



Memorandum

Date: 6/22/2021

Meeting of: Committee of the Whole - Finance, Administration, and Communications

File No. CM 21-296

Type: Committee Memo

TO: Committee of the Whole - Finance, Administration, and Communications

FROM: Mayor Angela Birney

DEPARTMENT DIRECTOR CONTACT(S):

Finance	Kelley Cochran	425-556-2748
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DEPARTMENT STAFF:

Finance	Haritha Narra	Interim Financial Planning Manager
Finance	Marissa Flynn	Senior Financial Analyst

TITLE:

2021-2022 Budget Adjustment #1

OVERVIEW STATEMENT:

The focus of the discussion at FAC will be to establish a process for bringing the first budget adjustment of the 2021-2022 biennium forward for Council consideration and approval. Input is also requested from Council on additional items that should be brought forward for consideration.

☒ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☐ **Receive Information**

☒ **Provide Direction**

☐ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
N/A
- **Required:**
N/A
- **Council Request:**
N/A
- **Other Key Facts:**
N/A

OUTCOMES:

Periodically the Finance Department adjusts the budget to recognize revenue and expenditure changes during the biennium. There are three adjustments that need to be made at this time. At the FAC Committee of the Whole meeting, staff will discuss a recommended approach for Council review and approval of each. The needed adjustments are listed below.

Contribution to Human Services: In accordance with Council direction during the 2021-2022 budget deliberations a transfer of \$500K from the General Fund to the Human Service Fund needs to be recognized.

Recognition of Beginning Fund Balances: At the beginning of each biennium, Financial Planning reconciles the budgeted beginning fund balances and the actual beginning fund balances for each fund so that fund managers know how much actual cash they carried over into the new biennium. These adjustments can either increase or decrease each of the City's budgeted funds. The adjustment would formally recognize the difference between the actual and budgeted beginning fund balances in the General Fund, sub-funds of the General Fund, Special Revenue, Debt Service, Capital Investment, Enterprise Operating, Enterprise Capital Investment, and Internal Service Funds.

The General Fund ended the 2019-2020 biennium with \$40.3 million, \$26.2 million more than what was anticipated during budget preparation. In 2020, General Fund revenue ended the year over expectations primarily due to higher than anticipated sales tax on construction and growth in development review as a result of a development surge in the region and significant infrastructure projects in the City. Some General Fund revenues, including sales tax from restaurants and rental and leasing services, decreased as a result of COVID-19 lockdowns and eviction moratoriums. However, departments successfully managed their expenditures to these decreases in revenue, and as a result, General Fund expenditures were approximately 8% below the authorized budget.

The table below provides an overview of the General Fund revenues and expenses and the accumulation of the fund balance. Examples of the revenues included in the one-time category is sales tax on construction, grants, and CARES Act funding. All other revenues are represented as ongoing. Attachment A provides a high-level overview of recommendations that staff would like Council to consider for funding. During the committee meeting the approach to bringing this work forward to Council will be discussed.

2019 Beginning Fund Balance			(24,168,532)
2019 Ongoing	Revenue	(92,641,879)	
	Expense	95,441,687	2,799,808
2019 One-time	Revenue	(9,874,685)	
	Expense	941,730	(8,932,955)
2020 Beginning Fund Balance			(30,301,679)
2020 Ongoing	Revenue	(95,878,247)	
	Expense	96,213,717	335,470

2020 One-time	Revenue	(14,701,557)	
	Expense	4,320,843	(10,380,713)
2021 Calculated Beginning Fund Balance			(40,346,924)
2021 Budgeted Beginning Fund Balance			(14,144,344)
Fund Balance to Recognize			(26,202,580)

Recognition of American Rescue Plan Act (ARPA) Funding: On March 11, 2021 President Biden signed a bill to provide additional relief for states, counties, cities, and towns as well as public utilities, libraries, and transit agencies affected by the coronavirus pandemic. The City of Redmond will receive a total of \$9,928,999, in two equal increments, during the 2021-2022 biennium. These funds may be spent on qualifying expenses through December 31, 2024. Staff is still gathering information on ARPA, but Attachment B provides a high-level overview of recommendations that staff is currently working to develop.

Allowable uses of the funds include:

- COVID-19 emergency response;
- Assistance to households, small businesses, and nonprofits related to the negative economic impacts of COVID-19;
- Aid to impacted industries such as tourism, travel, and hospitality;
- Hazard pay for eligible local government essential workers;
- Grants to eligible private employers to provide hazard pay to essential workers;
- Reduction in revenue for government services due to COVID-19; and
- To make necessary investments in water, sewer, or broadband infrastructure.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
N/A
- **Outreach Methods and Results:**
N/A
- **Feedback Summary:**
N/A

BUDGET IMPACT:

Total Cost:

N/A

Approved in current biennial budget:

☐ Yes

☒ No

☐ N/A

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Budget Offer Number:

N/A

Budget Priority:

N/A

Other budget impacts or additional costs: ☐ Yes ☒ No ☐ N/A

If yes, explain:

N/A

Funding source(s):

N/A

Budget/Funding Constraints:

N/A

☒ Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
N/A	Item has not been presented to Council	N/A

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

Time Constraints:

All budget adjustments for the 2021-2022 biennium must be approved no later than December 31, 2022.

ANTICIPATED RESULT IF NOT APPROVED:

The City's financial records would not be aligned with actual results and additional funding will not be appropriated for expenditure.

ATTACHMENTS:

Attachment A: Staff Recommendation for General Fund Beginning Fund Balance

Attachment B: Staff Recommendation for American Rescue Plan Act