



## Appendix A – Fund Balances and Reserves

FUND	NAME	DESCRIPTION
<b>General Fund</b>		
001	Fund Balance	The Fund Balance represents the working capital (e.g., current assets less current liabilities) in the General Fund established for cash flow purposes. It consists of non-spendable, assigned, committed, restricted, and unassigned amounts.
001	LEOFF-1 Long-term Care Reserve	<p>The Reserve is dedicated to pay for the aggregate annual long-term care expenditures for police officers and firefighters who retired under the LEOFF-1 state retirement system.</p> <p>The Reserve is funded by a committed \$83,000 annual contribution from property tax revenues plus a proportionate share of annual interest earnings each year until the Reserve balance is sufficient to fund all future LEOFF-1 long-term care obligations.</p> <p>All annual costs for long-term care (which include LEOFF-1 long-term care costs and the retirement excess compensation paid for by Fund 606 – Firefighter’s Pension Fund) that are above \$500,000 per year are covered by the LEOFF-1 Reserve and the Fund 606 Balance. All costs below this amount are covered by the General Fund.</p>
001	Compensated Absences Reserve	<p>The Reserve represents the City's actual liability for accumulated employee vacation and compensated time hours. The compensated absences liability will be measured using the pay or salary rates in effect at the balance sheet date.</p> <p>When the reserve is used, replenishment to the target of 50% of the total liability will be a priority, consistent with adopted policies.</p>
001	<b>NEW</b> Emerging Innovations Investments Reserve	<p>The Reserve is funded in part by the City’s Expenditure Control Budgeting program to fund projects with a tangible return on investment within a reasonable period, or projects that reduce ongoing expenditures while maintaining or enhancing service levels.</p> <p>When the reserve is used, replenishment will be tied to Expenditure Control savings, and one-time contributions, consistent with adopted policies.</p>
<b>Street Fund</b>		
104	Operating Fund Balance	The Fund Balance is based on a 45-day operating reserve for cash flow purposes.
104	Transportation Impact Fee Reserve	The Reserve includes fees collected from development projects to increase capacity in the City's transportation network.
104	Town Center Street (N) Reserve	The Reserve consists of fees collected from private developers for roadway repairs in specific locations in the Town Center.



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<b><i>Contingency Fund</i></b>		
130	Contingency Fund	The City’s Contingency Fund is maintained in accordance with State law (RCW 35A.33.145) to meet any municipal expense, the necessity or extent of which could not have been reasonably foreseen at the time of adopting the biennial budget. The target balance is set to 12.5% of General Fund budgeted expenditures for a given fiscal year.
<b><i>Youth and Family Services Fund</i></b>		
160	<b>NEW</b> Operating Fund Balance	<p>Fund Balance to address temporary revenue losses due to economic cycles or other time-limited causes. The Fund Balance will be maintained with YFS revenues at a target threshold of six-months of average monthly YFS expenditures, evaluated each biennium.</p> <p>The Fund Balance provides adequate reserves to address the asynchronous nature between the City’s biennial budget and the Mercer Island School District’s academic year. The balance may be used in its entirety; however, replenishment will be a priority, consistent with adopted policies.</p>
<b><i>Self-Insurance Claim Reserve</i></b>		
037	Self-Insurance Claim Reserve	The Reserve Pays for insurance claims not covered under the City’s property insurance policy through WCIA as well as the \$5,000 deductible per claim. Set a new target funding level at \$60,000 (MICC 4.40.130).
<b><i>Capital Improvement Fund</i></b>		
343	Operating Fund Balance	The Fund Balance is based on a 45-day operating reserve for cash flow purposes.
343	Field Replacement Reserve	The Reserve is a sinking fund for synthetic turf replacement at South Mercer Playfields and Island Crest Park. Funded by a portion of field use fees.
343	Park Impact Fees Reserve	The Reserve consists of fees collected from development projects for increasing capacity of publicly owned parks, open space, and recreation facilities (RCW 82.02.050(4) and RCW 82.02.090(7)).
343	KC Parks Expansion Levy Reserve	The Reserve is for protecting and preserving open space and developing regional trails. Funded by the King County Parks levy.
343	Freeman Landing Reserve	The Reserve includes proceeds for the vacation of a portion of Freeman Avenue SE sold to adjacent landowner. Sale proceeds must be used for acquiring additional beach or water access, acquiring additional public view sites to a body of water, or acquiring additional moorage or launching sites (RCW 35.79.040).



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FUND	NAME	DESCRIPTION
343	Reserve - RCO Property	The Reserve includes proceeds from the vacation of a portion of Clarke Beach Park at 7700 East Mercer Way sold to adjacent property owners. Sale proceeds must be used for acquiring additional beach or water access, acquiring additional public view sites to a body of water, or acquiring additional moorage or launching sites.

### ***Technology & Equipment Fund***

345	MICEC Equipment Replacement Reserve	The Reserve is a sinking fund to replace MICEC equipment and furnishings. Funded by \$40,000 in annual MICEC room rental revenue and \$18,000 in annual property tax revenue (based on long-term assessment).
345	State Seizure Funds Reserve	The Reserve consists of funds restricted to law enforcement activities related to controlled substance enforcement or education and cannot supplant existing funding. Funded by Eastside Narcotics Task Force drug seizures.

### ***Water Fund***

402	Operating Fund Balance	The Fund Balance is based on a 90-day operating reserve for cash flow purposes, revisited each biennium.
402	Water Fund Capital Reserve	The Reserve serves as contingency for unplanned major repairs or capital projects costs. The target is 1% of total asset value, revisited each biennium.

### ***Sewer Fund***

426	Operating Fund Balance	The Fund Balance is based on a 60-day operating reserve for cash flow purposes, revisited each biennium.
426	Sewer Fund Capital Reserve	The Reserve serves as contingency for unplanned major repairs or capital projects costs. The target is 2% of total capital assets, revisited each biennium.
426	Lake Line Reserve	The Reserve offsets the future cost to replace a portion of the Lake Line known as Reach-4. Reserve has been funded thru intentional rate increases as directed by the Utility Board.

### ***Stormwater Fund***

432	Operating Fund Balance	The Fund Balance is based on a 45-day operating reserve for cash flow purposes, revisited each biennium.
432	Storm Water Capital Reserve	The Reserve serves as contingency for unplanned major repairs or capital projects costs. The target is 2% of total capital assets, revisited each biennium.
432	Basin Improvement Reserve	The Reserve is for watercourse improvements on the Island that is funded by storm water in-lieu fees paid by developers.



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FUND	NAME	DESCRIPTION
<b><i>Equipment Rental Fund</i></b>		
503	Vehicle Replacement Reserve	The Reserve is a sinking fund to replace fleet vehicles and equipment. Funded by internal service charges to each department.
503	Fire Apparatus Replacement Reserve	The Reserve is a sinking fund in an Internal Service Fund to replace fire apparatus. Funded by 1.65% dedicated property tax levy and the excess annual levy proceeds from the Fire State & Fire Rescue Truck levy lid lift from 2014-2021.
503	800 MHz Radio Replacement Reserve	The Reserve is a sinking fund to replace 800 MHz radios used by Police, Fire, and Public Works staff. Funded by internal service charges to each department. Money earmarked for costs associated with transitioning to PSERN.
<b><i>Computer Equipment Fund</i></b>		
520	Computer Replacement Reserve	The Reserve is a sinking fund to replace computer, phone, and network hardware. Funded by internal service rates charged to each user department.