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## MEMO

TO: Mayor, City Council, and General Public

FROM: Greg Piland, Finance Manager

DATE: October 10, 2023

RE: 2023-2024 Revenue Sources and Mayor's Proposed Mid-Biennium Adjustment

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RCW 35A.34 governs the mid-biennial adjustment process for optional municipal code cities. These statutes require the City to hold public hearings on the mid-biennial adjustment prior to adoption of the budget adjustment ordinance. Specifically, RCW 35A.34.130 states "The budget modification shall be by ordinance approved in the same manner as are other ordinances of the city."

On October 17, 2023, staff will present the 2023-2024 Revenue Sources and Mayor's Proposed 2023-2024 mid-biennial budget adjustment for Council consideration and deliberation for any policy issues related to the Mayor's Recommended Budget Adjustment and/or related to any public comments received. The mid-biennial budget adjustment is not a full review of all revenue and expenditures for the 2023-2024 budget, rather a true up of items including reserves, property tax, sales tax, utility revenue, and interest earnings for revenues. For expenditures, the adjustment considered liability insurance costs, salary and benefits, interfund transfers, and debt service.

Please note, the deadline to adopt the city's property tax levy and certification to the county assessor is November 30 (RCW 84.52.070).

The following assumptions were used to assist with the 2023-2024 mid-biennial adjustment:

- All reserves are fully funded, including the General Fund operating reserve, utility funds operating reserves, and the Contingency Reserve
- 0% increase for property taxes

- New construction estimated at \$61 million in 2023
- For property taxes, the implicit price deflator (IPD) is 3.67%
- June over June Consumer Price Index (CPI-U Seattle/Tacoma/Bellevue) is 4.6%
- Current interest earnings are 5.38%
- Utilization of 2022 actuals for interfund transfers
- Actual amortization schedule for Municipal Campus project

For the mid-biennial adjustment process, requests were received and are outlined in Attachment A. The suggested adjustment, detail, and the reason for why the request was not included during the adoption of the 2023-2024 budget is identified.

For the Human Services requests, grant funding that was not received and approved by Council prior to the 2023-2024 biennial budget is now identified and is allocated to the functions desired to further the Human Services program.

The remaining requests include budget training, ERP analysis, communications contract extension and staffing reclassifications. These items are presented now based on available resources and to provide greater assistance to the city now and as we grow in the future.

The proposed schedule for adoption of the property tax and budget ordinance is as follows:

10/17/2023 – First public hearing

10/24/2023 – Second public hearing

10/24/2023 – First reading of property tax and budget ordinances

11/14/2023 – Proposed adoption of property tax and budget ordinances

Questions regarding the information in this memo or corresponding documents can be directed to Greg Piland at [gpiland@monroewa.gov](mailto:gpiland@monroewa.gov).

## Mayor's Proposed 2023-2024 Mid-Biennial Budget Adjustment

### 2023-2024 Revenue Adjustment

Revenue Adjustment	Detail
Fully funded reserves	<ul style="list-style-type: none"> <li>Changes based on updated assessed values and true up of expenses</li> </ul>
Revenue projections	<ul style="list-style-type: none"> <li>True up of items such as property tax with new construction numbers, sales tax with 2023 year to date information, and utility revenue in conjunction with the update to the six-year CFP</li> </ul>
CFP alignment	<ul style="list-style-type: none"> <li>True up of 2023 and 2024 revenue and transfers to align with the six-year CFP</li> </ul>
Interest earnings	<ul style="list-style-type: none"> <li>True up interest earnings across all funds for 2023 and 2024 based on current earnings rate of 5.38% and projections for interest changes in 2024</li> </ul>

### 2023-2024 Expenditure Adjustment

Expenditure Adjustment	Detail
Insurance costs	<ul style="list-style-type: none"> <li>True up insurance expenses based on updated information from WCIA concerning 2024 costs</li> </ul>
Salary and benefits	<ul style="list-style-type: none"> <li>Adjusted salary projections across all funds to align with CBA and CPI-U June over June increase of 4.6%</li> <li>Adjusted benefits costs based on actual or projected costs</li> </ul>
Interfund transfers	<ul style="list-style-type: none"> <li>True up interfund transfers based on two-year lookback with actual 2022 expenses</li> </ul>
Debt service	<ul style="list-style-type: none"> <li>True up of costs associated with new debt service based on amortization schedule received for Municipal Campus project</li> </ul>

### 2023-2024 Adjustment Requests

Adjustment	Grant Funded	One-Time	On-Going	Detail	Why Now
AWC Budget Training		X		<ul style="list-style-type: none"> <li>Increase training budget for department directors to attend budget training conference – General Fund \$8,000 (E)</li> </ul>	<ul style="list-style-type: none"> <li>This item was included in the 2020 budget and was not utilized due to the pandemic. With new staff in Director positions and available funding, this program is once again being proposed for 2024.</li> </ul>
Enterprise Resource Planning (ERP) Analysis Consultant		X		<ul style="list-style-type: none"> <li>Increase professional services for ERP study including current and future City needs assessment</li> </ul>	<ul style="list-style-type: none"> <li>The current system was implemented in 2002 and no longer meets the need of the city. Staff recommend the study during 2024 so potential budget impact can be</li> </ul>

**Mayor’s Proposed 2023-2024 Mid-Biennial Budget Adjustment**

				regarding ERP system – General Fund/IT Fund \$75,000 (E)	gathered for the 2025-2026 biennial budget. This is a recommendation of the IT strategic plan to be conducted when funding was available.
Communications Contract Extension		X		<ul style="list-style-type: none"> <li>Increase professional services for the continuation of the communications consultant – General Fund \$150,000 (E)</li> </ul>	<ul style="list-style-type: none"> <li>For the 2023-2024 biennial budget, it was a strategic decision to only include the first year of the communications contract to ensure value was added for the City. Extending into 2024 will continue with the progress made and set the City up for success with future communications.</li> </ul>
Peer outreach specialist	X	X		<ul style="list-style-type: none"> <li>Increase professional services for contracted staff to assist with outreach and connections to services – General Fund \$59,920 (E)</li> </ul>	<ul style="list-style-type: none"> <li>Staff received notification of grant funding after the 2023-2024 biennial budget was presented to Council. The grant funding used for this line item has been approved by Council and is being allocated through the mid-biennial adjustment.</li> </ul>
Community Court services specialist	X	X		<ul style="list-style-type: none"> <li>Increase professional services for contracted staff to support Community Court with resources and case management – General Fund \$34,960 (E)</li> </ul>	<ul style="list-style-type: none"> <li>Staff received notification of grant funding after the 2023-2024 biennial budget was presented to Council. The grant funding used for this line item has been approved by Council and is being allocated through the mid-biennial adjustment.</li> </ul>
Co-Response Program	X	X		<ul style="list-style-type: none"> <li>Increase professional services for contracting for mental health and EMS outreach – General Fund \$180,000 (E)</li> </ul>	<ul style="list-style-type: none"> <li>Staff received notification of grant funding after the 2023-2024 biennial budget was presented to Council. The grant funding used for this line item has been approved by Council and is being allocated through the mid-biennial adjustment.</li> </ul>

**Mayor’s Proposed 2023-2024 Mid-Biennial Budget Adjustment**

Collaborative Case Management Software	X	X		<ul style="list-style-type: none"> <li>Cross agency management software for Human Services response – General Fund \$43,230 (E)</li> </ul>	<ul style="list-style-type: none"> <li>Staff received notification of grant funding after the 2023-2024 biennial budget was presented to Council. The grant funding used for this line item has been approved by Council and is being allocated through the mid-biennial adjustment.</li> </ul>
Human Services training and professional services	X	X		<ul style="list-style-type: none"> <li>Increase professional services and training budget to support Human Services – General Fund \$17,136 (E)</li> </ul>	<ul style="list-style-type: none"> <li>Staff received notification of grant funding after the 2023-2024 biennial budget was presented to Council. The grant funding used for this line item has been approved by Council and is being allocated through the mid-biennial adjustment.</li> </ul>

**2023-2024 Adjustment Summary**

<b>Adjustment</b>	<b>Grant Funded</b>	<b>One-Time</b>	<b>On-Going</b>	<b>Detail</b>	<b>Why now</b>
Reclass Finance Manager to Assistant Finance Director			X	<ul style="list-style-type: none"> <li>Adjust title and salary from Finance Manager to Assistant Finance Director – General Fund \$24,712 (E)</li> </ul>	<ul style="list-style-type: none"> <li>As the organization and needs of the community have grown so have the job responsibilities of this position. This request is made to better reflect the level of work being done while meeting the current and future needs of the City.</li> </ul>
Reclass Finance Technician to Accountant (on-going)			X	<ul style="list-style-type: none"> <li>Adjust title and salary from Finance Technician to Accountant – General Fund \$4,109 (E)</li> </ul>	<ul style="list-style-type: none"> <li>The current staff member announced their upcoming retirement after 30 years of service to Monroe. Through that process, staff reviewed the job functions and determined additional job duties would help deliver increased services both internally and externally.</li> </ul>

**Mayor’s Proposed 2023-2024 Mid-Biennial Budget Adjustment**

Reclass Park Planning Manager to Assistant Parks Director			X	<ul style="list-style-type: none"> <li>Adjust title and salary from Parks Planning Manager to Assistant Parks Director – General Fund \$24,712 (E)</li> </ul>	<ul style="list-style-type: none"> <li>As the organization and needs of the community have grown so have the job responsibilities of this position. This request is made to better reflect the level of work being done while meeting the current and future needs of the City.</li> </ul>
Adjust City Clerk to the manager pay band			X	<ul style="list-style-type: none"> <li>Adjust pay band for City Clerk to be consistent with the current managers scale – General Fund \$15,346 (E)</li> </ul>	<ul style="list-style-type: none"> <li>The City Clerk position has changed in responsibility with the addition of a public records officer and increased responsibility relating to Citywide strategic initiatives. This adjustment will move the City Clerk to the manager pay scale to better reflect the level of work being completed.</li> </ul>
Human Services Intern	X	X		<ul style="list-style-type: none"> <li>Add Human Services Intern position to assist with Human Services program – General Fund \$28,600 (E)</li> </ul>	<ul style="list-style-type: none"> <li>Staff received notification of grant funding after the 2023-2024 biennial budget was presented to Council. The grant funding used for this line item has been approved by Council and is being allocated through the mid-biennial adjustment.</li> </ul>
Adjust Human Services Coordinator pay	X	X		<ul style="list-style-type: none"> <li>Increase Human Services Coordinator salary with the increased responsibility of supervision of intern position – General Fund \$5,604 (E)</li> </ul>	<ul style="list-style-type: none"> <li>With the increased responsibility of supervising additional consultants and a Human Services Intern, staff recommends providing for out of class pay for the Human Services Coordinator.</li> </ul>