

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 June 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.

OCTOBER 1, 2024

FINANCIAL STATUS UPDATE

JUNE 30, 2024

2024 General Fund

Adopted Revenue Budget
\$36.2 million

Amended Revenue Budget
\$42.3 million

*Revenue Actuals
as of June 30,*
\$19.3 million
(45.8% of amended budget)

Adopted Expenditure Budget
\$36.2 million

Amended Expenditure Budget
\$42.3 million

*Expenditure Actuals
as of June 30,*
\$21.3 million
(50.5% of amended budget)

Contingency Fund Balance
\$4.9 million

GENERAL FUND

Revenues

Overall, General Fund revenues are on track with budget expectations through the first half 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 six months of the year, January 1 through the end of June. 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 June 30, 2024

Revenue Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 6/30/2023	YTD 6/30/2024	YTD Revenue as % of Amended Budget
Property Tax	\$ 13,726,032	\$ 13,726,032	\$ 7,435,067	\$ 7,447,460	54.3%
Sales Tax - General	4,847,450	4,847,450	3,062,757	2,521,879	52.0%
Sales Tax - Criminal Justice	752,419	752,419	459,716	370,339	49.2%
Utility Taxes	4,342,112	4,342,112	2,572,595	2,017,782	46.5%
B&O Taxes	706,483	706,483	556,073	609,536	86.3%
Shared Revenues	1,603,017	1,789,417	928,315	431,179	24.1%
Cost Allocation-Overhead	1,105,166	1,105,166	527,928	552,083	50.0%
EMS Revenues	1,850,872	2,064,389	902,656	790,497	38.3%
Parks & Recreation	1,413,501	1,413,501	513,364	688,719	48.7%
License, Permit & Zoning	2,924,101	3,056,101	1,937,356	2,480,818	81.2%
Municipal Court	192,895	192,895	116,832	72,622	37.6%
Miscellaneous Revenue	250,333	250,333	225,409	208,614	83.3%
Interest Earnings	10,828	10,828	1,077,714	1,188,917	10980.0%
Interfund Transfers	0	0	0	0	N/A
Total Revenues	\$ 33,725,209	\$ 34,257,126	\$ 20,315,783	\$ 19,380,444	56.6%
Beginning Fund Balance	2,495,149	8,095,970	0	0	0.0%
Total Resources	\$ 36,220,358	\$ 42,353,096	\$ 20,315,783	\$ 19,380,444	45.8%

Property Tax is at 54.3 percent of the budget at the end of June. This reflects the annual timing of property tax payments to the City which typically occur in April and October.

General Sales Tax is 52.0 percent of the adopted budget through the second 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 has begun 2024 performing better than the previous year, while construction has declined but continued to maintain its place as the top performing business sector. The following table compares Sales Tax revenue by business sector from February through June for 2023 and 2024.

2023-2024 General Sales Tax Revenue by Business Sector (\$ in thousands)						
Business Sector	FEB thru JUN 2023	FEB thru JUN 2024	Increase / (Decrease)	% of Total		
				2023	2024	Sector Totals Change
Construction	\$980	\$970	(\$10)	39.6%	38.5%	-1.1%
Retail & Wholesale Trade	\$764	\$782	\$18	30.9%	31.0%	0.1%
All Other Sectors	\$202	\$221	\$19	8.1%	8.8%	0.6%
Admin & Support Services	\$189	\$204	\$15	7.6%	8.1%	0.5%
Food Services	\$115	\$116	\$1	4.7%	4.6%	0.0%
Professional, Scientific & Tech	\$90	\$86	(\$4)	3.6%	3.4%	-0.2%
Finance/Insurance/Real Estate	\$74	\$79	\$5	3.0%	3.1%	0.2%
Telecommunications	\$60	\$62	\$3	2.4%	2.5%	0.1%
Total	\$2,473	\$2,520	\$47	100.0%	100.0%	

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

Criminal Justice Sales Tax is 49.2 percent of the adopted budget at the end of June. 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 are down from the prior fiscal year through the second quarter.

Utility Taxes are 46.5 percent of budget at the end of the second 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 86.3 percent of budget at the end of the second quarter. 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. This revenue is within expectations when compared to prior year actuals.

Shared Revenues are 24.1 percent of the budget through the end of June. 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 38.3 percent of budget at the end of June. 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 48.7 percent of budget at the end of June. 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 \$160 thousand and \$22 thousand respectively.

License, Permit, and Zoning Fees are 81.2 percent of budget at the end of the second 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 Hue Mixed-Use Development project in Town Center.

Municipal Court revenues are 37.6 percent of budget through the end of June. 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 through the first half of the year, from 581 in 2023 to 480 in 2024. Case filings in the first half of 2024, however, are above 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. The first being LGIP yields continuing to increase compared to the prior period, from 5.21 percent in June 2023 to 5.43 percent as of June 2024. The second being the expectation at time of FY 2024 budget adoption that interest earnings would be allocated to the Contingency Fund via necessity to maintain its funding target level. The Contingency Fund had achieved and maintained its funding target at 12.5 percent of budgeted General Fund expenditures, as defined in the Council adopted financial management policies and the majority of interest earnings have stayed in the General Fund as a result.

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

Expenditures

Overall, General Fund expenditures are within budget estimates at the end of the second 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 the first half of the year, through the end of June. Additional details of material variances from the adopted budget are discussed in the narrative below.

GENERAL FUND: Expenditures

As of June 30, 2024

General Fund Department	2024 Adopted Budget	2024 Amended Budget	Prior YTD 6/30/2023	YTD 6/30/2024	YTD Expense as % of Amended Budget
Administrative Services	\$ 483,807	\$ 483,807	\$ 299,410	\$ 237,611	49.1%
City Attorney's Office	988,464	988,464	455,724	441,336	44.6%
City Council	55,404	55,404	72,286	29,317	52.9%
City Manager's Office	1,158,166	1,299,166	490,262	674,422	51.9%
Community Planning & Development	3,411,393	3,809,893	1,517,849	1,660,956	43.6%
Finance	1,410,476	1,445,476	538,618	564,704	39.1%
Fire	7,898,317	8,829,737	4,016,935	4,844,187	54.9%
Human Resources	861,493	861,493	411,442	374,314	43.4%
Information & Geographic Services	194,981	194,981	86,577	89,743	46.0%
Municipal Court	549,259	584,249	226,423	197,014	33.7%
Non-Departmental	2,323,526	4,316,454	1,867,141	1,761,080	40.8%
Parks & Recreation	2,217,919	2,217,919	797,149	981,103	44.2%
Police	8,978,307	8,978,307	4,365,084	4,457,476	49.6%
Public Works	5,353,668	5,402,568	2,135,123	2,294,200	42.5%
Total Expenditures	\$ 35,885,180	\$ 39,467,918	\$ 17,280,022	\$ 18,607,463	47.1%
Interfund Transfers	335,178	2,885,178	363,096	2,776,252	96.2%
Total Expenditures + Interfund Transfers	\$ 36,220,358	\$ 42,353,096	\$ 17,643,119	\$ 21,383,715	50.5%

In reviewing expenditures by department, the following are noteworthy:

Fire department expenditures are 54.9 percent of budget at the end of June. This reflects payment of one-time transition costs to represented Fire staff. All other expenditures are within budget.

Municipal Court expenditures are 33.7 percent of budget halfway through the fiscal year. Spending is down from the prior year due to unspent dollars resulting from a grant award near the end of FY 2022 to improve the audio-visual capabilities of the Court ([AB 6139](#)). These dollars are expected to go unspent for the foreseeable future with the closure of City Hall. Staff expect expenditures to remain within budgeted expectations throughout the remainder of the year.

Non-Departmental expenditures ended June at 40.8 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 June.

UTILITY FUNDS

At the end of June, 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 June actuals, and a percentage of budget received. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the first half of the year. Additional detail regarding major variances is discussed in the narrative following the table.

UTILITY FUNDS: Revenues

As of June 30, 2024

Revenue Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 6/30/23	YTD 6/30/24	YTD Revenue as % of Amended Budget
Operating Revenues					
Water Utility	\$ 11,695,463	\$ 11,695,463	\$ 4,329,024	\$ 4,528,425	38.7%
Sewer Utility	12,022,731	12,022,731	5,649,362	6,198,490	51.6%
Storm Water Utility	2,716,585	2,716,585	1,295,407	1,330,841	49.0%
Interest Earnings					
Water Utility	87,729	87,729	427,951	405,000	461.6%
Sewer Utility	38,881	38,881	237,748	259,416	667.2%
Storm Water Utility	21,422	21,422	111,234	128,820	601.3%
Proceeds of Debt Issuance					
Water Utility	-	-	-	-	N/A
Sewer Utility	-	-	-	-	N/A
Storm Water Utility	-	-	-	-	N/A
Total Revenues	\$ 26,582,811	\$ 26,582,811	\$ 12,050,726	\$ 12,850,993	48.3%

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 consistent yield throughout the beginning of FY 2024, ranging from 5.45 percent at the beginning of January to 5.43 percent through the end of June.

It should be noted that no debt was issued in 2023 for the Water Utility Fund as originally budgeted. Finance and Public Works staff are continuing to work diligently on the sale of limited tax general obligation (LTGO) bonds to finance and refinance capital improvements to the City's water distribution system. The competitive LTGO bond sale is tentatively scheduled for October 2024.

Expenditures

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

UTILITY FUNDS: Expenditures

As of June 30, 2024

Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 6/30/23	YTD 6/30/24	YTD Expense as % of Amended Budget
Operating Expenditures					
Water Utility	\$ 6,884,883	\$ 7,256,382	\$ 2,517,740	\$ 2,410,298	33.2%
Sewer Utility	8,893,670	9,056,097	4,003,148	4,181,963	46.2%
Storm Water Utility	2,276,786	2,445,866	885,613	804,249	32.9%
Capital Projects					
Water Utility	12,272,064	28,759,157	3,603,950	6,453,355	22.4%
Sewer Utility	3,753,377	7,545,231	777,238	782,399	10.4%
Storm Water Utility	1,399,235	1,884,238	134,211	299,223	15.9%
Debt Service					
Water Utility	1,581,973	1,581,973	12,305	15,338	1.0%
Sewer Utility	1,031,829	1,031,829	454,047	455,314	44.1%
Storm Water Utility	-	-	-	-	N/A
Total Expenditures	\$ 38,093,817	\$ 59,560,773	\$ 12,388,251	\$ 15,402,139	26%

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 second 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. The City is now positioned for an LTGO bond issuance in October 2024. At the halfway point of fiscal year 2024, 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](#)). 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 Q2 2024, the coatings on the north reservoir interior and exterior walls were completed. The reservoir was refilled and put back into service in May. Sand blasting and recoating of the roof is in progress through Q3.

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 August 2024. Work on data collector station permitting and installation is ongoing, with two stations currently operational, one in the permitting process, and three in the early review stage.

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 of this year. Project closeout will begin, and final payment will be processed before the end of 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 October of this year. During Q1 and Q2 2024, the project team met regularly to finalize construction work plans and approve submittals. The last of the shoreline development permits were approved in June and the contractor submitted electrical permits for each of the 17 sites. City staff also reviewed and provided comments for the 90 percent sewer SCADA screens submitted by SCADA programmer, Brown & Caldwell. Factory acceptance testing of the system control panels and construction start is planned for later this year.

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 was completed in Q2 of 2024. The final phases of the project were the most difficult to complete due to steep narrow driveways and backyard manhole locations which provided limited to no vehicle access. The project, which has been underway since September 2023, 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, which was 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, second 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 June. Additional details of major variances are discussed in the narrative following the table.

ALL OTHER FUNDS: Revenues

As of June 30, 2024

Fund Name	2024 Adopted Budget	2024 Amended Budget	Prior YTD 6/30/2023	YTD 6/30/2024	YTD Revenue as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Street	5,998,008	6,599,129	2,765,881	2,368,358	35.9%
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	1,101,566	1,494,473	43.1%
ARPA	-	2,403,517	-	721,567	30.0%
Bond Redemption (Non-Voted)	-	-	1,400	-	N/A
Town Center Parking Facilities	-	-	-	35,489	N/A
Capital Improvement	10,929,288	11,533,178	1,628,854	2,166,479	18.8%
Technology & Equipment	268,000	268,000	140,000	140,000	52.2%
Capital Reserve	-	-	-	2,400,000	N/A
Equipment Rental	1,505,420	1,505,420	694,366	880,750	58.5%
Computer Equipment	1,305,536	1,305,536	635,322	546,554	41.9%
Firefighter's Pension	68,210	68,210	77,655	80,276	117.7%

Street Fund revenues are 35.9 percent of budget at the end of June. 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 \$1.0 million of Sound Transit Mitigation reimbursements were received by the end of June. Work is underway this year to expend the remaining \$5.1 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 also due to the change in accounting practice.

Property sales recorded in February through June of 2024 were down 18 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, but will require additional allocations in the latter half of 2024 to meet its funding target.

Youth & Family Services revenues ended June at 43.1 percent of the amended budget due to delayed grant reimbursements from the Federal SPF and Stop grants. Thrift shop revenues are up \$89.9 thousand in fiscal year 2024 relative to the same period of the prior year. Other revenues are within budget expectations through the second quarter.

Capital Improvement Fund revenues are 18.8 percent of budget at the end of the second 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 the revenue forecast coming in the fall of this year as part of the biennial budget process.

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 117.7 percent of budget at the end of June. Investment interest earnings are up \$2.4 thousand when compared to 2023. This increase in interest earnings comes as local government investment pool yields held consistently high through the first six months of the fiscal year.

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

Expenditures

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

ALL OTHER FUNDS: Expenditures

As of June 30, 2024

Fund Name	2024 Adopted Budget	2024 Amended Budget	Prior YTD 6/30/2023	YTD 6/30/2024	YTD Expense as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Street	9,658,917	12,658,086	1,775,885	1,170,676	9.2%
1% for the Arts	15,000	45,060	5,181	1,525	3.4%
Youth & Family Services	3,368,606	3,511,053	1,650,329	1,675,542	47.7%
ARPA	2,807,243	5,679,018	111,246	721,567	12.7%
Bond Redemption (Non-Voted)	-	-	1,400	-	N/A
Town Center Parking Facilities	-	-	1,597	-	N/A
Capital Improvement	11,121,741	18,935,101	720,297	2,595,167	13.7%
Technology & Equipment	145,250	745,650	367,010	189,445	25.4%
Equipment Rental	1,377,116	2,200,428	510,767	1,078,204	49.0%
Computer Equipment	1,316,488	1,316,488	646,059	818,235	62.2%
Firefighter's Pension	103,000	130,267	41,629	65,095	50.0%

Street Fund: Total expenditures are 9.2 percent of budget at the end of June. Operating expenditures are within budget expectations. This level of expenditure for the capital projects in the Street fund are commonplace given many capital projects begin in the spring and summer and are currently underway, resulting in notable expenditures in the latter half of 2024. Capital project updates include the following:

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. The project was awarded to Always Active Services ([AB 6513](#)). Construction has begun in Q3 of 2024 with an expected completion in Q1 of 2025.

ARPA Fund: Total expenditures are 12.7 percent of budget at the end of the second 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. No interfund transfers from this fund have been made through June. Staff is recommending the disposition of remaining unspent ARPA funds as part of Ordinance No. 24-13 (Exhibit 2) before the end of this year.

Capital Improvement Fund expenditures ended June at 13.7 percent of budget. This level of expenditure for capital projects is commonplace given many capital projects begin in spring or summer and are currently underway, resulting in notable expenditures in the latter half of 2024.

Project updates include the **Luther Burbank Boiler Building Improvements Phase 1** project, which was advertised for bids in October 2023 with bid award in January 2024 ([AB 6380](#)). This project will reinforce the building's structure against earthquake damage and install a new roof. It will also renovate the restroom annex. Construction began in Q1 2024. At the end of Q2, about half of the structural reinforcements are complete, masonry restoration was complete, and plumbing and electrical improvements are underway. Issues with the building's sewer and electrical service have resulted in scope changes and a new electrical service will be installed before the end of the year. Remaining project scope has been completed in Q3 2024 and a new sewer vault is expected to be installed in the waterfront plaza in Q4 2025.

Technology & Equipment Fund: Total expenditures are 25.4 percent of budget at the end of June. 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. An example of one such project is the Municipal Court Technology improvements (GT0115). Projects with notable expenditures through the first half of the year 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 June at 49.0 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 will seek to incorporate this information during the 2025-2026 biennial budget process for replacements going forward.

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

Two summary listings of the originally adopted 2023-2024 Budget (expenditures only), broken down by year, and amendments adopted by Ordinance through May 21, 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		
General Purpose Funds:								
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	-						-	
Special Revenue Funds:								
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	
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	(7,026,909)	571,905			(760,000)	3,449,400	
Technology & Equipment*	495,186	(600,400)	708,140				602,926	
Capital Reserve*	-						-	
Enterprise Funds:								
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	
Internal Service Funds:								
Equipment Rental*	1,610,914	(823,312)	596,861		145,750		1,530,213	
Computer Equipment*	1,155,078						1,155,078	
Trust Funds:								
Firefighter's Pension	100,000	11,833					111,833	
Total	98,799,975	(32,970,112)	14,890,973	3,454,994	1,114,000	(415,824)	-	84,874,006

* 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	ORD 24-04 Q4 FSU	ORD 24-11 Q1 FSU		
General Purpose Funds:									
General	36,220,358	602,407	1,587,500	132,000	1,035,831	75,000	2,700,000		42,353,096
Self-Insurance	10,000								10,000
Youth Services Endowment	-								-
Special Revenue Funds:									
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		4,130,792
Debt Service Funds:									
Bond Redemption (Voted)	-								-
Bond Redemption (Non-Voted)	-								-
Capital Projects Funds:									
Town Center Parking Facilities*	-								-
Capital Improvement*	11,121,741	7,026,909			180,000	152,561	453,890		18,935,101
Technology & Equipment*	145,250	600,400							745,650
Capital Reserve*	-								-
Enterprise Funds:									
Water*	20,738,920	15,765,232				1,075,000	18,360		37,597,512
Sewer*	13,678,876	4,134,689					18,360		17,831,925
Stormwater*	3,676,021	650,003					4,080		4,330,104
Internal Service Funds:									
Equipment Rental*	1,377,116	823,312							2,200,428
Computer Equipment*	1,316,488								1,316,488
Trust Funds:									
Firefighter's Pension	103,000	(11,833)					39,100		130,267
Total	102,689,310	32,970,112	1,587,500	781,500	1,908,278	1,302,561	4,556,301	-	145,795,562

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