



City Council
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MEMORANDUM

TO: Mary Lou Pauly, Mayor
FROM: Victoria Hunt, Council President
RE: City Council's 2022 Budget Adjustments
DATE: November 15, 2021

The City Council has completed its review of the 2022 proposed budget, which was first presented on September 20, 2021. The City Council held four budget work sessions in October and November. Final City Council deliberations occurred on November 9, 2021. With the support of your staff, we reviewed the proposed budget allocations for both the operating and capital sides of the budget.

The 2022 proposed budget emphasized the following funding priorities for the coming year:

- Mobility
- Growth and development
- Community engagement
- Public safety and human services
- Quality of life enhancements
- Equity, diversity, and inclusion
- Data-driven decision making

As the economy continues to recover from the COVID-19 pandemic, Issaquah is experiencing a stronger than expected financial performance when compared to forecasts from a year ago, with much of this strength coming from one-time sources. We also experienced stronger than expected financial performance in other revenue such as sales tax. We acknowledge that these trends may change as the trajectory of recovery from the pandemic changes; there remains a great deal of uncertainty regarding economic recovery from the pandemic and future trends in revenue.

Meanwhile, the budget also includes some revenue increases to support a conservative amount of ongoing expenditures, including:

- Increasing the property tax levy by 1% as allowed under state law
- Increasing recreation, land use, sitework and building fees to factor in inflation
- Applying Issaquah's same utility tax to Sammamish Plateau Water

Our main focus in preparing and deliberating the 2022 budget was allocating \$1.25 million from the proposed One-Time Investment Fund.

City Council Changes to the Proposed Budget: The City Council carefully considered options for spending the One-Time Investment Fund. At the November 9, 2021 Study Session, all six councilmembers present indicated that they supported allocating \$300,000 for employees who served during the pandemic. All councilmembers present also indicated that they supported using the \$2.7M RCO grant award for the acquisition of the 'Bergsma' property to pay off debt associated with that purchase. A majority of councilmembers indicated support for holding the remaining \$950,000 one-time funds and keeping them in the general fund for future use, potentially in support of projects advocated for by the Capital Finance Community Task Force.

Additional Policy Direction: In addition to the monetary changes to the budget, the City Council directed the Administration to follow-up on a number of policy priorities in 2022, including:

- Conduct a study to formalize a Fleet Fund cost allocation methodology for the long term. This study should cover industry standards for vehicle life cycles; how to better align operating costs to departments; and ensure the City is following best practices.
- Monitor revenues for the Arts Fund. If movie theaters do not recover to pre-pandemic levels, the City may need to consider new or additional revenues for this fund to maintain its levels of service.
- Return to council with an update on cost recovery methodology for CPD funds, potentially using a rolling average across years to inform the fee structure.
- Return to the City Council by Dec. 6, 2021 with a policy that outlines how the City will provide an incentive to front-line employees serving during the COVID-19 pandemic.

Follow-Up: Past Policy Direction: Several items were listed in past Council President letters accompanying the budgets that also have updates. Following up from the 2021 letter:

- **Asset Management:** The City began a needs assessment in late 2021 to determine what process improvements, practices, and software functions are needed to better manage the City's assets. Following the completion of this assessment, the 2022 budget includes funds to improve processes and identify a software package for a more efficient and comprehensive asset management program.
- **Equity Training:** In 2021, following an extensive engagement process, the City formed a new Equity Board to support and cultivate the voices of the diverse communities in Issaquah by advising the Mayor, City Council and City departments on the City's plans, policies, regulations, and programs related to equity initiatives. This board will also advise on future community engagement around equity. Meanwhile, the City has maintained its budget in 2022 for internal equity training to continue.
- **Cabin Creek Tributary Stabilization:** While this project was not funded in the 2021 budget, the City Council requested an update for how to fund it in future years. This project is now included in the recently-adopted Capital Improvement Plan for 2023 and 2024 using a total of \$240,000 in stormwater revenues. This project was originally delayed due to staff capacity.
- **Central Park Bioswale Improvements:** While this project was not funded in the 2021 budget, City Council requested an update on how to fund it in future years. These improvements were added to the Stormwater Rehabilitation Program, which has this project slated for design and possibly construction in 2023.
- **REET forecast and spending plan:** In 2020, the Administration committed to returning to the City Council in early (Q1) 2021 to update the Real Estate Excise Tax (REET) forecast and spending plan. That update was completed as part of the [2022-20227 Capital Improvement Plan \(CIP\)](#) adoption. Further information and forecasting was also presented to the City Council during its [Aug. 2, 2021 Regular Meeting](#).

- Sustainability Fund: In 2020, the Administration committed to returning to the City Council concerning proposed changes to the Sustainability Fund once the Environmental Board had recommendations. This work is ongoing in 2022, and must factor in how the new solid waste contract is structured (a main source of revenue for this fund).
- Explore selling Tibbetts Creek Manor: In 2019, the Administration committed to exploring the sale of Tibbetts Creek Manor. That is no longer being pursued, as the space is currently in use for City meetings following the closure of City Hall Northwest. This issue should be revisited as the status of and uses of the Manner change over the coming year(s).
- Overarching strategy for surplus property: This project was discussed at the [April 13, 2021 City Council Study Session](#). Adoption of a surplus property policy is expected in 2022.

Looking Ahead to 2022: The City Council looks forward to continuing to work with you and staff as we implement this budget together in 2022, along with engaging the community and making future decisions next year concerning:

- Future capital financing plans, which will take into consideration the recommendations from the Capital Finance Community Task Force.
- How Issaquah will allocate our remaining American Rescue Plan Act (ARPA) funds. Council acknowledges that this funding provides unique opportunities, but that there remains uncertainty regarding uses of these funds. Conversations during this budget process touched on these opportunities, and these opportunities factored into our decision making, including in our decision-making around the use of the one-time funds. Council looks forward to continuing these conversations in 2022.

In closing, I would like to thank you and your staff for preparing this full-service budget for 2022, and for working collaboratively with council through the budget process to address our questions and incorporate our feedback. The adopted budget is our roadmap for spending on projects, services and personnel. The COVID-19 pandemic continues to pose challenges for the community; I believe we have collectively developed a budget plan that will serve our residents well in the face of these ongoing challenges and as we recover from the pandemic and look to the future.

The City Council looks forward to continuing to work with you and staff as we implement this budget together in 2022.

Sincerely,

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Victoria Hunt
Council President