

## 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 September 2024. This report is comprised of the following four sections:

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

Beginning Fund Balance represents net excess resources from a prior year that have been appropriated to fund budgeted expenditures in fiscal year 2024.

### Accounting Procedure Change

As of January 1, 2024, the City updated its accounting procedures to transition from Generally Accepted Accounting Practices (GAAP) full accrual reporting to the cash basis method as defined by the Washington State Auditor’s Office (SAO).

The primary impact of this change is the timing of when cash flows are considered revenues or expenditures. Under accrual-based accounting, revenues are recorded in the period earned regardless of when payment is received. An expenditure is recognized when the liability for goods or services is incurred.

Cash basis accounting recognizes revenues when the payment is received. Expenditures are recognized when payment is issued.

As a result, certain revenues previously reported on an accrual basis in quarterly Financial Status Updates have switched to a true cash basis, impacting how financial information is reported in 2024 relative to prior years. Staff will highlight the related changes in each quarterly financial status update.

Most notable impacts in 2024 are State shared revenues (sales tax, fuel taxes), Real Estate Excise Taxes, and limited external utility taxes. Distributions of these revenues received in January 2024 were accounted as revenue earned and reported in December 2023.

These receipts are not being reported again, impacting year-to-year comparisons throughout the 2024-2025 transition years.

**NOVEMBER 19, 2024**

## FINANCIAL STATUS UPDATE

**SEPTEMBER 30, 2024**

### **2024 General Fund**

*Adopted Revenue Budget*  
\$36.2 million

*Amended Revenue Budget*  
\$43.3 million

*Revenue Actuals  
as of September 30,*  
\$26.4 million  
(61.0% of amended budget)

---

*Adopted Expenditure Budget*  
\$36.2 million

*Amended Expenditure Budget*  
\$43.3 million

*Expenditure Actuals  
as of September 30,*  
\$31.3 million  
(72.4% of amended budget)

---

*Contingency Fund Balance*  
\$4.9 million

## GENERAL FUND

### Revenues

Overall, General Fund revenues are on track with budget expectations through nine months of the year. The 2024 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 the first nine months of the year, January 1 through the end of September. 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 September 30, 2024

Revenue Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 9/30/2023	YTD 9/30/2024	YTD Revenue as % of Amended Budget
Property Tax	\$ 13,726,032	\$ 13,726,032	\$ 7,713,648	\$ 7,756,048	56.5%
Sales Tax - General	4,847,450	4,847,450	4,719,427	4,169,162	86.0%
Sales Tax - Criminal Justice	752,419	752,419	706,078	611,845	81.3%
Utility Taxes	4,342,112	4,342,112	3,688,512	3,187,420	73.4%
B&O Taxes	706,483	706,483	747,811	814,285	115.3%
Shared Revenues	1,603,017	1,789,417	1,122,604	964,999	53.9%
Cost Allocation-Overhead	1,105,166	1,105,166	791,893	828,124	74.9%
EMS Revenues	1,850,872	2,064,389	1,346,815	1,191,390	57.7%
Parks & Recreation	1,413,501	1,413,501	1,022,889	1,120,558	79.3%
License, Permit & Zoning	2,924,101	3,056,101	2,968,270	3,581,087	117.2%
Municipal Court	192,895	192,895	174,435	117,277	60.8%
Miscellaneous Revenue	250,333	250,333	350,434	297,534	118.9%
Interest Earnings	10,828	10,828	1,695,113	1,801,019	16633.0%
Interfund Transfers	0	0	0	0	N/A
<b>Total Revenues</b>	<b>\$ 33,725,209</b>	<b>\$ 34,257,126</b>	<b>\$ 27,047,928</b>	<b>\$ 26,440,748</b>	<b>77.2%</b>
Beginning Fund Balance	2,495,149	9,095,970	0	0	0.0%
<b>Total Resources</b>	<b>\$ 36,220,358</b>	<b>\$ 43,353,096</b>	<b>\$ 27,047,928</b>	<b>\$ 26,440,748</b>	<b>61.0%</b>

**Property Tax** is at 56.5 percent of the budget at the end of September. This reflects the annual timing of property tax payments to the City which typically occur in April and October.

**General Sales Tax** is 86.0 percent of the adopted budget through the third quarter. This revenue category is impacted by the change to cash basis reporting. The sales tax distribution received in January 2024 was accrued and reported as revenue in December 2023 and is excluded from FY 2024. Staff anticipate that year-to-year comparisons for this revenue category in 2024 will remain lower than prior years due to the change in accounting practice.

Construction has historically been the largest component of Sales Tax revenue and has outperformed the Retail & Wholesale Trade sector in both 2023 and 2024. Retail & Wholesale trade is performing slightly better in 2024 compared to the previous year, while construction has declined but maintains its place as the top performing business sector. The following table compares Sales Tax revenue by business sector from February through September for 2023 and 2024.

2023-2024 General Sales Tax Revenue by Business Sector (\$ in thousands)						
Business Sector	FEB thru SEP 2023	FEB thru SEP 2024	Increase / (Decrease)	% of Total		
				2023	2024	Sector Totals Change
Construction	\$1,682	\$1,601	(\$81)	40.4%	38.4%	-2.0%
Retail & Wholesale Trade	\$1,252	\$1,278	\$26	30.1%	30.7%	0.6%
All Other Sectors	\$353	\$367	\$13	8.5%	8.8%	0.3%
Admin & Support Services	\$325	\$351	\$26	7.8%	8.4%	0.6%
Food Services	\$197	\$198	\$2	4.7%	4.7%	0.0%
Professional, Scientific & Tech	\$140	\$148	\$8	3.4%	3.5%	0.2%
Finance/Insurance/Real Estate	\$122	\$123	\$1	2.9%	2.9%	0.0%
Telecommunications	\$93	\$104	\$11	2.2%	2.5%	0.3%
<b>Total</b>	<b>\$4,164</b>	<b>\$4,169</b>	<b>\$5</b>	<b>100.0%</b>	<b>100.0%</b>	

\*-For the sake of comparison, excludes January for 2023 & 2024 due to the change in accounting procedures.

**Criminal Justice Sales Tax** is 81.3 percent of the adopted budget at the end of September. 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 the most recent data from King County’s Office of Economic and Financial Analysis, taxable sales are down from the prior fiscal year through the third quarter.

**Utility Taxes** are 73.4 percent of budget at the end of the third quarter due to the change to cash basis reporting and the delay in both monthly and quarterly (e.g., cable and garbage) utility tax remittances. This revenue category is performing with historical trends, however year-to-year comparisons indicate 2024 revenues will remain lower than in prior years due to the change in accounting practice.

**Business & Occupation (B&O) Tax** is 115.3 percent of budget at the end of the third quarter. Most of the City’s registered businesses file an annual B&O tax return where the deadline for remitting annual taxes is April 15<sup>th</sup> of the following year. This revenue is within expectations when compared to prior year actuals.

**Shared Revenues** are 53.9 percent of the budget through the end of September. This revenue category is impacted by the change to cash basis reporting. State shared revenues received in January 2024 were accrued and reported as revenue in December 2023 and are excluded from FY 2024. This revenue category is performing with historical trends, however year-to-year comparisons indicate 2024 revenues will remain lower than in prior years due to the change in accounting practice.

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 timing of these revenues is variable with most expected in the fourth quarter of the year.

**EMS Revenues** are 57.7 percent of budget at the end of September. Revenues in this line are impacted by the change to cash basis reporting. Dollars associated with the King County EMS Levy that have historically been received in April and accrued back to March are now not recognized until the second quarter of the fiscal year. Other revenues in this category align with historical expectations.

**Parks and Recreation** revenues are 79.3 percent of budget at the end of September. 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 the Drop-In Sports program which are up \$190 thousand and \$26 thousand respectively.

**License, Permit, and Zoning Fees** are 117.2 percent of budget at the end of the third quarter. This revenue category consists of fees related to development services, business licenses, and a cable franchise. Revenues are performing well in part due to higher-than-expected permit activity. Permit revenues are also trending higher than the previous year due to work on the Riot Games building in Town Center and North Mercer Sewer Upgrades projects that has continued into fiscal year 2024, as well as slightly over \$1.0 million in permit revenues received in relation to the Xing Hua Mixed-Use Development project in Town Center.

**Municipal Court** revenues are 60.8 percent of budget though the end of September. Revenues in this category are impacted by the transition to cash basis. Total revenues have decreased compared to the prior year due to the volume of case filings declining throughout the year, from 1192 in 2023 to 643 in 2024. Case filings in the first half of 2024, however, are on par with those observed in the first half of 2022.

**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 continue to be higher than anticipated in this category for two primary reasons. First, LGIP yields held at higher than anticipated rates until September of this year. A 50 basis point rate reduction to the federal funds target rate on September 18<sup>th</sup>, 2024 impacted LGIP yields, which fell from 5.42 percent at the beginning of September to 5.25 percent at the end of the month. At the November 6-7, 2024 Federal Open Market Committee meetings, the Federal Reserve reduced the federal funds target rate an additional 25 basis points and has signaled more rate cuts to come.

Second, when the 2023-2024 budget was adopted, staff assumed interest earnings would be allocated to the Contingency Fund as required to maintain its funding target level. 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. As a result, the majority of interest earnings have remained in the General Fund.

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

## Expenditures

Overall, General Fund expenditures are within budget estimates at the end of the third quarter. The table below lists the 2024 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 nine months of the year, through the end of September. Additional details of material variances from the adopted budget are discussed in the narrative below.

### GENERAL FUND: Expenditures

As of September 30, 2024

General Fund Department	2024 Adopted Budget	2024 Amended Budget	Prior YTD 9/30/2023	YTD 9/30/2024	YTD Expense as % of Amended Budget
Administrative Services	\$ 483,807	\$ 483,807	\$ 448,584	\$ 352,443	72.8%
City Attorney's Office	988,464	988,464	683,753	669,698	67.8%
City Council	55,404	55,404	30,707	42,144	76.1%
City Manager's Office	1,158,166	1,299,166	681,439	945,561	72.8%
Community Planning & Development	3,411,393	3,809,893	2,223,446	2,363,560	62.0%
Finance	1,410,476	1,445,476	775,355	927,331	64.2%
Fire	7,898,317	8,829,737	6,330,045	6,969,550	78.9%
Human Resources	861,493	861,493	637,909	607,412	70.5%
Information & Geographic Services	194,981	194,981	128,472	133,917	68.7%
Municipal Court	549,259	584,249	332,281	310,384	53.1%
Non-Departmental	2,323,526	4,316,454	2,173,959	2,007,588	46.5%
Parks & Recreation	2,217,919	2,217,919	1,365,032	1,589,810	71.7%
Police	8,978,307	8,978,307	6,446,976	6,913,950	77.0%
Public Works	5,353,668	5,402,568	3,898,534	3,703,552	68.6%
<b>Total Expenditures</b>	<b>\$ 35,885,180</b>	<b>\$ 39,467,918</b>	<b>\$ 26,156,491</b>	<b>\$ 27,536,900</b>	<b>69.8%</b>
Interfund Transfers	335,178	3,885,178	517,621	3,843,252	98.9%
<b>Total Expenditures + Interfund Transfers</b>	<b>\$ 36,220,358</b>	<b>\$ 43,353,096</b>	<b>\$ 26,674,112</b>	<b>\$ 31,380,152</b>	<b>72.4%</b>

In reviewing expenditures by department, the following are noteworthy:

**Fire** department expenditures are 78.9 percent of budget at the end of September. This reflects payment of one-time transition costs to represented Fire staff. All other expenditures are within budget.

**Municipal Court** expenditures are 53.1 percent of budget through the third quarter. Spending is down from the prior year due to unspent dollars resulting from a grant award near the end of 2022 to improve the audio-visual capabilities of the Court ([AB 6139](#)). These dollars are expected to remain unspent for the foreseeable future with the closure of City Hall. Staff expect expenditures to remain within budgeted expectations through the remainder of the year.

**Non-Departmental** expenditures ended September at 46.5 percent of budget. The largest line-item expenditure in this department is the annual payment of liability and property insurance that occurs in full in January. Other expenditures in the category are expected to remain within budget throughout the remainder of the year.

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

## UTILITY FUNDS

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

### Revenues

The table below lists the 2024 adopted and amended revenue budget, January through September actuals, and a percentage of budget received. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through nine months of the year. Additional detail regarding major variances is discussed in the narrative following the table.

#### UTILITY FUNDS: Revenues

As of September 30, 2024

Revenue Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 9/30/23	YTD 9/30/24	YTD Revenue as % of Amended Budget
<b>Operating Revenues</b>					
Water Utility	\$ 11,695,463	\$ 11,695,463	\$ 8,962,736	\$ 9,149,148	78.2%
Sewer Utility	12,022,731	12,022,731	8,743,507	9,419,614	78.3%
Storm Water Utility	2,716,585	2,716,585	1,990,320	2,042,170	75.2%
<b>Interest Earnings</b>					
Water Utility	87,729	87,729	671,621	613,128	698.9%
Sewer Utility	38,881	38,881	377,831	403,854	1038.7%
Storm Water Utility	21,422	21,422	174,565	195,762	913.8%
<b>Proceeds of Debt Issuance</b>					
Water Utility	-	-	-	-	N/A
Sewer Utility	-	-	-	-	N/A
Storm Water Utility	-	-	-	-	N/A
<b>Total Revenues</b>	<b>\$ 26,582,811</b>	<b>\$ 26,582,811</b>	<b>\$ 20,920,580</b>	<b>\$ 21,823,675</b>	<b>82.1%</b>

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, 2024, result in dollar increases as compared to fiscal year 2023 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 has held a relatively consistent yield throughout the beginning of FY 2024, ranging from 5.45 percent at the beginning of January to 5.25 percent through the end of September. Yields are expected to decrease moving forward as the Federal Reserve introduces multiple cuts to the federal funds target rate through the year-end and potentially into 2025.

In 2023, no debt was issued for the Water Utility Fund as originally budgeted. Finance and Public Works staff completed the sale of limited tax general obligation (LTGO) bonds to finance and refinance capital improvements to the City's water distribution system on October 24, 2024. Jefferies LLC. was announced the winning bidder and the City received the full amount of the bond sale award in early November. Total

revenues generated from the bond sale are nearly \$28 million and will be reflected in the Q4 Financial Status Update.

## Expenditures

The table below lists the 2024 adopted and amended expenditure budget by Utility fund and category, January through September actuals, and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through nine months of the year. Additional details of major variances are discussed following the table.

### UTILITY FUNDS: Expenditures

As of September 30, 2024

Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 9/30/23	YTD 9/30/24	YTD Expense as % of Amended Budget
<b>Operating Expenditures</b>					
Water Utility	\$ 6,884,883	\$ 7,256,382	\$ 3,986,889	\$ 4,061,341	56.0%
Sewer Utility	8,893,670	9,056,097	5,920,903	6,234,735	68.8%
Storm Water Utility	2,276,786	2,445,866	1,422,866	1,316,358	53.8%
<b>Capital Projects</b>					
Water Utility	12,272,064	28,759,157	5,247,137	8,921,864	31.0%
Sewer Utility	3,753,377	8,243,881	1,317,904	1,109,310	13.5%
Storm Water Utility	1,399,235	1,884,238	373,237	455,505	24.2%
<b>Debt Service</b>					
Water Utility	1,581,973	1,581,973	15,620	15,338	1.0%
Sewer Utility	1,031,829	1,031,829	454,047	455,314	44.1%
Storm Water Utility	-	-	-	-	N/A
<b>Total Expenditures</b>	<b>\$ 38,093,817</b>	<b>\$ 60,259,423</b>	<b>\$ 18,738,604</b>	<b>\$ 22,569,765</b>	<b>37%</b>

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 third quarter. The Water Utility debt service expenditures are much lower than budgeted due to not paying principal and interest on debt that was originally budgeted for 2023. Through the third quarter of fiscal year 2024, multiple large capital improvement projects are either in the design phase or continuing construction. Notable capital projects are described in further detail below.

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](#)). Construction on this \$7 M investment began in Q4 2023 following material procurement and permitting. Because only one reservoir can be taken out of service at a time due to water system operational constraints, this project will take until Q2 2025 to be completed. During Q3 2024, the coatings on the north reservoir roof was removed and replaced with a primer coat. The final coat will be applied in Q4 while the south reservoir is drained, and sand blasting commences on the interior of the reservoir.

The **Meter Replacement Implementation** project replaced approximately 7,900 aging water meters throughout the City as part of the new Advanced Metering Infrastructure (AMI) system. City Council awarded the bid for the installation of this system in July 2022 ([AB 6112](#)). Meter deployment began in March 2024 and was completed in August 2024. Work on data collector station permitting and installation is ongoing, with two stations currently operational, one awaiting installation, and three in early permitting review.

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. Total project costs are estimated at \$6.0 M in the current biennium, and approximately \$1.3 M in the 2025-2026 biennium.

The **2023 Water System Improvements** project consists of installing over 6,500 feet of 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 September 2023 with most work completed by June 2024. Physical completion of work occurred in Q3. Project closeout will begin, and final payment is expected by the end of 2024.

Design work for the **Sewer SCADA System Replacement** was completed in Q3 2022, and a construction contract ([AB 6190](#)) was awarded in Q4 2022. Due to ongoing supply chain delays, construction was delayed until Q4 of 2024. Throughout Q1 and Q2 2024, the project team held regular meetings to finalize construction work plans and approve necessary submittals. In Q3 2024, all required permits were secured, including shoreline development, right-of-way use, electrical, and commercial fire alarm permits. Additionally, City staff approved the final layouts of the sewer SCADA screens, completed factory acceptance testing, installed new communications antennas, and performed resident notifications for the first batch of sites to be upgraded. Construction is expected to wrap up in Q2 2025.

The current **Comprehensive Pipeline Replacement Rehabilitation & Replacement Program** involves relining existing sewer mains using a cured-in-place pipe process in the Mercerwood neighborhood (Sewer Basin 40). The project occurred in two phases. Phase 1 was completed in 2023. Phase 2 was completed in Q2 of 2024. The project lined more than 12,000 feet of existing sewer main with cured-in-place pipe and installed 111 service connection seals. As a result of the project, the majority of Sewer Basin 40, previously the oldest sewer collection area on the Island, is now the newest with a 50-year design life.



## ALL OTHER FUNDS

### Revenues

The table below lists the 2024 amended revenue budget, third quarter 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 September. Additional details of major variances are discussed in the narrative following the table.

#### ALL OTHER FUNDS: Revenues

As of September 30, 2024

Fund Name	2024 Adopted Budget	2024 Amended Budget	Prior YTD 9/30/2023	YTD 9/30/2024	YTD Revenue as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ 5,250	\$ -	N/A
Street	5,998,008	6,599,129	3,590,177	3,467,917	52.6%
Contingency	151,805	151,805	-	65,712	43.3%
1% for the Arts	25,000	25,000	-	-	0.0%
Youth & Family Services	3,368,606	3,468,606	1,851,387	2,192,585	63.2%
ARPA	-	3,041,190	-	721,567	23.7%
Bond Redemption (Non-Voted)	-	-	1,400	-	N/A
Town Center Parking Facilities	-	-	-	35,489	N/A
Capital Improvement	10,929,288	11,821,443	2,364,744	7,442,244	63.0%
Technology & Equipment	268,000	268,000	210,000	210,000	78.4%
Municipal Facility Replacement	-	1,000,000	-	3,400,000	N/A
Equipment Rental	1,505,420	1,505,420	997,116	1,250,620	83.1%
Computer Equipment	1,305,536	1,305,536	952,983	1,007,373	77.2%
Firefighter's Pension	68,210	68,210	91,654	94,118	138.0%

**Street Fund** revenues are 52.6 percent of budget at the end of September. The primary revenue sources in the Street Fund for fiscal year 2024 are Real Estate Excise Tax (REET) and expected reimbursements from Sound Transit Mitigation monies. A total of \$1.3 million of Sound Transit Mitigation reimbursements were received by the end of September. Work is underway this year to expend the remaining \$4.8 million resources for traffic safety enhancement projects.

The Street Fund is impacted by the change to cash basis reporting. REET distribution received in January 2024 was accrued and reported as revenue in December 2023 and is excluded from FY 2024. REET is underperforming compared to recent historical trends. Year-over-year comparisons indicate 2024 revenues will remain lower than in prior years due to the change in accounting practice and a sluggish real estate market on the Island.

Property sales recorded in February through September of 2024 were down 20 sales when compared to the same period in 2023. The property sales recorded for both 2023 and 2024 are well below the 10-year historical average. It is worth noting the average property sale price has been increasing in FY 2024 when compared to 2023, which bridges a portion of the difference in total REET revenues between the two years despite the continuing decline in the volume of property sales.

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. Staff will evaluate whether an additional allocation in Q4 2024 is required to meet the funding target for FY 2025.

**Youth & Family Services** revenues ended September at 63.2 percent of the amended budget due to delayed grant reimbursements from the Federal Stop grant. Thrift shop revenues are up nearly \$90.0 thousand in fiscal year 2024 relative to the same period of the prior year. Other revenues are within budget expectations through the third quarter.

**Capital Improvement Fund** revenues are 63.0 percent of budget at the end of the third quarter. Similar to the Street Fund, REET is a primary revenue source in the Capital Improvement Fund. Staff will continue to monitor factors relating to REET to better inform expectations for FY 2025 and beyond.

In addition, the budget for revenues in 2024 includes \$3.4 million in State Grant funding of which 4.1 percent has been collected to date.

**Firefighter's Pension Fund** revenues are 138.0 percent of budget at the end of September. Investment interest earnings are up \$2.0 thousand when compared to 2023. This increase in interest earnings comes as local government investment pool yields have remained consistently high through August of the current fiscal year, only now beginning to drop due to Federal Reserve cuts conducted in September.

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

## Expenditures

The table below lists the 2024 amended expenditures budget by fund, end of September 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 third quarter. Additional details of major variances are discussed in the narrative following the table.

### ALL OTHER FUNDS: Expenditures

As of September 30, 2024

Fund Name	2024 Adopted Budget	2024 Amended Budget	Prior YTD 9/30/2023	YTD 9/30/2024	YTD Expense as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Street	9,658,917	12,658,086	2,568,098	6,319,959	49.9%
1% for the Arts	15,000	45,060	31,842	25,273	56.1%
Youth & Family Services	3,368,606	3,511,053	2,331,869	2,429,344	69.2%
ARPA	2,807,243	6,316,691	359,382	2,100,083	33.2%
Bond Redemption (Non-Voted)	-	-	1,400	-	N/A
Town Center Parking Facilities	-	-	-	-	N/A
Capital Improvement	11,121,741	19,223,366	1,697,917	5,400,041	28.1%
Technology & Equipment	145,250	745,650	416,222	197,687	26.5%
Municipal Facility Replacement	-	785,000	-	-	0.0%
Equipment Rental	1,377,116	2,200,428	1,057,725	1,462,780	66.5%
Computer Equipment	1,316,488	1,316,488	873,620	1,054,142	80.1%
Firefighter's Pension	103,000	130,267	56,848	108,492	83.3%

**Street Fund:** Total expenditures are 49.9 percent of budget at the end of September. Operating expenditures are within budget expectations. This level of expenditure for the capital projects in the Street fund are commonplace given many capital projects are currently underway, resulting in notable expenditures in the latter part of 2024. Capital project updates include the following:

The **80th Avenue Sidewalk Improvements** consists 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 removed and replaced based on declining health and impact on sidewalks. New trees will be planted, and in some areas planting cells will be installed 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. The project was awarded to Always Active Services ([AB 6513](#)) in July of 2024. Construction started in early September of 2024 with completion expected in Q2 of 2025.

**ARPA Fund:** Total expenditures are 33.2 percent of budget at the end of the third quarter. These expenditures consist of projects that qualify for ARPA funding. The largest expenditure lines for 2024 are related to the modular buildings currently serving as the base of operations for the City's Police Department and two interfund transfers tied to the YFS Fund and Capital Improvement projects. An interfund transfer totaling \$1.1 million to the Capital Improvement fund has already been made, but the YFS fund has received none by the end of the third quarter.

**Capital Improvement Fund** expenditures ended September at 28.1 percent of budget. This level of expenditure for capital projects is commonplace given many capital projects are currently underway, resulting in notable expenditures in the latter part of 2024. Notable capital projects are described in further detail below.

The **Luther Burbank Boiler Building Improvements Phase 1** project was awarded in January 2024 ([AB 6380](#)). This project reinforced the building's structure against earthquake damage and installed a new roof. It also renovated the restroom annex. Construction began in Q1 2024. At the end of Q3, the work is 95% complete. Issues with the building's sewer and electrical service have resulted in scope changes. A new electrical service and sewer vault will be installed.

The **Aubrey Davis Park Trail Improvements** project was awarded in June 2024 ([AB 6482](#)). The project is 60% complete. New concrete paving in the ballfield/restroom area has been installed, along with pavement markings to alert trail users at intersections. Fencing has been installed to guide where foot traffic can cross the trail. Shoulder improvements and landscaping are underway. Lighting, signage and park furnishings will wrap up work by the end of the year. This project is funded by the Washington State legislature through a grant from the Department of Commerce.

**Technology & Equipment Fund:** Total expenditures are 26.5 percent of budget at the end of September. This is a result of a handful of technology projects not expected to have budget spent in FY 2024 due to the closure of City Hall. For example, the Municipal Court Technology improvements (GT0115) will not proceed. Projects with notable expenditures through the third quarter include Fire self-contained breathing apparatus, the new financial software implementation, and the Mercer Island Community Center Technology & Equipment Replacement Program.

**Equipment Rental Fund** expenditures ended September at 66.5 percent of budget. Expenditures in this fund consist of Honeywell Site Remediation costs and fleet services, including replacements. Funds that were previously encumbered for fleet replacements have been expended as new vehicles have arrived, albeit later than anticipated due to supply-chain delays. New vehicles and equipment prices are 15-70% higher than anticipated and staff have incorporated this developing information for the 2025-2026 biennial budget to anticipate replacement costs going forward.

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

Two summary listings of the originally adopted 2023-2024 Budget (expenditures only), broken down by year, and amendments adopted by Ordinance through October 1, 2024 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		
<b>General Purpose Funds:</b>								
General	34,796,307	(602,407)	440,209	676,090	159,525	1,109,176	36,578,900	
Self-Insurance	10,000						10,000	
Youth Services Endowment	-						-	
<b>Special Revenue Funds:</b>								
Street*	5,136,091	(2,343,048)	1,505,480		250,000		4,548,523	
Contingency	-				217,725		217,725	
1% for the Arts	15,000	(10,060)			50,000		54,940	
Youth & Family Services	3,325,282		64,863				3,390,145	
ARPA Funds	1,983,672	(1,025,885)	857,218		291,000	(765,000)	1,341,005	
<b>Debt Service Funds:</b>								
Bond Redemption (Voted)	-						-	
Bond Redemption (Non-Voted)	142,800						142,800	
<b>Capital Projects Funds:</b>								
Town Center Parking Facilities*	-						-	
Capital Improvement*	10,664,404	(7,026,909)	571,905			(760,000)	3,449,400	
Technology & Equipment*	495,186	(600,400)	708,140				602,926	
Capital Reserve*	-						-	
<b>Enterprise Funds:</b>								
Water*	22,052,286	(15,765,232)	9,168,243	1,245,279			16,700,576	
Sewer*	14,120,007	(4,134,689)	809,688	1,533,625			12,328,631	
Stormwater*	3,192,949	(650,003)	168,366				2,711,312	
<b>Internal Service Funds:</b>								
Equipment Rental*	1,610,914	(823,312)	596,861		145,750		1,530,213	
Computer Equipment*	1,155,078						1,155,078	
<b>Trust Funds:</b>								
Firefighter's Pension	100,000	11,833					111,833	
<b>Total</b>	<b>98,799,975</b>	<b>(32,970,112)</b>	<b>14,890,973</b>	<b>3,454,994</b>	<b>1,114,000</b>	<b>(415,824)</b>	<b>-</b>	<b>84,874,006</b>

\* 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	ORD 23-12	ORD 23-20	ORD 24-04	ORD 24-11	ORD 24-13	
			Q1 FSU	Q2 FSU	Q3 FSU	Q4 FSU	Q1 FSU	Q2 FSU	
<b>General Purpose Funds:</b>									
General	36,220,358	602,407	1,587,500	132,000	1,035,831	75,000	2,700,000	1,000,000	43,353,096
Self-Insurance	10,000								10,000
Youth Services Endowment	-								-
<b>Special Revenue Funds:</b>									
Street*	9,658,917	2,343,048		55,000			601,121		12,658,086
Contingency	-								-
1% for the Arts	15,000	10,060					20,000		45,060
Youth & Family Services	3,368,606				142,447				3,511,053
ARPA Funds	1,259,017	1,025,885		594,500	550,000		701,390	637,673	4,768,465
<b>Debt Service Funds:</b>									
Bond Redemption (Voted)	-								-
Bond Redemption (Non-Voted)	-								-
<b>Capital Projects Funds:</b>									
Town Center Parking Facilities*	-								-
Capital Improvement*	11,121,741	7,026,909			180,000	152,561	453,890	288,265	19,223,366
Technology & Equipment*	145,250	600,400							745,650
Capital Reserve*	-							785,000	785,000
<b>Enterprise Funds:</b>									
Water*	20,738,920	15,765,232				1,075,000	18,360		37,597,512
Sewer*	13,678,876	4,134,689					18,360	698,650	18,530,575
Stormwater*	3,676,021	650,003					4,080		4,330,104
<b>Internal Service Funds:</b>									
Equipment Rental*	1,377,116	823,312							2,200,428
Computer Equipment*	1,316,488								1,316,488
<b>Trust Funds:</b>									
Firefighter's Pension	103,000	(11,833)					39,100		130,267
<b>Total</b>	<b>102,689,310</b>	<b>32,970,112</b>	<b>1,587,500</b>	<b>781,500</b>	<b>1,908,278</b>	<b>1,302,561</b>	<b>4,556,301</b>	<b>3,409,588</b>	<b>149,205,150</b>

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