

INTRODUCTION

The Financial Status Update provides a budget to actual comparison of revenues and expenditures for the General Fund and all other Funds from January through December 2023.

This report is comprised of the following four sections:

- General Fund
- Utility Funds
- All Other Funds
- Budget Adjustment Summary

Where significant, revenues are recognized when earned regardless of when cash is received except for business and occupation (B&O) tax revenues. Expenditures are recognized when a liability has been incurred or when resources have been transferred to another Fund. Beginning Fund Balance represents net excess resources from a prior year that have been appropriated to fund budgeted expenditures in fiscal year 2023.

MAY 7, 2024

FINANCIAL STATUS UPDATE

DECEMBER 31, 2023

2023 General Fund

Adopted Revenue Budget

\$34.8 million

Amended Revenue Budget

\$37.2 million

Revenue Actuals

as of December 31,

\$39.0 million

(106.3% of amended budget)

Adopted Expenditure Budget

\$34.8 million

Amended Expenditure Budget

\$37.2 million

Expenditure Actuals

as of December 31,

\$36.2 million

(97.5% of amended budget)

Contingency Fund Balance

\$4.8 million

GENERAL FUND

Revenues

Overall, General Fund revenues exceeded budget expectations throughout the year. The 2023 amended revenue budget is included in the table below along with year-to-date (YTD) actuals, and YTD actuals as a percentage of the amended budget. Prior YTD actuals are presented for comparative purposes.

The budget and actual amounts are for all twelve months of the year, January 1 through the end of December. Additional detail regarding primary General Fund revenues and material variances from the original budget is discussed in the narrative below.

GENERAL FUND: Revenues

As of December 31, 2023

Revenue Category	2023 Adopted Budget	2023 Amended Budget	Prior YTD 12/31/2022	YTD 12/31/2023	YTD Revenue as % of Amended Budget
Property Tax	\$ 13,509,262	\$ 13,509,262	\$ 13,170,921	\$ 13,429,844	99.4%
Sales Tax - General	4,847,450	4,847,450	5,706,693	6,395,651	131.9%
Sales Tax - Criminal Justice	752,419	752,419	927,350	941,734	125.2%
Utility Taxes	4,447,601	4,447,601	5,033,342	4,807,546	108.1%
B&O Taxes	706,483	706,483	468,826	935,727	132.4%
Shared Revenues	1,570,068	1,802,083	1,735,616	1,937,854	107.5%
Cost Allocation-Overhead	1,055,857	1,055,857	866,628	1,013,823	96.0%
EMS Revenues	1,777,907	1,993,416	1,613,372	1,894,687	95.0%
Parks & Recreation	1,338,503	1,338,503	823,063	1,159,581	86.6%
License, Permit & Zoning	2,967,731	3,039,731	3,973,662	3,986,657	131.2%
Municipal Court	175,359	175,359	183,356	220,647	125.8%
Miscellaneous Revenue	251,433	293,880	424,930	474,277	161.4%
Interest Earnings	10,764	590,572	73,551	1,843,214	312.1%
Interfund Transfers	0	0	0	0	N/A
Total Revenues	\$ 33,410,837	\$ 34,552,616	\$ 35,001,308	\$ 39,041,243	113.0%
Beginning Fund Balance	1,385,470	2,628,691	0	0	0.0%
Total Resources	\$ 34,796,307	\$ 37,181,307	\$ 35,001,308	\$ 39,041,243	105.0%

Property Tax is at 99.4 percent of the budget at the end of December. This reflects the annual timing of property tax payments to the City which typically occur in April and October.

General Sales Tax is 131.9 percent of the adopted budget throughout the year. Because of the delay in receiving Sales Tax from the State, tax revenue is recognized one month later than it is collected (i.e., December Sales Tax revenue numbers represent November sales). Sales Tax revenue is performing above budget expectations primarily due to higher-than-expected returns over the prior year across a handful of business sectors as well as an increase in revenues related to construction.

Construction has historically been the largest component of Sales Tax revenue and has outperformed the Retail & Wholesale Trade sector in both 2022 and 2023. Both sectors are performing higher than the prior year. The following table compares Sales Tax revenue by business sector through December for 2022 and 2023.

2022-2023 General Sales Tax Revenue by Business Sector (\$ in thousands)						
Business Sector	Year to Date 12/31/2022	Year to Date 12/31/2023	Increase / (Decrease)	% of Total		
				2022	2023	Sector Totals Change
Construction	\$2,066	\$2,595	\$529	36.2%	40.6%	4.4%
Retail & Wholesale Trade	\$1,800	\$1,903	\$103	31.5%	29.8%	-1.8%
All Other Sectors	\$503	\$551	\$48	8.8%	8.6%	-0.2%
Admin & Support Services	\$497	\$499	\$2	8.7%	7.8%	-0.9%
Food Services	\$269	\$296	\$27	4.7%	4.6%	-0.1%
Professional, Scientific & Tech	\$218	\$209	(\$10)	3.8%	3.3%	-0.6%
Finance/Insurance/Real Estate	\$201	\$196	(\$4)	3.5%	3.1%	-0.4%
Telecommunications	\$153	\$147	(\$6)	2.7%	2.3%	-0.4%
Total	\$5,707	\$6,396	\$689	100.0%	100.0%	

Criminal Justice Sales Tax is 125.2 percent of the adopted budget at the end of December. This revenue consists of a 0.1 percent sales tax imposed by King County that is shared amongst cities in the county on a per capita (population) basis. It is closely tied to county wide taxable sales numbers. According to King County’s Office of Economic and Financial Analysis, taxable sales showed consistent growth through 2022 and into 2023, although the rate of growth has slowed in 2023 as higher interest rates impacted consumer behavior.

Business & Occupation (B&O) Tax is 132.8 percent of budget at the end of the fourth quarter. This revenue exceeded budget expectations at year end reflecting the timing of annual B&O tax payments received. Most of the City’s registered businesses file an annual B&O tax return where the deadline for remitting annual taxes is April 15th of the following year. With the extended timeline for remitting annual taxes, finance staff elected to transition this revenue to cash-basis whereby revenues are recognized as received. This one-time change in accounting procedure impacts the timing of revenue recognition only, which resulted in lower year-end revenues in 2022 and equally higher revenues in 2023.

Shared Revenues are 107.5 percent of the budget through the end of the year. Major revenue sources include State shared taxes; hazardous waste grants; the I-90 corridor landscape maintenance revenue from the Washington State Department of Transportation; vessel registration fees received from the state through King County; the marine patrol services contract revenue from multiple contract cities; and financial support for the School Resource Officer received from the Mercer Island School District. The higher than anticipated returns can be attributed in part to high returns on state shared taxes such as Liquor Control Board profits, which came in \$23 thousand above budget estimates.

EMS Revenues are 95 percent of budget at the end of December. Revenues in this line are behind budget expectations due to the Mobile Integrated Health (MIH) program not having yet been fully implemented. The dollars associated with the MIH program will roll-forward meaning, because the City has not yet spent the dollars to date, levy dollars will be available to invoice once the program is fully online.

Parks and Recreation revenues are 86.6 percent of budget at the end of December. Revenue sources include field rentals, boat launch fees, program fees, and rent payments from the annex building outside the Mercer Island Community and Event Center (MICEC). Recreation program revenues are above prior year totals primarily due to Community Center rentals and field rentals which are up \$275 thousand and \$65 thousand respectively.

License, Permit, and Zoning Fees are 131.2 percent of budget at the end of the year. This revenue category consists of fees related to development services, business licenses, and a cable franchise. Revenues are performing well in part due to improved administration of development services and permit revenues. Permit revenues are also trending higher than the previous year due to work on the Riot Games building in Town Center along with the King County Pump Station and North Mercer Sewer Upgrades that continued throughout 2023. Permits relating to another high valuation project, the City's Reservoir Improvements, were issued in the latter half of the fiscal year and contributed to the higher than anticipated revenues.

Municipal Court revenues are 125.8 percent of budget through the end of December. Revenues in this category have increased compared to the prior year due to case filings exceeding levels present during the Pandemic.

Miscellaneous Revenues are 161.4 percent of the budget at the end of the year. Included in this revenue category are electric vehicle charging fees, national opioid settlement proceeds, and disability reimbursements. Disability reimbursements received from the Washington State Department of Labor and Industries exceeded budget expectations. These reimbursements are unpredictable and a result of the buy-back policy the City has with active employees that qualify for time-loss compensation through the Department of Labor and Industries.

Interest Earnings are budgeted in the General Fund as an estimate of earnings tied to the balance of the reserve for LEOFF-1 long-term care. The City's idle cash resources are invested in the State Treasury Local Government Investment Pool (LGIP). Per current budget policy, interest earnings are distributed to the various Funds based on their relative cash balances at the end of each quarter.

Revenues are higher than anticipated in this category due to LGIP yields continuing to rise throughout the year, from 4.14 percent in January to 5.45 percent at the end of December. The Contingency Fund achieved and maintained its funding target at 12.5 percent of budgeted General Fund expenditures, as defined in the Council adopted financial management policies.

All other revenues are within expectations through the end of December.

Expenditures

Overall, General Fund expenditures are within budget estimates at the end of the fiscal year. The table below lists the 2023 amended expenditure budget, year-to-date actuals, and year-to-date actuals as a percentage of the amended budget. Prior year actuals are presented for comparative purposes.

The budget and actual amounts are for all twelve months of the year, through the end of December. Additional details of material variances from the adopted budget are discussed in the narrative below.

GENERAL FUND: Expenditures

As of December 31, 2023

General Fund Department	2023 Adopted Budget	2023 Amended Budget	Prior YTD 12/31/2022	YTD 12/31/2023	YTD Expense as % of Amended Budget
Administrative Services	\$ 526,124	\$ 526,124	\$ 472,526	\$ 614,657	116.8%
City Attorney's Office	931,671	931,671	1,468,223	955,977	102.6%
City Council	54,727	54,727	192,857	45,251	82.7%
City Manager's Office	1,121,286	1,121,286	1,226,747	938,139	83.7%
Community Planning & Development	3,229,273	3,431,198	3,126,920	3,068,462	89.4%
Finance	1,333,731	1,333,731	1,005,699	1,145,211	85.9%
Fire	7,526,847	8,229,277	7,611,872	8,503,196	103.3%
Human Resources	822,303	822,303	736,856	842,327	102.4%
Information & Geographic Services	184,841	184,841	162,153	178,641	96.6%
Municipal Court	519,208	561,423	439,359	451,430	80.4%
Non-Departmental	2,212,039	2,858,624	1,661,500	2,473,934	86.5%
Parks & Recreation	2,127,581	2,127,581	1,244,087	1,950,325	91.7%
Police	8,459,228	8,478,668	7,975,677	8,484,630	100.1%
Public Works	5,120,270	5,182,895	4,918,599	5,357,607	103.4%
Total Expenditures	\$ 34,169,129	\$ 35,844,349	\$ 32,243,075	\$ 35,009,786	97.7%
Interfund Transfers	627,178	1,336,958	1,683,831	1,240,465	92.8%
Total Expenditures + Interfund Transfers	\$ 34,796,307	\$ 37,181,307	\$ 33,926,906	\$ 36,250,251	97.5%

In reviewing expenditures by department, the following are noteworthy:

Administrative Services has expended 116.8 percent of the budget at the end of the year. This is the result of higher than anticipated costs for limited-term employees as staff recruited for vacant positions. Regular operating expenditures in Administrative Services are within expectations at the end of the year.

City Attorney's Office expended 102.6 percent of budget at the end of December. This slight overage can be attributed to higher than anticipated costs involving professional services for public defense counsel. Regular operating expenditures in the City Attorney's office are within expectations at the end of the year.

City Council expenditures ended December at 82.7 percent of budget. Budget savings were recognized for both operating supplies and professional services.

Community Planning & Development has expended 89.4 percent of budget at the end of the year. This is the result of lower than anticipated spending in Comprehensive Plan Update budget line in addition to salary savings.

Finance expenditures ended the year at 85.9 percent of budget. This can be attributed to savings in professional services.

Fire department expenditures are 103.3 percent of budget at the end of the year. This reflects payment of transition costs to represented Fire staff, while other expenditures are within budget.

Human Resources expended 102.4 percent of budget at the end of December. This is the result of higher than anticipated professional service expenditures relating to legal support, of which the majority was tied to Fire impact bargaining related to the transition to Eastside Fire & Rescue.

Municipal Court expended 80.4 percent of budget at the end of the year. With the relocation to Newcastle and the closure of City Hall in April, professional services associated with Court security were no longer required.

Non-Departmental expenditures ended December at 86.5 percent of budget. This is a result of unspent budget tied to professional services.

Parks and Recreation expended 91.7 percent of budget at the end of the year. This expenditure shortfall is due to budget savings for repair and maintenance services relating to the Mercer Island Community and Event Center.

Public Works expended 103.4 percent of budget at the end of December. Expenses exceeded budget expectations due to higher than anticipated operating supply costs in a handful of divisions. In addition, an unseasonably dry summer led to higher costs associated with the watering of public spaces in order to maintain healthy greenspace.

All other expenditures are meeting expectations through the end of December.

Fund Balance

The General Fund’s 2023 year-end balance amounts to \$4.2 million. It represents the working capital (i.e., current assets less current liabilities) in the fund and consists of the following restricted and unrestricted amounts.

General Fund

Working Capital 12/31/2023	Amount
Budgeted fund balance 2024 budget	3,530,980
LEOFF I long-term care reserve	2,536,484
Sound Transit settlement agreement	1,525,000
Compensated absences reserve	675,299
WSDOT site lease deposit	710,687
Deferred development fee revenue	553,913
Restricted - Permit fee revenue surplus	723,438
Unearned Recreation revenue	385,071
Inventory of supplies	120,857
Law Enforcement and Criminal Justice restricted	81,793
Expenditure budget carryovers to 2024 budget	602,408
Expenditure Control Budgeting reserve	34,588
Emerging Innovations reserve (EIR)	0
DSG technology fee reserve	8,327
Customer deposits	57,710
Petty cash	1,088
Subtotal (restricted)	11,547,643
Available balance	4,201,273
Total	15,748,916

The 2023 available fund balance surplus in the General Fund can be attributed to:

- Historic highs in general sales tax revenues.
- Higher-than-expected revenues from license, permit, and zoning fees.
- Interest earnings far exceeding budget expectations.

UTILITY FUNDS

At the end of December, all three Utility Funds are within expectations for operating revenues and expenditures.

Revenues

The table below lists the 2023 adopted and amended revenue budget, January through December actuals, and a percentage of budget received. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through all twelve months of the year. Additional detail regarding major variances is discussed in the narrative following the table.

UTILITY FUNDS: Revenues

As of December 31, 2023

Revenue Category	2023 Adopted Budget	2023 Amended Budget	Prior YTD 12/31/22	YTD 12/31/23	YTD Revenue as % of Amended Budget
Operating Revenues					
Water Utility	\$ 10,829,978	\$ 10,829,978	\$ 10,221,143	\$ 11,214,401	103.5%
Sewer Utility	11,438,627	11,438,627	11,048,096	11,329,932	99.0%
Storm Water Utility	2,472,764	2,472,764	2,329,131	2,563,724	103.7%
Interest Earnings					
Water Utility	86,860	86,860	322,223	910,259	1048.0%
Sewer Utility	38,496	38,496	154,495	508,522	1321.0%
Storm Water Utility	21,200	21,200	76,708	237,976	1122.5%
Proceeds of Debt Issuance					
Water Utility	19,259,798	19,259,798	-	-	0.0%
Sewer Utility	-	-	-	-	N/A
Storm Water Utility	-	-	-	-	N/A
Total Revenues	\$ 44,147,723	\$ 44,147,723	\$ 24,151,796	\$ 26,764,814	60.6%

Water, Sewer, and Storm Water Utility operating revenues are within budget expectations and reflect the seasonality of utility revenues. Adopted rate increases that became effective January 1, 2023, result in dollar increases as compared to fiscal year 2022 revenues over the same period.

Interest earnings for the Water, Sewer, and Storm Water Utility Funds have continued to exceed revenue expectations. The Local Government Investment Pool saw a consistent increase in yields throughout fiscal year 2023.

It should be noted that no debt was issued within 2023 for the Water Utility fund. Finance and Public Works staff are currently working to prepare for a bond issuance in June 2024.

Expenditures

The table below lists the 2023 adopted and amended expenditure budget by Utility Fund and category, January through December actuals, and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the end of the year. Additional details of major variances are discussed following the table.

UTILITY FUNDS: Expenditures

As of December 31, 2023

Category	2023 Adopted Budget	2023 Amended Budget	Prior YTD 12/31/22	YTD 12/31/23	YTD Expense as % of Amended Budget
Operating Expenditures					
Water Utility	\$ 6,786,814	\$ 6,786,814	\$ 6,653,700	\$ 6,051,153	89.2%
Sewer Utility	7,966,290	8,532,934	8,573,308	8,098,540	94.9%
Storm Water Utility	2,110,445	2,110,445	2,187,668	2,081,012	98.6%
Capital Projects					
Water Utility	13,685,599	24,099,121	4,676,149	8,641,969	35.9%
Sewer Utility	5,119,475	6,896,144	1,018,215	3,112,012	45.1%
Storm Water Utility	1,082,504	1,250,870	607,867	629,815	50.4%
Debt Service					
Water Utility	1,579,873	1,579,873	107,023	107,070	6.8%
Sewer Utility	1,034,242	1,034,242	1,033,216	1,020,762	98.7%
Storm Water Utility	-	-	-	-	N/A
Total Expenditures	\$ 39,365,242	\$ 52,290,443	\$ 24,857,147	\$ 29,742,335	57%

Due to the seasonal nature of utility operations, expenditures in the Sewer and Storm Water Utility Funds are within expectations at the end of the year. The Water Utility is slightly below budget expectations due to not paying principal and interest on debt that was originally budgeted for 2023 as the City is now positioned for a bond issuance in 2024. At the end of 2023, multiple large capital improvement projects are either in the design phase or in early stages of construction.

The **Water Reservoir Improvements** project will replace the interior coatings of both the City's water reservoirs, repaint the exteriors of both tanks, and install numerous safety improvements such as stairways and hand railings. Council awarded this contract in 2023 ([AB 6211](#)). Work on this \$7M investment began in Q4 2023 following material procurement and permitting. Work included installation of roof railings, rain gutters, and stairways on the outside of the two reservoirs to improve safety and access. Sand blasting and spot welding of the interior of the north tank began and continued through the end of the year. Because only one reservoir can be under construction at a time due to water system operational constraints, this project will take until Q2 2025 to be completed.

The **Meter Replacement Implementation** project will replace approximately 7,900 aging water meters throughout the City with a new Advanced Metering Infrastructure (AMI) system. City Council awarded the bid in July 2022 ([AB 6112](#)). Deployment began Q1 2024, with meter replacement scheduled for completion the end of Q3 2024. Work on data collector stations is ongoing, with two currently in the permitting process. When the AMI system is fully operational, the new meters will send water usage data directly to

the City's utility billing system and will allow customers to access information about water use, leak notifications, and alerts via an online portal.

The **2023 Water System Improvements** project consists of installing over 6,500 linear feet of new 8-inch ductile iron water mains at six different locations on the northern portion of Mercer Island. Water services and fire hydrants in these areas will also be replaced. The contract was awarded to Kar-Vel Construction in July 2023 ([AB 6300](#)). Construction began in October, with project completion planned for Q3 2024.

Design work for the **Sewer SCADA System Replacement** was completed in Q3 2022 and a construction contract was awarded in Q4 2022 ([AB 6190](#)). With persistent supply chain delays, construction is scheduled to begin in late Q3 2024.

The current **Comprehensive Pipeline Replacement Rehabilitation & Replacement Program** involves relining existing sewer mains using a cured-in-place pipe process in the Sewer Basin 40 area (the Mercerwood neighborhood). The project occurred in two phases. Phase 1 was awarded in December 2022 ([AB 6191](#)) and construction is complete. Phase 2 was awarded in July 2023 ([AB 6295](#)) and construction is nearly complete, with 10,600 of the 12,000 feet of sewer mains lined by the end of 2023. Project completion is anticipated in Q2 2024. Phase 1 and 2 projects will reline approximately 3.0 miles of City sewer mains.

Fund Balance

Fund balances, excluding fixed assets, as of December 31, 2023, for the Utility funds are detailed below.

Water Utility Fund

Working Capital 12/31/2023	Amount
Available fund balance*	(9,385,827)
Budgeted fund balance (2024 budget)	8,955,729
Expenditure budget carryovers to 2023 budget	15,765,232
Operating Fund Balance minimum	1,420,000
Capital reserve	471,754
Total	17,226,888

*Capital budget assumes cash available from bond issuance

Sewer Utility Fund

Working Capital 12/31/2023	Amount
Available fund balance	310,733
Budgeted fund balance (2024 budget)	1,617,264
Sewer lake line reserve	1,500,000
Operating Fund Balance minimum	1,240,000
Capital reserve	1,096,515
Expenditure budget carryovers to 2023 budget	4,134,689
Total	9,899,201

Storm Water Utility Fund

Working Capital 12/31/2023	Amount
Available fund balance	2,916,550
Budgeted fund balance (2024 budget)	938,014
Operating Fund Balance minimum	224,000
Expenditure budget carryovers to 2024 budget	649,945
Basin improvement reserve	24,694
Total	4,753,203

ALL OTHER FUNDS

Revenues

The table below lists the 2023 amended revenue budget, end of the year actuals, and a percentage of budget received. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the end of December. Additional details of major variances is discussed in the narrative following the table.

ALL OTHER FUNDS: Revenues

As of December 31, 2023

Fund Name	2023 Adopted Budget	2023 Amended Budget	Prior YTD 12/31/2022	YTD 12/31/2023	YTD Revenue as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ 5,250	N/A
Street	5,170,584	5,170,584	3,944,885	4,656,974	90.1%
Contingency	150,900	150,900	685,104	58,327	38.7%
1% for the Arts	25,000	25,000	28,229	30,915	123.7%
Youth & Family Services	3,275,282	3,284,172	3,295,602	3,665,938	111.6%
ARPA	-	1,509,672	805,658	1,269,695	84.1%
Bond Redemption (Voted)	-	-	-	-	N/A
Bond Redemption (Non-Voted)	142,800	142,800	234,100	142,800	100.0%
Town Center Parking Facilities	-	-	-	-	N/A
Capital Improvement	7,659,505	6,899,505	3,832,246	3,769,437	54.6%
Technology & Equipment	268,000	268,000	1,030,055	280,000	104.5%
Capital Reserve	-	-	-	579,808	N/A
Equipment Rental	1,503,754	1,503,754	1,487,440	1,412,275	93.9%
Computer Equipment	1,264,611	1,264,611	1,163,148	1,270,644	100.5%
Firefighter's Pension	68,210	68,210	179,749	118,630	173.9%

Street Fund revenues are 90.1 percent of budget at the end of September. The primary revenue sources in the Street Fund for fiscal year 2023 are Real Estate Excise Tax (REET) and expected reimbursements from Sound Transit Mitigation monies. A total of \$1.9 million of Sound Transit Mitigation reimbursements were received at the end of December.

As for REET, revenues ended the year at more than \$277 thousand below prior year totals. There were 13 less property sales recorded in 2023 and the average sale price fell nearly \$140 thousand when compared to 2022. In addition, the property sales recorded for both 2022 and 2023 are well below the 10-year historical average.

Revenues in the **Contingency Fund** are made up of interest earnings. The Contingency Fund achieved its desired cash balance, dictated by the City's financial management policies, of at least 12.5 percent of the General Fund expenditures budget at the end of fiscal year 2023. Interest earnings that would typically be transferred to this fund at the end of each quarter remain in the General Fund and will only be transferred as needed to maintain the fiscal policy target.

1% for the Arts revenues ended December at 123.7 percent of budget. This higher than anticipated revenue is a result of actual contract awards related to qualifying projects. The largest contributing project was the 2023 Sunset Highway/77 Ave SE Improvements with a total of \$11 thousand.

Youth & Family Services revenues ended December at 111.6 percent of the amended budget. Revenues have exceeded budget expectations due to higher than anticipated donations. Thrift shop revenues are up \$217 thousand in fiscal year 2023 relative to the prior year. Other revenues are within budget expectations through the end of the year.

Capital Improvement Fund revenues are 54.6 percent of budget at the end of the year. Similar to the Street Fund, the Capital Improvement Fund's primary revenue source is REET. Total REET revenues for this fund through December are 79.0 percent of budget expectations. Staff will continue to monitor factors relating to REET to better inform the revenue forecast coming in the fall of this year as part of the biennial budget process. In addition, the budget for revenues in 2023 includes \$1.2 million in State Grant funding of which 32.2 percent has been collected to date.

Firefighter's Pension Fund revenues are 173.9 percent of budget at the end of the year. Investment interest earnings are up \$35 thousand when compared to 2022. This increase in interest earnings comes as local government investment pool yields saw consistent growth throughout 2023.

All other revenues are within expected norms through the end of December.

Expenditures

The table below lists the 2023 amended expenditures budget by Fund, end of December actuals, and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the end of the year. Additional details of major variances are discussed in the narrative following the table.

ALL OTHER FUNDS: Expenditures

As of December 31, 2023

Fund Name	2023 Adopted Budget	2023 Amended Budget	Prior YTD 12/31/2022	YTD 12/31/2023	YTD Expense as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Youth Services Endowment	-	-	289,469	-	N/A
Street	5,136,091	6,891,571	4,049,875	4,532,541	65.8%
Contingency	-	217,725	-	217,725	N/A
1% for the Arts	15,000	65,000	11,249	53,521	82.3%
Youth & Family Services	3,325,282	3,390,145	3,269,964	3,234,791	95.4%
ARPA	1,983,672	2,366,890	1,070,885	1,269,695	53.6%
Bond Redemption (Voted)	-	-	-	-	N/A
Bond Redemption (Non-Voted)	142,800	142,800	234,100	142,758	100.0%
Town Center Parking Facilities	-	-	6,123	-	N/A
Capital Improvement	10,664,404	10,476,309	4,990,861	3,337,179	31.9%
Technology & Equipment	495,186	1,203,326	233,399	598,201	49.7%
Capital Reserve	-	-	169,999	-	N/A
Equipment Rental	1,610,914	2,380,977	1,555,182	1,379,115	57.9%
Computer Equipment	1,155,078	1,155,078	1,116,714	1,140,546	98.7%
Firefighter's Pension	100,000	100,000	89,729	111,833	111.8%

Street Fund: Total expenditures are 65.8 percent of budget at end of December. Operating expenditures are within budget expectations. This level of expenditure at the midpoint of a biennium is commonplace given many capital projects are underway, resulting in notable expenditures in 2024. Capital project updates include the following:

Residential Street Overlays for 2023 resurfaced 1.5 miles of roadways within the Madrona Crest West and Madrona Crest East neighborhoods (lying north of SE 40th Street). Construction bids were received in May with the construction contract awarded to Lakeside Industries, Inc. in June ([AB 6276](#)). Construction began in July and was completed November 2023.

The **80th Avenue Sidewalk Improvements** will consist of replacing sidewalks along the east side of 80th Avenue from SE 27th Street to SE 32nd Street. Much of the sidewalk removal is the result of street tree roots raising sidewalk panels. Many of the trees will be replaced or removed based on declining health and impact on sidewalks. New trees will be planted utilizing planting cells underneath the new sidewalks. In addition, street lighting will be replaced on both sides of 80th Avenue and a small area of sidewalk in the 3000 block of 78th Avenue will be rebuilt. Design work was 90 percent complete in December 2023, with construction expected to begin in late summer 2024.

ARPA Fund: Total expenditures are 53.6 percent of budget at the end of the year. These expenditures consist of projects that qualify for ARPA funding. The largest expenditure lines for 2023 have been those directly related to the closure of City Hall in April and the subsequent rehousing of multiple departments including Police and the Municipal Court, along with necessary City functions such as equipping the Slater Room at the MICEC as a functional Council meeting chamber.

Capital Improvement Fund expenditures ended the year at 31.9 percent of budget. Notable project updates include the following:

The **Luther Burbank Boiler Building Improvements Phase 1** project was advertised for bids in October with bid award in January 2024 ([AB 6380](#)). This project will reinforce the building's structure against earthquake damage and install a new roof. Construction began in Q1 2024. Staff estimate project completion in Q3 2024, which may overlap with the start of the dock and waterfront improvements.

The **Luther Burbank South Shoreline Restoration** contract was awarded in January 2023 ([AB 6209](#)) and construction of the new trail and shoreline improvements began in the spring. The trail was reopened to the public in September 2023. Arbor Day was celebrated with a ceremonial tree planting by Mayor Nice and other City Council Members. Volunteers planted 600 native plants to restore riparian habitat along the lake.

Technology & Equipment Fund: Total expenditures are 49.7 percent of budget at the end of December. Low spending levels are partly attributed to a Municipal Court Technology project that had zero expenditures in 2023 due to the April closure of City Hall and the Municipal Court. Expenditures, however, are up \$364 thousand when compared to 2022 due to the ongoing financial management software implementation project.

Equipment Rental Fund expenditures ended December at 57.9 percent of budget. Expenditures in this fund include Honeywell Site Remediation and fleet services. Funds are encumbered for fleet replacements but, due to supply chain issues and delivery dates for new vehicles being pushed back if not canceled, staff are holding onto current fleet assets for longer, resulting in lower-than-expected expenditures to date. In addition, new vehicles and equipment prices are 15-70% higher than anticipated.

With these current market pressures, staff is carefully managing current fleet assets and adjusting replacement schedules as required. An appropriation request in 2024 may be required to use additional replacement reserves depending on how market conditions evolve over the next 6-12 months.

Firefighter's Pension Fund expenditures are 111.8 percent of budget at the end of December. The Firefighter's excess pension benefit for pre-LEOFF 1 Firefighters is tied to cost-of-living adjustments (COLAs) given to current active fire positions. Due to the COLA and impact bargaining with the transition to Eastside Fire & Rescue, the resulting COLA for pre-LEOFF 1 benefits was higher than budget expectations. Staff will seek a budget appropriation to address the increased expenditure cost as part of the Q1 2024 Financial Status Update scheduled later this May.

All other variances meet budget expectations through the end of December.

Fund Balance

The composition of the fund balance as of December 31, 2023, in each of these other funds is detailed below.

All Other Funds (Excluding Utilities)

Fund / Working Capital Composition, 12/31/23	Amount
Self Insurance	
Available fund balance	60,000
Budgeted fund balance (2024 budget)	-
Total	60,000
Street	
Available fund balance	0
Budgeted fund balance (2024 budget)	3,471,441
Expenditure budget carryovers to 2024 budget	2,343,048
Transportation impact fee reserve	232,607
Operating Fund Balance minimum	87,000
Town Center street (north) reserve	99,684
Total	6,233,780
Contingency	
Contingency reserve	4,871,961
Total	4,871,961
1% for the Arts	
Expenditure budget carryovers to 2024 budget	10,600
Available fund balance	142,709
Total	153,309
Youth & Family Services	
Operating Fund Balance	903,114
Emergency & Rental Assistance	118,228
Opioid Settlement funds	42,447
Expenditure budget carryovers to 2024 budget	0
Budgeted fund balance (2024 budget)	0
Total	1,063,789
Bond Redemption--Voted	
Available fund balance	18,943

Fund / Working Capital Composition, 12/31/23	Amount
Bond Redemption--Non Voted	
Debt service reserve	5,080
Long Term Parking - Capital	
Available Fund Balance	708,593
Expenditure budget carryovers to 2024 budget	0
Total	708,593
Capital Improvement	
Available Fund Balance*	(1,240,031)
Budgeted fund balance (2024 budget)	222,453
King County Parks Expansion Levy	569,790
Expenditure budget carryovers to 2024 budget	7,026,909
Turf Fields Replacement Sinking Fund	755,162
Reserve - Freeman Landing	329,891
Operating Fund Balance minimum	114,000
Impact Fees	36,793
Reserve - RCO property	28,400
Total	7,843,367
Technology & Equipment	
Available fund balance	405,513
Expenditure budget carryovers to 2024 budget	600,400
Budgeted fund balance (2024 budget)	0
MICEC equipment replacement sinking fund	81,154
Operating Fund Balance minimum	50,000
Police car camera replacement sinking fund	61,710
State seizure funds (criminal justice)	41,345
Total	1,240,122
Firemen's Pension	
Pension reserve	1,038,947
Total	1,038,947

*Capital budget assumes cash available from grants

Fund / Working Capital Composition, 12/31/23	Amount
Equipment Rental	
Vehicle replacement reserve	1,970,316
2024 vehicle replacements	430,211
Expenditure budget carryovers to 2024 budget	850,764
Fire apparatus replacement sinking fund	658,645
800 MHz radio replacement reserve	373,610
Total	4,283,546
Facility Capital Replacement	
Available Fund Balance	579,808
Total	579,808

Fund / Working Capital Composition, 12/31/23	Amount
Computer Equipment	
2024 computer replacements	253,200
Expenditure budget carryovers to 2024 budget	0
Computer replacement reserve	707,040
Total	960,240
ARPA Projects fund	
Available fund balance	1,339,064
Budgeted fund balance (2024 budget)	2,403,517
Expenditure budget carryovers to 2024 budget	1,025,885
Total	4,768,466

Two summary listings of the originally adopted 2023-2024 Budget (expenditures only), broken down by year, and amendments adopted by Ordinance through December 5, 2023, are presented below.

Fund Type / Fund Name	Original 2023 Budget	2023 Budget Adjustments					Amended 2023 Budget	
		Administrative Biennial Corrections	ORD 23-05 22 to 23 Carry forward	ORD 23-06 Q1 FSU	ORD 23-12 Q2 FSU	ORD 23-20 Q3 FSU		
General Purpose Funds:								
General	34,796,307		440,209	676,090	159,525	1,109,176	37,181,307	
Self-Insurance	10,000						10,000	
Youth Services Endowment	-						-	
Special Revenue Funds:								
Street*	5,136,091		1,505,480		250,000		6,891,571	
Contingency	-				217,725		217,725	
1% for the Arts	15,000				50,000		65,000	
Youth & Family Services	3,325,282		64,863				3,390,145	
ARPA Funds	1,983,672		857,218		291,000	(765,000)	2,366,890	
Debt Service Funds:								
Bond Redemption (Voted)	-						-	
Bond Redemption (Non-Voted)	142,800						142,800	
Capital Projects Funds:								
Town Center Parking Facilities*	-						-	
Capital Improvement*	10,664,404		571,905			(760,000)	10,476,309	
Technology & Equipment*	495,186		708,140				1,203,326	
Capital Reserve*	-						-	
Enterprise Funds:								
Water*	22,052,286		9,168,243	1,245,279			32,465,808	
Sewer*	14,120,007		809,688	1,533,625			16,463,320	
Stormwater*	3,192,949		168,366				3,361,315	
Internal Service Funds:								
Equipment Rental*	1,610,914	27,452	596,861		145,750		2,380,977	
Computer Equipment*	1,155,078						1,155,078	
Trust Funds:								
Firefighter's Pension	100,000						100,000	
Total	98,799,975	27,452	14,890,973	3,454,994	1,114,000	(415,824)	-	117,871,570

* Capital Improvement Program (CIP) projects are accounted for in these funds.

Fund Type / Fund Name	Original 2024 Budget	2024 Budget Adjustments							Amended 2024 Budget
		Administrative Biennial Corrections	ORD 23-06 Q1 FSU	ORD 23-12 Q2 FSU	ORD 23-20 Q3 FSU				
General Purpose Funds:									
General	36,220,358		1,587,500	132,000	1,035,831				38,975,689
Self-Insurance	10,000								10,000
Youth Services Endowment	-								-
Special Revenue Funds:									
Street*	9,658,917			55,000					9,713,917
Contingency	-								-
1% for the Arts	15,000								15,000
Youth & Family Services	3,368,606				142,447				3,511,053
ARPA Funds	1,259,017			594,500	550,000				2,403,517
Debt Service Funds:									
Bond Redemption (Voted)	-								-
Bond Redemption (Non-Voted)	-								-
Capital Projects Funds:									
Town Center Parking Facilities*	-								-
Capital Improvement*	11,121,741				180,000				11,301,741
Technology & Equipment*	145,250								145,250
Capital Reserve*	-								-
Enterprise Funds:									
Water*	20,738,920								20,738,920
Sewer*	13,678,876								13,678,876
Stormwater*	3,676,021								3,676,021
Internal Service Funds:									
Equipment Rental*	1,377,116	(27,452)							1,349,664
Computer Equipment*	1,316,488								1,316,488
Trust Funds:									
Firefighter's Pension	103,000								103,000
Total	102,689,310	(27,452)	1,587,500	781,500	1,908,278	-	-	-	106,939,136

* Capital Improvement Program (CIP) projects are accounted for in these funds.