to higher tax revenues in EMS		(7,676)
	Court Operations Change and New RFP resulting in Prosecuting Attorney Increase		5,000
	<b>Subtotal Net Impact to General Fund Balance</b>	14,787	
	<b>EMERGENCY MEDICAL SERVICES FUND</b>	Revenues	Expenditures
Adopted	Increase Property Tax Revenues based on Preliminary Assessed Valuation from County	7,676	
Adopted	Decrease Transfer-In from General Fund due to higher property tax revenues	(7,676)	
	<b>Subtotal Net Impact to Emergency Medical Services Fund Balance</b>	0	
	<b>SURFACE WATER FUND</b>	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
	<b>Subtotal Net Impact to Surface Water Fund Balance</b>	(11,050)	

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](#).

	<b>FURLoughs/staffing</b>			
BC,JM, LH,RE	One Day of Furlough, All Employees except Public Safety			(15,968)
SK,RE, JM	Avoid furloughs by implementing Council salary contributions back to the City, approx. \$200/month			(16,800)
	Councilmembers donate full salary back to City, approx. \$400/month			(33,600)
BC	Additional 6 Months Vacancy Streets Maintenance Worker 1			(30,924)
BC	Additional 9 Months Vacancy Assistant Planner			(65,412)
	<b>SALES TAX</b>			
	Adjust projection from \$2.3million to \$2.4million based on Ms. Meyer's recommendation	100,000		
	<b>Subtotal Net Impact to General Fund Balance</b>	560,568		
	<b>SURFACE WATER FUND</b>	Revenues	Expenditures	
BC,JM, LH,RE	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)		LH,RE,JM
RE	Switch Dump Truck Chassis to the International body, total of \$290,000			(20,000)
	<b>Subtotal Net Impact to Surface Water Fund Balance</b>	3,560		
	<b>WATERFRONT PARKING FUND</b>	Revenues	Expenditures	
BC,JM, LH,RE	One Day of Furlough, All Employees except Public Safety			(850)
	<b>Subtotal Net Impact to Waterfront Parking Fund Balance</b>	850		
	<b>EQUIPMENT REPLACEMENT FUND</b>	Revenues	Expenditures	
	EMS Cardiac Monitor replacement			21,400
	<b>Subtotal Net Impact to Capital Projects Fund Balance</b>	(21,400)		
	<b>CAPITAL PROJECTS FUND</b>	Revenues	Expenditures	
BC	Reduce Traffic Calming Budget			(25,000)
	<b>Subtotal Net Impact to Capital Projects Fund Balance</b>	25,000		

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

## **2020 Budget Update**

Councilmembers have asked about the status of the 2020 Budget ending fund balance. Staff is working to prepare the final budget amendment for December 7. We do have the projected ending fund balance based on estimated actual revenue and expenditures as of November 18. Total revenues exceed expenditures, so additional money will be left in the ending fund balance.

For the General Fund, including transfers out to other funds:

- Estimated Total Expenditures: \$15,483,668
- Estimated Total Revenues: \$15,347,169
- Leaves \$136,499 in ending fund balance.
- Total Ending Fund Balance for the start of 2021 estimated at \$3,944,444, which is 25.7%

## **Rosehill Community Center 2020 First Quarter Operations**

Rosehill Community Center will be fully closed until March 1. Emails and voicemails will not be returned. Starting March 1, the staff will begin a reopening phase-in. Recreation program sign-ups and reservations will be taken. Other Recreation and Cultural Services Department activities will continue, including but not limited to support of the Parks and Arts Commission, operations and business planning, reopening procedures, and support of any new COVID-related grant programs.

The City expects to save \$1,950 per month in the first quarter on gas, electricity, sewer, and water utilities, in the Facilities Maintenance Fund, for a total savings of \$5,850 in that fund.

## **Currently Vacant Positions**

Councilmembers have asked about vacant positions. Currently, outside of Fire and Police, these positions are vacant:

- Maintenance Worker 1, Streets
- Assistant Planner
- Senior Engineering Technician (as of November 13)
- Finance Director
- Customer Service Clerk (one is vacant, the rest are in layoff status)

## **Cost of Living Increases**

Councilmember Champion asked if there were cost of living increases included in the budget for non-represented employees. All non-represented employees (directors and managers) have a cost of living increase of 2.25% applied.

The total budget cost is \$41,460 in General Fund-supported funds and \$4,640 in Surface Water.

The positions below are non-represented and receiving the 2.25%:

- Accounting Manager
- Administrative Support Coordinator
- Assistant City Engineer
- Assistant Police Chief
- Capital Projects Engineer
- City Administrator
- City Clerk
- Community Development Director
- Customer Service Clerk
- Executive Assistant

- Finance Director
- Fire Chief
- Fire Marshal
- Human Resources Manager
- IT Manager
- Planning Manager
- Police Chief
- Public Works Superintendent
- Public Works Director
- Recreation/Cultural Director

For reference, the cost of living increases for other employees are:

- IAFF (Fire)- 2.25%
- OCT (Office, Clerical and Technical) - 2.0%
- LEO (Law Enforcement Officers)- 2.5%
- LES (Law Enforcement Support)- 2.0%
- PW (Public Works)- 1.5%
  - The Public Works contract cost of living increase is based on the Seattle-Tacoma-Bellevue CPI-U, June to June, with a minimum of 1.5% and a maximum of 3.0%.

**CITY OF MUKILTEO  
MUKILTEO, WASHINGTON  
ORDINANCE NO. 1445**

**AN ORDINANCE OF THE CITY OF MUKILTEO, WASHINGTON,  
ADOPTING THE 2021 MUNICIPAL BUDGET IN THE AMOUNT OF  
\$43,886,766.**

---

**WHEREAS**, the Mayor's 2021 Preliminary Budget recommendation and Budget Message was presented to the City Council, and filed with the City Clerk for the purpose of presenting the 2021 Annual Budget; and

**WHEREAS**, the City Clerk provided sufficient copies of the Mayor's Preliminary Budget and Budget Message to meet the reasonable demands of taxpayers, and published and posted notice of filing and the availability of said Preliminary Budget together with the date of a public hearing for the purpose of fixing a Final Budget, all as required by law; and

**WHEREAS**, the City Council scheduled a hearing on the Preliminary Budget for the purpose of providing information regarding estimates and programs; and

**WHEREAS**, the City Council held Preliminary Budget public hearings on October 5, 12, 19, and 26 at which hearings all taxpayers were heard who appeared for or against any part of said budget; and

**WHEREAS**, the public hearings for the Final Budget were held on November 2 and 9, and 16; and

**WHEREAS**, following the conclusion of said hearing, the City Council made adoptions and changes as it deemed necessary and proper.

**NOW THEREFORE THE CITY COUNCIL OF THE CITY OF MUKILTEO,  
WASHINGTON DO ORDAIN AS FOLLOWS:**

**Section 1.** The 2021 budget for the City of Mukilteo, Washington, on file with the City Clerk, is hereby adopted in its final form and content. The totals of estimated revenues and transfers in and appropriations for expenditures and transfers out for each separate Fund and the aggregate totals for all such Funds combined, in summary form, are attached hereto as Exhibit "A" and incorporated herein by this reference.

**Section 2.** A complete copy of the 2021 Adopted Municipal Budget, together with a copy of this adopting ordinance shall be transmitted by the Finance Director to the Division of Municipal Corporations of the Office of the State Auditor and to the Association of Washington Cities.

**Section 3.** Administrative Budget Adjustments. The Mayor and City Administrator are authorized to transfer budgeted appropriations within any Fund when considered necessary for the

EXHIBIT 1

conduct of City business and the provision of services to the public as long as the total appropriations of any Fund are not increased. Any budget adjustments that would increase the total appropriations of any Fund must be approved by the City Council by Ordinance as part of the budget amendment process. Budgeted appropriations are defined to include amounts budgeted for both expenditures and transfers to other Funds.

This section shall not be construed to authorize expenditures in excess of expenditure limits established by the City Council for the specific program or services.

**Section 4.** This ordinance shall take effect five (5) days after publication of the attached summary, which is hereby approved.

PASSED by at least a majority plus one of the City Council and APPROVED by the Mayor this 23rd day of November, 2020.

APPROVED

---

MAYOR, JENNIFER GREGERSON

ATTEST/AUTHENTICATED:

---

CITY CLERK, CAROL MOORE

APPROVED AS TO FORM:  
OFFICE OF THE CITY ATTORNEY:

By: \_\_\_\_\_  
DANIEL KENNY

FILED WITH THE CITY CLERK: 11-23-2020  
PASSED BY THE CITY COUNCIL: 11-23-2020  
PUBLISHED:  
EFFECTIVE DATE:  
ORDINANCE NO. **1445**

## EXHIBIT 1

### ORDINANCE NO. 1445

#### Exhibit A

##### Exhibit 1 - BUDGET SUMMARY BY FUND

	BEGINNING FUND BALANCE	REVENUE	INCOMING TRANSFERS	TOTAL FUND SOURCES	EXPENDITURES	OUTGOING TRANSFERS	TOTAL FUND USES	ENDING FUND BALANCE
<b>GENERAL &amp; SPECIAL REVENUE FUNDS</b>								
General	\$ 3,944,444	\$ 14,919,301	\$ 154,000	\$ 15,073,301	\$ 13,705,100	\$ 1,656,880	\$ 15,361,980	\$ 3,655,765
City Reserve	1,000,000	-	-	-	-	-	-	1,000,000
LEOFTI Reserve	19,957	-	-	-	11,200	-	11,200	8,757
Transportation Benefit District	411,826	317,650	-	317,650	-	729,476	729,476	-
Streets	-	548,250	302,500	850,750	850,750	-	850,750	-
Waterfront Parking	18,256	769,700	-	769,700	729,550	-	729,550	58,406
Hotel/Motel Lodging Tax	144,031	245,000	-	245,000	250,600	-	250,600	138,431
Emergency Medical Services	-	2,989,320	1,229,380	4,218,700	4,155,700	63,000	4,218,700	-
Drug Enforcement	4,279	20,000	-	20,000	20,000	-	20,000	4,279
<b>DEBT SERVICE FUND</b>	<b>10,132</b>	<b>-</b>	<b>870,000</b>	<b>870,000</b>	<b>879,140</b>	<b>-</b>	<b>879,140</b>	<b>992</b>
<b>CAPITAL PROJECT FUNDS</b>								
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	-
<b>PROPRIETARY FUNDS</b>								
Surface Water Management	5,078,018	4,228,640	-	4,228,640	5,125,871	48,950	5,174,821	4,131,837
Surface Water Reserve	300,000	-	-	-	-	-	-	300,000
<b>INTERNAL SERVICE FUNDS</b>								
Technology Replacement Reserve	128,837	18,500	103,000	121,500	125,000	-	125,000	125,337
Equipment Replacement Reserve	1,571,996	277,000	-	277,000	231,000	-	231,000	1,617,996
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
	<b>\$ 16,417,136</b>	<b>\$ 35,812,136</b>	<b>\$ 5,231,705</b>	<b>\$ 41,043,841</b>	<b>\$ 38,655,061</b>	<b>\$ 5,231,705</b>	<b>\$ 43,886,766</b>	<b>\$ 13,574,211</b>

**EXHIBIT 1**

**SUMMARY OF ORDINANCE NO 1445**  
of the City of Mukilteo, Washington

On November 23, 2020, the City Council of the City of Mukilteo, Washington, adopted Ordinance No. 1445 the main point of which may be summarized by its title as follows:

**AN ORDINANCE OF THE CITY OF MUKILTEO, WASHINGTON,  
ADOPTING THE 2021 MUNICIPAL BUDGET IN THE AMOUNT OF  
\$43,886,766.**

The 2021 Budget as Set Forth in Exhibit "A":

Exhibit 1 - BUDGET SUMMARY BY FUND									
	BEGINNING FUND BALANCE	REVENUE	INCOMING TRANSFERS	TOTAL FUND SOURCES	EXPENDITURES	OUTGOING TRANSFERS	TOTAL FUND USES	ENDING FUND BALANCE	
<b>GENERAL &amp; SPECIAL REVENUE FUNDS</b>									
General	\$ 3,944,444	\$ 14,919,301	\$ 154,000	\$ 15,073,301	\$ 13,705,100	\$ 1,656,880	\$ 15,361,980	\$ 3,655,765	
City Reserve	1,000,000	-	-	-	-	-	-	1,000,000	
LEOFF I Reserve	19,957	-	-	-	11,200	-	11,200	8,757	
Transportation Benefit District	411,826	317,650	-	317,650	-	729,476	729,476	-	
Streets	-	548,250	302,500	850,750	850,750	-	850,750	-	
Waterfront Parking	18,256	769,700	-	769,700	729,550	-	729,550	58,406	
Hotel/Motel Lodging Tax	144,031	245,000	-	245,000	250,600	-	250,600	138,431	
Emergency Medical Services	-	2,989,320	1,229,380	4,218,700	4,155,700	63,000	4,218,700	-	
Drug Enforcement	4,279	20,000	-	20,000	20,000	-	20,000	4,279	
<b>DEBT SERVICE FUND</b>	<b>10,132</b>	<b>-</b>	<b>870,000</b>	<b>870,000</b>	<b>879,140</b>	<b>-</b>	<b>879,140</b>	<b>992</b>	
<b>CAPITAL PROJECT FUNDS</b>									
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	-	
<b>PROPRIETARY FUNDS</b>									
Surface Water Management	5,078,018	4,228,640	-	4,228,640	5,125,871	48,950	5,174,821	4,131,837	
Surface Water Reserve	300,000	-	-	-	-	-	-	300,000	
<b>INTERNAL SERVICE FUNDS</b>									
Technology Replacement Reserve	128,837	18,500	103,000	121,500	125,000	-	125,000	125,337	
Equipment Replacement Reserve	1,571,996	277,000	-	277,000	231,000	-	231,000	1,617,996	
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	
	<b>\$ 16,417,136</b>	<b>\$ 35,812,136</b>	<b>\$ 5,231,705</b>	<b>\$ 41,043,841</b>	<b>\$ 38,655,061</b>	<b>\$ 5,231,705</b>	<b>\$ 43,886,766</b>	<b>\$ 13,574,211</b>	

The full text of this ordinance will be mailed upon request.

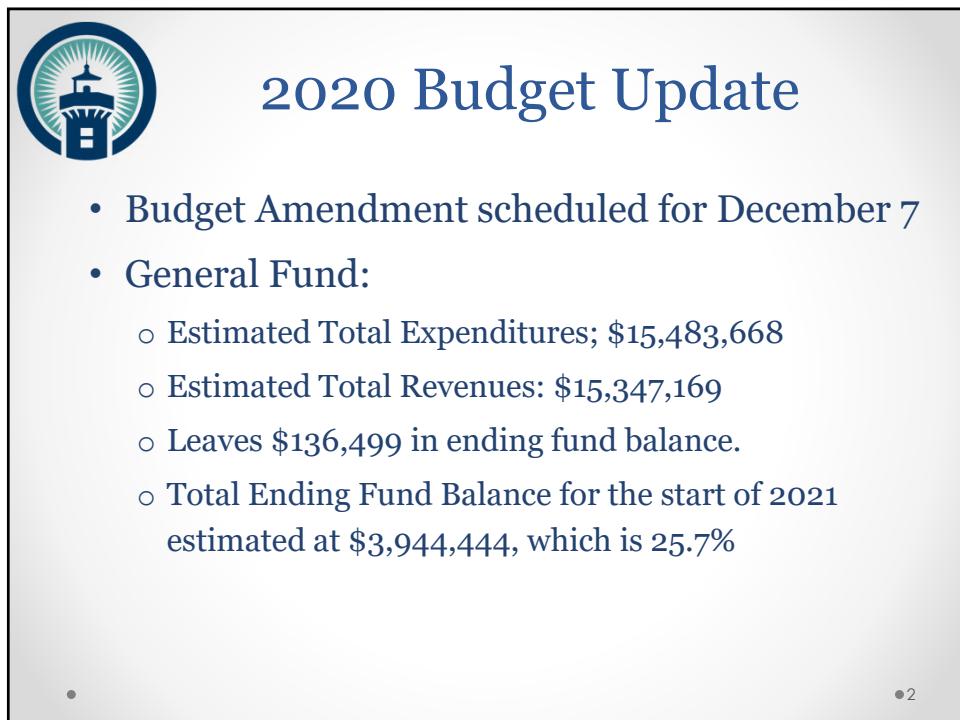
APPROVED by the City Council on November 23, 2020

**CITY CLERK, CAROL MOORE**

Exhibit 3



1



The image shows a slide titled '2020 Budget Update' in a large, dark blue serif font. To the left of the title is the City of Mukilteo logo. The slide contains a bulleted list of budget details:

- Budget Amendment scheduled for December 7
- General Fund:
  - Estimated Total Expenditures: \$15,483,668
  - Estimated Total Revenues: \$15,347,169
  - Leaves \$136,499 in ending fund balance.
  - Total Ending Fund Balance for the start of 2021 estimated at \$3,944,444, which is 25.7%

At the bottom right of the slide, there is a small circular icon with a dot inside, followed by the number '•2'.

2



## 2021 General Fund

- Now includes adopted Property Tax and staff recommended Court and Prosecutor increases
- Amendments as approved last week:
  - Rosehill “subsidy” limited to \$112,000
    - Mix of supply/services cuts (about \$20,000) and salaries and benefits (remaining \$40,000)
  - \$66,288 in other General Fund adjustments as approved by Council
- Results in use of \$288,679 of ending fund balance (EFB)
- Would leave \$3,655,765 in EFB, which is 23.8%
- 

•<sup>3</sup>

3



## Revenue Options

- Included in 2021 Preliminary Budget:
  - Water/wastewater franchise fees increase
  - Increase in EMS Transport revenues and Waterfront Parking fees and parking fines
- Other fees in the Fee Schedule can be increased
  - Business Licenses, new B&O Tax
  - Waterfront Parking (\$0.25 = \$55,000 in WFP Fund)
- Vehicle License Fee up to \$20 is possible
  - \$5.00 = \$145,000 for streets, sidewalks, bike infrastructure, in Capital Projects Fund, possibly Streets Fund
  -

•<sup>4</sup>

4



## Sales Tax Update

- 2021 Preliminary Budget \$2.7 Million
  - Reduced to \$2.565 Million then to \$2.3 Million
- YTD 2020 amounts indicate on track to exceed 2020 budget amount of \$2.7 Million (likely to reach \$2.9M) despite COVID-19

	Jan - Oct 2019	Jan - Oct 2020
	\$ 2,362,285	\$ 2,532,281

- Subtracting Ferry Project, 2020 still exceeding 2019

WITHOUT FERRY PROJECT	Jan - Oct 2019	Jan - Oct 2020
Total Sales Tax Collected	\$ 2,253,400	\$ 2,375,962

- 2021 Estimate could be increased to \$2.565 Million or \$2.4 Million to be more conservative

5



## Options to Preserve General Fund Balance

FURLoughs/staffing		Revenues	Expenditures
BC, JM, LH, RE	One Day of Furlough, All Employees except Public Safety		(15,968)
SK, RE, JM	Avoid furloughs by implementing Council salary contributions back to the City, approx. \$200/month		(16,800)
	Councilmembers donate full salary back to City, approx. \$400/month		(33,600)
BC	Additional 6 Months Vacancy Streets Maintenance Worker 1		(30,924)
BC	Additional 9 Months Vacancy Assistant Planner		(65,412)
SALES TAX			
	Adjust projection from \$2.3million to \$2.4million based on Ms. Meyer's recommendation	100,000	
	<b>Subtotal Net Impact to General Fund Balance</b>	<b>560,568</b>	
SURFACE WATER FUND		Revenues	Expenditures
BC, JM, LH, RE	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)	LH, RE, JM
RE	Switch Dump Truck Chassis to the International body, total of \$290,000		(20,000)
	<b>Subtotal Net Impact to Surface Water Fund Balance</b>	<b>3,560</b>	
WATERFRONT PARKING FUND		Revenues	Expenditures
	Furlough Target		(850)
	<b>Subtotal Net Impact to Waterfront Parking Fund Balance</b>	<b>850</b>	
EQUIPMENT REPLACEMENT FUND		Revenues	Expenditures
	EMS Cardiac Monitor replacement		21,400
	<b>Subtotal Net Impact to Capital Projects Fund Balance</b>	<b>(21,400)</b>	
CAPITAL PROJECTS FUND		Revenues	Expenditures
BC	Reduce Traffic Calming Budget		(25,000)
	<b>Subtotal Net Impact to Capital Projects Fund Balance</b>	<b>25,000</b>	

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

6



## Other Options to Preserve General Fund Balance

- Reduce or Eliminate 2021 Contributions to Reserve Funds:
  - \$231,000 to Equipment Replacement from General Fund
  - \$22,000 to Facility Renewal from General Fund
  - \$21,000 to Equipment Replacement from EMS Fund
  - \$63,000 to Facility Renewal from EMS Fund
- Still maintains minimum fund balance in all funds in accordance with policy

7



## Discussion

• • •

• 8

8