

INTRODUCTION

The Financial Status Update provides a budget to actual comparison of revenues and expenditures for the General Fund and all other funds from January through June 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.

SEPTEMBER 16, 2025

FINANCIAL STATUS
UPDATE

JUNE 30, 2025

2025 General Fund
Amended Revenue Budget
\$37.7 million

Amended Revenue Budget
\$39.6 million

Revenue Actuals
as of June 30,
\$19.7 million
(49.8% of amended budget)

Adopted Expenditure Budget
\$37.2 million

Amended Expenditure Budget
\$39.1 million

Expenditure Actuals
as of June 30,
\$21.0 million
(53.7% of amended budget)

Contingency Fund Balance
\$4.9 million

GENERAL FUND

Revenues

Overall, General Fund revenues were on track with budget expectations through the second 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 the first half of the year, January 1 through the end of June. Additional detail regarding primary General Fund revenues and material variances from the original budget is discussed in the narrative below.

GENERAL FUND: Revenues

As of June 30, 2025

Revenue Category	2025 Adopted Budget	2025 Amended Budget	Prior YTD 6/30/2024	YTD 6/30/2025	YTD Revenue as % of Amended Budget
Property Tax	\$ 13,960,148	\$ 13,960,148	\$ 7,447,460	\$ 7,521,707	53.9%
Sales Tax - General	6,659,111	6,659,111	2,521,879	3,238,859	48.6%
Sales Tax - Criminal Justice	979,734	979,734	370,339	447,907	45.7%
Utility Taxes	4,983,774	4,983,774	2,017,782	2,432,083	48.8%
B&O Taxes	748,495	748,495	609,536	1,011,734	135.2%
Shared Revenues	1,641,950	1,641,950	431,179	688,583	41.9%
Cost Allocation-Overhead	2,411,870	2,411,870	552,083	1,205,935	50.0%
EMS Revenues	2,113,511	2,113,511	790,497	655,191	31.0%
Parks & Recreation	1,412,500	1,412,500	688,719	974,568	69.0%
License, Permit & Zoning	638,541	638,541	172,222	338,733	53.0%
Municipal Court	175,000	175,000	72,622	94,457	54.0%
Miscellaneous Revenue	251,456	251,456	208,614	177,069	70.4%
Interest Earnings	1,402,500	1,402,500	1,188,917	942,266	67.2%
Interfund Transfers	0	0	0	0	N/A
Total Revenues	\$ 37,378,590	\$ 37,378,590	\$ 17,071,848	\$ 19,729,091	52.8%
Appropriated Fund Balance	391,273	2,242,572	0	0	0.0%
Total Resources	\$ 37,769,863	\$ 39,621,162	\$ 17,071,848	\$ 19,729,091	49.8%

Property Tax is at 53.9 percent of the budget at the end of June. This revenue is on track with historical expectations.

General Sales Tax is 48.6 percent of the adopted budget through the end of June. 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 first half of 2025 despite economic uncertainties. The following table compares Sales Tax revenue by business sector from February through June for 2024 and 2025.

2024-2025 General Sales Tax Revenue by Business Sector (\$ in thousands)						
Business Sector	FEB thru JUN 2024	FEB thru JUN 2025	Increase / (Decrease)	% of Total		
				2024	2025	Sector Totals Change
Construction	\$970	\$1,107	\$137	38.5%	41.5%	3.0%
Retail & Wholesale Trade	\$782	\$767	(\$15)	31.0%	28.7%	-2.3%
All Other Sectors	\$221	\$191	(\$30)	8.8%	7.2%	-1.6%
Admin & Support Services	\$204	\$219	\$15	8.1%	8.2%	0.1%
Food Services	\$116	\$143	\$27	4.6%	5.3%	0.7%
Professional, Scientific & Tech	\$86	\$92	\$6	3.4%	3.5%	0.0%
Finance/Insurance/Real Estate	\$79	\$76	(\$3)	3.1%	2.9%	-0.3%
Telecommunications	\$62	\$73	\$11	2.5%	2.7%	0.3%
Total	\$2,520	\$2,668	\$148	100.0%	100.0%	

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

Criminal Justice Sales Tax is 45.7 percent of the adopted budget at the end of June. This revenue consists of a 0.1 percent sales tax imposed by King County that is shared amongst cities in the county on a per capita (population) basis. It is closely tied to county wide taxable sales numbers. According to the most recent data from King County's Office of Economic and Financial Analysis, taxable sales are down through the beginning of 2025 by 0.1 percent compared to the prior fiscal year.

Utility Taxes are 48.8 percent of budget at the end of June. 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. However in 2025, this revenue category is performing with historical trends.

Business & Occupation (B&O) Tax is 135.2 percent of budget at the end of June. Most of the City's registered businesses file an annual B&O tax return where the deadline for remitting annual taxes is April 15th of the following year. This revenue is exceeding budget expectations for the fiscal year due to greater than anticipated economic activity.

Shared Revenues are 41.9 percent of the budget through the end of second 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 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 31.0 percent of budget at the end of June. Revenues are below budget expectations due to a revenue sharing agreement established with Eastside Fire & Rescue (EF&R) in January 2025. A portion of what used to be received as a direct revenue to the City (revenues from emergency medical transports) is now being directly collected by EF&R.

As a result, this revenue category will appear below budget expectations this biennium. However, EF&R will reimburse the revenue in the first quarter of the following year to offset the annual costs associated with the City's contract with EF&R.

Parks and Recreation revenues are 69.0 percent of budget at the end of the second quarter. Revenue sources include Community Center rentals, field rentals, program fees, rent payments from the annex building outside the Mercer Island Community and Event Center (MICEC), and boat launch fees. Recreation program revenues are above prior year totals primarily due to Field Use and Community Center rentals, which are up \$107 thousand and \$56 thousand respectively compared to the prior year.

License, Permit, and Zoning Fees are 53.0 percent of budget at the end of June. This revenue category consists of fees related to business licenses and a cable franchise. This revenue is performing within budget expectations.

It should be noted that this revenue category has historically included fees related to development services which is no longer the case. 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. The new Development Services Fund will have analysis in the All Other Funds section of the quarterly status update moving forward.

Municipal Court revenues are performing within budget expectations, ending the second quarter at 72.4 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 the transition to cash basis, but primarily to the volume of case filings climbing back towards historical trends through the first six months of the year.

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 second quarter at 67.2% 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 June.

Expenditures

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

GENERAL FUND: Expenditures

As of June 30, 2025

General Fund Department	2025 Adopted Budget	2025 Amended Budget	Prior YTD 6/30/2024	YTD 6/30/2025	YTD Expense as % of Amended Budget
Administrative Services*	\$ 1,216,636	\$ 1,367,636	\$ 237,611	\$ 600,660	43.9%
City Attorney's Office	1,078,131	1,078,131	441,336	627,138	58.2%
City Council	60,626	60,626	29,317	24,753	40.8%
City Manager's Office*	756,734	756,734	674,422	413,463	54.6%
Finance	1,502,600	1,502,600	564,704	570,471	38.0%
Fire	8,851,380	8,851,380	4,844,187	5,366,235	60.6%
Human Resources	861,493	861,493	374,314	371,802	43.2%
Information & Geographic Services	203,983	203,983	89,743	95,040	46.6%
Municipal Court	694,875	694,875	197,014	315,718	45.4%
Non-Departmental	2,530,711	2,530,711	1,761,080	1,754,840	69.3%
Parks & Recreation	2,313,817	2,313,817	981,103	972,543	42.0%
Police	9,491,752	9,491,752	4,457,476	4,961,984	52.3%
Public Works	5,799,178	5,859,178	2,294,200	2,788,045	47.6%
Total Expenditures	\$ 35,361,916	\$ 35,572,916	\$ 16,946,507	\$ 18,862,693	53.0%
Interfund Transfers	1,871,823	3,572,122	2,776,252	2,167,484	60.7%
Total Expenditures + Interfund Transfers	\$ 37,233,739	\$ 39,145,038	\$ 19,722,759	\$ 21,030,177	53.7%

*-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:

Fire department expenditures are 60.6 percent of budget at the end of June. This reflects the second 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 June at 69.3 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.

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

UTILITY FUNDS

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

Revenues

The table below lists the 2025 adopted and amended revenue budget, January through June actuals, and a percentage of budget received. Prior year actuals are presented for comparative purposes. The budget and actual amounts include January 1 through June 30, 2025. Additional detail regarding major variances is discussed in the narrative following the table.

UTILITY FUNDS: Revenues

As of June 30, 2025

Revenue Category	2025 Adopted Budget	2025 Amended Budget	Prior YTD 6/30/2024	YTD 6/30/2025	YTD Revenue as % of Amended Budget
Operating Revenues					
Water Utility	\$ 12,596,569	\$ 12,596,569	\$ 4,528,425	\$ 5,103,262	40.5%
Sewer Utility	12,636,827	12,636,827	6,198,490	6,217,357	49.2%
Storm Water Utility	2,999,045	3,049,045	1,330,841	1,610,867	53.7%
Interest Earnings					
Water Utility	712,250	712,250	405,000	766,039	107.6%
Sewer Utility	181,615	181,615	259,416	208,676	114.9%
Storm Water Utility	155,883	155,883	128,820	117,765	75.5%
Proceeds of Debt Issuance					
Water Utility	-	-	-	-	N/A
Sewer Utility	-	-	-	-	N/A
Storm Water Utility	-	-	-	-	N/A
Total Revenues	\$ 29,282,189	\$ 29,332,189	\$ 12,850,993	\$ 14,023,965	47.8%

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 high yield throughout the first six months of 2025, ranging from 4.60 percent at the beginning of January to 4.39 percent through the end of June.

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 ([AB 6538](#)). Jefferies LLC was announced the winning bidder 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, have been received, and have begun to be spent down.

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 lists the 2025 adopted and amended expenditure budget by Utility fund and category, January through June actuals, and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the first six months of the year. Additional details of major variances are discussed following the table.

UTILITY FUNDS: Expenditures

As of June 30, 2025

Category	2025 Adopted Budget	2025 Amended Budget	Prior YTD 6/30/24	YTD 6/30/25	YTD Expense as % of Amended Budget
Operating Expenditures					
Water Utility	\$ 7,206,789	\$ 7,206,789	\$ 2,410,298	\$ 2,804,362	38.9%
Sewer Utility	8,893,670	9,056,097	4,181,963	4,997,591	55.2%
Storm Water Utility	2,436,253	2,486,253	804,249	1,124,679	45.2%
Capital Projects					
Water Utility	13,326,729	24,427,338	6,453,355	7,817,134	32.0%
Sewer Utility	4,478,584	7,826,242	782,399	1,464,645	18.7%
Storm Water Utility	2,413,497	2,645,902	299,223	127,187	4.8%
Debt Service					
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
Total Expenditures	\$ 42,210,699	\$ 57,103,798	\$ 15,402,139	\$ 19,691,975	34%

Expenditures in the Storm Water and Sewer Utility funds are within expectations at the end of the second 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 second 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 bond issuance in November 2024. Notable capital projects are described in further detail below.



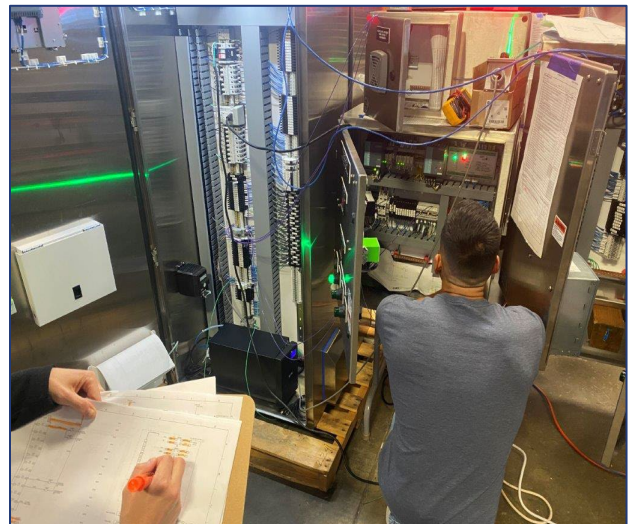
The **Meter Replacement Implementation** project replaced approximately 7,900 aging water meters throughout the City as part of the new Advanced Metering Infrastructure (AMI) system. City Council awarded the bid for the installation of this system in July 2022 ([AB 6112](#)). Meter deployment began in March 2024 and was completed in August 2024.

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 Q3 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.

ALL OTHER FUNDS

Revenues

The table below lists the 2025 amended revenue budget, second 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 June. Additional details of major variances are discussed in the narrative following the table.

ALL OTHER FUNDS: Revenues

As of June 30, 2025

Fund Name	2025 Adopted Budget	2025 Amended Budget	Prior YTD 6/30/2024	YTD 6/30/2025	YTD Revenue as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Street	5,415,499	6,951,202	2,368,358	3,218,486	46.3%
Contingency	-	-	65,712	-	N/A
1% for the Arts	15,000	32,000	-	-	0.0%
Youth & Family Services	3,876,503	3,876,503	1,494,473	1,343,680	34.7%
ARPA	-	-	721,567	-	N/A
Development Services	4,200,890	4,200,890	2,308,596	4,090,828	97.4%
Town Center Parking Facilities	-	-	35,489	-	N/A
Capital Improvement	10,883,279	14,248,638	2,166,479	2,726,993	19.1%
Technology & Equipment	650,000	852,208	140,000	285,000	33.4%
Municipal Facility Replacement	168,773	953,773	2,400,000	168,773	17.7%
Equipment Rental	3,355,378	3,550,915	880,750	794,811	22.4%
Computer Equipment	1,705,225	1,705,225	546,554	742,865	43.6%
Firefighter's Pension	137,000	137,000	80,276	81,813	59.7%

Street Fund revenues are 46.3 percent of budget at the end of June. 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 \$1.9 million of Sound Transit Mitigation reimbursements has been received through June with the remaining funds on track to be reimbursed to the City before December 2025.

The Street Fund is impacted by the change to cash basis reporting for comparison purposes. REET is on par with 2024, but 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 June of 2025 were down 7 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 has also decreased in FY 2025 when compared to 2024 by nearly \$145 thousand per property, which is the primary driver of the decline seen in total REET revenues between the two years.

Development Services Fund revenues are 97.4 percent of budget at the end of June. 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. Other operating revenues are withing budget expectations.

Youth & Family Services revenues ended June at 34.7 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 an mutual agreement between both parties, resulting in no service costs being incurred or recouped this biennium. Thrift shop revenues are down nearly \$173 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 19.1 percent of budget at the end of the second quarter. Similar to the Street Fund, REET is a primary revenue source in the Capital Improvement Fund. Staff will continue to monitor factors relating to REET to better inform 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 59.7 percent of budget at the end of June. 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 half of 2025.

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

Expenditures

The table below lists the 2025 amended expenditures budget by fund, end of June actuals, and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the end of the second quarter. Additional details of major variances are discussed in the narrative following the table.

ALL OTHER FUNDS: Expenditures

As of June 30, 2025

Fund Name	2025 Adopted Budget	2025 Amended Budget	Prior YTD 6/30/2024	YTD 6/30/2025	YTD Expense as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Street	5,495,896	6,951,202	1,170,676	3,151,148	45.3%
Contingency	-	-	-	-	N/A
1% for the Arts	15,000	32,000	1,525	4,445	13.9%
Youth & Family Services	3,876,503	3,876,503	1,675,542	1,669,988	43.1%
ARPA	-	-	721,567	-	N/A
Development Services	4,104,376	4,104,376	1,660,956	1,824,247	44.4%
Capital Improvement	10,883,279	14,248,638	2,595,167	3,333,285	23.4%
Technology & Equipment	493,000	695,208	189,445	101,544	14.6%
Municipal Facility Replacement	-	785,000	-	118,087	15.0%
Equipment Rental	2,536,727	2,732,264	1,078,204	711,648	26.0%
Computer Equipment	1,463,979	1,463,979	818,235	785,392	53.6%
Firefighter's Pension	137,000	137,000	65,095	52,800	38.5%

Street Fund: Total expenditures are 45.3 percent of budget at the end of the second 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.

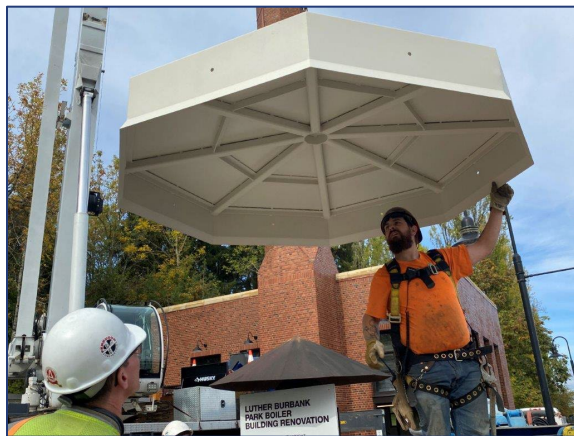
The **80th Avenue Sidewalk Improvements** consists of replacing sidewalks along the east side of 80th Avenue from SE 27th Street to SE 32nd Street. Much of the sidewalk removal is the result of street tree roots raising sidewalk panels. Many of the trees will be removed and replaced based on declining 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 Q3 of 2025.



Capital Improvement Fund expenditures ended June at 23.4 percent of budget. This level of expenditure for capital projects is commonplace given how many capital projects are currently underway. Expenditures are \$738 thousand more compared to 2024, reflecting 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 in July as critical. 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 were 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 Q4 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 in 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 Q3 2025. This project is funded by the Washington State legislature through a grant from the Department of Commerce.



Technology & Equipment Fund: Total expenditures are 14.6 percent of budget at the end of June. This level of expenditure falls within historical expectations through the second quarter. Projects with notable expenditures through June this year include the Financial Software Implementation (currently on track) and Technology Equipment Replacement program, which has spending levels on track with budget expectations.

Equipment Rental Fund expenditures ended June at 26.0 percent of budget. Expenditures in this fund consist of Honeywell Site Remediation costs and fleet services, including replacements. Funds that were 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 June.

Two summary listings of the originally adopted 2025-2026 Budget (expenditures only), broken down by year, and amendments adopted by Ordinance through May 20, 2025 are presented below.

Fund Type / Fund Name	Original 2025 Budget	2025 Budget Adjustments						Amended 2025 Budget
		Administrative Biennial Corrections	ORD 25-10 24 to 25 Carry forward	ORD 25-10 Q1 FSU	Q2 FSU	Q3 FSU		
General Purpose Funds:								
General	37,233,739		151,000	1,760,299				39,145,038
Self-Insurance	10,000							10,000
Youth Services Endowment	-							-
Special Revenue Funds:								
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
Debt Service Funds:								
Bond Redemption (Voted)	-							-
Bond Redemption (Non-Voted)	-							-
Capital Projects Funds:								
Town Center Parking Facilities*	-							-
Capital Improvement*	10,883,279		2,226,939	1,138,420				14,248,638
Technology & Equipment*	493,000		202,208					695,208
Facility Repl Reserve*	-		785,000					785,000
Enterprise Funds:								
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
Internal Service Funds:								
Equipment Rental*	2,536,727		195,537					2,732,264
Computer Equipment*	1,463,979							1,463,979
Trust Funds:								
Firefighter's Pension	137,000							137,000
Total	109,155,735	-	19,074,157	3,588,224	-	-	-	131,818,116

* 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	Q1 FSU	Q2 FSU	Q3 FSU	Q4 FSU	Q1 FSU	Q2 FSU	
General Purpose Funds:									
General	38,676,518								38,676,518
Self-Insurance	10,000								10,000
Youth Services Endowment	-								-
Special Revenue Funds:									
Street*	4,902,902								4,902,902
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
Debt Service Funds:									
Bond Redemption (Voted)	-								-
Bond Redemption (Non-Voted)	-								-
Capital Projects Funds:									
Town Center Parking Facilities*	-								-
Capital Improvement*	9,554,202								9,554,202
Technology & Equipment*	355,931								355,931
Capital Reserve*	-								-
Enterprise Funds:									
Water*	25,162,916								25,162,916
Sewer*	16,359,832								16,359,832
Stormwater*	4,622,520								4,622,520
Internal Service Funds:									
Equipment Rental*	3,003,139								3,003,139
Computer Equipment*	1,544,174								1,544,174
Trust Funds:									
Firefighter's Pension	145,000								145,000
Total	112,797,187	-	-	-	-	-	-	-	112,797,187

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