



City Council
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MEMORANDUM

TO: Mary Lou Pauly, Mayor
FROM: Victoria Hunt, Council President
RE: City Council's 2021 Budget Adjustments
DATE: November 16, 2020

The City Council has completed its review of the 2021 proposed budget, which was first presented on September 29, 2020. The City Council held five budget work sessions in October and November. Final City Council deliberations occurred on November 10, 2020. With the support of your staff, we reviewed the proposed budget allocations for both the operating and capital sides of the budget.

The main challenge in preparing and deliberating the 2021 budget was the impacts of the COVID-19 pandemic on the City's financial outlook. While not as bad as originally forecast, the economic impacts of the pandemic result in a 2021 budget that is smaller than 2020. The 2021 budget partially offsets some the revenue contractions brought on by the pandemic by increasing select fees for service – including permit fees and jail fees for contract cities – to better cover City costs of delivering these services and reduce the subsidy provided by City taxpayers.

The proposed budget that you delivered to us on September 29, 2020 emphasized funding for City priorities, including:

- Building the social safety net
- Protecting public safety and upholding police accountability
- Investing in parks and open space
- Supporting community development
- Refocusing the City's commitment to environmental sustainability and climate action
- Delivering core City services
- Supporting a robust capital improvements program
- Fostering a positive and productive workplace

After delivering the proposed budget, the Administration updated the General Fund revenue forecast, a common practice, especially in times of economic volatility. That forecast, which was shared with the City Council on November 5, 2020, demonstrated that key revenues are performing significantly better than first anticipated, giving the City the flexibility to allocate an additional \$1 million in on-going and \$3 million in one-time General Fund expenditures.

The City Council carefully deliberated these options and agreed to the following allocations:

On-Going Adds

	Allocation
Parks Maintenance Manager	175,000
Concrete Maintenance Plan	330,000
Turf Replacement Plan	200,000
Repaint Crosswalks	60,000
Increase GF Transfer to Street Operating to Reduce Reliance on REET	235,000
TOTAL	1,000,000

One-Time Adds

	Allocation
Pavement Management	900,000
Downtown Street Scape	300,000
Highlands Pole Painting (Phase 1 of 3)	205,000
Furlough Day Incentive	100,000
Resume 457 Contributions One Month Early	40,000
Landlord/Tenant Mediation	55,000
Additional Business Grant Funding	500,000
Asset Management Program	125,000
Blackberry Park Investments	300,000
TOD/OC Contract Project Management	50,000
Return to Work Costs	25,000
Increased Equity Training	75,000
Financial Statement Preparation	25,000
Community Recovery Fund of the City Council	400,000
TOTAL	3,100,000

Collectively, the November 5 revised financial forecast, the expenditure changes outlined above, as well as a set of minor technical changes, result in a \$128,820,652 budget for 2021, including \$53,368,369 in the General Fund. The City anticipates ending 2021 with a \$12,791,796 General Fund fund balance, including \$2.5 million in designations for compensated absence liabilities and \$185,257 designated for affordable housing. The anticipated undesignated fund balance is equivalent to 19% of General Fund expenditures.

In the City Council's final budget deliberations, Council made it clear that its allocation of \$400,000 to the newly created Community Recovery Fund of the City Council is intended to be a one-time allocation resulting from extraordinary circumstances. These circumstances include the unique combination of 1) the anticipation of future community needs arising from the ongoing COVID pandemic, associated economic challenges, and possible reductions in availability of services, and 2) the unexpected relative strengths of revenues as described in the economic forecast on November 5. Council began preliminary discussion on appropriate uses of the Community Recovery Funds, which would include COVID recovery and COVID response expenses, community recovery expenses, and public safety expenses including expenses related to police services. Council also clarified that these funds could be used to meet community recovery needs that also overlapped with the City's Strategic Plan. Importantly, Council was adamant that this was not to be interpreted as

precedent setting for creating future City Council 'contingency' funds, and that this was a one-time action taken under extraordinary circumstances.

Additional Policy Direction: In addition to these monetary changes to the budget, the City Council directed the Administration to follow-up on several items in in 2021, including:

- **Asset Management:** The City Council instructed the Administration to return to the City Council in early 2021 with more details on the Asset Management program.
- **Equity Training:** The City Council is interested in using information gathered during the engagement process in 2021 to explore how the City might potentially expand on community-facing aspects of this work in future years.

In addition, the Administration committed to returning to the City Council in early (Q1) 2021 with plans for funding two high-priority water quality capital projects that were not funded in the 2021 budget according to the CIP timeline:

- Cabin Creek Tributary Stabilization
- Central Park Bioswale Improvements

The Administration also committed to returning to the City Council in early (Q1) 2021 to update the Real Estate Excise Tax (REET) forecast and spending plan, and to propose changes to the Sustainability Fund once the Environmental Board has its recommendations.

Additionally, one item from the Additional Policy Direction section outlined in the Council President letter accompanying the 2020 budget was not completed in 2020. This item should therefore be carried over into 2021: Explore selling Tibbets Creek Manor and developing an overarching strategy for other City surplus property.

Looking Ahead to 2021: In closing, I would like to thank you and your staff for preparing this full-service budget for 2021, and for working collaboratively with council though the budget process to address our questions and incorporate our feedback. The adopted budget is our roadmap for spending on initiatives, projects, services and personnel. The COVID-19 pandemic has created additional challenges for the City. I believe we have collectively developed a budget plan that will serve our residents well in the face of these challenges.

The City Council looks forward to continuing to work with you and staff as we implement this budget together in 2021.

Sincerely,

DocuSigned by:
Victoria Hunt
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Victoria Hunt
Council President