

Question & Answer Matrix
May 5, 2026 - City Council Meeting

Log #	AB No.	Received From	Question	Staff Response
1	6919	Reynolds	Frequent reference is made to the “Neighborhood Traffic Program”. Please remind me what this program is, its decision making process / authority, and its budget.	<p>This is the program that works with residents to address concerns and deploy traffic calming measures such as street design elements, pavement markings, other components to reduce vehicle speeds and promote pedestrian safety. Specific requests generate an assessment and evaluation by our Transportation Engineer and may include implementation of strategies dependent upon the evaluation and assessment of data. Some typical strategies include the deployment of the Portable Radar Speed Trailers, enhanced pavement markings, additional signage, or further data collection. At times, more permanent traffic calming measures are needed which can generate a stand-alone project that is included in the six-year TIP and Capital improvement Plan.</p> <p>In the current 2025-2026 Capital Improvement Plan, the Traffic Safety and Operations (90.20.0004) budget is funded at approximately \$100k per year.</p>
2	6919	Reynolds	When 90.20.0016 is complete on 2027, and we thus have the Mercer Way shoulder project complete, is any sort of celebration planned? A ribbon cutting? A Tour de Mercer bicycle event?	There is no event planned.
3	6919	Reynolds	It appears that SE 48 th St on the west side of West Mercer has a “poor” rating. While this rating is well-deserved, I am surprised it is rated at all, since I thought this was a private road. Am I wrong?	Approximately the first 300 feet of SE 48th Street is private roadway within the public right-of-way; beyond that point, the asphalt is on private property. The City collects PCI data on all pavement within the right-of-way including privately maintained streets.
4	6920	Becker	If a separate new building is built nearby that is Risk Category IV, is there any possibility to move any of this building’s critical systems (such as SCADA) to that other building?	Yes, there is potentiation to move some of the critical systems to another building, but these will be evaluated on a case-by-case basis.
5	6920	Reynolds	Please recap the primary differences between category III vs IV construction. Does it related to the level of earthquake it can withstand? If so, what are the relevant Richter scale targets?	Staff will have our consultant further explain this during the presentation and discussion at the City Council meeting.

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6	6920	Reynolds	Would it be possible/practical to upgrade the building to level IV? At what cost?	Maybe. Staff did not analyze the possibility of renovating the existing building to Risk Category IV. Risk Category III is the typical seismic resiliency level for this type of building. However, as an Island, City operations are uniquely vulnerable to a severe earthquake, and it is reasonable to consider the trade-offs and advantages of considering a Risk Category IV rating for Public Works facilities. While it is likely possible to upgrade the building to Risk Category IV, considering the topography and site conditions of the site of the current Public Works building, the cost would likely be significant and not practical to consider.
7	6920	Reynolds	If we compare the scope of renovation option 2, what are the key differences in the amount of conditioned space and the related facilities considered here to what was proposed under Prop 1?	<p>Renovation Option #2 represents a very early look at what a standalone, fully conditioned vehicle storage building may cost. This is a high need for Public Works that is not possible to address by renovating the existing Public Works Building. At a minimum, the City needs to accommodate the two Vactor Trucks, the Hydro Excavator, and the Street Sweeper in a conditioned facility.</p> <p>This concept is very different than what was proposed under Prop 1. This concept would only include conditioned storage space for certain vehicles that require these storage conditions, such as the Vactor trucks. The facility considered in Prop 1 included office and workshop space for all Public Works staff, a newly constructed warehouse, vehicle storage, shop, material storage, and fueling station, all constructed at Risk Category IV.</p>
8	6920	Reynolds	The cost estimate seems VERY precise for such large projects. Do we have a confidence interval around them? A recommended contingency budget? Do the estimates allow for inflation between now and final completion?	The City's consultant engaged a cost estimator to prepare a preliminary cost estimate, inclusive of construction costs, soft costs, and contingency. These numbers are escalated to an estimated construction midpoint of Q4, 2028. The City has not conducted final design level costs estimates, so these figures should be considered preliminary.

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9	6920	Reynolds	Which vehicles would we expect to store inside if option 2 were pursued, and what is the approximate replacement cost of these vehicles?	The vehicles that require a conditioned space include the City's 2 Vactor Trucks (replacement cost: \$460,000 each), Hydro Excavator (replacement cost: \$475,000), and Street Sweeper (replacement cost: \$375,000). All of these vehicles/equipment have a secondary water tank that is used for operation and cannot freeze during the winter months.
10	6920	Reynolds	More generally, please provide a recap of this solution vs the Prop 1 solution. What needs are NOT met by this plan.	<p>This concept will replace failing building systems and implement renovations to the existing Public Works building that may add an additional 20 years of useful life of the facility. It includes additional options to increase the seismic resiliency rating and provide a potential additional structure to store specialized vehicles that require a conditioned storage space. This concept does not make any improvements or maintenance investments in the Public Works yard or ancillary structures. In other words, this solution only partially solves for the inadequate facilities of Public Works, and for a shorter timeframe than Prop 1.</p> <p>Prop 1 would have funded the construction of a new Public Works facility and yard that would have had an expected useful life of 50+ years. The proposed facility in Prop 1 would have met Risk Category IV seismic resiliency.</p>
11	6921	Reynolds	The huge increase in B&O tax from last year is surprising. Is there any more detail on this that would help us to understand if this is a sustainable uptick or a fluke? Perhaps something related to someone paying late, or something to do with the change from accrual to cash? Could you, for example, tell us the top ten payers each year and the amount they paid? Anything else that would tell us where the extra comes from?	The surge in B&O tax in 2025 can be primarily attributed to an increase in B&O tax payments by volume. There were 156 more payments receipted in 2025 compared to 2024. At its most basic level, more businesses paid Mercer Island B&O tax in fiscal year 2025.

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12	6921	Reynolds	<p>Please help me to reconcile these two statements which, on the surface, appear to be contradictory:</p> <p>“In May 2025, the City Council received a revenue forecast (AB 6680) indicating that General Fund expenditures were tracking within budget while revenues were projected to exceed estimates. This forecast proved accurate through fiscal year-end”</p> <p>and</p> <p>“As of December 2025, the General Fund recorded \$40.1 million in revenues, reaching 93% of the amended budget.”</p> <p>The first statement appears to imply that revenues are better than expected, while the second appears to imply the reverse.</p>	<p>The two statements are consistent. The first refers to organic revenue growth, while the second refers to the total amended budget, which was artificially inflated by one-time accounting transfers.</p> <p>The "amended budget" includes fund balance appropriations that are approved by the City Council (via budget amending ordinances). In 2025, the Council approved \$5.66 million in such actions, including:</p> <ul style="list-style-type: none"> • \$1.7 million in restricted permit revenues to the Development Services Fund upon its creation. • \$3.3 million for the acquisition of the facility located at 9655 SE 36th Street. <p>Because these transfers are "budgeted resources," they make the revenue target look higher. When you include these one-time savings transfers, the \$40.1 million in actual revenue only covers 93% of that \$43.1 million expanded total.</p> <p>If you strip away those one-time transfers and look only at the money the City “earned” in 2025 (taxes, fees, etc.), General Fund revenues finished at 107% of the revenue budget.</p> <p>The City collected more money than initially estimated, as indicated in the May 2025 forecast (AB 6680).</p>
13	6921	Reynolds	<p><i>“Fire department expenditures are 103.2 percent of budget at the end of December. This reflects the third of three payments for the one-time transition costs related to represented Fire staff that was made in the first quarter of the fiscal year. All other expenditures are within budget.”</i></p> <p>Should I read this to suggest that we did not budget for this transition expense?</p>	<p>Actual expenditures for the Fire division include contract costs, the installment payment to transition vacation and sick leave liabilities, and the Mobile Integrated Health program (MIH).</p> <p>It was the MIH program that was not adequately captured in the original budget. The explanation in exhibit 1 should have reflected that it was the MIH program, and not the transition costs, that led to the fire division exceeding budget expectations.</p>

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14	6921	Reynolds	<p><i>“Water Utility revenues were higher than anticipated due to insurance settlement monies received in November”</i></p> <p>What was the settlement for, and how much, and did we not budget for this?</p>	<p>This settlement money was not included in the budget and was related to the Accounts Payable check fraud recovery. Additional details can be found in the 2024 Audit Exit Conference (AB 6852).</p>
15	6921	Reynolds	<p><i>“The Local Government Investment Pool held a better than anticipated earnings yield throughout 2025, ranging from 4.62 percent at the beginning of January to 3.87 percent through the end of December.”</i></p> <p>What was the expected rate, and do we have an expectation yet for 2026?</p>	<p>For the 2025-2026 biennial budget that was adopted December 2024, staff assumed \$93.5 million in average monthly investment holdings, a 3.75% average rate of interest earnings, and 40% of the total LGIP holdings tied to the General Fund, for a total of \$1.4 million in budgeted earned interest.</p> <p>Three factors drive the City’s annual interest earnings:</p> <ol style="list-style-type: none"> 1. Average total holdings in the Local Government Investment Pool. 2. Average percent of monthly LGIP holdings tied to the General Fund. 3. Average monthly earnings rate applied to the total holdings throughout the year. <p>The May 2025 revenue forecast projected \$1.6 million in General Fund interest earning revenues in 2025. Staff will present revenue projections for the General Fund to the City Council in June.</p>
16	6921	Reynolds	<p>Why are debt service actuals not perfectly matching budget? Aren’t these fixed rate loans?</p>	<p>A \$26.6 million LTGO issuance for the water fund closed in November 2024. Given the 4th quarter timing in relation to the adoption of the 2025-2026 budget in December 2024, the budget includes estimates for debt service that are slightly higher than actuals. The 2026-2027 budget for debt service will be based on the final debt payment schedules.</p>

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17	6921	Reynolds	I do not understand the CIP summary on PDF page 151. How is the last column computed? And does it make sense to report “YTD Actuals + Encumbered”? As a measure of expenditures, wouldn’t it need to be YTD Actuals + Increase in Encumbered, as would be analogous for a conversion from cash basis to accrual accounting?	<p>The “YTD Actuals + Encumbered” column is computed by adding actual expenditures to what is committed – either via purchase order or an active contract – to be spent by a capital project in the corresponding asset category.</p> <p>The “Encumbered Funds” column provides an at-a-glance view for staff and the City Council of the level of resources currently committed but not yet spent on work underway at the end of 2025, for each asset category. Adding this total to the year-to-date actuals gives a more complete picture to the level of capital resources committed for the fiscal year.</p>
18	6921	Reynolds	I am missing something really basic. “All other funds: Expenditures” shows “Capital Improvement” YTD actuals of 8,021,008, but the next table, “CIP Summary”, shows actuals of \$37,654,691. Clearly these are not measuring the same thing. What is the difference?	<p>The first measures the expenditures in the Capital Improvement Fund (320). The second refers to 2025 expenditures in the entire Capital Improvement Program (CIP).</p> <p>The “All other funds: Expenditures” table illustrates how much was spent relative to budget by Fund. Eight million was spent in the Capital Improvement Fund – Fund 320 – which primarily funds parks, open space, playgrounds, and facility capital improvements, among others.</p> <p>The CIP summary table illustrates activity by asset category, which includes the total amended budget, number of active projects, expenditure actuals, and total funds encumbered. The \$37.7 million is the total amount spent across all the asset categories in CIP program, which is funded by the Capital Improvement Fund (320), as well as the Street Fund (110), 1% for the Arts Fund (140), Technology and Equipment Fund (330), Equipment Rental Fund (510), Computer Equipment Fund (520), Water Fund (410), Sewer Fund (420), and Storm Water Fund (430).</p>

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19	6921	Reynolds	Is it practical to recap the top ten (or so) projects for spend of ST settlement money and how much was spent on each? If so, please do. You sort of do that in the narrative, but without any amounts.	<p>In addition to the narrative provided in the agenda bill, the table below summarizes major capital improvements reimbursed with Sound Transit funds:</p> <table border="1"> <thead> <tr> <th>Project</th> <th>Description</th> <th>Reimbursed Amount</th> </tr> </thead> <tbody> <tr> <td>4004 Island Crest Way</td> <td>Acquired property and converted site into new park space.</td> <td>\$ 1,657,091</td> </tr> <tr> <td>Sunset Highway/ 77th Ave SE</td> <td>Installed raised safety intersection and flashing crosswalks.</td> <td>1,542,959</td> </tr> <tr> <td>Island Crest Way Corridor</td> <td>Upgraded pedestrian crossings, trails, and lighting.</td> <td>1,441,215</td> </tr> <tr> <td>West Mercer Way Shoulders</td> <td>Paved new shoulders for safer walking and biking.</td> <td>1,059,923</td> </tr> <tr> <td>80th Avenue Sidewalk</td> <td>Replaced aging sidewalks, trees, and street lighting.</td> <td>1,180,916</td> </tr> <tr> <td>ADA Transition Plan</td> <td>Installed 11 compliant curb ramps and improved lighting.</td> <td>385,576</td> </tr> <tr> <td>76th Ave SE Crosswalk</td> <td>Added new sidewalk, curb ramps, and rapid-flashing beacons.</td> <td>269,770</td> </tr> </tbody> </table>	Project	Description	Reimbursed Amount	4004 Island Crest Way	Acquired property and converted site into new park space.	\$ 1,657,091	Sunset Highway/ 77th Ave SE	Installed raised safety intersection and flashing crosswalks.	1,542,959	Island Crest Way Corridor	Upgraded pedestrian crossings, trails, and lighting.	1,441,215	West Mercer Way Shoulders	Paved new shoulders for safer walking and biking.	1,059,923	80th Avenue Sidewalk	Replaced aging sidewalks, trees, and street lighting.	1,180,916	ADA Transition Plan	Installed 11 compliant curb ramps and improved lighting.	385,576	76th Ave SE Crosswalk	Added new sidewalk, curb ramps, and rapid-flashing beacons.	269,770
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20	6921	Reynolds	Remind me of our policy for how to set the compensated absence funding level	Per the City’s financial management policies (Resolution No. 1667), the compensated absences reserve’s target funding level is 50% of the liability (page 17).																								
21	6921	Reynolds	I notice some of our working capital targets are 45 days, some are 60, and some are 90. What is the rational for the difference?	<p>The logic behind varying working capital targets is operational complexity and unavoidable costs: the more expensive and critical it is to keep a specific service running during a crisis, the larger the working capital target.</p> <p>The City sets different working capital targets based on the minimum cash required to sustain essential services if revenues were to stop – most commonly in the wake of a major emergency.</p> <p>The number of days represents how long a fund can survive on its own before running out of liquid cash. The City maintains 90-days of working capital for Water operations because the cost of failure is higher and the daily cost to succeed is greater than, say, the 45-day target for the Storm Water Fund.</p> <p>Working capital targets are revisited each biennium by fund to ensure they are adequate and reasonable, based on the latest expenditure levels and recent changes to operations.</p>																								

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22	6921	Reynolds	I am a little confused by the Reserve and Debt & Long Term Liability tables beginning on page 155. Is it appropriate to think of the “reserves” as money we have to set aside because it is a cost we know is coming, or a risk we know we face that we know we prudently or legally have to set money aside for? But the “Debt and long term liabilities” seems different. That is money we owe that we do not need to have set money aside for yet. We intend (appropriately) to pay that out of future revenues for reasons such as intergenerational equity. Is that a fair recap? If so, why are compensated absences in the second category?	<p>Yes. Good recap.</p> <p>Think of reserves as the City’s strategic safety net. They provide fiscal resilience to navigate emergencies and cash flow gaps without interrupting essential services. They are also based on legal requirements as outlined by city policy, state law, and regional binding agreements, among others, that regulate government spending.</p> <p>For example, the City cannot use “opioid settlement funds” to pay for park maintenance services. They must be spent on eligible uses as defined by the King County Opioid Abatement Council.</p> <p>Think of debt and long-term liabilities as the City’s future commitments. They represent money owed to third parties or obligations that will not be fully paid off within a single year.</p> <p>Per Council policy (Resolution No. 1667), the City sets aside 50% of the total value of accrued compensated absences in the respective reserve. Accordingly, a cash reserve of \$675 thousand is held in the General Fund.</p> <p>The general government compensated absences figure in the Debt and Long-term Liability table represents the total calculated liability. Including the total liability demonstrates that the cash reserve does not fully fund the compensated absence obligation. Note, the total liability includes estimates for mandatory taxes (7.65% for FICA) and average sick time expected to be taken within 12 months that are excluded when calculating the 50% cash reserve amount.</p>

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23	6921	Reynolds	How are the working capital target balances calculated? For example, the sewer fund actual expenditures for 2025 were 9,210,208. The working capital balance is described as 60 days, so I would expect to see a balance somewhere around 60/365 of 9,210,208, or around \$1.5 million. But the actual working capital balance is only 757 thousand, or about half that amount. Why the apparent disconnect?	<p>Correct, the \$757 thousand operating reserve is more reflective of a 30-day reserve. This is consistent with the sewer utility rate model that uses a 30-day operating cash minimum for reviewing and setting sewer rates.</p> <p>Staff will look to reconcile the difference between assumptions in the sewer rate model and the financial management policies in the upcoming 2027-2028 budget process.</p>
24	6921	Reynolds	Are the lease liabilities we show the full amount (or present value of the amount) due on the leases over the full term? What is the rationale for recognizing that as an obligation now rather than pay as you go?	<p>The liabilities are calculated at the full amount due over the life of the agreement in accordance with the cash basis of financial reporting as defined by the Washington State Auditor's Office (SAO).</p> <p>Calculating the full liability is a required element of financial reporting to SAO. Actual costs are budgeted and paid as the installments come due, or on the pay-as-you-go basis.</p>
25	6921	Reynolds	In the table on page 16, what are the major components of general fund debt? Is most of it 9655 building?	<p>See Debt and Long-Term liabilities detailed at the bottom of the table on page 16.</p> <p>Major components include long-term care obligations for LEOFF 1 retirees, pension obligations, compensated absence liability, software as a service obligations and lease agreements.</p> <p>The LTGO debt repayment for the 9655 building will be repaid by the Capital Improvement Fund and is not included in the exhibit as a General Fund liability.</p>
26	6921	Reynolds	The 2024 biennium budget projected a YFS fund balance of \$897K as of YE 2025. Actual now looks like \$649K. What are the big drivers of that variance?	<p>The primary drivers are that the Thrift Shop and Family Counseling revenues were less than anticipated in the original budget for 2025.</p>

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27	6921	Becker	I know this report is for 2025 and the MICEC HVAC money from this session's capital budget will come in 2026, but whenever that money comes can you clarify how that will impact the budget/fund allocations?	Any funds received will be received as revenue to the Capital Improvement fund as a funding source for the MICEC HVAC project expenditures.
28	6923	Reynolds	I am confused by the labeling for Exhibit 8. Is this meant to be Exhibit B?	Yes, it should be labeled Exhibit B. Since Exhibit 2 to AB 6932 is an executed agreement, we are unable to make any changes to it.