

INTRODUCTION

The Financial Status Update provides a budget to actual comparison of revenues and expenditures for the General Fund and all other funds from January through December 2024. This report is comprised of the following four sections:

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

Beginning Fund Balance represents the net resources remaining from the prior year that have been allocated to support budgeted expenditures in fiscal year 2024.

Accounting Procedure Change

As of January 1, 2024, the City updated its accounting procedures to transition from full accrual financial reporting (also known as Generally Accepted Accounting Practices/GAAP) 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 revenues and expenditures are recognized. 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 and expenditures when the payment is issued.

The change to cash-basis accounting impacts how financial information is reported in 2024 relative to prior years. Most notable impacts in 2024 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. Staff will highlight the related changes in each quarterly financial status update.

MAY 20, 2024

FINANCIAL STATUS  
UPDATE

DECEMBER 31, 2024

2024 General Fund

Adopted Revenue Budget  
\$36.2 million

Amended Revenue Budget  
\$43.3 million

Revenue Actuals  
as of December 31,  
\$38.6 million  
(89.2% of amended budget)

Adopted Expenditure Budget  
\$36.2 million

Amended Expenditure Budget  
\$43.3 million

Expenditure Actuals  
as of December 31,  
\$41.9 million  
(96.7% of amended budget)

Contingency Fund Balance  
\$4.9 million

## GENERAL FUND

### Revenues

Overall, General Fund revenues were on track with budget expectations through the end of the 2024 fiscal 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 entirety of 2024. Additional detail regarding primary General Fund revenues and material variances from the original budget is discussed in the narrative below.

#### GENERAL FUND: Revenues

As of December 31, 2024

Revenue Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 12/31/2023	YTD 12/31/2024	YTD Revenue as % of Amended Budget
Property Tax	\$ 13,726,032	\$ 13,726,032	\$ 13,429,844	\$ 13,734,426	100.1%
Sales Tax - General	4,847,450	4,847,450	6,395,651	5,887,597	121.5%
Sales Tax - Criminal Justice	752,419	752,419	941,734	848,874	112.8%
Utility Taxes	4,342,112	4,342,112	4,807,546	4,270,073	98.3%
B&O Taxes	706,483	706,483	935,727	998,679	141.4%
Shared Revenues	1,603,017	1,789,417	1,937,854	1,596,077	89.2%
Cost Allocation-Overhead	1,105,166	1,105,166	1,013,823	1,041,309	94.2%
EMS Revenues	1,850,872	2,064,389	1,894,687	1,727,957	83.7%
Parks & Recreation	1,413,501	1,413,501	1,159,581	1,410,541	99.8%
License, Permit & Zoning	2,924,101	3,056,101	3,986,657	4,383,067	143.4%
Municipal Court	192,895	192,895	220,647	139,729	72.4%
Miscellaneous Revenue	250,333	250,333	474,277	358,887	143.4%
Interest Earnings	10,828	10,828	1,843,214	2,294,206	21187.7%
Interfund Transfers	0	0	0	0	N/A
<b>Total Revenues</b>	<b>\$ 33,725,209</b>	<b>\$ 34,257,126</b>	<b>\$ 39,041,243</b>	<b>\$ 38,691,423</b>	<b>112.9%</b>
Beginning Fund Balance	2,495,149	9,095,970	0	0	0.0%
<b>Total Resources</b>	<b>\$ 36,220,358</b>	<b>\$ 43,353,096</b>	<b>\$ 39,041,243</b>	<b>\$ 38,691,423</b>	<b>89.2%</b>

**Property Tax** is 100.1 percent of the budget at the end of December. This slight variance is due to the King County Assessor's Office recouping funds for tax payment errors or adjustments from the prior year.

**General Sales Tax** is 121.5 percent of the adopted budget through the end of the year. This revenue category exceeded budget expectations. It is also 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.

Sales tax revenues remained consistent throughout 2024 despite economic uncertainties expected to stymie the pace of consumer spending. Construction has historically been the largest component of sales tax revenue and has outperformed the Retail & Wholesale Trade sector in both 2023 and 2024. Retail &

Wholesale Trade is performing slightly better in 2024 compared to the previous year, while construction has declined but maintains its place as the top performing business sector. The following table compares Sales Tax revenue by business sector from February through December for 2023 and 2024.

2023-2024 General Sales Tax Revenue by Business Sector (\$ in thousands)						
Business Sector	FEB thru DEC 2023	FEB thru DEC 2024	Increase / (Decrease)	% of Total		
				2023	2024	Sector Totals Change
Construction	\$2,379	\$2,337	(\$42)	40.7%	39.7%	-1.0%
Retail & Wholesale Trade	\$1,720	\$1,748	\$28	29.5%	29.7%	0.2%
All Other Sectors	\$505	\$505	(\$1)	8.7%	8.6%	-0.1%
Admin & Support Services	\$449	\$490	\$41	7.7%	8.3%	0.6%
Food Services	\$273	\$271	(\$2)	4.7%	4.6%	-0.1%
Professional, Scientific & Tech	\$192	\$210	\$18	3.3%	3.6%	0.3%
Finance/Insurance/Real Estate	\$182	\$174	(\$8)	3.1%	3.0%	-0.2%
Telecommunications	\$138	\$153	\$15	2.4%	2.6%	0.2%
<b>Total</b>	<b>\$5,839</b>	<b>\$5,888</b>	<b>\$48</b>	<b>100.0%</b>	<b>100.0%</b>	

\*For comparison sake the table excludes January for 2023 and 2024 due to the change in accounting procedures.

**Criminal Justice Sales Tax** is 112.8 percent of the adopted budget at the end of December. This revenue consists of a 0.1 percent sales tax imposed by King County that is shared amongst cities in the county on a per capita (population) basis. It is closely tied to county wide taxable sales numbers. According to the most recent data from King County's Office of Economic and Financial Analysis, taxable sales are down from the end of the prior fiscal year by 0.6 percent.

**Utility Taxes** are 98.3 percent of budget at the end of the year due to the change to cash basis reporting and the delay in both monthly and quarterly (e.g., cable and garbage) utility tax remittances. However, this revenue category is performing consistent with historical trends.

**Business & Occupation (B&O) Tax** is 141.4 percent of budget at the end of December. Most of the City's registered businesses file an annual B&O tax return where the deadline for remitting annual taxes is April 15 of the following year. This revenue exceeds budget expectations for the fiscal year, but is within expectations when compared to prior year actuals.

**Shared Revenues** are 89.2 percent of the budget through the end of the year. 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. However, this revenue category is performing consistent 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 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 received in the fourth quarter of the year.

**EMS Revenues** are 83.7 percent of budget at the end of December. Revenues in this line are impacted by the change to cash basis reporting – funds associated with the King County EMS Levy that have historically been received in April and accrued back to March are now recognized in the second quarter of the fiscal year. Other revenues in this category align with historical expectations.

**Parks and Recreation** revenues are 99.8 percent of budget at the end of December. Revenue sources include field rentals, boat launch fees, program fees, and rent payments from the annex building outside the Mercer Island Community and Event Center (MICEC). Recreation program revenues are above prior year totals primarily due to Community Center rentals and the Drop-In Sports program, which are up \$206,000 and \$29,000 respectively compared to the prior year.

**License, Permit, and Zoning Fees** are 143.4 percent of budget at the end of the year. This revenue category consists of fees related to development services, business licenses, and a cable franchise. Revenues are performing well in part due to 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 the King County North Mercer Sewer Upgrade Project that has continued into fiscal year 2024, as well as slightly more than \$1.0 million in permit revenue received due to the Xing Hua Mixed-Use Development project in Town Center.

**Municipal Court** revenues are performing below budget expectations, amounting to 72.4 percent of budget through the end of December. Revenues in this category are impacted by the transition to cash basis. Total revenues have also decreased compared to the prior year due to the volume of case filings declining throughout the year, from 1,426 cases filed in 2023 to 931 in 2024. Case filings in 2024, however, are on par with those observed throughout fiscal year 2022.

**Interest Earnings** are based on the City's idle cash resources that are invested in the State Treasury Local Government Investment Pool (LGIP). Per current budget policy, interest earnings are distributed to the various funds based on their relative cash balances at the end of each quarter.

Revenues continue to be higher than anticipated in this category for two primary reasons. First, LGIP yields remain higher than anticipated through the end of 2024. The federal funds target rate was reduced 0.75 percentage points in the fall of 2024, which in turn reduced the LGIP earnings rate from 5.42 percent at the beginning of September to 4.62 percent by the end of December.

Second, when the 2023-2024 budget was adopted, staff assumed interest earnings would be allocated to the Contingency Fund as required to maintain its funding target level. The Contingency Fund achieved and maintained its funding target at 12.5 percent of budgeted General Fund expenditures throughout the biennium. As a result, most interest earnings have remained in the General Fund. The disposition of these one-time revenues will be determined by the City Council at a later date.

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

## Expenditures

Overall, General Fund expenditures are within budget estimates at the end of the year. 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 entire 2024 fiscal year. Additional details of material variances from the adopted budget are discussed in the narrative below.

### GENERAL FUND: Expenditures

As of December 31, 2024

General Fund Department	2024 Adopted Budget	2024 Amended Budget	Prior YTD 12/31/2023	YTD 12/31/2024	YTD Expense as % of Amended Budget
Administrative Services	\$ 483,807	\$ 483,807	\$ 614,657	\$ 479,187	99.0%
City Attorney's Office	988,464	988,464	955,977	946,599	95.8%
City Council	55,404	55,404	45,251	53,556	96.7%
City Manager's Office	1,158,166	1,299,166	938,139	1,276,149	98.2%
Community Planning & Development	3,411,393	3,809,893	3,068,462	3,198,954	84.0%
Finance	1,410,476	1,445,476	1,145,211	1,311,344	90.7%
Fire	7,898,317	8,829,737	8,503,196	9,114,731	103.2%
Human Resources	861,493	861,493	842,327	792,997	92.0%
Information & Geographic Services	194,981	194,981	178,641	187,478	96.2%
Municipal Court	549,259	584,249	451,430	522,972	89.5%
Non-Departmental	2,323,526	4,316,454	2,473,934	3,808,107	88.2%
Parks & Recreation	2,217,919	2,217,919	1,950,325	2,200,529	99.2%
Police	8,978,307	8,978,307	8,484,630	9,029,214	100.6%
Public Works	5,353,668	5,402,568	5,357,607	5,078,263	94.0%
<b>Total Expenditures</b>	<b>\$ 35,885,180</b>	<b>\$ 39,467,918</b>	<b>\$ 35,009,786</b>	<b>\$ 38,000,078</b>	<b>96.3%</b>
Interfund Transfers	335,178	3,885,178	1,240,465	3,923,083	101.0%
<b>Total Expenditures + Interfund Transfers</b>	<b>\$ 36,220,358</b>	<b>\$ 43,353,096</b>	<b>\$ 36,250,251</b>	<b>\$ 41,923,161</b>	<b>96.7%</b>

In reviewing expenditures by department, the following are noteworthy:

**Community Planning & Development** expenditures ended the year at 84.0 percent of budget. Budget savings are result of professional services related work being moved to the 2025-2026 biennium to align with the department's work plan.

**Fire** department expenditures are 103.2 percent of budget at the end of December. This reflects payment of one-time transition costs in the first year of the City's interlocal agreement (ILA) with Eastside Fire & Rescue (EF&R) to provide fire and emergency medical services on Mercer Island beginning January 1, 2024. All other expenditures are within budget.

Overall, the City spent \$9.1 million on fire and emergency medical services in the first year of the EF&R interlocal agreement. This amounted to \$612,000 more in comparison to 2023 total related expenditures primarily due to the aforementioned one-time costs, nearly \$370,000 related to the first of three payments to establish a time accrued liability fund and the remaining \$242,000 related to wage increases following the 2023 June CPI-W of 3.6% that EF&R staff received per their contracted bargaining agreement.

However, in 2024 the City spent \$250,000 less on overtime related to fire and emergency medical service operations. What is more, the City realized a \$432,000 reduction in the other costs related to fire and emergency medical services. This includes a \$164,000 reduction in liability insurance, a \$36,000 reduction in building maintenance expenses, and based on the City's cost allocation policy, a savings of approximately \$232,000 in General Fund resources previously committed to supporting fire and emergency medical service operations.

**Municipal Court** expenditures are 89.5 percent of budget at the end of 2024. Spending is down from the prior year due to unspent funding from a grant award near the end of 2022 to improve the audio-visual capabilities of the Court ([AB 6139](#)). The operating budget remained within expectations throughout the year.

**Non-Departmental** expenditures ended December at 88.2 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 remained within budget throughout the year.

**Police** expenditures are 100.6 percent of budget at the end of the year. Operating expenditures were within budget expectations. The slight overage can be attributed to a higher than anticipated retirement service benefit and longevity payout to two retiring staff members.

All other expenditures are within expectations through the end of the fiscal year.

## Fund Balance

The General Fund's 2024 year-end balance amounts to \$5.2 million and represents the working capital (i.e., current assets less current liabilities) in the fund. The following table summarizes the restricted and unrestricted amounts.

Working Capital 12/31/2024	Amount
Budgeted fund balance 2025 budget	1,037,211
LEOFF I long-term care reserve	2,751,343
Compensated absences reserve	675,299
WSDOT site lease deposit	11,667
Deferred development fee revenue	553,913
Restricted - Permit fee revenue surplus	1,146,386
Unearned Recreation revenue	413,304
Inventory of supplies	120,857
Law Enforcement and Criminal Justice restricted	81,793
Expenditure budget carryovers to 2025 budget	151,000
Expenditure Control Budgeting reserve	45,092
Customer deposits	64,462
Petty cash	1,000
<b>Subtotal (restricted)</b>	<b>7,053,327</b>
Available balance	5,284,284
<b>Total</b>	<b>12,337,610</b>

The 2024 available fund balance surplus in the General Fund can be attributed to:

- Interest earnings far exceeding budget expectations.
- General sales tax revenues exceeding budget expectations.
- Business & occupation tax and miscellaneous state shared revenues exceeding budget expectations.
- Expenditure actuals ending the year 3.3% under budget.

## UTILITY FUNDS

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

### Revenues

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

#### UTILITY FUNDS: Revenues

As of December 31, 2024

Revenue Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 12/31/23	YTD 12/31/24	YTD Revenue as % of Amended Budget
<b>Operating Revenues</b>					
Water Utility	\$ 11,695,463	\$ 11,695,463	\$ 11,214,401	\$ 11,405,409	97.5%
Sewer Utility	12,022,731	12,022,731	11,329,932	12,181,273	101.3%
Storm Water Utility	2,716,585	2,716,585	2,563,724	2,668,401	98.2%
<b>Interest Earnings</b>					
Water Utility	87,729	87,729	910,259	1,048,218	1194.8%
Sewer Utility	38,881	38,881	508,522	509,163	1309.5%
Storm Water Utility	21,422	21,422	237,976	248,899	1161.9%
<b>Proceeds of Debt Issuance</b>					
Water Utility	-	29,886,813	-	29,886,813	100.0%
Sewer Utility	-	-	-	-	N/A
Storm Water Utility	-	-	-	-	N/A
<b>Total Revenues</b>	<b>\$ 26,582,811</b>	<b>\$ 56,469,624</b>	<b>\$ 26,764,814</b>	<b>\$ 57,948,176</b>	<b>102.6%</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 revenue increases compared to fiscal year 2023 revenues during 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 high yield throughout fiscal year 2024, ranging from 5.45 percent at the beginning of January 2024 to 4.62 percent through the end of December 2024.

In 2023, no debt was issued for the Water Utility Fund as originally budgeted. Finance and Public Works staff completed the sale of limited tax general obligation (LTGO) bonds to finance and refinance capital improvements to the City's water distribution system on October 24, 2024. Jefferies, LLC was awarded the bid and the City received the full amount of the bond sale award in early November. Total revenues generated from the bond sale are \$26.6 million and have been received. The additional \$3.2 million bond revenue received is a result of the Public Works Trust Fund (PWTF) low-interest loan awarded to fund the Booster Chlorination System improvements ([AB 6142](#)).



## Expenditures

The table below summarizes the 2024 adopted and amended expenditure budget by Utility fund and category including the actuals, and a percentage of budget spent. Prior year actuals are presented for comparative purposes. Additional details of major variances are discussed following the table.

### UTILITY FUNDS: Expenditures

As of December 31, 2024

Category	2024 Adopted Budget	2024 Amended Budget	Prior YTD 12/31/23	YTD 12/31/24	YTD Expense as % of Amended Budget
<b>Operating Expenditures</b>					
Water Utility	\$ 6,884,883	\$ 7,256,382	\$ 6,051,153	\$ 6,431,498	88.6%
Sewer Utility	8,893,670	9,056,097	8,098,540	8,413,567	92.9%
Storm Water Utility	2,276,786	2,445,866	2,081,012	1,895,025	77.5%
<b>Capital Projects</b>					
Water Utility	12,272,064	28,759,157	8,641,969	15,030,232	52.3%
Sewer Utility	3,753,377	8,243,881	3,112,012	2,706,167	32.8%
Storm Water Utility	1,399,235	1,884,238	629,815	651,174	34.6%
<b>Debt Service</b>					
Water Utility	1,581,973	1,581,973	107,070	585,412	37.0%
Sewer Utility	1,031,829	1,031,829	1,020,762	1,031,829	100.0%
Storm Water Utility	-	-	-	-	N/A
<b>Total Expenditures</b>	<b>\$ 38,093,817</b>	<b>\$ 60,259,423</b>	<b>\$ 29,742,335</b>	<b>\$ 36,744,903</b>	<b>61%</b>

Expenditures in the Water and Sewer Utility funds are within expectations at the end of the fiscal year. Operating expenditures in the Storm Water Utility appear underspent due to budgeted interfund transfers from the Street fund that did not occur. Interfund transfers between funds only occur after the related project work has been completed. This means that if a project was delayed in the Street fund into the next biennium, the related interfund transfer to the Storm Water Utility would not occur until the next biennium as well.

The Water Utility debt service expenditures are much lower than budgeted due to not paying principal and interest on debt that was originally budgeted to start in 2023. Through the end of fiscal year 2024, 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 bond issuance in November. Notable capital projects are described in further detail below.

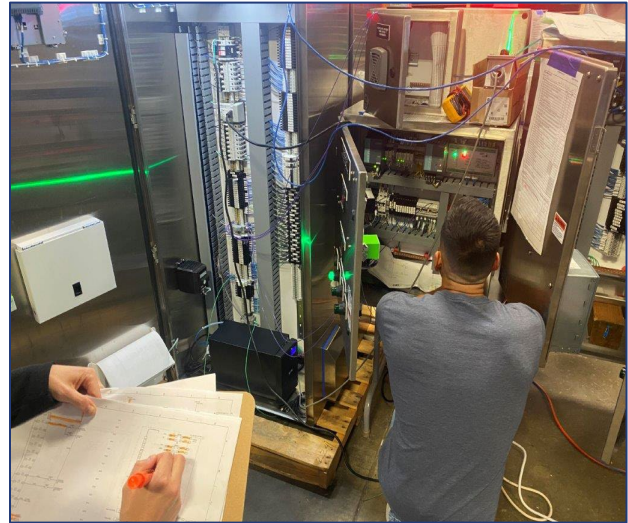
The **Water Reservoir Improvements** project will replace the interior coatings of both the City's water reservoirs, repaint the exteriors of both tanks, and install numerous safety improvements such as stairways and hand railings. Council awarded this contract in 2023 ([AB 6211](#)). Construction on this \$7 M investment began in Q4 2023 following material procurement and permitting. Because only one reservoir can be taken out of service at a time, this project will take until Q3 2025 to be completed. During Q3 2024, the coatings on the north reservoir roof were removed and replaced with a primer coat. The final coat was applied in Q4 while the south reservoir remained drained, and sand blasting commenced on the interior of the reservoir. The south reservoir interior painting wrapped up in April 2025. The contractor is now starting the final phase of work – the process of preparing and painting the roof and exterior walls.



The **Meter Replacement Project** is a multi-year project to replace aging water meter infrastructure. The City Council awarded the bid for the installation of this system in July 2022 ([AB 6112](#)). Meter deployment began in March 2024 and was completed in August 2024 resulting in the replacement of 7,900 aging water meters throughout the City. Work on data collector station permitting and installation is ongoing. Of the six total data collectors needed for the AMI system, three are operational, while the remaining three are awaiting permit approval and/or installation. 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 nearly \$5.8 in the 2023-2024 biennium, and approximately \$1.4 M in the 2025-2026 biennium.

Design work for the **Sewer SCADA System Replacement** was completed in Q3 2022, and a construction contract ([AB 6190](#)) was awarded in Q4 2022. Due to ongoing supply chain delays, construction was delayed until Q4 of 2024. Throughout Q1 and Q2 2024, the project team held regular meetings to finalize construction work plans and approve necessary submittals.

In Q3 2024, all required permits were secured, including shoreline development, right-of-way use, electrical, and commercial fire alarm permits. City staff approved the final layouts of the sewer SCADA screens, completed factory acceptance testing, installed new communications antennas, and performed resident notifications for the first batch of sites to be upgraded. Construction is expected to wrap up in Q2 2025.



The current **Comprehensive Pipeline Replacement Rehabilitation & Replacement Program** involves relining existing sewer mains using a cured-in-place pipe process in the Mercerwood neighborhood (Sewer Basin 40).

The project occurred in two phases. Phase 1 was completed in 2023. Phase 2 was completed in Q2 of 2024. The project lined more than 12,000 feet of existing sewer main with cured-in-place pipe and installed 111 service connection seals. As a result of the project, the majority of Sewer Basin 40, previously the oldest sewer collection area on the Island, is now the newest with a 50-year design life.

## Fund Balance

Fund balances, excluding fixed assets, as of December 31, 2024, for the Utility funds are detailed below.

### Water Utility Fund

Working Capital 12/31/2024	Amount
Available fund balance*	17,911,082
Budgeted fund balance (2025 budget)	9,651,261
Expenditure budget carryovers to 2025 budget	10,411,104
Operating Fund Balance minimum	1,034,000
Capital reserve	784,000
<b>Total</b>	<b>39,791,447</b>

\*-Capital budget assumes cash available from bond issuance

### Sewer Utility Fund

Working Capital 12/31/2024	Amount
Available fund balance	2,054,251
Budgeted fund balance (2025 budget)	2,277,964
Sewer lake line reserve	1,500,000
Operating Fund Balance minimum	757,000
Capital reserve	501,200
Expenditure budget carryovers to 2025 budget	3,347,658
<b>Total</b>	<b>10,438,073</b>

### Storm Water Utility Fund

Working Capital 12/31/2024	Amount
Available fund balance	3,771,630
Budgeted fund balance (2025 budget)	821,576
Operating Fund Balance minimum	224,000
Expenditure budget carryovers to 2025 budget	282,405
Basin improvement reserve	24,694
<b>Total</b>	<b>5,124,305</b>

## ALL OTHER FUNDS

### Revenues

The table below lists the 2024 amended revenue budget, fourth quarter actuals, and the percentage of budget received. Prior year actuals are presented for comparative purposes. Additional details of major variances are discussed in the narrative following the table.

#### ALL OTHER FUNDS: Revenues

As of December 31, 2024

Fund Name	2024 Adopted Budget	2024 Amended Budget	Prior YTD 12/31/2023	YTD 12/31/2024	YTD Revenue as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ 5,250	\$ -	N/A
Street	5,998,008	6,599,129	4,656,974	5,711,155	86.5%
Contingency	151,805	151,805	522,423	65,712	43.3%
1% for the Arts	25,000	25,000	30,915	68,106	272.4%
Youth & Family Services	3,368,606	3,468,606	3,665,938	3,776,857	108.9%
ARPA	-	3,041,190	1,269,695	4,768,466	156.8%
Bond Redemption (Non-Voted)	-	-	142,800	-	N/A
Town Center Parking Facilities	-	-	-	35,489	N/A
Capital Improvement	10,929,288	11,821,443	3,769,437	10,236,747	86.6%
Technology & Equipment	268,000	268,000	280,000	280,000	104.5%
Municipal Facility Replacement	-	1,000,000	579,808	3,400,000	N/A
Equipment Rental	1,505,420	1,505,420	1,412,275	1,611,904	107.1%
Computer Equipment	1,305,536	1,305,536	1,270,644	1,335,305	102.3%
Firefighter's Pension	68,210	68,210	118,630	118,129	173.2%

**Street Fund** revenues are 86.5 percent of budget at the end of December. The primary revenue sources in the Street Fund for fiscal year 2024 are Real Estate Excise Tax (REET) and expected reimbursements from the 2017 Sound Transit Settlement Agreement. Just over \$2.6 million of Sound Transit Mitigation reimbursements was received in 2024. Work is underway to expend the remaining \$4.8 million 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 also underperformed compared to recent historical trends.

Property sales recorded in February through December of 2024 were slightly higher compared to the same period in 2023, however the property sales recorded for both 2023 and 2024 are well below the 10-year historical average. It is worth noting that the average property sale price increased in 2024 when compared to 2023 by nearly \$200,000 per property, which was the primary driver of the increase in total REET revenues.

Revenues in the **Contingency Fund** are made up of interest earnings. The Contingency Fund achieved its desired cash balance, dictated by the City's financial management policies, of at least 12.5 percent of the

General Fund expenditures budget at the end of fiscal year 2023. Staff will evaluate whether an additional allocation in Q1 2025 is required to meet the funding target for the new biennium.

**Youth & Family Services** revenues ended December at 108.9 percent of the amended budget due to grant reimbursements from the Federal Stop grant received in late October. Thrift shop revenues are up nearly \$83,500 in fiscal year 2024 compared to the prior year. Other revenues are within budget expectations.

**Capital Improvement Fund** revenues are 86.6 percent of budget at the end of the fourth quarter. Similar to the Street Fund, REET is a primary revenue source in the Capital Improvement Fund. Staff will continue to monitor factors relating to REET to better inform expectations for FY 2025 and beyond.

In addition, the budget for revenues in 2024 includes \$3.4 million in State Grant funding, of which 7.7 percent has been collected to date.

**Firefighter's Pension Fund** revenues are 173.2 percent of budget at the end of 2024. This increase in interest earnings comes as local government investment pool yields have remained consistently high through August 2024, only dropping in the fourth quarter due to Federal Reserve rate cuts conducted in September and November.

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

## Expenditures

The table below lists the 2024 amended expenditures budget by fund, end of December actuals, and a percentage of budget spent. Prior year actuals are presented for comparative purposes. Additional details of major variances are discussed in the narrative following the table.

### ALL OTHER FUNDS: Expenditures

As of December 31, 2024

Fund Name	2024 Adopted Budget	2024 Amended Budget	Prior YTD 12/31/2023	YTD 12/31/2024	YTD Expense as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Street	9,658,917	12,658,086	4,532,541	9,119,869	72.0%
Contingency	-	-	217,725	-	N/A
1% for the Arts	15,000	45,060	53,521	27,995	62.1%
Youth & Family Services	3,368,606	3,511,053	3,234,791	3,412,533	97.2%
ARPA	2,807,243	4,768,465	1,269,695	4,768,465	100.0%
Bond Redemption (Non-Voted)	-	-	142,758	-	N/A
Capital Improvement	11,121,741	19,223,366	3,337,179	8,434,426	43.9%
Technology & Equipment	145,250	745,650	598,201	295,077	39.6%
Municipal Facility Replacement	-	785,000	-	-	0.0%
Equipment Rental	1,377,116	2,200,428	1,493,036	1,572,976	71.5%
Computer Equipment	1,316,488	1,316,488	1,266,697	1,324,575	100.6%
Firefighter's Pension	103,000	130,267	111,833	124,019	95.2%

**Street Fund:** Total expenditures are 72.0 percent of budget at the end of December. Operating expenditures are within budget expectations. This level of expenditure for the capital projects in the Street Fund was expected given that many capital projects are currently underway, resulting in notable expenditures beyond the end of 2024. Project work that is still underway is expected to be carried forward into FY 2025.

The **80th Avenue Sidewalk Improvements** consists of replacing sidewalks along the east side of 80th Avenue from SE 27th Street to SE 32nd Street. Much of the sidewalk removal is the result of street tree roots raising sidewalk panels. Many of the trees will be removed and replaced based on declining health and impact on sidewalks. New trees will be planted, and in some areas planting cells will be installed underneath the new sidewalks.

In addition, street lighting will be replaced on both sides of 80th Avenue and a small area of sidewalk in the 3000 block of 78th Avenue will be rebuilt. The project was awarded to Always Active Services ([AB 6513](#)) in July of 2024. Construction started in early December of 2024 with completion expected in Q2 of 2025.



**ARPA Fund:** Total expenditures are 100.0 percent of budget at the end of 2024. 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 funding human services provided by Youth and Family Services and facility and park capital improvement projects.

**Capital Improvement Fund** expenditures ended December at 43.9 percent of budget. This level of expenditure for capital projects was expected given that many capital projects are currently underway. Expenditures are \$5.0 million more compared to 2023, reflecting the staff's aggressive focus on tackling significant capital reinvestments. Notable projects are described in further detail below.

The **Luther Burbank Park Sport Courts Renovation** project was awarded in July 2023 ([AB 6309](#)). This project was identified as part of the 2022 Parks, Recreation, and Open Space (PROS) program. The scope of this project has been altered twice, [AB 6465](#) and [AB 6533](#), with the latter concerning subgrade remediation work that was identified during project construction. Excavation of the existing subgrade was completed in September. Paving work began in late September and was completed by the end of October. The newly paved courts were opened for public use in November for the entirety of the Winter season. The courts will be closed again in Q2 2025 for the installation of the permanent acrylic surfacing.



The **Luther Burbank Boiler Building Improvements Phase 1** project was awarded in January 2024 ([AB 6380](#)). This project reinforced the building's structure against earthquake damage and installed a new roof. It also renovated the restroom annex.

Construction began in Q1 2024. At the end of 2024, the work is 95% complete. Issues with the building's sewer and electrical service have resulted in scope changes. A new electrical service and sewer vault will be installed by Q2 2025.



The **Aubrey Davis Park Trail Improvements** project was awarded in June 2024 ([AB 6482](#)). The project is 90% complete. New concrete paving in the ballfield/restroom area has been installed, along with pavement markings to alert trail users at intersections. Fencing has been installed to guide where foot traffic can cross the trail. Shoulder improvements and landscaping are underway. Lighting, signage and park furnishings were delayed due to supply issues and are expected to wrap up in Q2 2025. This project is funded by the Washington State legislature through a grant from the Department of Commerce.



**Technology & Equipment Fund:** Total expenditures are 39.6 percent of budget at the end of December. This is a result of a handful of technology projects planned for 2024 that are not proceeding due to the permanent closure of City Hall. For example, the Municipal Court Technology improvements (GT0115) will not proceed. Projects with notable expenditures through the fourth quarter include Fire self-contained breathing apparatus, the new financial software implementation, and the Mercer Island Community Center Technology & Equipment Replacement Program.

**Equipment Rental Fund** expenditures ended December at 39.6 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 to 70% higher than anticipated and these revised projections have been incorporated into the 2025-2026 biennial budget.

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

## Fund Balance

The composition of the fund balance as of December 31, 2024 in each of these other funds is detailed below.

### All Other Funds (Excluding Utilities)

Fund / Working Capital Composition, 12/31/24	Amount
<b>Self Insurance</b>	
Available fund balance	60,000
Budgeted fund balance (2025 budget)	-
<b>Total</b>	<b>60,000</b>
<b>Street</b>	
Available fund balance	842,045
Budgeted fund balance (2025 budget)	80,397
Expenditure budget carryovers to 2025 budget	1,455,306
Transportation impact fee reserve	260,633
Operating Fund Balance minimum	87,000
Town Center street (north) reserve	99,684
<b>Total</b>	<b>2,825,066</b>
<b>Contingency</b>	
Contingency reserve	4,871,961
<b>Total</b>	<b>4,871,961</b>
<b>1% for the Arts</b>	
Expenditure budget carryovers to 2025 budget	17,000
Available fund balance	176,420
<b>Total</b>	<b>193,420</b>
<b>Youth &amp; Family Services</b>	
Operating Fund Balance	618,369
Emergency & Rental Assistance	25,279
Opioid Settlement funds	261,462
Expenditure budget carryovers to 2025 budget	-
Budgeted fund balance (2025 budget)	523,003
<b>Total</b>	<b>1,428,112</b>
<b>Bond Redemption--Voted</b>	
Available fund balance	18,943

Fund / Working Capital Composition, 12/31/24	Amount
<b>Bond Redemption--Non Voted</b>	
Debt service reserve	5,080
<b>Long Term Parking - Capital</b>	
Available Fund Balance	744,082
Expenditure budget carryovers to 2025 budget	-
<b>Total</b>	<b>744,082</b>
<b>Capital Improvement</b>	
Available Fund Balance*	2,026,972
Budgeted fund balance (2025 budget)	3,318,845
King County Parks Expansion Levy	757,202
Expenditure budget carryovers to 2025 budget	2,226,939
Turf Fields Replacement Sinking Fund	555,162
Reserve - Freeman Landing	329,891
Operating Fund Balance minimum	114,000
Impact Fees	288,277
Reserve - RCO property	28,400
<b>Total</b>	<b>9,645,687</b>
<b>Technology &amp; Equipment</b>	
Available fund balance	883,150
Expenditure budget carryovers to 2025 budget	202,208
Budgeted fund balance (2025 budget)	-
MICEC equipment replacement sinking fund	24,632
Operating Fund Balance minimum	-
Police car camera replacement sinking fund	73,710
State seizure funds (criminal justice)	41,345
<b>Total</b>	<b>1,225,045</b>
<b>Firefighter's Pension</b>	
Pension reserve	-
<b>Total</b>	<b>0</b>

\*Capital budget assumes cash available from grants

Fund / Working Capital Composition, 12/31/24	Amount
<b>Equipment Rental</b>	
Vehicle replacement reserve	1,248,060
2025 vehicle replacements	1,665,908
Expenditure budget carryovers to 2025 budget	195,537
Fire apparatus replacement sinking fund	713,662
800 MHz radio replacement reserve	373,610
<b>Total</b>	<b>4,196,777</b>
<b>Municipal Facility Replacement</b>	
Expenditure budget carryovers to 2025 budget	785,000
Available Fund Balance	3,194,808
<b>Total</b>	<b>3,979,808</b>

Fund / Working Capital Composition, 12/31/24	Amount
<b>Computer Equipment</b>	
2025 computer replacements	225,400
Expenditure budget carryovers to 2025 budget	-
Computer replacement reserve	745,570
<b>Total</b>	<b>970,970</b>
<b>ARPA Projects fund</b>	
Available fund balance	-
Budgeted fund balance (2025 budget)	-
Expenditure budget carryovers to 2025 budget	-
<b>Total</b>	<b>0</b>

Two summary listings of the originally adopted 2023-2024 Budget (expenditures only), broken down by year, and amendments adopted by Ordinance through November 19, 2024 are presented below.

Fund Type / Fund Name	Original 2023 Budget	2023 Budget Adjustments					Amended 2023 Budget
		Administrative Biennial Corrections	ORD 23-05 22 to 23 Carry forward	ORD 23-06 Q1 FSU	ORD 23-12 Q2 FSU	ORD 23-20 Q3 FSU	
<b>General Purpose Funds:</b>							
General	34,796,307	(602,407)	440,209	676,090	159,525	1,109,176	36,578,900
Self-Insurance	10,000						10,000
Youth Services Endowment	-						-
<b>Special Revenue Funds:</b>							
Street*	5,136,091	(2,343,048)	1,505,480		250,000		4,548,523
Contingency	-				217,725		217,725
1% for the Arts	15,000	(10,060)			50,000		54,940
Youth & Family Services	3,325,282		64,863				3,390,145
ARPA Funds	1,983,672	(1,025,885)	857,218		291,000	(765,000)	1,341,005
<b>Debt Service Funds:</b>							
Bond Redemption (Voted)	-						-
Bond Redemption (Non-Voted)	142,800						142,800
<b>Capital Projects Funds:</b>							
Town Center Parking Facilities*	-						-
Capital Improvement*	10,664,404	(7,026,909)	571,905			(760,000)	3,449,400
Technology & Equipment*	495,186	(600,400)	708,140				602,926
Capital Reserve*	-						-
<b>Enterprise Funds:</b>							
Water*	22,052,286	(15,765,232)	9,168,243	1,245,279			16,700,576
Sewer*	14,120,007	(4,134,689)	809,688	1,533,625			12,328,631
Stormwater*	3,192,949	(650,003)	168,366				2,711,312
<b>Internal Service Funds:</b>							
Equipment Rental*	1,610,914	(823,312)	596,861		145,750		1,530,213
Computer Equipment*	1,155,078						1,155,078
<b>Trust Funds:</b>							
Firefighter's Pension	100,000	11,833					111,833
<b>Total</b>	<b>98,799,975</b>	<b>(32,970,112)</b>	<b>14,890,973</b>	<b>3,454,994</b>	<b>1,114,000</b>	<b>(415,824)</b>	<b>84,874,006</b>

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

Fund Type / Fund Name	Original 2024 Budget	2024 Budget Adjustments							Amended 2024 Budget
		Administrative Biennial Corrections	ORD 23-06 Q1 FSU	ORD 23-12 Q2 FSU	ORD 23-20 Q3 FSU	ORD 24-04 Q4 FSU	ORD 24-11 Q1 FSU	ORD 24-13 Q2 FSU	
<b>General Purpose Funds:</b>									
General	36,220,358	602,407	1,587,500	132,000	1,035,831	75,000	2,700,000	1,000,000	43,353,096
Self-Insurance	10,000								10,000
Youth Services Endowment	-								-
<b>Special Revenue Funds:</b>									
Street*	9,658,917	2,343,048		55,000			601,121		12,658,086
Contingency	-								-
1% for the Arts	15,000	10,060					20,000		45,060
Youth & Family Services	3,368,606				142,447				3,511,053
ARPA Funds	1,259,017	1,025,885		594,500	550,000		701,390	637,673	4,768,465
<b>Debt Service Funds:</b>									
Bond Redemption (Voted)	-								-
Bond Redemption (Non-Voted)	-								-
<b>Capital Projects Funds:</b>									
Town Center Parking Facilities*	-								-
Capital Improvement*	11,121,741	7,026,909			180,000	152,561	453,890	288,265	19,223,366
Technology & Equipment*	145,250	600,400							745,650
Capital Reserve*	-							785,000	785,000
<b>Enterprise Funds:</b>									
Water*	20,738,920	15,765,232				1,075,000	18,360		37,597,512
Sewer*	13,678,876	4,134,689					18,360	698,650	18,530,575
Stormwater*	3,676,021	650,003					4,080		4,330,104
<b>Internal Service Funds:</b>									
Equipment Rental*	1,377,116	823,312							2,200,428
Computer Equipment*	1,316,488								1,316,488
<b>Trust Funds:</b>									
Firefighter's Pension	103,000	(11,833)					39,100		130,267
<b>Total</b>	<b>102,689,310</b>	<b>32,970,112</b>	<b>1,587,500</b>	<b>781,500</b>	<b>1,908,278</b>	<b>1,302,561</b>	<b>4,556,301</b>	<b>3,409,588</b>	<b>149,205,150</b>