2027 - 2028 BIENNIAL BUDGET

City of Mercer Island

SECTION A

City Manager Message and Budget Overview

CITY OF MERCER ISLAND
2027-2028 BIENNIAL BUDGET

The 2027-2028 Budget document serves two distinct purposes:

1. To present the City Council and Mercer Island residents with a clear picture of City services, the funding and cost of those services; and
2. To provide City management with an operating and capital plan that can be implemented and monitored using the City's financial system.

The budget document is divided into six sections:

A. City Manager Message & Budget Overview

In this section, the City Manager transmits the budget document to the City Council and Mercer Island residents in a transmittal letter outlining the budget strategies for the upcoming biennium. The Budget Snapshot provides a high-level summary of the budget, followed by the General Fund summary, personnel, positions by Department, and the overarching budget strategy.

B. Recap by Fund

The City accounts for all its operating and capital activities within different “Funds,” each of which is considered a separate accounting entity with varied rules and requirements. This section is organized by Fund and includes revenues, expenditures, and fund balances.

C. Revenue Sources

This section focuses on the City’s major revenue sources, providing useful background information, historical data, and 2027-2028 projections.

D. Operating Budget by Department

This section distills the City’s operations by department. Each department sub-section is organized to include a department description, organizational chart, work plan, and revenue and expenditure summaries for the upcoming biennium.

E. Capital Improvement Program

The Capital Improvement Program (CIP) encompasses all planned capital projects for a six-year period (2027-2032), with the first two years proposed as part of the 2027-2028 Budget. This section is organized into six subsections:

1. Introduction
2. Program Summary
3. Individual Project Sheets
4. Capital Program by Funding Source

F. Appendix

The section provides information about this history of Mercer Island, a glossary of budget related terms, and an explanation on accounting and budgeting.

CITY MANAGER'S MESSAGE

September 22, 2026

Honorable Mayor and Members of the City Council
Members of the Mercer Island Community

Dear City Councilmembers and Community:

I am pleased to present the 2027-2028 Biennial Budget for the City of Mercer Island.

Over the past six years, our organization has navigated one of the most uncharacteristic financial periods in the City's history. Through prudent fiscal management and strategic investment, Mercer Island successfully recovered from pandemic-era disruptions, modernized critical operations, and delivered once-in-a-generation improvements to our community's infrastructure.

Built on that progress, our focus remains on sustaining core municipal services and capital programs, while addressing emerging structural financial challenges and the future of City facilities.

The 2027–2028 Biennial Budget is developed against a challenging economic backdrop. Moderating local and regional growth, persistent inflation, and rising costs of providing municipal services are placing increasing pressure on City resources and shaping the financial outlook for the coming biennium. As a result, the City is entering a period in which operating expenditures are projected to outpace ongoing revenues. The 2027-2028 Biennial Budget responds to this imbalance by maintaining current service levels and using one-time resources to bridge the near-term funding gap, while providing the City with the time and foundation needed to develop sustainable, long-term financial solutions.

Budget Overview

Across all funds, the expenditure budget totals $128 million in 2027 and $138 million in 2028. These resources support the broad range of services, projects, and capital investments provided by the City.

In the General Fund, baseline expenditures are projected to grow by 6.1% between 2026 and 2028. Setting aside use of one-time funds, projected revenue growth is 4.4% over the same period. This imbalance results in an estimated operating deficit of $700,000 in 2027, increasing to $1.7 million in 2028. The budget bridges this gap through the use of one-time General Fund unassigned fund balance.

Real Estate Excise Tax (REET) revenues are a primary revenue source for capital improvements including parks, streets, facilities, and other public infrastructure. Following a prolonged period of high interest rates, slower local real estate activity has kept REET collections among historically low levels, reducing the resources available to support the Capital Improvement Program.

In response, capital projects have been carefully prioritized, sequenced, and scaled back to align with available resources while maintaining progress on key investments. The proposed 2027-2028 Capital Budget focuses on completing projects currently underway, addressing essential facility maintenance, and advancing projects that leverage grant funding.

Sustaining Momentum and Recent Progress

Prudent and disciplined fiscal management in recent years has positioned the City to achieve several major policy and infrastructure goals. A few of these achievements are summarized below:

- **Resilient Utilities**: Aging infrastructure in the water distribution system has been replaced while construction of a new locally controlled and seismically resilient water supply line for the Island will begin in 2026. Over the next two years the City will also begin work on major improvements to the City's sewer conveyance system.
- **Voter-Approved Investments:** Implementation of the 2022 Parks Levy continues to fund park maintenance, open space management, and playground replacements that are enjoyed every day by people who live and play across the Island's parks.
- **Improved Infrastructure:** The City Council directed use of one-time federal funding (e.g., American Rescue Plan Act) towards completing major capital investments across City streets and parks. Construction will begin on the Luther Burbank Park Waterfront improvements, a massive multiyear project that replaces aging docks, improves shoreline habitat, and improves public ADA access along Lake Washington.
- **Modernized Technology:** Staff transitioned to streamlined, modern financial and human resources software, implemented digital evidence management system for the Police Department, and initiated other improvements to technology systems. These investments improve efficiencies and help make Mercer Island a destination workplace.
- **Facility Solutions:** Following the unanticipated closure of City Hall in 2023, year-over-year savings in the Municipal Facility Replacement Fund enabled the strategic acquisition of a 22,000-square-foot office building at 9655 SE 36th Street, setting the stage for centralized public access and modern workspace for a large portion of City operations. Work continues to prepare that building to house staff and services.

AREAS OF FOCUS

Turning to the 2027-2028 biennium, the work program and budget focuses on the future of City facilities, investments in public safety, supporting Youth and Family Services and other core programs, while working to implement a long-term fiscal strategy.

The Future of City Facilities

Rehousing the Police Department and Emergency Operations in a permanent, modern facility is a key priority for the coming biennium. Since City Hall closed in 2023, police operations have been housed in temporary trailers, creating an urgent need for a long-term solution that supports public safety, emergency response, and the day-to-day needs of staff.

Community feedback supports moving this work forward. Results from the February 2026 City Facility Strategy Community Survey showed strong support for transitioning police and emergency response staff from temporary space into permanent, safe facilities, provided the scope and costs are clearly defined and fiscally responsible. This feedback will be used to advance design of a cost-effective public safety facility and engage the community in developing an appropriate funding strategy.

This work will proceed alongside continued efforts to put the recently acquired 9655 Building into active City use. Because the former school building requires significant renovation to fully optimize it for municipal operations, staff are developing a phased approach that supports near-term occupancy while planning for a more comprehensive renovation as funding becomes available.

At the same time, the City will continue investing in the ongoing maintenance of its remaining public facilities while working with the City Council on long-term stewardship strategies to preserve these assets and extend their useful life. This includes the Mercer Island Community & Event Center, the Luther Burbank Administrative Building, and the Public Works Administrative Building.

As the City navigates the realities of aging facilities and a constrained fiscal environment, maintaining safe, functional, and reliable public facilities remains a key organizational priority.

Investments in Public Safety

Ensuring the Police Department has the staffing, technology, and resources needed to deliver a high level of public safety will be a key work item for the City during the 2027–2028 biennium. Since the opening of light rail service on Mercer Island, the City has experienced an increase in police calls for service and will continue monitoring and evaluating this emerging trend to better understand its long-term implications.

At the same time, changing technology and operational demands require continued investment in the tools used by public safety personnel. Over the next two years, staff will work with the City Council to evaluate staffing needs, technology modernization, and other operational needs, with each investment considered in the context of community needs, service delivery, and available funding.

Supporting Youth and Family Services

Youth and Family Services (YFS) plays an important role in supporting Mercer Island youth, families, and seniors through community- and school-based mental health services, helping residents access care close to home and connect with support when they need it. Sustaining these services remains a core City priority.

At the same time, the YFS Fund is approaching a significant financial transition, with operating reserves anticipated to be fully exhausted during the next biennium. The 2027–2028 budget proposes to use General Fund unassigned fund balance to maintain YFS operations through 2028 and preserve current services while staff and the City Council develop a sustainable, long-term funding strategy for the Department.

Long-Term Financial Sustainability

Addressing the City's structural financial challenges is a critical priority of the 2027–2028 biennium. While prior-year savings provide the resources needed to balance operations in the near term, continued reliance on unassigned fund balance is not sustainable and does not resolve the underlying gap between ongoing revenues and expenditures.

The work ahead will require focused attention from staff and the City Council to develop and implement a long-term solution. This will include evaluating opportunities to streamline operations, manage costs, and improve efficiency, while also considering, where appropriate, new funding mechanisms needed to sustain essential community services into the future.

CONCLUSION

The 2027–2028 Biennial Budget provides a clear framework for navigating the City's financial challenges while maintaining essential services and advancing key community priorities. Just as important, it creates the time and structure needed for the City Council, staff, and community to make thoughtful decisions about Mercer Island's long-term financial future.

City Manager’s Message

I extend my sincere gratitude to the City Council for their thoughtful leadership and vision, to our community for their continued partnership, and to our dedicated City staff for their steadfast commitment to serving the Mercer Island community.

Thank you,

Jessi Bon, City Manager

City of Mercer Island

BUDGET OVERVIEW

This section provides an overview of the 2027-2028 Budget for the City of Mercer Island, including summary detail and changes that have occurred since the last budget. The budget overview section is divided into seven sub-sections:

1. City Organization – *how the City is organized.*
2. Budget Strategy – *approach to building the budget*.
3. Budget Snapshot – *overview of revenues and expenditures for all funds.*
4. Staffing – *who provides the services.*
5. Utility Rates – *overview of utility rates.*
6. City Debt – *purpose and status of City debt.*
7. General Fund at a Glance – *high level information about the General Fund.*
8. 2027-2028 Work Plan – *policy goals and objectives for the next two years.*

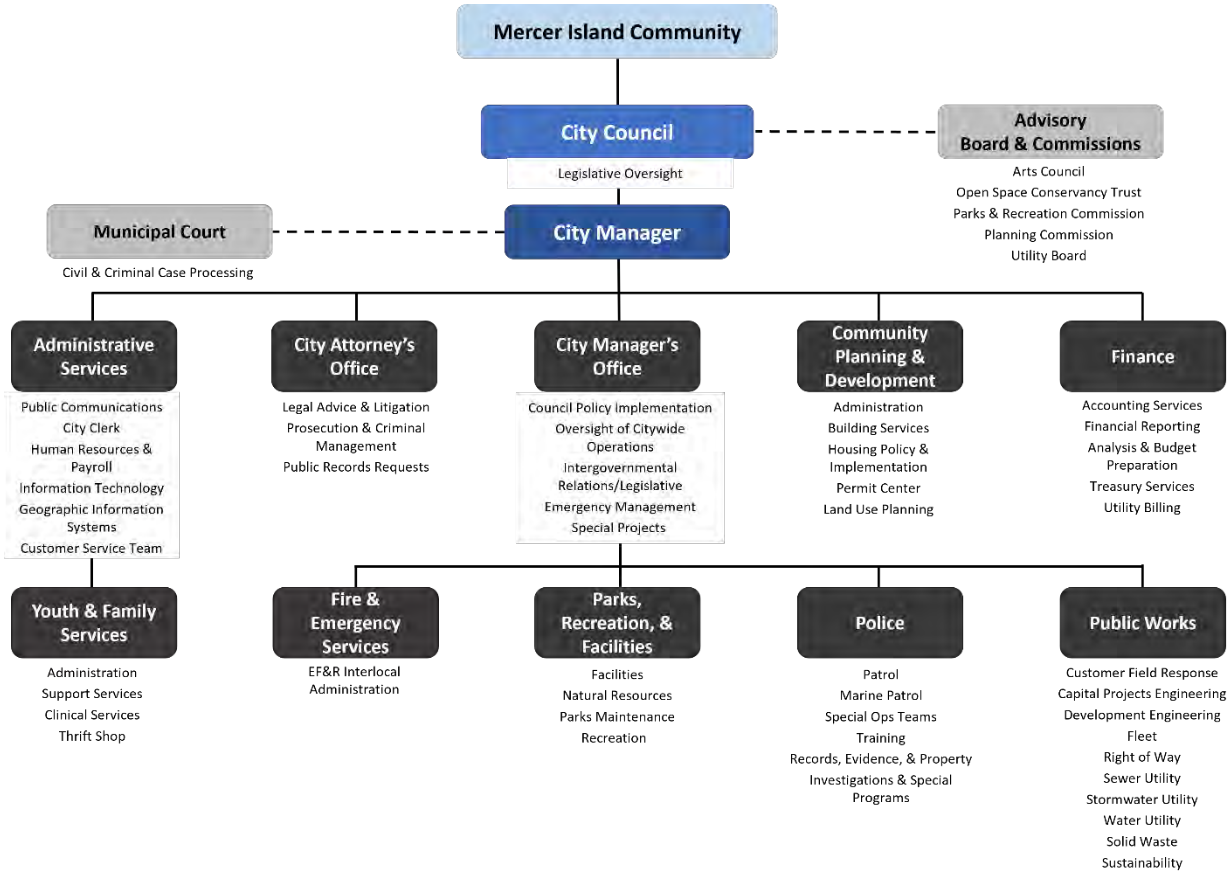
For a more in-depth understanding of the budget, continue to the more detailed information found in the *Recap by Fund, Revenues*, *Operating Budget by Department*, and *Capital Improvement Plan* sections.

City Organization

The City of Mercer Island has a Council-Manager form of government. In this form, the City Council, comprised of seven elected members, hires a City Manager to serve as the Chief Executive Officer of the City. The City Manager reports directly to the City Council and implements adopted policies. City Council members listen to their constituents, the Mercer Island residents, and receive recommendations on policy matters from the Council-appointed Boards and Commissions.

Managing the day-to-day activities of the City is the responsibility of the City Manager who oversees the nine departments shown on the chart on the following page. For a description of the functions supported by these departments, see Section D (*Operating Budget by Department*) of the budget document.

2027-2028 CITY ORGANIZATIONAL CHART



Budget Strategy

The 2027-2028 Budget reflects a measured approach to planning for the next biennium. The overall budget strategy uses one-time resources as a bridge to the next biennium while supporting actions to strengthen the City's financial position. Staffing levels remain on par with prior years to tackle a robust work plan that sustains current service levels and commits to significant reinvestment in the City's aging infrastructure. Overall, this two-year budget provides a clear framework for navigating the City's financial challenges while maintaining essential services and advancing key community priorities.

Long-Term Financial Forecast

The City's Biennial Budget is informed by a six-year forecast completed for each of the City's funds. The General Fund forecast serves as a risk assessment tool that contemplates the impact of economic conditions on the City's budget. The forecast accounts for several factors that influence the City's anticipated revenues and expenses, including changes in fiscal and monetary policy, regional socioeconomic pressures, and impacts to the state and national economy.

The six-year forecast incorporates baseline increases tied to collective bargaining agreements for salary and benefits, and healthcare costs. The long-term forecast is presented to the City Council for review and consideration annually, and more often when circumstances warrant.

Budget Overview

Fund Summary

Total revenues and total expenditures by fund for the period 2025-2028 are summarized in the tables below.

Summary of Revenues by Fund for 2025-2028

Fund No.	Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
001	General Fund	$ 45,744,946	$ 41,141,602	$ 40,573,391	$ 42,566,214
010	Self Insurance Fund	-	10,000	10,000	10,000
	Subtotal General Purpose Funds	**$ 45,744,946**	**$ 41,151,602**	**$ 40,583,391**	**$ 42,576,214**
110	Street Fund	$ 7,138,191	$ 4,741,332	$ 7,165,712	$ 3,825,017
130	Contingency Fund	-	-	-	-
140	1% For the Arts Fund	52,474	45,836	38,812	35,000
160	Youth and Family Services Fund	3,379,802	4,142,433	4,063,618	4,277,760
180	Development Services Fund	6,215,818	4,739,136	4,887,687	5,064,702
	Subtotal Special Revenue Funds	**$ 16,786,285**	**$ 13,668,737**	**$ 16,155,829**	**$ 13,202,479**
210	Bond Redemption (Voted)	$ -	$ -	$ -	$ -
220	Bond Redemption (Non-Voted)	-	137,462	139,919	136,647
	Subtotal Debt Service Funds	**$ -**	**$ 137,462**	**$ 139,919**	**$ 136,647**
320	Capital Improvement Fund	$ 8,021,008	$ 12,956,441	$ 10,040,019	$ 7,136,428
330	Technology and Equipment Fund	908,419	1,014,795	637,000	547,500
350	Municipal Facility Replacement Fund	11,267,781	587,549	-	-
	Subtotal Capital Funds	**$ 20,197,209**	**$ 14,558,785**	**$ 10,677,019**	**$ 7,683,928**
410	Water Fund	$ 21,198,189	$ 36,776,282	$ 33,592,915	$ 26,556,456
420	Sewer Fund	12,987,038	21,832,142	40,895,484	38,283,439
430	Storm Water Fund	3,336,365	4,069,802	6,045,474	5,927,659
	Subtotal Enterprise Funds	**$ 37,521,592**	**$ 62,678,226**	**$ 80,533,873**	**$ 70,767,554**
510	Equipment Rental Fund	$ 2,733,581	$ 4,442,172	$ 3,070,823	$ 2,663,893
520	Computer Equipment Fund	1,485,730	1,618,389	1,837,142	1,807,282
	Subtotal Internal Service Funds	**$ 4,219,311**	**$ 6,060,561**	**$ 4,907,965**	**$ 4,471,175**
610	Firefighters Pension Fund	$ 116,717	$ 145,000	$ 131,000	$ 136,000
	Subtotal Trust Funds	**$ 116,717**	**$ 145,000**	**$ 131,000**	**$ 136,000**
	TOTAL REVENUES	**$ 124,586,060**	**$ 138,400,373**	**$ 153,128,995**	**$ 138,973,996**

Summary of Expenditures by Fund for 2025-2028

Fund No.	Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
001	General Fund	$ 42,014,646	$ 40,126,837	$ 40,573,391	$ 42,566,214
010	Self Insurance Fund	-	10,000	10,000	10,000
	Subtotal General Purpose Funds	**$ 42,014,646**	**$ 40,136,837**	**$ 40,583,391**	**$ 42,576,214**
110	Street Fund	$ 5,602,881	$ 4,741,332	$ 7,165,712	$ 3,278,241
130	Contingency Fund	-	-	-	-
140	1% For the Arts Fund	31,953	45,836	35,000	35,000
160	Youth and Family Services Fund	3,379,802	4,142,433	4,063,618	4,277,760
180	Development Services Fund	3,778,219	4,334,220	4,887,687	5,064,702
	Subtotal Special Revenue Funds	**$ 12,792,855**	**$ 13,263,821**	**$ 16,152,017**	**$ 12,655,703**
210	Bond Redemption (Voted)	$ -	$ -	$ -	$ -
220	Bond Redemption (Non-Voted)	-	137,462	139,919	136,647
	Subtotal Debt Service Funds	**$ -**	**$ 137,462**	**$ 139,919**	**$ 136,647**
320	Capital Improvement Fund	$ 8,021,008	$ 12,956,441	$ 6,667,669	$ 7,136,428
330	Technology and Equipment Fund	247,053	1,014,795	637,000	378,500
350	Municipal Facility Replacement Fund	11,267,781	562,283	-	-
	Subtotal Capital Project Funds	**$ 19,535,842**	**$ 14,533,519**	**$ 7,304,669**	**$ 7,514,928**
410	Water Fund	$ 21,198,189	$ 36,776,282	$ 32,967,033	$ 26,556,456
420	Sewer Fund	12,713,996	21,832,142	19,460,193	38,283,439
430	Storm Water Fund	2,771,831	4,163,802	5,951,474	5,927,659
	Subtotal Enterprise Funds	**$ 36,684,017**	**$ 62,772,226**	**$ 58,378,700**	**$ 70,767,554**
510	Equipment Rental Fund	$ 2,733,581	$ 4,442,172	$ 3,070,823	$ 2,426,928
520	Computer Equipment Fund	1,345,220	1,618,389	1,837,142	1,569,842
	Subtotal Internal Service Funds	**$ 4,078,801**	**$ 6,060,561**	**$ 4,907,965**	**$ 3,996,770**
610	Firefighters Pension Fund	$ 89,949	$ 145,000	$ 131,000	$ 136,000
	Subtotal Trust Funds	**$ 89,949**	**$ 145,000**	**$ 131,000**	**$ 136,000**
	TOTAL EXPENDITURES	**$ 115,196,109**	**$137,049,426**	**$127,597,660**	**$137,783,815**

Staffing

The following chart shows the number of Full Time Equivalent (FTEs) and Limited Term Equivalent (LTEs) positions in 2021-2028. Limited Term Equivalent employees are hired when there is a short-term need for a position. LTEs are just like regular FTEs, except their positions are anticipated to be time limited. The City also utilizes casual labor and consultants/contractors to support operations and special projects.

Position History by Department

Full Time Equivalents (FTEs)	2021	2022	2023	2024	2025	2026	2027	2028
Administrative Services	3.00	4.70	4.70	4.70	4.70	4.70	6.00	6.00
Human Resources	3.50	4.00	4.00	4.00	3.50	3.50	3.50	3.50
Information & Geographic Services	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
City Attorney's Office	2.30	2.30	2.30	2.30	2.30	2.30	2.00	2.00
City Manager's Office	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Community Planning & Development	14.00	18.00	18.00	18.00	17.00	17.00	14.00	14.00
Finance	8.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Fire	32.00	31.50	31.50	31.50	0.00	0.00	-	-
Municipal Court	3.30	3.30	3.10	3.10	3.10	3.10	3.20	3.20
Police	35.50	37.50	37.50	37.50	37.50	37.50	36.50	36.50
Public Works								
Capital and Engineering	14.05	14.05	16.05	15.05	16.45	16.45	17.00	17.00
Support Services/Administration	14.80	14.80	14.80	14.80	13.65	13.65	6.00	6.00
Right of Way	4.35	4.35	4.35	4.35	4.35	4.35	5.00	5.00
Utilities	19.25	19.25	19.25	19.25	19.25	19.25	20.00	20.00
Parks, Recreation & Facilities								
Park Maintenance	10.35	10.35	10.35	10.35	10.30	10.30	12.00	12.00
Recreation	0.75	10.25	10.25	10.25	10.25	10.25	10.25	10.25
Facilities							5.00	5.00
Youth & Family Services	13.23	13.43	13.43	13.43	14.93	14.93	14.91	14.91
Total FTEs	**187.38**	**205.78**	**207.58**	**206.58**	**175.28**	**175.28**	**173.36**	**173.36**

Limited Term Equivalents (LTEs)	2021	2022	2023	2024	2025	2026	2027	2028
Administrative Services / Human Resources	-	2.00	1.00	-	1.00	1.00	-	-
City Manager / Non-Departmental	-	1.00	0.50	-	1.00	1.00	1.00	1.00
Community Planning & Development	1.00	1.50	-	-	2.00	2.00	7.00	7.00
Public Works	-	3.00	3.00	3.00	4.75	4.75		
Capital and Engineering							1.00	1.00
Support Services/Administration							2.00	2.00
Utilities							2.00	2.00
Parks, Recreation & Facilities								
Park Maintenance							1.75	1.75
Recreation	2.00						2.50	2.50
Youth & Family Services	1.60	10.53	10.53	9.70	9.33	9.33	8.93	8.33
Total LTEs	**4.60**	**16.03**	**15.03**	**12.70**	**18.08**	**18.08**	**26.18**	**25.58**
Total FTEs & LTEs	**191.98**	**221.81**	**222.61**	**219.28**	**193.36**	**193.36**	**199.54**	**198.94**

Utility Rates

The Water, Sewer, and Stormwater Funds are completely self-supporting utilities that are operated like a not-for-profit enterprise. They are primarily funded by customer charges, not taxes. The City purchases its water from the City of Seattle as many neighboring communities do. The Wastewater Treatment Division of King County provides treatment for all the sewage in the King County area, including Mercer Island.

The 2025-2026 adopted, and 2027-2028 proposed bi-monthly utility charges for water, sewer, storm water, and Emergency Medical Services (EMS) are broken down in the table below for a typical single family residential customer. This table excludes utility taxes, which are a General Fund revenue source.

Utility Rate Component	2025 Adopted	2026 Adopted	2027 Proposed	2028 Proposed	$ Change 2027	$ Change 2028	% Change 2027	% Change 2028
Water	$ 154	$ 166	$180	$194	$13.30	$14.36	8.00%	8.00%
Sewer Maintenance (City)	66	68	73	78	4.79	$5.12	7.00%	7.00%
Sewer Treatment (King County)	117	125	141	159	15.98	$18.02	12.75%	12.75%
Storm Water	50	53	56	60	3.19	$3.38	6.00%	6.00%
EMS (estimate)	12	12	13	13	0.49	$0.48	4.00%	3.80%
Total	**$398**	**$ 425**	**$463**	**$504**	**$37.75**	**$41.37**	**8.9%**	**8.9%**

City Debt

The City has issued a modest amount of debt over the years, maintaining a sizable debt capacity and consistently following a conservative fiscal management policy. This is reflected in the highest possible bond rating from Moody's: Aaa ("triple A") rating on the City's unlimited tax general obligation (UTGO), or voted, bonds and limited tax general obligation (LTGO), or non-voted (i.e., Councilmanic) bonds. A high bond rating enables a city to secure lower interest rates, thereby reducing debt service costs.

The City can issue five types of debt which have legal limits set by the State. The five types of debt include: voted and non-voted general obligation bonds, revenue bonds, lease debt, and loans. For the purposes of the legal limit debt calculations, leases and loans are included with the non-voted general obligation debt limits. A schedule of all the City debt classified by type is included later in this section.

Voted Debt

Voted debt must be approved by registered voters via a ballot measure, with an additional (i.e., excess) property tax levy dedicated to paying the annual debt service costs. Voted debt has typically been used to fund large public buildings and to buy land or open space. The City currently has no outstanding voted debt.

Non-Voted Debt

Non-voted debt must be approved by the City Council, with the general tax revenues of the City used to pay the annual debt service costs. Non-voted debt includes bonds, loans, and lease obligations of the City. The active issues are described below:

- **2009 LTGO Sewer Lake Line**
  In 2009, the City issued $9,405,000 in LTGO bonds to fund a portion of the sewer lake line replacement project. To save on interest costs, this bond issue was refunded in 2017. Sewer utility rates are being used to repay the long-term debt. The total principal will be repaid by December 2029.

- **2018 Fire Apparatus Lease (Enforcer Pumper)**
  In 2018, the City Council authorized the purchase of an Enforcer Pumper Fire Truck from Pierce Manufacturing through a 9-year lease purchase financing agreement with Municipal Asset Management for $732,778. The total principal will be repaid by April 2027.

- **2024 Water System Improvements**
  In 2024, the City Council authorized the issuance of $26.615 million in limited tax general obligation bonds to fund improvements to the City's aging water distribution system. Projects funded using the proceeds include Water System Improvements, Pressure Reducing Valve Station Replacements, and the Asbestos Cement Main Replacements, among others. Water utility rates are being used to repay long-term debt. The total principal outstanding at year end 2028 will be $22.925 million.

- **2025 Building Purchase (9655 SE 36th)**
  In 2025, the City Council authorized the issuance of $1,540,000 in support of the purchase of a building at 9655 SE 36th Street. The principal will be repaid over fifteen years using REET. The total principal outstanding at year end 2028 will be $1,305,000.

- **2026 Fire Apparatus Lease (Enforcer Pumper)**
  In 2026, the City Council authorized the purchase of an Enforcer Pumper Fire Truck from Pierce Manufacturing through a 9-year lease purchase financing agreement with Municipal Asset Management for $1,544,090. The total principal outstanding at year end 2028 will be $1,029,393.

- **2026 Fire Apparatus Lease (Type 2 Midi Pumper)**
  In 2025, the City Council authorized the purchase of an Type 2 Midi Pumper Fire Truck from Pierce Manufacturing through a 9-year lease purchase financing agreement with Municipal Asset Management for $774,266. The total principal will be repaid by June 2035

<u>Public Work Trust Fund Loans</u>

In addition to the above debt, the City has one outstanding long-term low-interest loans from the Public Works Trust Fund. The $3.3 million loan from 2023 paid for the booster chlorination system in the water utility.

Public Works Trust Fund loans are low-interest loans (about 1% interest) administered through the State of Washington Department of Commerce. In 1985, the state legislature made provisions for this program using the Public Works Assistance Account, which is funded by the Motor Vehicle Excise Tax (MVET) collected by the State. To qualify, jurisdictions are required to:

1. Impose the ¼ of one percent real estate excise tax.
2. Have developed a long-term plan for financing Public Works' needs.
3. Use all local revenue sources which are reasonably available for funding public works.
4. Have an adopted comprehensive plan.

By December 2028, $2.6 million in outstanding principal will remain for the booster chlorination system loan.

General Fund at a Glance

The General Fund serves as the City of Mercer Island's primary operating fund, financing core municipal services and day-to-day operations. It accounts for a broad array of essential community services, including police and emergency medical services, parks and recreation, street maintenance, municipal court operations, and administrative support functions like human resources and finance.

Resources within the General Fund can be used flexibly for any lawful municipal purpose, making it the financial backbone of the City. Because it relies heavily on discretionary revenues such as property taxes, sales taxes, and utility user taxes, maintaining a healthy General Fund is critical to absorbing economic shifts, supporting long-term financial stability, and ensuring uninterrupted, high-quality service delivery for the community.

Fiscal Year 2027 General Fund

Revenues	**$40.57 million**
Expenditures	**$40.57 million**

Fiscal year 2027 General Fund resources are projected to be $40.57 million, which is $0.57 million, or 1.4%, less than the fiscal year 2026 forecasted actual.

The City receives its General Fund revenues from a variety of revenue sources. Property Taxes, which account for 36.0% of revenues in 2027, are the largest revenue source by a wide margin at $14.61 million. Sales Tax and Business & Utility Taxes are the second and third largest sources at $8.35 million and $7.10 million, or 20.6% and 17.5% of total revenues, respectively.

General fund expenditures for fiscal year 2025 are projected at $40.57 million. Salaries, wages and benefits collectively account for 45.9%, or $18.61 million of total expenditures.

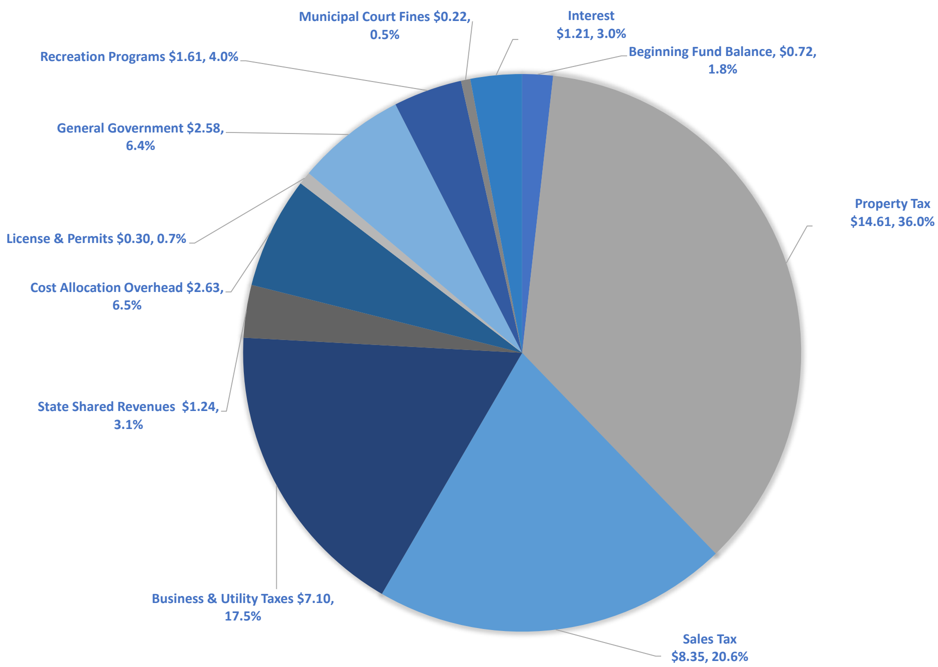
EXPENDITURES Description	2027 Budget
Administrative Services	$ 2,531,003
City Attorney's Office	1,017,437
City Council	60,423
City Manager's Office	900,516
Finance	1,478,753
Fire and EMS	9,646,400
Municipal Court	761,018
Non-Departmental/Intergovernmental	4,246,286
Recreation	2,487,838
Police	10,527,078
Public Works	6,916,639
Total Budgeted Expenditures	**$ 40,573,391**

Expenditures are also broken down by respective departments in the table above.

Budget Overview

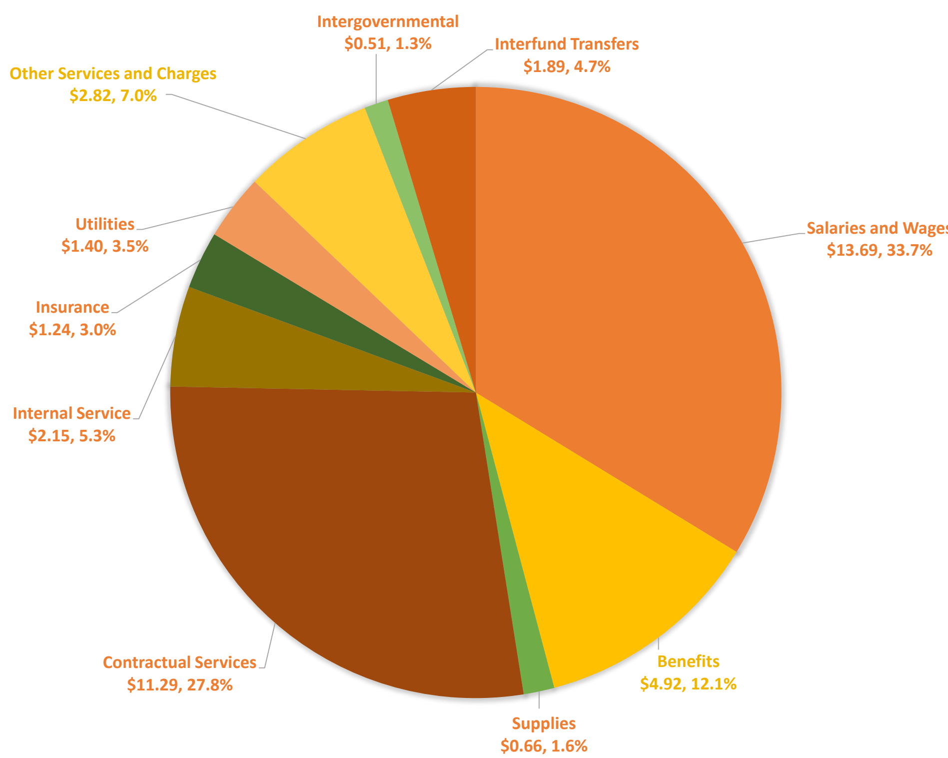
Where does the money come from?

2027 General Fund Revenues Total: $40.57 (in millions)



Where does the money go?

2027 General Fund Expenses Total: $40.57 (in millions)



Fiscal Year 2028 General Fund

Revenues	**$42.57 million**
Expenditures	**$42.57 million**

Fiscal year 2028 General Fund revenues are projected to be $42.57 million, or 4.9%, above fiscal year 2027 projected year-end revenues.

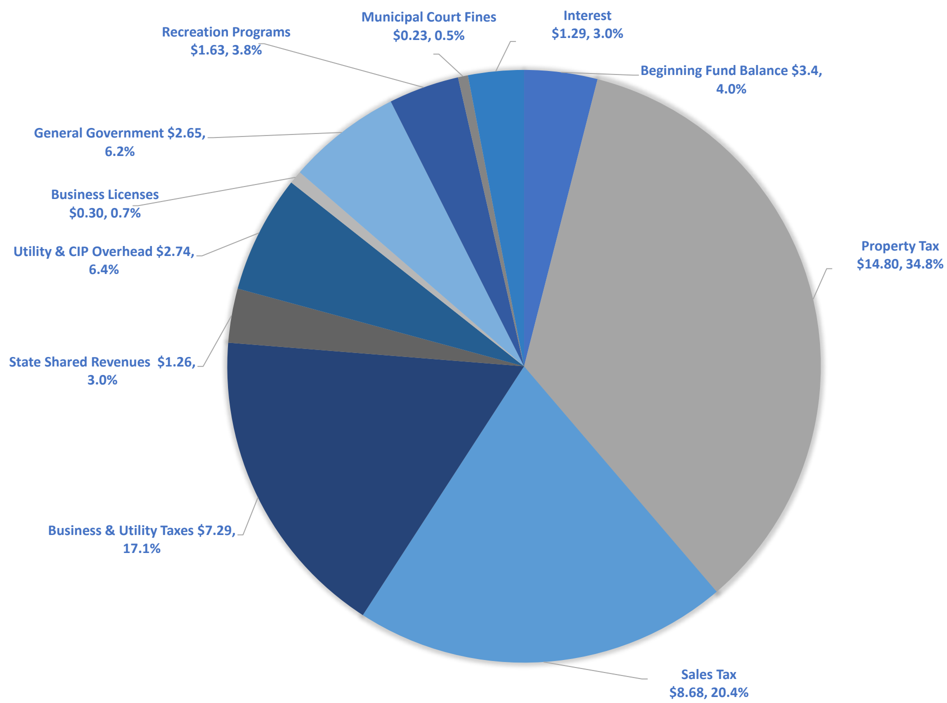
The General Fund expenditure budget for 2027 is $42.57 million. General Fund expenditures increase 4.9% compared to the 2027 expenditure budget primarily due to cost-of-living adjustments in salaries & wages and market adjustments in benefits.

Expenditures are broken down by their respective departments in the table shown to the right.

EXPENDITURES Description	2028 Budget
Administrative Services	$ 2,641,094
City Attorney's Office	1,061,598
City Council	60,856
City Manager's Office	928,075
Finance	1,518,366
Fire and EMS	9,932,338
Municipal Court	785,074
Non-Departmental/Intergovernmental	5,016,883
Recreation	2,588,097
Police	10,919,930
Public Works	7,113,903
Total Budgeted Expenditures	**$ 42,566,214**

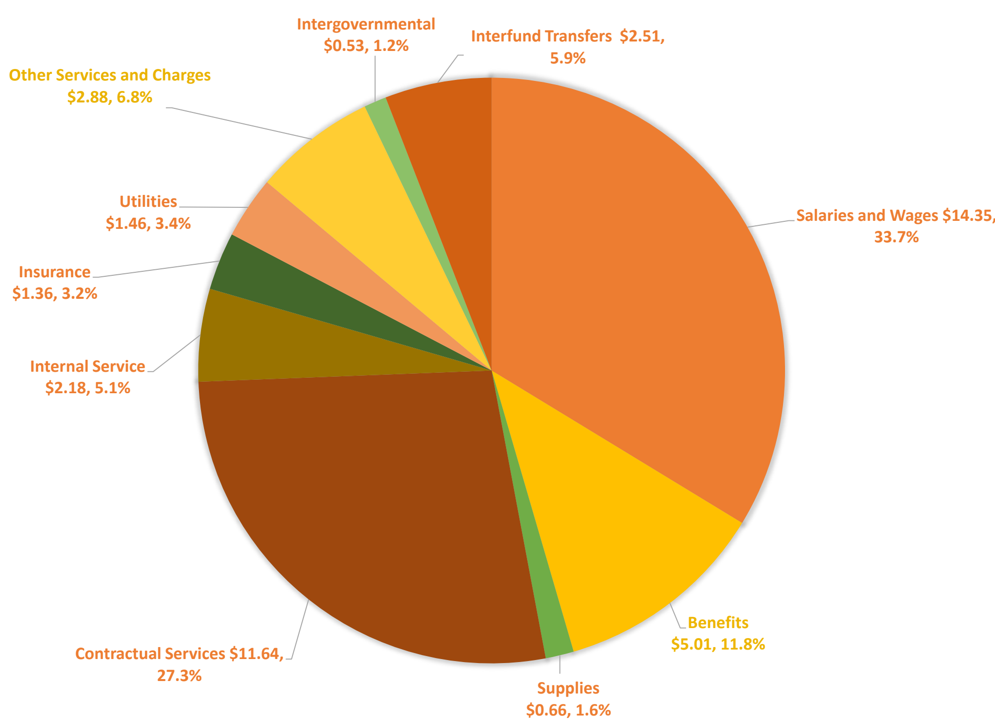
Where does the money come from?

2028 General Fund Revenues Total: $42.57 (in millions)



Where does the money go?

2028 General Fund Expenses Total: $42.57 (in millions)



2027–2028 City Work Plan

1. Fiscal Health

Support long-term fiscal sustainability through responsible financial planning and stewardship of City resources.

1.1 Fiscal Sustainability Policy Direction

Set the direction for the City's fiscal sustainability work at the 2027 City Council Planning Session by reviewing the long-term fiscal outlook and evaluating potential strategies to address projected operating deficits, including new revenue sources, fee adjustments, service reductions, expenditure controls, and other policy options. Establish initial Council direction and a fiscal sustainability work plan to guide staff analysis, policy development, and implementation throughout the 2027–2028 biennium and beyond.

1.2 Sustainable Funding for Youth and Family Services

Develop a long-term funding strategy for Youth and Family Services that supports reliable service delivery, identifies sustainable funding sources, and explores opportunities to strengthen the partnership with the Mercer Island Youth and Family Services Foundation. Incorporate the Thrift Shop's ongoing financial contribution as part of the broader funding strategy.

1.3 Thrift Shop Revenue and Operations

Increase Thrift Shop gross revenue by 10% in 2027 compared to 2026 and by an additional 5% in 2028 compared to 2027. Support these goals through optimization of operations and targeted upgrades and expansion of retail space to improve the customer shopping experience and long-term revenue performance.

1.4 Utility Rates and Cost Recovery

Work with the Utility Board annually to review utility rates and ensure they remain aligned with operating, capital, and long-term financial needs. As part of this work, update the City's water and sewer connection charges and evaluate establishing an illicit discharge fee or other cost-recovery mechanism to recover City expenses associated with responding to and cleaning up prohibited discharges to the storm drainage system.

1.5 Biennial Financial Policy Review

Conduct a biennial review of City Council-adopted financial management policies to ensure they remain current, effective, and aligned with the City's long-term fiscal objectives. Present any recommended updates to the City Council for consideration.

1.6 Business & Occupation Tax

Evaluate the City's business and occupation tax revenues. Assess the tax rate, tax filing compliance, and potential revenue impacts. Present the findings and analysis to the City Council, including any recommended follow-up actions.

2. Infrastructure, Facilities & Technology

Invest in and modernize the physical and digital infrastructure needed to support reliable City operations, public services, and long-term community needs.

2.1 Public Safety Facility

Establish a plan for a new public safety facility to permanently re-house the Police Department and the City's emergency management functions, which were displaced following the closure of City Hall in 2023. Define long-term facility, operational, security, and resiliency needs; evaluate location and design options; and develop a funding and implementation strategy for a permanent public safety facility.

2.2 Activation of 9655 Building

Develop and implement a phased plan to bring the 9655 Building online for City operations and public access. Identify and prioritize near-term improvements needed to support staff occupancy and public use, while establishing a funding strategy for additional building upgrades and full utilization over time.

2.3 Major Capital Project Delivery

Deliver major capital construction projects scheduled for the 2027–2028 biennium, including completion of the new 24-inch water supply pipeline and associated roadway, pedestrian, drainage, illumination, and restoration improvements; completion of the Luther Burbank Docks and Waterfront Renovation project; replacement of the Community Center HVAC System; and improvements to Reach 1 of the Sewer Lakeline.

2.5 Pedestrian and Bicycle Facilities Plan Update

Initiate and complete a comprehensive update of the City's Pedestrian and Bicycle Facilities Plan. Update pedestrian and bicycle facility standards, reassess projects and priorities, incorporate relevant ADA planning, and establish a long-term framework for future pedestrian and bicycle investments.

2.6 General Sewer Plan Update

Complete and adopt the City's General Sewer Plan update, including development of a systemwide hydraulic model to evaluate system capacity, guide long-term capital investment, and identify future sewer system improvement needs to maintain continued reliability.

2.7 Water System Plan Update

Complete and adopt the City's comprehensive Water System Plan update, including updated hydraulic modeling, system capacity analysis, capital improvement planning, and integration of the City's Risk and Resilience Assessment and Emergency Response Plan.

2.8 WSDOT Agreements and Infrastructure Planning

Begin a multi-year review of the City's existing agreements with the Washington State Department of Transportation to clarify long-term responsibilities, identify needed updates, and evaluate funding and capital investment needs. Prioritize analysis of the I-90 Trail and other infrastructure covered by the agreements where significant reinvestment is anticipated.

2.9 Synthetic Turf Replacement Funding

Revisit the long-term funding plan for replacement of the City's synthetic turf athletic fields. Update the replacement model and financial forecast; work with the Mercer Island School District to review shared funding needs and assumptions; and evaluate policy options for fee collection to help offset future capital replacement costs.

2.10 AI Strategy and Implementation

Develop a citywide AI strategy addressing priorities, policies, technology needs, training, funding, and governance. Evaluate opportunities to use AI to improve customer service, public records management, and operational efficiency; test priority applications through pilot projects; and develop staff guidance and support for responsible implementation.

3. Parks, Community & Environment

Advance priorities for parks, recreation, environmental sustainability, mobility, and community-focused public spaces and services.

3.1 Parks, Recreation and Open Space Plan 2028 Update

Update and adopt the City's Parks, Recreation and Open Space (PROS) Plan to guide future priorities for parks, recreation programs, open space, trails, facilities, and capital investments. Refresh community needs, goals, project priorities, and long-range capital planning while maintaining the City's eligibility for state recreation and conservation grant funding.

3.2 Park Rules Update

Following adoption of the 2028 Parks, Recreation and Open Space Plan, begin a comprehensive review and update of the City's Park Rules (MICC 9.30) to modernize regulations and ensure they align with current park operations and needs. This work will begin in the 2027–2028 biennium and carry forward into the next biennium.

3.3 Groveland and Clarke Beach Planning

Complete the Groveland and Clarke Beach Joint Infrastructure Plan and identify a preferred concept for future shoreline improvements based on community input and technical analysis.

3.4 Solid Waste Collection Services

Assess service delivery and implementation under the City's existing solid waste collection contract with Recology and evaluate options for future collection services in advance of the current contract's expiration in 2029. Hold a City Council Study Session to review findings, discuss service priorities and contract implementation, and provide direction on the City's approach to the next long-term solid waste agreement.

3.5 EV Charging Infrastructure Plan

Adopt a citywide Electric Vehicle Charging Infrastructure Plan to guide the strategic expansion of public and municipal EV charging. Identify priority locations, infrastructure and utility needs, funding opportunities, implementation priorities, and partnerships to support future charging investments and the City's broader sustainability goals.

3.6 Last-Mile Mobility Strategy

Engage the City Council and community in evaluating changing transportation and last-mile mobility needs following the opening of the Mercer Island light rail station in spring 2026. Explore potential mobility options, including a community shuttle, bike and scooter share, and other shared-mobility approaches, and use this input to inform a long-term mobility strategy, implementation priorities, and sustainable funding options.

3.7 Comprehensive Arts & Culture Plan

Update the City's Comprehensive Arts & Culture Plan to reflect current community priorities, opportunities, and best practices for supporting arts and culture on Mercer Island. The updated plan will provide a clear, actionable framework to guide City investments and partnerships in arts and culture over the coming years.

4. Land Use, Permitting & Development

Guide the City's long-range land use and development framework while maintaining clear, predictable, and customer-focused permitting, regulatory, and development review processes.

4.1 Shoreline Master Program and Critical Area Regulations Update

Begin the state-required periodic update of the City's Shoreline Master Program, which establishes policies and regulations governing development and activities within shoreline areas. Updating the Shoreline Master Program will include reviewing the critical area regulations at the same time to address updated state requirements. Initiate the work ahead of the 2029 state deadline to evaluate required updates, coordinate with the Washington State Department of Ecology, and manage anticipated planning workload in 2029.

4.2 Permanent Housing and Subdivision Regulations

Develop and adopt permanent regulations for middle housing, accessory dwelling units, and unit lot subdivisions to replace the interim regulations currently in effect and implement state requirements established by HB 1110 (2023), HB 1337 (2023), SB 5258 (2023), and SB 5559 (2025).

4.3 Transit-Oriented Development and Station Subarea Plan Phase 2 Implementation

Begin work to comply with the state transit-oriented development requirements established by HB 1491 (2025) and implement the Station Subarea Plan Phase 2. The City's Station Subarea Plan adopted in 2026 was divided into two phases: Phase 1 was enacted concurrently with the subarea plan adoption, and Phase 2 includes planning for the station area to comply with statewide transit-oriented development requirements in HB 1491. Compliance with the statewide requirements must be completed by December 31, 2029.

4.4 Develop a New Climate Change and Resiliency Element

Develop a new Climate Change and Resiliency Element for the City's Comprehensive Plan consistent with the requirements established by HB 1181 (2023). Advance this state-required planning work during the 2027–2028 biennium to address anticipated workload demands associated with required planning activities in 2029.

4.5 Construction Code Update

Update the City's construction codes to implement the latest codes adopted by the Washington State Building Code Council. Review and adopt required updates to building, residential, mechanical, fire, energy, and related construction standards, including appropriate local amendments, to maintain consistency with state requirements.

4.6 Annual Docket and Code Amendments

Administer the annual docket process for proposed Comprehensive Plan and development code amendments and adopt an annual docket. Complete previously docketed work items, including standards for government services uses in Town Center (23-7), downhill façade height on sloping lots (23-14), exterior alterations of non-single-family nonconforming structures outside Town Center (24-1), and hedge height regulations (24-8 and 24-15).

5. Public Safety

Maintain a safe and resilient community through effective emergency response, preparedness, prevention, and community-focused public safety services.

5.1 Public Safety Service Levels

Evaluate changes in calls for service and public safety demands following the opening of the Mercer Island light rail station. Analyze service data, operational impacts, emerging trends, and resource needs, and present options to the City Council for maintaining effective public safety service levels within the City's broader fiscal constraints.

5.2 Body-Worn Camera Program

Evaluate options for implementing a body-worn camera program and develop recommendations for City Council consideration that addresses program costs, funding strategies, policy and legal requirements, technology and data storage needs, staffing and workload impacts, and other operational considerations. Consider the timing and scope of implementation with the City's broader fiscal strategy and organizational capacity.

5.3 Municipal Court Service Delivery

Evaluate the long-term service delivery model for municipal court services, including the City's current direct-service model, potential partnership opportunities, and future facility and operational needs. Review the municipal court services agreement with the City of Newcastle, including overhead cost allocation, and update the agreement as appropriate based on the analysis. Consider fiscal, operational, service-delivery, and organizational factors and present options to the City Council to support effective and sustainable municipal court services.

5.4 E-Bike and E-Motorcycle Safety

Continue the City's multi-faceted efforts to improve safety and address regulatory challenges associated with e-bikes and e-motorcycles. Build on Mercer Island's leadership in this area by advocating for updates to state laws and regulations, supporting consistent local enforcement, and monitoring local incidents and emerging trends to inform future policy. Partner with the Mercer Island

School District and the community to increase awareness and education of applicable laws, safety requirements, and responsible use.

5.5 Alternative Response and Behavioral Health Systems

Evaluate and strengthen the City's approach to responding to individuals experiencing behavioral health, substance use, homelessness, and other complex needs. Continue coordination between the Police Department, Youth and Family Services, and regional service providers to connect individuals with appropriate services and reduce reliance on law enforcement responses when appropriate. Evaluate service demand, outcomes, staffing, and operational needs.

6. Advocacy

Advance the City's policy priorities through coordinated legislative, regional, and intergovernmental advocacy and partnerships.

6.1 Legislative Advocacy

Establish and adopt annual legislative priorities that reflect the City's policy interests and strategic objectives. Advance adopted priorities through policy analysis, legislative advocacy, and coordinated engagement with regional, state, and federal decision-makers, the Mercer Island School District, the Association of Washington Cities (AWC), A Regional Coalition for Housing (ARCH), Sound Cities Association (SCA), and other regional partners.

SECTION B

Recap By Fund

Section B. Recap By Fund

Table of Contents

SUMMARY

Comparative Actual and Budgeted Revenues
Summary for All Funds 2025–2028

Fund No.	Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
001	General Fund	$ 45,744,946	$ 41,141,602	$ 40,573,391	$ 42,566,214
010	Self Insurance Fund	-	10,000	10,000	10,000
	Subtotal General Purpose Funds	**$ 45,744,946**	**$ 41,151,602**	**$ 40,583,391**	**$ 42,576,214**
110	Street Fund	$ 7,138,191	$ 4,741,332	$ 7,165,712	$ 3,825,017
130	Contingency Fund	-	-	-	-
140	1% For the Arts Fund	52,474	45,836	38,812	35,000
160	Youth and Family Services Fund	3,379,802	4,142,433	4,063,618	4,277,760
180	Development Services Fund	6,215,818	4,739,136	4,887,687	5,064,702
	Subtotal Special Revenue Funds	**$ 16,786,285**	**$ 13,668,737**	**$ 16,155,829**	**$ 13,202,479**
210	Bond Redemption (Voted)	$ -	$ -	$ -	$ -
220	Bond Redemption (Non-Voted)	-	137,462	139,919	136,647
	Subtotal Debt Service Funds	**$ -**	**$ 137,462**	**$ 139,919**	**$ 136,647**
320	Capital Improvement Fund	$ 8,021,008	$ 12,956,441	$ 10,040,019	$ 7,136,428
330	Technology and Equipment Fund	908,419	1,014,795	637,000	547,500
350	Municipal Facility Replacement Fund	11,267,781	587,549	-	-
	Subtotal Capital Funds	**$ 20,197,209**	**$ 14,558,785**	**$ 10,677,019**	**$ 7,683,928**
410	Water Fund	$ 21,198,189	$ 36,776,282	$ 33,592,915	$ 26,556,456
420	Sewer Fund	12,987,038	21,832,142	40,895,484	38,283,439
430	Storm Water Fund	3,336,365	4,069,802	6,045,474	5,927,659
	Subtotal Enterprise Funds	**$ 37,521,592**	**$ 62,678,226**	**$ 80,533,873**	**$ 70,767,554**
510	Equipment Rental Fund	$ 2,733,581	$ 4,442,172	$ 3,070,823	$ 2,663,893
520	Computer Equipment Fund	1,485,730	1,618,389	1,837,142	1,807,282
	Subtotal Internal Service Funds	**$ 4,219,311**	**$ 6,060,561**	**$ 4,907,965**	**$ 4,471,175**
610	Firefighters Pension Fund	$ 116,717	$ 145,000	$ 131,000	$ 136,000
	Subtotal Trust Funds	**$ 116,717**	**$ 145,000**	**$ 131,000**	**$ 136,000**
	TOTAL REVENUES	**$ 124,586,060**	**$ 138,400,373**	**$ 153,128,995**	**$ 138,973,996**

Comparative Actual and Budgeted Expenditures
Summary for All Funds 2025–2028

Fund No.	Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
001	General Fund	$ 42,014,646	$ 40,126,837	$ 40,573,391	$ 42,566,214
010	Self Insurance Fund	-	10,000	10,000	10,000
	Subtotal General Purpose Funds	**$ 42,014,646**	**$ 40,136,837**	**$ 40,583,391**	**$ 42,576,214**
110	Street Fund	$ 5,602,881	$ 4,741,332	$ 7,165,712	$ 3,278,241
130	Contingency Fund	-	-	-	-
140	1% For the Arts Fund	31,953	45,836	35,000	35,000
160	Youth and Family Services Fund	3,379,802	4,142,433	4,063,618	4,277,760
180	Development Services Fund	3,778,219	4,334,220	4,887,687	5,064,702
	Subtotal Special Revenue Funds	**$ 12,792,855**	**$ 13,263,821**	**$ 16,152,017**	**$ 12,655,703**
210	Bond Redemption (Voted)	$ -	$ -	$ -	$ -
220	Bond Redemption (Non-Voted)	-	137,462	139,919	136,647
	Subtotal Debt Service Funds	**$ -**	**$ 137,462**	**$ 139,919**	**$ 136,647**
320	Capital Improvement Fund	$ 8,021,008	$ 12,956,441	$ 6,667,669	$ 7,136,428
330	Technology and Equipment Fund	247,053	1,014,795	637,000	378,500
350	Municipal Facility Replacement Fund	11,267,781	562,283	-	-
	Subtotal Capital Project Funds	**$ 19,535,842**	**$ 14,533,519**	**$ 7,304,669**	**$ 7,514,928**
410	Water Fund	$ 21,198,189	$ 36,776,282	$ 32,967,033	$ 26,556,456
420	Sewer Fund	12,713,996	21,832,142	19,460,193	38,283,439
430	Storm Water Fund	2,771,831	4,069,802	6,045,474	5,927,659
	Subtotal Enterprise Funds	**$ 36,684,017**	**$ 62,678,226**	**$ 58,472,700**	**$ 70,767,554**
510	Equipment Rental Fund	$ 2,733,581	$ 4,442,172	$ 3,070,823	$ 2,426,928
520	Computer Equipment Fund	1,345,220	1,618,389	1,837,142	1,569,842
	Subtotal Internal Service Funds	**$ 4,078,801**	**$ 6,060,561**	**$ 4,907,965**	**$ 3,996,770**
610	Firefighters Pension Fund	$ 89,949	$ 145,000	$ 131,000	$ 136,000
	Subtotal Trust Funds	**$ 89,949**	**$ 145,000**	**$ 131,000**	**$ 136,000**
	TOTAL EXPENDITURES	**$ 115,196,109**	**$136,955,426**	**$127,691,660**	**$137,783,815**

GENERAL PURPOSE FUNDS

GENERAL FUND – 001

The General Fund is the City's largest fund and accounts for most of the City's "general purpose" revenues and "general government" (non-utility) operations.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ 5,661,994	$ 1,981,938	$ 720,008	$ 1,696,704	-63.7%	135.7%
Property Tax	13,871,768	14,469,462	14,613,789	14,799,697	1.0%	1.3%
Sales Tax	7,860,457	8,040,918	8,352,836	8,676,939	3.9%	3.9%
Business & Utility Taxes	6,692,664	6,903,859	7,095,379	7,292,227	2.8%	2.8%
State Shared Revenues	1,514,046	1,285,117	1,237,908	1,255,911	-3.7%	1.5%
Overhead Allocation Charges	2,224,512	2,527,397	2,629,682	2,735,712	4.0%	4.0%
Licenses and Permits	300,948	305,000	301,000	304,000	-1.3%	1.0%
General Government	2,627,704	2,542,572	2,580,185	2,649,891	1.5%	2.7%
Recreation Programs	1,612,823	1,555,500	1,614,500	1,634,500	3.8%	1.2%
Municipal Court Fines	199,174	209,132	219,589	230,568	5.0%	5.0%
Interest	1,676,126	1,320,707	1,208,515	1,290,065	-8.5%	6.7%
Interfund Transfers In	1,502,730	-	-	-	N/A	N/A
Total Budgeted Revenues	**$45,744,946**	**$ 41,141,602**	**$ 40,573,391**	**$ 42,566,214**	**-1.4%**	**4.9%**
Not Budgeted						
Beginning Fund Balance (Reserved)	6,683,462	8,431,824	8,726,581	7,029,877	3.5%	-19.4%
TOTAL REVENUES	**$52,428,408**	**$ 49,573,426**	**$ 49,299,972**	**$ 49,596,091**	**-0.6%**	**0.6%**

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
EXPENDITURES						
Budgeted						
Administrative Services	$ 2,026,698	$ 2,418,792	$ 2,531,003	$ 2,641,094	4.6%	4.3%
City Attorney's Office	1,265,507	1,114,022	1,017,437	1,061,598	-8.7%	4.3%
City Council	52,072	61,123	60,423	60,856	-1.1%	0.7%
City Manager's Office	773,735	802,408	900,516	928,075	12.2%	3.1%
Community Planning & Developmer	47,971	252,029	-	-	-100.0%	N/A
Finance	1,252,290	1,530,964	1,478,753	1,518,366	-3.4%	2.7%
Fire and EMS	9,135,706	9,269,259	9,646,400	9,932,338	4.1%	3.0%
Municipal Court	614,325	727,664	761,018	785,074	4.6%	3.2%
Non-Departmental	8,466,991	5,455,706	4,246,286	5,016,883	-22.2%	18.1%
Recreation	2,141,881	2,423,758	2,487,838	2,588,097	2.6%	4.0%
Police	9,915,287	9,947,207	10,527,078	10,919,930	5.8%	3.7%
Public Works	6,322,183	6,123,905	6,916,639	7,113,903	12.9%	2.9%
Total Budgeted Expenditures	**$42,014,646**	**$ 40,126,837**	**$ 40,573,391**	**$ 42,566,214**	**1.1%**	**4.9%**
Not Budgeted						
Ending Fund Balance	10,413,762	9,446,589	8,726,581	7,029,877	-7.6%	-19.4%
TOTAL EXPENDITURES	**$52,428,408**	**$ 49,573,426**	**$ 49,299,972**	**$ 49,596,091**	**-0.6%**	**0.6%**

Recap by Fund

General Fund: Expenditure Summary

Presented in the table below are expenditures by category for 2025-2028.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
EXPENDITURES						
Budgeted						
Salaries and Wages	$ 12,778,945	$ 13,098,649	$ 13,686,922	$ 14,351,550	4.5%	4.9%
Benefits	4,314,872	5,156,658	4,923,196	5,010,925	-4.5%	1.8%
Contractual Services	10,600,226	10,734,114	11,286,618	11,639,429	5.1%	3.1%
Other Services and Charges	7,944,641	8,192,341	8,788,259	9,059,295	7.3%	3.1%
Interfund Transfers	6,375,962	2,945,075	1,888,395	2,505,015	-35.9%	32.7%
Total Budgeted Expenditures	**$ 42,014,646**	**$ 40,126,837**	**$ 40,573,391**	**$ 42,566,214**	**1.1%**	**4.9%**
Not Budgeted						
Ending Fund Balance	10,413,762	9,446,589	8,726,581	7,029,877	-7.6%	-19.4%
TOTAL EXPENDITURES	**$ 52,428,409**	**$ 49,573,426**	**$ 49,299,972**	**$ 49,596,091**	**-0.6%**	**0.6%**

General Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 12,345,456	$ 10,413,762	$ 9,446,589	$ 8,726,581
Plus Revenues	40,082,952	39,159,664	39,853,383	40,869,510
Less Expenditures	(42,014,646)	(40,126,837)	(40,573,391)	(42,566,214)
Ending Fund Balance	**$ 10,413,762**	**$ 9,446,589**	**$ 8,726,581**	**$ 7,029,877**
Consisting of:				
Compensated Absence Reserve	675,299	675,299	675,299	675,299
LEOFF1 Long Term Care Reserve	2,954,174	3,113,103	3,198,178	3,283,253
Inventory of Supplies	120,857	120,857	120,857	120,857
Law Enforcement & CJ	81,793	81,793	81,793	81,793
Petty Cash	1,000	1,000	1,000	1,000
Customer Deposits/Deferred Revenue	574,676	573,009	573,009	573,009
Expenditure control reserve	45,092	45,092	45,092	45,092
Appropriated for Expenditures Next Year	2,022,782	720,008	1,696,704	-
WSDOT	1,667	-	-	-
Unassigned	3,938,089	4,116,429	2,334,650	2,249,574
Ending Fund Balance	**$ 10,415,429**	**$ 9,446,589**	**$ 8,726,581**	**$ 7,029,877**

SELF-INSURANCE CLAIM RESERVE – 010

The Self-Insurance Claim Reserve Fund accounts for payments of deductibles ($5,000 per claim) and insurance claims not covered under the City's property insurance policy through the Washington Cities Insurance Authority (WCIA). Mercer Island Municipal Code section 4.40.130 sets the minimum balance of this fund at $40,000. Any expenditures from this fund for physical loss to property would be reimbursed to the fund through insurance recoveries.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ -	$ -	$ -	$ -	N/A	N/A
Interfund Transfers In	-	-	-	-	N/A	N/A
Insurance Recoveries	-	10,000	10,000	10,000	0.0%	0.0%
Total Budgeted Revenues	**$ -**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**0.0%**	**0.0%**
Not Budgeted						
Beginning Fund Balance (Reserved)	60,000	60,000	60,000	60,000	0.0%	0.0%
TOTAL REVENUES	**$ 60,000**	**$ 70,000**	**$ 70,000**	**$ 70,000**	**0.0%**	**0.0%**
EXPENDITURES						
Budgeted						
Repairs & Maintenance	$ -	$ 10,000	$ 10,000	$ 10,000	0.0%	0.0%
Interfund Transfer	-	-	-	-	N/A	N/A
Total Budgeted Expenditures	**$ -**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**0.0%**	**0.0%**
Not Budgeted						
Ending Fund Balance	60,000	60,000	60,000	60,000	0.0%	0.0%
TOTAL EXPENDITURES	**$ 60,000**	**$ 70,000**	**$ 70,000**	**$ 70,000**	**0.0%**	**0.0%**

Self-Insurance Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 60,000	$ 60,000	$ 60,000	$ 60,000
Plus Revenues	-	10,000	10,000	10,000
Less Expenditures	-	(10,000)	(10,000)	(10,000)
Ending Fund Balance	**$ 60,000**	**$ 60,000**	**$ 60,000**	**$ 60,000**
Consisting of:				
Self Insurance Reserve	60,000	60,000	60,000	60,000
Ending Fund Balance	**$ 60,000**	**$ 60,000**	**$ 60,000**	**$ 60,000**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City of Mercer Island has six Special Revenue Funds: City Street Fund, Contingency Fund, 1% for the Arts Fund, Youth & Family Services Fund, ARPA Fund and the Community Planning & Development Fund.

STREET FUND – 110

The Street Fund is a restricted fund that accounts for revenues and expenditures for street maintenance, preservation, and construction. Major sources of revenue include Real Estate Excise Tax (REET), Fuel Tax, and Federal and State Grants. The Transportation Improvement Plan (TIP) determines the annual expenditures for street and pedestrian facility improvements. For additional detail on the TIP see the Capital Improvement Program section of the budget.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ -	$ 310,296	$ 2,751,903	$ -	786.9%	-100.0%
Real Estate Excise Tax	1,738,243	2,161,288	1,782,709	1,824,817	-17.5%	2.4%
Motor Vehicle Fuel Tax	470,697	480,000	475,000	475,000	-1.0%	0.0%
General Govt / Grants / Fines	4,378,595	991,150	1,241,000	923,600	25.2%	-25.6%
Vehicle Excise Tax	361,064	367,000	365,000	365,000	-0.5%	0.0%
Interfund Transfers In	189,592	431,598	550,100	236,600	27.5%	-57.0%
Total Budgeted Revenues	**$ 7,138,191**	**$ 4,741,332**	**$ 7,165,712**	**$ 3,825,017**	**51.1%**	**-46.6%**
Not Budgeted						
Beginning Fund Balance (Reserved)	2,825,066	4,050,080	1,298,177	1,298,177	-67.9%	0.0%
TOTAL REVENUES	**$ 9,963,257**	**$ 8,791,412**	**$ 8,463,889**	**$ 5,123,194**	**-3.7%**	**-39.5%**
EXPENDITURES						
Budgeted						
Street and Right of Way Maintenance	$ 505,501	$ 502,729	$ 466,750	$ 474,164	-7.2%	1.6%
Transportation Project Management	717,185	709,165	1,081,862	1,125,377	52.6%	4.0%
Transportation Improvement Program	4,329,201	2,941,889	5,577,100	1,526,200	89.6%	-72.6%
Interfund Transfer	50,994	587,549	40,000	152,500	-93.2%	281.3%
Total Budgeted Expenditures	**$ 5,602,881**	**$ 4,741,332**	**$ 7,165,712**	**$ 3,278,241**	**51.1%**	**-54.3%**
Not Budgeted						
Ending Fund Balance	4,360,376	4,050,080	1,298,177	1,844,953	-67.9%	42.1%
TOTAL EXPENDITURES	**$ 9,963,257**	**$ 8,791,412**	**$ 8,463,889**	**$ 5,123,194**	**-3.7%**	**-39.5%**

Street Fund: Expenditure Summary

Presented in the table below are expenditures by category for 2025-2028.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
EXPENDITURES						
Budgeted						
Salaries and Wages	$ 231,564	$ 193,200	$ 187,477	$ 192,763	-3.0%	2.8%
Benefits	84,578	73,911	60,043	59,282	-18.8%	-1.3%
Other Services and Charges	189,359	235,618	219,230	222,119	-7%	1.3%
Capital Program	5,046,386	3,651,054	6,658,962	2,651,577	82.4%	-60.2%
Interfund Transfers	50,994	587,549	40,000	152,500	-93.2%	281.3%
Total Budgeted Expenditures	**$ 5,602,881**	**$ 4,741,332**	**$ 7,165,712**	**$ 3,278,241**	**51.1%**	**-54.3%**
Not Budgeted						
Ending Fund Balance	4,360,376	4,050,080	1,298,177	1,844,953	-67.9%	42.1%
TOTAL EXPENDITURES	**$ 9,963,257**	**$ 8,791,412**	**$ 8,463,889**	**$ 5,123,194**	**-3.7%**	**-39.5%**

Street Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 2,825,066	$ 4,360,376	$ 4,050,080	$ 1,298,177
Plus Revenues	7,138,191	4,431,036	4,413,809	3,825,017
Less Expenditures	(5,602,881)	(4,741,332)	(7,165,712)	(3,278,241)
Ending Fund Balance	**$ 4,360,376**	**$ 4,050,080**	**$ 1,298,177**	**$ 1,844,953**
Consisting of:				
Town Center street (north) reserve	99,684	99,684	99,684	99,684
Appropriated for Expenditures Next Year	310,296	2,751,903	-	-
Operating Fund Balance Minimum	87,000	87,000	85,000	85,000
Tree Fee-in-lieu	201,261	656,261	716,261	776,261
Transportation Impact Fees	148,262	408,262	493,262	578,262
Unreserved	3,513,873	46,970	(96,030)	305,746
Ending Fund Balance	**$ 4,360,376**	**$ 4,050,080**	**$ 1,298,177**	**$ 1,844,953**

CONTINGENCY FUND – 130

The Contingency Fund accounts for resources that can only be used to address one of the following unanticipated situations in the General Fund or other general government operating fund: 1) a significant revenue shortfall; 2) a significant, non-recurring, expenditure; and 3) a significant increase in service delivery costs. As part of the 2019-2020 budget process, the City Council increased the target funding level from 10% to 12.5% (which equals 1.5 months) of General Fund budgeted expenditures, capped by state law at 37.5 cents per $1,000 of the City's total assessed valuation.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ -	$ -	$ -	$ -	N/A	N/A
Interest	-	-	-	-	N/A	N/A
Total Budgeted Revenues	**$ -**	**$ -**	**$ -**	**$ -**	**N/A**	**N/A**
Not Budgeted						
Beginning Fund Balance (Reserved)	4,937,673	4,937,673	4,937,673	4,937,673	0.0%	0.0%
TOTAL REVENUES	**$ 4,937,673**	**$ 4,937,673**	**$ 4,937,673**	**$ 4,937,673**	**0.0%**	**0.0%**
EXPENDITURE						
Budgeted						
Interfund Transfers	$ -	$ -	$ -	$ -	N/A	N/A
Total Budgeted Expenditures	**$ -**	**$ -**	**$ -**	**$ -**	**N/A**	**N/A**
Not Budgeted						
Ending Fund Balance	4,937,673	4,937,673	4,937,673	4,937,673	0.0%	0.0%
TOTAL EXPENDITURES	**$ 4,937,673**	**$ 4,937,673**	**$ 4,937,673**	**$ 4,937,673**	**0.0%**	**0.0%**

Contingency Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 4,937,673	$ 4,937,673	$ 4,937,673	$ 4,937,673
Plus Revenues	-	-	-	-
Less Expenditures	-	-	-	-
Ending Fund Balance	**$ 4,937,673**	**$ 4,937,673**	**$ 4,937,673**	**$ 4,937,673**
Consisting of:				
Reserve at 12.5% of General Fund Expenditures*	4,454,836	4,647,720	4,835,624	5,007,650
Contingency Reserve (Under)/Over Policy	482,837	289,953	102,049	(69,977)
Ending Fund Balance	**$ 4,937,673**	**$ 4,937,673**	**$ 4,937,673**	**$ 4,937,673**

**Note - General Fund Expenditures excluding Interfund Transfers Out*

1% FOR THE ARTS FUND – 140

The 1% For the Arts Fund accounts for the 1% contribution from Capital Improvement Program (CIP) projects, excluding utilities, technology, and equipment. As stated in MICC 4.40.200 funds accumulated in the 1% for Arts Fund are restricted to 1) the selection, acquisition, and installation or display of original works of visual art; 2) repairs and maintenance of public art acquired with 1%-for-the-arts funds; and 3) other project-specific expenses of selection and acquisition; provided, that no part of the funds shall be used to pay administrative staffing expenses of the program.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ -	$ 43,836	$ -	$ 35,000	-100.0%	N/A
One Percent for Arts	52,474	2,000	38,812	-	1840.6%	-100.0%
Insurance Proceeds	-	-	-	-	N/A	N/A
Interfund Transfers In	-	-	-	-	N/A	N/A
Total Budgeted Revenues	**$ 52,474**	**$ 45,836**	**$ 38,812**	**$ 35,000**	**-15.3%**	**-9.8%**
Not Budgeted						
Beginning Fund Balance (Reserved)	193,420	170,106	170,106	138,918	0.0%	-18.3%
TOTAL REVENUES	**$ 245,894**	**$ 215,942**	**$ 208,918**	**$ 173,918**	**-3.3%**	**-16.8%**
EXPENDITURES						
Budgeted						
Public Art Maintenance	$ 31,953	$ 45,836	$ 35,000	$ 35,000	-23.6%	0.0%
Total Budgeted Expenditures	**$ 31,953**	**$ 45,836**	**$ 35,000**	**$ 35,000**	**-23.6%**	**0.0%**
Not Budgeted						
Ending Fund Balance	213,942	170,106	173,918	138,918	2.2%	-20.1%
TOTAL EXPENDITURES	**$ 245,895**	**$ 215,942**	**$ 208,918**	**$ 173,918**	**-3.3%**	**-16.8%**

1% for the Arts Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 193,420	$ 213,942	$ 170,106	$ 173,918
Plus Revenues	52,474	2,000	38,812	-
Less Expenditures	(31,953)	(45,836)	(35,000)	(35,000)
Ending Fund Balance	**$ 213,942**	**$ 170,106**	**$ 173,918**	**$ 138,918**
Consisting of:				
Funding for Expenditures Next Year	43,836	-	35,000	-
Art in public places reserve	170,106	170,106	138,918	138,918
Ending Fund Balance	**$ 213,942**	**$ 170,106**	**$ 173,918**	**$ 138,918**

YOUTH & FAMILY SERVICES FUND – 160

The Youth & Family Services Fund was created to account for all revenues and expenditures directly related to the Youth & Family Services (YFS) Department. These programs include the Thrift Shop operations, Individual & Family Counseling, Senior Services, Emergency Assistance, and the School-Based Services program. YFS is largely supported by donations, grants, and the MIYFS Foundation.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Use of Operating Reserves	$ 219,246	$ 638,194	$ 438,105	$ 62,132	-31.4%	-85.8%
Federal, State & Local Grants	84,712	96,496	58,020	45,700	-39.9%	-21.2%
Healthy Youth Initiative Grants	85,668	92,500	109,879	-	18.8%	-100.0%
School Counselor Program Support	60,000	60,000	60,000	60,000	0.0%	0.0%
Thrift Shop	1,744,698	1,903,269	2,093,596	2,198,276	10.0%	5.0%
Program Fees	139,217	277,500	130,000	130,000	-53.2%	0.0%
Emergency Assistance Program Support	59,789	35,000	48,000	48,000	37.1%	0.0%
MIYFS Foundation Support	547,550	610,000	580,000	580,000	-4.9%	0.0%
Affordable and Supplemental Housing	40,209	35,000	35,000	35,000	0.0%	0.0%
Opioid Settlement Agreements	48,714	44,474	34,018	51,752	-23.5%	52.1%
Interfund Transfer	350,000	350,000	477,000	1,066,900	36.3%	123.7%
Total Budgeted Revenues	**$ 3,379,802**	**$ 4,142,433**	**$ 4,063,618**	**$ 4,277,760**	**-1.9%**	**5.3%**
Not Budgeted						
Beginning Fund Balance (Reserved)	1,208,866	570,672	132,567	70,435	-76.8%	-46.9%
TOTAL REVENUES	**$ 4,588,668**	**$ 4,713,105**	**$ 4,196,185**	**$ 4,348,195**	**-11.0%**	**3.6%**
EXPENDITURES						
Budgeted						
YFS Administration	$ 459,456	$ 519,783	$ 549,000	$ 601,298	5.6%	9.5%
Thrift Shop	1,190,953	1,372,915	1,470,493	1,592,263	7.1%	8.3%
School Counselor Program	837,013	976,767	990,776	1,068,900	1.4%	7.9%
Senior Outreach	-	100,843	100,951	102,718	0.1%	1.8%
Family Counseling	422,698	632,617	453,954	473,974	-28.2%	4.4%
Emergency Assistance & Food Pantry	332,638	340,544	317,412	325,414	-6.8%	2.5%
Healthy Youth Initiative Grants	137,045	198,964	181,032	113,193	-9.0%	-37.5%
Total Budgeted Expenditures	**$ 3,379,802**	**$ 4,142,433**	**$ 4,063,618**	**$ 4,277,760**	**-1.9%**	**5.3%**
Not Budgeted						
Ending Fund Balance	1,208,866	570,672	132,567	70,435	-76.8%	-46.9%
TOTAL EXPENDITURES	**$ 4,588,668**	**$ 4,713,105**	**$ 4,196,185**	**$ 4,348,195**	**-11.0%**	**3.6%**

YFS Fund: Expenditure Summary

Presented in the table below are expenditures by category for 2025-2028.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
EXPENDITURES						
Budgeted						
Salaries and Wages	$ 2,122,182	$ 2,420,642	$ 2,388,231	$ 2,564,823	-1.3%	7.4%
Benefits	567,101	1,049,291	940,892	952,150	-10.3%	1.2%
Contractual Services	230,462	209,300	250,000	264,300	19.4%	5.7%
Other Services and Charges	460,056	463,199	484,495	496,487	4.6%	2.5%
Total Budgeted Expenditures	**$ 3,379,802**	**$ 4,142,432**	**$ 4,063,618**	**$ 4,277,760**	**-1.9%**	**5.3%**
Not Budgeted						
Ending Fund Balance	1,208,866	570,672	132,567	70,435	-76.8%	-46.9%
TOTAL EXPENDITURES	**$ 4,588,668**	**$ 4,713,104**	**$ 4,196,185**	**$ 4,348,195**	**-11.0%**	**3.6%**

YFS Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

` Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 1,428,112	$ 1,208,866	$ 570,672	$ 132,567
Plus Revenues	3,160,556	3,504,239	3,625,513	4,215,628
Less Expenditures	(3,379,802)	(4,142,433)	(4,063,618)	(4,277,760)
Ending Fund Balance	**$ 1,208,866**	**$ 570,672**	**$ 132,567**	**$ 70,435**
Consisting of:				
Emergency Assistance & Food Pantry	12,025	12,025	12,025	12,025
Opioid Settlement Funds	237,245	175,247	119,851	58,410
Unreserved	959,596	383,400	691	0
Ending Fund Balance	**$ 1,208,866**	**$ 570,672**	**$ 132,567**	**$ 70,435**

DEVELOPMENT SERVICES FUND – 180

The Development Services Fund is established to account for the revenues and expenditures specific to land use, development engineering, and development permitting. Previously accounted for within the General Fund, this new special revenue fund separates these restricted permit and land use functions. The fund is established using prior year restricted development revenue transferred in from the General Fund.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
RESOURCES						
Budgeted						
Beginning Fund Balance	$ -	$ -	$ 71,717	$ 129,007	N/A	79.9%
Permit & Land Use Fees	4,137,585	3,772,971	3,948,165	4,041,170	4.6%	2.4%
Grants	37,500	-	-	-	N/A	N/A
Interfund Transfers In	2,040,733	966,165	867,805	894,525	-10.2%	3.1%
Total Budgeted Resources	**$6,215,818**	**$ 4,739,136**	**$ 4,887,687**	**$ 5,064,702**	**3.1%**	**3.6%**
Not Budgeted						
Beginning Fund Balance (Reserved)	-	2,437,598	2,770,797	2,641,790	13.7%	-4.7%
TOTAL RESOURCES	**$6,215,818**	**$ 7,176,734**	**$ 7,658,484**	**$ 7,706,492**	**6.7%**	**0.6%**
USES						
Budgeted						
Administration	$1,230,197	$ 1,261,702	$ 1,268,132	$ 1,315,886	0.5%	3.8%
Permit Center	302,471	454,713	752,099	783,582	65.4%	4.2%
Building Plan Review & Inspection	836,516	974,260	958,597	984,174	-1.6%	2.7%
Planning & Land Use	1,124,122	1,354,562	1,614,673	1,680,165	19.2%	4.1%
Development Engineering	284,914	288,983	294,186	300,895	1.8%	2.3%
Total Budgeted Expenditures	**$3,778,219**	**$ 4,334,220**	**$ 4,887,687**	**$ 5,064,702**	**12.8%**	**3.6%**
Not Budgeted						
Ending Fund Balance	2,437,598	2,842,514	2,770,797	2,641,790	-2.5%	-4.7%
TOTAL USES	**$6,215,818**	**$ 7,176,734**	**$ 7,658,484**	**$ 7,706,492**	**6.7%**	**0.6%**

Development Services Fund: Expenditure Summary

Presented in the table below are expenditures by category for 2025-2028.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
USES						
Budgeted						
Salaries and Wages	$ 2,369,528	$ 2,453,143	$ 2,948,099	$ 3,099,203	20.2%	5.1%
Benefits	634,656	936,487	1,013,719	1,006,788	8.2%	-0.7%
Other Services and Charges	393,086	516,005	521,864	532,626	1.1%	2.1%
City Administration Overhead	380,949	428,585	404,005	426,085	-5.7%	5.5%
Total Budgeted Expenditures	**$ 3,778,219**	**$ 4,334,220**	**$ 4,887,687**	**$ 5,064,702**	**12.8%**	**3.6%**
Not Budgeted					N/A	N/A
Ending Fund Balance	2,437,598	2,842,514	2,770,797	2,641,790	-2.5%	-4.7%
TOTAL USES	**$6,215,818**	**$7,176,734**	**$7,658,484**	**$7,706,492**	**6.7%**	**0.6%**

Development Services Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ -	$ 2,437,598	$ 2,842,514	$ 2,770,797
Plus Revenues	6,215,818	4,739,136	4,815,970	4,935,695
Less Expenditures	(3,778,219)	(4,334,220)	(4,887,687)	(5,064,702)
Ending Fund Balance	**$ 2,437,598**	**$ 2,842,514**	**$ 2,770,797**	**$ 2,641,790**
Consisting of:				
Unreserved	2,437,598	2,842,514	2,770,797	2,641,790
Ending Fund Balance	**$ 2,437,598**	**$ 2,842,514**	**$ 2,770,797**	**$ 2,641,790**

DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources for the payment of principal and interest on general obligation bonds. General obligation bonds are those for which the full faith and credit of the City are pledged. They are payable from property taxes. The City of Mercer Island has two Debt Service Funds: Bond Redemption Fund – Voted, and Bond Redemption Fund – Non-Voted.

BOND REDEMPTION FUND (VOTED) – 210

This fund accounts for "excess" (i.e., voted bond) property tax levies that are dedicated to paying the debt service (i.e., principal and interest) on unlimited tax general obligation (UTGO) bonds. The City currently has no outstanding UTGO Bonds.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted					N/A	N/A
Beginning Fund Balance	$ -	$ -	$ -	$ -	N/A	N/A
Total Budgeted Revenues	**$ -**	**$ -**	**$ -**	**$ -**	**N/A**	**N/A**
Not Budgeted						
Beginning Fund Balance (Reserved)	18,943	18,943	18,943	18,943	0.0%	0.0%
TOTAL REVENUES	**$ 18,943**	**$ 18,943**	**$ 18,943**	**$ 18,943**	**0.0%**	**0.0%**
EXPENDITURES						
Budgeted						
Principal - Voted	$ -	$ -	$ -	$ -	N/A	N/A
Interest - Voted	-	-	-	-	N/A	N/A
Total Budgeted Expenditures	**$ -**	**$ -**	**$ -**	**$ -**	**N/A**	**N/A**
Not Budgeted						
Ending Fund Balance	18,943	18,943	18,943	18,943	0.0%	0.0%
TOTAL EXPENDITURES	**$ 18,943**	**$ 18,943**	**$ 18,943**	**$ 18,943**	**0.0%**	**0.0%**

Bond Redemption Fund (Voted): Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 18,943	$ 18,943	$ 18,943	$ 18,943
Plus Revenues	-	-	-	-
Less Expenditures	-	-	-	-
Ending Fund Balance	**$ 18,943**	**$ 18,943**	**$ 18,943**	**$ 18,943**
Consisting of:				
Debt Service Reserve	18,943	18,943	18,943	18,943
Ending Fund Balance	**$ 18,943**	**$ 18,943**	**$ 18,943**	**$ 18,943**

BOND REDEMPTION FUND (NON-VOTED) – 220

This fund accounts for revenues that are dedicated to paying the debt service (i.e., principal and interest) on limited (i.e., non-voted) general obligation (LTGO) bonds and loans. The City currently has one general government loan outstanding.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUE						
Budgeted						
Beginning Fund Balance	$ -	$ -	$ -	$ -	N/A	N/A
Interfund Transfer In	-	137,462	139,919	136,647	1.8%	-2.3%
Total Budgeted Revenues	**$ -**	**$ 137,462**	**$ 139,919**	**$ 136,647**	**1.8%**	**-2.3%**
Not Budgeted						
Beginning Fund Balance (Reserved)	5,080	5,080	5,080	5,080	0.0%	0.0%
TOTAL REVENUES	**$ 5,080**	**$ 142,542**	**$ 144,999**	**$ 141,727**	**1.7%**	**-2.3%**
EXPENDITURES						
Budgeted						
Debt Payments						
9655 Building	$ -	$ 137,462	$ 139,919	$ 136,647	1.8%	-2.3%
Total Budgeted Expenditures	**$ -**	**$ 137,462**	**$ 139,919**	**$ 136,647**	**1.8%**	**-2.3%**
Not Budgeted						
Ending Fund Balance	5,080	5,080	5,080	5,080	0.0%	0.0%
TOTAL EXPENDITURES	**$ 5,080**	**$ 142,542**	**$ 144,999**	**$ 141,727**	**1.7%**	**-2.3%**

Bond Redemption Fund (Non-voted): Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 5,080	$ 5,080	$ 5,080	$ 5,080
Plus Revenues	-	137,462	139,919	136,647
Less Expenditures	-	(137,462)	(139,919)	(136,647)
Ending Fund Balance	**$ 5,080**	**$ 5,080**	**$ 5,080**	**$ 5,080**
Consisting of:				
Debt Service Reserve	5,080	5,080	5,080	5,080
Ending Fund Balance	**$ 5,080**	**$ 5,080**	**$ 5,080**	**$ 5,080**

CAPITAL PROJECT FUNDS

Capital Project Funds include financial resources for the acquisition or construction of capital facilities other than those financed by Enterprise or Internal Service Funds. The City of Mercer Island has three Capital Project Funds: Capital Improvement Fund, Technology & Equipment Fund, and Municipal Facility Replacement Fund.

CAPITAL IMPROVEMENT FUND – 320

The Capital Improvement Fund accounts for revenues that can only be spent on the following types of general government capital projects: parks, open spaces, and buildings. The projects planned for 2027 and 2028 are described in detail in the Capital Improvement Program.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUE						
Budgeted						
Beginning Fund Balance	$ 2,863,436	$ 5,977,339	$ -	$ 2,288,550	-100.0%	N/A
Property Tax	906,391	921,016	930,226	939,528	1.0%	1.0%
Real Estate Excise Tax	2,136,478	2,641,574	2,178,867	2,230,332	-17.5%	2.4%
General Govt / Grants / Fines	1,780,808	2,084,484	6,750,926	1,653,018	223.9%	-75.5%
Sound Transit Mitigation	295,394	-	-	-	N/A	N/A
GMA Impact Fees	38,502	20,605	25,000	25,000	21.3%	0.0%
Interfund Transfers	-	1,311,423	155,000	-	-88.2%	-100.0%
Total Budgeted Revenues	**$ 8,021,008**	**$ 12,956,441**	**$10,040,019**	**$ 7,136,428**	**-22.5%**	**-28.9%**
Not Budgeted						
Beginning Fund Balance (Reserved)	6,782,251	804,912	804,912	1,888,713	0.0%	134.6%
TOTAL REVENUES	**$ 14,803,259**	**$ 13,761,353**	**$10,844,931**	**$ 9,025,141**	**-21.2%**	**-16.8%**
EXPENDITURES						
Budgeted						
Capital Improvement Program	$ 5,603,497	$ 12,166,610	$ 5,441,700	$ 5,881,100	-55.3%	8.1%
Project Management Expenses	746,759	652,369	1,086,050	1,118,681	66.5%	3.0%
Debt Service	-	137,462	139,919	136,647	1.8%	-2.3%
Interfund Transfers Out	1,670,752	-	-	-	N/A	N/A
Total Budgeted Expenditures	**$ 8,021,008**	**$ 12,956,441**	**$ 6,667,669**	**$ 7,136,428**	**-48.5%**	**7.0%**
Not Budgeted						
Ending Fund Balance	6,782,251	804,912	4,177,263	1,888,713	419.0%	-54.8%
TOTAL EXPENDITURES	**$ 14,803,259**	**$ 13,761,353**	**$10,844,931**	**$ 9,025,141**	**-21.2%**	**-16.8%**

Capital Improvement Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 9,645,687	$ 6,782,251	$ 804,912	$ 4,177,263
Plus Revenues	5,157,572	6,979,102	10,040,019	4,847,878
Less Expenditures	(8,021,008)	(12,956,441)	(6,667,669)	(7,136,428)
Ending Fund Balance	**$ 6,782,251**	**$ 804,912**	**$ 4,177,263**	**$1,888,713**
Consisting of:				
RCO Property sale proceeds	28,400	28,400	28,400	28,400
Freeman Landing Reserve	329,891	329,891	329,891	329,891
King Count Parks Levy reserve	650,347	-	-	-
Parks Impact Fee reserve	8,732	29,337	54,337	79,337
All Weather Field Repl Reserve	755,162	955,162	1,155,162	1,355,162
Operating Fund Balance Minimum	114,000	114,000	114,000	114,000
Unreserved	4,895,720	(651,878)	2,495,473	(18,077)
Ending Fund Balance	**$ 6,782,251**	**$ 804,912**	**$ 4,177,263**	**$1,888,713**

TECHNOLOGY & EQUIPMENT FUND – 330

The Technology & Equipment Fund accounts for general government capital investments in technology software, furnishings, and equipment. An interfund transfer from the General Fund is the main source of revenue for this Fund. Other Funds may contribute resources for specific projects when shared by multiple operating departments. The projects planned for 2027 and 2028 are described in detail in the Capital Improvement Program.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ -	$ 618,873	$ 202,000	$ -	-67.4%	-100.0%
General Govt / Grants / Fines	421,490	-	-	-	N/A	N/A
Interfund Transfers	486,929	395,922	435,000	547,500		
Total Budgeted Revenues	**$ 908,419**	**$ 1,014,795**	**$ 637,000**	**$ 547,500**	**-37.2%**	**-14.1%**
Not Budgeted						
Beginning Fund Balance (Reserved)	1,225,045	1,267,538	1,065,538	1,065,538	-15.9%	0.0%
TOTAL REVENUES	**$ 2,133,464**	**$ 2,282,333**	**$ 1,702,538**	**$ 1,613,038**	**-25.4%**	**-5.3%**
EXPENDITURES						
Budgeted						
Technology Improvements	$ 247,053	$ 1,014,795	$ 482,000	$ 378,500	-52.5%	-21.5%
Interfund Transfers	-	-	155,000	-	N/A	-100.0%
Total Budgeted Expenditures	**$ 247,053**	**$ 1,014,795**	**$ 637,000**	**$ 378,500**	**-37.2%**	**-40.6%**
Not Budgeted						
Ending Fund Balance	1,886,411	1,267,538	1,065,538	1,234,538	-15.9%	15.9%
TOTAL EXPENDITURES	**$ 2,133,464**	**$ 2,282,333**	**$ 1,702,538**	**$ 1,613,038**	**-25.4%**	**-5.3%**

Technology & Equipment Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 1,225,045	$ 1,886,411	$ 1,267,538	$ 1,065,538
Plus Revenues	908,419	395,922	435,000	547,500
Less Expenditures	(247,053)	(1,014,795)	(637,000)	(378,500)
Ending Fund Balance	**$ 1,886,411**	**$ 1,267,538**	**$ 1,065,538**	**$ 1,234,538**
Consisting of:				
Federal and State seizure funds	41,345	41,345	41,345	41,345
MICEC Equipment Replacement Reserve	49,210	24,632	24,632	24,632
Police In-car Cameral Replacement Reserve	85,710	12,000	24,000	36,000
EPSCA Distribution	321,490	321,490	321,490	321,490
Funding for Expenditures Next Year	618,873	202,000	-	-
Unreserved	769,783	666,071	654,071	811,071
Ending Fund Balance	**$ 1,886,411**	**$ 1,267,538**	**$ 1,065,538**	**$ 1,234,538**

MUNICIPAL FACILITY REPLACEMENT FUND – 350

The Municipal Facility Capital Replacement Fund was established to account for resources accumulated to address short- and long-term municipal facility needs.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ 3,819,752	$ -	$ -	$ -	N/A	N/A
Proceeds of LTGO Debt	1,540,000	-	-	-		
Interfund Transfer	5,908,029	587,549	-	-	-100.0%	N/A
Total Budgeted Revenues	**$ 11,267,781**	**$ 587,549**	**$ -**	**$ -**	**-100.0%**	**N/A**
Not Budgeted						
Beginning Fund Balance (Reserved)	160,056	160,056	185,322	185,322	15.8%	0.0%
TOTAL REVENUES	**$ 11,427,837**	**$ 747,605**	**$ 185,322**	**$ 185,322**	**-75.2%**	**0.0%**
EXPENDITURES						
Budgeted						
Capital Facilites	$ 9,765,051	$ 562,283	$ -	$ -	-100.0%	N/A
Transfer Out	1,502,730	-	-	-	#DIV/0!	#DIV/0!
Total Budgeted Expenditures	**$ 11,267,781**	**$ 562,283**	**$ -**	**$ -**	**-100.0%**	**N/A**
Not Budgeted						
Ending Fund Balance	160,056	185,322	185,322	185,322	0.0%	0.0%
TOTAL EXPENDITURES	**$ 11,427,837**	**$ 747,605**	**$ 185,322**	**$ 185,322**	**-75.2%**	**0.0%**

Municipal Facility Replacement Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 160,056	$ 160,056	$ 185,322	$ 185,322
Plus Revenues	11,267,781	587,549	-	-
Less Expenditures	(11,267,781)	(562,283)	-	-
Ending Fund Balance	**$ 160,056**	**$ 185,322**	**$ 185,322**	**$ 185,322**
Consisting of:				
Unreserved	160,056	185,322	185,322	185,322
Ending Fund Balance	**$ 160,056**	**$ 185,322**	**$ 185,322**	**$ 185,322**

ENTERPRISE FUNDS

Enterprise Funds account for government activities that are financed and operated in a manner similar to private business. Costs of providing services to the community are primarily financed by user fees. The City of Mercer Island has three Enterprise Funds: Water Fund, Sewer Fund, and Stormwater Fund.

WATER FUND – 410

The Water Fund, which encompasses the City's water utility, accounts for all activities (i.e., administration, operations, maintenance, and capital investment) related to the provision of water services to the City's residential, commercial, and public customers.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ 5,998,403	$ 22,046,447	$ -	$ 9,908,689	-100.0%	N/A
Sales to Customers	13,356,191	13,604,295	14,053,030	15,577,957	3.3%	10.9%
Proceeds of Debt Issuance	-	-	18,500,000	-	N/A	-100.0%
Interest Earnings	1,473,244	1,125,540	1,039,885	1,069,810	-7.6%	2.9%
Other Services and Charges	370,351	-	-	-	N/A	N/A
Total Budgeted Revenues	**$ 21,198,189**	**$ 36,776,282**	**$ 33,592,915**	**$ 26,556,456**	**-8.7%**	**-20.9%**
Not Budgeted						
Beginning Fund Balance (Reserved)	33,793,044	11,746,597	11,746,597	2,463,790	0.0%	-79.0%
TOTAL REVENUES	**$ 54,991,233**	**$ 48,522,879**	**$ 45,339,512**	**$ 29,020,246**	**-6.6%**	**-36.0%**
EXPENDITURES						
Budgeted						
Maintenance and Operations	$ 4,137,449	$ 4,345,630	$ 4,541,798	$ 4,710,589	4.5%	3.7%
Water Purchased for Resale	1,912,436	2,334,585	2,122,887	2,314,560	-9.1%	9.0%
Debt Service	2,337,226	2,430,188	3,834,087	3,829,307	57.8%	-0.1%
City Administration	655,658	748,134	795,846	821,264	6.4%	3.2%
Water System Improvements (CIP)	11,618,477	25,983,442	20,709,000	13,971,000	-20.3%	-32.5%
CIP Project Overhead	440,435	719,599	740,650	767,371	2.9%	3.6%
Interfund Transfer - CIP	96,507	214,704	222,765	142,365	3.8%	-36.1%
Total Budgeted Expenditures	**$ 21,198,189**	**$ 36,776,282**	**$ 32,967,033**	**$ 26,556,456**	**-10.4%**	**-19.4%**
Not Budgeted						
Ending Fund Balance	33,793,044	11,746,597	12,372,479	2,463,790	5.3%	-80.1%
TOTAL EXPENDITURES	**$ 54,991,233**	**$ 48,522,879**	**$ 45,339,512**	**$ 29,020,246**	**-6.6%**	**-36.0%**

Water Fund: Expenditure Summary

Presented in the table below are expenditures by category for 2025-2028.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
EXPENDITURES						
Budgeted						
Salaries and Wages	$ 1,335,421	$ 1,359,711	$ 1,617,630	$ 1,693,400	19.0%	4.7%
Benefits	620,610	589,698	602,480	603,711	2.2%	0.2%
Water Purchased for Resale	1,912,436	2,334,585	2,122,887	2,314,560	-9.1%	9.0%
Other Services and Charges	2,837,077	3,144,355	3,117,534	3,234,742	-0.9%	3.8%
Debt Service	2,337,226	2,430,188	3,834,087	3,829,307	57.8%	-0.1%
Water System Improvements (CIP)	11,618,477	25,983,442	20,709,000	13,971,000	-20.3%	-32.5%
CIP Project Overhead	440,435	719,599	740,650	767,371	2.9%	3.6%
Interfund Transfer - CIP	96,507	214,704	222,765	142,365	3.8%	-36.1%
Total Budgeted Expenditures	**$ 21,198,189**	**$ 36,776,282**	**$ 32,967,033**	**$ 26,556,456**	**-10.4%**	**-19.4%**
Not Budgeted						
Ending Fund Balance	33,793,044	11,746,597	12,372,479	2,463,790	5.3%	-80.1%
TOTAL EXPENDITURES	**$ 54,991,233**	**$ 48,522,879**	**$ 45,339,512**	**$ 29,020,246**	**-6.6%**	**-36.0%**

Water Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Working Capital Balance	$ 39,791,447	$ 33,793,044	$ 11,746,597	$ 12,372,479
Plus Revenues	15,199,786	14,729,835	33,592,915	16,647,767
Less Expenditures	(21,198,189)	(36,776,282)	(32,967,033)	(26,556,456)
Ending Working Capital Balance	**$ 33,793,044**	**$ 11,746,597**	**$12,372,479**	**$ 2,463,790**
Consisting of:				
Operating Fund Balance Minimum	1,646,600	1,739,900	1,056,700	1,157,900
Capital Minimum Target Balance	641,300	904,800	1,101,400	1,261,500
Funding for Expenditures Next Year	22,046,447	-	9,908,689	-
Unreserved	9,458,697	9,101,897	305,690	44,390
Ending Working Capital Balance	**$ 33,793,044**	**$ 11,746,597**	**$12,372,479**	**$ 2,463,790**

SEWER FUND – 420

The Sewer Fund, which encompasses the City's sewer utility, accounts for all activities (i.e., administration, operation, maintenance, and capital investment) related to the provision of sewer services to the City's residential, commercial, and public customers.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ -	$ 8,137,707	$ -	$ 21,809,478	-100.0%	N/A
Sales to Customers	12,559,976	13,359,815	14,586,329	16,033,451	9.2%	9.9%
Proceeds of Debt Issuance	-	-	26,000,000	-	N/A	-100.0%
Interest Earnings	427,062	334,620	309,155	440,510	-7.6%	42.5%
Total Budgeted Revenues	**$ 12,987,038**	**$ 21,832,142**	**$ 40,895,484**	**$ 38,283,439**	**87.3%**	**-6.4%**
Not Budgeted						
Beginning Fund Balance (Reserved)	10,438,073	2,573,408	2,573,408	2,199,221	0.0%	-14.5%
TOTAL REVENUES	**$ 23,425,111**	**$ 24,405,550**	**$ 43,468,892**	**$ 40,482,660**	**78.1%**	**-6.9%**
EXPENDITURES						
Budgeted						
King County Sewer Treatment	$ 6,043,299	$ 6,603,600	$ 7,500,791	$ 8,457,368	13.6%	12.8%
Maintenance and Operations	2,689,388	3,067,120	3,564,064	3,658,287	16.2%	2.6%
Debt Service	1,028,615	1,029,611	2,730,999	2,734,006	165.2%	0.1%
City Admin Charges	450,075	511,863	489,045	504,755	-4.5%	3.2%
Sewer System Improvements (CIP)	2,207,717	10,177,631	4,778,000	22,529,200	-53.1%	371.5%
CIP Project Overhead	267,456	276,850	351,229	367,558	26.9%	4.6%
Interfund Transfer - CIP	27,446	165,467	46,065	32,265	-72.2%	-30.0%
Total Budgeted Expenditures	**$ 12,713,996**	**$ 21,832,142**	**$ 19,460,193**	**$ 38,283,439**	**-10.9%**	**96.7%**
Not Budgeted						
Ending Fund Balance	10,711,115	2,573,408	24,008,699	2,199,221	833.0%	-90.8%
TOTAL EXPENDITURES	**$ 23,425,111**	**$ 24,405,550**	**$ 43,468,892**	**$ 40,482,660**	**78.1%**	**-6.9%**

Recap by Fund

Sewer Fund: Expenditure Summary

Presented in the table below are expenditures by category for 2025-2028.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
EXPENDITURES						
Budgeted						
Salaries and Wages	$ 1,023,531	$ 1,182,837	$ 1,265,705	$ 1,321,850	7.0%	4.4%
Benefits	467,857	502,809	475,672	476,914	-5.4%	0.3%
King County Sewer Treatment	6,043,299	6,603,600	7,500,791	8,457,368	13.6%	12.8%
Debt Sevice	1,028,615	1,029,611	2,730,999	2,734,006	165.2%	0.1%
Other Services and Charges	1,648,075	1,893,337	2,311,732	2,364,278	22.1%	2.3%
Capital Program	2,475,173	10,454,481	5,129,229	22,896,758	-50.9%	346.4%
Interfund Transfers	27,446	165,467	46,065	32,265	-72.2%	-30.0%
Total Budgeted Expenditures	**$ 12,713,996**	**$ 21,832,142**	**$ 19,460,193**	**$ 38,283,439**	**-10.9%**	**96.7%**
Not Budgeted						
Ending Fund Balance	10,711,115	2,573,408	24,008,699	2,199,221	833.0%	-90.8%
TOTAL EXPENDITURES	**$ 23,425,111**	**$ 24,405,550**	**$ 43,468,892**	**$ 40,482,660**	**78.1%**	**-6.9%**

Sewer Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Working Capital Balance	$ 10,438,073	$10,711,115	$ 2,573,408	$24,008,699
Plus Revenues	12,987,038	13,694,435	40,895,484	16,473,961
Less Expenditures	(12,713,996)	(21,832,142)	(19,460,193)	(38,283,439)
Ending Working Capital Balance	**$ 10,711,115**	**$ 2,573,408**	**$24,008,699**	**$ 2,199,221**
Consisting of:				
Operating Fund Balance Minimum	782,900	860,300	938,300	1,029,600
Capital Minimum Target Balance	489,100	591,200	639,600	865,300
Funding for Expenditures Next Year	8,137,707	-	21,809,478	-
Unreserved	1,301,408	1,121,908	621,321	304,321
Ending Working Capital Balance	**$ 10,711,115**	**$ 2,573,408**	**$24,008,699**	**$ 2,199,221**

STORM WATER FUND – 430

The Stormwater Fund, which encompasses the City's stormwater utility, accounts for all activities (i.e., administration, operations, maintenance, and capital investment) related to the provision of storm and surface water management services to the City's residential, commercial, and public customers.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ -	$ 538,314	$ 2,514,641	$ 2,185,779	367.1%	-13.1%
Sales to Customers	2,875,606	3,103,968	3,287,203	3,478,090	5.9%	5.8%
Permitting Fee-in-lieu	97,813	50,000	-	-	-100.0%	N/A
Grant	130,000	195,000	75,000	75,000	-61.5%	0.0%
Interest Earnings	232,946	182,520	168,630	188,790	-7.6%	12.0%
Total Budgeted Revenues	**$ 3,336,365**	**$ 4,069,802**	**$ 6,045,474**	**$ 5,927,659**	**48.5%**	**-1.9%**
Not Budgeted						
Beginning Fund Balance (Reserved)	5,124,305	5,150,524	2,635,883	450,104	-48.8%	-82.9%
TOTAL REVENUES	**$ 8,460,670**	**$ 9,220,326**	**$ 8,681,357**	**$ 6,377,763**	**-5.8%**	**-26.5%**
EXPENDITURES						
Budgeted						
Maintenance and Operations	$ 1,853,914	$ 2,304,321	$ 2,562,815	$ 2,621,884	11.2%	2.3%
City Admin Charges	168,761	189,227	200,884	207,524	6.2%	3.3%
Stormwater System Improvements (CIP)	439,378	911,911	2,445,000	2,456,600	168.1%	0.5%
CIP Project Overhead	188,988	208,638	492,595	516,771	136.1%	4.9%
Interfund Transfer - CIP	120,791	455,705	344,180	124,880	-24.5%	-63.7%
Total Budgeted Expenditures	**$ 2,771,831**	**$ 4,069,802**	**$ 6,045,474**	**$ 5,927,659**	**48.5%**	**-1.9%**
Not Budgeted						
Ending Fund Balance	5,688,838	5,150,524	2,635,883	450,104	-48.8%	-82.9%
TOTAL EXPENDITURES	**$ 8,460,670**	**$ 9,220,326**	**$ 8,681,357**	**$ 6,377,763**	**-5.8%**	**-26.5%**

Storm Water Fund: Expenditure Summary

Presented in the table below are expenditures by category for 2025-2028.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
EXPENDITURES						
Budgeted						
Salaries and Wages	$ 715,547	$ 852,391	$ 1,003,201	$ 1,050,987	17.7%	4.8%
Benefits	318,174	351,758	366,649	366,281	4.2%	-0.1%
Contractual Services	99,173	304,700	204,750	207,250	-32.8%	1.2%
Other Services and Charges	889,780	984,699	1,189,099	1,204,890	20.8%	1.3%
Capital Program	628,365	1,120,549	2,937,595	2,973,371	162.2%	1.2%
Interfund Transfers	120,791	455,705	344,180	124,880	-24.5%	-63.7%
Total Budgeted Expenditures	**$ 2,771,831**	**$ 4,069,802**	**$ 6,045,474**	**$ 5,927,659**	**48.5%**	**-1.9%**
Not Budgeted						
Ending Fund Balance	5,688,838	5,150,524	2,635,883	450,104	-48.8%	-82.9%
TOTAL EXPENDITURES	**$ 8,460,670**	**$ 9,220,326**	**$ 8,681,357**	**$ 6,377,763**	**-5.8%**	**-26.5%**

Storm Water Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Working Capital Balance	$ 5,124,305	$ 5,688,838	$ 5,150,524	$ 2,635,883
Plus Revenues	3,336,365	3,531,488	3,530,833	3,741,880
Less Expenditures	(2,771,831)	(4,069,802)	(6,045,474)	(5,927,659)
Ending Working Capital Balance	**$ 5,688,838**	**$ 5,150,524**	**$ 2,635,883**	**$ 450,104**
Consisting of:				
Operating Fund Balance Minimum	247,800	308,600	319,700	330,500
Capital Minimum Target Balance	12,600	29,100	56,600	83,600
Funding for Expenditures Next Year	538,314	2,514,641	2,185,779	-
Unreserved	4,890,124	2,298,183	73,804	36,004
Ending Working Capital Balance	**$ 5,688,838**	**$ 5,150,524**	**$ 2,635,883**	**$ 450,104**

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing, on a cost-reimbursement basis, of goods and services provided by one department of the City to another department. The City of Mercer Island has two Internal Service Funds: Equipment Rental Fund and Computer Equipment Fund.

EQUIPMENT RENTAL FUND – 510

The Equipment Rental Fund accounts for the cost of maintaining, operating, and replacing all City owned vehicles, heavy equipment, and radios. This equipment is funded through internal user charges developed for each class of vehicle, heavy equipment, and radio.

Maintenance and operating costs primarily include fuel, parts, insurance, mechanic services, and administrative support. A vehicle replacement reserve within the Fund accumulates the resources needed to replace a vehicle when its useful life has been reached.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ 1,047,657	$ 1,244,097	$ 414,498	$ -	-66.7%	-100.0%
Property Taxes	169,958	171,657	173,374	175,107	1.0%	1.0%
Vehicle Maintenance & Operations	562,116	562,111	762,467	762,467	35.6%	0.0%
Vehicle Replacement Contributions	690,000	690,000	1,375,000	1,375,000	99.3%	0.0%
Insurance Proceeds (Fuel Cleanup)	-	111,250	111,500	111,500	0.2%	0.0%
Sale of Assets	121,028	10,000	-	-	-100.0%	N/A
Fire Apparatus Financing	-	1,267,470	-	-	-100.0%	N/A
Investment Interest	31,571	24,336	22,484	28,319	-7.6%	26.0%
Interfund Transfer	111,251	361,251	211,500	211,500	-41.5%	0.0%
Total Budgeted Revenues	**$ 2,733,581**	**$ 4,442,172**	**$ 3,070,823**	**$ 2,663,893**	**-30.9%**	**-13.3%**
Not Budgeted						
Beginning Fund Balance (Reserved)	3,149,120	1,905,023	1,490,525	1,490,525	-21.8%	0.0%
TOTAL REVENUES	**$ 5,882,701**	**$ 6,347,195**	**$ 4,561,348**	**$ 4,154,418**	**-28.1%**	**-8.9%**
EXPENDITURES						
Budgeted						
Fleet Services	$ 608,254	$ 572,795	$ 741,584	$ 750,875	29.5%	1.3%
Pollution Remediation (Fuel Cleanup)	190,680	472,500	223,000	223,000	-52.8%	0.0%
Lease Payments-Fire Fleet	96,587	268,153	376,939	280,353	40.6%	-25.6%
Vehicle Replacements	1,838,059	3,128,724	1,729,300	1,172,700	-44.7%	-32.2%
Total Budgeted Expenditures	**$ 2,733,581**	**$ 4,442,172**	**$ 3,070,823**	**$ 2,426,928**	**-30.9%**	**-21.0%**
Not Budgeted						
Ending Fund Balance	3,149,120	1,905,023	1,490,525	1,727,490	-21.8%	15.9%
TOTAL EXPENDITURES	**$ 5,882,701**	**$ 6,347,195**	**$ 4,561,348**	**$ 4,154,418**	**-28.1%**	**-8.9%**

Equipment Rental Fund: Expenditure Summary

Presented in the table below are expenditures by category for 2025-2028.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
EXPENDITURES						
Budgeted						
Salaries and Wages	$ 115,087	$ 109,113	$ 111,151	$ 119,759	1.9%	7.7%
Benefits	58,582	50,815	43,992	44,520	-13.4%	1.2%
Debt Service Payments	96,587	268,153	376,939	280,353	40.6%	-25.6%
Other Services and Charges	434,585	412,867	586,441	586,593	42.0%	0.0%
Capital Program	2,028,739	3,601,224	1,952,300	1,395,700	-45.8%	-28.5%
Total Budgeted Expenditures	**$ 2,733,581**	**$ 4,442,172**	**$ 3,070,823**	**$ 2,426,928**	**-30.9%**	**-21.0%**
Not Budgeted						
Ending Fund Balance	3,149,120	1,905,023	1,490,525	1,727,490	-21.8%	15.9%
TOTAL EXPENDITURES	**$ 5,882,701**	**$ 6,347,195**	**$ 4,561,348**	**$ 4,154,418**	**-28.1%**	**-8.9%**

Equipment Rental Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 4,196,777	$ 3,149,120	$ 1,905,023	$ 1,490,525
Plus Revenues	1,685,924	3,198,075	2,656,325	2,663,893
Less Expenditures	(2,733,581)	(4,442,172)	(3,070,823)	(2,426,928)
Ending Fund Balance	**$ 3,149,120**	**$ 1,905,023**	**$ 1,490,525**	**$ 1,727,490**
Consisting of:				
800 MHz Radio Replacement	373,610	373,610	373,610	373,610
Fire Apparatus Sinking Fund	818,603	722,107	618,542	613,296
Vehicle Replacement Reserve	1,956,907	809,306	498,373	740,584
Ending Fund Balance	**$ 3,149,120**	**$ 1,905,023**	**$ 1,490,525**	**$ 1,727,490**

COMPUTER EQUIPMENT FUND – 520

The Computer Equipment Fund accounts for the cost of operating, maintaining, and replacing all City owned computer-related hardware and equipment (servers, networks, PCs, laptops, printers, and phones). Computer equipment is funded through internal user charges developed for each type of technology-related device. The computer replacement reserve within the Fund accumulates the resources needed to replace a computer when its useful life has been reached.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ -	$ 64,245	$ 86,671	$ -	34.9%	-100.0%
Computer Support and Replacement	1,485,730	1,554,144	1,750,471	1,807,282	12.6%	3.2%
Total Budgeted Revenues	**$ 1,485,730**	**$ 1,618,389**	**$ 1,837,142**	**$ 1,807,282**	**13.5%**	**-1.6%**
Not Budgeted						
Beginning Fund Balance (Reserved)	970,970	1,047,235	960,564	960,564	-8.3%	0.0%
TOTAL REVENUES	**$ 2,456,700**	**$ 2,665,624**	**$ 2,797,706**	**$ 2,767,846**	**5.0%**	**-1.1%**
EXPENDITURES						
Budgeted						
Network Administration	$ 1,194,036	$ 1,312,585	$ 1,438,242	$ 1,481,242	9.6%	3.0%
Capital Replacement - Computers	151,184	305,804	398,900	88,600	30.4%	-77.8%
Total Budgeted Expenditures	**$ 1,345,220**	**$ 1,618,389**	**$ 1,837,142**	**$ 1,569,842**	**13.5%**	**-14.5%**
Not Budgeted						
Ending Fund Balance	1,111,480	1,047,235	960,564	1,198,004	-8.3%	24.7%
TOTAL EXPENDITURES	**$ 2,456,700**	**$ 2,665,624**	**$ 2,797,706**	**$ 2,767,846**	**5.0%**	**-1.1%**

Computer Equipment Fund: Expenditure Summary

Presented in the table below are expenditures by category for 2025-2028.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
EXPENDITURES						
Budgeted						
Salaries and Wages	$ 523,348	$ 554,050	$ 567,327	$ 587,726	2.4%	3.6%
Benefits	139,852	205,438	185,165	181,958	-9.9%	-1.7%
Contractual Services	456,699	446,997	579,150	604,958	29.6%	4.5%
Other Services and Charges	74,137	106,100	106,600	106,600	0.5%	0.0%
Capital Program	151,184	305,804	398,900	88,600	30.4%	-77.8%
Total Budgeted Expenditures	**$ 1,345,220**	**$ 1,618,389**	**$ 1,837,142**	**$ 1,569,842**	**13.5%**	**-14.5%**
Not Budgeted						
Ending Fund Balance	1,111,480	1,047,235	960,564	1,198,004	-8.3%	24.7%
TOTAL EXPENDITURES	**$ 2,456,700**	**$ 2,665,624**	**$ 2,797,706**	**$ 2,767,846**	**5.0%**	**-1.1%**

Computer Equipment Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 970,970	$ 1,111,480	$ 1,047,235	$ 960,564
Plus Revenues	1,485,730	1,554,144	1,750,471	1,807,282
Less Expenditures	(1,345,220)	(1,618,389)	(1,837,142)	(1,569,842)
Ending Fund Balance	**$ 1,111,480**	**$ 1,047,235**	**$ 960,564**	**$ 1,198,004**
Consisting of:				
Computer Replacements Next Year	305,804	398,900	88,600	319,900
Computer Replacement Reserve	805,676	648,335	871,964	878,104
Ending Fund Balance	**$ 1,111,480**	**$ 1,047,235**	**$ 960,564**	**$ 1,198,004**

FIDUCIARY TRUST FUND

Trust Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The City of Mercer Island has one Trust Fund, the Firefighters Pension Fund.

FIREFIGHTERS PENSION FUND – 610

The Firefighters Pension Fund accounts for pension benefits available to all firefighters hired on or before March 1, 1970. On that date the Washington Law Enforcement Officers' and Firefighters' System (the LEOFF Retirement Plan) was established. Each City maintaining a Firefighters Pension Fund retained responsibility for all benefits payable to eligible members (or their survivors). Cities with a Firefighters' Pension Fund receive state-shared fire insurance premium taxes.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
REVENUES						
Budgeted						
Beginning Fund Balance	$ -	$ 36,299	$ 22,253	$ 26,032	-38.7%	17.0%
Property Tax	26,410	26,410	26,410	26,410	0.0%	0.0%
Insurance Premium Tax	45,822	42,745	45,800	45,800	7.1%	0.0%
Interest	44,485	39,546	36,537	37,758	-7.6%	3.3%
Transfer In - from General Fund	-	-	-	-	N/A	N/A
Total Budgeted Revenues	**$ 116,717**	**$ 145,000**	**$ 131,000**	**$ 136,000**	**-9.7%**	**3.8%**
Not Budgeted						
Beginning Fund Balance (Reserved)	1,033,057	1,023,526	1,001,273	975,241	-2.2%	-2.6%
TOTAL REVENUES	**$ 1,149,774**	**$ 1,168,526**	**$ 1,132,273**	**$ 1,111,241**	**-3.1%**	**-1.9%**
EXPENDITURES						
Budgeted						
Retirement Benefits	$ 89,949	$ 145,000	$ 131,000	$ 136,000	-9.7%	3.8%
Total Budgeted Expenditures	**$ 89,949**	**$ 145,000**	**$ 131,000**	**$ 136,000**	**-9.7%**	**3.8%**
Not Budgeted						
Ending Fund Balance	1,059,825	1,023,526	1,001,273	975,241	-2.2%	-2.6%
TOTAL EXPENDITURES	**$ 1,149,774**	**$ 1,168,526**	**$ 1,132,273**	**$ 1,111,241**	**-3.1%**	**-1.9%**

Firefighters Pension Fund: Fund Balance

Fund balance consists of the following restricted and unrestricted amounts.

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Beginning Fund Balance	$ 1,033,057	$ 1,059,825	$ 1,023,526	$ 1,001,273
Plus Revenues	116,717	108,701	108,747	109,968
Less Expenditures	(89,949)	(145,000)	(131,000)	(136,000)
Ending Fund Balance	**$ 1,059,825**	**$ 1,023,526**	**$ 1,001,273**	**$ 975,241**
Consisting of:				
Funding for Expenditures Next Year	36,299	22,253	26,032	-
Pension Reserve	1,023,526	1,001,273	975,241	975,241
Ending Fund Balance	**$ 1,059,825**	**$ 1,023,526**	**$ 1,001,273**	**$ 975,241**

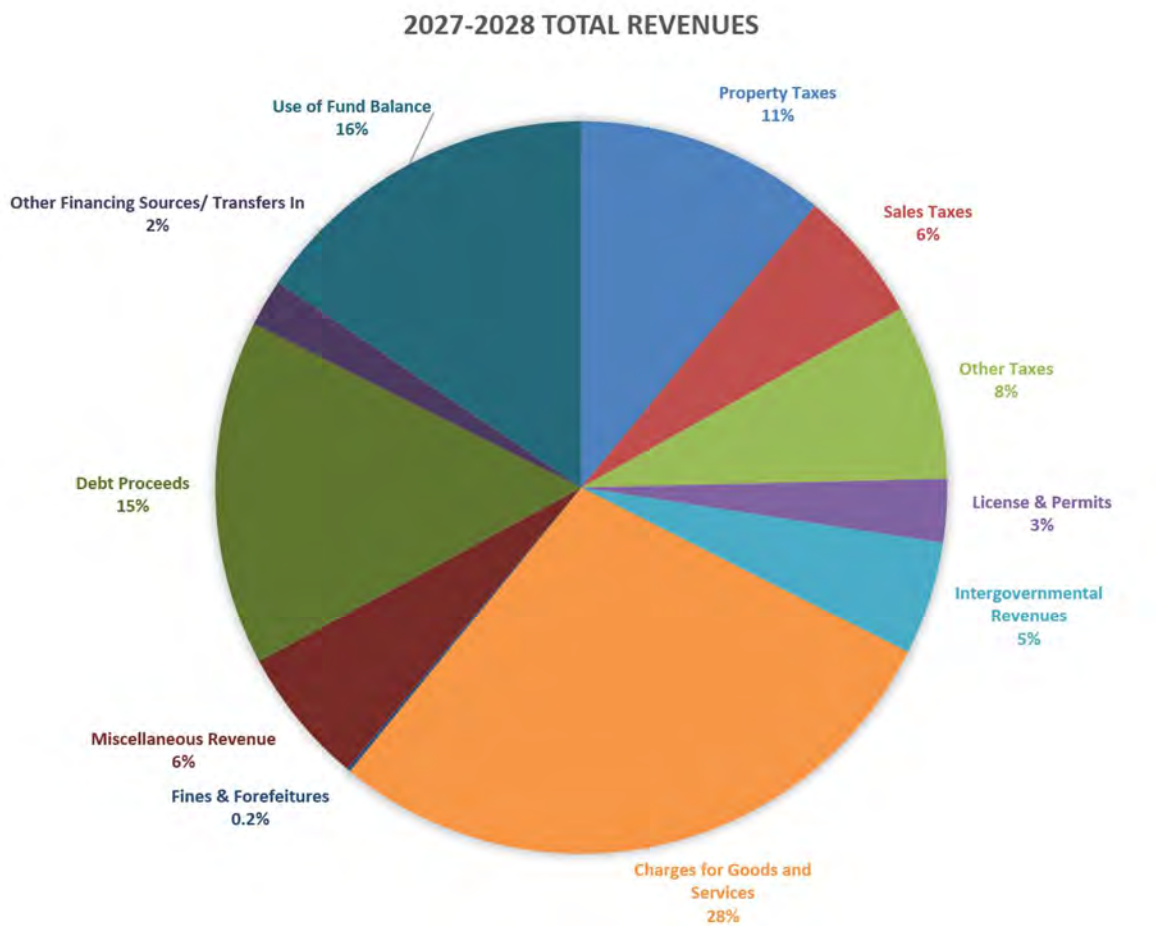
SECTION C

Revenue Sources

REVENUE SOURCES

For the 2027-2028 biennium, the City's total budgeted resources amount to $292 million, which consists of $153 million in 2027 and $138 million in 2028. This section of the budget focuses on the City's major revenue sources (see Figure 1), the internal and external factors that affect revenue estimates, and the 2027-2028 budgetary impacts.

Figure 1



Property Tax

Property tax is the City's largest single revenue source, accounting for 11% of total budgeted resources in 2027-2028. In the General Fund, which encompasses most of the City's general government services, property tax comprises 36% of budgeted resources in 2027.

<u>Types of Property Tax</u>

There are two types of property tax collected by the City: *regular levy* and *voter approved levy*. The *regular levy* portion may be used for any purpose the City deems necessary. On Mercer Island, as in most cities, the *regular levy* primarily supports the General Fund.

A *voter approved* levy represents a property tax increase over and above the *regular levy* and is typically authorized for a specific purpose. There are two types of *voter-approved levies*: *excess levy* and *levy lid lift*. An *excess levy* is dedicated to paying the principal and interest on debt issued for capital projects or major equipment purchases. The City does not have any excess levies. A *levy lid lift* is usually dedicated to funding specific general government operations and/or capital improvements.

The City has one levy lid lift currently in effect, the 2022 Parks Maintenance and Operations levy, also known as the “2022 Parks Levy.” The new Parks Levy passed the November 8, 2022 General Election with a 64.12% majority. The 2022 Parks Levy pays for maintenance and operations of parks and open spaces, playground replacements, and forest restoration. The 16-year 2022 Parks Levy replaced a similar parks levy that was set to expire in 2023. The previous 2008 parks levy ended one year early in 2022 and was replaced by the 2022 Parks levy.

The 2022 Parks levy consists of the same components of the prior levy while also adding capital funding for playground replacement projects and forest management plan projects. The total amount for 2027 and 2028 is $1,818,200 and $1,836,300, respectively.

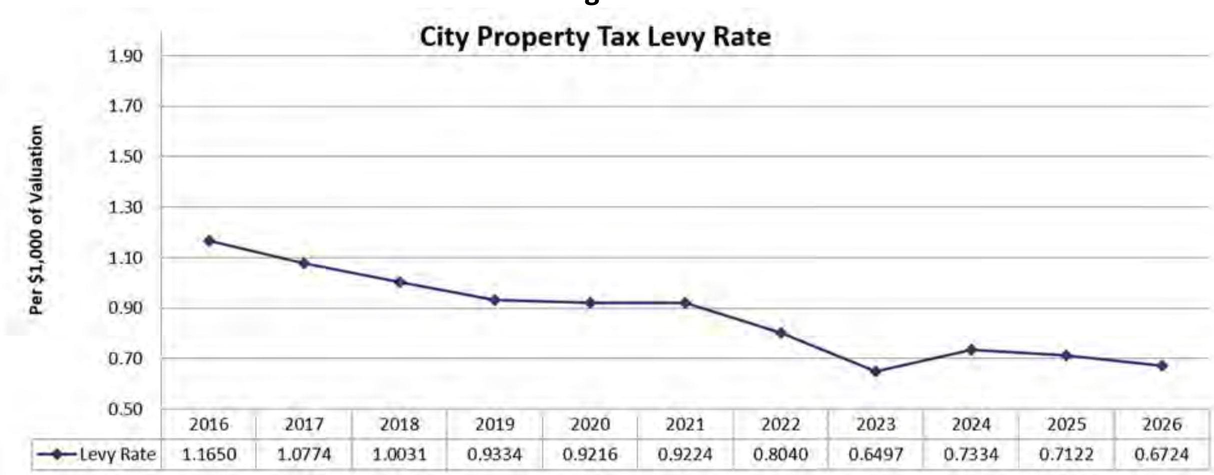
<u>Establishing the Property Tax Rate</u>

Each November, as required by Washington State law, the City Council sets the property tax levy for the coming year. The City’s regular levy and levy lid lifts are annually limited to a 1% increase or the rate of inflation as measured by the Implicit Price Deflator (IPD), whichever is less. The IPD is not the same as the Consumer Price Index for Urban Wage and Clerical Workers (CPI-W). Also included with the annual increase is an allowance for new construction, which includes the property tax revenue generated by newly constructed and improved residential and commercial properties.

<u>Determining the Property Tax Rate</u>

The property tax rate is determined by dividing the total annual levy amount by the assessed valuation per $1,000. Mercer Island’s levy rate fluctuates based on changes in assessed valuation, taking the 1% optional increase, and voter approved levies. The City’s levy rate in 2014-2024 is provided in Figure 2.

Figure 2



For the owner of a home with a $2,238,000 assessed value – which is the median assessed value on Mercer Island for the 2026 tax year – the 2026 levy rate (per $1,000 assessed valuation), the 2026 levy amount, and the percentage breakdown by taxing jurisdiction are presented in Figure 3. The homeowner’s total property taxes in 2026 amount to $14,571.

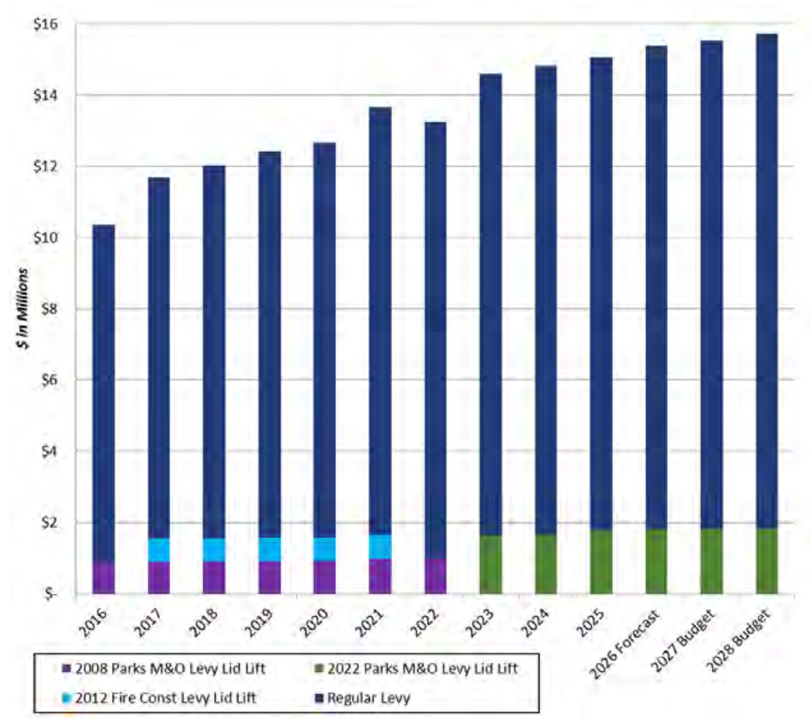
Figure 3

Property Taxes for a Median Assessed Value Household by Taxing Jurisdiction	2026 Levy Rate	2026 Levy Amount	% of Total 2026 Levy
State School Fund	2.2496	4,226	29%
School District	1.2946	2,432	17%
King County	1.4564	2,736	19%
City of Mercer Island	**0.6724**	**1,263**	9%
Library	0.2353	442	3%
EMS	0.2510	471	3%
Sound Transit	0.1587	298	2%
Port	0.0988	186	1%
Flood Zone	0.0942	177	1%
County Road District	1.2461	2,341	16%
Total	**7.7570**	**$ 14,571**	

A total of ten jurisdictions have taxing authority on Mercer Island, including the City. The largest portion of the levy relates to schools, with 29% going to the State School Fund and 17% to the Mercer Island School District. King County and the City are the next largest taxing jurisdictions. The 27% remaining total levy relates to the King County Library District, the King County Emergency Medical Services (EMS) Levy, Sound Transit, the Port of Seattle, the King County Flood Zone District, and the King County Road District.

Figure 4 depicts the total property tax revenues the City received from 2016 through 2025, the projected amount for 2026, along with the 2027 and 2028 budget amounts.

Figure 4: Property Tax 2016-2028



Levy Considerations for 2027-2028

- The regular levy for 2027 and 2028 includes a 1% optional increase plus “new construction,” which represents new property tax revenue from newly constructed and improved residential and commercial properties. Most of the regular levy in 2027 and 2028 is distributed to the General Fund. The dedicated portions of the regular levy are for the following:
  - LEOFF I long-term care reserve in the General Fund ($83,000 in 2027 and 2028);
  - Community Center technology, equipment, and furnishings sinking fund in the Technology & Equipment Fund ($18,000 is transferred from the General Fund in 2027 and 2028);
  - Fire apparatus sinking fund in the Equipment Rental Fund with $173,374 in 2027 and $175,108 in 2028); and,
  - Pension benefits reserve in the Firefighters’ Pension Fund ($26,410 in 2027 and 2028).
- The 2022 Parks Maintenance and Operations levy lid lift pays for maintaining and operating City open spaces, park, and recreation facilities, and funds playground replacements, operations and maintenance of Luther Burbank Park, and forest restoration at Pioneer Park. The total levy amount for 2027 is $1,818,228, which includes the 1% optional increase.

  Of the total annual levy amount, $930,226 is budgeted for parks capital projects in the Capital Improvement Fund. The remaining balance is budgeted for parks maintenance and operations in the General Fund.
- The City anticipates receiving $264,504 in 2027 from the 2025-2031 King County Parks, Trails, and Open Space levy.

Figure 5: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
General Fund				
Regular Levy (General Purpose)	$12,915,738	$13,283,178	$13,425,003	$13,600,397
Regular Levy (LEOFF 1 Long-Term Care)	83,000	83,000	83,000	83,000
Regular Levy (Community Center Sinking Fund)	18,000	18,000	18,000	18,000
2022 Parks M&O Levy Lid Lift	855,030	887,215	888,002	896,781
Capital Improvement Fund - Parks M&O Levy Lid Lift				
Luther Burbank Small Capital	113,333	114,466	115,611	116,767
Pioneer Park Forest Management	79,333	80,126	80,928	81,737
Open Space & Vegetation Management	66,970	67,640	68,316	68,999
Playground Replacement Funding	417,177	426,911	431,180	435,492
Forest Management Plan Funding	229,578	231,874	234,193	236,534
Equipment Rental Fund				
Regular Levy (Fire Apparatus Sinking Fund)	169,958	171,658	173,374	175,108
2012 Fire Station & Fire Rescue Truck Levy Lid Lift				
Firefighters Pension Fund - Regular Levy	26,410	26,410	26,410	26,410
Total Levied by City	**$14,974,527**	**$15,390,478**	**$15,544,016**	**$15,739,226**
King County Parks Levy	276,426	221,579	264,504	272,439
Total Property Taxes	**$15,250,953**	**$15,612,057**	**$15,808,520**	**$16,011,665**

Utility Taxes

Under Washington State law, cities are granted authority by a vote of the City Council to levy a business and occupation tax on public and private utilities known as the utility tax. Utility taxes are levied on the gross operating revenues that utilities earn from operations within the boundaries of the City. The tax applies to electric, natural gas, water, sewer, storm and surface water, solid waste, telephone, and cable television utilities.

Legislation limits the tax rate on electric, natural gas, and telephone utilities to 6% without voter approval. There are no legislative limitations on the tax rates for other public or private utilities. Mercer Island currently levies a 6% utility tax on electric, natural gas, and telephone utilities; a 7% utility tax on solid waste and cable television utilities; and a 5.3% utility tax on the City's water, sewer, and storm water utilities. For comparison, according to the Association of Washington Cities' 2026 Tax and User Fee survey, the average utility tax rate for cities with more than 20,000 residents is 9.7% for water, 9.2% for sewer, and 9.6% for storm water utilities.

The actual (2016-2025) and projected (2026-2028) utility tax revenues are displayed in Figure 6.

Figure 6: Utility Tax 2016-2028

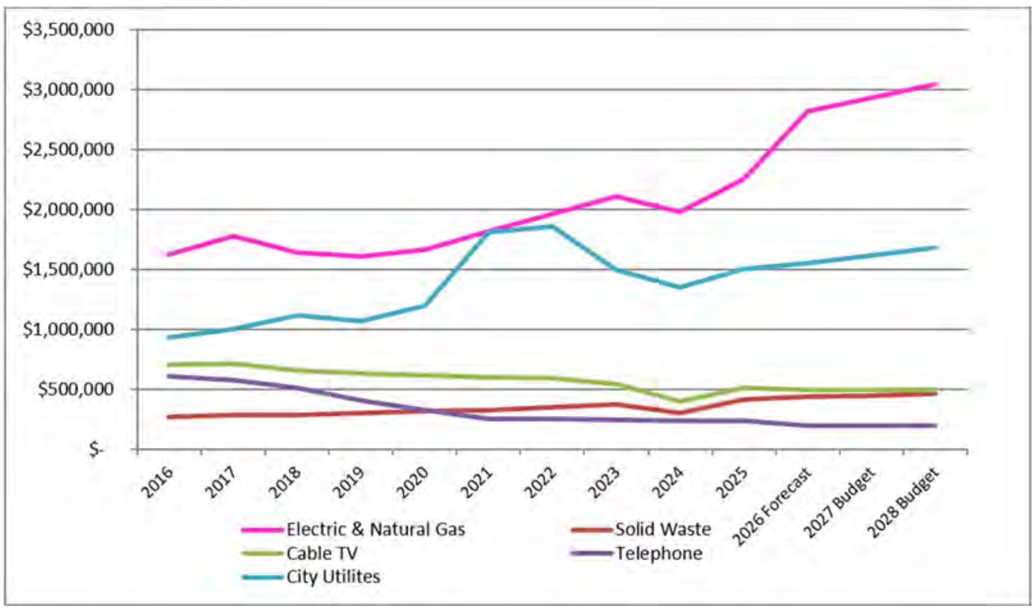


Figure 7: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
General Fund				
Electric and Natural Gas	$2,252,656	$2,815,820	$2,928,453	$3,045,591
Solid Waste	418,549	437,384	450,505	464,020
Cable Television	515,633	500,000	500,000	500,000
Telephone	240,502	202,600	202,800	200,910
City Utilities (Water, Sewer & Storm Water)	1,508,225	1,553,472	1,616,611	1,680,235
Total Utility Taxes	**$4,935,565**	**$5,509,276**	**$5,697,369**	**$5,890,756**

Revenue Sources

Sales Tax

Sales tax is levied on the sale of consumer goods (except most food products and some services) and construction. On Mercer Island, the construction sector is the largest generator of sales tax dollars (41.6% of total in 2025), followed by the retail and wholesale trade sector (28.0% of total), the administrative and support services sector (8.2% of total), and the food services sector (5.2% of total). The amount of sales tax revenue fluctuates from year to year due to changes in the economy, consumer buying habits, and the level of construction activity on Mercer Island.

The total general sales tax rate on Mercer Island is 10.30%. Similar to property tax, the City receives only a small portion of the total sales tax revenue generated on Mercer Island. Of the 10.30% tax rate, only 0.85% is remitted to the City, with the remainder distributed to the State (6.5%), King County (1.45%), and other public agencies (1.5%). An additional 0.3% sales tax is collected by Washington State on vehicle sales and leases to fund transportation improvements. The distribution of the sales tax rate is displayed in Figure 8. The 0.85% general sales tax remitted to the City of Mercer Island is accounted for in the General Fund.

Figure 8: Sales Tax Distribution

Jurisdiction	Rate %
State of Washington	6.50%
King County	1.45%
Regional Transit	1.40%
City of Mercer Island	0.85%
Criminal Justice	0.10%
Total General Sales Tax	**10.30%**
Auto Sales/Leases	0.30%
Total Auto Sales/Lease Rate	**10.60%**

The City also receives a portion criminal justice sales tax (0.1%), which is a King County voter approved optional sales tax dedicated to funding criminal justice programs. The State collects this optional tax and retains 1.5% for administration. Of the amount remaining, 10% is distributed to the county and 90% is distributed to cities based on population.

The actual (2016-2025) and projected (2026-2028) sales tax revenues are broken down into general and criminal justice restricted components in Figure 9. Taken together, sales tax revenues are projected to increase by 4.0% in 2027 and 4.0% in 2028.

Figure 9: Sales Tax Revenues 2016-2028

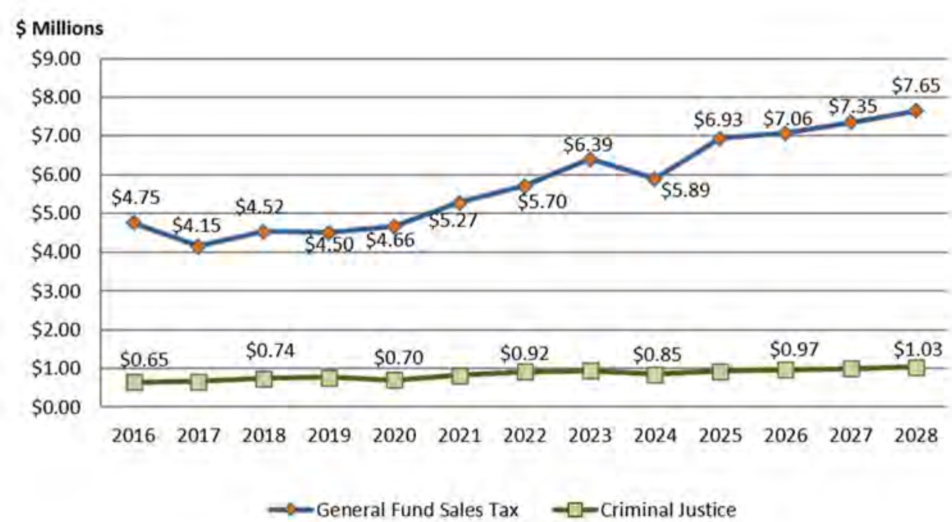


Figure 10: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
General Fund (General Sales Tax)	$6,930,380	$7,068,988	$7,351,748	$7,645,818
General Fund (Criminal Justice Sales Tax)	930,077	971,930	1,001,088	1,031,121
Total Sales Taxes	**$7,860,457**	**$8,040,918**	**$8,352,836**	**$8,676,939**

Real Estate Excise Tax

The Real Estate Excise Tax (REET) is levied on all sales of real estate, measured by the full selling price, including the amount of any liens, mortgages, and other debts given to secure the purchase. While the State levies a graduated REET structure (ranging from 1.10% to 3.00%), local governments are authorized to impose a local REET of up to 0.5% combined:

- **REET 1 (RCW 82.46.010, RCW 82.46.015):** All cities, towns, and counties may levy an initial quarter-percent (0.25%) tax.
- **REET 2 (RCW 82.46.035):** Cities and counties planning under the Growth Management Act (GMA) have the authority to levy an additional quarter-percent (0.25%) tax.

Interchangeability of REET 1 and REET 2

Historically, strict boundaries separated REET 1 and REET 2 revenues, creating administrative tracking hurdles. Passed in 2025, HB 1791 streamlined local budgeting by allowing REET 1 revenues to be used for any eligible REET 2 purpose, and conversely, any REET 2 revenues may be used for any eligible REET 1 purpose.

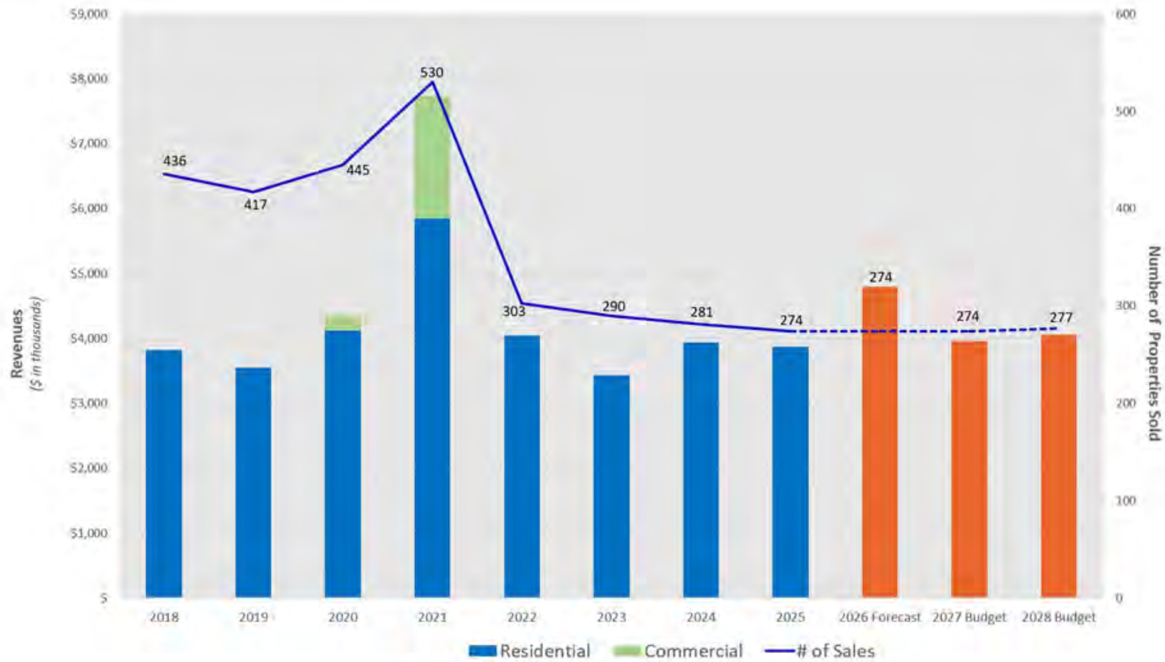
Eligible uses include public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets; roads; highways; sidewalks; street and road lighting systems; traffic signals; bridges; domestic water systems; storm and sanitary sewer systems; parks; recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative and judicial facilities; and the planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of facilities for those experiencing homelessness and affordable housing projects.

As the largest source of revenue in the Capital Improvement Fund, REET allocations are governed by local policy as follows:

- City Council budget policy commits 100% of **REET-1** revenues to Fund 320 to support parks, open space, public building maintenance projects, and debt service on the outside financing used for the 9655-building acquisition.
- **REET-2** revenues are split, with 10% allocated to Fund 320 and the remaining 90% dedicated to the Street Fund (110) for the construction and maintenance of streets, pedestrian pathways, and bicycle facilities.

Figure 11 illustrates the number of property sales each year and the resulting REET revenues from 2018 through 2025, with revenue projections in 2026 – 2028. Because REET revenue is tied to real estate transaction volumes, it is inherently volatile and fluctuates significantly from year to year. Following a 15-year revenue peak of $7.7M in 2021, REET revenues experienced a sharp downward swing, leading to a sustained, sluggish market that persisted from 2022 through the second quarter of 2026. This slowdown mirrored the Federal Reserve's aggressive increases to the federal funds rate, which simultaneously cooled inflation and raised borrowing rates.

Figure 11: Mercer Island Property Sales and Total REET Revenues
2018-2028



REET revenues are projected to remain low in 2026, with minimal growth through 2028, as presented in Figure 12. This projection is informed by year-to-date 2026 average home prices, local sales data over the past 18 months, and historical seasonal sales trends.

Figure 12: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Capital Improvement Fund (REET 1)	$1,943,340	$2,401,431	$1,980,788	$2,027,575
Capital Improvement Fund (REET 2)	193,138	240,143	198,079	202,757
Street Fund (REET 2)	1,738,243	2,161,288	1,782,709	1,824,817
Total Real Estate Excise Taxes	**$3,874,721**	**$4,802,862**	**$3,961,576**	**$4,055,149**

Business and Occupation Tax

The City of Mercer Island collects a Business and Occupation tax from all active Business License holders with gross revenue more than $150,000 per calendar year. The first $150,000 of revenue per year is exempt from tax. Revenue of $150,001 and above are taxed at a rate of .0010 with a $20.00 minimum payment.

Taxpayers are required to file an annual B&O tax return by April 15th for the prior year. Taxpayers earning more than $1.0 million a year are required to remit a quarterly B&O tax return. B&O tax revenues go into the General Fund to support general government services.

The revenue is based on top-line gross receipts, making it sensitive to economic shifts, local commercial activity, and changing work patterns. Mercer Island's business base is compact, meaning collections are concentrated among a small number of top service providers and construction projects, where a single change in corporate activity or a completed construction project can cause significant swings. This volatility is compounded by state multi-city apportionment rules and annual filing thresholds, which create reporting lags and make forecasting less predictable.

To remove volatility from the forecast, staff hold revenue projections for 2026 year-end through 2028.

Figure 13: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
General Fund	$1,388,644	$1,051,921	$1,051,921	$1,051,921
Total B&O Taxes	**$1,388,644**	**$1,051,921**	**$1,051,921**	**$1,051,921**

Utility Rates

The City operates three separate utilities (Water, Sewer, and Storm Water), which are managed like a business, with customer charges funding all operating and maintenance costs as well as capital investments.

The following factors are considered in the 2027-2028 Biennial Budget:

- **Water Rates –** Customer charges pay for the cost of purchasing water from the City of Seattle and for operating, maintaining, and replacing the City's water storage and distribution system. An 8.0% increase has been proposed for 2027 and is anticipated for 2028, which equates to a $13.30 and $14.34 respectively on a typical single-family residential customer's bi-monthly water bill. These rate increases are primarily driven by the need to:
    1. Upsize water mains that do not meet the City's flow capacity standards.
    2. Repair and replace pressure reducing valves throughout the distribution system to maintain flow capacity standards.
    3. Fund multi-generational capital improvements that have reached the end of their useful life.

- **Sanitary Sewer Rates –** Customer charges pay for the cost of operating, maintaining, and replacing the City's sanitary sewer system. A 7.0% increase has been proposed for 2027 and is anticipated for 2028, which equates to a $4.79 and $5.12 increase respectively on a typical single-family residential customer's bi-monthly sewer bill. These rate increases are primarily driven by the capital reinvestment needs of an aging sanitary sewer system.

- **Sewage Treatment Rate –** This is a "pass through" charge assessed by King County, which provides wastewater treatment services to Mercer Island. A 12.75% increase is anticipated for 2027 and 2028, which equates to a $15.98 and $18.02 increase respectively on a typical single-family residential customer's bi-monthly sewer bill.

- **Storm Water Rates –** Customer charges pay for the cost of operating, maintaining, and replacing the City's surface and storm water system. A 6.0% increase has been proposed for 2027 and is anticipated for 2028, which equates to a $3.19 and $3.38 respectively on every single-family residential customer's bi-monthly storm water bill. These rate increases are primarily driven by planned watercourse stabilization, drainage system extension, and culvert replacement projects.

Figure 14: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Water Fund	$13,726,542	$13,604,295	$14,053,030	$15,577,957
Sewer Fund	12,559,976	13,359,815	14,586,329	16,033,451
Storm Water Fund	3,103,419	3,103,968	3,287,203	3,478,090
Total Utility Rate Revenues	**$29,389,937**	**$30,068,078**	**$31,926,562**	**$35,089,498**

Development Fees

The authority for cities in Washington to impose fees for development review and permitting is established and limited by RCW 82.02.020, which allows for "collecting reasonable fees from an applicant for a permit or other government approval to cover the cost to the city…of processing applications, inspecting and reviewing plans, or preparing SEPA documents."

In 2024, Finance and the Community Planning and Development Department established a new special revenue fund. All revenues and expenditures tied to development services are tracked to the Development Services Fund, incorporated as Fund 180.

In November 2019, the City Council adopted the following target cost recovery levels for eligible CPD costs. These recovery targets have remained in place and are used for revenue projections for development related services through the 2027-2028 biennium.

- 95% for Building Services
- 90% for Planning Services
- 90% for Engineering Services

Actual and forecasted total development fees for the period 2017-2028 are shown in Figure 15.

Figure 15: Development Service Revenues

Overall, development fees are projected to increase in 2027 and 2028 by 5% and 2% respectively. The spike in 2025 is directly related to one-time revenues resulting from a mixed used development project in the Town Center.

Figure 16: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Development Services Fund	$4,175,084	$3,772,971	$3,948,168	$4,041,170
Total Development Fees Revenues	**$4,175,084**	**$3,772,971**	**$3,948,168**	**$4,041,170**

State Shared Revenues

State shared revenues are taxes and fees collected by the State and disbursed to municipalities based on population or other criteria. The primary shared revenues received by the City are the fuel tax (tax on gasoline consumption), marijuana excise tax, liquor excise tax and profits, vessel registration fees, criminal justice distributions, and the fire insurance premium tax.

- **Motor Vehicle Fuel Tax (Gas Tax)**
  This is a fixed tax, currently making up 55.4 cents of the per gallon price of gasoline, diesel, and other fuels. It applies to the volume, not the dollar amount, of the fuel sale. The Gas Tax is distributed to incorporated cities and towns based on population. The City's portion of the motor vehicle fuel tax is budgeted in the Street Fund and is used for street construction projects. The share of the motor vehicle fuel tax distributed to the City of Mercer Island is projected to decrease 1.0% in 2027 and 0.5% in 2028.
- **Marijuana Excise Tax**
  On November 6, 2012, Washington State voters passed Initiative 502. The initiative makes it legal for businesses holding the appropriate marijuana license(s) to produce, process, or make retail sales of marijuana for recreational use. The Liquor and Cannabis Board (LCB) administers and collects the 37% marijuana excise tax. The State distributes a portion of the tax collected to counties, cities, and towns on a per capita basis. The distribution formula depends not only on population, but also on marijuana retail sales as a proportion of total retail sales, as well as the number/total population of cities and counties that prohibit marijuana, which continues to be in flux as local governments act on regulating or prohibiting marijuana. Funds may only be distributed to jurisdictions that do not prohibit the siting of any state licensed marijuana producer,

processor, or retailer (RCW 69.50.540). The share of the marijuana excise tax distributed to the City of Mercer Island is projected to increase 27.0% in 2027 and hold flat in 2028.

- **Liquor Excise Tax and Liquor Profits**
  Initiative 1183 was approved by Washington's voters in November 2011 "privatizing" the distribution and retail sale of liquor and ending the state's monopoly on liquor sales. Instead of a calculation based upon the profits generated from state run liquor sales, the revenue distribution is now based on the collection of license fees paid by retailers and distributors. In 2012 the state legislature passed a law permanently diverting $2.5 million per quarter from the state liquor excise tax fund (for distribution to cities and counties) to the state general fund. The 2013-2015 state budget reduced the share of liquor excise taxes collected and remitted to cities and counties from 35% to 22.5%. The share of the liquor excise taxes and profits distributed to the City of Mercer Island are projected to decrease 2.2% in 2027 and 0.5% in 2028.
- **Vessel Registration Fees**
  Funds are allocated to counties with eligible boating safety programs approved by the State Parks and Recreation Commission. Distribution is based on the number of vessels registered in each county. Counties can also further allocate this money to local jurisdictions with approved boating safety programs. The Mercer Island Marine Patrol division is a qualified boating safety program and receives a portion of the King County vessel registration fees. The share of vessel registration fees distributed to the City of Mercer Island are projected to hold flat in 2027 and 2028.
- **Criminal Justice Distributions**
  The State distributes dollars based on population for criminal justice purposes. These revenues are restricted for: 1) innovative law enforcement strategies; 2) implementation of DUI or other criminal justice statutes; 3) programs to help at risk children or child abuse victim resource programs; and 4) programs designed to reduce the level of domestic violence or to provide counseling for domestic violence victims. Criminal justice distributions are budgeted in the General Fund and are projected to decrease 1.2% in 2027 and hold flat in 2028.
- **Fire Insurance Premium Tax**
  The state distributes taxes on fire insurance premiums, which must be deposited in a firefighter's pension fund to help pay the pension benefits due to pre-LEOFF I firefighter retirees. The fire insurance premium tax is projected to increase by 7.1% in 2027 and hold flat in 2028.

Figure 17: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
General Fund				
Liquor Excise and Profits	$ 360,494	$ 356,447	$ 348,739	$ 346,852
Marijuana Excise Tax	35,694	31,496	40,000	40,000
Vessel Registration Fees	64,644	70,000	70,000	70,000
Criminal Justice Population based distributions	49,369	44,197	43,675	43,675
Street Fund (Motor Vehicle Fuel Tax)	438,083	480,000	475,000	475,000
Firefighters Pension Fund (Fire Insurance Premium Tax)	45,822	42,745	45,800	45,800
Total State Shared Revenues	**$ 994,107**	**$ 1,024,885**	**$ 1,023,214**	**$ 1,021,327**

Emergency Medical Service Revenues

The City of Mercer Island receives revenues in support of emergency medical services, which are provided by Eastside Fire and Rescue. Major revenues include that offset the cost for fire and emergency medical services include 1) King County Emergency Medical Services Levy, 2) BLS Ambulance

Transport Fee, 3) Ground Emergency Medical Transport Revenues, and 4) Emergency Medical Service (EMS) utility charge.

- **King County EMS Levy –** Beginning in 1990, the City began receiving a portion of the 25 cent King County property tax levy that was approved by voters for 911 emergency services. The King County levy was renewed for a six-year period beginning in 2020, with the 2020 levy rate set at $0.265 per $1,000 of assessed valuation. Distribution to municipalities is based on a formula that considers the number of calls for service, total assessed valuation, and the consumer price index (CPI-U).

- **Ambulance Transport Fee –** Beginning March 2011, the Fire Department began charging a fee for transporting patients requiring non-emergency, basic life support to hospitals. The program was established to create a sustainable revenue source to support the cost of providing emergency medical services. In June 2021, the City Council updated the base transport fee and per mile reimbursement based on the average of the closest neighboring public agencies who provide medical transport services. Ambulance transport revenues that originate on Mercer Island are tracked by Eastside Fire and Rescue and used to offset the fees for fire and emergency medical provided to the City.

- **Ground Emergency Medical Transport** – In July 2020, the City enrolled in a Federal Emergency Medical Services (EMS) transportation fee program called Ground Emergency Medical Transport (GEMT) to recover costs associated with transports, specifically from Medicaid. Revenues are calculated annually, based on the number of emergency medical transports of patients covered by Medicaid. Eastside Fire and Rescue also participates in the GEMT program. GEMT revenues resulting from transports that originate on Mercer Island offset the fees for fire and emergency medical services provided by Eastside Fire and Rescue.

- **Emergency Medical Service (EMS) Utility Charge –** This utility charge is adjusted each year based on the average cost of four firefighter positions, which were hired in 1996 to provide capacity to handle simultaneous EMS calls. In addition, the utility charges are adjusted every two years based on the EMS call history over the previous 2-year period. Starting in 2011, the demand portion of the rate was adjusted based on revenue expected to be collected from ambulance transport fees, resulting in a flat rate per equivalent service unit (ESU). A 4.0% increase has been proposed for 2027.

Figure 18: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
General Fund				
King County EMS Levy	$ 972,297	$ 809,000	$ 833,270	$ 858,268
EMS Utility Charge	756,042	793,845	817,660	842,190
Total EMS Revenues	**$ 1,728,339**	**$ 1,602,845**	**$ 1,650,930**	**$ 1,700,458**

Parks and Recreation Fees

The Parks and Recreation Department's operations have historically been funded from a variety of sources, including user, program and special event fees, grants, sponsorships, donations, and rental and lease fees. The Department's operations are classified into three functional areas: Recreation, Mercer Island Community and Events Center (MICEC), and Parks Maintenance. Each of the functional areas relies on a mix of revenue sources, which are briefly reviewed below.

- **Recreation –** Includes athletics, health and fitness, outdoor aquatics, cultural and arts programming, and senior services, and relies primarily on program fees and community sponsorships.

- **Mercer Island Community and Event Center –** The MICEC's primary source of funding is facility rental fees (short-term room rentals and long-term daycare space in the Annex). Additional revenues are generated through drop-in sports programs and membership passes for the fitness room. Facility rental rates are regularly evaluated and adjusted as needed.

- **Sports fields Maintenance –** Includes facility rental fees and special use permit fees. These fees are intended to help offset the cost of maintaining sports fields.

Figure 19: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
General Fund				
Recreation	$ 285,258	$ 278,000	$ 278,000	$ 278,000
MI Community & Events Center	1,091,086	996,500	1,055,500	1,075,500
Sport Field Facility Rentals	317,269	355,000	355,000	355,000
Total Parks and Recreation Revenue	**$ 1,693,613**	**$ 1,629,500**	**$ 1,688,500**	**$ 1,708,500**

Thrift Shop Sales

The Youth and Family Services Department (YFS) provides a broad range of human and community services to the residents of Mercer Island. The primary mission of the Thrift Shop is to raise money to help support the services of the YFS Department. Services include family and school-based counseling, senior adult outreach, substance abuse prevention and intervention, and emergency family assistance.

Staff anticipate gross revenues will increase 10% in 2027 above 2026 gross revenue, and 5% above 2027 gross revenues in 2028.

Figure 20: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
YFS Fund (Thrift Shop)	$ 1,744,296	$ 1,903,269	$ 2,093,596	$ 2,198,276
Total Thrift Shop Revenue	**$ 1,744,296**	**$ 1,903,269**	**$ 2,093,596**	**$ 2,198,276**

Municipal Court Fines and Forfeits

The revenue that is collected from fines, forfeitures, fees, costs, and penalties associated with the enforcement of ordinances and statutes is allocated to both the City of Mercer Island and the State of Washington. The type of statute violated determines the percentage of each payment that is retained by the City versus remitted to the State.

Court revenues are highly dependent on caseload. It is important to note that the court's responsibility does not end with the caseload filed in that calendar year. In most cases, the court has jurisdiction over criminal cases for two years. For DUI matters, jurisdiction continues for five years. The Court continues to manage court cases, hold court hearings, and monitor cases for compliance with conditions until the end of the jurisdictional period. The Court currently operates out of the neighboring town of Newcastle via a lease. Staff anticipate revenues to increase by 5% in 2027 and 2028.

Figure 21: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
General Fund - Municipal Court Fines	$ 199,174	$ 209,132	$ 219,589	$ 230,568
Total Fines & Forfeits	**$ 199,174**	**$ 209,132**	**$ 219,589**	**$ 230,568**

Cost Allocation Charges

An established budgeting best practice in local government involves spreading the costs of internal services, such as attorney services, finance, and human resources, to the various City funds and programs that benefit from those services. This practice is referred to as “cost allocation.” Cost allocation is a long-standing practice in the City of Mercer Island. Every year, the Finance Department uses a systematic approach to assign direct and indirect or “overhead” expenses to the departments, projects, funds, or other cost centers that benefit from them.

This interfund charge is determined through an indirect cost allocation model using various bases of allocation for distributing the overhead costs. Changes in interfund charges from year-to-year are directly related to annual changes in the bases of allocation used to distribute these costs.

In 2023, staff from the City Manager’s Office and Finance Department set out to update the City’s cost allocation methodology, a goal outlined in the 2023-2024 Biennial Budget. Staff evaluated best practices from the Government Finance Officers Association (GFOA), Washington State Auditor’s Office, and the Municipal Research and Services Center (MRSC). Long-standing practices used in Mercer Island were compared to similar cities with recently updated Cost Allocation Plans.

In early 2024, the City Council Ad Hoc Finance Committee met with staff to review findings and discuss potential process improvements. On May 21, 2024, the City Council adopted an updated Cost Allocation Policy, Appendix B of the City’s Financial Management Policies.

Figure 22 below outlines the cost allocation charges for the City’s three Enterprise Funds (Water, Sewer, and Stormwater) and the Development Services Fund. Charges are associated with internal services paid for by the General Fund and facility-related expenses.

Figure 22: 2025-2028 Budgetary Impact

Revenues	2025 Actual	2026 Forecast	2027 Budget	2028 Budget
Cost Allocation Charges to the General Fund				
Water Fund	$ 655,658	$ 748,134	$ 795,846	$ 821,264
Sewer Fund	450,075	511,863	489,045	504,755
Storm Water Fund	168,761	189,227	200,884	207,524
Capital Improvement Fund	565,569	649,588	739,902	776,084
Development Services Fund	380,949	428,585	404,005	426,085
Total Cost Allocation Charges	**$ 2,221,012**	**$ 2,527,397**	**$ 2,629,682**	**$ 2,735,712**

SECTION D

Operating Budget by Department

Section D. Operating Budget by Department

Table of Contents

OPERATING BUDGET BY DEPARTMENT

This section breaks down all the City's operations by department:

- Administrative Services
- City Attorney's Office
- City Council
- City Manager's Office
- Community Planning & Development
- Finance
- Fire & Emergency Services
- Municipal Court
- Non-Departmental
- Parks, Recreation & Facilities
- Police
- Public Works
- Youth & Family Services
  - Thrift Shop

Each department sub-section is organized as follows:

- **Department Introduction and Description:** Includes description and organizational chart by function.
- **Revenue & Expenditure Summary:** Depicts revenues and expenditures for the entire department by categories, showing the comparison and percentage change between current and future biennia.
- **Operating Expenditures:** Depicts expenditures for the department by functions, showing the comparison and percentage change between current and future biennia.

ADMINISTRATIVE SERVICES

The Administrative Services Department acts as a strategic partner to other City departments to provide support in the following areas:

- **Centralized Customer Service:** Provide excellent citywide customer service by phone, email, and in-person.
- **Human Resources:** Plan, organize, develop, and administer uniform Human Resources policies, procedures, and programs.
- **Payroll Services:** Process the City's payroll and issue checks to employees and payment transmittals to various employee benefits vendors, the state, and federal government agencies.
- **Public Communications:** Plan, organize, and supervise the City's community outreach efforts and media relations to educate residents and encourage informed input from Mercer Island residents.
- **City Clerk:** Fulfill the state legal requirements of the City Clerk position, support the City Council and City Manager, and manage essential records.
- **Information Technology:** Procure, implement, maintain, secure, and support all information and technology infrastructure, systems, and software that enables City service delivery to the public.
- **Geographic Information System (GIS):** Maintain geographical inventory of all City infrastructure (over 500 separate layers relating to real property, streets, water, sewer, stormwater, and more) within a geographical information system (GIS).
- **City Website Administration:** Maintain and the City's website and intranet for an enhanced online presence.
- **Risk Management:** Review opportunities for efficiencies and reductions in risk-based insurance costs.
- **Public Defense Services:** Manage contracts for public defense services in criminal misdemeanor citations cases where a criminal defendant cannot afford an attorney.

Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
Utility Fees	186,807	236,216	239,471	243,254	1.4%	1.6%
IT M&O Rate Charges	1,194,036	1,312,585	1,438,242	1,481,242	9.6%	3.0%
General Purpose Revenue	2,026,699	2,418,792	2,531,003	2,641,094	4.6%	4.3%
Total Revenues	**3,407,541**	**3,967,593**	**4,208,716**	**4,365,590**	**6.1%**	**3.7%**
Expenditures:						
Salaries & Wages	1,855,640	1,984,024	2,107,710	2,208,859	6.2%	4.8%
Benefits	502,838	760,950	705,691	698,413	-7.3%	-1.0%
Supplies	17,786	40,200	35,700	35,700	-11.2%	0.0%
Contractual Services	750,310	831,797	1,053,150	1,113,958	26.6%	5.8%
Communications	34,122	34,600	36,200	36,200	4.6%	0.0%
Internal Service Charges	77,363	91,222	67,465	69,660	-26.0%	3.3%
Other Services & Charges	151,579	198,800	176,800	176,800	-11.1%	0.0%
Intergovernmental Services	17,904	26,000	26,000	26,000	0.0%	0.0%
Total Expenditures	**3,407,541**	**3,967,593**	**4,208,716**	**4,365,590**	**6.1%**	**3.7%**

Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Admin & Customer Service	640,688	712,416	560,809	581,381	-21.3%	3.7%
Pulic Defense Services	-	-	150,000	155,000	N/A	3.3%
Human Resources & Payroll	732,248	878,046	881,063	914,891	0.3%	3.8%
Information Technology	1,194,036	1,312,585	1,438,242	1,481,242	9.6%	3.0%
Geographic Information Systems	368,057	451,862	454,944	463,093	0.7%	1.8%
City Clerk	248,967	300,935	480,612	497,334	59.7%	3.5%
Public Communication	223,546	311,749	243,046	272,649	-22.0%	12.2%
Total	**3,407,541**	**3,967,593**	**4,208,716**	**4,365,590**	**6.1%**	**3.7%**

CITY ATTORNEY'S OFFICE

The City Attorney's Office provides legal counsel and representation to the City Manager, City Council, City departments, and as needed to City Council-appointed boards and commissions.

The City Attorney represents the City in civil litigation and administrative hearings in the areas of tort defense, land use, personnel and labor, contract, and municipal law. The City Attorney's Office assists in the preparation of City ordinances, contracts, and legal documents and provides coordinated response to public records requests. The City Attorney's Office budget includes contract costs for prosecution of criminal misdemeanor citations (e.g., driving while under the influence, domestic violence, assaults, and thefts) issued by the Mercer Island Police Department.

Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues						
General Purpose Revenue	1,265,506	1,114,022	1,017,437	1,061,598	-8.7%	4.3%
Total Revenues	**1,265,506**	**1,114,022**	**1,017,437**	**1,061,598**	**-8.7%**	**4.3%**
Expenditures						
Salaries & Wages	389,243	407,630	378,800	398,117	-7.1%	5.1%
Benefits	108,268	136,274	108,056	105,531	-20.7%	-2.3%
Supplies	814	1,700	1,770	1,770	4.1%	0.0%
Contractual Services	746,503	537,500	504,000	529,500	-6.2%	5.1%
Internal Service Charges	17,654	18,518	14,886	15,355	-19.6%	3.2%
Other Services & Charges	1,472	11,200	8,275	9,675	-26.1%	16.9%
Total Expenditures	**1,265,506**	**1,114,022**	**1,017,437**	**1,061,598**	**-8.7%**	**4.3%**

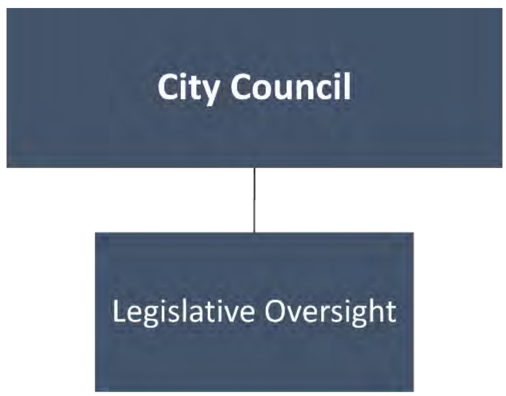
Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	27-28
Legal Advice & Defense	906,208	738,914	796,494	829,131	7.8%	4.1%
Prosecution & Criminal Mgt	217,184	211,000	112,500	118,000	-46.7%	4.9%
Public Records Requests	142,114	164,108	108,443	114,467	-33.9%	5.6%
Total	**1,265,506**	**1,114,022**	**1,017,437**	**1,061,598**	**-8.7%**	**4.3%**

CITY COUNCIL

The City Council is comprised of seven members who are elected on a non-partisan, "at-large" basis to four-year terms. The City Council serves as the legislative branch of the Mercer Island City government, establishing all City policies and passing all ordinances and resolutions.

From its members, the City Council appoints a Mayor and a Deputy Mayor every two years to preside over City Council meetings and serve as the leadership of the Council. The Mayor, Deputy Mayor, and the five Councilmembers serve on a part-time basis. Councilmembers serve as liaisons between the City Council and City advisory boards and commissions, communicating information, policies, and work priorities between the bodies. In addition, Councilmembers may serve on City Council committees, and as liaisons to community, regional, and state groups.



Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
General Purpose Revenue	52,072	61,123	60,423	60,856	-1.1%	0.7%
Total Revenues	**52,072**	**61,123**	**60,423**	**60,856**	**-1.1%**	**0.7%**
Expenditures:						
Salaries & Wages	18,600	19,200	19,200	19,200	0.0%	0.0%
Benefits	4,970	1,565	1,565	1,565	0.0%	0.0%
Supplies	10,053	17,000	14,000	14,000	-17.6%	0.0%
Contractual Services	1,700	6,750	2,000	2,000	-70.4%	0.0%
Internal Service Charges	10,361	10,858	13,758	14,191	26.7%	3.1%
Other Services & Charges	6,388	5,750	9,900	9,900	72.2%	0.0%
Total Expenditures	**52,072**	**61,123**	**60,423**	**60,856**	**-1.1%**	**0.7%**

Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Legislative Oversight	52,072	61,123	60,423	60,856	-1.1%	0.7%
Total	**52,072**	**61,123**	**60,423**	**60,856**	**-1.1%**	**0.7%**

CITY MANAGER’S OFFICE

Appointed by the City Council, the City Manager serves as the chief executive officer of the City. The City Manager is primarily responsible for the preparation of the City's biennial budget, the enforcement and implementation of all laws and policies, and the efficient and effective delivery of all City services. The City Manager's Office oversees the development and implementation of all policy and program initiatives, including the City Council's top legislative priorities. The City Manager’s Office also oversees all department directors, emergency management, and special projects.

Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
General Purpose Revenue	773,735	802,408	900,516	928,075	12.2%	3.1%
Total Revenues	**773,735**	**802,408**	**900,516**	**928,075**	**12.2%**	**3.1%**
Expenditures:						
Salaries & Wages	560,145	542,777	610,125	638,399	12.4%	4.6%
Benefits	149,685	191,605	186,346	182,808	-2.7%	-1.9%
Supplies	963	5,500	18,000	18,000	227.3%	0.0%
Contractual Services	36,405	30,000	48,000	50,000	60.0%	4.2%
Communications	3,535	2,000	3,500	3,500	75.0%	0.0%
Internal Service Charges	20,970	22,026	24,545	25,368	11.4%	3.4%
Other Services & Charges	2,032	8,500	10,000	10,000	17.6%	0.0%
Total Expenditures	**773,735**	**802,408**	**900,516**	**928,075**	**12.2%**	**3.1%**

Expenditures By Function

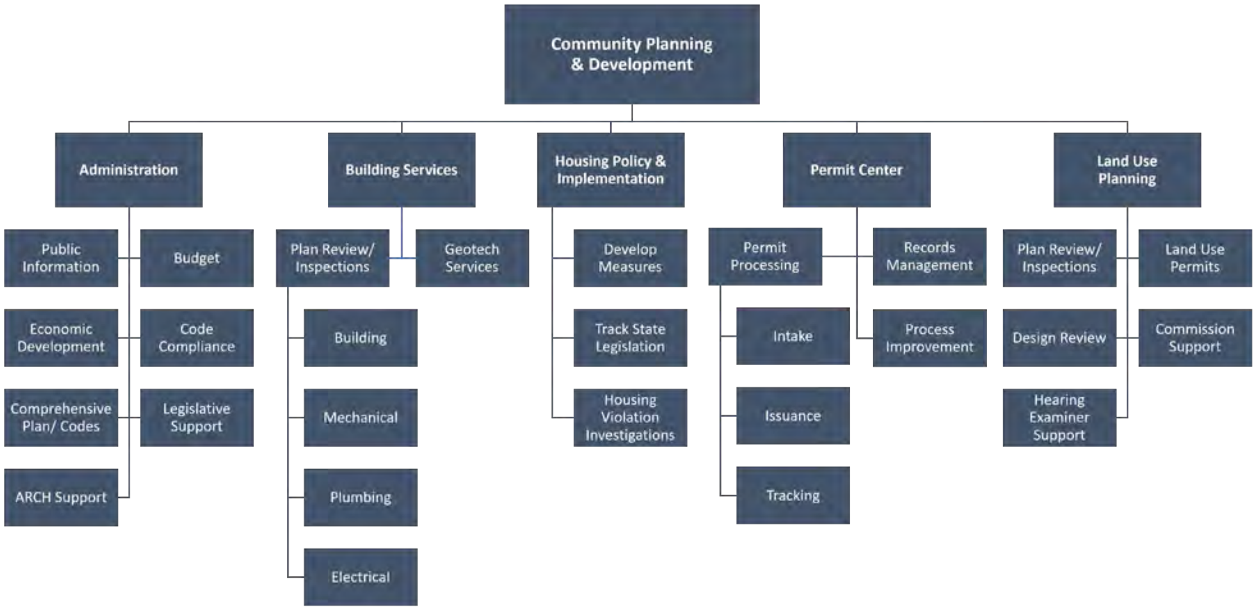
Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Admin & Intergovt'l Relations	773,735	802,408	803,377	827,587	0.1%	3.0%
Emergency Management	-	-	97,139	100,488	N/A	3.4%
Total	**773,735**	**802,408**	**900,516**	**928,075**	**12.2%**	**3.1%**

COMMUNITY PLANNING & DEVELOPMENT

The Community Planning and Development Department (CPD) ensures compliance with several state mandates, including the Growth Management Act, Shoreline Management Act, and the State Environmental Policy Act. This is accomplished through maintaining the Comprehensive Plan, sub area plans, capital improvement plans, development and environmental regulations contained within the Mercer Island Municipal Code (MICC), reviewing and inspecting public and private projects, enforcing construction and environmental codes, and supporting economic development.

The department operates five specialized divisions:

- **Administration:** Serves as the primary public contact and customer advocate for development activities, manages department budgeting, and maintains the Comprehensive Plan and Development Code while supporting the Planning Commission. Provide liaison services for organizations, large projects, and community-wide issues.
- **Building Services:** Processes, reviews, and inspects all private, non-profit, and public (i.e., city, state, regional, and utility entities) development permits, through comprehensive plan examinations and field inspections.
- **Housing Policy and Implementation:** Develop housing policy and implementation measures, track state legislation related to housing, represent Mercer Island on regional and/or state housing committees, conduct preliminary investigations related to housing related violations.
- **Permit Center:** Coordinate all facets of the permitting process, which encompass permit intake, issuance, and tracking. Leads the department efforts in records management and process improvements.
- **Land Use Planning:** Process all land use and non-single-family design review permit applications consistent with adopted policies in the Comprehensive Plan and Development Code within timeframes required by state law. These include rezones, code amendments, conditional use permits, variances, deviations, subdivision plats, lot line adjustments, shoreline development permits and exemptions, SEPA determinations, accessory dwelling units (ADU’s), all land use appeals, major new construction design reviews, and minor revision design reviews, and staff administrative design reviews. Provides staff support to the Design Commission and Hearing Examiner.



Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
Development Fee Revenue	4,137,585	3,373,881	4,019,882	4,170,177	19.1%	3.7%
Grant	37,500	-	-	-	N/A	N/A
General Fund Tax Revenue	960,987	1,218,194	867,805	894,525	-28.8%	3.1%
Total Revenues	**5,136,072**	**4,592,075**	**4,887,687**	**5,064,702**	**6.4%**	**3.6%**
Expenditures:						
Salaries & Wages	2,369,528	2,453,143	2,948,099	3,099,203	20.2%	5.1%
Benefits	634,656	936,487	1,013,719	1,006,788	8.2%	-0.7%
Supplies	9,543	31,450	17,200	17,200	-45.3%	0.0%
Contractual Services	283,345	551,279	345,400	352,200	-37.3%	2.0%
Communications	8,491	14,000	9,000	9,500	-35.7%	5.6%
Internal Service Charges	131,888	137,655	123,604	126,988	-10.2%	2.7%
Other Services & Charges	388,740	462,235	430,765	452,823	-6.8%	5.1%
Total Expenditures	**3,826,190**	**4,586,249**	**4,887,787**	**5,064,702**	**6.6%**	**3.6%**

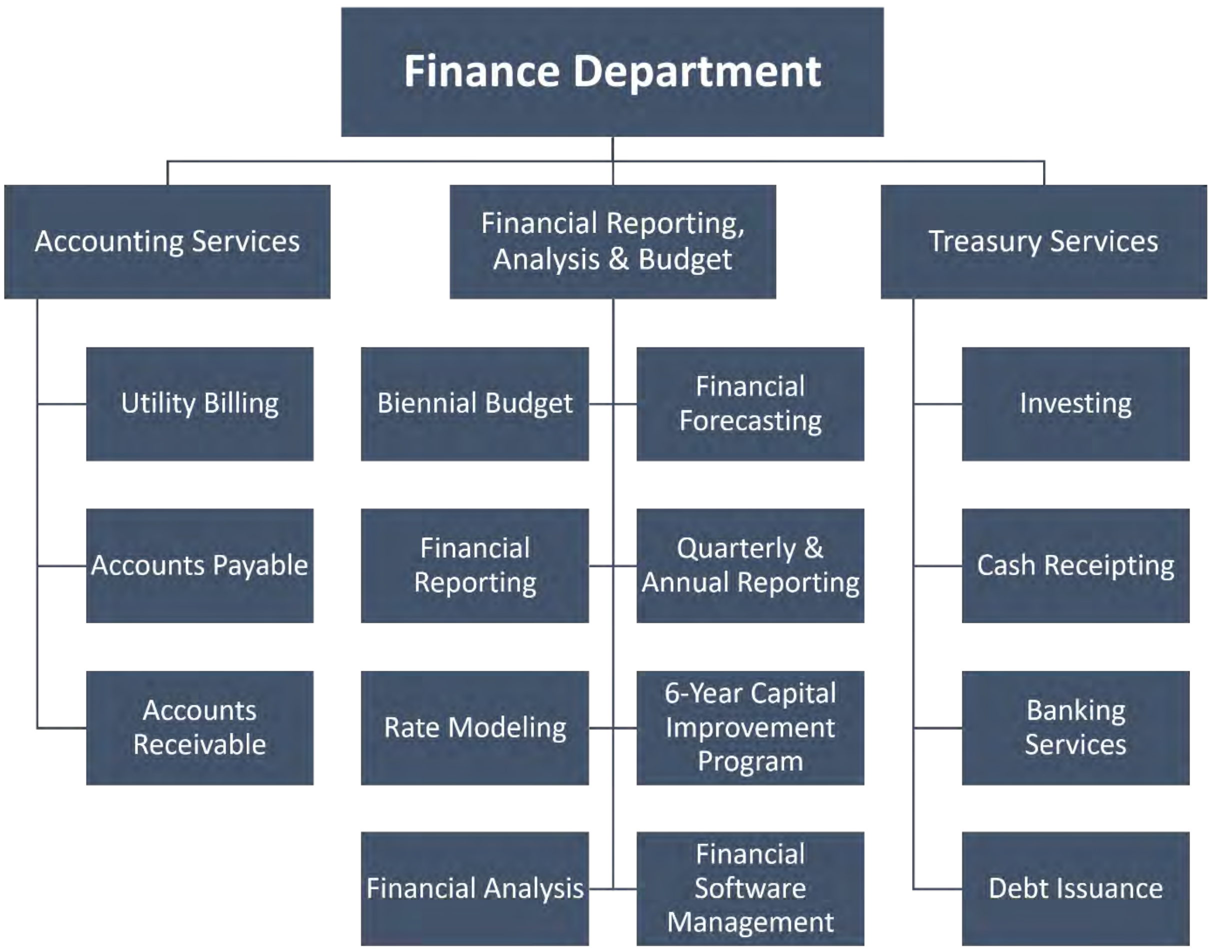
Community Planning & Development

Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	27-28
Administration	1,278,168	1,513,731	1,268,132	1,315,886	-16.2%	3.8%
Building Services	836,516	974,260	958,597	984,174	-1.6%	2.7%
Permit Center	302,471	454,713	752,099	783,582	65.4%	4.2%
Land Use Planning	1,409,036	1,643,545	1,908,959	1,981,060	16.1%	3.8%
Total	**3,826,190**	**4,586,249**	**4,887,787**	**5,064,702**	**6.6%**	**3.6%**

FINANCE DEPARTMENT

The Finance Department supports all City operations by delivering comprehensive financial planning, analysis and reporting, treasury management, accounting, and financial software support services. Its core accounting functions encompass utility billing for water, sewer, and stormwater systems, accounts payable processing, business license administration, business tax oversight, capital asset accounting, and external financial reporting. In addition to these operational duties, the department partners closely with other city departments to guide budget and policy proposals, drive accurate revenue forecasting, and ensure sound overall financial management.



Finance Department

Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
Business License Fees	137,827	137,000	130,000	130,000	-5.1%	0.0%
Utility Charge for Services	618,118	732,701	770,645	827,770	5.2%	7.4%
General Tax Revenue	1,114,463	1,393,964	1,348,753	1,388,366	-3.2%	2.9%
Total Revenues	**1,870,409**	**2,263,665**	**2,249,398**	**2,346,136**	**-0.6%**	**4.3%**
Expenditures:						
Salaries & Wages	1,044,366	1,146,624	1,180,631	1,233,917	3.0%	4.5%
Benefits	337,611	450,797	407,531	403,861	-9.6%	-0.9%
Supplies	4,620	11,000	10,250	10,250	-6.8%	0.0%
Contractual Services	356,903	490,450	501,800	547,200	2.3%	9.0%
Communications	4,054	3,736	4,300	4,300	15.1%	0.0%
Internal Service Charges	85,861	89,883	78,386	80,608	-12.8%	2.8%
Other Services & Charges	36,994	71,175	66,500	66,000	-6.6%	-0.8%
Total Expenditures:	**1,870,409**	**2,263,665**	**2,249,398**	**2,346,136**	**-0.6%**	**4.3%**

Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Financial Services	1,252,290	1,530,964	1,478,753	1,518,366	-3.4%	2.7%
Utility Billing	618,118	732,701	770,645	827,770	5.2%	7.4%
Total	**1,870,409**	**2,263,665**	**2,249,398**	**2,346,136**	**-0.6%**	**4.3%**

FIRE & EMERGENCY MEDICAL SERVICES

Eastside Fire & Rescue serves Mercer Island by providing the following high-quality fire, rescue, and emergency medical services:

- Community Relations and Events
- Construction Fire Code Plan Reviews
- Disaster Preparedness and Education
- Emergency Medical Aid
- Fire and Life Safety Inspections
- Fire Investigation Services
- Fire Protection and Suppression
- Hazardous Materials and Confined Space Services
- Public Fire Safety and Prevention Education
- Specialized Technical and Swiftwater Services
- Wildland Fire Services

Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
Ambulance Transport Fee	2,516	-	-	-	N/A	N/A
Development Permit Fees	162,529	168,000	171,000	174,000	1.8%	1.8%
GEMT Program	132,261	-	-	-	N/A	N/A
King County EMS Levy	972,297	990,838	1,009,664	1,028,848	1.9%	1.9%
EMS Charge for Service	755,683	793,845	817,660	842,190	3.0%	3.0%
Donation & Other	16,680	600	645	645	7.5%	0.0%
General Purpose Revenue	7,093,741	7,315,976	7,647,431	7,886,655	4.5%	3.1%
Total Revenues	**9,135,706**	**9,269,259**	**9,646,400**	**9,932,338**	**4.1%**	**3.0%**
Expenditures:						
Salaries & Wages	18,311	-	-	-	N/A	N/A
Benefits	4,893	-	-	-	N/A	N/A
Supplies	300	3,000	-	-	-100.0%	N/A
Contractual Services	9,050,473	9,204,531	9,531,270	9,817,208	3.5%	3.0%
Internal Service Charges	61,728	61,728	115,130	115,130	86.5%	0.0%
Total Expenditures	**9,135,706**	**9,269,259**	**9,646,400**	**9,932,338**	**4.1%**	**3.0%**

Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Fire & EMS Service	9,135,706	9,269,259	9,646,400	9,932,338	4.1%	3.0%
Total	**9,135,706**	**9,269,259**	**9,646,400**	**9,932,338**	**4.1%**	**3.0%**

MUNICIPAL COURT

The Mercer Island Municipal Court is responsible for adjudicating all criminal misdemeanor and gross misdemeanor crimes, infractions, and parking violations under Municipal Code and the Revised Code of Washington Statutes. Misdemeanors include offenses such as driving under the influence, assault, theft, trespass, and driving with license suspended. Infraction violations include speeding, failure to stop, no insurance, cell phone use, and minor traffic accident violations. The Mercer Island Municipal Court also adjudicates cases for the City of Newcastle, which contracts for court services with the City.

Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
Court Fines & Forefeits	199,174	209,132	219,589	230,568	5.0%	5.0%
General Purpose Revenue	415,152	518,532	541,429	554,506	4.4%	2.4%
Total Revenues	**614,325**	**727,664**	**761,018**	**785,074**	**4.6%**	**3.2%**
Expenditures:						
Salaries & Wages	357,597	391,141	433,094	457,366	10.7%	5.6%
Benefits	95,559	151,645	144,799	143,814	-4.5%	-0.7%
Supplies	1,852	2,000	4,750	3,250	137.5%	-31.6%
Contractual Services	36,682	52,000	50,000	50,000	-3.8%	0.0%
Facility Rent	50,850	54,400	54,400	54,400	0.0%	0.0%
Internal Service Charges	64,907	68,428	65,975	68,244	-3.6%	3.4%
Other Services & Charges	6,879	8,050	8,000	8,000	-0.6%	0.0%
Total Expenditures	**614,325**	**727,664**	**761,018**	**785,074**	**4.6%**	**3.2%**

Municipal Court

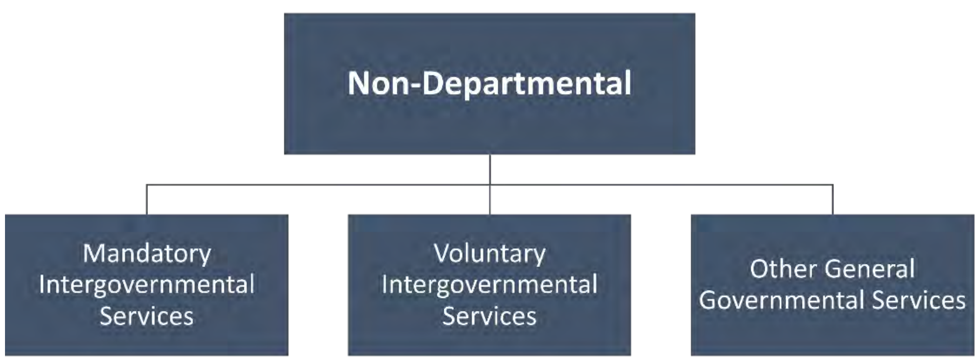
Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Civil & Criminal Case Processing	614,325	727,664	761,018	785,074	4.6%	3.2%
Total	**614,325**	**727,664**	**761,018**	**785,074**	**4.6%**	**3.2%**

NON-DEPARTMENTAL

Non-Departmental consists of those functions that cannot be attributed to a specific department, including:

1. **Mandatory Intergovernmental Services**
   - Remit 2% of liquor taxes received quarterly to King County Alcoholism program.
   - Support atmospheric monitoring and implementation of pollution controls.
2. **Voluntary Intergovernmental Services**
   - Association of Washington Cities (AWC).
   - A Regional Coalition of Housing (ARCH).
   - Sound Cities Association (SCA).
   - Puget Sound Regional Council (PSRC).
   - Human Services Pooled program through the City of Bellevue.
   - Mercer Island Chamber of Commerce support.
   - Interlocal agreement with the Mercer Island School District for Mary Wayte Pool operations.
3. **Other General Government Services**
   - General office supplies, postage and machine rental, copier leases, and armored car service.
   - Community survey, fiscal studies, and management consulting.
   - General, property, and automobile liability insurance.
   - Employee salary adjustment reserve.
   - LEOFF 1 retiree long term care and direct medical costs and health insurance premiums.
   - Firemen's Pension payments to eligible retirees.
   - Interfund transfers to Youth & Family Services Fund and Community Planning & Development Fund.
   - Ongoing General Fund support of technology and the equipment portion of the CIP.



Non-Departmental

Revenue & Expenditure Summary

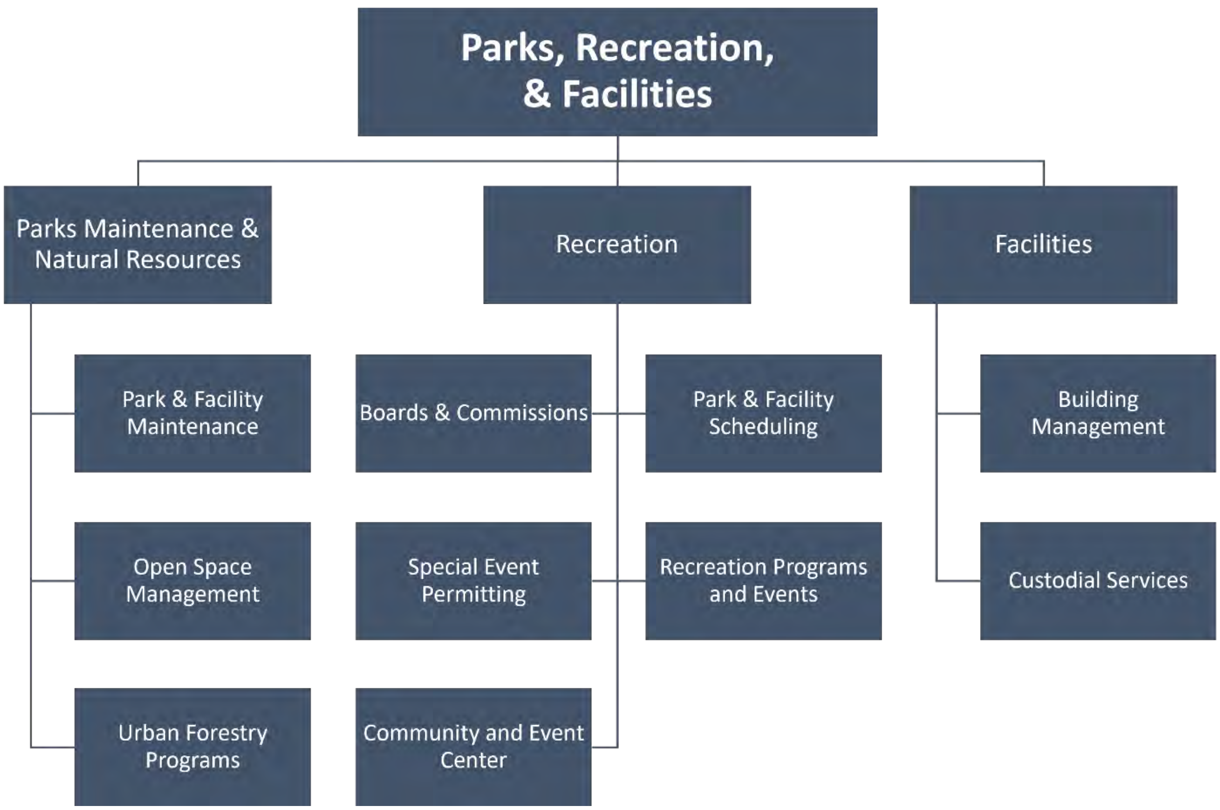
Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenue:						
Beginning Fund Balance-General	4,639,581	1,010,000	97,000	686,900	-90.4%	608.1%
Firefighter Pension Fund Reserve	89,949	145,000	131,000	136,000	-9.7%	3.8%
General Purpose Revenue	3,825,879	4,455,706	4,159,286	4,339,983	-6.7%	4.3%
Total Revenue	**8,555,409**	**5,610,706**	**4,387,286**	**5,162,883**	**-21.8%**	**17.7%**
Expenditure:						
Salaries & Wages	-	125,000	125,000	125,000	0.0%	0.0%
Benefits	305,219	526,500	443,500	471,100	-15.8%	6.2%
Supplies	11,632	23,500	13,500	13,500	-42.6%	0.0%
Contractual Services	188,321	148,500	112,000	112,000	-24.6%	0.0%
Communications	55,168	56,400	56,400	56,400	0.0%	0.0%
Internal Service Charge	48,010	50,281	4,186	4,319	-91.7%	3.2%
Insurance	1,082,977	1,143,910	1,188,060	1,306,910	3.9%	10.0%
Other Services & Charges	81,213	105,720	88,000	88,000	-16.8%	0.0%
Intergovernmental Services	458,907	537,820	520,245	532,639	-3.3%	2.4%
Interfund Transfers	6,323,962	2,893,075	1,836,395	2,453,015	-36.5%	33.6%
Total Expenditures	**8,555,409**	**5,610,706**	**4,387,286**	**5,162,883**	**-21.8%**	**17.7%**

Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Mandatory Intergovt'l Services	53,540	56,300	55,500	57,000	-1.4%	2.7%
Voluntary Intergovt'l Services	388,977	479,420	457,345	468,139	-4.6%	2.4%
Other General Gov't Services	8,112,891	5,074,986	3,874,441	4,637,744	-23.7%	19.7%
Total	**8,555,409**	**5,610,706**	**4,387,286**	**5,162,883**	**-21.8%**	**17.7%**

PARKS, RECREATION, & FACILITIES

The Parks, Recreation, & Facilities Department supports the Mercer Island community by providing access to parks, facilities, recreation programs, events, and other social opportunities while overseeing the operation and maintenance of all City buildings. Its core functions include managing the Mercer Island Community and Events Center, more than 475 acres of parks and open space, over 30 miles of trails, and thousands of annual park, facility, and athletic field bookings. In addition to these operational responsibilities, the department delivers recreation programs and special events for people of all ages and partners with community agencies, businesses, and other organizations to expand offerings and meet identified community needs.



Recreation Division

Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
Landscaping Services	686,004	683,089	662,994	682,884	-2.9%	3.0%
Grant Revenue	80,790	74,000	74,000	74,000	0.0%	0.0%
1% for the Arts Fund	31,953	45,836	35,000	35,000	-23.6%	0.0%
Boat Launch Ticket Sales	36,419	35,000	35,000	35,000	0.0%	0.0%
Recreation and Special Programs	168,049	169,000	169,000	169,000	0.0%	0.0%
MI Community & Events Center	1,091,086	996,500	1,055,500	1,075,500	5.9%	1.9%
Field Use Fees	317,269	355,000	355,000	355,000	0.0%	0.0%
General Purpose Revenue	4,220,358	4,451,823	4,924,976	5,136,884	10.6%	4.3%
Total Revenues	**6,631,929**	**6,810,248**	**7,311,470**	**7,563,268**	**7.4%**	**3.4%**
Expenditures:						
Salaries & Wages	2,734,098	2,832,042	3,043,728	3,221,053	7.5%	5.8%
Benefits	1,164,279	1,220,953	1,188,173	1,201,147	-2.7%	1.1%
Supplies	286,115	291,250	336,500	334,000	15.5%	-0.7%
Contractual Services	661,472	789,786	810,300	814,000	2.6%	0.5%
Communications	16,778	13,000	16,600	16,600	27.7%	0.0%
Internal Service Charges	374,632	383,017	543,269	551,568	41.8%	1.5%
Utilities	1,199,877	1,099,200	1,157,500	1,208,500	5.3%	4.4%
Other Services & Charges	128,402	125,400	149,400	150,400	19.1%	0.7%
Intergovernmental Services	26,276	15,600	26,000	26,000	66.7%	0.0%
Expenditures	**6,631,929**	**6,810,248**	**7,311,470**	**7,563,268**	**7.4%**	**3.4%**

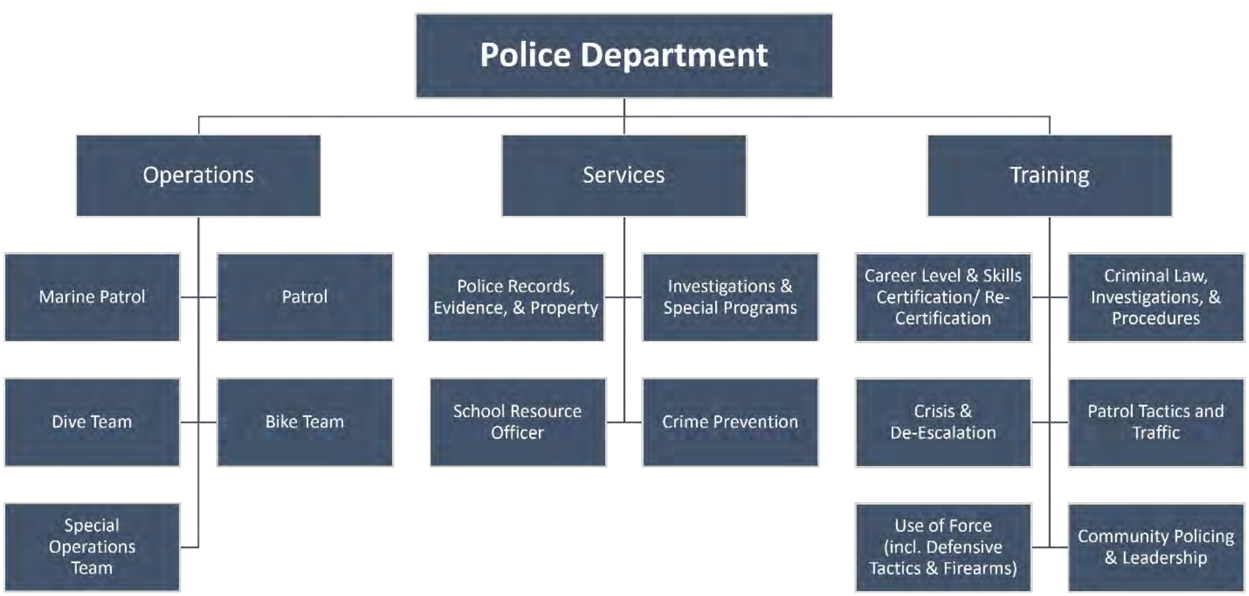
Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Administration	747,858	868,890	960,976	995,217	10.6%	3.6%
MI Community & Event Center	913,735	1,119,699	1,033,845	1,087,594	-7.7%	5.2%
Recreation & Special Programs	512,241	481,005	528,017	540,286	9.8%	2.3%
Parks Maintenance	3,367,471	3,204,382	3,429,392	3,537,964	7.0%	3.2%
Facility Operations	1,090,623	1,136,272	1,359,240	1,402,207	19.6%	3.2%
Total	**6,631,929**	**6,810,248**	**7,311,470**	**7,563,268**	**7.4%**	**3.4%**

POLICE DEPARTMENT

The mission of the Mercer Island Police Department is to contribute to Mercer Island's reputation as a safe, friendly, economically thriving community in which to live, work, learn, play, and visit. The Police Department is organized around the following functions:

- **Administration:** Oversee police services and operations divisions and implement policies, procedures, and practices to accomplish the Department's mission.
- **Patrol:** Protect life and property, enforce laws and ordinances, investigate crimes, and maintain civil order.
- **Marine Patrol:** Oversee Public Safety services on Lake Washington, including code and law enforcement, rescue, public education, and public assistance.
- **Investigations & Special Programs:** Investigate criminal acts, complete case filings, forward charges to the prosecutor's office, and work with other agencies to solve crimes. Provide special programs to Mercer Island schools relating to drug and alcohol abuse and bullying prevention.
- **Records, Property & Dispatch:** Provide initial police contact to the public, maintain records, manage confiscated property and evidence, and contract for police dispatch services with NORCOM.
- **Special Teams:** Dive team rescues and recoveries, special operations team high-risk details, and bike team traffic control and public relations.
- **Training:** Provide a full complement of training for Department personnel.
- **Jails:** Manage contracted jail services with the City of Issaquah and King County.



Police Department

Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
Sales Tax (Criminal Justice)	930,077	971,930	1,001,088	1,031,121	3.0%	3.0%
State Shared Revenues (CJ)	49,369	44,197	43,675	43,675	-1.2%	0.0%
Vessel Registration Fees	64,644	70,000	70,000	70,000	0.0%	0.0%
Federal and Local Grants	55,610	40,000	40,000	40,000	0.0%	0.0%
MI School District (SRO)	73,550	75,779	78,460	82,360	3.5%	5.0%
Marine Patrol Contract	279,247	244,103	251,426	258,969	3.0%	3.0%
Other Police Revenue	40,261	4,500	4,500	4,500	0.0%	0.0%
General Purpose Revenue	8,422,529	8,496,698	9,037,929	9,389,305	6.4%	3.9%
Total Revenues	**9,915,287**	**9,947,207**	**10,527,078**	**10,919,930**	**5.8%**	**3.7%**
Expenditures:						
Salaries & Wages	5,936,442	5,883,687	5,883,360	6,144,362	0.0%	4.4%
Benefits	1,703,192	1,941,468	1,899,345	1,966,535	-2.2%	3.5%
Supplies	183,356	198,290	170,450	176,750	-14.0%	3.7%
Contractual Services	102,377	70,000	117,200	119,200	67.4%	1.7%
Communications	23,607	22,200	23,000	25,000	3.6%	8.7%
Internal Service Charges	670,476	683,752	928,796	936,533	35.8%	0.8%
Other Services & Charges	40,625	76,850	67,600	69,200	-12.0%	2.4%
Intergovernmental Services	1,243,210	1,058,960	1,425,327	1,470,350	34.6%	3.2%
Capital	12,000	12,000	12,000	12,000	0.0%	0.0%
Total Expenditures	**9,915,287**	**9,947,207**	**10,527,078**	**10,919,930**	**5.8%**	**3.7%**

Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Administration	1,591,271	1,214,205	1,656,590	1,697,725	36.4%	2.5%
Patrol	5,397,604	5,357,100	5,185,795	5,406,656	-3.2%	4.3%
Marine Patrol	425,171	596,439	810,271	847,690	35.9%	4.6%
Investigations & Special Programs	432,172	872,357	925,299	958,641	6.1%	3.6%
Emergency Management	141,524	211,795	-	-	-100.0%	N/A
Records, Property & Dispatch	1,502,758	1,418,871	1,525,323	1,566,418	7.5%	2.7%
Special Teams	52,347	59,000	52,700	54,300	-10.7%	3.0%
Training	140,504	91,780	105,000	108,200	14.4%	3.0%
Jails	231,935	125,660	266,100	280,300	111.8%	5.3%
Total	**9,915,287**	**9,947,207**	**10,527,078**	**10,919,930**	**5.8%**	**3.7%**

PUBLIC WORKS DEPARTMENT

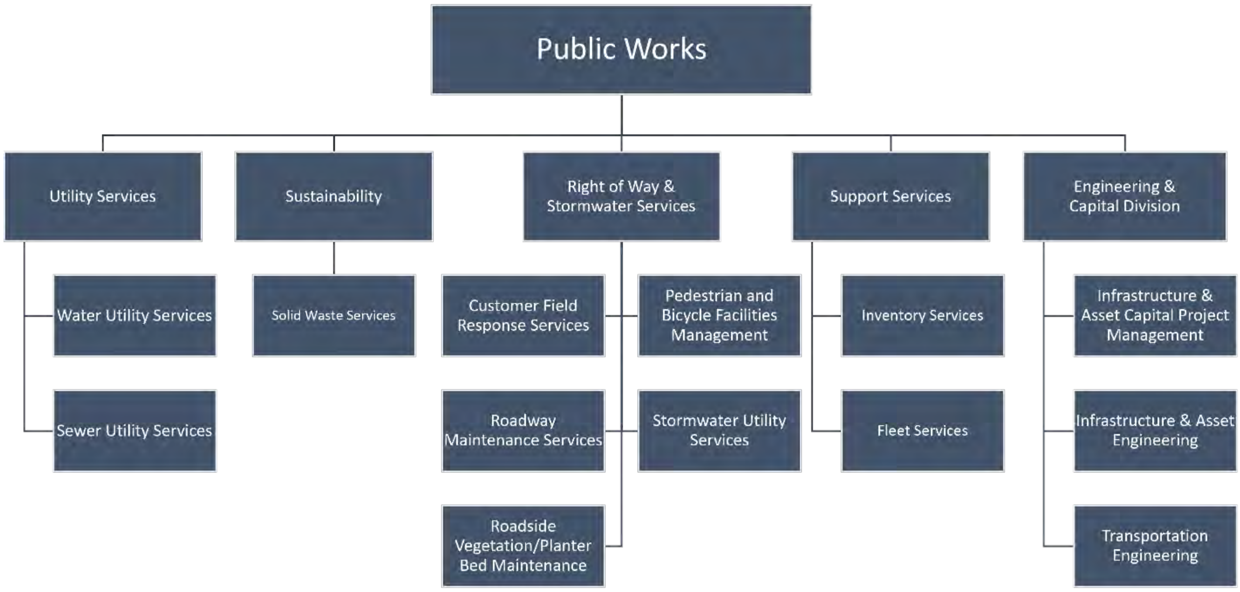
The Public Works department consists of the following operating functions:

- **Administration:** Provide direction and administrative support to the Department's teams. Serve as primary point of contact to the public for information related to operation, maintenance, and construction of City infrastructure.
- **Development Inspection**: Conduct site inspection of all land use and private development projects, including the impact on and use of the City's rights-of-way (ROW) and utility infrastructure (previously part of Community Planning & Development and partially funded by permit revenue).
- **Right-Of-Way (ROW) Services:** Provide all aspects of maintenance for 84 miles of public roadways, from street sweeping and pothole repairs to sign installation and streetlight repairs. Manage trees in the public right-of-way for health and safety, control roadside vegetation to ensure safe sight distances and vehicle clearances, maintain sidewalks, and maintain planter beds on Island Crest Way and in the Town Center.
- **Water, Sewer, and Stormwater Utilities Services:** Provide business administration services and operational support to the City's water, sewer, and storm water utilities. Provide the full range of maintenance activities and operational expertise required for reliable 24-hour services from the City's water, sewer, and storm water utilities. Ensure compliance with all state and federal rules and regulations for public utilities.
- **Solid Waste Services:** Contract for curbside disposal and recycling services. Provide disposal options for hard-to-recycle items, ranging from home electronics and appliances to shredded paper and tires.
- **Fleet Services:** Provide preventative maintenance and repairs for more than 150 vehicles and pieces of heavy equipment through a combination of contracted services and one City staff member.
- **Customer Field Response Services:** Provide a quick and efficient response to a variety of customer requests involving City utilities and the public right-of-way.
- **Sustainability:** The City's sustainability programs work to advance sustainability and reduce carbon emissions on Mercer Island, demonstrate climate leadership, and serve as a model for environmental collaboration and innovation.

In addition, the **Capital and Engineering** team is part of the Public Works Department and is budgeted within the Capital Improvement Program (see Section E):

- Oversee the planning, design and construction of the following City infrastructure systems and assets: sanitary sewer collection, stormwater collection, water supply and distribution, transportation, and parks and park facilities (budgeted and accounted for within the City's Capital Improvement Program).
- Conduct engineering review of all land use and private development projects, including the impact on and use of the City's rights-of-way (ROW) and utility infrastructure.

Public Works



Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
Real Estate Excise Tax	505,501	502,729	466,750	474,164	-7.2%	1.6%
Water Rates & Other Chgs	8,581,141	9,447,369	10,875,324	11,228,701	15.1%	3.2%
Sewer Rates & Other Chgs	9,888,507	10,820,512	13,904,655	14,946,947	28.5%	7.5%
Stormwater Rates & Other Chgs	1,880,800	2,327,481	2,553,121	2,612,872	9.7%	2.3%
Internal Charges	608,254	572,795	741,584	750,875	29.5%	1.3%
General Purpose Revenue	1,864,089	1,783,251	2,128,007	2,173,732	19.3%	2.1%
Total Revenues	**23,328,292**	**25,454,137**	**30,669,441**	**32,187,290**	**20.5%**	**4.9%**
Expenditures:						
Salaries & Wages	3,809,002	4,017,526	4,657,765	4,871,762	15.9%	4.6%
Benefits	1,717,960	1,694,330	1,703,191	1,704,817	0.5%	0.1%
Supplies	652,116	726,850	897,600	897,600	23.5%	0.0%
Water Purchases	1,912,436	2,334,585	2,122,887	2,314,560	-9.1%	9.0%
Contractual Services	1,320,659	1,703,225	1,741,900	1,748,900	2.3%	0.4%
Communications	86,770	126,250	95,400	95,400	-24.4%	0.0%
Internal Service Charges	1,002,349	1,025,700	1,681,084	1,703,734	63.9%	1.3%
Insurance	787,753	853,889	731,683	799,655	-14.3%	9.3%
Utilities	243,536	231,200	252,850	265,350	9.4%	4.9%
Other Services & Charges	166,052	167,730	202,480	180,050	20.7%	-11.1%
King County Sewage Treatment	6,043,299	6,603,600	7,500,791	8,457,368	13.6%	12.8%
Intergovernmental Services	1,067,474	1,060,229	1,030,949	1,051,238	-2.8%	2.0%
General Administration Support	1,274,494	1,449,224	1,485,775	1,533,543	2.5%	3.2%
Debt Service (Principal & Int)	3,244,393	3,459,799	6,565,086	6,563,313	89.8%	0.0%
Total Expenditures	**23,328,292**	**25,454,137**	**30,669,441**	**32,187,290**	**20.5%**	**4.9%**

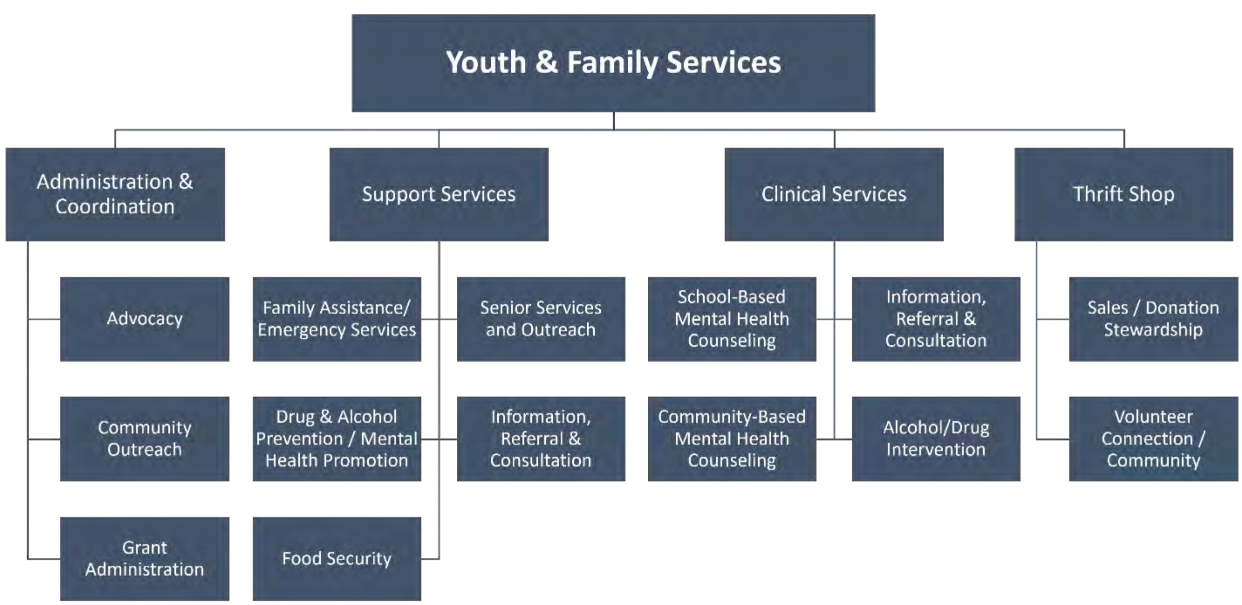
Expenditures by Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Administration	2,044,290	1,942,763	2,394,348	2,462,325	23.2%	2.8%
Right-of-Way Services	1,377,736	1,405,301	1,652,943	1,679,937	17.6%	1.6%
Water Utility Services	7,976,860	8,877,376	10,287,807	10,622,915	15.9%	3.3%
Sewer Utility Services	9,261,516	10,160,012	12,941,394	13,954,209	27.4%	7.8%
Stormwater Utility Services	1,488,386	1,908,233	2,061,515	2,106,169	8.0%	2.2%
Development Inspections	100,979	105,196	92,936	95,175	-11.7%	2.4%
Sustainability & Solid Waste Services	164,039	157,175	187,488	197,503	19.3%	5.3%
Fleet Services	608,254	572,795	741,584	750,875	29.5%	1.3%
Customer Field Response Services	306,232	325,286	309,426	318,182	-4.9%	2.8%
Total	**23,328,292**	**25,454,137**	**30,669,441**	**32,187,290**	**20.5%**	**4.9%**

YOUTH & FAMILY SERVICES

The Youth & Family Services (YFS) Department provides a wide range of human services for Mercer Island residents. These services include programs in the behavioral health domain that offer mental health counseling and intervention, prevention of risk behaviors, senior case management, emergency family assistance, food security, and community level risk factor prevention and health promotion. YFS is organized around the following functions:

- **Administrative/Coordination Services:** Provide managerial direction, oversight, program coordination, security and privacy compliance, and administrative support to YFS Department programs and staff. Execute targeted planning efforts to ensure service configuration reflects community needs and explore, vet, and execute options to increase revenues for community and human services.
- **Community-Based Programming and Clinical Services:** Provide a wide array of coordinated community-based and school-based services to children, youth, couples, individuals, families, and seniors at the Luther Burbank Administration Building and each of the public schools in the Mercer Island School District. Services include mental health counseling and substance abuse intervention services; financial, food, rent, and other basic assistance to low-income individuals and families; senior outreach and case management; information, referral, and consultation services; and community-wide mental health promotion and substance abuse prevention.
- **Mercer Island Thrift Shop**: A grassroots, community-based retail thrift business that raises funds to support the programs of Youth & Family Services. The Thrift Shop provides a resource for re-use and recycling of community members' donations; provides opportunities for volunteers of all ages; and generates revenues for the YFS Department's array of human services.



Revenue & Expenditure Summary

Description	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Revenues:						
YFS Operating Reserve	219,648	638,193	438,104	62,132	-31.4%	-85.8%
Federal, State & Local Grants	170,380	188,996	167,899	45,700	-11.2%	-72.8%
MI School District (Shared Cost)	60,000	60,000	60,000	60,000	0.0%	0.0%
Thrift Shop Sales	1,744,698	1,903,269	2,093,596	2,198,276	10.0%	5.0%
Program Fees & Donations	144,242	277,500	130,000	130,000	-53.2%	0.0%
Emergency Assistance Program Support	54,362	35,000	48,000	48,000	37.1%	0.0%
MIYFS Foundation Support	547,550	610,000	580,000	580,000	-4.9%	0.0%
Opioid Settlement Funds	48,714	44,474	34,018	51,752	-23.5%	52.1%
Sales Tax	40,209	35,000	35,000	35,000	0.0%	0.0%
Transfer from General Fund	350,000	350,000	477,000	1,066,900	36.3%	123.7%
Total Revenues	**3,379,803**	**4,142,432**	**4,063,617**	**4,277,760**	**-1.9%**	**5.3%**
Expenditures:						
Salaries & Wages	2,122,182	2,420,642	2,388,231	2,564,823	-1.3%	7.4%
Benefits	567,101	1,049,291	940,892	952,150	-10.3%	1.2%
Supplies	52,665	56,350	60,800	62,350	7.9%	2.5%
Contractual Services	230,462	209,300	250,000	264,300	19.4%	5.7%
Communications	14,038	18,000	17,500	17,950	-2.8%	2.6%
Internal Service Charges	339,872	328,229	346,843	351,870	5.7%	1.4%
Utilities	10,034	14,100	14,100	15,510	0.0%	10.0%
Other Services & Charges	35,922	38,200	36,100	38,740	-5.5%	7.3%
Intergovernmental Services	7,526	8,320	9,152	10,067	10.0%	10.0%
Total Expenditures	**3,379,803**	**4,142,432**	**4,063,617**	**4,277,760**	**-1.9%**	**5.3%**

Expenditures By Function

Department Function	2025 Actual	2026 Forecast	2027 Budget	2028 Budget	Percent Change 26-27	Percent Change 27-28
Administration	459,456	519,783	549,000	601,298	5.6%	9.5%
Professional Services	1,729,393	2,249,734	2,044,124	2,084,199	-9.1%	2.0%
Thrift Shop	1,190,953	1,372,915	1,470,493	1,592,263	7.1%	8.3%
Total	**3,379,803**	**4,142,432**	**4,063,617**	**4,277,760**	**-1.9%**	**5.3%**

SECTION E

Capital Improvement Program

CAPITAL IMPROVEMENT PROGRAM

Every two years the City of Mercer Island staff develops a Capital Improvement Program (CIP) for the City Council's review and approval as part of the biennial budget process. The CIP is a six-year financial plan for the acquisition, expansion, or rehabilitation of land, technology, buildings, and other major public infrastructure.

The two plans that make up the 2027-2032 CIP include the Capital Reinvestment Plan (CRP) and Capital Facilities Plan (CFP). Projects that focus on improvements to the City's current infrastructure are included in the CRP. Projects that involve creating new facilities or new additions to current infrastructure are included in the CFP.

This CIP covers fiscal year 2027 through 2032. Although the program spans six years, only funds for the first two years (2027-2028) are approved and appropriated as part of the biennial budget process. Capital projects are submitted via an application process for review by an interdepartmental CIP Committee. The committee reviews and prepares funding recommendations for the City Manager.

The 2027-2028 CIP is primarily comprised of CRP reinvestment projects - $85.4 million (95%) to maintain the City's existing infrastructure. CFP projects make up $4.5 million (5%) of the proposed CIP project spending.

Plan Components

The 2027-2032 **CIP Program Summary (E-7)** provides a summary of project costs, timing, and funding sources. In this summary, projects are organized by project category:

1. General Government Public Buildings
2. General Government Technology
3. General Government Equipment
4. Streets, Pedestrian and Bicycle Facilities
5. Parks, Recreation and Open Space
6. Sewer Utility
7. Storm Water Utility
8. Water Utility

The **Individual Project Sheets (E-9)** include a project description and project justification. Detailed expenditure information, project location, and anticipated expenditures are described as well. Where appropriate, a map that specifies the project location is also presented.

Finally, **Capital Projects by Fund (E-131)** summarizes the total resources by Fund and project for the 2027-2028 biennium.

CIP Committee – Project Recommendations

The CIP Committee – comprised of a small group of the City's Leadership Team – was tasked with evaluating, ranking, and approving projects that best reflect the City's infrastructure maintenance priorities. Capital funds not spent or committed at the end of the budget cycle will be reallocated. Projects not considered a priority were postponed or eliminated.

Furthermore, the City Council reconvened the Finance Ad Hoc Committee (AB 6856) in February 2026 to help City leadership assess the competing needs between parks, open space, and facilities and prioritize limited resources for critical project work in 2027-2028 biennium.

Together, City leadership and the Finance Ad Hoc Committee evaluated project applications to ensure proposed projects address the most pressing priorities, effectively utilize limited capital resources, and represent a tangible work plan based on proposed staffing levels. Each submitted project was provided a weighted score against five criteria, including:

1. **Mandated Activities:** Whether the project was a regulatory requirement or necessary to maintain existing facilities.
2. **Public Health and Safety:** Whether the project addressed an existing or potential hazard, and whether that issue was minor or severe.
3. **Fiscal Responsibility:** Whether the project decreased operating or maintenance costs, increased ongoing revenue, levered outside funding, or required a municipal subsidy.
4. **Environmental Impact:** Whether the project enhances the environment, yielded no environmental impact, or created a negative impact.
5. **Conformity to City Goals:** Whether the project achieves priorities outlined by the City Council, a master planning document, or recommended by a board or commission.

Expenditure Trend

The proposed CIP budget for the 2027-2028 biennium is $89.9 million – $41.7 million in 2027 and $48.2 million 2028. This represents a $19.9 million increase compared to the 2025-2026 Adopted Budget of $70 million.

Figure 1 illustrates how 2027-2028 budget figures compare with the previous four years. Expenditure actuals related to the capital program are also included, along with how much is projected to be spent in 2026.

Figure 1

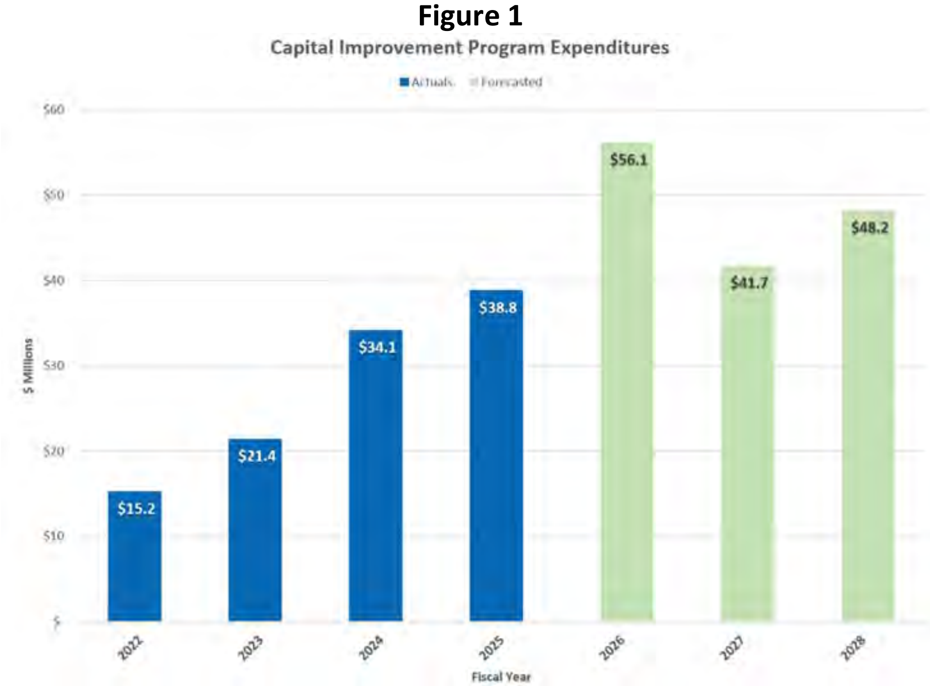


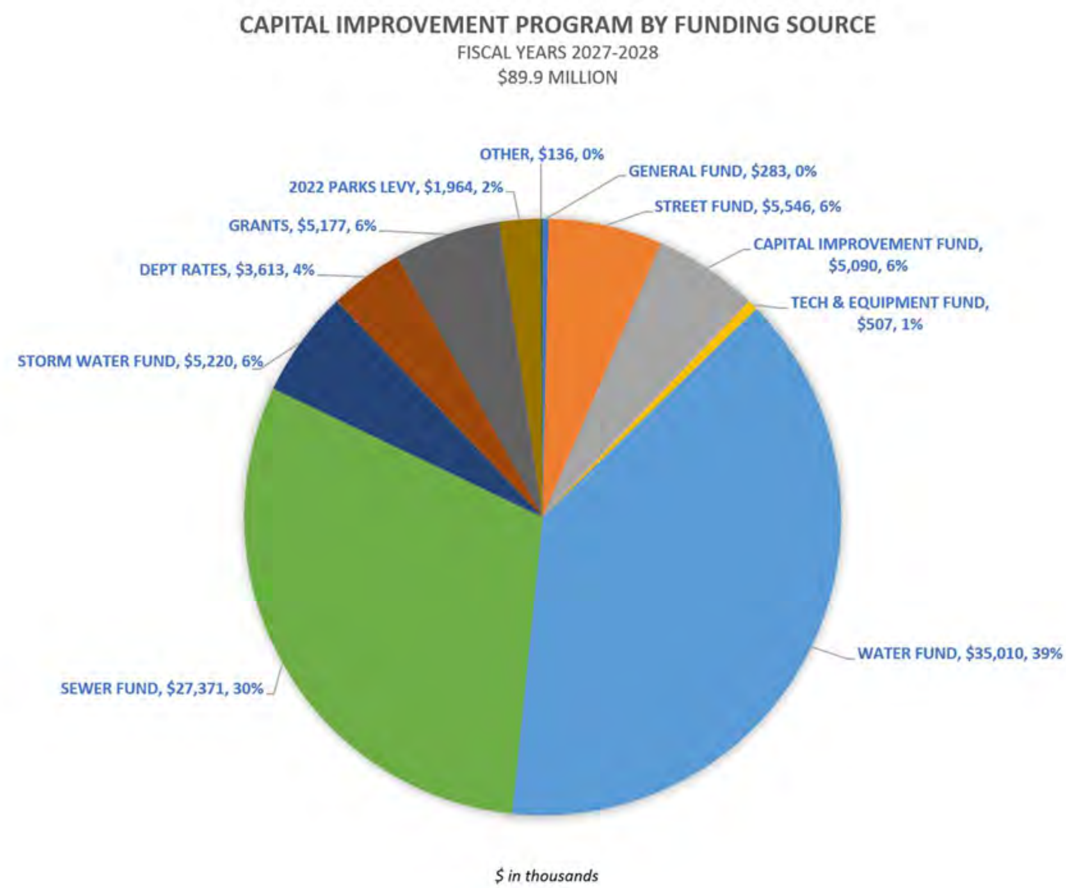
Figure 1 illustrates expenditure actuals in the CIP (blue bars) have significantly increased year-over-year, up 155% from 2022 to 2025. The City is undergoing a once-in-a-generation level of reinvestment in the Island's public infrastructure. This trend is projected to continue through 2028.

Inherent in the 2027-2028 budget strategy is the goal to clearly lay out future resource needs for City facilities along with the Island's water distribution and sewer conveyance systems and identify fiscally prudent ways in the near- and long-term to meet them. Similarly, the Island's parks, open spaces, and streets are proposed to receive major levels of reinvestment.

The CIP incorporates a variety of funding sources including current revenues, utility rates, real estate excise taxes (REET), impact fees, internal service cost allocations, grants, debt service, and General Fund resources. The City actively seeks grants from federal, state, and local sources to support the capital program.

Figure 2 conveys how the proposed CIP will be funded over the next two years. Most of the capital program is covered by the Utility Funds (75%) and the Street Fund (6%).

Figure 2



Capital Improvement Financing Strategy

Each biennial capital budget is part of a broader CIP financing plan that looks into the future to match capital investments with realistic financing strategies.

Consistent with the City's financial management policies, CIP funding for the next two years relies on existing, available fund balances, projected revenues from Real Estate Excise Taxes (REET), Fuel Taxes (State shared revenues), and utility rates, along with the prudent use of outside funding. The General Fund is the sole source of funding for technology and equipment capital investments.

Most revenues for capital projects come with restrictions. Utility rates may only be used for projects of the respective utility; fuel taxes may only be used for street and trail projects; and REET is reserved for capital projects to help develop a community's public infrastructure (e.g., parks, open space, streets, utilities, and housing). The City's capital financing strategy has been to use these restricted revenues on a "pay as you go" basis for needed improvements.

This strategy remains unchanged, except for costly utility and public building projects for which debt financing is used to "smooth" utility rate spikes or to match the costs of the project more equitably to the benefit period. During the 2023-2024 biennium, staff secured a competitive low-interest loan from the Washington State Public Works Trust Fund and proceeds from the sale of limited-tax general obligation bonds to fund major investments in the City's water distribution system.

During the 2027-2032 CIP period, staff anticipates pursuing additional outside funding in 2027 and 2030 for both the water and sewer utility systems. Debt financing is scheduled to coincide with capital work on projects that cost more than $2.5 million and have an estimated useful life of at least 20 years. Debt financing spreads costs incurred in a relatively short period over the useful life of the updated infrastructure, avoiding spikes in annual rate adjustments, and creating generational equity, whereby generations of rate payers who benefit from these investments help pay down the associated costs.

REET is a 0.5% tax paid by the seller during property transactions. State law restricts its use to street, park, utility, affordable housing, and facility capital investments. Neither REET-1 nor REET-2 may be used for equipment or technology.

- REET-1 is the first 0.25% tax levied on the property sale price.
- REET-2 is the second 0.25% tax levied on the property sale price.

As the largest source of revenue in the Capital Improvement Fund, REET allocations are governed by local policy as follows:

- City Council budget policy commits 100% of **REET-1** revenues to Fund 320 to support parks, open space, public building maintenance projects, and debt service on the outside financing used for the office building purchase (September 2025) located at 9655 SE 36th Street.
- **REET-2** revenues are split, with 10% allocated to Capital Improvement Fund (320) and the remaining 90% dedicated to the Street Fund (110) for the construction and maintenance of streets, pedestrian pathways, and bicycle facilities.

Expenditures for new vehicles, equipment, and technology come from general purpose revenue, reserves, or grant funding sources. Utility capital improvements are funded primarily from utility rates.

Figure 3 on the next page provides an overview of the CIP financing strategy.

Figure 3

Capital Improvement Program Financing Strategy				
REET-1	**REET-2**	**General Purpose Revenues**	**Utilities**	**Long-term Debt**
Parks • Construction • Maintenance **Open Space** • Property Acquisition • Planning • Improvement **Public Buildings** • Repair • Maintenance • Planning & Design	**Streets** • Construction • Maintenance **Pedestrian/ Bikes** • Construction • Maintenance **Parks** • Construction • Maintenance	**Equipment** • Vehicle Replacement • Community Center **Technology** • Computers • Software • Communications	**Sanitary Sewer** • Construction • Maintenance **Storm Water** • Construction • Maintenance **Water** • Construction • Maintenance	**Sanitary Sewer** • Construction • Maintenance **Storm Water** • Construction • Maintenance **Water** • Construction • Maintenance **Public Buildings** • Acquisition

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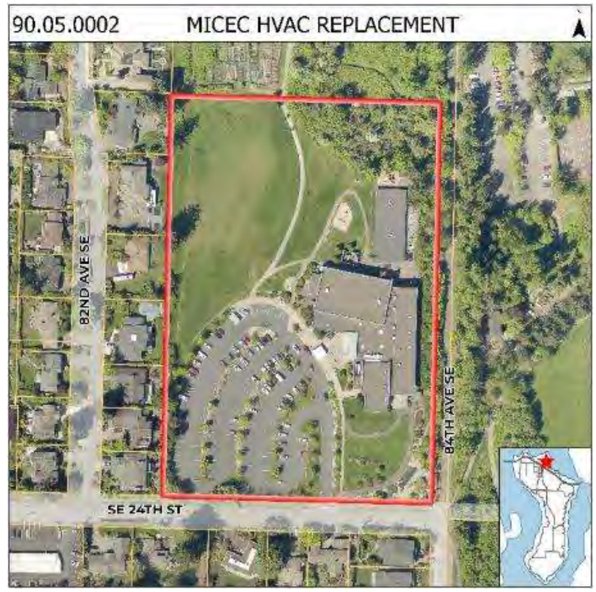
ID	Project Title	Plan	Target Completion Date	2027	2028	2029	2030	2031	2032	TOTAL	General Fund	Street Fund	Capital Imp Fund	Tech & Equip Fund	Water Fund	Sewer Fund	Storm Water Fund	1% for the Arts	Grant	2022 Parks Levy	King County Parks Levy	Department Rates	Other
90.05.0002	MICEC HVAC Replacement	CRP	12/31/28	2,990,000	1,600,000	-	-	-	-	4,590,000			3,560,000						1,030,000				
90.05.0003	MICEC Ground Water Intrusion	CRP	12/31/29	-	-	397,500	-	-	-	397,500			397,500										
90.05.0011	MICEC Emergency Generator	CRP	12/31/28	102,600	1,768,400	-	-	-	-	1,871,000			252,625						1,618,375				
90.05.0013	Honeywell Site Remediation	CRP	12/31/28	223,000	223,000	-	-	-	-	446,000	147,180				24,530	24,530	26,760					223,000	
90.05.0021	9655 Building Space Planning	CRP	12/31/27	745,000	-	-	-	-	-	745,000			745,000										
90.05.0023	MICEC Parking Lot Improvements	CRP	12/31/30	-	-	63,600	376,100	-	-	439,700			439,700										
90.05.0024	City Facility Repairs	CRP	12/31/32	245,000	250,000	196,900	636,000	146,900	15,300	1,490,100			1,490,100										
7	GENERAL GOVERNMENT PUBLIC BUILDINGS TOTAL			4,305,600	3,841,400	658,000	1,012,100	146,900	15,300	9,979,300	147,180	-	6,884,925	-	24,530	24,530	26,760	-	2,648,375	-	-	223,000	-
90.10.0001	City Data via Dashboards & WebGIS	CRP	12/31/28	40,000	41,500	-	-	-	-	81,500		81,500											
90.10.0002	Mobile Asset Data Collection	CRP	12/31/28	-	111,000	-	-	117,700	-	228,700		228,700											
90.10.0003	High Accuracy Aerial Orthophotos	CRP	12/31/32	-	43,000	-	45,900	-	49,700	138,600				138,600									
90.10.0005	Lead Service Line Revision	CRP	12/31/28	25,000	25,000	-	-	-	-	50,000					50,000								
90.10.0007	Technology Equipment Replacements	CRP	12/31/32	398,900	88,600	339,100	423,800	336,000	345,000	1,931,400												1,931,400	
90.10.0008	Emergency Purchases for Equipment and Technology	CRP	12/31/32	25,000	25,000	25,000	25,000	25,000	25,000	150,000				150,000									
90.10.0011	Microsoft Licensing Upgrade/Catchup	CRP	12/31/28	179,000	-	-	-	-	-	179,000				179,000									
90.10.0012	Trakit Upgrade	CRP	12/31/28	80,000	-	-	-	-	-	80,000				80,000									
8	GENERAL GOVT TECHNOLOGY TOTAL			747,900	334,100	364,100	494,700	478,700	419,700	2,839,200	-	310,200	-	547,600	50,000	-	-	-	-	-	-	1,931,400	-
90.15.0001	EV Charging Infrastructure Plan	CFP	12/31/30	75,000	75,000	100,000	100,000	-	-	350,000	200,000								150,000				
90.15.0002	MICEC Tech/Equipment Replacement	CRP	12/31/32	58,000	58,000	58,000	58,000	58,000	58,000	348,000	108,000												240,000
90.15.0003	Fleet Replacements	CRP	12/31/32	1,729,300	1,172,700	558,300	1,765,700	275,500	2,912,700	8,414,200												8,414,200	
3	GENERAL GOVERNMENT EQUIPMENT TOTAL			1,862,300	1,305,700	716,300	1,923,700	333,500	2,970,700	9,112,200	308,000	-	-	-	-	-	-	-	150,000	-	-	8,414,200	240,000
90.20.0001	Residential Street Resurfacing	CRP	12/31/32	815,000	1,004,300	948,700	975,600	1,002,400	1,029,300	5,775,300		4,455,300			600,000	90,000	630,000						
90.20.0002	Arterial Preservation Program	CRP	12/31/32	80,500	82,900	85,300	87,700	90,200	92,600	519,200		462,200			12,000	27,000	18,000						
90.20.0003	ADA Transition Plan Implementation	CRP	12/31/32	100,000	103,000	212,000	218,000	224,000	230,000	1,087,000		1,087,000											
90.20.0004	Traffic Safety and Operations Improvements	CRP	12/31/32	100,000	103,000	106,000	109,000	112,000	115,000	645,000		645,000											
90.20.0005	PBF Plan Implementation	CRP	12/31/32	50,000	50,000	50,000	50,000	50,000	50,000	300,000		300,000											
90.20.0006	SE 40th Street Sidewalk Improvements	CFP	12/31/27	893,000	-	-	-	-	-	893,000		843,000					50,000						
90.20.0007	78th Ave Sidewalk Improvements	CRP	12/31/30	-	-	82,600	776,100	-	-	858,700		858,700											
90.20.0009	Gallagher Hill Road Sidewalk Improvements	CRP	12/31/27	869,000	-	-	-	-	-	869,000		829,000					40,000						
90.20.0013	ICW Corridor Improvements	CRP	12/31/31	-	-	-	-	1,318,700	-	1,318,700		1,318,700											
90.20.0014	SE 27th Street Overlay (76th to 80th)	CRP	12/31/27	-	-	686,500	-	-	-	686,500		601,181			24,238	12,604	48,477						
90.20.0015	North Mercer Way Overlay	CRP	12/31/29	-	-	839,000	-	-	-	839,000		722,252			44,523	7,915	64,310						
90.20.0016	EMW Roadside Shoulders Phase 11	CFP	12/31/27	470,600	-	-	-	-	-	470,600		339,809			54,791		76,000						
90.20.0017	76th & NMW Overlay	CRP	12/31/27	-	-	238,500	-	-	-	238,500		223,500			5,000	2,000	8,000						
90.20.0018	PBF Plan Update	CFP	12/31/27	160,000	-	-	-	-	-	160,000									160,000				
90.20.0019	East Mercer Way Overlay	CRP	12/31/28	-	-	466,400	-	-	-	466,400		404,400			22,000	12,000	28,000						
90.20.0020	81st Ave SE Sidewalk Improvements	CRP	12/31/29	-	-	286,200	-	-	-	286,200		286,200											
90.20.0021	West Mercer Way Overlay	CRP	12/31/30	-	-	-	2,463,400	-	-	2,463,400		2,148,400			131,000	53,000	131,000						
90.20.0022	77th Ave SE Channelization	CRP	12/31/31	-	-	-	-	84,000	-	84,000		84,000											
90.20.0025	84th Ave SE Pedestrian Improvements	CFP	12/31/32	-	-	-	-	-	309,400	309,400		309,400											
90.20.0026	78th Ave SE Overlay (40th to WMW)	CRP	12/31/31	-	-	-	-	464,800	-	464,800		424,800			15,000	10,000	15,000						
90.20.0027	SE 24th Street Overlay	CRP	12/31/31	-	-	-	-	629,400	-	629,400		531,400			33,000	8,000	57,000						
90.20.0028	SE 24th Pedestrian Improvements	CRP	12/31/31	-	-	-	-	781,800	-	781,800		781,800											
90.20.0029	78th Ave SE Sidewalk Improvements	CFP	12/31/31	-	-	-	-	422,200	-	422,200		422,200											
90.20.0030	Mercerwood Drive Pedestrian Improvements	CFP	12/31/31	-	-	-	219,500	1,331,600	-	1,551,100		1,551,100											
90.20.0031	ICW Crosswalk Enhancement	CFP	12/31/32	-	-	-	-	90,000	570,400	660,400		660,400											
90.20.0032	SE 27th St Sidewalk Improvements	CRP	12/31/31	-	-	-	129,000	792,200	-	921,200		921,200											
90.20.0033	West Mercer Way Overlay	CRP	12/31/32	-	-	-	-	67,200	691,200	758,400		655,400			39,000	5,000	59,000						
90.20.0034	NMW Sidewalk Improvements	CFP	12/31/29	-	-	174,900	-	-	-	174,900		174,900											
90.20.0040	ICW Shared Use Path Phase 1	CFP	12/31/27	1,909,000	-	-	-	-	-	1,909,000		1,165,993							743,007				
90.20.0041	Transportation Action Plan	CFP	12/31/28	80,000	80,000	-	-	-	-	160,000									160,000				
90.20.0042	Street Standard Details	CFP	12/31/29	50,000	103,000	53,000	-	-	-	206,000		206,000											
90.20.0043	92nd Ave SE Sidewalk Improvements	CFP	12/31/30	-	-	100,400	623,600	-	-	724,000		724,000											
32	STREETS, PEDESTRIANS, & BICYCLE FACILITIES TOTAL			5,577,100	1,526,200	4,329,500	5,651,900	7,460,500	3,087,900	27,633,100	-	24,137,235	-	-	980,552	227,519	1,224,787	-	1,063,007	-	-	-	-
90.25.0001	Open Space Management	CRP	12/31/32	208,300	225,500	238,900	241,300	243,700	246,100	1,403,800										1,403,800			
90.25.0002	Recurring Parks Minor Capital	CRP	12/31/32	100,000	103,000	132,500	136,300	140,000	143,800	755,600			755,600										
90.25.0003	Trail Renovation and Property Management	CRP	12/31/32	-	-	26,500	27,300	28,000	28,800	110,600			110,600										
90.25.0006	Aubrey Davis Park Vegetation Management	CRP	12/31/32	-	-	26,500	27,300	28,000	28,800	110,600			110,600										
90.25.0008	Aubrey David Park Mountain to Sound Trail Lighting - ICW to Shorewood	CFP	12/31/28	75,000	590,600	-	-	-	-	665,600			-						665,600				
90.25.0009	Aubrey Davis Park Intersection and Crosswalk Improvements	CRP	12/31/32	-	-	53,000	54,500	56,000	57,500	221,000			221,000										
90.25.0014	Clarke Waterfront Improvements	CFP	12/31/32	-	-	-	109,000	560,000	1,150,000	1,819,000			1,819,000										
90.25.0015	Deane's Children's Park Improvements - Phase 1	CRP	12/31/29	650,000	1,030,000	1,060,000	-	-	-	2,740,000			1,129,262						600,000	960,738			50,000
90.25.0016	Groveland Waterfront Improvements	CRP	12/31/32	-	-	-	109,000	560,000	1,150,000	1,819,000			1,819,000										
90.25.0019	Luther Burbank Minor Capital	CRP	12/31/32	115,600	116,800	117,900	119,100	120,300	121,500	711,200			-							711,200			
90.25.0033	PROS Plan 6-Year Update	CRP	12/31/28	35,000	35,000	-	-	-	-	70,000			70,000										
90.25.0034	Pioneer Park/Engstrom Forest Management	CRP	12/31/32	175,200	161,800	152,200	153,800	155,300	156,900	955,200			-							955,200			
90.25.0035	Secret Park Playground Replacement	CRP	12/31/30	-	-	-	444,200	-	-	444,200			-							444,200			
90.25.0037	Sport Courts Improvements	CRP	12/31/32	-	-	-	272,500	-	287,500	560,000			560,000										
90.25.0045	ICP Athletic Field Backstop Replacement	CRP	12/31/30	-	-	127,200	2,703,200	-	-	2,830,400			2,830,400										
15	PARKS, RECREATION, & OPEN SPACE TOTAL			1,359,100	2,262,700	1,934,700	4,397,500	1,891,300	3,370,900	15,216,200	-	-	9,425,462	-	-	-	-	-	1,265,600	4,475,138	-	-	50,000
90.30.0001	Emergency Sewer System Repairs	CRP	12/31/32	54,500	56,100	57,800	59,400	61,000	62,700	351,500						351,500							
90.30.0002	Backyard Sewer System Improvements	CRP	12/31/32	139,500	137,000	147,900	145,000	156,200	153,000	878,600						878,600							
90.30.0003	Sewer System Components	CRP	12/31/32	54,500	56,100	57,800	59,400	61,000	62,700	351,500						351,500							
90.30.0004	Pump Station Access Improvements	CRP	12/31/32	107,000	114,300	113,400	121,000	119,800	127,700	703,200						703,200							
90.30.0006	Wet Well Cleaning	CRP	12/31/32	250,000	-	265,000	-	280,000	-	795,000						795,000							
90.30.0007	Lakeline Reach 1 Capacity Improvement	CRP	12/31/28	2,700,000	10,094,000	-	-	-	-	12,794,000						12,794,000							

ID	Project Title	Plan	Target Completion Date	2027	2028	2029	2030	2031	2032	TOTAL	General Fund	Street Fund	Capital Imp Fund	Tech & Equip Fund	Water Fund	Sewer Fund	Storm Water Fund	1% for the Arts	Grant	2022 Parks Levy	King County Parks Levy	Department Rates	Other
90.30.0008	Mercerdale Park Sewer Upsizing	CRP	12/31/32	-	-	-	-	280,000	1,610,000	1,890,000						1,890,000							
90.30.0013	General Sewer Plan Update	CRP	12/31/28	128,000	-	-	-	-	-	128,000						128,000							
90.30.0017	Pump Station Flow Monitoring	CRP	12/31/28	592,500	509,900	-	-	-	-	1,102,400						1,102,400							
90.30.0018	Sewer Pipeline Flow Monitoring	CRP	12/31/32	-	-	-	-	390,900	303,000	693,900						693,900							
90.30.0020	Lakeline Reach 2 Map & Model	CRP	12/31/32	-	-	-	-	2,128,000	2,185,000	4,313,000						4,313,000							
90.30.0026	Pump Station 19 & 21 Replacement	CRP	12/31/30	500,000	10,573,000	-	-	-	-	11,073,000						11,073,000							
90.30.0027	Pump Station 22 & 23 Replacement	CRP	12/31/32	-	-	-	-	476,000	488,800	964,800						964,800							
90.30.0028	PS 20 & 22 Generator Replacement	CRP	12/31/28	252,000	988,800	-	-	-	-	1,240,800						1,240,800							
90.30.0029	PS 10 & 19 Generator Replacement	CRP	12/31/30	-	-	245,900	861,100	-	-	1,107,000						1,107,000							
90.30.0030	PS 1 & 15 Generator Replacement	CRP	12/31/32	-	-	-	-	259,800	908,500	1,168,300						1,168,300							
90.30.0031	Town Center Sewer Upgrades	CRP	12/31/32	-	-	625,900	670,400	661,400	707,300	2,665,000						2,665,000							
17	**SEWER UTILITY TOTAL**			**4,778,000**	**22,529,200**	**1,513,700**	**1,916,300**	**4,874,100**	**6,608,700**	**42,220,000**	-	-	-	-	-	**42,220,000**	-	-	-	-	-	-	-
90.35.0001	Emergency SW Conveyance Repairs	CRP	12/31/32	60,000	61,800	63,600	65,400	67,200	69,000	387,000							387,000						
90.35.0002	Street Related Storm Drainage Improvements	CRP	12/31/32	170,000	175,100	180,200	185,300	190,400	195,500	1,096,500							1,096,500						
90.35.0003	Conveyance Condition Assessment	CRP	12/31/32	110,000	113,300	116,600	119,900	123,200	126,500	709,500							709,500						
90.35.0004	Stormwater System Improvements	CRP	12/31/32	396,000	504,700	519,400	534,100	548,800	563,500	3,066,500							3,066,500						
90.35.0005	SW Monitoring Instrumentation	CRP	12/31/28	35,000	36,100	-	-	-	-	71,100							71,100						
90.35.0007	Watercourse Condition Update	CRP	12/31/28	-	257,500	-	-	-	-	257,500							257,500						
90.35.0008	SB 22.1 & 25b.2 Watercourse Improvement	CRP	12/31/27	550,000	-	-	-	-	-	550,000							550,000						
90.35.0011	SB 47.4 Watercourse Restoration	CRP	12/31/29	-	154,500	424,000	-	-	-	578,500							578,500						
90.35.0012	E Seattle Neighborhood Drainage Improvement	CRP	12/31/28	110,000	432,600	-	-	-	-	542,600							542,600						
90.35.0013	WC Minor Repairs & Maintenance	CRP	12/31/30	-	-	190,800	196,200	-	-	387,000							387,000						
90.35.0016	SB 46a.3 Watercourse Stabilization	CRP	12/31/27	450,000	-	106,000	-	-	-	556,000							556,000						
90.35.0017	SB 29.3 Watercourse Restoration	CRP	12/31/28	75,000	515,000	-	-	-	-	590,000							590,000						
90.35.0021	5252 Culvert Replacement	CRP	12/31/27	345,000	-	-	-	-	-	345,000							345,000						
90.35.0022	Storm System Growth Assessment	CRP	12/31/29	50,000	206,000	79,500	-	-	-	335,500							335,500						
14	**STORM WATER UTILITY TOTAL**			**2,351,000**	**2,456,600**	**1,680,100**	**1,100,900**	**929,600**	**954,500**	**9,472,700**	-	-	-	-	-	-	**9,472,700**	-	-	-	-	-	-
90.40.0001	Emergency Water System Repairs	CRP	12/31/32	125,000	128,800	233,200	239,800	246,400	253,000	1,226,200					1,226,200								
90.40.0002	Water System Components Replacement	CRP	12/31/32	54,000	55,600	57,200	58,900	60,500	62,100	348,300					348,300								
90.40.0003	Modeling & Fire Flow Analysis	CRP	12/31/32	40,000	41,200	42,400	43,600	44,800	46,000	258,000					258,000								
90.40.0004	Street Related Water System Improvement	CRP	12/31/32	160,000	164,800	169,600	174,400	179,200	184,000	1,032,000					1,032,000								
90.40.0006	WS Reliability Action Plan Improvement	CRP	12/31/28	150,000	154,500	-	-	-	-	304,500					304,500								
90.40.0010	Water System Instrumentation	CRP	12/31/28	80,000	82,400	-	-	-	-	162,400					162,400								
90.40.0011	First Hill BPS Upgrades	CRP	12/31/28	1,860,000	2,060,000	-	-	-	-	3,920,000					3,920,000								
90.40.0014	Forest Avenue Water System Improvement	CRP	06/30/27	520,000	-	-	-	-	-	520,000					520,000								
90.40.0015	Phase 3 PRV Replacement	CRP	12/31/28	400,000	2,317,500	-	-	-	-	2,717,500					2,717,500								
90.40.0016	Lucas Heights AC Main Replacement	CRP	12/31/27	700,000	3,090,000	-	-	-	-	3,790,000					3,790,000								
90.40.0017	SE 59th & 61st Water Sys Improvement	CRP	12/31/28	550,000	2,317,500	-	-	-	-	2,867,500					2,867,500								
90.40.0018	Phase 4 PRV Replacement	CRP	12/31/29	-	309,000	1,908,000	-	-	-	2,217,000					2,217,000								
90.40.0019	SE 40th (East) AC Main Replacement	CRP	12/31/28	5,100,000	-	-	-	-	-	5,100,000					5,100,000								
90.40.0020	Avalon Park Water Sys Improvement	CRP	12/31/29	600,000	2,472,000	-	-	-	-	3,072,000					3,072,000								
90.40.0021	Phase 5 PRV Replacements	CRP	12/31/30	-	-	212,000	1,090,000	-	-	1,302,000					1,302,000								
90.40.0022	Reservoir Utility Imp	CRP	12/31/30	-	-	116,600	490,500	-	-	607,100					607,100								
90.40.0023	Baxter AC Main Replacement	CRP	12/31/29	-	700,400	2,915,000	-	-	-	3,615,400					3,615,400								
90.40.0025	Phase 6 PRV Replacement	CRP	12/31/31	-	-	-	490,500	2,800,000	-	3,290,500					3,290,500								
90.40.0026	Final Phase AC Main Replacement	CRP	12/31/30	-	-	530,000	3,270,000	-	-	3,800,000					3,800,000								
90.40.0027	E Seattle Nbrhd Water System Improvement	CRP	12/31/31	-	-	-	795,700	3,360,000	-	4,155,700					4,155,700								
90.40.0028	Phase 7 PRV Replacements	CRP	12/31/32	-	-	-	-	532,000	3,162,500	3,694,500					3,694,500								
90.40.0032	City Water Transmission Line Construction	CRP	12/31/27	8,320,000	-	-	-	-	-	8,320,000					8,320,000								
90.40.0041	Town Center Water System Improvement	CRP	12/31/32	-	-	-	-	840,000	3,450,000	4,290,000					4,290,000								
90.40.0042	Town Center Water Upgrades	CRP	12/31/32	-	-	625,900	670,400	661,400	707,300	2,665,000					2,665,000								
90.40.0043	Water System Plan Amendment	CRP	12/31/28	50,000	77,300	-	-	-	-	127,300					127,300								
90.40.0044	EMW Water System Improvements Construction	CRP	12/31/32	2,000,000	-	-	-	-	-	2,000,000					2,000,000								
26	**WATER UTILITY TOTAL**			**20,709,000**	**13,971,000**	**6,809,900**	**7,323,800**	**8,724,300**	**7,864,900**	**65,402,900**	-	-	-	-	**65,402,900**	-	-	-	-	-	-	-	-
122	**TOTAL**			**$ 41,690,000**	**$ 48,226,900**	$ 18,006,300	$ 23,820,900	$ 24,838,900	$ 25,292,600	$ 181,875,600	$ 455,180	$ 24,447,435	$ 16,310,387	$ 547,600	$ 66,457,982	$ 42,472,049	$ 10,724,247	$ -	$ 5,126,982	$ 4,475,138	$ -	$ 10,568,600	$ 290,000
	TOTAL FUNDED PROJECTS IN 2027-2028			**70**	**59**																		

MICEC HVAC Replacement



Project ID
90.05.0002

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$4,590,000

Department
Public Works

Project Manager
Connor Dimick

ADA Component
No

Project Description

This project continues pre-design, design, and construction for the HVAC equipment replacement and system upgrade from a central hydronic HVAC system to a high-efficiency Variable Refrigerant Flow (VRF) heat-pump system, decarbonizing the building's heating system while also reducing overall building energy use.

Project Justification

Several of the major components of the MICEC HVAC system have begun failing as they reach the end of their useful life. This system replacement should result not only in lower ongoing energy costs and improved comfort for building users, but it is also expected to decrease ongoing maintenance costs, as ongoing maintenance for variable refrigerant flow (VRF) systems is less intensive than maintenance for hydronic systems. As one of the City's largest and most used facilities, electrifying the HVAC system will also result in a significant reduction in municipal greenhouse gas emissions. In 2024, the natural gas usage for the MICEC alone accounted for 5% of the City's municipal GHG emissions.

Expenditures	2027	2028	2029	2030	2031	2032
90.05.0002	**$2,990,000**	**$1,600,000**	**$0**	**$0**	**$0**	**$0**

MICEC Ground Water Intrusion

Project ID
90.05.0003

Program Plan
CRP

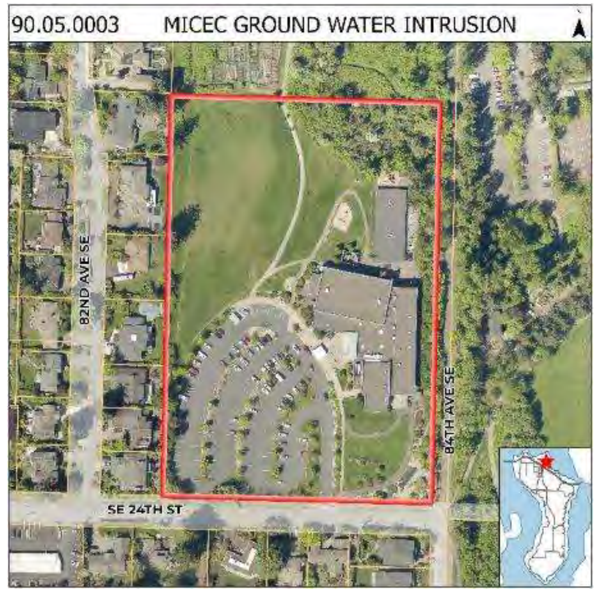
Target Completion Date
12/31/29

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Connor Dimick

ADA Component
No



Project Description

Identify and address recurring ground water intrusion under the gym floor at the north perimeter of the building. Design and remediate surrounding site and building deficiency as recommended by the investigation.

Project Justification

Approximately 15% of the gym floor has been damaged by water seeping through the concrete slab during periods of heavy rain. Minor repairs have been completed. Additional improvements are outlined for completion in 2029.

Expenditures	2027	2028	2029	2030	2031	2032
90.05.0003	**$0**	**$0**	**$397,500**	**$0**	**$0**	**$0**

MICEC Emergency Generator

Project ID
90.05.0011

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$1,871,000

Department
Public Works

Project Manager
Connor Dimick

ADA Component
No

Project Description

The Mercer Island Community and Event Center (MICEC) serves as the heart of the community for activities and events as well as the City's emergency operations center (EOC), emergency shelter, City Hall, and the City's network server infrastructure. A critical investment in a new emergency generator, full-building transfer switch, and additional transformers are needed to ensure that essential City functions continue during emergencies and major disasters.

Due to the project's critical need and scale, staff anticipate the detailed design phase would be complete in 2027. Full project completion, depending on outside funding support and equipment procurement timelines, is projected to be the end of 2028.

Project Justification

During emergencies, the MICEC provides essential services to Emergency Management Operations and only has capability to power the gym and other limited circuits. Upgrading the generator will provide the opportunity to utilize the full facility capabilities during an emergency and to better serve the community. This expansion of generator capacity and the addition of solar energy generation and storage capability would support EOC operations, expand shelter, heating and cooling functions, and provide additional operational flexibility and resiliency to the facility and city-wide staff.

Expenditures	2027	2028	2029	2030	2031	2032
90.05.0011	**$102,600**	**$1,768,400**	**$0**	**$0**	**$0**	**$0**

Honeywell Site Remediation

Project ID
90.05.0013
Program Plan
CRP
Target Completion Date
12/31/28
2027-2028 Project Budget
$446,000
Department
Public Works
Project Manager
Jason Kintner
ADA Component
No

Project Description

Continue with ongoing soil and groundwater remediation at the Honeywell Site and City Maintenance Facility. Compliance work is necessary for in order to obtain a No Further Action letter from the Department of Ecology.

Project Justification

The City previously operated an underground fuel tank at the City maintenance facility. Contaminated soil and groundwater has been located on the City's property and also the southern portion of the adjacent property, located at 9555 SE 36th St. These contaminant levels exceed the Model Toxins Control Cleanup Regulation, which pose health and environmental risks.

In 2021, further site characterization was performed to investigate the extent of contamination and new ground watering monitoring wells were installed. Chemical injections to expedite the degradation of the contaminants were also started. Additional injections, air sparging, and monitoring from a professional service are needed to complete the clean-up and recieve a “No Further Action” letter from the Department of Ecology.

Expenditures	2027	2028	2029	2030	2031	2032
90.05.0013	**$223,000**	**$223,000**	**$0**	**$0**	**$0**	**$0**

9655 Building Space Planning

Project ID
90.05.0021

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$745,000

Department
Public Works

Project Manager
Connor Dimick

ADA Component
No

Project Description
Complete renovations and improvements needed to ensure the facility meets operational, safety, and accessibility standards, enabling staff to occupy and deliver essential City services.

Project Justification
The City acquired the facility in late 2025. Renovations are needed before City staff can effectively use the space. The facility was previously occupied by multiple tenants, and the individual areas are in varying condition and are not currently configured to support City operations or provide an adequate work environment. Improvements will include reconfiguring interior spaces and updating or replacing building systems, including HVAC, access control, technology infrastructure, roofing, and electrical systems.

Expenditures	2027	2028	2029	2030	2031	2032
90.05.0021	**$745,000**	**$0**	**$0**	**$0**	**$0**	**$0**

MICEC Parking Lot Improvements

Project ID
90.05.0023

Program Plan
CRP

Target Completion Date
12/31/30

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Connor Dimick

ADA Component
No

Project Description
Complete repairs at the parking area at the Mercer Island Community and Event Center, including repaving select areas of asphalt, improving surface drainage and rehabilitating planter bed soils.

Project Justification
Multiple areas of asphalt paving across the Community Center parking lot are reaching the end of their useful life. There is significant cracking and signs of failing subgrade. The existing planter bed soils are predominantly leftover fill from construction, and plantings have performed poorly with inadequate soil. Low impact development approaches will be considered during design, including techniques to address stormwater runoff at the site.

Expenditures	2027	2028	2029	2030	2031	2032
90.05.0023	**$0**	**$0**	**$63,600**	**$376,100**	**$0**	**$0**

City Facility Repairs

Project ID
90.05.0024
Program Plan
CRP
Target Completion Date
12/31/32
2027-2028 Project Budget
$495,000
Department
Public Works
Project Manager
Connor Dimick
ADA Component
No

Project Description
Ongoing building and infrastructure maintenance across City Facilities, includes but not limited to:
- ADA Improvements
- Exterior building maintenance repairs
- Interior maintenance and repairs
- Building system maintenance and component replacements
- Annual building maintenance procedures
- Addressing deficiencies identified in Facility Conditions Assessment

Project Justification
This request represents the minimum reinvestment needed to maintain the structure and keep facilities operational while the long-term facility plan is developed.

Expenditures	2027	2028	2029	2030	2031	2032
90.05.0024	**$245,000**	**$250,000**	**$196,900**	**$636,000**	**$146,900**	**$15,300**

City Data via Dashboards & WebGIS

Project ID
90.10.0001

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$81,500

Department
Administrative Services

Project Manager
Leah Llamas

ADA Component
No

Project Description

This project enhances how the City visualizes and analyzes data by creating user-friendly dashboards via continuous updates and the creation of web maps (WebGIS). These dashboards serve diverse functions, including:

- Visualizing land use, zoning, population density, and transportation will aid in urban planning.
- Monitoring infrastructure asset conditions to prioritize maintenance and use predictive analytics.
- Providing real-time information on emergencies, aiding in coordination and public communication.
- Analyzing traffic patterns to optimize transportation systems and traffic flow.
- Monitoring air and water quality, green spaces, and supporting sustainable development.

Project Justification

The City's comprehensive GIS database consolidates over 400 infrastructure, asset, and geographic layers into intuitive web maps for internal and external users. By linking spatial data with interactive dashboards, the platform transforms complex information into clear patterns and trends that streamline daily planning, enhance emergency response, and improve operational efficiency. Sustained investment in WebGIS remains vital to advancing use of this data and maximizing long-term performance.

Expenditures	2027	2028	2029	2030	2031	2032
90.10.0001	$40,000	$41,500	$0	$0	$0	$0

Mobile Asset Data Collection

Project ID
90.10.0002

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$111,000

Department
Public Works

Project Manager
Leah Llamas

ADA Component
Yes

Project Description

As part of the ongoing maintenance of critical infrastructure, including streets and utilities, the City conducts field data collection to support planning and prioritization of street & sign projects. This work includes evaluating street condition through the Pavement Condition Index (PCI) and maintaining an inventory of street signage, including assessments of nighttime reflectivity.

Project Justification

Collecting data on street infrastructure and roadway signage, including pavement condition and sign conditions, is a key activity supporting the City's street and ROW maintenance planning efforts. A camera system mounted on a survey vehicle is used to capture video imagery of infrastructure elements visible from the public right-of-way. This data collection supports assessment of street health through Pavement Condition Index (PCI) evaluations, as well as inventory and condition assessments of street signage, including nighttime reflectivity compliance. Geographic data collected through this process are incorporated into the City's GIS database and enterprise asset management system (Cityworks). City staff are able to view, measure, and analyze these assets through the City's online mapping system.

This project has operated on an ongoing three-year collection cycle since 2013, with the most recent data collection completed in 2025.

Expenditures	2027	2028	2029	2030	2031	2032
90.10.0002	**$0**	**$111,000**	**$0**	**$0**	**$117,700**	**$0**

High Accuracy Aerial Orthophotos

Project ID
90.10.0003

Program Plan
CRP

Target Completion Date
01/01/28

2027-2028 Project Budget
$43,000

Department
Administrative Services

Project Manager
Leah Llamas

ADA Component
No

Project Description

As part of the ongoing maintenance and management of critical infrastructure, the City acquires high-resolution aerial photography to support the continued development and maintenance of GIS data layers. These datasets provide current information for above-ground features and infrastructure, including roadways, parcels, building footprints, and utility assets, enabling informed planning, analysis, and operational decision-making.

Project Justification

High-accuracy digital orthophotography remains the City's primary and most cost-effective tool for obtaining an accurate "on-the-ground" view of island-wide property and infrastructure conditions. This imagery supports precise measurement, analysis, planning, and asset management by documenting changes over time. Periodic aerial photography is required to maintain current and reliable data.

The City's last aerial collection occurred in 2026 through a regional partnership flight. To maximize cost efficiency, the City participates in a regional orthophotography program conducted every 2–3 years, allowing participating agencies to share acquisition costs while maintaining consistent data standards and coverage. Continued participation ensures access to high-resolution, locally controlled imagery that supports multiple departments and long-range planning efforts. Continued funding for regional orthophotography acquisition ensures the City maintains accurate, shareable, and standards-compliant spatial data necessary for planning, engineering, asset management, and operational decision-making.

Expenditures	2027	2028	2029	2030	2031	2032
90.10.0003	**$0**	**$43,000**	**$0**	**$45,900**	**$0**	**$49,700**

Lead Service Line Revision

Project ID
90.10.0005

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$50,000

Department
Public Works

Project Manager
Leah Llamas

ADA Component
Yes

Project Description

Environmental Protection Agency (EPA) required project. The Lead and Copper Rule Revisions (LCRR) require water systems to prepare and maintain an inventory of service line materials. Initial inventories are required to be submitted to the State. Once identified, there will be continuous work to replace pipe material until all material type to comply with federal regulations.

Project Justification

The City has succesfully completed Phase 1 of this project in 2025. Phase 2, as required by the EPA begins in 2027. To address lead in drinking water, water systems need to develop and maintain an inventory of service line materials. Developing an inventory and identifying the location of lead service lines (LSL) is the first step for beginning LSL replacement and protecting public health. Replacing lead service lines is the best way to reduce the risk of exposure to lead in drinking water across a community.

Water utilities are required to create and maintain a lead service line inventory under the Lead and Copper Rule Revisions. Having authoritative information about the number and location of lead service lines is the first step in creating a lead service line removal program to safeguard the health of the community. Lead service line inventory is typically implemented by water utilities that want to quickly begin mapping lead service lines and monitoring compliance with federal regulations.

Expenditures	2027	2028	2029	2030	2031	2032
90.10.0005	**$25,000**	**$25,000**	**$0**	**$0**	**$0**	**$0**

Technology Equipment Replacement

Project ID
90.10.0007

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$487,500

Department
Administrative Services

Project Manager
Alfredo Moreno

ADA Component
No

Project Description
Routine Replacement of outdated technology throughout the City.

Project Justification
If the City does not replace it's technology beyond it's useful life cycle, the following are examples of what could occur, but are not limited to:

- Replacement parts no longer able to be sourced.
- Warranty has expired, resulting in loss of manufacturer support.
- The vendor/manufacturer no longer provides stability/security updates to said technology.
- Loss of productivity due to troubleshooting or failing equipment.

Expenditures	2027	2028	2029	2030	2031	2032
90.10.0007	$398,900	$88,600	$339,100	$423,800	$336,000	$345,000

Emergency Purchases for Equipment and Technology

Project ID
90.10.0008

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$50,000

Department
Administrative Services

Project Manager
Alfredo Moreno

ADA Component
No

Project Description

Unforseen replacement of technology needs that arise in the course of City business.

Project Justification

Emergency funding for unforeseen software and technology needs. Examples include fiber repair due to storm damage or unforeseen software needs due to increasing scope of a City system. Funds will only be used for one-time costs, as needed.

Expenditures	2027	2028	2029	2030	2031	2032
90.10.0008	**$25,000**	**$25,000**	**$25,000**	**$25,000**	**$25,000**	**$25,000**

Microsoft Licensing Upgrade/Catchup

Project ID
90.10.0011

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$179,000

Department
Administrative Services

Project Manager
Alfredo Moreno

ADA Component
No

Project Description
This project encompasses license upgrades for these Microsoft Products: Windows Server, Windows, Windows SQL Server.

Project Justification
Without proper upgrades, these Windows products face the following challenges.

- End of Mainstream Support: No more feature updates, cumulative updates, or non-security fixes.
- End of Extended Support: No more critical security updates available.
- Windows Server 2019: End of Mainstream Support - January 9, 2024 End of Extended Support - January 9, 2029.
- Windows SQL Server 2019: End of Mainstream Support - February 28, 2025 End of Extended Support - January 8, 2030.
- Windows 11: The City's Software Assurance for Windows Enterprise agreement lapsed on Dec 5, 2020.

This agreement needs to be renewed in order to remain current with our licensing obligations for Windows 11 Enterprise.

Expenditures	2027	2028	2029	2030	2031	2032
90.10.0011	**$179,000**	**$0**	**$0**	**$0**	**$0**	**$0**

Trakit Upgrade

Project ID
90.10.0012

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$80,000

Department
Community Planning & Development

Project Manager
Holly Mercier

ADA Component
Yes

Project Description
Upgrade Community Planning and Development's permit tracking database to a modernized web based system.

Project Justification
CPD's current permit tracking system is outdated and vendor support for the product is sunsetting. The upgrade to the web based system will improve staff access to the product, making it available to staff in the field.

Expenditures	2027	2028	2029	2030	2031	2032
90.10.0012	**$80,000**	**$0**	**$0**	**$0**	**$0**	**$0**

Government Equipment

EV Charging Infrastructure Plan

Project ID
90.15.0001

Program Plan
CFP

Target Completion Date
12/31/30

2027-2028 Project Budget
$150,000

Department
Public Works

Project Manager
Alanna DeRogatis

ADA Component
No

Project Description

Ongoing work on the Electric Vehicle (EV) Charging Infrastructure Plan that was developed in the 2025-2026 biennium. In the 2027-2028 biennium, the focus will be on Plan implementation. This funding will support EV Charger installations at City-owned sites that were identified as being a higher priority, due to anticipated charging demand. Policy for usage rates for EV chargers is still under development, but users will likely be charged a fee for use above electricity cost, serving as a future revenue source, pending City Council approval.

Project Justification

The creation of the EV Charging Infrastructure Plan is one of the actions identified in the City's Climate Action Plan. This project will enable the City to strategically plan out EV Charging locations to meet the needs of both municipal operations, and the community at large, as the number of EVs on the Island increase due to state legislation mandating that 100 percent of new vehicles be electric or plug-in hybrid (EV & PHEV) by 2035.

Expenditures	2027	2028	2029	2030	2031	2032
90.15.0001	**$75,000**	**$75,000**	**$100,000**	**$100,000**	**$0**	**$0**

MICEC Tech/Equipment Replacement

Project ID
90.15.0002

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$116,000

Department
Recreation Services

Project Manager
Katie Herzog

ADA Component
YES

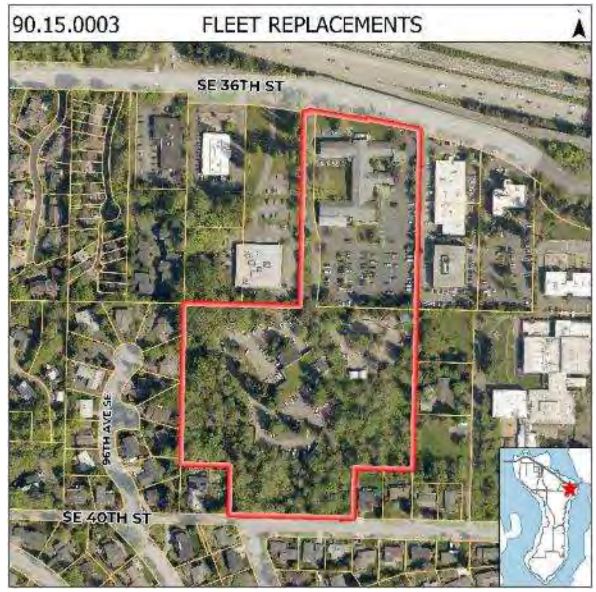
Project Description
This ongoing project manages the end-of-life replacement cycles for technology and equipment at the Community and Event Center, covering assets such as kitchen appliances, meeting room technology, security hardware, furnishings, and fitness gear. For the 2027-2028 biennium, scheduled upgrades include Mercer Room tables, fitness equipment, indoor playground structures, and meeting room technology to ensure reliable facility operations.

Project Justification
In 2027 the Mercer Island Community and Event Center (MICEC) will have operated for 22 years meeting the recreational needs of the community and in providing desirable and rentable meeting space for the region. Currently the MICEC is operating over 330 days per year welcoming approximately 140,000 annual patron visits. The facility provides a hub for City operations including emergency management, City Council, and Board and Commission meetings. Replacement cycles range from 2 to 30 years based on the average useful life of equipment. Staff utilize replacement cycles to ensure desired quality and safety standards are met at the MICEC when offering services to the public.

Expenditures	2027	2028	2029	2030	2031	2032
90.15.0002	$58,000	$58,000	$58,000	$58,000	$58,000	$58,000

Government Equipment

Fleet Replacements



Project ID
90.15.0003

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$2,902,000

Department
Public Works

Project Manager
Jason Kintner

ADA Component
No

Project Description

Procurement of equipment and vehicles scheduled for replacement through Fleet Services, including police patrol vehicles, marine patrol engines, heavy equipment, and administrative staff vehicles.

Project Justification

Equipment and vehicles that have reached the end of their useful lives need to be replaced in a timely and cost effective manner to minimize fuel use, reduce emissions, and provide desired public services. The Equipment Rental Fund is used to manage replacement and Maintenance & Operation funds to ensure that the City's fleet meets the needs and demands of public service. Funds are collected over the life of the vehicle and spent as the useful life is reached.

Expenditures	2027	2028	2029	2030	2031	2032
90.15.0003	$1,729,300	$1,172,700	$558,300	$1,765,700	$275,500	$2,912,700

Residential Street Resurfacing

Project ID
90.20.0001

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$1,819,300

Department
Public Works

Project Manager
Ian Powell

ADA Component
No

Project Description

This ongoing annual program repairs and resurfaces public residential streets on Mercer Island through hot mix asphalt overlays and chip sealing. The program includes upgrades to substandard residential streets, at the rate of about one location per biennium. Minor storm drainage repairs and minor water improvements will also be constructed. Utility work will be funded from the corresponding City sewer, water, and storm water utility funds.

Project Justification

Many of Mercer Island's residential street pavements are 25 to 35 years old. Numerous streets are in need of repair and resurfacing. A pavement condition index (PCI) is used to track the condition of streets and helps determine which segments of the 58 miles are most in need of repair. Current planning allows for a 35-year lifecycle for residential hot mix asphalt pavements. Utility castings (manholes, valve boxes, catch basins) need to be raised and/or replaced after asphalt overlays.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0001	**$815,000**	**$1,004,300**	**$948,700**	**$975,600**	**$1,002,400**	**$1,029,300**

Arterial Preservation Program

Project ID
90.20.0002

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$163,400

Department
Public Works

Project Manager
Ian Powell

ADA Component
No

Project Description
This ongoing annual program repairs isolated pavement failure areas on arterial streets to extend their service lives. Repairs include crack sealing, square cut patching, grinding, and paving of full lane areas.

Project Justification
Mercer Island's arterial streets develop localized areas of pavement fatigue and failure over time. Repairing these small areas will extend the pavement's service life. Some repair areas will contain City utility castings (manholes, valve boxes, catch basins) that need to be adjusted and/or replaced.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0002	$80,500	$82,900	$85,300	$87,700	$90,200	$92,600

ADA Transition Plan Implementation

Project ID
90.20.0003

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$203,000

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description

This ongoing annual project will design and construct spot improvements to pedestrian facilities citywide to meet compliance standards established by the Americans with Disabilities Act (ADA) and documented in the City's ADA Transition Plan. ADA upgrades will be focused in Town Center, then expand throughout the City.

Project Justification

All public agencies are required to comply with the Americans with Disabilities Act of 1990 (ADA), which requires that new and altered facilities be designed and constructed to be accessible to and usable by persons with disabilities. In some areas, the City's existing pedestrian facilities do not meet regulatory requirements of the ADA. This project is an ongoing effort to prioritize, design, and construct improvements to pedestrian facilites in compliance with the ADA. Town Center is prioritized for enhancements due to the opening of the Sound Transit Light Rail Station in 2026 and anticipated increase in pedestrian facility usage.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0003	**$100,000**	**$103,000**	**$212,000**	**$218,000**	**$224,000**	**$230,000**

Traffic Safety and Operations Improvements

Project ID
90.20.0004

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$203,000

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
No

Project Description

This ongoing annual project will provide minor capital transportation improvements thoughout the City to address traffic operation issues and safety concerns. Typical projects include upgrading signs to new mandated standards, channelization improvements, roadway safety and access management improvements, upgrading traffic signals for increased efficiency and safety, and new or revised street lighting. It may also fund traffic data collection or City grant contributions (e.g., the Safe Routes and Streets for All, SS4A, grant program).

Project Justification

This ongoing project allows staff to address small scale traffic operations improvements that are beyond the scope of the operating budget but too small for individual CIP projects. As a result, long-term maintenance needs and overall operating costs are reduced.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0004	**$100,000**	**$103,000**	**$106,000**	**$109,000**	**$112,000**	**$115,000**

PBF Plan Implementation

Project ID
90.20.0005

Program Plan
CRP

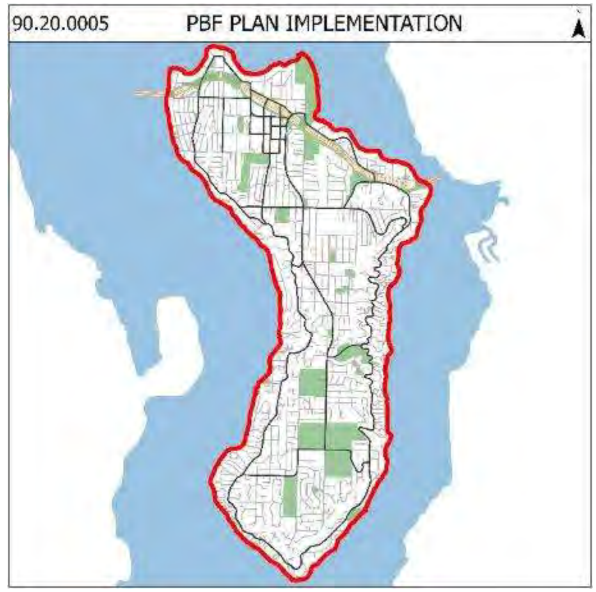
Target Completion Date
12/31/32

2027-2028 Project Budget
$100,000

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes



Project Description
This ongoing annual program will identify, prioritize, design, and construct small spot improvements and gap completion projects to pedestrian and bicycle facilities citywide, as identified in the Pedestrian and Bicycle Facilities (PBF) Plan. Additional pedestrian and bicycle facility projects, besides those listed in the PBF Plan, may be considered if the goals of the PBF Plan are met.

Project Justification
The PBF Plan identifies gaps and opportunities for investment in pedestrian and bicycle facilities citywide. In some areas of the City, the existing transportation system does not provide adequate facilities for pedestrians and bicylists. Therefore, this ongoing project is necessary to complete missing links and create a safe and connected non-motorized network.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0005	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000

SE 40th Street Sidewalk Improvements

Project ID
90.20.0006

Program Plan
CFP

Target Completion Date
12/31/27

2027-2028 Project Budget
$893,000

Department
Public Works

Project Manager
Ian Powell

ADA Component
Yes

Project Description

This project will replace sidewalks and create bike lanes on SE 40th Street from Gallagher Hill Road to 93rd Avenue SE. Initial design and engineering work is scheduled in 2026 with most of the project scheduled in 2027. Work will include constructing new curbs, gutters, and sidewalks along both sides of the roadway; hot mix asphalt overlay of the roadway; minor drainage improvements; landscaping; and new pavement markings.

Project Justification

The Pedestrian and Bicycle Facilities Plan identifies completing connectivity of facilities as a high priority and proposed this improvement. The SE 40th Street corridor provides walking routes to Northwood Elementary, Mercer Island High School, and the PEAK Boys & Girls Club. Paved paths exist along most of both sides of this segment of SE 40th Street, but they are narrow and uneven. In addition to improving important pedestrian routes, this project will connect to sidewalk and bike lane improvements on SE 40th from Island Crest Way to Gallagher Hill Road that were constructed in 2018. Project qualifies for the use of Transportation Impact Fees.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0006	**$893,000**	**$0**	**$0**	**$0**	**$0**	**$0**

78th Ave Sidewalk Improvements

Project ID
90.20.0007

Program Plan
CRP

Target Completion Date
12/31/30

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Rebecca Corigliano

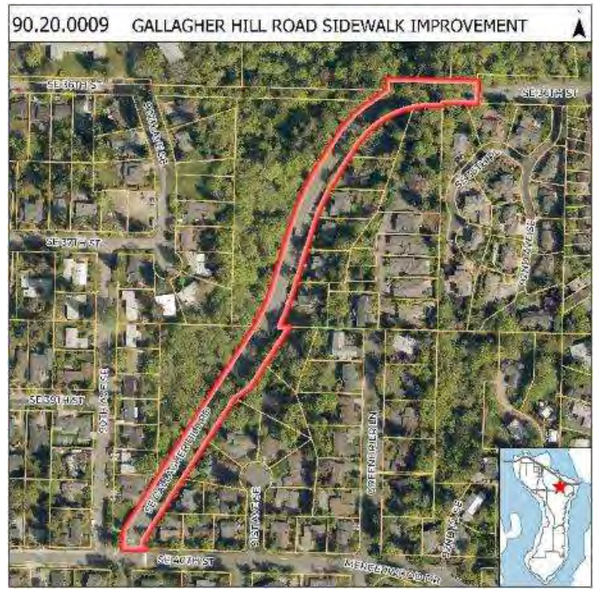
ADA Component
Yes

Project Description
This project will reconstruct curbs, sidewalks, and ADA ramps, and replace street trees along the east side of 78th Avenue SE from SE 32nd to SE 34th Streets. It will also replace street lighting on both sides of the street and address tree root damage along the west side of the street (minor storm and water system repairs may be needed). Overall, this project will improve pedestrian mobility in Town Center.

Project Justification
Pedestrians need safe and reliable sidewalks that meet ADA requirements, particularly in the Town Center. Sidewalks on the east side of 78th Avenue SE date to pre-1980; they are narrow and settlement and heaving issues resulting from nearby street trees. Improving the sidewalk and curb ramps will meet the goals of the City's ADA Transition Plan. Street lighting on 78th Avenue SE needs to be analyzed and upgraded to provide sufficient lighting for pedestrians. Similar to other heaving sidewalks in Town Center, the storm drainage and water systems below the sidewalk may also need repair due to root intrusion.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0007	**$0**	**$0**	**$82,600**	**$776,100**	**$0**	**$0**

Gallagher Hill Road Sidewalk Improvements



Project ID
90.20.0009

Program Plan
CFP

Target Completion Date
12/31/27

2027-2028 Project Budget
$869,000

Department
Public Works

Project Manager
Ian Powell

ADA Component
Yes

Project Description
This project will construct a new sidewalk along the downhill side of Gallagher Hill Road between SE 36th and SE 40th Streets in conjunction with water main installation. Work will include installing new curbs, gutters, sidewalks, and storm drainage.

Project Justification
The Pedestrian and Bicycle Facilities Plan identifies completing connectivity of facilities as a high priority and proposes this improvement. This project has also been requested by the community through previous annual Transportation Improvement Program updates. A paved shoulder exists along this portion of Gallagher Hill but with no physical separation for pedestrians. This is a hilly and curvy section of roadway with higher traffic speeds in the downhill direction. This project may be eligible for grant funds. Project qualifies for the use of Transportation Impact Fees.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0009	**$869,000**	**$0**	**$0**	**$0**	**$0**	**$0**

ICW Corridor Improvements

Project ID
90.20.0013

Program Plan
CRP

Target Completion Date
12/31/31

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description

This project will construct safety improvements at SE 53rd Place and SE 68th Street identified as part of the 2022 Island Crest Way Corridor Safety Analysis.

Project Justification

The 2022 Island Crest Way Corridor Safety Study identified collision risks at the SE 68th Street and SE 53rd Place intersections, recommending infrastructure enhancements to improve safety. Short-term improvements already implemented include signage and pavement marking enhancements. Long-term, additional improvements at the 68th Street stop-controlled intersection and a westbound right-turn lane at SE 53rd Place will aid traffic flow. Scheduled for 2031, this timeline ensures Phase 1 of the Shared Use Path is completed before intersection improvements, while allowing staff to secure Transportation Improvement Board (TIB) grant funds to address limited budget availability.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0013	**$0**	**$0**	**$0**	**$0**	**$1,318,700**	**$0**

SE 27th St Overlay (76th to 80th)

Project ID
90.20.0014

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Ian Powell

ADA Component
No

Project Description

This project will resurface SE 27th Street from 76th to 80th Avenues SE in the Town Center with a hot mix asphalt overlay. Work will consist of pavement repairs, pavement grinding, asphalt paving, ADA ramp replacements, raising utility castings to grade, and new pavement markings. Utility work will be funded from the corresponding City sewer, water, and storm water utility funds.

Project Justification

The Town Center experiences a high-volume of vehicles, pedestrians, and other non-motorized transportation activity that requires safe and well constructed streets. The main east-west route through the Town Center, SE 27th Street, is showing signs of age and wear. Last reconstructed and repaved in the mid-1990s, SE 27th Street has Pavement Condition Index (PCI) ratings in the low "Satisfactory" and "Fair" ranges. Its condition is expected to decline over the next several years. This paving project is planned to occur after completion of the East Link Light Rail on Mercer Island and its associated roadway improvements. A portion of this project will be paid for with the Town Center Street (North) Reserve.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0014	$0	$0	$686,500	$0	$0	$0

North Mercer Way Overlay

Project ID
90.20.0015

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Ian Powell

ADA Component
Yes

Project Description
This project will resurface North Mercer Way from the 8400 block to SE 35th Street with a hot mix asphalt overlay. Work will include pavement repairs, pavement grinding, asphalt paving of the roadway and existing pedestrian shoulder, ADA ramp replacements, raising utility castings to grade, and new pavement markings. Minor storm drainage repairs and minor water system improvements will also be constructed, funded from the corresponding City water, sewer, and storm water utility funds. A new sidewalk will be constructed behind existing curbs from Fortuna Drive to SE 35th Street as part of 90.25.0034.

Project Justification
This arterial roadway was last resurfaced in 1994 by WSDOT and is nearing the end of its pavement life. The King County North Mercer Interceptor Sewer project has impacted this roadway with utility cuts for sewer pipes as well as extended periods of heavy truck traffic. It will need resurfacing after completion of the sewer project and is therefore planned for 2029. Current Pavement Condition Index (PCI) ratings are in the "Fair" and low "Satisfactory" ranges.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0015	$0	$0	$839,000	$0	$0	$0

EMW Roadside Shoulders P11

Project ID
90.20.0016

Program Plan
CFP

Target Completion Date
12/31/27

2027-2028 Project Budget
$470,600

Department
Public Works

Project Manager
Ian Powell

ADA Component
Yes

Project Description
This project will create a new paved shoulder on East Mercery Way from SE 79th Street to the 8400 block. This is the final phase of the Mercer Way Roadside Shoulder projects and will remove the last gap in pedestrian and bicycle facilities along East Mercer Way's entire 4.8-mile length. Minor storm drainage repairs and minor water system improvements will also be constructed and funded from the corresponding City utility funds. Some fire hydrants and water meters will also need to be moved outside of the new shoulder.

Project Justification
Pedestrians and bicyclists regularly use East and West Mercer Way, but lack of shoulders can make the roadway challenging for these users. Paved roadside shoulders currently exist along East Mercer Way from I-90 to SE 79th Street. The roadside shoulder development program began in 2002, and Phase 1 of East Mercer Way was built in 2004. Historically, the City has built one new shoulder project per biennium. Project qualifies for the use of Transportation Impact Fees.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0016	$470,600	$0	$0	$0	$0	$0

76th & NMW Overlay

Project ID
90.20.0017

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Ian Powell

ADA Component
No

Project Description

This project will resurface the intersection of North Mercer Way and 76th Avenue SE at the westbound I-90 on ramp with a hot mix asphalt overlay. Work will include pavement repairs, pavement grinding, asphalt paving of the roadway, raising utility castings to grade, and new pavement markings. Minor storm drainage repairs and minor water system improvements will also be constructed, funded from the corresponding City utility funds.

Project Justification

This intersection is nearing the end of its pavement life. Sound Transit's installation of a traffic signal at the intersection of 76th and North Mercer Way impacted this intersection with utility cuts and extended periods of heavy truck traffic. It will need resurfacing after completion of the signal project and is therefore planned for 2029. Current Pavement Condition Index (PCI) ratings are in the "Poor" range.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0017	$0	$0	$238,500	$0	$0	$0

PBF Plan Update

Project ID
90.20.0018

Program Plan
CFP

Target Completion Date
12/31/27

2027-2028 Project Budget
$160,000

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description

The existing 2010 Pedestrian and Bicycle Facilities (PBF) Plan was a modest update to the original 1996 plan and is no longer current. This comprehensive update will incorporate ADA Transition Plan guidance, update non-motorized facility standards, evaluate projects and priorities based on current standards, and provide a roadmap and foundation for future pedestrian and bicycle facility improvements.

Project Justification

The PBF Plan identifies gaps in and opportunities for investment in citywide pedestrian and bicycle facilities. In some areas of the City, the existing transportation system does not provide adequate facilities for non-motorized users. The City's Climate Action Plan (adopted in April 2023) includes the PBF Plan Update as a key action to expand multimodal transportation options and improve cycling and pedestrian networks. The City was awarded a $320,000 grant through the Safe Streets and Roads for All (SS4A) FY24 grant program to support this project.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0018	$160,000	$0	$0	$0	$0	$0

East Mercer Way Overlay

Project ID
90.20.0019

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Ian Powell

ADA Component
No

Project Description
This project will resurface East Mercer Way from Frontage Road to SE 40th Street with a hot mix asphalt overlay. Work will include pavement repairs, pavement grinding, asphalt paving of the roadway and existing pedestrian shoulder, ADA ramp replacements, raising utility castings to grade, and new pavement markings. Minor storm drainage repairs and water system improvements will be made, funded from the corresponding City utility funds.

Project Justification
This arterial roadway was last resurfaced in the 1990s and is nearing the end of its pavement life. Staff will closely monitor the pavement's condition. Current pavement condition rating is in the "Fair" range but will continue to decline in the coming years.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0019	$0	$0	$466,400	$0	$0	$0

81st Ave SE Sidewalk Improvement

Project ID
90.20.0020

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description

This sidewalk improvement project will reconstruct curb, gutter, sidewalk, and driveways along the east side of 81st Avenue SE from SE 24th Street to North Mercer Way to provide a safe walking route to the Mercer Island Park and Ride and to the Sound Transit Light Rail Station. Street lighting on this side of 81st Avenue SE may also be analyzed and upgraded to provide sufficient lighting for pedestrians. Overall, this project will improve pedestrian mobility in Town Center.

Project Justification

Pedestrians need safe and reliable sidewalks that meet ADA requirements. Curb ramps at the intersections of 81st Avenue SE with North Mercer Way and SE 24th Street have been upgraded to be ADA-compliant, as well as the sidewalk on the west side of 81st Avenue SE. Sidewalk on the east side of 81st Avenue SE is a non-compliant gap that has heaving and lifts within the pedestrian route. By enhancing sidewalk and driveways on the east side of 81st Avenue SE, the City will be eliminating non-compliant gaps to improve pedestrian mobility and meet the goals of the ADA Transition Plan.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0020	**$0**	**$0**	**$286,200**	**$0**	**$0**	**$0**

West Mercer Way Overlay

Project ID
90.20.0021

Program Plan
CRP

Target Completion Date
12/31/30

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Ian Powell

ADA Component
No

Project Description

This project will restore the existing pavement on West Mercer Way from SE 56th Street to East Mercer Way with a hot mix asphalt overlay. Work will include pavement repairs, hot mix asphalt overlay, replacement of old utility castings, and new pavement markings. Minor storm drainage repairs and water service replacements will also be performed, paid for by the respective utility funds.

Project Justification

This 2.3 mile portion of West Mercer Way was last resurfaced in 1995, and its current Pavement Condition Index (PCI) ratings are in the "Satisfactory" and "Fair" ranges. By 2030, the pavement is expected to degrade to a condition that warrants a hot mix asphalt overlay, renewing the life of the 33-year old pavement. Many of the sewer and water castings within the project area are approaching the end of their useful life and require replacement.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0021	**$0**	**$0**	**$0**	**$2,463,400**	**$0**	**$0**

77th Ave SE Channelization

Project ID
90.20.0022

Program Plan
CRP

Target Completion Date
12/31/31

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description
This project will study options for reconfiguration on 77th Avenue SE, which is a key north-south street providing access from North Mercer Way to Mercerdale Park with three travel lanes, including a center lane.

Project Justification
The project scope is consistent with the current Town Center street standards described in MICC 19.11.120. The 2022 Town Center Parking Study (adopted by AB 6369 on November 21, 2023) recommends studying options for street reconfiguration on 77th Avenue SE as a good candidate but no specific design or timeframe was recommended. The City Council directed staff in Exhibit 2, log #2 of AB 6369 (Summary of Discussion Items + Follow Up Actions) to adjust the scope of this project if the Council ultimately decides to pursue an alternative design option in the future.

This project will remain in the “out-years” as a placeholder until such a decision is made. Alternatively, the Council could choose to remove the project from the TIP. If the project remains in the TIP, developers could pay the City their fair share of the improvement in lieu of building them.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0022	$0	$0	$0	$0	$84,000	$0

84th Ave SE Pedestrian Improvements

Project ID
90.20.0025

Program Plan
CFP

Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description

This project will construct a new sidewalk or path along the east side of 84th Avenue SE from SE 33rd Place to SE 36th Street. This section of 84th Avenue SE has a 20 ft-wide paved roadway and is signed as a bike route. There are intermittent sections of shoulder with gravel and grass, but there is not a consistent pedestrian facility on the east side of 84th Avenue SE.

Project Justification

Students and families access Northwood Elementary and Mercer Island High School on 84th Avenue SE, but there is not a consistent pedestrian facility from SE 36th Street to SE 33rd Place. By installing a new sidewalk or path on the east side of 84th Avenue SE, students will have a safe walking route to and from school. Staff has coordinated project scope and timeline with Mercer Island School District, which is a priority of the City's Pedestrian and Bicycle Facilities (PBF) Plan. Grant funding may be available through WSDOT's Safe Routes to School discretionary program.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0025	**$0**	**$0**	**$0**	**$0**	**$0**	**$309,400**

78th Ave SE Overlay (40th to WMW)

Project ID
90.20.0026

Program Plan
CRP

Target Completion Date
12/31/31

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Ian Powell

ADA Component
No

Project Description

This project will resurface 78th Avenue SE from SE 40th Street to West Mercer Way with a hot mix asphalt overlay. Work includes pavement repairs, pavement grinding, hot mix asphalt paving, raising utility castings to grade, and new pavement markings. Initial design and engineering work will begin in early 2031, with construction scheduled in Q3 of 2032. Utility work will be funded from the corresponding City sewer, water, and storm water utility funds. Refer to project 90.20.0029 for the associated pedestrian improvements.

Project Justification

This portion of 78th Avenue SE connects SE 40th Street to West Mercer Way, and this section of its pavement requires resurfacing in the near future. Its current Pavement Condition Index (PCI) rating is in the "Fair" range. This roadway was last repaved in 2001. Utility castings (manholes, valve boxes, catch basins) need to be raised and/or replaced after asphalt overlays.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0026	**$0**	**$0**	**$0**	**$0**	**$464,800**	**$0**

SE 24th Street Overlay

Project ID
90.20.0027

Program Plan
CRP

Target Completion Date
12/31/31

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Ian Powell

ADA Component
No

Project Description

This project will resurface SE 24th Street between 72nd Avenue SE and 76th Avenue SE with a hot mix asphalt overlay. Work will include pavement repairs, preleveling, paving of the roadway and paved shoulders, raising utility castings to grade, and new pavement markings. Minor storm drainage repairs and minor water improvements will be constructed as needed. This project is scheduled to be designed and constructed in 2031. Utility work will be funded from the corresponding City sewer, water, and storm water utility funds. A new sidewalk will be constructed by project 90.25.0028.

Project Justification

The pavement in this segment of arterial roadway is nearing the end of its useful life. It was last repaved in 1993, and its current Pavement Condition Index (PCI) rating is in the "Fair" range. Over the next several years, this rating is expected to slowly decline. Utility castings (manholes, valve boxes, catch basins) need to be raised and/or replaced after asphalt overlays.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0027	$0	$0	$0	$0	$629,400	$0

SE 24th Pedestrian Improvements

Project ID
90.20.0028

Program Plan
CRP

Target Completion Date
12/31/31

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Ian Powell

ADA Component
Yes

Project Description

This project will reconstruct portions of existing concrete curb, gutter, and sidewalk along SE 24th Street to upgrade the walking facility to meet current standards. This project is tied to the SE 24th Street overlay project (90.20.0027) and is planned for construction in 2031.

Project Justification

Pedestrians need safe and reliable sidewalks that meet ADA requirements, particularly in the Town Center. This project will enhance the sidewalk to be ADA-compliant, achieving the goals set forth in the City's ADA Transition Plan. Project qualifies for the use of Transportation Impact Fees.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0028	**$0**	**$0**	**$0**	**$0**	**$781,800**	**$0**

78th Ave SE Sidewalk Improvements

Project ID
90.20.0029
Program Plan
CFP
Target Completion Date
12/31/31
2027-2028 Project Budget
$0
Department
Public Works
Project Manager
Rebecca Corigliano
ADA Component
Yes

Project Description
This project will construct new curb, gutter, and sidewalk along the west side of 78th Avenue SE from SE 40th to SE 41st Streets where a pedestrian facility does not currently exist. The existing paved shoulder on the east side of 78th Avenue SE from SE 40th Street to West Mercer Way will be upgraded with curb, gutter, and sidewalk. This sidewalk project is tied to the 78th Avenue SE Overlay (90.20.0026). A bike lane in the northbound direction will be considered if there is sufficient right of way available (there is limited right of way for pedestrian and bicycle improvements).

Project Justification
78th Avenue SE from SE 40th Street to West Mercer Way is used by many students and families to access West Mercer Elementary School. By installing new sidewalk along this entire section of 78th Avenue SE, students will have a safe route to and from school that is separated from the high volume of traffic using the roadway. A priority of the City's Pedestrian and Bicycle Facilities (PBF) Plan is to work with Mercer Island School District to provide safe routes to schools. Grant funding may be available through WSDOT's Safe Routes to School grant program.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0029	$0	$0	$0	$0	$422,000	$0

Mercerwood Dr Ped Imp

Project ID
90.20.0030

Program Plan
CFP

Target Completion Date
12/31/31

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description
Mercerwood Drive has limited paved shoulders from 93rd Avenue SE to 96th Avenue SE for pedestrian and bicycle usage. In 2026-2027, sidewalk will be installed on the south side of SE 40th Street from its existing terminus near Gallagher Hill to 93rd Avenue SE, the start of Mercerwood Drive. This project will continue the new sidewalk from 93rd Avenue SE to 96th Avenue SE on the south side of Mercerwood Drive, with ADA ramps and a new pedestrian crossing at 96th Avenue SE. Bike lane installation may also be considered.

Project Justification
Pedestrians and bicyclists regularly use Mercerwood Drive to connect with SE 40th Street and East Mercer Way. Some destinations on either end of Mercerwood Drive include schools, community centers, and other gathering places. This project will improve pedestrian and bicycle connectivity and safety, and will provide safe routes to Northwood Elementary and Mercer Island High School. Staff has coordinated project scope and timeline with Mercer Island School District, which is a priority of the City's Pedestrian and Bicycle Facilities (PBF) Plan. Pedestrian enhancements on Mercerwood Drive are also outlined in the City's PBF Plan. Grant funding may be available through WSDOT's Safe Routes to School grant program.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0030	$0	$0	$0	$219,500	$1,331,600	$0

ICW Crosswalk Enhancement

Project ID
90.20.0031
Program Plan
CFP
Target Completion Date
12/31/32
2027-2028 Project Budget
$0
Department
Public Works
Project Manager
Rebecca Corigliano
ADA Component
Yes

Project Description
This project will enhance the existing crosswalk on Island Crest Way just north of SE 46th Street. Improvements to the existing facility include a pedestrian signal and ADA enhancements to the two curb ramps on each side of Island Crest Way and the center median. Additional intersection safety improvements at 86th Avenue SE may be considered as the project scope is further refined.

Project Justification
The boundary lines for Northwood, West Mercer, and Island Park Elementary are all near SE 45th Street and Island Crest Way. This existing crossing is used by students accessing three elementary schools as well as Mercer Island High School and Middle School. A pedestrian signal will help increase visibility and create a safer route to school by requiring vehicles to stop for students crossing Island Crest Way. Staff has coordinated project scope and timeline with Mercer Island School District, which is a priority of the City's Pedestrian and Bicycle Facilities (PBF) Plan. Grant funding may be available through WSDOT's Safe Routes to School grant program.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0031	$0	$0	$0	$0	$90,000	$570,400

SE 27th St Sidewalk Improvements

Project ID
90.20.0032

Program Plan
CRP

Target Completion Date
12/31/31

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description

This sidewalk improvement project is located at the western edge of Town Center, along the south side of SE 27th Street, from 76th Avenue SE to the west approximately 325 feet. New curb and gutter, sidewalk, driveways, and ADA curb ramps will be constructed. Street trees will be replaced to allow space for new street trees to mature without sidewalk damage. This project will also replace street lighting and storm drainage systems where needed upon replacement of the sidewalk. Overall, this project will improve pedestrian mobility in Town Center.

Project Justification

Pedestrians need safe and reliable sidewalks that meet ADA requirements. Sidewalks on the south side of SE 27th Street have significant root damage and heaving due to nearby street trees. Curb ramps at SE 27th Street and 76th Avenue SE are not ADA compliant. Enhancing the ramps and sidewalk to be ADA-compliant will meet the goals of the City's ADA Transition Plan. Street lighting on this side of SE 27th Street needs to be analyzed and upgraded to provide sufficient lighting for pedestrians. Similar to other heaving sidewalks in Town Center, the storm drainage system below the sidewalk may also need repair due to root intrusion.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0032	**$0**	**$0**	**$0**	**$129,000**	**$792,200**	**$0**

West Mercer Way Overlay

Project ID
90.20.0033

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Ian Powell

ADA Component
No

Project Description
This project will resurface West Mercer Way from the I-90 eastbound off ramp to SE 24th Street and from SE 28th Street to SE 32nd Street with a hot mix asphalt overlay. Work will include pavement repairs, pavement grinding, asphalt paving of the roadway and existing pedestrian shoulder, raising utility castings to grade, and new pavement markings. Minor storm drainage repairs and minor water system improvements will also be constructed, funded from the corresponding City utilities funds.

Project Justification
These sections of arterial roadway were last resurfaced in 1994 and 2003, respectively, and are nearing the end of their pavement life. Design for this project is scheduled in 2030 with construction in Q3 2031. Current Pavement Condition Index (PCI) ratings are in the "Fair" and low "Satisfactory" ranges.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0033	**$0**	**$0**	**$0**	**$0**	**$67,000**	**$691,200**

NMW Sidewalk Improvements

Project ID
90.20.0034

Program Plan
CFP

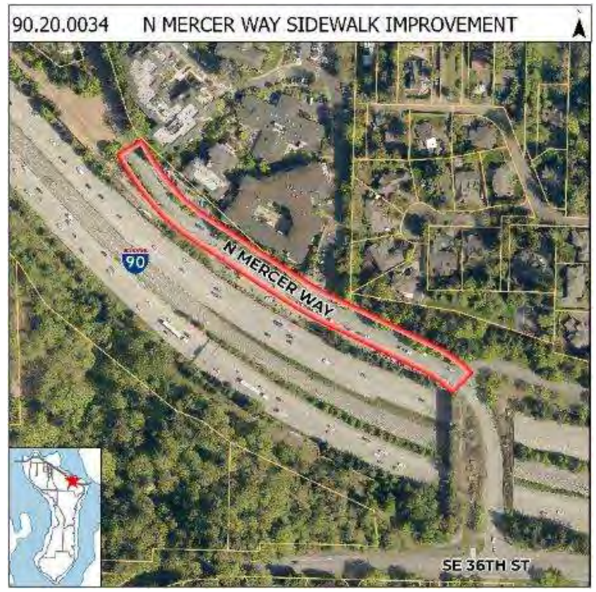
Target Completion Date
12/31/29

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Ian Powell

ADA Component
Yes



Project Description
This sidewalk improvement project is along the north side of North Mercer Way from SE 35th Street west to Fortuna Drive and Covenant Shores. New sidewalk will be built behind existing curb and gutter and new ADA curb ramps will be added. This project is tied to the North Mercer Way Overlay project (90.25.0015).

Project Justification
This project will connect a gap in the existing pedestrian infrastructure. Currently a gravel walking path connects the concrete sidewalk at Covenant Shores to the I-90 trail at SE 35th Street. This project will provide pedestrians a safe walking path to reach the I-90 trail from the north side of North Mercer Way. Project qualifies for the use of Transportation Impact Fees.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0034	**$0**	**$0**	**$174,900**	**$0**	**$0**	**$0**

ICW Shared Use Path Phase 1

Project ID
90.20.0040
Program Plan
CFP
Target Completion Date
12/31/27
2027-2028 Project Budget
$1,909,000
Department
Public Works
Project Manager
Rebecca Corigliano
ADA Component
Yes

Project Description
The Island Crest Way Shared Use Path Phase 1 project will enhance the connection between the south end of Island Crest Park (SE 60th Street) and Island Park Elementary through the construction of a paved 10-foot-wide shared use path.

Project Justification
This project was developed from the Island Crest Way Corridor Safety Analysis, which identified corridor-wide improvements to enhance mobility and safety for pedestrians and bicyclists. Phase 1 project limits were selected to connect pedestrians with adjacent destinations, including Island Park Elementary, Deane's Children's Park, and Island Crest Park, while improving eligibility for future grant funding. The Phase 1 project received a Washington State Transportation Improvement Board (TIB) grant of $850,000. $743,007 of the grant award will fund construction in 2027.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0040	**$1,909,000**	**$0**	**$0**	**$0**	**$0**	**$0**

Transportation Action Plan

Project ID
90.20.0041

Program Plan
CFP

Target Completion Date
12/31/28

2027-2028 Project Budget
$160,000

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description
The Transportation Action Plan will provide a detailed safety analysis for all roadways on Mercer Island, evaluating current conditions and historical trends to establish a baseline for motor vehicle accidents. This analysis will also identify contributing factors and crash types, categorized by roadway users, including motorists, pedestrians, and bicyclists.

Project Justification
Mercer Island has been awarded $160,000 through the Safe Streets and Roads for All (SS4A) FY23 grant program to support this project. Once the Transportation Action Plan is completed, the City will be eligible to apply for additional grants to support project implementation. The PBF Plan Update (90.20.0018) grant funds are tied to the Transportation Action Plan.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0041	**$80,000**	**$80,000**	**$0**	**$0**	**$0**	**$0**

Street Standard Details

Project ID
90.20.0042

Program Plan
CFP

Target Completion Date
12/31/29

2027-2028 Project Budget
$153,000

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description

The Street Standard Details project will update Mercer Island Public Works streets standard details to assist with planning and design efforts. The standard details will provide engineering drawings and specifications to ensure uniform construction of streets, storm drainage, and the transportation network. Goals of the ADA Transition Plan will be incorporated into the standard details.

Project Justification

Currently, staff rely on other agency details for reference (such as the Washington State Department of Transportation). Establishing comprehensive standard street details ensures all infrastructure, whether built by the City or private developers, aligns with long-term safety, sustainability, and aesthetic goals based on best practices for maintaining a multimodal transportation network. Also, by incorporating pedestrian and bicycle facilities into roadway cross-sections, this project reduces vehicle-driven paved areas and mitigates environmental pollution.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0042	**$50,000**	**$103,000**	**$53,000**	**$0**	**$0**	**$0**

92nd Ave SE Sidewalk Improvements

Project ID
90.20.0043

Program Plan
CFP

Target Completion Date
12/31/30

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes

Project Description

The 92nd Avenue SE Sidewalk Improvements project will build new concrete curb, gutter, and sidewalk along the west side of 92nd Avenue between SE 40th and SE 41st Streets to provide a “safe route to school.”

Project Justification

This project was requested by Mercer Island School District as a priority "safe route to school" project for Northwood Elementary and the High School. At the southern project limit, it will complete a missing link on 92nd Avenue by connecting with sidewalks the School District constructed in 2015 along the High School frontage.

This project is scheduled to start in 2029 to align with the completion of SE 40th Street Sidewalk Improvements (90.20.0006), which will create another sidewalk connection at the northern project limit. This timeline also allows staff sufficient time to pursue grant opportunities, such as the Transportation Improvement Board (TIB) or Safe Routes to School (SRTS). Sidewalk improvements on 92nd Avenue SE are also outlined in the City's PBF Plan.

Expenditures	2027	2028	2029	2030	2031	2032
90.20.0043	**$0**	**$0**	**$100,400**	**$623,600**	**$0**	**$0**

Open Space Management

Project ID
90.25.0001

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$433,800

Department
Public Works

Project Manager
Lizzy Stone

ADA Component
No

Project Description

Carry out ongoing ecological restoration projects across nearly 300 acres of natural areas and open spaces in accordance with the 2004 Open Space Vegetation Plan, the 2015 update, and the 2022 PROS plan. Restoration projects aim to reduce invasive weed cover, preserve and replace canopy cover, increase biodiversity, and protect high-value habitat including climate refugia, steep slopes, and watercourses. This work is accomplished by a combination of in-house, seasonal restoration crews, City staff, professional contractors, and volunteers.

Project Justification

Mercer Island's nearly 300 acres of open spaces provide innumerable ecological, social, and economic benefits for the city and community. The forests, wetlands, watercourses, and ravines that make up the City's parks and open spaces serve as critical environmental infrastructure, controlling erosion, buffering stormwater, improving air quality, and buffering sound pollution. These natural areas also provide valuable habitat for wildlife, offer mental and physical health benefits, and create the lush, forested aesthetic for which Mercer Island is known.
Noxious weeds, pests, and pathogens threaten the health of these open spaces by killing existing canopy trees, suppressing natural forest regeneration, and outcompeting native plant communities. Deferred maintenance and management of open space properties will lead to degraded habitat and forest canopy conditions leading to a decline in ecosystem functions as well as a loss on existing City investments in Open Space management.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0001	$208,300	$225,500	$238,900	$241,300	$243,700	$246,100

Recurring Parks Minor Capital

Project ID
90.25.0002

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$203,000

Department
Public Works

Project Manager
To Be Determined

ADA Component
Yes

Project Description

Repair, replace, or refurbish park furnishings, perform emergency repairs, and other small projects to maintain City parks. Preliminary architectural and engineering services for scoping of projects for budget purposes. Projects are likely to include: pavement patching, restroom fixture replacement, parking lot striping, irrigation and drainage repairs, playground equipment repair and replacement. Projects may be completed by contractors or in-house staff. Adding donations to revenue for this fund.

Project Justification

Pavement, parks furnishing, and landscaping wear out and become unsafe over time. Many of these projects are too small to define as a separate project. On a recurring basis, equipment, facilities and amenities must

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0002	**$100,000**	**$103,000**	**$132,500**	**$136,300**	**$140,000**	**$143,800**

Trail Renovation and Property Management

Project ID
90.25.0003
Program Plan
CRP
Target Completion Date
12/31/32
2027-2028 Project Budget
$0
Department
Public Works
Project Manager
Lizzy Stone
ADA Component
Yes

Project Description

Renovate trails that improve connectivity and walkability. Repair trails with decreased functionality or safety issues. Acquire easements where needed. Manage property issues such as encroachments, donations, rights-of-entry, and leases. Potential projects for 2029-2032 include Mercerdale and SE 53rd Open Space trail tread rehabilitation, replacement of degraded timber stairs, replacement and repair of metal and wood railings, and timber stair non-skid surfacing.

Project Justification

Much of the City's trail infrastructure utilizes timber stairways that are approaching the end of their useful lifespan and are of similar age. In early 2026, the Natural Resources team surveyed the trail system and identified 15 trail structures out of 150 that exhibited sufficient ware or potential risk to public safety to warrant a Level 1, High Priority, rating. There are 167 stair treads recommended for replacement between the 15 locations. This compares to four Priority 1 structures that included 32 stairs in 2022. This shows that degradation of these structures is accelerating, resulting in a need for additional construction resource needs in upcoming years. Maintainaing a functional and safe trail system on the island was highlighted as a priority in the PROS plan and meets the City's goals for sustainability by providing non-motorized alternatives for traveling around the island.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0003	**$0**	**$0**	**$26,500**	**$27,300**	**$28,000**	**$28,800**

Aubrey Davis Park Vegetation Management

Project ID
90.25.0006

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Andrew Prince

ADA Component
No

Project Description
Renovate landscapes in Aubrey Davis Park per the Aubrey Davis Park Master Plan, which entails ongoing management overcrowded trees, renovating soils, and replanting with selective plant palettes.

Project Justification
The landscape in Aubrey Davis Park (ADP) was a negotiated part of the Environmental Impact Statement for the highway reconstruction. It must continue to serve as mitigation for the presence of the highway. The ADP Master Plan provides a road map for the renovation it requires. Because the landscape belongs primarily to Washington State Department of Transportation (WSDOT), the project work must be done in conjunction with WSDOT.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0006	$0	$0	$26,500	$27,300	$28,000	$28,800

ADP MTS Trail Lighting

Project ID
90.25.0008

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$665,600

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
No

Project Description
Illuminate the Mountains to Sound Greenway (I-90) Trail along the north side of the tall retaining wall from Shorewood to Island Crest Way, a distance of approximately half a mile.

Project Justification
This trail section is dark in winter due to heavy shade from the retaining wall and adjacent tress. Adding lighting will improve this pedestrian route from Shorewood to Town Center. This project is part of Mercer Island's Parks, Recreation, and Open Space (PROS) Plan. Staff is currently pursuing grant funding through WSDOT's Pedestrian & Bicycle program.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0008	**$75,000**	**$590,600**	**$0**	**$0**	**$0**	**$0**

ADP Intersection and Crossing Improvements

Project ID
90.25.0009

Program Plan
CRP

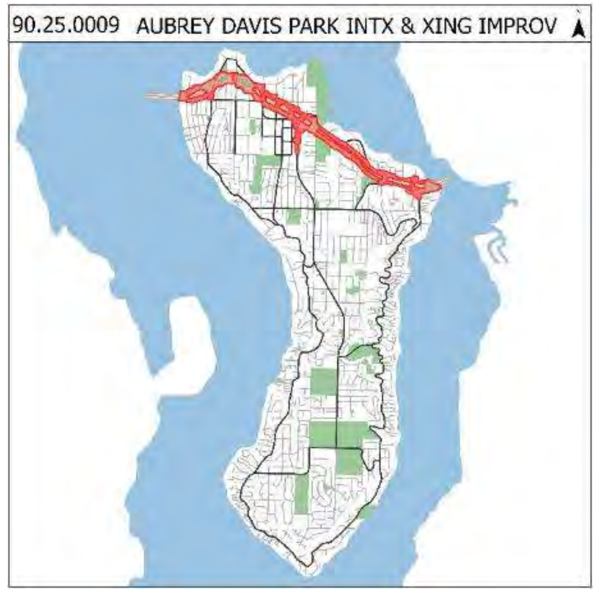
Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Rebecca Corigliano

ADA Component
Yes



Project Description
Enhance trail/roadway intersections in WSDOT right-of-way with near-term improvements such as object markers, pavement markings, signage, and detectable warning surfaces as discussed in the Standard Details and Design Recommendations memorandum (developed by Toole Design in 2024) to improve safety. Long-term improvements include bollard removal and other enhancements discussed by Toole Design's memorandum. Priority will be given to locations where existing bollards do not have object markers. City crews will perform all construction work.

Project Justification
Ongoing safety upgrades to intersections of trails and public roads will enhance pedestrian connectivity to the park. City-owned bollards within Aubrey Davis Park have already been removed/enhanced, but bollards within WSDOT right-of-way still exist. This project is consistent with the 2019 Aubrey Davis Park Master Plan and the 2022 PROS Plan. All modifications would also meet the goals set forth in the ADA Transition Plan.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0009	**$0**	**$0**	**$53,000**	**$54,500**	**$56,000**	**$57,500**

Clarke Waterfront Improvements

Project ID
90.25.0014

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Sarah Bluvas

ADA Component
Yes

Project Description

Implement improvements recommended through Joint Infrastructure Plan for Clarke and Groveland Beach Parks (anticipated adoption Q4 2026). Anticipated renovations include replacing hardened shoreline with natural shoreline and fish habitat; removing/repairing in-water structures; adding full ADA access from the parking lot to the waterfront; replacing the restroom structure; and improving exisiting trails and other recreational amenities.

Project Justification

Anticipated for adoption by late 2026, the Joint Infrastructure Plan for Clarke and Groveland Beach Parks prioritizes Clarke Beach in 2029 due to the poor condition of its waterfront structures, which require removal or replacement. This project addresses degraded and unstable concrete stairs in both swim areas and fully evaluates the feasibility of an ADA-accessible route from the parking lot to the waterfront. Similar to the Luther Burbank Park Docks renovation process, multi-year permitting involving multiple federal, state, and local agencies is expected. Additionally, because Clarke Beach is located within the Cedar Sammamish Watershed (WRIA8), shoreline restoration is a priority for grant funding and must be designed to enhance salmon habitat.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0014	$0	$0	$0	$109,000	$560,000	$1,150,000

Deane's Children's Park Phase 1

Project ID
90.25.0015

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$1,680,000

Department
Public Works

Project Manager
To be determined

ADA Component
Yes

Project Description

Install foundational safety and accessibility improvements, including upgrading the park's southern perimeter fencing, new accessible parking stalls, accessible path from the parking lot to Island Park Elementary, a 5-12+ tower combination, and swings for all ages and abilities. As part of this phase, a connection to the Island Crest parking lot will be explored further.

Project Justification

The play equipment at Deane's Children's Park was installed in 2005 and 2012 and is planned for lifecycle replacement over the span of the 2022 Parks Levy. The recently adopted Site Plan provides a comprehensive vision for how the park will evolve over time. The phasing strategy is driven by constructability, as this phase is working from the farthest point in the park to the staging area. Should funding allow, this approach provides flexibility to advance elements from subsequent phases.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0015	**$650,000**	**$1,030,000**	**$1,060,000**	**$0**	**$0**	**$0**

Groveland Waterfront Improvements

Project ID
90.25.0016

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Sarah Bluvas

ADA Component
Yes

Project Description

Implement improvements recommended through the comprehensive Clarke and Groveland Beaches Joint Master Plan process underway in 2024 and slated to be completed by the end of 2025/early 2026. Interim needs include jacketing piles, repairing decking, and replacing damaged walers and timber curbing on the pier; repairing cracks greater than 1/16-inch wide in the concrete bulkhead; and regularly inspecting all the structures while the Joint Master Plan is developed. Anticipated improvements resulting from the Joint Master Plan may include fully removing/ replacing the pier with an in-kind structure or alternative (e.g., swim float); replacing the existing bulkhead with a larger bulkhead and zero-entry beach; and installing an irrigation intake system to draw water from Lake Washington.

Project Justification

The City conducted a conditions assessment of the in-water structures at Groveland Beach Park in August 2023 as part of the technical background for the Clarke and Groveland Beaches Joint Master Plan. This assessment found that the overall condition of the pier is good to fair; the concrete bulkhead is fair; and the log boom is good to fair. Interim repairs and regular inspection will allow the City to maintain the existing structures while the Joint Master Plan process is completed. This site is not a strong contender for grants, so designing and implementing major improvements in conjunction with 90.20.0014 Clarke Waterfront Improvements may allow the City to take advantage of credits gained by restoring/enhancing salmon habitat at Clarke.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0016	**$0**	**$0**	**$0**	**$109,000**	**$560,000**	**$1,150,000**

Luther Burbank Minor Capital

Project ID
90.25.0019
Program Plan
CRP
Target Completion Date
12/31/32
2027-2028 Project Budget
$232,400
Department
Public Works
Project Manager
To be determined
ADA Component
Yes

Project Description
Repairs and minor improvements to Luther Burbank Park infrastructure, equipment and amenities consistent with the 2006 Luther Burbank Park Master Plan and the 2008 Parks Levy. This project meets ongoing needs for repair and replacement of infrastructure, including trees, docks, pathways, trails, fixtures, drainage, electrical, plumbing, landscaping, etc.

Project Justification
Roads, docks, sports courts, turf areas, restrooms, facilities, parking lots, trails and shoreline have suffered from extended deferred maintenance. These areas need ongoing minor repair. On a recurring basis, equipment, facilities and amenities must be repaired or replaced as they reach the end of their useful lifecycle.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0019	$115,600	$116,800	$117,900	$119,100	$120,300	$121,500

PROS Plan 6-Year Update

Project ID
90.25.0033

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$70,000

Department
Public Works

Project Manager
To be determined

ADA Component
Yes

Project Description

Complete the periodic update to the Parks, Recreation and Open Space Plan (PROS Plan). Work may include: confirming/updating PROS Plan Goals and Objectives; updating the 20-Year Capital Facilities Plan project list and cost estimates; documenting PROS Plan projects completed to-date; and other routine updates to the planning document.

Project Justification

The PROS Plan, updated approximately every six years, allows Mercer Island to remain current with community interests and retain eligibility for state grants through the Washington State Recreation and Conservation Office (RCO), which administers various grant programs for outdoor recreation and conservation efforts. On March 1, 2022, Mercer Island City Council adopted the 2022 PROS Plan, which was informed by extensive technical background analysis and community engagement. Staff anticipate this periodic update to be smaller in scope.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0033	**$35,000**	**$35,000**	**$0**	**$0**	**$0**	**$0**

Pioneer Park/Engstrom Forest Management

Project ID
90.25.0034

Program Plan
CRP

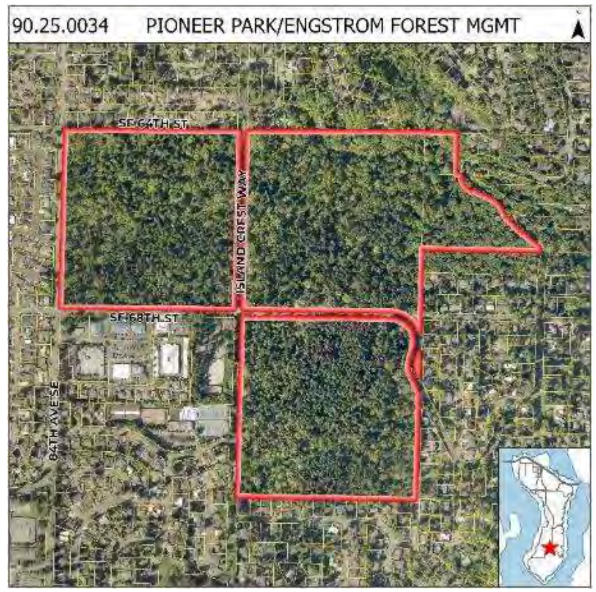
Target Completion Date
12/31/32

2027-2028 Project Budget
$337,000

Department
Public Works

Project Manager
Lizzy Stone

ADA Component
No



Project Description

Carry out ongoing ecological restoration projects in Pioneer Park and Engstrom Open Space consistent with the 2004 Open Space Vegetation Plan and 2015 Update, the Pioneer Park Forest Management Plan, and the Pioneer Park 2008 Forest Health Survey. Restoration projects include noxious weed management, native tree and shrub installation, and arboriculture services. Projects are accomplished through a combination of professional restoration crews and tree care companies, in-house staff, and community volunteers.

Project Justification

Pioneer Park and Engstrom Open Space represent 125 acres of the City's nearly 300 acres of natural areas, and include high value upland coniferous forest and critical areas such as wetlands, watercourses, and steep-sloped ravines. The properties are managed under the guidance of the City's Open Space Conservancy Trust Board. Pioneer Park and Engstrom OS serve as critical environmental infrastructure that controls erosion, buffers stormwater, and abates pollution. They also provide mental and physical health benefits, recreational opportunities, and wildlife habitat. Invasive and noxious weeds threaten the health of these lands by suppressing natural forest regeneration and outcompete native plant communities. Trees are also dying from root diseases and require ongoing monitoring and management. Deferred maintenance and management of Pioneer Park and Engstrom OS will lead to degraded habitat and forest canopy conditions leading to a decline in ecosystem functions as well as a loss on existing City investments in forest health and management.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0034	$175,200	$161,800	$152,200	$153,800	$155,300	$156,900

Secret Park Playground Replacement

Project ID
90.25.0035

Program Plan
CRP

Target Completion Date
12/31/30

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Sarah Bluvas

ADA Component
Yes

Project Description
Install new playground equipment and provide an accessible route from the nearest public right-of-way if feasible.

Project Justification
Secret Park currently features a climbing structure, two traditional belt swings, and a small spinner toy. Playground equipment at the park was installed in 2007 and is planned for lifecycle replacement over the span of the 2022 Parks Levy. Opportunities for ADA access and diversification of play experiences will be explored during the design process.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0035	**$0**	**$0**	**$0**	**$444,200**	**$0**	**$0**

Sport Courts Improvements

Project ID
90.25.0037

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Sarah Bluvas

ADA Component
Yes

Project Description

Assess and renovate sport court facilities at Aubrey Davis Park, Island Crest Park, Homestead Park, and Roanoke Park. Renovations may include crack sealing and repair; resurfacing and restriping; installing new nets and other accessories; and improving site access as needed. Staff recommend engaging a qualified professional to assess all four sport court facilities in 2027-2028, then designing and constructing improvements over several years based on the findings of the assessment. Opportunities for ADA accessibility will be evaluated as part of the court assessment process.

Project Justification

Staff inventoried the sport court facilities at Aubrey Davis Park, Island Crest Park, Homestead Park, and Roanoke Park in March 2024 and found significant cracking, root intrusions, surface peeling, and other damage at all facilities. A qualified professional will be selected to determine whether each facility needs to be resurfaced or fully repaved and other renovations required to restore them to their full capacity. Constructing over phases will allow the City to address the worst conditions first while maintaining other facilities until future construction begins.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0037	$0	$0	$0	$272,500	$0	$287,500

ICP Backstops & South Infield Improvements

Project ID
90.25.0045

Program Plan
CRP

Target Completion Date
12/31/30

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
TBD

ADA Component
No

Project Description

Replace the backstops at the Island Crest Park North and South fields, and convert the South infield to synthetic turf.

Project Justification

This project continues upgrades at the Island Crest Park athletic field complex. The North field is the most-used athletic field in the City's park system, hosting recreational and league teams year-round. The backstop needs to be replaced with taller ball control netting along the parking lot. The South field backstops are also reaching the end of their useful life. Additionally, the South infield will be converted from sand to synthetic turf to improve reliability, increase rental revenues, reduce rainouts, and decrease maintenance costs.

Expenditures	2027	2028	2029	2030	2031	2032
90.25.0045	**$0**	**$0**	**$127,200**	**$2,703,200**	**$0**	**$0**

Emergency Sewer System Repairs

Project ID
90.30.0001

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$110,600

Department
Public Works

Project Manager
Chris Marks/ Allen Hunter

ADA Component
No

Project Description
Ongoing program to repair or replace sewer system infrastructure and components on an as-needed emergency basis. Work includes emergency repairs to sewer collection (pipe infrastructure) and pumping systems (pump stations and the sewer lake line).

Project Justification
Due to an aging sewer system and degradation of existing infrastructure, the City has seen an increase of emergency repairs. These emergencies have resulted in costly repairs and increased risk to potential exposure and negative environmental impacts. This repair program provides funding to address failed assets during emergency events.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0001	**$54,500**	**$56,100**	**$57,800**	**$59,400**	**$61,000**	**$62,700**

Backyard Sewer System Improvements

Project ID
90.30.0002

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$276,500

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description
Ongoing program to improve the sewer collection system in backyards throughout the Island by installing cleanouts or manholes at the end of sewer mains where access is difficult or non-existent.

Project Justification
There are more than 100 locations in the City's sewer collection system where sewer main tees have been built with no access points. Referred to as "blind tees", these pipe segments cannont be routinely inspected and cleaned to remove blockages or roots. Adding cleanouts and manholes as access points will allow preventative maintenance to occur and will reduce the risk of sewer backups into homes and claims being filed against the City. This project was identified in the 2018 General Sewer Plan.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0002	$139,500	$137,000	$147,900	$145,000	$156,200	$153,000

Sewer System Components

Project ID
90.30.0003

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$110,600

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description
Annual program to replace components of the sewer system on an as-needed basis. These include pipes, manholes, manhole ladders, pump station access hatches and ladders, valves, pump/motor assemblies, associated variable frequency drives (VFDs), lifts, grates, ventilation systems, wetwell rings and lids, transducers, float systems, electrical, lighting, and communication systems.

Project Justification
This annual improvement program is necessary to ensure all components of the sewer system are in reliable condition, function properly, and peform effectively. Replacing these components before they reach the end of their useful life ensures the sewer system remains operational and helps prevent large scale emergency repairs.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0003	$54,500	$56,100	$57,800	$59,400	$61,000	$62,700

Pump Station Access Improvements

Project ID
90.30.0004

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$221,300

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description
This project addresses priority pump station (PS) access issues to support daily maintenance and operational needs at the following locations: 8000 SE 20th Street (PS 1); 2239 60th Avenue SE (PS 4); 9036 North Mercer Way (PS 10); 4000 East Mercer Way (PS 12); 3897 West Mercer Way (PS 13); 4311 Forest Avenue SE (PS 14); 4765 Forest Avenue SE (PS 15); 5495 West Mercer Way (PS 16); 6415 77th Avenue SE (PS 17); 7220 Holly Hill Drive (PS 18); 7697 West Mercer Way (PS 19); 8790 85th Avenue SE (PS 20); 8000 Avalon Drive (PS 21); 6223 East Mercer Way (PS 22); 5406 96th Avenue SE (PS 23); 4606 East Mercer Way (PS 24); 4266 East Mercer Way (PS 25). Priorities include improving walking paths or stairs down to pump stations; upgrades to existing roadways to facilitate land access; and renovations to existing docks and bulkheads to facilitate access from the lake.

Project Justification
Many of the pump stations are difficult, if not impossible, to access. In an emergency, crews may not be able to access a station with needed equipment and parts due to terrain and private property improvements surrounding a station. This project will improve access to all pump stations for continued ongoing maintenance and operations. The 2018 General Sewer Plan recommends a systematic program to improve access. The 2019 Lake Line and Pump Station Access Evaluation report confirms access difficulty at many stations and outlines future site improvements.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0004	**$107,000**	**$114,300**	**$113,400**	**$121,000**	**$119,800**	**$127,700**

Wet Well Cleaning

Project ID
90.30.0006

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$250,000

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description

Ongoing program to clean and visually inspect seventeen sewer pump station wet well structures located at: 8000 SE 20th Street (PS 1); 2239 60th Avenue SE (PS 4); 9036 North Mercer Way (PS 10); 3309 97th Avenue SE (PS 11); 3897 West Mercer Way (PS 13); 4311 Forest Avenue SE (PS 14); 4765 Forest Avenue SE (PS 15); 5495 West Mercer Way (PS 16); 6415 77th Avenue SE (PS 17); 7220 Holly Hill Drive (PS 18); 7697 West Mercer Way (PS 19); 8790 85th Avenue SE (PS 20); 8000 Avalon Drive (PS 21); 6223 East Mercer Way (PS 22); 5406 96th Avenue SE (PS 23); 4606 East Mercer Way (PS 24); 4266 East Mercer Way (PS 25).

Project Justification

Biennial cleaning of sewer pump station wet wells is essential to maintain reliable operation and extend the life of system components. Routine cleaning prevents the buildup of fats, oils, and grease (FOG), which can solidify and cause blockages in the lakeline system, and removes debris that can damage pumps. It also provides an opportunity to inspect the wet well and associated infrastructure for wear, damage, or developing issues before they lead to failures. Additionally, regular cleaning helps limit the formation of hydrogen sulfide (H_2S), a corrosive gas that can deteriorate concrete and metal components over time.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0006	$250,000	$0	$265,000	$0	$280,000	$0

Lakeline Reach 1 Capacity Improvements

Project ID
90.30.0007

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$12,794,000

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description

This project continues work initiated in the 2025–2026 biennium. Reach 1 of the Sewer Lakeline extends approximately 2.5 miles and serves pump stations at 6223 East Mercer Way (PS 22), 5406 96th Avenue SE (PS 23), 4606 East Mercer Way (PS 24), and 4266 East Mercer Way (PS 25). Lakeline locating, marking, mapping, hydraulic analysis, and preliminary condition and permitting assessments began during the 2025-2026 biennium and are currently underway.

Funding in the 2027–2028 biennium will support improvements to address identified capacity and access deficiencies. The estimated construction scope assumes rehabilitation and/or replacement of approximately 25% of the Reach 1 lakeline (roughly the segment between PS 25 and PS 24), along with installation of three new access points. Final design will be informed by the ongoing capacity analysis; however, this represents a conservative planning assumption to support compliance with Department of Ecology requirements and reduce the risk of sanitary sewer overflows.

Project Justification

Reach 1 conveys approximately 23% of Mercer Island’s wastewater (about 132,000 gallons per day) to the South Metro Pump Station for off-Island treatment. During heavy rain events, high wet well levels and system surcharging have resulted in sanitary sewer overflows at the relief structure near PS 25. The lakeline and associated pump stations, constructed between the mid-1950s and late 1960s, are also approaching the end of their useful life. Immediate improvements are needed to address capacity limitations, reduce the risk of overflows to Lake Washington, and comply with Department of Ecology order requirements.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0007	$2,700,000	$10,094,000	$0	$0	$0	$0

Mercerdale Park Sewer Upsizing

Project ID
90.30.0008
Program Plan
CRP
Target Completion Date
12/31/32
2027-2028 Project Budget
$0
Department
Public Works
Project Manager
Chris Marks
ADA Component
Yes

Project Description

Replacement of approximately 85 feet of existing 8-inch sewer main with new 12-inch sewer main, abandonment of approximately 865 feet existing 10-inch asbestos cement sewer main, and installation of 1075 feet of new 10-inch, 12-inch, and 16-inch sewer main along new alignments within and directly adjacent to the eastern portion of Mercerdale Park, located at 3205 77th Ave SE.
The project will require the installation of a temporary sewer bypass to maintain services during construction. Portions of the existing park surface improvements impacted by the project will be restored and/or improved and include but are not limited to, replacement of existing paved path with shared use path, tree removal and replacement, construction of sidewalk and ADA curb ramps, and installation of storm drainage and pedestrian lighting facilities.

Project Justification

These segments of pipe were installed in the 1950s and 1960s and are shown to have capacity issues during storm events. Replacing the current pipe infrastructure not only ensures the reliability of the sewer collection system but is necessary to prevent wastewater overflows. Projects P-3 and P-4 of the 2018 General Sewer Plan support this improvement.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0008	**$0**	**$0**	**$0**	**$0**	**$280,000**	**$1,610,000**

General Sewer Plan Update

Project ID
90.30.0013

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$128,000

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description

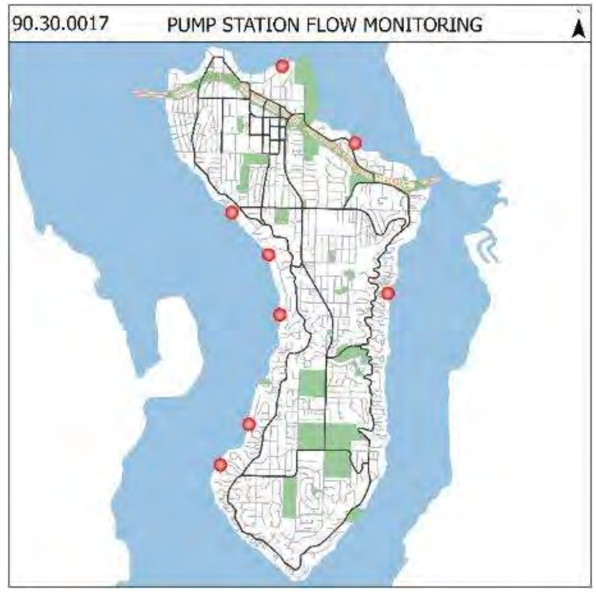
Update the General Sewer Plan (GSP) for adoption in 2028, in accordance with the requirements of WAC 173-240-050. Examine policies, review capital improvement projects, and identify projects to accomplish in the short-, mid-, and long-term CIP phases. Coordinate project with other major City planning efforts to avoid public engagement fatigue.

Project Justification

Updates to the sewer plan should occur every 10 years to maintain the reliability of the wastewater collection system. The previous update began in 2015 and was adopted by the City Council in 2018. This effort is supported by the development of the Comprehensive Hydraulic Model (90.30.0009) and the Comprehensive Infiltration and Inflow (I/I) Evaluation (90.30.0010), both completed in 2026. The 2028 General Sewer Plan (GSP) will incorporate projected growth and increased density on Mercer Island resulting from the Growth Management Hearings Board (GMHB) order and House Bill (HB) 1491.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0013	**$128,000**	**$0**	**$0**	**$0**	**$0**	**$0**

Pump Station Flow Monitoring



Project ID
90.30.0017

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$1,102,400

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description

Ongoing program to install wastewater flow meters at all City pump stations to monitor station capacity during regular and high-flow events. Work requires modifications to the discharge piping within pump station dry wells as well as programming support for SCADA integration.

The following nine pump stations will be addressed under this budget: 8000 SE 20th Street (PS 1); 9036 North Mercer Way (PS 10); 3897 West Mercer Way (PS 13); 4311 Forest Avenue SE (PS 14); 4765 Forest Avenue SE (PS 15); 6415 77th Avenue SE (PS 17); 7220 Holly Hill Drive (PS 18); 4606 East Mercer Way (PS 24); 4266 East Mercer Way (PS 25).

Project Justification

Discharge flow meters are required at all City sewer pump stations by December 31, 2028, per Department of Ecology Order No. 23515. Currently, only stations 4, 11, and 16 have meters installed, with installs at 19-23 to coincide with the replacement of each station (projects 90.30.0005, 90.30.0026, and 90.30.0027). Expanding flow and level monitoring at pump stations will improve SCADA reliability and enhance understanding of lakeline system capacity. This project also supports the lakeline capacity analysis currently underway in Reach 1 (project 90.30.0007).

Upon completion, staff will have access to accurate system flow data, helping to reduce the risk of failures and ensure continued reliable sewer service.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0017	**$592,500**	**$509,900**	**$0**	**$0**	**$0**	**$0**

Sewer Pipeline Flow Monitoring

Project ID
90.30.0018

Program Plan
CRP

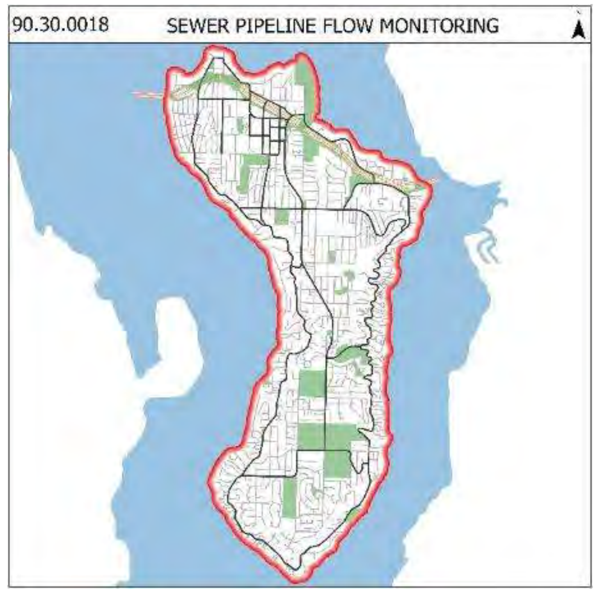
Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Chris Marks

ADA Component
No



Project Description
This project evaluates the capacity of the collection system by conducting flow monitoring in sewer mains and manholes Mercer Island-wide. Work involves permanent installation of flow meters at the downstream end of major junctions in the gravity system, as well as the installation of rainfall gauges at specified locations across the Island. Meter sites will be evaluated to maximize the usefulness of data measured. Internet- or cellular-based data collection by a third party will be made available to sewer operations and maintenance for retrieval and use.

Project Justification
There is currently no flow monitoring program for the sewer collection system. Flow monitoring is necessary for evaluating the capacity of the sewer pipe system during diurnal, dry weather, and peak wet weather wastewater flows. Data in near real-time can detect problems with the system (surchage events) as they occur, and data from ongoing flow monitoring will be used to calibrate the hydraulic model as development occurs, and identify segments of high infiltration and inflow (I/I) for future investment. This project was identified in the 2018 General Sewer Plan (Project G-1).

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0018	**$0**	**$0**	**$0**	**$0**	**$390,900**	**$303,000**

Lakeline Reach 2 Map & Model

Project ID
90.30.0020

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description

Reach 2 of the Sewer Lakeline extends approximately 5.1 miles and spans pump stations at 4311 Forest Avenue SE (PS 14), 4765 Forest Avenue SE (PS 15), 5495 West Mercer Way (PS 16), 6415 77th Avenue SE (PS 17), 7220 Holly Hill Drive (PS 18), 7697 West Mercer Way (PS 19), 8790 85th Avenue SE (PS 20), and 8000 Avalon Drive (PS 21). Work will include locating, marking, and surveying the lakeline to verify system configuration and alignment. The project will also include updates to the City's Comprehensive Hydraulic Model developed in 2026 (Project No. 90.30.0009), which did not include the lakeline system. Hydraulic modeling will utilize available pump station Supervisory Control and Data Acquisition (SCADA) data and may include limited deployment of temporary flow meters in upstream sewer mains.

Project Justification

Reach 2 conveys approximately 48% of Mercer Island's wastewater (about 250,000 gallons per day) to the South Metro Pump Station for off-island treatmet, nearly double the flow of any other reach. Although no recent sanitary sewer overflows have been recorded, the 1966 cast-iron pipeline is approaching the end of its useful life. Findings from the condition assessment of the similarly aged Reach 1 lakeline (Project No. 90.30.0007) will help inform priorities for Reach 2. This survey and model development establishes the foundation for future improvements, including potential full replacement, targeted rehabilitation, or installation of access points to support inspection, maintenance, and emergency response.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0020	**$0**	**$0**	**$0**	**$0**	**$2,128,000**	**$2,185,000**

Pump Station 19 & 21 Replacement

Project ID
90.30.0026

Program Plan
CRP

Target Completion Date
12/31/30

2027-2028 Project Budget
$11,073,000

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description

The stations are located at 7697 West Mercer Way (PS 19) and 8000 Avalon Drive (PS 21).
This project prioritizes replacement of two sewer pump stations identified as most in need of rehabilitation based on a comprehensive evaluation of high-risk stations completed in 2024. The project will include replacement of pumps, piping, mechanical systems, and associated electrical and control equipment; rehabilitation or replacement of existing concrete vault structures; and related utility reconfiguration, system modernization, and site improvements. The objective is to extend the service life of each station by approximately 50 years while minimizing impacts to nearby residents and the shoreline environment.
Preliminary design for both stations began in March 2026 (Project No. 90.30.0025). This project would fund the remaining design in 2027, with construction occuring as early as 2028 and continuing through 2029.

Project Justification

Sewer pump stations are an essential part of the sewer collection system. These stations were installed in the mid-1950s to late-1960s as part of the Lake Line system and are aging and in need of capital repair that can no longer be deferred. Some stations have capacity concerns, while others are experiencing multiple component failures. Deferral of pump station rehabilitation and replacement (R&R) may likely result in failure and sewer overflow into Lake Washington. Projects PS-4 and PS-5 of the 2018 General Sewer Plan support this project.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0026	**$500,000**	**$10,573,000**	**$0**	**$0**	**$0**	**$0**

Pump Station 22 & 23 Replacement

Project ID
90.30.0027

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description
The stations are located at 6223 East Mercer Way (PS 22) and 5406 96th Avenue SE (PS 23).
This project prioritizes replacement of two sewer pump stations identified as most in need of rehabilitation based on a comprehensive evaluation of high-risk stations completed in 2024. The project will include replacement of pumps, piping, mechanical systems, and associated electrical and control equipment; rehabilitation or replacement of existing concrete vault structures; and related utility reconfiguration, system modernization, and site improvements. The objective is to extend the service life of each station by approximately 50 years while minimizing impacts to nearby residents and the shoreline environment.
Funding in the 2031–2032 biennium is for design only, with construction anticipated in the 2033–2034 biennium.

Project Justification
Sewer pump stations are an essential part of the sewer collection system. These stations were installed in the mid-1950s to late-1960s as part of the Lake Line system and are aging and in need of capital repair that can no longer be deferred. Some stations have capacity concerns, while others are experiencing multiple component failures. Deferral of pump station rehabilitation and replacement (R&R) may likely result in failure and sewer overflow into Lake Washington. Projects PS-4 and PS-5 of the 2018 General Sewer Plan support this project.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0027	**$0**	**$0**	**$0**	**$0**	**$476,000**	**$488,800**

PS 20 & 22 Generator Replacement

Project ID
90.30.0028

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$1,240,800

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description

This project replaces the standby diesel generators at sewer pump stations 20 & 22 located at 8790 85th Avenue SE and 6223 East Mercer Way, respectively. These generators were installed in 2006 and are nearing the end of their useful life.
Work under this project also includes repairing the generators' above ground enclosures and below grade vaults as well as upgrading ancilliary generator equipment to meet the most current National Electric Code (NEC) and National Fire Protection Association/International Fire Code (NFPA/IFC) requirements.

Project Justification

Sewer pump stations are located close to Lake Washington (generally within 50 feet). On-site backup generators provide a cost-effective safeguard by maintaining operation during power outages and preventing sewer overflows. Backup power is required to meet reliability standards under WAC 173-240. Generators have an expected useful life of 20 to 30 years. This project was identified in the 2018 General Sewer Plan (Project PS-2) and supports the City’s goal of replacing two generators each biennium.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0028	**$252,000**	**$988,800**	**$0**	**$0**	**$0**	**$0**

PS 10 & 19 Generator Replacement

Project ID
90.30.0029
Program Plan
CRP
Target Completion Date
12/31/30
2027-2028 Project Budget
$0
Department
Public Works
Project Manager
Chris Marks
ADA Component
No

Project Description

This project replaces the standby diesel generators at sewer pump stations 10 & 19 located at 9036 North Mercer Way and 7697 West Mercer Way, respectively. These generators were installed in 2006 and 2008 and are nearing the end of their useful life.

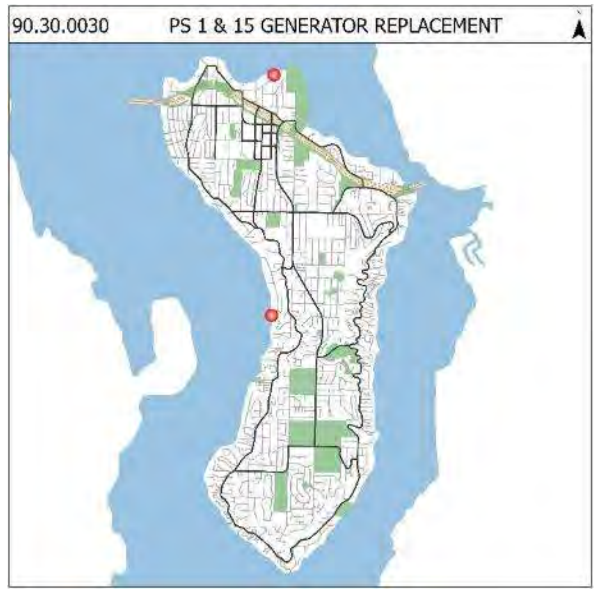
Work under this project also includes repairing the generators' above ground enclosures and below grade vaults as well as upgrading ancilliary generator equipment to meet the most current National Electric Code (NEC) and National Fire Protection Association/International Fire Code (NFPA/IFC) requirements.

Project Justification

Sewer pump stations are located close to Lake Washington (generally within 50 feet). On-site backup generators provide a cost-effective safeguard by maintaining operation during power outages and preventing sewer overflows. Backup power is required to meet reliability standards under WAC 173-240. Generators have an expected useful life of 20 to 30 years. This project was identified in the 2018 General Sewer Plan (Project PS-2) and supports the City’s goal of replacing two generators each biennium.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0029	$0	$0	$245,900	$861,100	$0	$0

PS 1 & 15 Generator Replacement



Project ID
90.30.0030

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Chris Marks

ADA Component
No

Project Description

This project replaces the standby diesel generators at sewer pump stations 1 & 15 located at 8000 SE 20th Street and 4765 Forest Avenue SE, respectively. These generators were installed in 2006 and 2008 and are nearing the end of their useful life.

Work under this project also includes repairing the generators' above ground enclosures and below grade vaults as well as upgrading ancilliary generator equipment to meet the most current National Electric Code (NEC) and National Fire Protection Association/International Fire Code (NFPA/IFC) requirements.

Project Justification

Sewer pump stations are located close to Lake Washington (generally within 50 feet). On-site backup generators provide a cost-effective safeguard by maintaining operation during power outages and preventing sewer overflows. Backup power is required to meet reliability standards under WAC 173-240. Generators have an expected useful life of 20 to 30 years. This project was identified in the 2018 General Sewer Plan (Project PS-2) and supports the City’s goal of replacing two generators each biennium.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0030	$0	$0	$0	$0	$259,800	$908,500

Town Center Sewer Upgrades

Project ID
90.30.0031

Program Plan
CRP

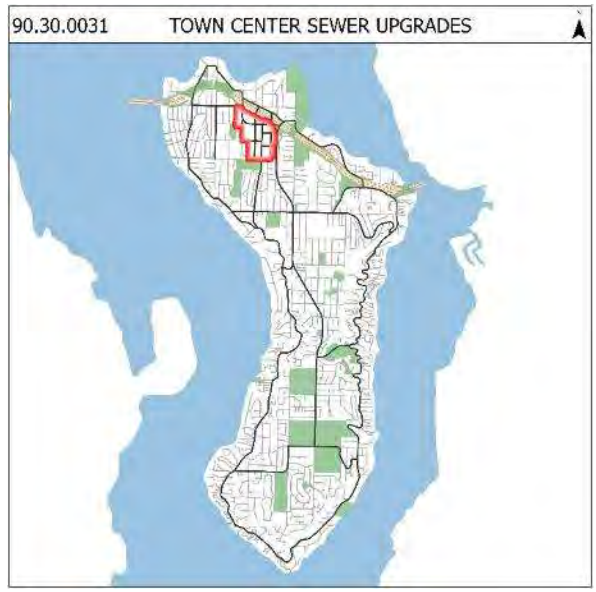
Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Chris Marks

ADA Component
No



Project Description
Ongoing program to improve the sewer collection system through rehabilitation, replacement, upsizing, and expansion of pipelines within the Town Center and surrounding areas. Improvements will be prioritized based on findings from in-house NAASCO CCTV inspection data, the Comprehensive Infiltration and Inflow (I/I) Evaluation (2026, Project No. 90.30.0010), Comprehensive Hydraulic Model Development (2026, Project No. 90.30.0009), and the adopted 2028 General Sewer Plan (Project 90.30.0013).

Project Justification
Existing sewer pipes are aging and exhibit structural defects that contribute to increased infiltration and inflow (I/I). Other segments have been identified as having capacity deficiencies under both current and projected growth conditions. During peak wet-weather events, these limitations can result in surcharging of the system, reduced conveyance capacity, and increased risk of sanitary sewer overflows. While most of Mercer Island is largely built out, continued growth in the Town Center is expected to further stress the system, particularly during periods of high inflow and rainfall.

Expenditures	2027	2028	2029	2030	2031	2032
90.30.0031	**$0**	**$0**	**$625,900**	**$670,400**	**$661,400**	**$707,300**

Emergency SW Conveyance Replacement

Project ID
90.35.0001

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$121,800

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description
Ongoing annual Emergency Stormwater Conveyance Repair program to repair and/or replace current stormwater infrastructure on an as-needed emergency basis.

Project Justification
The National Pollutant Discharge Elimination System (NPDES) permit requires the City to perform repairs on the stormwater conveyance system in a timely manner and to standards set forth in the Stormwater Management Manual for Western Washington. The Emergency Stormwater Conveyance Repair program provides funding for these unforseeable incidents that have become more commonplace in the City's aging stormwater conveyance system. Stormwater pipe failures often result in costly repairs that are accompanied with increased exposure to risk and surrounding infrastructure damage.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0001	$60,000	$61,800	$63,600	$65,400	$67,200	$69,000

Street Related Storm Drainage Improvements

Project ID
90.35.0002
Program Plan
CRP
Target Completion Date
12/31/32
2027-2028 Project Budget
$345,100
Department
Public Works
Project Manager
Ian Powell
ADA Component
No

Project Description
Ongoing project that installs storm drainage improvements at various locations on Mercer Island in advance of residential and arterial street resurfacing work.

Project Justification
This project addresses existing drainage issues in neighborhoods prior to street repaving projects.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0002	$170,000	$175,100	$180,200	$185,300	$190,400	$195,500

Conveyance Condition Assessment

Project ID
90.35.0003

Program Plan
CRP

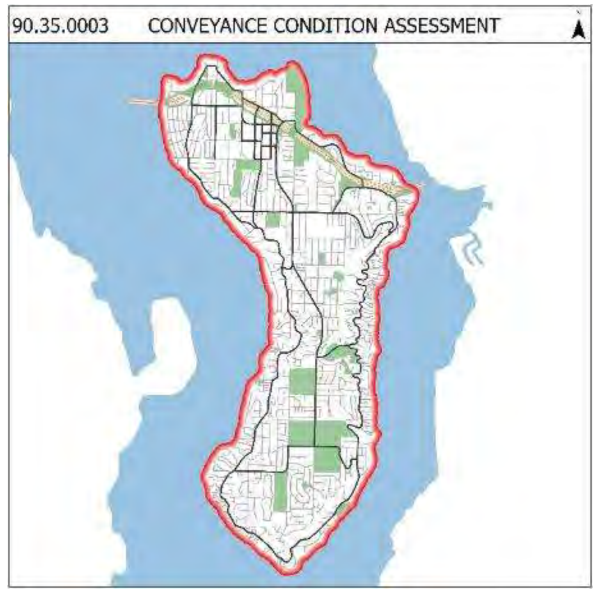
Target Completion Date
12/31/32

2027-2028 Project Budget
$223,300

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No



Project Description
Ongoing program to inspect the main arteries of the stormwater conveyance system, known as trunklines, using a video inspection method called CCTV. Inspections will document pipe condition, identify defects, and verify pipe size and material. The collected data will be used to categorize the condition of the trunklines and identify/rank needed repair and replacement projects.

Project Justification
Deficiencies and defects in trunklines impact the entire drainage system and may cause flooding, property damage, and roadway damage. Inspecting the storm conveyance system will allow the City to identify and resolve defects to prevent negative impacts. The Stormwater Management Program (SWMP) directs City stormwater operations within the National Pollutant Discharge System (NPDES), which requires stormwater system conveyance inspections.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0003	**$110,000**	**$113,300**	**$116,600**	**$119,900**	**$123,200**	**$126,500**

Stormwater System Improvements

Project ID
90.35.0004

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$900,700

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No

Project Description

Ongoing program to improve the stormwater conveyance system by addressing localized drainage issues or identified system defects through repair, replacement, extension, or system additions. Issues and defects could include broken or sunken pipes, non-standard drainage structures, roadway ponding, need for additional catch basins for improved collection, or minor gaps in the piped system.

Project Justification

Many components of the stormwater conveyance system are aging and have structural damage or other defects. The City uses CCTV and other field inspection data to prioritize stormwater pipe issues and develop a comprehensive program to continually address pipes as they reach the end of their useful lives.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0004	**$396,000**	**$504,700**	**$519,400**	**$534,100**	**$548,800**	**$563,500**

SW Monitoring Instrumentation

Project ID
90.35.0005

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$71,100

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description
Evaluate and install monitoring options and instrumentation for the City's stormwater conveyance system at key locations. In 2027-2028, evaluation will determine opportunities at various locations with sample locations installed and tested.

Project Justification
The conveyance system currently has many "hotspots" that must be regularly monitored in-person to check for obstructions or blockages. Installing monitoring equipment will provide staff with ongoing information about the conditions at each location, offering early warning and real-time, critical data to support maintenance needs. Labor hours required to visit these sites for visual monitoring will decrease when new monitoring equipment is operational.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0005	**$35,000**	**$36,100**	**$0**	**$0**	**$0**	**$0**

Watercourse Condition Update

Project ID
90.35.0007

Program Plan
CRP

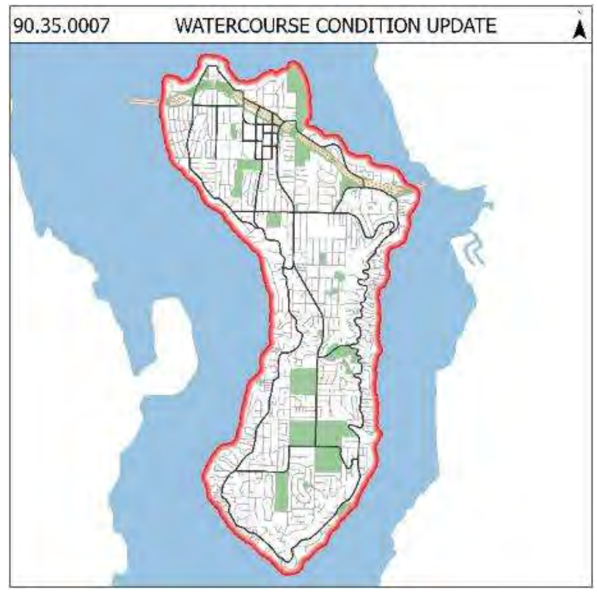
Target Completion Date
12/31/28

2027-2028 Project Budget
$257,500

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No



Project Description

This project continues condition assessments for Mercer Island ravines and watercourses. The work includes updating assessments of the physical condition and rate of erosion for previously identified watercourses as well as any new locations of concern. The assessments will be used to plan and prioritize future watercourse restoration projects. In addition, this project includes evaluation of past watercourse remediation projects to identify any locations in need of minor repair/adjustments or corridors requiring efforts to reestablish riparian areas.

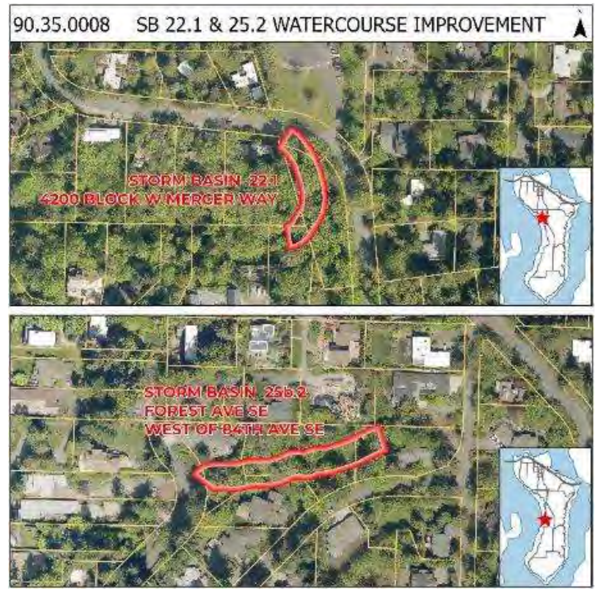
Project Justification

Watercourses throughout Mercer Island serve as part of the City's stormwater conveyance system. Many have downcutting, stability, and/or erosion issues. The City has been actively working to stabilize watercourses to reduce bank and slope instability, landslide potential, erosion, and sedimentation, as well as improve the overall watercourse habitat.

This project will support this stabilization work by providing information to prioritize future projects. Additionally, this project will assess the impacts of previous watercoruse improvements. Stream banks can become overgrown with invasive plants and stream flows often displace logs and grade control structures that were installed during past projects, resulting in the need for adjustments after years of use.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0007	**$0**	**$257,500**	**$0**	**$0**	**$0**	**$0**

SB 22.1 & 25b.2 Watercourse Improvements



Project ID
90.35.0008

Program Plan
CRP

Target Completion Date
12/31/27

2027-2028 Project Budget
$550,000

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No

Project Description

This project includes the stablization of approximately 360 total linear feet of channel at two watercourses: SB 22.1, located west of West Mercer Way near the 4200 block (Site 1); and SB 25b.2, located along Forest Avenue SE, west of 84th Avenue SE (Site 2).

Channel stablization at both sites includes clearing and regrading the channel bed with stream bed gravel mix; planting riparian buffer along the banks; installing logs and rootwads; and replanting with native vegetation.

Project Justification

At Site 1, the channel has near vertical banks and is incised, impacting the fill slope adjacent to West Mercer Way and creating potential impacts to the roadway. Site 2 includes highly erodible, loose silt and soil banks, with localized earth movement on both banks and slide material in the bottom of the ravine. These conditions pose risks to slope stability, increasing erosion/sedimentation and habitat destruction over time. Addressing these conditions reduces bank and slope instability, landslide potential, erosion, and sedimentation, as well as improves the overall watercourse habitat.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0008	$550,000	$0	$0	$0	$0	$0

SB 47.4 Watercourse Restoration

Project ID
90.35.0011

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$154,500

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description
This project remediates stormwater flow in SB 47.4. Flow from an eight-inch culvert under East Mercer Way is flowing near 9426 SE 52nd Street, creating some erosion issues and potential future impacts to the adjacent area.

Project Justification
This location is part of the stormwater conveyance system. Over time, the flow route has shifted, causing potential issues for the resident at this address. By piping the watercourse in this location, the flow route can be stabilzed, reducing the potential for future impacts.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0011	$0	$154,500	$424,000	$0	$0	$0

E Seattle Neighborhood Drainage Improvements

Project ID
90.35.0012

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$542,600

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description

Improve the neighborhood stormwater system in East Seattle, including repairing/replacing aging system components such as offset joints and cracked or collapsed pipes. Several project locations have been identified through CCTV and field inspections, including SE 32nd Street, 60th Avenue SE, and 61st Avenue SE.

Project Justification

This is one of the oldest neighborhoods on Mercer Island, with several known stormwater issues identified through CCTV inspection and previous water main construction activities. The remainder of the neighborhood will be inspected, and all necessary repairs will be completed with this project ahead of future road resurfacing.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0012	**$110,000**	**$432,600**	**$0**	**$0**	**$0**	**$0**

Watercourse Minor Repairs & Maintenance

Project ID
90.35.0013

Program Plan
CRP

Target Completion Date
12/31/30

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No

Project Description

The City has completed multiple watercourse projects throughout Mercer Island to reduce bank and slope instability, landslide potential, erosion, and sedimentation, as well as improve the overall watercourse habitat. This project focuses on reestablishing riparian corridors and making minor adjustments to watercourse logs and grade control structures, removing invasive vegetation, and enhancing native vegetation for previous watercourse projects. A condition assessment will be conducted in 2028 to determine the locations that need repair and maintenance (90.35.0007).

Project Justification

With time, stream banks become overgrown with invasive plants. Watercourse restoration projects often require minor follow up work to reestablish riparian buffer zones that prevent pollutants from entering watercourses via runoff. These zones also control erosion and provide habitat and nutrient input into streams. Stream flows often displace logs and grade control structures that were installed in the past, so minor modifications help maintain the integrity of original construction years after its completion.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0013	**$0**	**$0**	**$190,800**	**$196,200**	**$0**	**$0**

SB 46a.3 Watercourse Stabilization

Project ID
90.35.0016

Program Plan
CRP

Target Completion Date
12/31/27

2027-2028 Project Budget
$550,000

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No

Project Description
This project improves approximately 475 feet of watercourse channel in SE 53rd Open Space, located at SE 53rd Place and East Mercer Way. Work includes clearing and regrading the channel bed, adding streambed gravel mix, planting riparian buffer on the banks, and installing logs and rootwads. Project design is being completed in 2027. Construction is planned to be completed in 2029.

Project Justification
The watercourse extends through the SE 53rd Open Space, a 26-acre natural area starting east of Island Crest Way to East Mercer Way. Segments with three- to four-feet tall sandy banks are eroding and likely contributing to downstream sedimentation deposits. The water surface has also eroded a subsurface channel, creating unstable banks, and landslide material on part of the north bank appears to be creeping. Addressing these conditions reduces bank and slope instability, landslide potential, erosion, and sedimentation, as well as improves the overall watercourse habitat.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0016	**$450,000**	**$0**	**$106,000**	**$0**	**$0**	**$0**

SB 29.3 Watercourse Restoration

Project ID
90.35.0017

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$575,000

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No

Project Description
This project involves watercourse restoration for approximately 200 linear feet of a channel located between W Mercer Way and SE 65th St.
Restorations include channel stabilization using stream boulders, cobbles, and logs, and riparian planting along the banks. Design will be completed in 2027, and construction is planned for 2028 after obtaining permits.

Project Justification
This site features a 150-foot reach that contains a foot drop causing bank erosion and destabilizing of the west bank. Addressing these conditions reduces bank and slope instability, erosion, and sedimentation, as well as improves the overall watercourse habitat.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0017	$75,000	$515,000	$0	$0	$0	$0

5252 Culvert Replacement

Project ID
90.35.0021

Program Plan
CRP

Target Completion Date
12/31/27

2027-2028 Project Budget
$345,000

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description

A failing 18" concrete culvert at 5252 West Mercer Way is in need of repair. This project aims to replace this deep culvert through either an open-cut trench or trenchless methods with a ductile iron pipe of the same size.

Project Justification

As part of the City's ongoing maintenance and inspection of the storm drain network the City has identified a collapsed culvert at 5252 West Mercer Way. In order to maintain adequate drainage in the area this culvert must be replaced.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0021	**$345,000**	**$0**	**$0**	**$0**	**$0**	**$0**

Storm System Growth Assessment

Project ID
90.35.0022

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$256,000

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description
This project will model future conditions based on the growth management requirements for the City's storm system. This model will guide efforts in upgrading the City's storm drain network.

Project Justification
In order to comply with growth management requirements the City must plan to increase the density of areas near the town center. This would require increasing the amount of impermeable surfaces in low density areas which would generate more stormwater runoff. The purpose of this modeling effort is to predict the amount of increased runoff to determine what pipes need to be upsized.

Expenditures	2027	2028	2029	2030	2031	2032
90.35.0022	**$50,000**	**$206,000**	**$79,500**	**$0**	**$0**	**$0**

Emergency Water System Repairs

Project ID
90.40.0001

Program Plan
CRP

Target Completion Date
12/31/27

2027-2028 Project Budget
$253,800

Department
Public Works

Project Manager
Allen Hunter

ADA Component
No

Project Description

Ongoing program to repair or replace water distribution system infrastructure on an emergency basis.

Project Justification

Due to an aging water distribution system and degradation of existing infrastructure, the City has seen an increase in pipe failures and watermain breaks. These emergencies have resulted in costly repairs and increased risk to exposure and potential system contamination. This repair program provides funding to address failed assets during unforeseen emergency events.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0001	$125,000	$128,800	$233,200	$239,800	$246,400	$253,000

Water System Component Replacements

Project ID
90.40.0002

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$109,600

Department
Public Works

Project Manager
Allen Hunter

ADA Component
No

Project Description
Ongoing program to replace components of the water system, including in-line valves, pressure reducing valves, air-vacuum release valves, blow-offs, and meter setter check valves, as needed annually.

Project Justification
This project funds the City's systematic, annual improvement program to ensure all water system components function properly and effectively. This work furthers goals outlines in the 2015 City's Water System Plan and the 2022 Water System Plan Update, ensuring necessary improvements so the City remains on the forefront in providing high-quality water service to its current and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0002	$54,000	$55,600	$57,200	$58,900	$60,500	$62,100

Modeling & Fire Flow Analysis

Project ID
90.40.0003

Program Plan
CRP

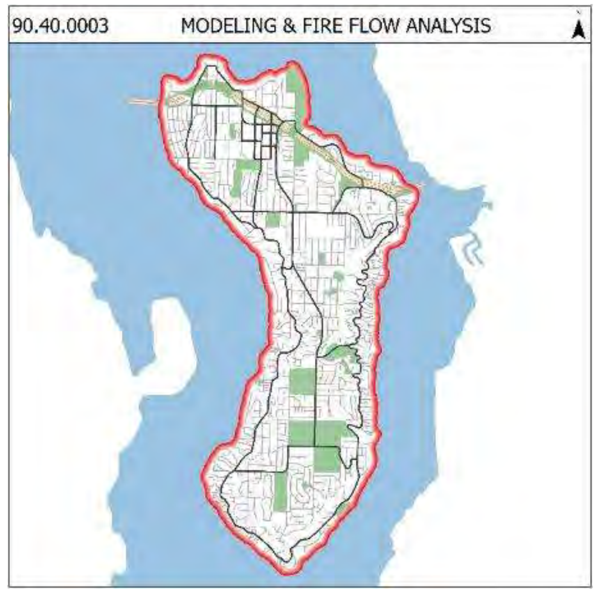
Target Completion Date
12/31/32

2027-2028 Project Budget
$81,000

Department
Public Works

Project Manager
Lauren Kumle/Chris Marks

ADA Component
No



Project Description

Ongoing project to update the City's hydraulic model of the water system every two years by incoporating improvements or changes to the water system resulting from capital projects, private development projects, and maintenance activities. The updated model is used for ongoing analysis of the water system including examining capacity and performance during high-demand situations, identifying potential system improvements, supporting design efforts, and analyzing fire flow.

Project Justification

Hydraulic model results provide critical data for system planning and operation strategy, and support the design and construction phases of water system projects. This project also advances the goals of the City's Water System Plan by evaluating future growth in the town center and identifying necessary improvements to ensure the City continues to provide high-quality water service to both existing and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0003	**$40,000**	**$41,000**	**$42,000**	**$44,000**	**$45,000**	**$46,000**

Street Related Water System Improvements

Project ID
90.40.0004
Program Plan
CRP
Target Completion Date
12/31/32
2027-2028 Project Budget
$324,800
Department
Public Works
Project Manager
Ian Powell
ADA Component
No

Project Description
Ongoing project to replace fire hydrants, water valves, water services, and other associated appurtenances in advance of, or in conjunction with street overlays.

Project Justification
Completing water system improvements prior to or in conjunction with street projects is a cost-effective way to carry out utility upgrades in areas where roadway improvements have been planned.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0004	**$160,000**	**$164,800**	**$169,600**	**$174,400**	**$179,200**	**$184,000**

Water Supply Reliability Action Plan Improvements

Project ID
90.40.0006
Program Plan
CRP
Target Completion Date
12/31/28
2027-2028 Project Budget
$304,500
Department
Public Works
Project Manager
Allen Hunter/Lauren Kumle
ADA Component
No

Project Description
The City will continue work with Confluence Engineering to update the Water Supply Reliability Action Plan which evaluates different options for water supply in the case of an emergency.

Project Justification
The City experienced a water supply emergency the week of April 17, 2023 when SPU encountered broken valves that prevented restoration of water service and again on April 3, 2024 when part of the SPU 24" transmission line had a catastrophic leak on SE 40th St.

In response the these events, Confluence Engineering was hired to work with city staff to develop an action plan to provide reliable water sources to the island. The plan indentified the following project types: SPU supply infrastructure, storage management, develop/enhance secondary supplies, and incremental system hardening.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0006	**$150,000**	**$154,500**	**$0**	**$0**	**$0**	**$0**

Water System Instrumentation

Project ID
90.40.0010

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$162,400

Department
Public Works

Project Manager
Allen Hunter

ADA Component
No

Project Description
Evaluate monitoring and instrumentation options for the City's water system. Selected equipment - including sensors and control equipment - will be installed in future biennia.

Project Justification
Instrumentation refers to the various tools and devices used to monitor and control flow, pressure, and overall quality as it travels through the water distribution system. High quality instrumentation improves water distribution systems operations via remote monitoring of pressure reducing valves (PRVs), measuring system flows through zone meters, and detecting leaks on water mains and service lines. Real time data will inform system modeling and operational adjustments for the water distribution system. By having a well-instrumented system, the City can ensure the water utility delivers clean water safely and efficiently.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0010	**$80,000**	**$82,400**	**$0**	**$0**	**$0**	**$0**

First Hill Booster Pump Station Upgrades

Project ID
90.40.0011

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$3,920,000

Department
Public Works

Project Manager
Allen Hunter

ADA Component
No

Project Description

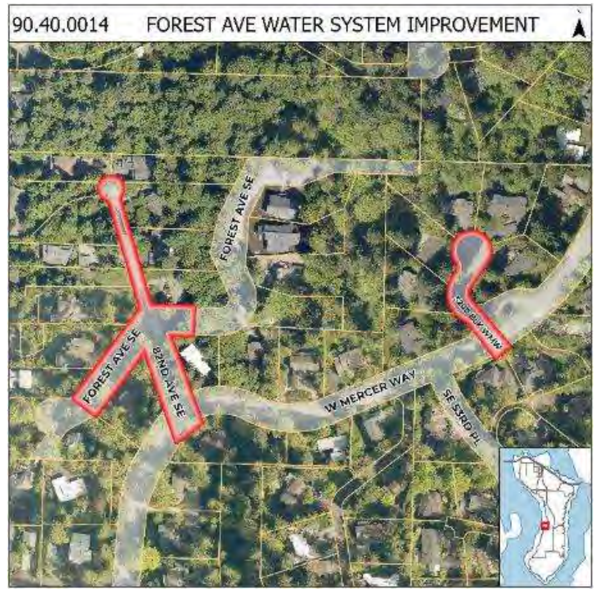
The purpose of this project is to upgrade the City's First Hill Booster Pump Station located in an underground vault on the SE corner of 74th Ave SE and SE 32nd St. This water pumping station provides domestic water service and fire flow needs to approximately 230 parcels and 20 fire hydrants within the First Hill neighboorhood. Station improvements will be based on the capacity analysis currently underway, but will include replacement and upsizing of the existing four 1.5HP domestic service pumps and two 40HP fire flow pumps, along with their variable frequency drives (VFD)'s and associated mechanical, electrical, and control equipment.

Project Justification

The existing pumps, installed in 2011, no longer meet the service demands of the First Hill pressure zone. During peak demand periods, when resident's are irrigating and water use is high, the domestic pumps cannot keep pace, requiring use of pumps originally intended only for fire flow. The capacity analysis currently underway will confirm that current service demands, combined with continued redevelopment within the First Hill pressure zone exceed the station’s 1,250 GPM capacity. Accordingly, this project is necessary to comply with WAC 246-290 design requirements, as authorized under RCW 43.20 and RCW 70.119A, and to ensure the system can meet peak domestic demand and fire flow requirements.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0011	**$1,860,000**	**$2,060,000**	**$0**	**$0**	**$0**	**$0**

Forest Avenue Water System Improvements



Project ID
90.40.0014

Program Plan
CRP

Target Completion Date
06/30/27

2027-2028 Project Budget
$520,000

Department
Public Works

Project Manager
Zechariah Rodino

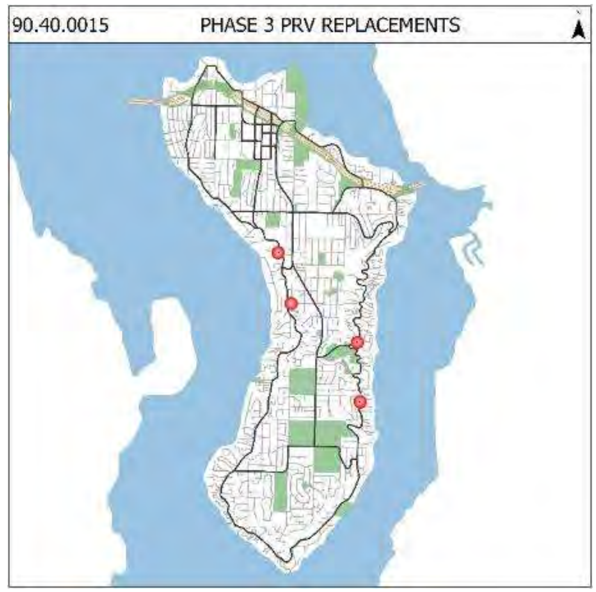
ADA Component
No

Project Description
The purpose of this project is to replace roughly 1,000 feet of 4-inch cast iron water main with 6-inch and 8-inch ductile iron water mains at the following locations: 5200 block of 82nd Ave SE; 5200 block of Forest Ave SE; and 5212 West Mercer Pl. One PRV station, F3-B, will be replaced. Fire hydrants, water services, and other components will be upgraded/replaced, and the asphalt roadways will be repaved following utility work.

Project Justification
Improving and renewing the water system is necessary to prevent unexpected system breakdowns and expensive emergency repairs. Taking a proactive approach to renew critical components such as watermains will strengthen the system's reliability in serving its customers. This project furthers goals outlined in the City's Water System Plan (2015), ensuring necessary improvements so the City remains at the forefront in providing high-quality water service to its current and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0014	**$520,000**	**$0**	**$0**	**$0**	**$0**	**$0**

Phase 3 PRV Replacement



Project ID
90.40.0015

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$2,867,500

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description

This ongoing program systematically replaces pressure reducing valve (PRV) stations Citywide every two years. The City operates 85 PRV stations, and multiple stations are planned for replacement during each biennium. In 2027, the following stations are planned for replacement: D3-D @ 8150 Evergreen Ln, E3-A @ 8107 Merrimount Dr, G5-C @ 9507 SE 61st Pl, and F5-B @ 9407 SE 52nd St. In general, the life span of a new PRV station is 50-60 years, with routine maintenance.

Project Justification

Due to Mercer Island’s topography, pressure reducing valves (PRVs) are required to maintain acceptable water pressure Island-wide, making PRV stations an integral component of the City’s water system. Like water main breaks, potential damage caused by PRV failures can be detrimental to the water system and surrounding neighborhoods. The City operates 85 PRV stations, and many do not meet current City standards. This project furthers goals outlined in the City's Water System Plan, ensuring necessary improvements so the City remains at the forefront in providing high-quality water service.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0015	$550,000	$2,317,500	$0	$0	$0	$0

Lucas Heights AC Main Replacement

Project ID
90.40.0016

Program Plan
CRP

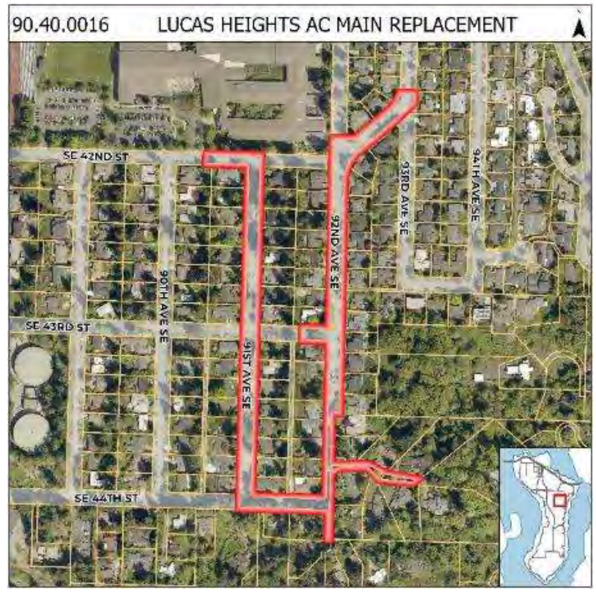
Target Completion Date
12/31/28

2027-2028 Project Budget
$3,790,000

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No



Project Description

This project replaces approximately 4000 linear feet of aging asbestos cement (AC) water mains with 8" ductile iron water mains at the following locations: 4200 block of SE 42nd St, 9100 block of SE 44th St, and 91st Ave SE and 92nd Ave SE from SE 42nd St to SE 44th St. Other system components such as fire hydrants and water services will also be replaced.

Project Justification

The AC replacement program reduces the potential for catastrophic system failure, unexpected service disruptions, and large damage claims to the City. Additionally, the City is currently required to report AC main information to the Washington State Department of Health. Once the existing five miles of AC main, which account for only 4% of the City's water system, are fully removed, that reporting requirement will end. This project furthers goals outlined in the City's Water System Plan, ensuring necessary improvements so the City remains at the forefront in providing high-quality water service.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0016	**$700,000**	**$3,090,000**	**$0**	**$0**	**$0**	**$0**

SE 59th & 61st Water System Improvements

Project ID
90.40.0017

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$2,867,500

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description

Replace 3,900 linear feet of 4- and 6-inch AC & cast iron water mains with 6-inch & 8-inch ductile iron water mains at the following locations: 8800 block between SE 59th and SE 61st Streets; 9200 block of SE 59th Street; 6000 block of 90th Avenue SE; 9000 block of SE 61st Street; 92nd Ave SE. Fire hydrants, water services, and other water system components will be upgraded/replaced as part of the project.

Project Justification

Improving and renewing the water system is necessary to prevent unexpected system breakdowns and expensive emergency repairs. Taking a proactive approach to renew critical components such as water mains will strengthen the system's reliability in serving its customers. This project furthers goals outlined in the City's Water System Plan (2015), ensuring necessary improvements so the City remains at the forefront in providing high-quality water service to its current and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0017	$550,000	$2,317,500	$0	$0	$0	$0

Phase 4 PRV Replacement

Project ID
90.40.0018

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$309,000

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description

This project systematically replaces pressure reducing valve (PRV) stations Citywide every two years. The City operates 85 PRV stations and stations H5-A @ 6442 East Mercer Way; H5-B @ 6630 East Mercer Way; and H5-C @ 9509 SE 68th St are planned for replacement in 2028 along with water main replacements in the area due to age and break history. In general, the life span of a new PRV station is 50-60 years with routine maintenance.

Project Justification

Due to Mercer Island's topography, pressure reducing valves (PRVs) are required to maintain acceptable water pressure Island-wide, making PRV stations an integral component of the City's water system. Like water main breaks, potential damage caused by PRV failures can be detrimental to the water system and surrounding neighborhoods. The City operates 85 PRV stations, and many do not meet current City standards. This project furthers goals outlined in the City's Water System Plan, ensuring necessary improvements so the City remains at the forefront in providing high-quality water service.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0018	$0	$309,000	$1,908,000	$0	$0	$0

SE 40th (East) AC Main Replacement

Project ID
90.40.0019

Program Plan
CRP

Target Completion Date
12/31/27

2027-2028 Project Budget
$5,100,000

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No

Project Description

This project replaces approximately 5,000 linear feet of aging asbestos cement (AC) water mains with ductile iron water mains at the following locations: SE 40th Street from Greenbrier Ln to E Mercer Way, 97th Ave SE from SE 40th St to SE 36th St, and 3700 and 3800 block of East Mercer Way. Other system components such as fire hydrants and water services will also be replaced.

Project Justification

The AC replacement program reduces the potential for catastrophic system failure, unexpected service disruptions, and large damage claims to the City. Additionally, the City is currently required to report AC main information to the Washington State Department of Health. Once the existing five miles of AC main, which account for only 4% of the City’s water system, are fully removed, that reporting requirement will end. This project furthers goals outlined in the City's Water System Plan, ensuring necessary improvements so the City remains at the forefront in providing high-quality water service to its current and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0019	**$5,100,000**	**$0**	**$0**	**$0**	**$0**	**$0**

Avalon Park Water System Improvements

Project ID
90.40.0020

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$3,072,000

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description

Replace 3,200 linear feet of 4- and 6-inch cast iron water mains and one PRV (J4-A) with 6-inch & 8-inch ductile iron water mains at the following locations: Avalon Pl; Avalon Dr; 8400 block of SE 87th St; 8400 block of 85th Ave SE; Benotho Pl. Fire hydrants, water services, and other water system components will be upgraded/replaced as part of the project.

Project Justification

Improving and renewing the water system is necessary to prevent unexpected system breakdowns and expensive emergency repairs. Taking a proactive approach to renew critical components such as water mains will strengthen the system's reliability in serving its customers. This project furthers goals outlined in the City's Water System Plan (2015), ensuring necessary improvements so the City remains at the forefront in providing high-quality water service to its current and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0020	**$600,000**	**$2,472,000**	**$0**	**$0**	**$0**	**$0**

Phase 5 PRV Replacements

Project ID
90.40.0021

Program Plan
CRP

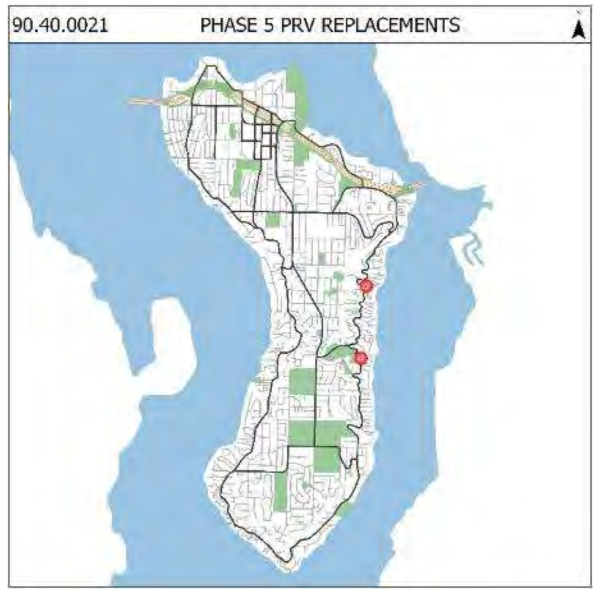
Target Completion Date
12/31/30

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No



Project Description

This project continues the systematic replacement of pressure reducing valve (PRV) stations Citywide and at the following locations: station E5-E @ 4530 Ferncroft Rd, station F5-D @ 5404 East Mercer Way. In general, the lifespan of a new PRV station is 50-60 years with routine maintenance.

Project Justification

Due to Mercer Island's topography, pressure reducing valves (PRVs) are required to maintain acceptable water pressure Island-wide, making PRV stations an integral component of the City's water system. Like water main breaks, potential damage caused by PRV failures can be detrimental to the water system and surrounding neighborhoods. The City operates 85 PRV stations, and many do not meet current City standards. This project furthers goals outlined in the City's Water System Plan, ensuring necessary improvements so the City remains at the forefront in providing high-quality water service.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0021	**$0**	**$0**	**$212,000**	**$1,090,000**	**$0**	**$0**

Reservoir Utility Improvements

Project ID
90.40.0022

Program Plan
CRP

Target Completion Date
12/31/30

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description
Complete remaining utility improvements at the Water Reservoir site, including replacing fittings on the Bypass and Inlet lines; replacing valves SV-D4-98 (16-inch) and SV-D4-102 (24-inch); stormwater improvements in the west yard; and asphalt pavement repairs.

Project Justification
The City has been upgrading the Water Reservoir site over the past decade, and the proposed utility improvements are the last improvements needed to finish upgrading the facility.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0022	**$0**	**$0**	**$116,600**	**$490,500**	**$0**	**$0**

Baxter AC Main Replacement

Project ID
90.40.0023

Program Plan
CRP

Target Completion Date
12/31/29

2027-2028 Project Budget
$700,400

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No

Project Description

This project replaces approximately 4,000 linear feet of aging asbestos cement (AC) water mains with ductile iron water mains at the following locations: 7900 block of SE 67th St, 7800 and 7900 block of SE 70th St, 6700 block of 80th Ave SE, 7600 block of SE 72nd St, and SE 72nd Pl. Other system components such as fire hydrants and water services will also be replaced.

Project Justification

The AC replacement program reduces the potential for catastrophic system failure, unexpected service disruptions, and large damage claims to the City. Additionally, the City is currently required to report AC main information to the Washington State Department of Health. Once the existing five miles of AC main – which account for only 4% of the City's water system – are fully removed, that reporting requirement will end.

This project furthers goals outlined in the City's Water System Plan, ensuring necessary improvements so the City remains at the forefront in providing high-quality water service to its current and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0023	**$0**	**$700,400**	**$2,915,000**	**$0**	**$0**	**$0**

Phase 6 PRV Replacement

Project ID
90.40.0025

Program Plan
CRP

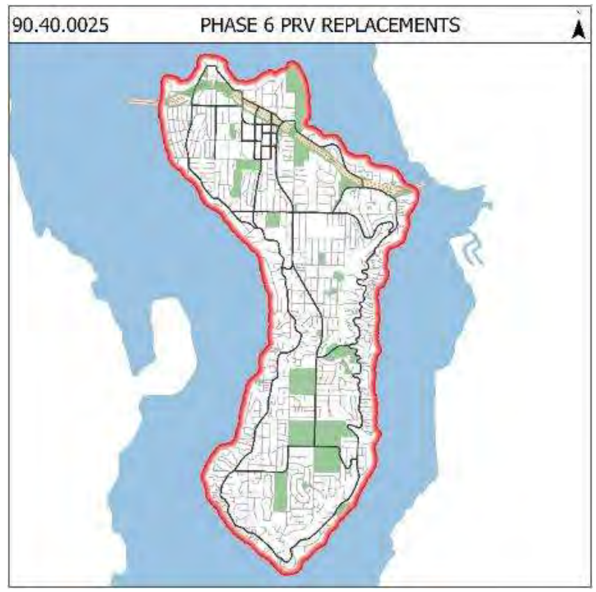
Target Completion Date
12/31/31

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No



Project Description
This ongoing program systematically replaces pressure reducing valve (PRV) stations Citywide every two years. The City operates 85 PRV stations, and five stations are planned for replacement during each biennium. In general, the life span of a new PRV station is 50-60 years with routine maintenance.

Project Justification
Due to Mercer Island's topography, pressure reducing valves (PRVs) are required to maintain acceptable water pressure Island-wide, making PRV stations an integral component of the City's water system. Like water main breaks, potential damage caused by PRV failures can be detrimental to the water system and surrounding neighborhoods. The City operates 85 PRV stations, and many do not meet current City standards. This project furthers goals outlined in the City's Water System Plan, ensuring necessary improvements so the City remains at the forefront in providing high-quality water service.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0025	**$0**	**$0**	**$0**	**$490,500**	**$2,800,000**	**$0**

Final Phase AC Main Replacement

Project ID
90.40.0026

Program Plan
CRP

Target Completion Date
12/31/30

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No

Project Description

Replace any additional discovered linear feet of aging asbestos cement (AC) water mains with ductile iron water mains. Other system components such as fire hydrants and water services will also be replaced. This project will complete the AC main replacement program by replacing any leftover or found mains.

Project Justification

The AC replacement program reduces the potential for catastrophic system failure, unexpected service disruptions, and large damage claims to the City. Additionally, the City is currently required to report AC main information to the Washington State Department of Health. Once the existing five miles of AC main, which account for only 4% of the City's water system, are fully removed, that reporting requirement will end. This project furthers goals outlined in the City's Water System Plan, ensuring necessary improvements so the City remains at the forefront in providing high-quality water service to current and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0026	**$0**	**$0**	**$530,000**	**$3,270,000**	**$0**	**$0**

East Seattle Neighborhood Water System Improvements

Project ID
90.40.0027

Program Plan
CRP

Target Completion Date
01/00/00

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No

Project Description
Replace 2,700 linear feet of 6- and 8-inch cast iron water mains with 8-inch ductile iron water mains at the following locations: 6900 block of SE 32nd Street, 3000 block of 69th Avenue SE, and 2900 block of 71st Avenue SE. Fire hydrants, water services, and other water system components will be upgraded/replaced as part of the project.

Project Justification
Improving and renewing the water system is necessary to prevent unexpected system breakdowns and expensive emergency repairs. Taking a proactive approach to renew critical components such as water mains will strengthen the system's reliability in serving its customers. This project furthers goals outlined in the City's Water System Plan, ensuring necessary improvements so the City remains at the forefront in providing high-quality water service to its current and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0027	$0	$0	$0	$795,700	$3,360,000	$0

Phase 7 PRV Replacements

Project ID
90.40.0028

Program Plan
CRP

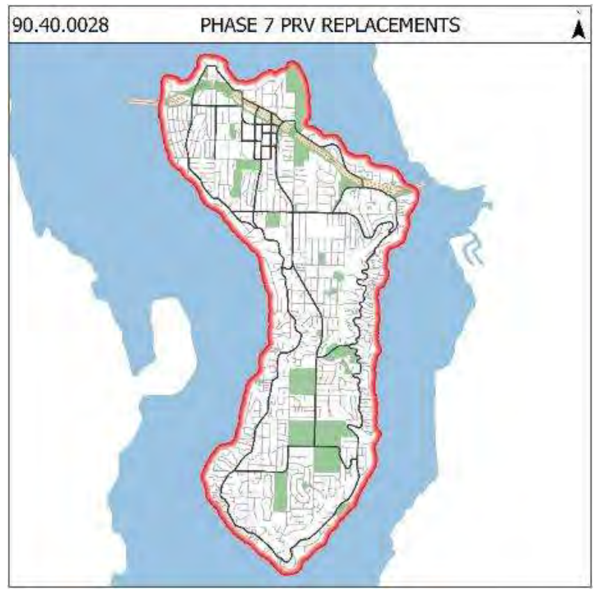
Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No



Project Description
This ongoing program systematically replaces pressure reducing valve (PRV) stations Citywide every two years. The City operates 85 PRV stations, and up to five stations are planned for replacement during each biennium. In general, the life span of a new PRV station is 50-60 years with routine maintenance.

Project Justification
Due to Mercer Island's topography, pressure reducing valves (PRVs) are required to maintain acceptable water pressure Island-wide, making PRV stations an integral component of the City's water system. Like water main breaks, potential damage caused by PRV failures can be detrimental to the water system and surrounding neighborhoods. The City operates 85 PRV stations, and many do not meet current City standards. This project furthers goals outlined in the City's Water System Plan (2022), ensuring necessary improvements so the City remains at the forefront in providing high-quality water service.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0028	**$0**	**$0**	**$0**	**$0**	**$532,000**	**$3,162,500**

City Transmission Line Construction

Project ID
90.40.0032

Program Plan
CRP

Target Completion Date
12/31/27

2027-2028 Project Budget
$8,320,000

Department
Public Works

Project Manager
Ian Powell

ADA Component
No

Project Description

This project involves the realignment of approximately 5,000 feet of the City’s 24-inch transmission line. The new alignment will start at East Mercer Way (EMW), near the Boat Launch Access Road, proceeding northward along EMW, then west along SE 36th Street until SE Gallagher Hill Road. It will continue along SE Gallagher Hill Road to SE 40th Street, then east on SE 40th Street to 92nd Avenue SE, where it will connect with an existing 24-inch transmission line. Additional improvements will be made along SE Gallagher Hill Road, including the replacement of approximately 2,000 feet of 6-inch Asbestos Cement (AC) watermain and the replacement of a Pressure Reducing Valve (PRV) vault. The project will also involve street improvements (90.25.0008) and sidewalk enhancements (90.25.0009) along SE Gallagher Hill Road.

Project Justification

Improving and renewing the water system is essential to prevent unforeseen water system interruptions and mitigate costly emergency repairs. The existing transmission line alignment traverses' steep slopes, which has raised concerns necessitating the transmission line realignment to more stable terrain.

The 6-inch AC watermain is slated for replacement as part of the City's initiative to eliminate all AC pipe from the distribution system. Adopting a proactive approach to renewing critical water transmission infrastructure will strengthen the system's reliability and its ability to serve customers effectively and consistently. This project supports the goals outlined in the City's Water System Plan, ensuring that necessary improvements remain at the forefront in providing high-quality water service to its current and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0032	**$8,320,000**	**$0**	**$0**	**$0**	**$0**	**$0**

Town Center Water System Improvements

Project ID
90.40.0041

Program Plan
CRP

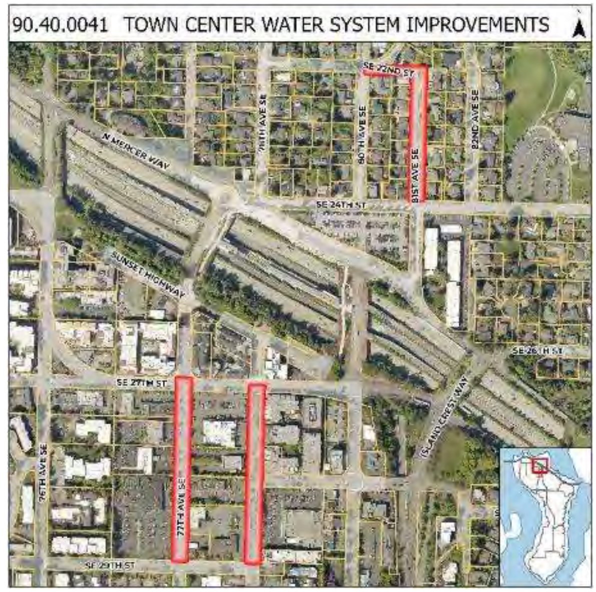
Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Zechariah Rodino

ADA Component
No



Project Description
Replace over 4,000 linear feet of 6- and 8-inch cast iron water mains with 8-inch ductile iron water mains in the following locations: 2800 block of 76th Avenue SE; 2700 block of 77th Avenue SE; 2700 block of 78th Avenue SE; SE 29th Street; and 8000 block of SE 22nd Street. Fire hydrants, water services, and other water system components will be upgraded/replaced as part of the project.

Project Justification
Improving and renewing the water system is necessary to prevent unexpected system breakdowns and expensive emergency repairs. Taking a proactive approach to renew critical components such as water mains will strengthen the system's reliability in serving its customers. This project furthers goals outlined in the City's Water System Plan, ensuring necessary improvements so the City remains at the forefront in providing high-quality water service to current and future customers.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0041	**$0**	**$0**	**$0**	**$0**	**$840,000**	**$3,450,000**

Town Center Water Upgrades

Project ID
90.40.0042

Program Plan
CRP

Target Completion Date
12/31/32

2027-2028 Project Budget
$0

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No

Project Description

Ongoing program to improve the water system through rehabilitation, replacement, upsizing, and expansion of pipelines within the Town Center and surrounding areas. Improvements will be prioritized based on findings from in-house inspection and data, the Modeling and Fire Flow Analysis (Project No. 90.40.0003), and the Water System Regulatory Compliance Plan (Project No. 90.40.0008).

Project Justification

Existing water pipes are aging and exhibit structural defects. Segments have been identified as having capacity deficiencies under both current and projected growth conditions. While most of Mercer Island is largely built out, continued growth in the Town Center is expected to further stress the system, particularly due to fire flow requirements.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0042	**$0**	**$0**	**$625,900**	**$670,400**	**$661,400**	**$707,300**

Water System Plan Amendment

Project ID
90.40.0043

Program Plan
CRP

Target Completion Date
12/31/28

2027-2028 Project Budget
$127,300

Department
Public Works

Project Manager
Lauren Kumle

ADA Component
No

Project Description

The updated Water System Plan is going to be adopted in 2027, but due to growth management requirements, further assessment will be needed. This project will assess the impacts of the growth scenario on the City's water system, including projected water demand, supply, storage, distribution capacity, pressure, and fire flow requirements. The study will identify potential system constraints and recommend improvements needed to accommodate future growth while maintaining reliable service.

Project Justification

As part of the City's Growth Management Act (GMA) planning process, the City is evaluating a Phase 2 growth scenario that may result in additional housing and employment growth beyond existing projections. Understanding the impacts of this growth on the municipal water system is necessary to ensure adequate water service can be provided to existing and future customers. This analysis will identify potential supply, storage, pressure, fire flow, and distribution system constraints and inform future capital improvements needed to maintain adopted service levels. The results will support Comprehensive Plan updates, utility planning, and long-term infrastructure investment decisions.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0043	**$50,000**	**$77,300**	**$0**	**$0**	**$0**	**$0**

EMW Water System Improvement – Construction

Project ID
90.40.0044
Program Plan
CRP
Target Completion Date
12/31/27
2027-2028 Project Budget
$2,000,000
Department
Public Works
Project Manager
Zechariah Rodino
ADA Component
No

Project Description
The East Mercer Way Water System Improvements project consists of replacing 1,900 ft of aging 8” cast iron water main with new 8” ductile iron water main along East Mercer Way. This project was originally part of the 2028 WSI project, but this section has been removed and put on an accelerated schedule so it can be installed alongside Phase 11 of the East Mercer Way Roadside Shoulders project.

Project Justification
Originally the 2028 Water System Improvements (2028 WSI) project was scheduled to be constructed in 2028, one year after Phase 11 of the East Mercer Way Roadside Shoulders project. Without any modifications to the project schedule the 2028 WSI would have disturbed new asphalt. It was decided that the East Mercer Way section of the 2028 WSI should be removed and a new project created to install the water main alongside the roadside shoulders.

Expenditures	2027	2028	2029	2030	2031	2032
90.40.0044	**$2,000,000**	**$0**	**$0**	**$0**	**$0**	**$0**

FUND IN	PROJECT	General Fund		Street Fund		Capital Imp Fund		Tech & Equip Fund		Water Fund		Sewer Fund		Storm Water Fund		1% for the Arts		Grant		2022 Parks Levy		KC Parks Levy		Dept Rates		Other		Total	
27-28?	ID	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028
YES	90.05.0002					1,960,000	1,600,000											1,030,000										2,990,000	1,600,000
NO	90.05.0003																											-	-
YES	90.05.0011					102,600													1,768,400									102,600	1,768,400
YES	90.05.0013	73,590	73,590							12,265	12,265	12,265	12,265	13,380	13,380									111,500	111,500			223,000	223,000
YES	90.05.0021					590,000		155,000																				745,000	-
NO	90.05.0023																											-	-
YES	90.05.0024					245,000	250,000																					245,000	250,000
YES	90.10.0001			40,000	41,500																							40,000	41,500
YES	90.10.0002				111,000																							-	111,000
YES	90.10.0003								43,000																			-	43,000
YES	90.10.0005									25,000	25,000																	25,000	25,000
YES	90.10.0007																							398,900	88,600			398,900	88,600
YES	90.10.0008							25,000	25,000																			25,000	25,000
YES	90.10.0011							179,000																				179,000	-
YES	90.10.0012							80,000																				80,000	-
YES	90.15.0001	50,000	50,000															25,000	25,000									75,000	75,000
YES	90.15.0002	18,000	18,000																							40,000	40,000	58,000	58,000
YES	90.15.0003																							1,729,300	1,172,700			1,729,300	1,172,700
YES	90.20.0001			595,000	777,400					100,000	103,000	15,000	15,400	105,000	108,500													815,000	1,004,300
YES	90.20.0002			71,500	73,200					1,500	2,100	4,500	4,600	3,000	3,000													80,500	82,900
YES	90.20.0003			100,000	103,000																							100,000	103,000
YES	90.20.0004			100,000	103,000																							100,000	103,000
YES	90.20.0005			50,000	50,000																							50,000	50,000
YES	90.20.0006			843,000										50,000														893,000	-
NO	90.20.0007																											-	-
YES	90.20.0009			829,000										40,000														869,000	-
NO	90.20.0013																											-	-
NO	90.20.0014			-						-		-		-														-	-
NO	90.20.0015																											-	-
YES	90.20.0016			339,800						54,800				76,000														470,600	-
NO	90.20.0017			-						-		-		-														-	-
YES	90.20.0018																	160,000										160,000	-
NO	90.20.0019																											-	-
NO	90.20.0020																											-	-
NO	90.20.0021																											-	-
NO	90.20.0022																											-	-
NO	90.20.0025																											-	-
NO	90.20.0026																											-	-
NO	90.20.0027																											-	-
NO	90.20.0028																											-	-
NO	90.20.0029																											-	-
NO	90.20.0030																											-	-
NO	90.20.0031																											-	-
NO	90.20.0032																											-	-
NO	90.20.0033																											-	-
NO	90.20.0034																											-	-
YES	90.20.0040			1,165,993														743,007										1,909,000	-
YES	90.20.0041																	80,000	80,000									80,000	80,000
YES	90.20.0042			50,000	103,000																							50,000	103,000
NO	90.20.0043																											-	-
YES	90.25.0001																			208,300	225,500							208,300	225,500
YES	90.25.0002					100,000	103,000																					100,000	103,000
NO	90.25.0003																											-	-
NO	90.25.0006																											-	-
YES	90.25.0008																	75,000	590,600									75,000	590,600
NO	90.25.0009																											-	-
NO	90.25.0014																											-	-
YES	90.25.0015						69,262											250,000	350,000	400,000	560,738						50,000	650,000	1,030,000
NO	90.25.0016																											-	-
YES	90.25.0019																			115,600	116,800							115,600	116,800
YES	90.25.0033					35,000	35,000																					35,000	35,000
YES	90.25.0034																			175,200	161,800							175,200	161,800
NO	90.25.0035																											-	-
NO	90.25.0037																											-	-
NO	90.25.0045																											-	-
YES	90.30.0001											54,500	56,100															54,500	56,100
YES	90.30.0002											139,500	137,000															139,500	137,000
YES	90.30.0003											54,500	56,100															54,500	56,100
YES	90.30.0004											107,000	114,300															107,000	114,300
YES	90.30.0006											250,000	-															250,000	-
YES	90.30.0007											2,700,000	10,094,000															2,700,000	10,094,000
NO	90.30.0008																											-	-
YES	90.30.0013											128,000																128,000	-
YES	90.30.0017											592,500	509,900															592,500	509,900
NO	90.30.0018																											-	-
NO	90.30.0020																											-	-
YES	90.30.0026											500,000	10,573,000															500,000	10,573,000
NO	90.30.0027																											-	-
YES	90.30.0028											252,000	988,800															252,000	988,800
NO	90.30.0029																											-	-
NO	90.30.0030																											-	-
NO	90.30.0031																											-	-
YES	90.35.0001													60,000	61,800													60,000	61,800
YES	90.35.0002													170,000	175,100													170,000	175,100
YES	90.35.0003													110,000	113,300													110,000	113,300
YES	90.35.0004													396,000	504,700													396,000	504,700
YES	90.35.0005													35,000	36,100													35,000	36,100

Capital Projects by Fund

FUND IN	PROJECT	General Fund		Street Fund		Capital Imp Fund		Tech & Equip Fund		Water Fund		Sewer Fund		Storm Water Fund		1% for the Arts		Grant		2022 Parks Levy		KC Parks Levy		Dept Rates		Other		Total	
27-28?	ID	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028	2027	2028
YES	90.35.0007														257,500													-	257,500
YES	90.35.0008													550,000														550,000	-
YES	90.35.0011														154,500													-	154,500
YES	90.35.0012													110,000	432,600													110,000	432,600
NO	90.35.0013																											-	-
YES	90.35.0016													450,000														450,000	-
YES	90.35.0017													75,000	515,000													75,000	515,000
YES	90.35.0021													345,000														345,000	-
YES	90.35.0022													50,000	206,000													50,000	206,000
YES	90.40.0001									125,000	128,800																	125,000	128,800
YES	90.40.0002									54,000	55,600																	54,000	55,600
YES	90.40.0003									40,000	41,200																	40,000	41,200
YES	90.40.0004									160,000	164,800																	160,000	164,800
YES	90.40.0006									150,000	154,500																	150,000	154,500
YES	90.40.0010									80,000	82,400																	80,000	82,400
YES	90.40.0011									1,860,000	2,060,000																	1,860,000	2,060,000
YES	90.40.0014									520,000																		520,000	-
YES	90.40.0015									400,000	2,317,500																	400,000	2,317,500
YES	90.40.0016									700,000	3,090,000																	700,000	3,090,000
YES	90.40.0017									550,000	2,317,500																	550,000	2,317,500
YES	90.40.0018										309,000																	-	309,000
YES	90.40.0019									5,100,000																		5,100,000	-
YES	90.40.0020									600,000	2,472,000																	600,000	2,472,000
NO	90.40.0021									-	-	-																-	-
NO	90.40.0022									-	-																	-	-
YES	90.40.0023									-	700,400																	-	700,400
NO	90.40.0025									-	-																	-	-
NO	90.40.0026									-	-																	-	-
NO	90.40.0027									-	-																	-	-
NO	90.40.0028									-	-																	-	-
NO	90.40.0041									-	-																	-	-
YES	90.40.0032									8,314,250						5,751												8,320,000	-
NO	90.40.0042																											-	-
YES	90.40.0043									50,000	77,300																	50,000	77,300
YES	90.40.0044									2,000,000																		2,000,000	-
	TOTAL	141,590	141,590	4,184,293	1,362,100	3,032,600	2,057,262	439,000	68,000	20,896,815	14,113,365	4,809,765	22,561,465	2,638,380	2,581,480	5,751	-	2,363,007	2,814,000	899,100	1,064,838	-	-	2,239,700	1,372,800	40,000	90,000	41,690,000	48,226,900

SECTION F
Appendix

Island History

Just over five miles long and two miles wide, Mercer Island is an island community situated in Lake Washington, east of the City of Seattle and west of the City of Bellevue. Early settlement on Mercer Island began in the late 1870s. The Island was named after one of the three pioneering Mercer brothers from Illinois, all of whom had great influence in the Seattle area. Although none of the brothers lived on Mercer Island, they would often hunt and explore throughout the Island's secluded forests. In these early days island settlers would travel by rowboat to the neighboring community of Seattle to pick up any necessities. An occasional tramp steamer would drop off items that were too large to transport by rowboat.

Because of the inconveniences of island living, settlement was slow until C.C. Calkins platted the town of East Seattle and built a luxurious resort on the western side of the Island in 1891. A ferry dock was built, and small steamers began to make regular trips. With transportation available, the area began to attract more residents. Public water travel continued until July 2, 1940 when the floating bridge from Mercer Island to Seattle opened.

Today Interstate 90 connects Mercer Island with Seattle and Bellevue. It is an eight-lane freeway system, which includes two separate side-by-side floating bridges across Lake Washington.

The Community

Mercer Island is primarily a single-family residential community with a commercial business district and multi-family dwellings concentrated at the northern end of the Island. Its proximity to both Seattle and Bellevue make island living convenient. The City owns approximately 475 acres of parkland and open space, which helps maintain the Island's natural beauty.

The result is quiet, forested neighborhoods, complemented by stunning views of Seattle, the Cascade Mountains, Mount Rainier, and Lake Washington. It is an active community where volunteer boards and commissions work closely with the City Council and City staff. The City of Mercer Island is known for providing quality customer service to more than 25,000 residents.

City Operations

Mercer Island was incorporated on July 18, 1960 and operates with a council-manager form of government. Seven City Councilmembers are chosen during at-large, non-partisan elections to serve four-year terms. From among their seven-member body, the City Council members elect a Mayor to serve a two-year term. The Mayor and City Council appoint a City Manager who is responsible for the administration of City policies.

There are a variety of boards and commissions including the Arts Council, Civil Service Commission, Disability Board, Open Space Conservancy Trust, Parks & Recreation Commission. Planning Commission, and Utility Board. All the boards assist in the formulation of policy and direction for the City.

Glossary of Budget-Related Terms

ACCRUAL BASIS: The method of accounting under which revenues are recorded when they are earned, regardless of the timing of related cash flows. Expenses are recorded at the time liabilities are incurred.

APPROPRIATIONS: A legal authorization granted by the City Council to make expenditures and to incur obligations for specific purposes. An appropriation is limited in the amount and time when it may be used unless it is for a capital project such as constructing a building or developing a park.

ARPA: American Rescue Plan Act.

ASSESSED VALUATION: The fair market value of both real (land and building) and personal property as determined by the King County Assessor’s Office for the purpose of fixing taxes.

ASSET: Any owned physical object (tangible) or right (intangible) having a monetary value or an item or source of wealth, expressed in terms of any cost benefiting a future period.

BENEFITS: City paid benefits provided for employees in the areas of social security, retirement, worker's compensation, life insurance, medical insurance, and management benefits.

BOND: A written promise to pay a specified sum of money (called the face value or principal amount) at a specified date in the future (called the maturity date) together with period interest at a specified rate.

BOND ANTICIPATION NOTES: Short-term interest-bearing notes issued in anticipation of bonds to be issued at a later date. The notes are retired from proceeds of the bond issue to which they are related.

BUDGET: A government's plan of financial operations for a given period including proposed expenditures, and a proposed means of financing them. Legal authority and requirements are found in the Revised Code of Washington (RCW 35A.33).

CAPITAL ASSETS: Assets of significant value and having a useful life of several years. Capital assets may also be fixed assets.

CAPITAL IMPROVEMENT PROGRAM (CIP): The plan or schedule of project expenditures for public facilities and infrastructure (buildings, roads, etc.) with estimated project costs, sources of funding and timing of work over a five-year period. For financial planning and general management, the capital program is presented as a plan of work and proposed expenditures and is the basis for annual appropriation requests and bond issues.

CAPITAL OUTLAY: Fixed assets which have a value of $1,000 or more and have a useful economic lifetime of more than three years or assets of any value, if the nature of the item under consideration is such that it must be controlled for custody purposes as a fixed asset.

CAPITAL PROJECT: The largely one-time cost for acquisition, construction, improvement, replacement, or renovation of land, structures, and improvements thereon. The cost must usually be $25,000 or more in order to be considered a capital project; amounts under $25,000 are considered in the operating budget. In addition, equipment is considered a capital project if it is $25,000 or more in cost.

CASH FLOW BUDGET: A projection of the cash receipts and disbursements anticipated during a given time period.

CASH BASIS: Method of accounting that only recognizes and records revenues and expenditures when cash is received or disbursed. Under this method, a fund's financial position is tracked strictly by its cash flows: beginning cash plus actual cash-basis income received, minus actual cash expenditures made during the period, equals ending cash.

CHARGES FOR SERVICES: A revenue category, which includes a charge for a specific service. These primarily include park recreation fees, plan check fees and other miscellaneous fees.

COMPREHENSIVE BUDGET: Combines both the annual financial plan for operations and the annual portion of the Capital Improvement Program Budget. Excluded from the operating budget are carry-over capital projects, which have been previously approved.

COST ALLOCATION: Assignment of cost charges from one department that reimburse another for services received. Some examples are attorney services, finance services and personnel services.

COUNCILMANIC BONDS: Councilmanic bonds refer to bonds issued with the approval of the Council, as opposed to voted bonds which must be approved by the public. Councilmanic bonds must not exceed .7 percent of the assessed valuation and voted bonds 1.75 percent per State RCW.

DEBT SERVICE: The annual payment of principal and interest on the City's bonded indebtedness. Bonds are issued to finance the construction of capital projects such as public buildings, parks, roads, storm sewers and water system improvements.

DEFICIT: 1) The excess liabilities over assets (see Fund Balance). 2) The excess expenditures or expenses over revenues during a single accounting period.

ENCUMBRANCES: Commitments for unperformed contracts for goods or services. A purchase order is the most common encumbrance.

ENTERPRISE FUND: A fund used to account for operations that are financed and operated in a manner similar to private business enterprise where the cost of providing services, such as water, on a continual basis. Costs are recovered through user charges.

EXPENDITURES: A net decrease in financial resources. Expenditures include operating expenses, which require the use of current assets. This term designates the cost of goods delivered or services rendered, whether paid or unpaid, including expenses, provision for debt retirement not reported as a liability of the fund from which retired and capital outlays.

FEES: A general term used for any charge for services. Major types of fees include business and non-business licenses, fines and use charges.

FINES AND FORFEITURES: Revenue category, which primarily includes court, police, traffic and parking fines and forfeitures.

FUND: An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and changes in these assets and liabilities.

FUND BALANCE: The fund equity of governmental funds and trust funds.

GAAP: Generally Accepted Accounting Principles.

GASB: Governmental Accounting Standards Board.

GENERAL OBLIGATION BONDS: Bonds for the payment of which the full faith and credit of the issuing government are pledged.

INTERGOVERNMENTAL REVENUE: Earnings from other governments, primarily shared State revenue from the auto excise tax, and liquor profits and tax. Shared revenue from fire districts, the Emergency Medical Service levy, library, and the Federal grants are also included in this category.

LEOFF: Law Enforcement Officers and Firefighters Retirement System provided in the State of Washington.

LEVY: The total amount to be raised by general property taxes for purposes specified in the Tax Levy Ordinance.

LEVY RATE: The amount of tax levied for each $1,000 of assessed valuation.

LIABILITY: Indebtedness of a government entity. Common examples are amounts owed to vendors for services rendered or goods received, and principal and interest owed to holders of County bonds. These are debts or legal obligations arising out of transactions in the past which must be liquidated, renewed, or reduced in the future.

LICENSES AND PERMITS: Revenue category that includes building permits, business and amusement licenses and any other miscellaneous license or permit.

MATURITIES: The dates on which the principal or stated values of investments or debt obligations mature and may be reclaimed.

MONEY: Any of various objects, especially coins and bank notes, issued by a federal government and accepted as a medium of exchange and measure of value. Green stuff. That which makes us get up in the morning and go to work.

NET BUDGET: Eliminates double counting the budget by eliminating fund transfers and internal service charges such as interfund equipment rental and insurance charges. The net budget represents the true level of spending in the budget.

OPERATING BUDGET: Plans of current expenditures and the proposed means of financing them. The annual operating budget is the primary means by which most of the financing of acquisitions, spending, and service delivery activities of a government are controlled.

OPERATING EXPENSE: Those costs, including expenditures for salaries and wages, benefits, supplies, services, and charges, which are necessary to support primary services. For example, telephone charges, printing and office supplies are operating expenses.

ORDINANCE: A formal legislative enactment by the Council.

PERS: Public Employees Retirement System provided for other than Police and Fire by the State of Washington.

REVENUE: Income received through such sources as taxes, fines, fees, grants, or service charges which can be used to finance operations or capital assets. These amounts increase the net assets.

REVENUE BONDS: Pledge future revenues, usually water, sewer or drainage charges covering debt payments in addition to operating costs.

RCW - REVISED CODE OF WASHINGTON: The legal authority under which the governmental units of the State are ruled.

SUPPLEMENTAL APPROPRIATION: Approved by Council after the initial budget appropriation. Supplemental appropriations are approved during the year, and an annual budget amendment ordinance is approved each December.

WARRANT: An order directing the treasurer of the City to pay a specified amount to the bearer, either after the current or some future date.

WORKING CAPITAL: The year-end balance of current assets minus current liabilities in the Enterprise and Internal Service Funds. The unencumbered balance at year-end is available for appropriation in the next year's budget.

YIELD: The rate earned on an investment based on the price paid for the investment; the interest earned during the period held, and the selling price or redemption value of the investment.

Explanation of Accounting Basis and Budgeting

Basis of Presentation - Fund Accounting

All City activities are organized by Funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Each of the City's Funds are described in detail in the Recap by Fund Section.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent. Each fund serves as an expenditure control mechanism. The various funds are grouped into the following seven categories:

- **General Purpose Funds**

  Revenue in this fund category is considered unrestricted and can be used for any City purpose, including operations and capital. This category consists of two funds: the **General Fund** and the **Self-Insurance Fund**. The General Fund is the City's general operating fund used to account for all activities not otherwise required to be accounted for in another fund.

  Major services accounted for in the General Fund include **police; fire and emergency medical; street and right of way maintenance; legal, judicial, and financial services; parks and recreation; and, general administration**. The Self-Insurance Fund is a "reserve" fund that pays for insurance losses not covered by the City's deductible or other insurance.

- **Special Revenue Funds**

  Special revenue funds group together activities that are financed by restricted or committed revenue sources and that do not qualify as an enterprise (see Enterprise Funds below). Funds included in this category are the **Street Fund, Youth & Family Services Fund, 1% for the Arts Fund, Contingency Fund,** and the **Development Services Fund** created January 1, 2025.

  The Contingency Fund is a reserve fund that is available to temporarily address revenue shortages or to address unanticipated needs. City Council policy has established the Contingency Fund at 12.5% of budgeted General Fund expenditures.

- **Enterprise Funds**

  Enterprise funds are used to account for activities that are financed and operated in a similar manner to a private business. In enterprise funds, the intent of the governing body is to recover the costs (including depreciation) of providing goods or services to the general public on a continuing basis primarily through user charges. Funds included in this category are the **Water Fund, Sewer Fund,** and **Storm Water Fund**.

- **Internal Service Funds**

  Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis. This fund category includes the **Equipment Rental Fund** and the **Computer Equipment Fund**.

The Equipment Rental Fund accounts for the cost of maintaining and replacing all City vehicles, heavy equipment, and 800MHz radios. Each department is charged operating and maintenance rates as well as replacement rates for the use of these assets. The Computer Equipment Fund was created to protect the City's current and future investment in computer equipment. Each department is charged a rate that covers the cost of repair and maintenance, operation, and replacement of the City's computer systems and network infrastructure.

- **Fiduciary Trust Funds**

  These funds account for activities where the City acts as the fiscal agent. The **Firefighter's Pension Fund** is the only fund in this category.

- **Debt Service Funds**

  Debt service funds are used to account for the accumulation of resources for the payment of general long-term debt principal and interest. The City of Mercer Island has two debt service funds: the **Bond Redemption Fund–Voted Debt** and the **Bond Redemption Fund–Non-Voted Debt**.

- **Capital Project Funds**

  Capital project funds are used to account for financial resources earmarked for the acquisition, expansion, or rehabilitation of land, technology, buildings, and other major public infrastructure (other than those financed by proprietary funds, special assessment funds, or trust funds).

  These funds are not part of the operating budget but are included in the City's Six-year Capital Improvement Program. Current capital project funds include the **Capital Improvement Fund**, the **Technology & Equipment Fund** and the **Municipal Facility Replacement Fund.**

Basis of Accounting

Cash Basis

As of January 1, 2024, the City updated its accounting procedures from Generally Accepted Accounting Practices (GAAP) full accrual reporting to the cash basis method as defined by the Washington State Auditor's Office (SAO). The basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements.

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.

The cash basis of accounting is followed in all the City's funds. General Government Long-term liabilities are accounted for in the general long-term debt account group. Purchases of fixed assets are expensed during the year incurred and are accounted for in a separate fixed asset system over their useful life. Enterprise fund assets and liabilities are recorded in the fund that owns them.

Appendix

Budgetary Basis

The budget, as adopted, constitutes the legal authority for expenditures. The City's budget is adopted at the fund level, meaning that there is a total appropriation, or expenditure limit, for each fund.

Transfers or revisions within funds are allowed; however, any revisions that alter the total expenditures of a fund must be approved by the City Council. When the City Council determines that it is in the best interest of the City to amend the budget, it may do so by ordinance, which requires majority approval at any regularly scheduled City Council meeting.

The budget is closely monitored by the City Manager and the Finance Department. The Finance Department prepares quarterly financial status reports for presentation and review by the City Council. Because the City prepares a two-year budget, a mid-biennial budget review meeting is also held in November of the first year of the biennium.

Amendments to the adopted budget are typically approved when a quarterly financial status report is presented to the City Council.