

## 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 2025. 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 2025.

### Accounting Procedure Change in 2024

As of January 1, 2024, the City updated its accounting procedures to transition from Generally Accepted Accounting Practices (GAAP) full accrual financial 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, creating one-time impacts in how financial information is reported in 2024 relative to prior years.

In 2025, this change in accounting procedure only affects comparisons to the prior fiscal year. Revenues where this year-over-year comparison is apparent include State shared revenues (e.g., 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 18, 2025**

## FINANCIAL STATUS UPDATE

**SEPTEMBER 30, 2025**

### 2025 General Fund

#### REVENUES

*\$ in millions*

|                            |        |
|----------------------------|--------|
| <b>Adopted Budget</b>      | \$37.8 |
| <b>Amended Budget</b>      | 42.9   |
| <b>Actuals as of 9/30*</b> | 26.7   |

*\*71.5% of Amended Budget  
excluding appropriated fund balance*

#### EXPENDITURES

*\$ in millions*

|                            |        |
|----------------------------|--------|
| <b>Adopted Budget</b>      | \$37.2 |
| <b>Amended Budget</b>      | 42.4   |
| <b>Actuals as of 9/30*</b> | 33.3   |

*\*78.5% of Amended Budget*

#### Contingency Fund Balance

*\$4.9 million*

## GENERAL FUND

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### Revenues

Overall, General Fund revenues were on track with budget expectations through the third quarter of the year. The 2025 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 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, 2025

| Revenue Category             | 2025 Adopted Budget  | 2025 Amended Budget  | Prior YTD 9/30/2024  | YTD 9/30/2025        | YTD Revenue as % of Amended Budget |
|------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------------------|
| Property Tax                 | \$ 13,960,148        | \$ 13,960,148        | \$ 7,756,048         | \$ 7,845,803         | 56.2%                              |
| Sales Tax - General          | 6,659,111            | 6,659,111            | 4,169,162            | 5,119,826            | 76.9%                              |
| Sales Tax - Criminal Justice | 979,734              | 979,734              | 611,845              | 687,234              | 70.1%                              |
| Utility Taxes                | 4,983,774            | 4,983,774            | 3,187,420            | 3,735,906            | 75.0%                              |
| B&O Taxes                    | 748,495              | 748,495              | 814,285              | 1,187,766            | 158.7%                             |
| Shared Revenues              | 1,581,950            | 1,641,950            | 964,999              | 1,229,101            | 74.9%                              |
| Cost Allocation-Overhead     | 2,411,870            | 2,411,870            | 828,124              | 1,808,903            | 75.0%                              |
| EMS Revenues                 | 2,113,511            | 2,113,511            | 1,191,390            | 1,293,451            | 61.2%                              |
| Parks & Recreation           | 1,412,500            | 1,412,500            | 1,120,558            | 1,531,216            | 108.4%                             |
| License, Permit & Zoning     | 638,541              | 638,541              | 3,581,087            | 527,882              | 82.7%                              |
| Municipal Court              | 175,000              | 175,000              | 117,277              | 151,004              | 86.3%                              |
| Miscellaneous Revenue        | 311,456              | 311,456              | 297,534              | 335,311              | 107.7%                             |
| Interest Earnings            | 1,402,500            | 1,402,500            | 1,801,019            | 1,307,646            | 93.2%                              |
| Interfund Transfers          | 0                    | 0                    | 0                    | 0                    | N/A                                |
| <b>Total Revenues</b>        | <b>\$ 37,378,590</b> | <b>\$ 37,438,590</b> | <b>\$ 26,440,748</b> | <b>\$ 26,761,049</b> | <b>71.5%</b>                       |
| Appropriated Fund Balance    | 391,273              | 5,559,930            | 0                    | 0                    | 0.0%                               |
| <b>Total Resources</b>       | <b>\$ 37,769,863</b> | <b>\$ 42,998,520</b> | <b>\$ 26,440,748</b> | <b>\$ 26,761,049</b> | <b>62.2%</b>                       |

**Property Tax** is 56.2 percent of the budget at the end of September. This revenue is on track with historical expectations.

**General Sales Tax** is 76.9 percent of the adopted budget through the end of September. Fiscal year 2024 totals were impacted by the change to cash basis reporting. This revenue category is within budget expectations in 2025.

Construction has historically been the largest component of sales tax revenue and has outperformed the Retail & Wholesale Trade sector in both 2024 and 2025. Retail & Wholesale trade is down in 2025 compared to the previous year, while construction has increased and maintains its place as the top performing business sector. Sales tax revenues have been strong through the third quarter of 2025. The following table compares Sales Tax revenue by business sector from February through September for 2024 and 2025.

| Business Sector                 | 2024-2025 General Sales Tax Revenue by Business Sector (\$ in thousands) |                      |                          |               |               |                         |
|---------------------------------|--|----------------------|--------------------------|---------------|---------------|-------------------------|
|                                 | FEB thru SEP<br>2024   | FEB thru SEP<br>2025 | Increase /<br>(Decrease) | % of Total    |               |                         |
|                                 |  |                      |                          | 2024          | 2025          | Sector Totals<br>Change |
| Construction                    | \$1,601  | \$1,889              | \$288                    | 38.4%         | 41.5%         | 3.1%                    |
| Retail & Wholesale Trade        | \$1,278  | \$1,269              | (\$9)                    | 30.7%         | 27.9%         | -2.8%                   |
| All Other Sectors               | \$367  | \$391                | \$24                     | 8.8%          | 8.6%          | -0.2%                   |
| Admin & Support Services        | \$351  | \$370                | \$19                     | 8.4%          | 8.1%          | -0.3%                   |
| Food Services                   | \$198  | \$233                | \$35                     | 4.7%          | 5.1%          | 0.4%                    |
| Professional, Scientific & Tech | \$148  | \$150                | \$2                      | 3.5%          | 3.3%          | -0.2%                   |
| Finance/Insurance/Real Estate   | \$123  | \$132                | \$9                      | 2.9%          | 2.9%          | -0.1%                   |
| Telecommunications              | \$104  | \$116                | \$12                     | 2.5%          | 2.5%          | 0.1%                    |
| <b>Total</b>                    | <b>\$4,169</b>   | <b>\$4,549</b>       | <b>\$380</b>             | <b>100.0%</b> | <b>100.0%</b> |                         |

\*For comparison sake the table excludes January for 2024 and 2025 due to the change in accounting procedures.

**Criminal Justice Sales Tax** is 70.1 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 up through the first half of 2025 by 2.8 percent compared to the prior fiscal year.

**Utility Taxes** are 75.0 percent of budget at the end of September. Fiscal year 2024 totals were impacted by the change to cash basis reporting and the delay in both monthly and quarterly (e.g., cable and garbage) utility tax remittances. In 2025 this revenue category is performing with historical trends.

**Business & Occupation (B&O) Tax** is 158.7 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 exceeds budget expectations.

**Shared Revenues** are 74.9 percent of the budget through the end of third quarter. 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. In 2025, this revenue category is performing with historical trends.

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 partner 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 received in the third and fourth quarters of the year.

**EMS Revenues** are 61.2 percent of budget at the end of September. Revenues in this line are below budget expectations due to an update to the City's agreement with Eastside Fire & Rescue (EF&R). Ambulance Transport fees that used to be received as a direct revenue are now being collected by EF&R on behalf of the City, less an administrative fee. The revenue is then credited against the City's contract with EF&R for services. As a result, revenues are expected to remain below budget expectations throughout the year.

**Parks and Recreation** revenues are 108.4 percent of budget at the end of the third quarter. 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 and the Field Use rentals, which are up \$50 thousand and \$215 thousand respectively compared to the prior year.

**License, Permit, and Zoning Fees** are 82.7 percent of budget at the end of September. This revenue category consists of fees related to business licenses and a cable franchise. This revenue is performing within budget expectations.

This revenue category historically included fees related to development services. During the 2025-2026 biennial budget process, the City Council directed staff to establish a fund for all Community Planning & Development (CPD) revenue and expenditures. Analysis regarding the new Development Services Fund is included in the "All Other Funds" section of the quarterly status update.

**Municipal Court** revenues are performing within budget expectations, ending the third quarter at 86.3 percent of budget. Revenues for 2024 in this category were impacted by the transition to cash basis. Total revenues in 2025 increased compared to the prior year partially due to the transition to cash basis, but also as a result of higher case filings.

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

Revenues are performing above budget expectations, ending in the third quarter at 93.2 percent of budget. However, revenues are lower than the prior year due to lower idle cash reserves and interest rates tracking lower than the same period in the prior year.

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

## Expenditures

Overall, General Fund expenditures are within budget estimates at the end of September. The table below lists the 2025 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, January through the end of September. Additional details of material variances from the amended budget are discussed in the narrative below.

### GENERAL FUND: Expenditures

As of September 30, 2025

| General Fund Department                         | 2025 Adopted Budget  | 2025 Amended Budget  | Prior YTD 9/30/2024  | YTD 9/30/2025        | YTD Expense as % of Amended Budget |
|---|----------------------|----------------------|----------------------|----------------------|------------------------------------|
| Administrative Services*                        | \$ 1,203,941         | \$ 1,354,941         | \$ 352,443           | \$ 854,814           | 63.1%                              |
| City Attorney's Office                          | 1,078,131            | 1,078,131            | 669,698              | 983,699              | 91.2%                              |
| City Council                                    | 60,626               | 60,626               | 42,144               | 38,273               | 63.1%                              |
| City Manager's Office*                          | 756,734              | 756,734              | 945,561              | 628,405              | 83.0%                              |
| Finance   | 1,502,600            | 1,502,600            | 927,331              | 956,995              | 63.7%                              |
| Fire  | 8,851,380            | 8,851,380            | 6,969,550            | 6,880,242            | 77.7%                              |
| Human Resources                                 | 874,188              | 874,188              | 607,412              | 550,461              | 63.0%                              |
| Information & Geographic Services               | 203,983              | 203,983              | 133,917              | 137,075              | 67.2%                              |
| Municipal Court                                 | 694,875              | 694,875              | 310,384              | 475,729              | 68.5%                              |
| Non-Departmental                                | 2,530,711            | 2,530,711            | 2,007,588            | 1,982,440            | 78.3%                              |
| Parks & Recreation                              | 2,313,817            | 2,313,817            | 1,589,810            | 1,629,530            | 70.4%                              |
| Police  | 9,491,752            | 9,506,752            | 6,913,950            | 7,672,168            | 80.7%                              |
| Public Works                                    | 5,799,178            | 5,859,178            | 3,703,552            | 4,639,828            | 79.2%                              |
| <b>Total Expenditures</b>                       | <b>\$ 35,361,916</b> | <b>\$ 35,587,916</b> | <b>\$ 27,536,900</b> | <b>\$ 27,429,660</b> | <b>77.1%</b>                       |
| Interfund Transfers                             | 1,871,823            | 6,874,480            | 3,843,252            | 5,894,805            | 85.7%                              |
| <b>Total Expenditures + Interfund Transfers</b> | <b>\$ 37,233,739</b> | <b>\$ 42,462,396</b> | <b>\$ 31,380,152</b> | <b>\$ 33,324,464</b> | <b>78.5%</b>                       |

\*-With the change of enterprise-wide financial software in 2025, a handful of divisions were reclassified to another department.

In reviewing expenditures by department, the following are noteworthy:

The **City Attorney's Office** expenditures ended the third quarter at 91.2 percent of budget which is related to ongoing legal matters. Other budgeted operating expenditures are within expectations.

**Fire** department expenditures are 77.7 percent of budget at the end of September. This reflects the third of three payments for the one-time transition costs to represented Fire staff in the first quarter of the fiscal year. All other expenditures are within budget.

**Non-Departmental** expenditures ended September at 78.3 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 year.

**Police** department expenditures are 80.7 percent of budget at the end of September. This is due to higher than anticipated overtime costs within the Patrol division. Other operating expenditures are performing within historical expectations.

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

## UTILITY FUNDS

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

### Revenues

The table below lists the 2025 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 include January 1 through September 30, 2025. Additional detail regarding major variances is discussed in the narrative following the table.

**UTILITY FUNDS: Revenues**

As of September 30, 2025

| Revenue Category                 | 2025 Adopted Budget  | 2025 Amended Budget  | Prior YTD 9/30/2024  | YTD 9/30/2025        | YTD Revenue as % of Amended Budget |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------------------|
| <b>Operating Revenues</b>        |                      |                      |                      |                      |                                    |
| Water Utility                    | \$ 12,596,569        | \$ 12,596,569        | \$ 9,149,148         | \$ 10,932,966        | 86.8%                              |
| Sewer Utility                    | 12,636,827           | 12,636,827           | 9,419,614            | 9,656,869            | 76.4%                              |
| Storm Water Utility              | 2,999,045            | 3,049,045            | 2,042,170            | 2,378,731            | 79.3%                              |
| <b>Interest Earnings</b>         |                      |                      |                      |                      |                                    |
| Water Utility                    | 712,250              | 712,250              | 613,128              | 1,156,914            | 162.4%                             |
| Sewer Utility                    | 181,615              | 181,615              | 403,854              | 326,584              | 179.8%                             |
| Storm Water Utility              | 115,883              | 115,883              | 195,762              | 179,698              | 155.1%                             |
| <b>Proceeds of Debt Issuance</b> |                      |                      |                      |                      |                                    |
| Water Utility                    | -                    | -                    | -                    | -                    | N/A                                |
| Sewer Utility                    | -                    | -                    | -                    | -                    | N/A                                |
| Storm Water Utility              | -                    | -                    | -                    | -                    | N/A                                |
| <b>Total Revenues</b>            | <b>\$ 29,242,189</b> | <b>\$ 29,292,189</b> | <b>\$ 21,823,675</b> | <b>\$ 24,631,762</b> | <b>84.1%</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, 2025, result in dollar increases as compared to fiscal year 2024 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 held a relatively consistent yield throughout the third quarter of 2025, ranging from 4.60 percent at the beginning of January to 4.29 percent through the end of September.

## Expenditures

The table below lists the 2025 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, 2025

| Category                      | 2025 Adopted Budget  | 2025 Amended Budget  | Prior YTD 9/30/24    | YTD 9/30/25          | YTD Expense as % of Amended Budget |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------------------|
| <b>Operating Expenditures</b> |                      |                      |                      |                      |                                    |
| Water Utility                 | \$ 7,206,789         | \$ 7,206,789         | \$ 4,061,341         | \$ 5,075,124         | 70.4%                              |
| Sewer Utility                 | 9,589,207            | 9,589,207            | 6,234,735            | 7,225,001            | 75.3%                              |
| Storm Water Utility           | 2,436,253            | 2,486,253            | 1,316,358            | 1,546,929            | 62.2%                              |
| <b>Capital Projects</b>       |                      |                      |                      |                      |                                    |
| Water Utility                 | 13,326,729           | 24,427,338           | 8,921,864            | 9,596,348            | 39.3%                              |
| Sewer Utility                 | 4,478,584            | 7,826,242            | 1,109,310            | 1,849,334            | 23.6%                              |
| Storm Water Utility           | 2,413,497            | 2,645,902            | 455,505              | 457,160              | 17.3%                              |
| <b>Debt Service</b>           |                      |                      |                      |                      |                                    |
| Water Utility                 | 2,426,562            | 2,426,562            | 15,338               | 913,676              | 37.7%                              |
| Sewer Utility                 | 1,028,615            | 1,028,615            | 455,314              | 442,700              | 43.0%                              |
| Storm Water Utility           | -                    | -                    | -                    | -                    | N/A                                |
| <b>Total Expenditures</b>     | <b>\$ 42,906,236</b> | <b>\$ 57,636,908</b> | <b>\$ 22,569,765</b> | <b>\$ 27,106,273</b> | <b>47%</b>                         |

Expenditures in the Storm Water and Sewer Utility funds are within expectations at the end of the third quarter. Operating expenditures in the Water Utility appear underspent due to lower than anticipated costs relating to water purchased for resale. This can be attributed to the volatility that weather can bring to the seasonality of the utilities.

Through the end of the third quarter, multiple large capital improvement projects are either in the design phase or continuing construction. Staff is prioritizing work in the Water Utility to spend down time limited revenues related to the limited tax general obligation bond issuance for the Water Utility in the fall of 2024. Capital project details can be found in the 2025-2026 Capital Improvement Program Update ([AB 6790](#)) presented by Public Works staff at the October 21, 2025 City Council meeting.

## ALL OTHER FUNDS

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### Revenues

The table below lists the 2025 amended revenue budget, third quarter actuals, and the 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, 2025

| Fund Name                      | 2025 Adopted Budget | 2025 Amended Budget | Prior YTD 9/30/2024 | YTD 9/30/2025 | YTD Revenue as % of Amended Budget |
|--------------------------------|---------------------|---------------------|---------------------|---------------|------------------------------------|
| Self Insurance Claim           | \$ 10,000           | \$ 10,000           | \$ -                | \$ -          | N/A                                |
| Street                         | 5,495,896           | 6,951,202           | 3,467,917           | 5,066,984     | 72.9%                              |
| Contingency                    | -                   | -                   | 65,712              | -             | N/A                                |
| 1% for the Arts                | 15,000              | 32,000              | -                   | -             | 0.0%                               |
| Youth & Family Services        | 3,876,503           | 3,876,503           | 2,192,585           | 2,248,026     | 58.0%                              |
| ARPA                           | -                   | -                   | 721,567             | -             | N/A                                |
| Development Services           | 4,200,890           | 4,200,890           | 3,279,292           | 5,249,489     | 125.0%                             |
| Town Center Parking Facilities | -                   | 744,082             | 35,489              | -             | N/A                                |
| Capital Improvement            | 10,883,279          | 15,919,390          | 7,442,244           | 3,446,865     | 21.7%                              |
| Technology & Equipment         | 650,000             | 852,208             | 210,000             | 415,000       | 48.7%                              |
| Municipal Facility Replacement | 168,773             | 10,033,773          | 3,400,000           | 5,885,965     | 58.7%                              |
| Equipment Rental               | 3,355,378           | 3,610,915           | 1,250,620           | 794,811       | 22.0%                              |
| Computer Equipment             | 1,705,225           | 1,705,225           | 1,007,373           | 1,114,297     | 65.3%                              |
| Firefighter's Pension          | 137,000             | 137,000             | 94,118              | 93,535        | 68.3%                              |

**Street Fund** revenues are 72.9 percent of budget at the end of September. The primary revenue sources in the Street Fund for fiscal year 2025 are Real Estate Excise Tax (REET) and expected reimbursements from the 2017 Sound Transit Settlement Agreement. Just over \$3.0 million of Sound Transit Mitigation reimbursements has been received through September. All remaining funds from the settlement agreement are on track to be reimbursed to the City prior to December 2025.

The Street Fund is impacted by the change to cash basis reporting for comparison purposes. REET revenue is on par with 2024 for the same period, but is underperforming compared to recent historical trends. Year-over-year comparisons indicate 2025 revenues will remain lower than prior years due to a sluggish real estate market on the Island.

Property sales recorded in February through September of 2025 were down 8 sales when compared to the same period in 2024. The property sales recorded for both 2024 and 2025 fall well below the 10-year historical average. It is worth noting that the average property sale price in FY 2025 has also decreased when compared to 2024 by nearly \$75 thousand, which is the primary driver of the decline seen in total REET revenues between 2024 and through September 2025.

**Development Services Fund** revenues are 125.0 percent of budget at the end of September. This is primarily due to a one-time transfer of restricted fund balance from the General Fund to the Development

Services Fund operating reserve that included deferred development fee revenue tied to ongoing permit projects at the turn of the fiscal year and prior year resources generated by CPD that are restricted to permit-related services. If the one-time transfer is ignored, revenues related to permitting activity are overperforming expectations at 104.0 percent of budget. This is primarily due to an increase in permitting activity in 2025 compared to historical expectations.

**Youth & Family Services** revenues ended September at 58.0 percent of the amended budget. This is primarily due to a slowdown in Thrift Shop revenues and counseling services. An agreement with the Boys & Girl Club Organization to fund a counselor position was terminated based on a mutual agreement between both parties, resulting in no service costs being incurred or recouped this biennium. Thrift shop revenues are down \$28 thousand in fiscal year 2025 relative to the prior year due to the closure of the Thrift Shop this spring to address safety improvements to the building. Other revenues are within budget expectations.

**Capital Improvement Fund** revenues are 21.7 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 the remainder of FY 2025 and beyond.

In addition, the budget for revenues in 2025 includes \$3.6 million in State Grant funding, of which 22.6 percent has been collected to date. Staff intend to submit for reimbursement for these available funds as project milestones are met. As an example, reimbursement for grants related to the Luther Burbank Dock & Waterfront Improvements project will occur once the waterfront design is complete (Q4 2025) and after construction is complete (Q4 2026).

**Firefighter's Pension Fund** revenues are 68.3 percent of budget at the end of September. Investment interest earnings are similar when compared to 2024. This decrease in interest earnings comes as local government investment pool yields have remained consistent, although slightly fell through the first nine months of 2025 relative to the same period in the prior year.

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

## **Expenditures**

The table below lists the 2025 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, 2025

| Fund Name                      | 2025 Adopted Budget | 2025 Amended Budget | Prior YTD 9/30/2024 | YTD 9/30/2025 | YTD Expense as % of Amended Budget |
|--------------------------------|---------------------|---------------------|---------------------|---------------|------------------------------------|
| Self Insurance Claim           | \$ 10,000           | \$ 10,000           | \$ -                | \$ -          | N/A                                |
| Street                         | 5,495,896           | 6,951,202           | 6,319,959           | 4,281,288     | 61.6%                              |
| Contingency                    | -                   | -                   | -                   | -             | N/A                                |
| 1% for the Arts                | 15,000              | 32,000              | 25,273              | 14,729        | 46.0%                              |
| Youth & Family Services        | 3,876,503           | 3,876,503           | 2,429,344           | 2,459,997     | 63.5%                              |
| ARPA                           | -                   | -                   | 2,100,083           | -             | N/A                                |
| Development Services           | 4,104,376           | 4,104,376           | 2,363,560           | 2,811,537     | 68.5%                              |
| Town Center Parking Facilities | -                   | 744,082             | -                   | 744,082       | 100.0%                             |
| Capital Improvement            | 10,883,279          | 15,919,390          | 5,400,041           | 6,231,142     | 39.1%                              |
| Technology & Equipment         | 493,000             | 695,208             | 197,687             | 121,694       | 17.5%                              |
| Municipal Facility Replacement | -                   | 9,865,000           | -                   | 9,412,097     | 95.4%                              |
| Equipment Rental               | 2,536,727           | 2,792,264           | 1,462,780           | 1,595,252     | 57.1%                              |
| Computer Equipment             | 1,463,979           | 1,463,979           | 1,054,142           | 1,027,331     | 70.2%                              |
| Firefighter's Pension          | 137,000             | 137,000             | 108,492             | 75,089        | 54.8%                              |

**Street Fund:** Total expenditures are 61.6 percent of budget at the end of the third quarter. 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 half of the year.

**Town Center Parking Facilities Fund** expenditures ended September at 100.0 percent of amended budget. This expenditure represents a Council authorized appropriation of remaining general purpose resources used in the one-time purchase of the building located at 9655 SE 36<sup>th</sup> Street ([AB 6738](#)). The Town Center Parking Facilities Fund included financial resources for the acquisition or construction of capital facilities. Acquisition of the 9655 Building qualified as an eligible use of the available unassigned resources.

**Capital Improvement Fund** expenditures ended September at 39.1 percent of budget. This level of expenditure for capital projects is commonplace given how many capital projects are currently underway. Expenditures are \$831 thousand more compared to 2024, reflecting staff's aggressive focus on tackling significant capital reinvestments. Capital project details can be found in the 2025-2026 Capital Improvement Program Update ([AB 6790](#)) presented by Public Works staff at the October 21, 2025 City Council meeting.

**Technology & Equipment Fund:** Total expenditures are 17.5 percent of budget at the end of September. This level of expenditure falls within historical expectations through the third quarter. Projects with notable expenditures through September this year include the Financial Software Implementation (currently on track) and Technology Equipment Replacement program, which has spending levels on track with budget expectations.

The **Municipal Facility Replacement Fund** ended the third quarter at 95.4% of amended budget. Expenditures to date are tied to design services related to the Public Safety and Maintenance Facility ([AB 6679](#)). Furthermore, in September Council authorized the appropriation of available fund balance in the

Municipal Facility Replacement Fund, along with interfund transfers from the Town Center Parking Facilities, Capital Improvement, and General Funds for the one-time purchase of the 9655 building ([AB 6738](#)).

**Equipment Rental Fund** expenditures ended September at 57.1 percent of budget. Expenditures in this fund consist of Honeywell Site Remediation costs and fleet services, including replacements. Funds are currently encumbered for fleet replacements but have yet to be expended until the new vehicles arrive.

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

Two summary listings of the originally adopted 2025-2026 Budget (expenditures only), broken down by year, and amendments adopted by Ordinance through September 16, 2025 are presented below.

| Fund Type / Fund Name           | Original 2025 Budget | 2025 Budget Adjustments             |                                     |                     |                     |          | Amended 2025 Budget |
|---------------------------------|----------------------|-------------------------------------|-------------------------------------|---------------------|---------------------|----------|---------------------|
|                                 |                      | Administrative Biennial Corrections | ORD 25-10<br>24 to 25 Carry forward | ORD 25-10<br>Q1 FSU | ORD 25-25<br>Q2 FSU | Q3 FSU   |                     |
| <b>General Purpose Funds:</b>   |                      |                                     |                                     |                     |                     |          |                     |
| General                         | 37,233,739           |                                     | 151,000                             | 1,760,299           | 3,317,358           |          | 42,462,396          |
| Self-Insurance                  | 10,000               |                                     |                                     |                     |                     |          | 10,000              |
| Youth Services Endowment        | -                    |                                     |                                     |                     |                     |          | -                   |
| <b>Special Revenue Funds:</b>   |                      |                                     |                                     |                     |                     |          |                     |
| Street*                         | 5,495,896            |                                     | 1,455,306                           |                     |                     |          | 6,951,202           |
| Contingency                     | -                    |                                     |                                     |                     |                     |          | -                   |
| 1% for the Arts                 | 15,000               |                                     | 17,000                              |                     |                     |          | 32,000              |
| Youth & Family Services         | 3,876,503            |                                     |                                     |                     |                     |          | 3,876,503           |
| Development Services            | 4,104,376            |                                     |                                     |                     |                     |          | 4,104,376           |
| <b>Debt Service Funds:</b>      |                      |                                     |                                     |                     |                     |          |                     |
| Bond Redemption (Voted)         | -                    |                                     |                                     |                     |                     |          | -                   |
| Bond Redemption (Non-Voted)     | -                    |                                     |                                     |                     |                     |          | -                   |
| <b>Capital Projects Funds:</b>  |                      |                                     |                                     |                     |                     |          |                     |
| Town Center Parking Facilities* | -                    |                                     |                                     | 744,082             |                     |          | 744,082             |
| Capital Improvement*            | 10,883,279           |                                     | 2,226,939                           | 1,138,420           | 1,670,752           |          | 15,919,390          |
| Technology & Equipment*         | 493,000              |                                     | 202,208                             |                     |                     |          | 695,208             |
| Facility Repl Reserve*          | -                    |                                     | 785,000                             | 9,080,000           |                     |          | 9,865,000           |
| <b>Enterprise Funds:</b>        |                      |                                     |                                     |                     |                     |          |                     |
| Water*                          | 22,960,080           |                                     | 10,411,104                          | 689,505             |                     |          | 34,060,689          |
| Sewer*                          | 15,096,406           |                                     | 3,347,658                           |                     |                     |          | 18,444,064          |
| Stormwater*                     | 4,849,750            |                                     | 282,405                             |                     |                     |          | 5,132,155           |
| <b>Internal Service Funds:</b>  |                      |                                     |                                     |                     |                     |          |                     |
| Equipment Rental*               | 2,536,727            |                                     | 195,537                             |                     | 60,000              |          | 2,792,264           |
| Computer Equipment*             | 1,463,979            |                                     |                                     |                     |                     |          | 1,463,979           |
| <b>Trust Funds:</b>             |                      |                                     |                                     |                     |                     |          |                     |
| Firefighter's Pension           | 137,000              |                                     |                                     |                     |                     |          | 137,000             |
| <b>Total</b>                    | <b>109,155,735</b>   | <b>-</b>                            | <b>19,074,157</b>                   | <b>3,588,224</b>    | <b>14,872,192</b>   | <b>-</b> | <b>146,690,308</b>  |

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

| Fund Type / Fund Name           | Original 2026 Budget | 2026 Budget Adjustments             |                  |        |        |        |        | Amended 2026 Budget |
|---------------------------------|----------------------|-------------------------------------|------------------|--------|--------|--------|--------|---------------------|
|                                 |                      | Administrative Biennial Corrections | ORD 25-25 Q2 FSU | Q3 FSU | Q4 FSU | Q1 FSU | Q2 FSU |                     |
| <b>General Purpose Funds:</b>   |                      |                                     |                  |        |        |        |        |                     |
| General                         | 38,676,518           |                                     |                  |        |        |        |        | 38,676,518          |
| Self-Insurance                  | 10,000               |                                     |                  |        |        |        |        | 10,000              |
| Youth Services Endowment        | -                    |                                     |                  |        |        |        |        | -                   |
| <b>Special Revenue Funds:</b>   |                      |                                     |                  |        |        |        |        |                     |
| Street*                         | 4,902,902            |                                     | 2,904,231        |        |        |        |        | 7,807,133           |
| Contingency                     | -                    |                                     |                  |        |        |        |        | -                   |
| 1% for the Arts                 | 15,000               |                                     |                  |        |        |        |        | 15,000              |
| Youth & Family Services         | 4,110,833            |                                     |                  |        |        |        |        | 4,110,833           |
| Development Services            | 4,334,220            |                                     |                  |        |        |        |        | 4,334,220           |
| <b>Debt Service Funds:</b>      |                      |                                     |                  |        |        |        |        |                     |
| Bond Redemption (Voted)         | -                    |                                     |                  |        |        |        |        | -                   |
| Bond Redemption (Non-Voted)     | -                    |                                     |                  |        |        |        |        | -                   |
| <b>Capital Projects Funds:</b>  |                      |                                     |                  |        |        |        |        |                     |
| Town Center Parking Facilities* | -                    |                                     |                  |        |        |        |        | -                   |
| Capital Improvement*            | 9,554,202            |                                     |                  |        |        |        |        | 9,554,202           |
| Technology & Equipment*         | 355,931              |                                     |                  |        |        |        |        | 355,931             |
| Capital Reserve*                | -                    |                                     |                  |        |        |        |        | -                   |
| <b>Enterprise Funds:</b>        |                      |                                     |                  |        |        |        |        |                     |
| Water*                          | 25,162,916           |                                     |                  |        |        |        |        | 25,162,916          |
| Sewer*                          | 16,359,832           |                                     |                  |        |        |        |        | 16,359,832          |
| Stormwater*                     | 4,622,520            |                                     |                  |        |        |        |        | 4,622,520           |
| <b>Internal Service Funds:</b>  |                      |                                     |                  |        |        |        |        |                     |
| Equipment Rental*               | 3,003,139            |                                     |                  |        |        |        |        | 3,003,139           |
| Computer Equipment*             | 1,544,174            |                                     |                  |        |        |        |        | 1,544,174           |
| <b>Trust Funds:</b>             |                      |                                     |                  |        |        |        |        |                     |
| Firefighter's Pension           | 145,000              |                                     |                  |        |        |        |        | 145,000             |
| <b>Total</b>                    | <b>112,797,187</b>   | -                                   | <b>2,904,231</b> | -      | -      | -      | -      | <b>115,701,418</b>  |

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