

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 March 2026.

Beginning Fund Balance represents net excess resources from a prior year that have been appropriated to fund budgeted expenditures in fiscal year 2026.

JUNE 16, 2026

FINANCIAL STATUS UPDATE

AS OF MARCH 31, 2026

2026 General Fund

REVENUES

\$ in millions

Adopted Budget	\$38.6
Amended Budget	39.0
Actuals as of 3/31*	7.4

**19.1% of Amended Budget*

EXPENDITURES

\$ in millions

Adopted Budget	\$38.6
Amended Budget	39.1
Actuals as of 3/31*	10.8

**27.7% of Amended Budget*

Contingency Fund Balance

\$4.9 million

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GENERAL FUND

Revenues

Overall, General Fund revenues met budget expectations throughout the first quarter (Q1). The 2026 amended revenue budget is included in the table below along with year-to-date (YTD) actuals, and percentage of the amended budget received through the end of March. Prior YTD actuals are presented for comparative purposes.

The budget and actual amounts are for the first quarter, January 1 through the end of March. Additional detail regarding primary General Fund revenues and material variances from the original budget is discussed in the narrative below.

GENERAL FUND: Revenues

As of March 31, 2026

Revenue Category	2026 Adopted Budget	2026 Amended Budget	Prior YTD 3/31/2025	YTD 3/31/2026	YTD Revenue as % of Amended Budget
Property Tax	\$ 14,199,616	\$ 14,199,616	\$ 1,039,624	\$ 995,575	7.0%
Sales Tax - General	6,925,475	6,925,475	1,696,668	1,734,554	25.0%
Sales Tax - Criminal Justice	1,018,924	1,018,924	233,536	248,248	24.4%
Utility Taxes	5,136,522	5,136,522	1,188,905	1,530,310	29.8%
B&O Taxes	755,980	755,980	774,937	397,793	52.6%
Shared Revenues	1,589,754	1,613,229	646,180	504,495	31.3%
Cost Allocation-Overhead	2,527,397	2,527,397	602,968	631,849	25.0%
EMS Revenues	2,162,216	2,162,216	226,866	388,887	18.0%
Parks & Recreation	1,432,500	1,432,500	376,217	379,600	26.5%
License, Permit & Zoning	631,833	631,833	161,288	164,226	26.0%
Municipal Court	185,000	185,000	35,143	63,458	34.3%
Miscellaneous Revenue	310,738	360,738	61,795	97,572	27.0%
Interest Earnings	1,154,625	1,154,625	459,353	312,446	27.1%
Interfund Transfers	0	0	0	0	N/A
Total Revenues	\$ 38,030,580	\$ 38,104,055	\$ 7,503,480	\$ 7,449,014	19.5%
Appropriated Fund Balance	645,938	971,938	0	0	0.0%
Total Resources	\$ 38,676,518	\$ 39,075,993	\$ 7,503,480	\$ 7,449,014	19.1%

Property Tax is 7.0 percent of the budget at the end of the first quarter. This reflects the annual timing of property tax payments to the City, which typically occur in April and October of the calendar year. This revenue is on track with historical expectations.

General Sales Tax is 25.0 percent of the adopted budget through the end of March. This revenue is on track with budget expectations.

The Construction sector has historically been the largest component of sales tax revenue in fiscal year 2025. This trend continued through Q1 2026. The Retail & Wholesale Trade sector is up in Q1 2026

EXHIBIT 1

compared to the previous year, while Construction has decreased yet maintains its place as the top performing business sector.

Sales tax revenues have been strong through Q1 2026. The following table compares sales tax revenue by business sector from January through March for 2025 and 2026.

2025-2026 General Sales Tax Revenue by Business Sector (\$ in thousands)						
Business Sector	JAN thru MAR	JAN thru MAR	Increase / (Decrease)	% of Total		
	2025	2026		2025	2026	% Chg
Construction	\$696	\$638	(\$58)	41.0%	36.8%	-4.2%
Retail & Wholesale Trade	\$533	\$547	\$14	31.4%	31.5%	0.1%
All Other Sectors	\$90	\$96	\$6	5.3%	5.6%	0.2%
Admin & Support Services	\$144	\$158	\$14	8.5%	9.1%	0.6%
Food Services	\$69	\$79	\$9	4.1%	4.5%	0.4%
Professional, Scientific & Tech	\$59	\$93	\$33	3.5%	5.3%	1.8%
Finance/Insurance/Real Estate	\$46	\$48	\$1	2.7%	2.7%	0.0%
Information	\$59	\$77	\$18	3.5%	4.4%	1.0%
Total	\$1,697	\$1,735	\$38	100.0%	100.0%	

Criminal Justice Sales Tax is 24.4 percent of the adopted budget at the end of the first quarter. This revenue consists of a 0.1 percent sales tax imposed by King County that is shared with cities in the county on a per capita (population) basis. It is closely tied to county wide taxable sales numbers. This revenue is up 14.7 thousand over the prior year, representing a 6.2 percent increase through the first quarter.

Utility Taxes are 29.8 percent of budget at the end of March. This revenue category is performing within budget expectations and historical trends.

Business & Occupation (B&O) Tax is 52.6 percent of budget at the end of the first quarter. Most of the City’s registered businesses file an annual B&O tax return where the deadline for remitting annual taxes is April 15th of the following year. Revenues in this category are down \$377 thousand compared to the prior year but are following closer to historical trends.

Shared Revenues are 31.3 percent of the budget through the end of March. 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.

EMS Revenues are 18.0 percent of budget at the end of the first quarter. Revenues in this line include those from the King County EMS Levy, emergency aid services, Ground Emergency Medical Transport services, and ambulance transport fees. Revenues in this line are below budget expectations due to a change in the way the revenue is received. Ambulance Transport fees that used to be received directly by the City are now being collected by Eastside Fire & Rescue (EF&R), which provides fire and emergency medical services to Mercer Island. The Ambulance Transport Fees collected by EF&R in the prior year are credited against the operating costs of the EF&R contract in the current year, less an administrative fee.

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Parks and Recreation revenues are 26.5 percent of budget at the end of March. Revenue sources include field rentals, boat launch fees, program fees, and rent payments from the annex building outside the Mercer Island Community and Event Center (MICEC). Recreation program revenues are within budget expectations.

License, Permit, and Zoning Fees are 26.0 percent of budget at the end of the first quarter. This revenue category consists of fees related to business licenses and a cable franchise. This revenue is performing within budget expectations.

Municipal Court revenues are performing within budget expectations, ending the quarter at 34.3 percent of budget. Revenues in 2026 increased compared to the prior year due to an increase in 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 March at 27.1 percent of budget. However, revenues are lower than the prior year due to lower idle cash reserves and interest rates falling from 4.40 percent in March 2025 to 3.71 percent in March 2026.

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

Expenditures

Overall, General Fund expenditures are within budget estimates at the end of the first quarter. The table below lists the 2026 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 Q1 2026, January through the end of March. Additional details of material variances from the amended budget are discussed in the narrative below.

GENERAL FUND: Expenditures

As of March 31, 2026

General Fund Department	2026 Adopted Budget	2026 Amended Budget	Prior YTD 3/31/2025	YTD 3/31/2026	YTD Expense as % of Amended Budget
Administrative Services	\$ 1,313,100	\$ 1,325,100	\$ 380,051	\$ 408,074	30.8%
City Attorney's Office	1,114,022	1,114,022	238,596	234,044	21.0%
City Council	61,123	61,123	12,960	17,664	28.9%
City Manager's Office	802,408	802,408	211,101	196,648	24.5%
Community Planning & Development		252,029		27,029	10.7%
Finance	1,530,964	1,530,964	291,963	326,144	21.3%
Fire	9,269,259	9,269,259	3,348,707	2,932,569	31.6%
Human Resources	900,046	878,046	183,482	210,450	24.0%
Information & Geographic Services	215,646	215,646	50,465	54,929	25.5%
Municipal Court	727,664	727,664	157,570	156,621	21.5%
Non-Departmental	2,474,816	2,562,631	1,179,890	1,372,506	53.6%
Parks & Recreation	2,423,758	2,423,758	444,074	528,311	21.8%
Police	9,925,207	9,947,207	2,451,446	2,703,752	27.2%
Public Works	6,050,430	6,123,905	1,283,555	1,283,035	21.0%
Total Expenditures	\$ 36,808,443	\$ 37,233,762	\$ 10,233,860	\$ 10,451,774	28.1%
Interfund Transfers	1,868,075	1,883,075	594,536	396,041	21.0%
Total Expenditures + Interfund Transfers	\$ 38,676,518	\$ 39,116,837	\$ 10,828,395	\$ 10,847,815	27.7%

In reviewing expenditures by department, the following are noteworthy:

Administrative Services expenditures ended the first quarter at 30.8 percent of budget. This is primarily due to the timing of costs related to 2025 voter registrations for King County elections. Other budgeted operating expenditures are within expectations.

Fire department expenditures are 31.6 percent of budget at the end of March. This reflects three annual payments, per the City’s interlocal agreement with Eastside Fire & Rescue (EF&R), that occur in January of the fiscal year and relate to capital facilities maintenance, equipment replacement contributions, and the final payment of establishing a leave liability fund for firefighting staff that transitioned to EF&R. All other expenditures are within budget.

Non-Departmental expenditures are 53.6 percent of budget at the end of the first quarter. This is due to annual insurance payments that occur in January of the fiscal year. Expenditures are expected to stay within budget expectations throughout the remainder of the year.

All other expenditures are within expectations through the end of the first quarter.

UTILITY FUNDS

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

Revenues

The table below lists the 2026 adopted and amended revenue budget, January through March actuals, and the percentage of budget received. Prior year actuals are presented for comparative purposes. The budget and actual amounts include January 1 through March 31, 2026. Additional detail regarding material variances is discussed in the narrative following the table.

UTILITY FUNDS: Revenues

As of March 31, 2026

Revenue Category	2026 Adopted Budget	2026 Amended Budget	Prior YTD 3/31/2025	YTD 3/31/2026	YTD Revenue as % of Amended Budget
Operating Revenues					
Water Utility	\$ 13,604,295	\$ 13,604,295	\$ 2,280,586	\$ 2,461,771	18.1%
Sewer Utility	13,359,815	13,359,815	3,300,390	3,561,562	26.7%
Storm Water Utility	2,999,045	2,999,045	768,980	814,885	27.2%
Interest Earnings					
Water Utility	293,158	293,158	403,611	306,123	104.4%
Sewer Utility	81,073	81,073	107,911	92,383	114.0%
Storm Water Utility	50,177	50,177	57,724	51,359	102.4%
Miscellaneous Revenue					
Water Utility	-	-	-	1,814,729	N/A
Sewer Utility	-	-	-	-	N/A
Storm Water Utility	-	-	-	-	N/A
Total Revenues	\$ 30,387,563	\$ 30,387,563	\$ 6,919,202	\$ 9,102,812	30.0%

Water, Sewer, and Storm Water Utility operating revenues are within budget expectations and reflect the seasonality of utility revenues. The Q1 increase compared to the prior year reflect the approved rate increase that became effective January 1, 2026. During a scheduled contract update between Seattle Public Utilities (SPU) and Mercer Island regarding drinking water provisions, minor modifications were made to the purveyor rate model. This resulted in an overcollection during the period when the contract update occurred. As a result, SPU over collected revenues, resulting in a \$1.8 million refund to the City's Water Utility in February. The \$1.8 million remains within the Water Fund and will go towards major capital improvements to the City's water distribution system.

Interest earnings for the Water, Sewer, and Storm Water Utility funds have continued to exceed revenue expectations. The Local Government Investment Pool held a better than anticipated earnings yield through Q1 2026, ranging from 3.87 percent at the beginning of January to 3.71 percent through the end of March.

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Expenditures

The table below lists the 2026 adopted and amended expenditure budget by Utility fund and category, January through March actuals, and a percentage of budget spent. Prior year actuals are presented for comparative purposes. The budget and actual amounts are through the end of the first quarter. Additional details of major variances are discussed following the table.

UTILITY FUNDS: Expenditures

As of March 31, 2026

Category	2026 Adopted Budget	2026 Amended Budget	Prior YTD 3/31/25	YTD 3/31/26	YTD Expense as % of Amended Budget
Operating Expenditures					
Water Utility	\$ 8,323,477	\$ 8,362,652	\$ 1,862,384	\$ 1,963,030	23.5%
Sewer Utility	10,507,525	10,534,900	2,317,281	3,110,252	29.5%
Storm Water Utility	2,823,515	2,946,465	537,449	618,094	21.0%
Capital Projects					
Water Utility	14,409,252	14,409,252	3,256,286	1,613,931	11.2%
Sewer Utility	4,822,697	4,822,697	745,458	745,359	15.5%
Storm Water Utility	1,799,004	1,799,004	23,274	30,947	1.7%
Debt Service					
Water Utility	2,430,188	2,430,188	-	-	0.0%
Sewer Utility	1,029,611	1,029,611	-	-	0.0%
Storm Water Utility	-	-	-	-	N/A
Total Expenditures	\$ 46,145,269	\$ 46,334,769	\$ 8,742,131	\$ 8,081,613	17%

First quarter expenditures for the Water and Storm Water Utility funds are within budget expectations. However, operating expenditures in the Sewer Utility exceeded budget expectations at the end of March, primarily due to insurance payments that are paid in full in January. Other operating expenditures are within budget expectations.

Regarding capital investment, several major projects are currently in the design or construction phases. Staff is prioritizing Water Utility projects to ensure timely expenditure of time-gated revenues from the Fall 2024 Limited Tax General Obligations (LTGO) bond issuance. Per federal tax law, 85% of LTGO bond proceeds must be spent within three years of issuance. Work is on track to meet this requirement.

Comprehensive project details are available in the dedicated [Capital Improvement Program \(CIP\) section](#) within this exhibit.

ALL OTHER FUNDS

Revenues

The table below lists the 2026 amended revenue budget, year-to-date 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 March. Additional details of material variances are discussed in the narrative following the table.

ALL OTHER FUNDS: Revenues

As of March 31, 2026

Fund Name	2026 Adopted Budget	2026 Amended Budget	Prior YTD 3/31/2025	YTD 3/31/2026	YTD Revenue as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Street	4,902,904	7,807,134	491,994	1,044,982	13.4%
Contingency	-	-	-	-	N/A
1% for the Arts	15,000	15,000	-	-	0.0%
Youth & Family Services	4,110,833	4,142,433	464,823	808,697	19.5%
Development Services	4,340,046	4,340,046	1,098,698	1,150,798	26.5%
Bond Redemption (Non-Voted)	-	137,462	-	-	0.0%
Capital Improvement	9,554,202	9,691,664	1,460,275	492,666	5.1%
Technology & Equipment	395,922	606,632	95,000	80,000	13.2%
Municipal Facility Replacement	-	587,549	168,773	-	0.0%
Equipment Rental	3,802,523	5,241,559	348,805	484,666	9.2%
Computer Equipment	1,785,733	1,785,733	371,432	390,012	21.8%
Firefighter's Pension	145,000	145,000	11,182	9,444	6.5%

Street Fund revenues are 13.4 percent of budget at the end of March. The primary revenue source in the Street Fund for fiscal year 2026 is Real Estate Excise Taxes (REET). REET revenues ended the quarter down \$20 thousand, or 9.8 percent, when compared to the same period in 2025.

Total property sales recorded in January through March of 2026 were 12.5 percent lower, when compared to the same period in 2025. The property sales recorded for both 2025 and 2026 fall well below the 10-year historical average of 69 in Q1 2026. The average property sale price in Q1 2026 also decreased when compared to Q1 2025 by about \$151 thousand. Taken together, these are the primary drivers of the total REET revenue decline experienced in Q1 2026.

Youth & Family Services revenues ended March at 19.5 percent of the amended budget. This is primarily due to counseling service revenue actuals compared to budget expectations. A proposed agreement with the Boys & Girl Club Organization to fund a counselor position did not move forward based on a mutual agreement between both parties, resulting in none of the \$147.5 thousand service costs being incurred or recouped this biennium.

Thrift Shop revenues were up \$207.2 thousand in fiscal year 2026 relative to the prior year and are 23% of budget the 2026 revenue target as of the end of March. Other revenues are within budget expectations.

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Capital Improvement Fund revenues are 5.1 percent of budget at the end of the first 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 2026 and beyond.

In addition, the budget for revenues in 2026 includes \$2.2 million in State Grant funding, of which none has been collected due to the timing of capital projects. State grants operate on a reimbursement basis as funds are expended. Staff intend to submit for reimbursement for outside funding as project milestones are met. As an example, reimbursement for grants related to the Luther Burbank Dock & Waterfront Improvements project occur once the waterfront design is complete (Q2 2026) and after construction is complete (Q4 2027).

Municipal Facility Replacement Fund revenues ended the first quarter at 0.0 percent of budget. The amended revenue budget in this fund represents two appropriations ([AB 6850](#) & [AB 6892](#)) to support workspace planning for the 9655 building. Interfund transfers for that work will occur as project phases are completed in the latter half of 2026.

Firefighter's Pension Fund revenues are 6.5 percent of budget at the end of the first quarter. Investment interest earnings are down when compared to 2025. This decrease in interest earnings compared to the prior year comes as local government investment pool yields have fallen nearly 0.7 percentage points when compared to the same period in 2025. Other revenues in this line, like the fire insurance premium tax, are received later in the fiscal year and are within historical expectations.

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

Expenditures

The table below lists the 2026 amended expenditures budget by fund, end of first quarter 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 March. Additional details of major variances are discussed in the narrative following the table.

ALL OTHER FUNDS: Expenditures

As of March 31, 2026

Fund Name	2026 Adopted Budget	2026 Amended Budget	Prior YTD 3/31/2025	YTD 3/31/2026	YTD Expense as % of Amended Budget
Self Insurance Claim	\$ 10,000	\$ 10,000	\$ -	\$ -	N/A
Street	4,902,903	7,807,133	668,194	482,474	6.2%
Contingency	-	-	-	-	N/A
1% for the Arts	15,000	15,000	2,248	1,500	10.0%
Youth & Family Services	4,110,832	4,142,432	808,852	929,456	22.4%
Development Services	4,334,220	4,334,220	898,282	920,332	21.2%
Bond Redemption (Non-Voted)	-	137,462	-	-	0.0%
Capital Improvement	9,554,201	9,541,663	1,211,251	989,263	10.4%
Technology & Equipment	355,931	566,641	33,230	53,315	9.4%
Municipal Facility Replacement	-	562,283	-	56,530	10.1%
Equipment Rental	3,003,136	4,442,172	322,393	401,329	9.0%
Computer Equipment	1,544,174	1,544,174	489,126	530,975	34.4%
Firefighter's Pension	145,000	145,000	31,055	28,394	19.6%

Street Fund: Total expenditures are 6.2 percent of budget at the end of March. 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 third and fourth quarters of the fiscal year.

Capital Improvement Fund expenditures ended the first quarter at 10.4 percent of budget. This level of expenditure for capital projects is commonplace given how many capital projects are currently underway. Capital project details can be found in the dedicated [CIP section](#) within this exhibit.

Technology & Equipment Fund: Total expenditures are 9.4 percent of budget at the end of March. This level of expenditure falls within historical expectations throughout the first quarter of the fiscal year. Projects with notable expenditures this year include the financial software implementation (currently on track) and technology equipment replacement program, which has spending levels on track with budget expectations.

Computer Equipment Fund expenditures ended the first quarter at 34.4 percent of budget. This is primarily due to annual software subscriptions that are paid in January. Other operating and capital expenditures are within budget expectations.

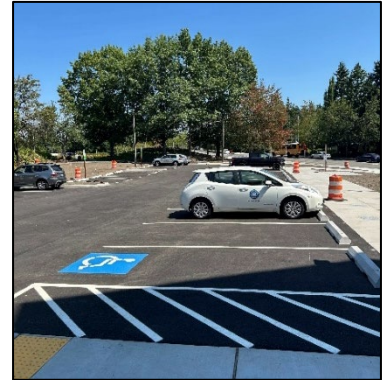
All other variances meet budget expectations through the end of March.

CAPITAL IMPROVEMENT PROGRAM

During Q1 2026, the City made progress across major capital projects, including the transportation system, water and sewer systems, and city parks. Key milestones included the completion of high-impact community facilities ahead of the opening of regional light rail, advancing long-term utility capacity models, and strategic multiyear neighborhood safety enhancements. Project summaries are included below.

TRANSPORTATION & MOBILITY

1. **Town Center Parking Facility:** Construction reached final completion in late March 2026. Key updates included the final installation and electrical inspection of new light fixtures, wiring, and photocells. The City's contractor OMA Construction completed final signage installations and landscaping cleanup to ensure the facility was fully operational prior to the opening of the local light rail station on March 28.



2. **76th Avenue SE Mid-Block Crossing & ADA Improvements:** This project includes improvements across five locations to enhance pedestrian mobility. In late January, bid documents were completed to upgrade and realign an existing mid-block crosswalk in the 2700 block of 76th Avenue with rectangular rapid-flashing beacons (RRFB), improved illumination, and ADA-compliant ramps. Intersections at North Mercer Way & SE 22nd Street, 77th Avenue & SE 29th Street, and 84th Avenue near Luther Burbank Park will receive ADA curb ramp modifications. Seven bids were received in February, with construction scheduled to begin in late May and phased around the FIFA World Cup games and Summer Celebration.
3. **Island Crest Way Corridor Improvements (Shared Use Path Phase 1):** Design for this project reached the 90% milestone. The project introduces a 10-foot-wide paved path with 2-foot gravel shoulders along the west side of Island Crest Way between Island Park Elementary and SE 60th Street. The City secured a Washington State Transportation Improvement Board (TIB) grant to fund over half of the design and construction costs. In March 2026, the City Council authorized a wider trail easement granted by the Mercer Island School District to maximize safety and connectivity. Construction is anticipated for spring 2027.

- East Mercer Way Roadside Shoulders (Phase 11):**
 The City contracted with CM Design Group to complete the final phase of the Mercer Way Roadside Shoulder Improvement program, which originally began in 2003. This project constructs a new paved shoulder from SE 79th Street to the 8400 block of East Mercer Way, removing the final remaining gap across the entire 4.8-mile length of the roadway corridor. Design is scheduled for completion in late 2026, with construction launching in early 2027.



WATER DISTRIBUTION SYSTEM

- Water Supply Pipeline & Gallagher Hill Road AC Main:** RH2 Engineering completed 60% design reviews for the primary 24-inch water supply pipeline along SE 36th Street, Gallagher Hill Road, and SE 40th Street. To avoid spatial conflicts, a sub-project was initiated to replace an existing asbestos cement (AC) water main with a new 10-inch ductile-iron water main along Gallagher Hill Road. Public bidding for this 10-inch main closed on March 24, 2026, with communications going out to nearly 700 households, nearby businesses, and schools in the area about the project in early May 2026. Construction is anticipated to begin in August 2026.
- 2025 AC Water Main Replacements:** This project is part of a long-term initiative to replace over 5,000 linear feet of aging asbestos cement (AC) water mains across the Mercerwood neighborhood, including portions of Mercerwood Drive, Shoreclub Drive, and 95th, 96th, and 97th Avenues. Staff finalized 90% design plans and specifications to support the City's broader structural target of eliminating AC pipelines from the utility system by 2030. Bids will open in late spring, with construction launching in late summer or early fall 2026.
- Water System Plan Update:** Public Works launched a comprehensive 10-year structural update to the City's Water System Plan (WSP) in compliance with Washington Administrative Code. Evaluating projected system needs over a 20-year horizon, the plan will model local development growth, hydraulic fire-flow standards, and consumer demand. Final plan completion is targeted for early 2027.

SEWER CONVEYANCE SYSTEM

- Lakeline Reach 1 Capacity Improvements:**
 Staff initiated extensive technical surveys of the Lakeline Reach 1, a 2.5-mile corridor of the Island's sewer conveyance system. Staff and engineering consultants executed boat-based shoreline evaluations and field investigations across waterfront properties to map bulkheads, docks, and alignment paths. Property-by-property field surveys to



establish permanent brass alignment markers began in late March and will continue through early summer.

9. **Sewer Pump Stations 23 and 25 Generator Replacements:** Valley Electric and Ness Crane executed complex engineering installations to remove decommissioned standby generators and lower updated units into underground vaults. Following power transfers by Puget Sound Energy, the new automatic transfer switch (ATS) at Pump Station 25 was put to an immediate operational test on March 11, when high-wind utility outages occurred. The backup system successfully activated, preserving uninterrupted wastewater service for over 500 local connections.



10. **Sewer Pump Station 19 & 21 Replacement:** The City officially retained Wilson Engineering to provide comprehensive design services to replace these two shoreline-adjacent pumping facilities. Geotechnical boring, drone reconnaissance, and boundary mapping began in March 2026. Due to strict environmental shoreline restrictions and design complexity, permitting will continue through 2027, with construction slated for summer 2028.

PARK IMPROVEMENTS

11. **First Hill Park Playground Replacement:** Executed under the 2022 Parks Levy, the fully renovated playground officially opened to the public in January 2025. The facility integrates play experiences for ages 2 through 12, featuring engineered wood fiber surfacing, cedar timber borders, and a 20-foot-tall Alpha Tower climbing structure. Minor right-of-way parking adjustments along SE 32nd Street and vegetative restoration will continue through the second quarter of the year.



12. **Sewer Lift Station 11 / Fruitland Landing Park Restoration:** Following the removal of temporary bypass equipment and heavy construction plates from the site of Pump Station 11, contractors initiated full parkland restoration. The neighborhood street-end park is being rebuilt to incorporate site grading, weed eradication, updated irrigation, new plants, and community park benches.
13. **Clarke & Groveland Beach Parks Joint Infrastructure Plan:** Staff conducted targeted outreach to collect community feedback on long-term infrastructure choices for Groveland Beach, securing over 120 survey responses from local youth regarding beach hangout concepts and sand volleyball configurations. Refined design iterations will be submitted to the Parks and Recreation Commission for a final formal recommendation to the City Council.

EXHIBIT 1

Two summary listings of the originally adopted 2025-2026 Budget (expenditures only), broken down by year, and amendments adopted by Ordinance through May 5, 2026 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	ORD 25-25 Q2 FSU	ORD 25-33 Q3 FSU		
General Purpose Funds:								
General	37,233,739	(40,844)	151,000	1,760,299	3,317,358	109,889	42,531,442	
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					30,000	3,906,503	
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*	-				744,082		744,082	
Capital Improvement*	10,883,279	150,000	2,226,939	1,138,420	1,670,752		16,069,390	
Technology & Equipment*	493,000		202,208				695,208	
Facility Repl Reserve*	-	(159,283)	785,000		9,080,000	1,562,064	11,267,781	
Enterprise Funds:								
Water*	22,960,080		10,411,104	689,505		245,280	34,305,969	
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		60,000		2,792,264	
Computer Equipment*	1,463,979						1,463,979	
Trust Funds:								
Firefighter's Pension	137,000						137,000	
Total	109,155,735	(50,127)	19,074,157	3,588,224	14,872,192	1,947,233	-	148,587,415

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

EXHIBIT 1

	Original 2026 Budget	2026 Budget Adjustments						Amended 2026 Budget
		Administrative Biennial Corrections	ORD 25-25 Q2 FSU	ORD 25-33 Q3 FSU	ORD 26-04 Q4 FSU			
General Purpose Funds:								
General	38,676,518	40,844		223,475	176,000		39,116,837	
Self-Insurance	10,000						10,000	
Youth Services Endowment	-						-	
Special Revenue Funds:								
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				31,600		4,142,433	
Development Services	4,334,220						4,334,220	
Debt Service Funds:								
Bond Redemption (Voted)	-						-	
Bond Redemption (Non-Voted)	-			137,462			137,462	
Capital Projects Funds:								
Town Center Parking Facilities*	-						-	
Capital Improvement*	9,554,202	(150,000)		137,462			9,541,664	
Technology & Equipment*	355,931				210,710		566,641	
Facility Repl Reserve*	-	159,283			403,000		562,283	
Enterprise Funds:								
Water*	25,162,916			20,000	19,175		25,202,091	
Sewer*	16,359,832			20,000	7,375		16,387,207	
Stormwater*	4,622,520				122,950		4,745,470	
Internal Service Funds:								
Equipment Rental*	3,003,139				1,439,037		4,442,176	
Computer Equipment*	1,544,174						1,544,174	
Trust Funds:								
Firefighter's Pension	145,000						145,000	
Total	112,797,187	50,127	2,904,231	538,399	2,409,847	-	118,699,791	

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