

## INTRODUCTION

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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 March 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 the first quarter of 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 transition year.

**MAY 21, 2024**

## FINANCIAL STATUS UPDATE

**MARCH 31, 2024**

### **2024 General Fund**

*Adopted Revenue Budget*  
\$36.2 million

*Amended Revenue Budget*  
\$39.0 million

*Revenue Actuals  
as of March 31,*  
\$6.0 million  
*(15.6% of amended budget)*

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*Adopted Expenditure Budget*  
\$36.2 million

*Amended Expenditure Budget*  
\$39.0 million

*Expenditure Actuals  
as of March 31,*  
\$9.8 million  
*(25.2% of amended budget)*

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*Contingency Fund Balance*  
\$4.9 million

## GENERAL FUND

### Revenues

Overall, General Fund revenues are on track with budget expectations through the first three 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 three months of the year, January 1 through the end of March. 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 March 31, 2024

Revenue Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 3/31/2023	YTD 3/31/2024	YTD Revenue as % of Amended Budget
Property Tax	\$ 13,726,032	\$ 13,726,032	\$ 1,127,094	\$ 1,036,165	7.5%
Sales Tax - General	4,847,450	4,847,450	1,474,632	1,020,426	21.1%
Sales Tax - Criminal Justice	752,419	752,419	225,788	152,822	20.3%
Utility Taxes	4,342,112	4,342,112	1,470,646	875,474	20.2%
B&O Taxes	706,483	706,483	382,835	381,314	54.0%
Shared Revenues	1,603,017	1,740,517	131,411	60,098	3.5%
Cost Allocation-Overhead	1,105,166	1,105,166	263,964	276,041	25.0%
EMS Revenues	1,850,872	1,850,872	497,113	310,966	16.8%
Parks & Recreation	1,413,501	1,413,501	252,048	300,631	21.3%
License, Permit & Zoning	2,924,101	3,056,101	897,696	1,014,374	33.2%
Municipal Court	192,895	192,895	61,942	24,946	12.9%
Miscellaneous Revenue	250,333	250,333	111,483	69,895	27.9%
Interest Earnings	10,828	10,828	487,841	557,534	5149.0%
Interfund Transfers	0	0	0	0	N/A
<b>Total Revenues</b>	<b>\$ 33,725,209</b>	<b>\$ 33,994,709</b>	<b>\$ 7,384,493</b>	<b>\$ 6,080,686</b>	<b>17.9%</b>
Beginning Fund Balance	2,495,149	5,055,980	0	0	0.0%
<b>Total Resources</b>	<b>\$ 36,220,358</b>	<b>\$ 39,050,689</b>	<b>\$ 7,384,493</b>	<b>\$ 6,080,686</b>	<b>15.6%</b>

**Property Tax** is at 7.5 percent of the budget at the end of March. This reflects the annual timing of property tax payments to the City which typically occur in April and October.

**General Sales Tax** is 21.1 percent of the adopted budget through the first 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 Q1 2024. It is expected 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 through February and March for 2023 and 2024.

Business Sector	FEB & MAR 2023	FEB & MAR 2024	Increase / (Decrease)	% of Total		
				2023	2024	Sector Totals Change
Construction	\$403	\$361	(\$42)	43.2%	35.4%	-7.8%
Retail & Wholesale Trade	\$259	\$349	\$90	27.7%	34.2%	6.5%
All Other Sectors	\$77	\$92	\$15	8.2%	9.0%	0.8%
Admin & Support Services	\$69	\$84	\$14	7.4%	8.2%	0.8%
Food Services	\$40	\$46	\$6	4.3%	4.5%	0.2%
Professional, Scientific & Tech	\$33	\$32	(\$1)	3.5%	3.1%	-0.4%
Finance/Insurance/Real Estate	\$31	\$31	\$1	3.3%	3.1%	-0.2%
Telecommunications	\$22	\$25	\$4	2.3%	2.5%	0.2%
<b>Total</b>	<b>\$934</b>	<b>\$1,020</b>	<b>\$87</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 20.3 percent of the adopted budget at the end of March. 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 throughout 2023 although the rate of growth has slowed in 2024 as higher interest rates continue to impact consumer behavior.

**Utility Taxes** are 20.2 percent of budget at the end of the first quarter. This revenue category is impacted by the change to cash basis reporting. Reporting and remittance of utility taxes are typically delayed by one month. For private utilities reporting on a quarterly basis (e.g., cable and garbage), first quarter tax payments are received in April resulting in zero revenue reported in the first quarter. It is expected that in year-to-year comparisons for this revenue category the 2024 revenue will remain lower than in prior years due to the change in accounting practice.

**Business & Occupation (B&O) Tax** is 54.0 percent of budget at the end of the first 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 3.6 percent of the budget through the end of March. 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 Q1 2024. It is expected that year-to-year comparisons for this revenue category in 2024 will remain lower than 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 16.8 percent of budget at the end of March. 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 21.3 percent of budget at the end of March. 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 \$56 thousand and \$13 thousand respectively.

**License, Permit, and Zoning Fees** are 33.2 percent of budget at the end of the first 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 have continued into 2024.

**Municipal Court** revenues are 12.9 percent of budget through the end of March. Revenues in this category are impacted by the transition to cash basis. March revenues are received in April and under cash basis accounting, will be reported in the second quarter. In addition, total revenues have decreased compared to the prior year due to the volume of case filings declining through the first quarter, from 475 in 2023 to 269 in 2024. Case filings in the first quarter of 2024, however, are above those observed in the first quarter 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 prior the prior period, from 4.77 percent in March of 2023 to 5.43 percent at the end of March 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 has 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 March.

## Expenditures

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

### GENERAL FUND: Expenditures

As of March 31, 2024

General Fund Department	2024 Adopted Budget	2024 Amended Budget	Prior YTD 3/31/2023	YTD 3/31/2024	YTD Expense as % of Amended Budget
Administrative Services	\$ 483,807	\$ 483,807	\$ 141,862	\$ 113,329	23.4%
City Attorney's Office	988,464	988,464	240,147	181,910	18.4%
City Council	55,404	55,404	25,026	10,912	19.7%
City Manager's Office	1,158,166	1,158,166	212,893	233,184	20.1%
Community Planning & Development	3,411,393	3,680,893	707,536	727,866	19.8%
Finance	1,410,476	1,410,476	264,415	265,319	18.8%
Fire	7,898,317	8,616,220	2,007,138	2,804,276	32.5%
Human Resources	861,493	861,493	153,489	166,643	19.3%
Information & Geographic Services	194,981	194,981	45,874	47,514	24.4%
Municipal Court	549,259	549,259	106,825	91,558	16.7%
Non-Departmental	2,323,526	4,166,454	1,648,328	1,475,135	35.4%
Parks & Recreation	2,217,919	2,217,919	401,154	479,235	21.6%
Police	8,978,307	8,978,307	2,106,903	2,233,368	24.9%
Public Works	5,353,668	5,353,668	914,804	995,972	18.6%
<b>Total Expenditures</b>	<b>\$ 35,885,180</b>	<b>\$ 38,715,511</b>	<b>\$ 8,976,396</b>	<b>\$ 9,826,222</b>	<b>25.4%</b>
Interfund Transfers	335,178	335,178	217,971	25,074	7.5%
<b>Total Expenditures + Interfund Transfers</b>	<b>\$ 36,220,358</b>	<b>\$ 39,050,689</b>	<b>\$ 9,194,366</b>	<b>\$ 9,851,296</b>	<b>25.2%</b>

In reviewing expenditures by department, the following are noteworthy:

**Fire** department expenditures are 32.5 percent of budget at the end of March. This reflects payment of transition costs to represented Fire staff, while other expenditures are within budget.

**Non-Departmental** expenditures ended March at 35.4 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 are expected to remain within budget throughout the remainder of the year.

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

## UTILITY FUNDS

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

#### UTILITY FUNDS: Revenues

As of March 31, 2024

Revenue Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 3/31/23	YTD 3/31/24	YTD Revenue as % of Amended Budget
<b>Operating Revenues</b>					
Water Utility	\$ 11,695,463	\$ 11,695,463	\$ 1,953,734	\$ 2,189,187	18.7%
Sewer Utility	12,022,731	12,022,731	3,023,500	3,133,668	26.1%
Storm Water Utility	2,716,585	2,716,585	671,006	711,271	26.2%
<b>Interest Earnings</b>					
Water Utility	87,729	87,729	216,267	202,736	231.1%
Sewer Utility	38,881	38,881	113,996	129,835	333.9%
Storm Water Utility	21,422	21,422	52,012	64,762	302.3%
<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>\$ 6,030,514</b>	<b>\$ 6,431,458</b>	<b>24.2%</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 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 March.

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

## Expenditures

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

### UTILITY FUNDS: Expenditures

As of March 31, 2024

Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 3/31/23	YTD 3/31/24	YTD Expense as % of Amended Budget
<b>Operating Expenditures</b>					
Water Utility	\$ 6,884,883	\$ 6,884,883	\$ 1,212,868	\$ 1,345,204	19.5%
Sewer Utility	8,893,670	8,893,670	1,967,628	2,074,507	23.3%
Storm Water Utility	2,276,786	2,276,786	438,293	411,196	18.1%
<b>Capital Projects</b>					
Water Utility	12,272,064	13,347,064	646,017	2,594,907	19.4%
Sewer Utility	3,753,377	3,753,377	267,028	378,276	10.1%
Storm Water Utility	1,399,235	1,399,235	59,562	73,088	5.2%
<b>Debt Service</b>					
Water Utility	1,581,973	1,581,973	-	-	0.0%
Sewer Utility	1,031,829	1,031,829	-	-	0.0%
Storm Water Utility	-	-	-	-	N/A
<b>Total Expenditures</b>	<b>\$ 38,093,817</b>	<b>\$ 39,168,817</b>	<b>\$ 4,591,396</b>	<b>\$ 6,877,179</b>	<b>18%</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 first quarter. The Water Utility debt service expenditures are blank 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 beginning of 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](#)). Work on this \$7 M 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 at the end of Q3 2024. Work on data collector stations is ongoing. 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 of 2023, 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.



## ALL OTHER FUNDS

### Revenues

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

#### ALL OTHER FUNDS: Revenues

As of March 31, 2024

Fund Name	2024 Adopted Budget	2024 Amended Budget	Prior YTD 3/31/2023	YTD 3/31/2024	YTD Revenue as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Street	5,998,008	5,998,008	462,696	1,353,245	22.6%
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	471,018	523,779	15.1%
ARPA	-	2,403,517	-	-	0.0%
Capital Improvement	10,929,288	11,079,288	400,235	339,835	3.1%
Technology & Equipment	268,000	268,000	70,000	-	0.0%
Equipment Rental	1,505,420	1,505,420	278,419	278,513	18.5%
Computer Equipment	1,305,536	1,305,536	317,661	327,932	25.1%
Firefighter's Pension	68,210	68,210	11,641	13,598	19.9%

**Street Fund** revenues are 22.6 percent of budget at the end of March. 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.

This revenue category 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 Q1 2024. It is expected that in year-to-year comparisons for this revenue category in 2024 will remain lower than prior years due to the change in accounting practice. A total of \$1.0 million of Sound Transit Mitigation reimbursements were received by the end of March.

As for REET, property sales recorded in February and March of 2024 were down four 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.

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 and has maintained that target level through the first quarter of 2024.

**Youth & Family Services** revenues ended March at 15.1 percent of the amended budget. Thrift shop revenues are up \$69.6 thousand in fiscal year 2024 relative to the same period of the prior year. Other revenues are within budget expectations through the first quarter.

**Capital Improvement Fund** revenues are 3.1 percent of budget at the end of the first quarter. Similar to the Street Fund, the Capital Improvement Fund's primary revenue source is REET. 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 2.7 percent has been collected to date.

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

## Expenditures

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

### ALL OTHER FUNDS: Expenditures

As of March 31, 2024

Fund Name	2024 Adopted Budget	2024 Amended Budget	Prior YTD 3/31/2023	YTD 3/31/2024	YTD Expense as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Street	9,658,917	9,713,917	669,397	353,277	3.6%
1% for the Arts	15,000	15,000	1,350	513	3.4%
Youth & Family Services	3,368,606	3,511,053	741,282	755,266	21.5%
ARPA	2,807,243	3,951,743	42,047	234,975	5.9%
Bond Redemption (Non-Voted)	5,038	5,038	-	-	0.0%
Capital Improvement	11,121,741	11,301,741	286,930	869,180	7.7%
Technology & Equipment	145,250	145,250	192,223	100,708	69.3%
Equipment Rental	1,377,116	1,349,664	280,927	441,505	32.7%
Computer Equipment	1,316,488	1,316,488	429,119	517,334	39.3%
Firefighter's Pension	103,000	103,000	28,448	43,397	42.1%

**Street Fund:** Total expenditures are 3.6 percent of budget at the end of March. Operating expenditures are within budget expectations. This level of expenditure at the beginning of a fiscal year is commonplace given many capital projects are underway, resulting in notable expenditures in the latter half of 2024. Capital project updates include the following:

The **80<sup>th</sup> Avenue Sidewalk Improvements** will consist of replacing sidewalks along the east side of 80<sup>th</sup> Avenue from SE 27<sup>th</sup> Street to SE 32<sup>nd</sup> 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 80<sup>th</sup> Avenue and a small area of sidewalk in the 3000 block of 78<sup>th</sup> Avenue will be rebuilt. Design work was 90 percent complete in December 2023, with construction expected to begin in Q3 2024.

**ARPA Fund:** Total expenditures are 5.9 percent of budget at the end of the first 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 March.

**Capital Improvement Fund** expenditures ended the year at 7.7 percent of budget. This level of expenditure at the beginning of a fiscal year is commonplace given many capital projects are 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 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.

**Technology & Equipment Fund:** Total expenditures are 69.3 percent of budget at the end of March. This higher than anticipated percentage of budget spent includes two projects, the new financial software implementation and Fire self-contained breathing apparatus equipment, that have budget remaining from FY 2023 that has not yet been carried over into the current fiscal year. All expenditures in this fund are within budget expectations.

**Equipment Rental Fund** expenditures ended March at 32.7 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 is holding onto current fleet assets for longer, resulting in lower-than-expected replacement 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 42.1 percent of budget at the end of March. 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 is seeking a budget appropriation to address the increased expenditure cost as part of the Q1 2024 Financial Status Update.

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

Two summary listings of the originally adopted 2023-2024 Budget (expenditures only), broken down by year, and amendments adopted by Ordinance through May 7, 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		440,209	676,090	159,525	1,109,176		37,181,307
Self-Insurance	10,000							10,000
Youth Services Endowment	-							-
<b>Special Revenue Funds:</b>								
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
<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		571,905			(760,000)		10,476,309
Technology & Equipment*	495,186		708,140					1,203,326
Capital Reserve*	-							-
<b>Enterprise Funds:</b>								
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
<b>Internal Service Funds:</b>								
Equipment Rental*	1,610,914	27,452	596,861		145,750			2,380,977
Computer Equipment*	1,155,078							1,155,078
<b>Trust Funds:</b>								
Firefighter's Pension	100,000							100,000
<b>Total</b>	<b>98,799,975</b>	<b>27,452</b>	<b>14,890,973</b>	<b>3,454,994</b>	<b>1,114,000</b>	<b>(415,824)</b>	<b>-</b>	<b>117,871,570</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 Q1 FSU	ORD 23-12 Q2 FSU	ORD 23-20 Q3 FSU	ORD 24-04 Q4 FSU			
<b>General Purpose Funds:</b>									
General	36,220,358		1,587,500	132,000	1,035,831	75,000			39,050,689
Self-Insurance	10,000								10,000
Youth Services Endowment	-								-
<b>Special Revenue Funds:</b>									
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
<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				180,000	152,561			11,454,302
Technology & Equipment*	145,250								145,250
Capital Reserve*	-								-
<b>Enterprise Funds:</b>									
Water*	20,738,920					1,075,000			21,813,920
Sewer*	13,678,876								13,678,876
Stormwater*	3,676,021								3,676,021
<b>Internal Service Funds:</b>									
Equipment Rental*	1,377,116	(27,452)							1,349,664
Computer Equipment*	1,316,488								1,316,488
<b>Trust Funds:</b>									
Firefighter's Pension	103,000								103,000
<b>Total</b>	<b>102,689,310</b>	<b>(27,452)</b>	<b>1,587,500</b>	<b>781,500</b>	<b>1,908,278</b>	<b>1,302,561</b>	<b>-</b>	<b>-</b>	<b>108,241,697</b>

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