2005-2006
BIENNIAL BUDGET

CITY OF MERCER ISLAND
MERCER ISLAND, WASHINGTON

CITY OF MERCER ISLAND
FINAL BIENNIAL BUDGET
2005 – 2006

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A READER'S GUIDE TO THE BUDGET

INTRODUCTION

The budget document serves two distinct purposes. One purpose is to present the City Council and public with a clear picture of the services which the City provides, the cost of those services and the policy decisions underlying the financial decisions. The second purpose is to provide City management with a financial and operating plan that conforms to the City's accounting system. The sections below describe the various budget segments, therefore providing a map for readers to locate information they are most interested in seeing. The sections are listed in the order in which they are found in the budget. A complete table of contents can be found at the front of the budget.

BUDGET MESSAGE

The Budget Message provides an overview of the key policy issues challenging the City in the next two years. The message does not attempt to summarize all of the numbers and information found in other parts of the budget, but focuses on the challenges that face the City.

BUDGET POLICIES

The Management and Budget Policies were developed to provide a clear foundation for a variety of funding and management decisions. During the staff's budget preparation, the policies are formally reviewed with Council to obtain approval, insure their relevance, and to determine what new policies might need to be written. Some of the strictly financial policies change very little from year to year while some of the program related policies are revised each year to provide for the most current policy issues and information.

BUDGET SUMMARY

This section includes summary information for all funds. It includes charts showing the breakdown of revenues and expenditures for all City operations, and comparing current program levels with those of past years. This section provides information about both years of the two-year budget cycle as well as a biennial comparison of funds. An explanation of the major categories of revenues and expenditures is included in this section. Also included is a staffing table for the City, and information about City debt.

CAPITAL IMPROVEMENT PROGRAM

This section serves as a single reference for the various capital improvements planned for the City. The plan encompasses six years, tying together the capital projects developed from the City's state mandated six-year plans such as the Street Plan. The section lists the policies and procedures that were followed in setting up the plan and focuses on the operating impacts of capital projects.

MAINTENANCE / UTILITIES

This section summarizes the financial information of the Maintenance Department. It includes all the maintenance activities of the City - maintenance of streets, water system, sewer system, storm water, and the City's fleet. Since the Maintenance Department is funded by a variety of sources, included in the section is a matrix showing the sources of funding for each maintenance team. The section also presents the financial statements for the City's Water and Sewer Utilities, the Stormwater Utility and the Equipment Rental Fund. The utility funds are enterprises - operating like private businesses by charging for services to cover the cost of their operations. The Equipment Rental Fund is an internal service fund, also charging for services, but only to City departments. The Equipment Rental Fund charges for the maintenance of City vehicles as well as a fee for the eventual replacement of any vehicle covered by the fund.

GENERAL FUND SECTIONS

The General Fund is the general operating fund of the City and encompasses the major activities provided by the City other than utilities. The activities of fire and police services, development activities, parks and recreation, youth and family services, legal and financial services, general administration and other general activities are included. There are three sections included which present different kinds of information about the general fund. The sections are:

General Fund - Revenues

This section presents a summary of all general fund revenue sources as well as an explanation and 10 years (or more) of history of the major revenue sources.

General Fund - Expenditures

This section presents a summary of the general fund expenditures with an explanation of each of the major expenditure types.

General Fund - Department Detail

The departmental section highlights information about each operating department, showing a functional organization chart, staffing information, 4 years of expenditure detail, and a narrative. Each of the General Fund departments is included - presented alphabetically.

ALL FUNDS RECAP

The City accounts for a variety of activities other than those mentioned above. City activities are organized on the basis of funds, each of which is considered a separate accounting entity with a distinct set of self-balancing accounts. This section includes all the funds, with a description of each fund and its revenue and expenditure information. A more detailed explanation of the fund accounting structure follows on the next page. An explanation of the accounting structure is also included as part of the All Funds Recap section, Section J.

CITY HIGHLIGHTS

This section deals with miscellaneous statistical information about the City. The last part of this section is an explanation of the property tax levy that Mercer Island citizens pay. It includes levy information for the past two years as well as estimates for the next two years and provides graphs showing the levy rate changes for various valuations of residences.

SUPPLEMENTARY INFORMATION

Two appendices are included -- one is a glossary of certain accounting and budgeting terms used; the second is a salary table by position.

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EXPLANATION OF ACCOUNTING BASIS AND BUDGETING

BASIS OF PRESENTATION - FUND ACCOUNTING

City activities are organized on the basis of funds and account groups 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, or expenses, as appropriate. The City has 24 separate funds, each of which is described in detail in Section J – All Other Funds.

In 2004, in preparation for the 2005-2006 budget, and in response to accounting changes required by the Governmental Accounting Standards Board, a number of funds were changed and consolidated. The changes are highlighted in the description of each type of fund described below.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into eight categories as follows:

General Purpose Funds

This category consists of two funds: the **General Fund** and the **Self-Insurance Fund**. Revenue in this fund is considered unrestricted and can be used for any City purpose, including both operational and capital. The General Fund is the general operating fund of the City and is used to account for all activities not otherwise required to be accounted for in other funds. The major activities of the City, excluding the operation of the utilities, are accounted for in the General Fund. The activities of fire and police services, general public works, parks and recreation, youth and family services, legal and financial services, general administration, and other general activities are included. The Self-Insurance Fund is a reserve fund that pays for insurance losses not covered by the City's $5,000 deductible or other insurance.

Special Revenue Funds

The Special Revenue category groups together any activities that are financed by **restricted revenue sources** (as compared with general-purpose revenues), but which are not required to be designated as enterprise activities. Funds included in this category are the **Street Fund, Criminal Justice Fund, Beautification Fund, I-90 Landscape Maintenance Fund and the Contingency Fund**. The Contingency Fund is a reserve fund that holds a reserve for large fluctuations in revenue or emergencies. Council policy has set the Contingency Fund at 10% of General Fund expenditures.

Also included in this category is a new fund, the **Youth and Family Services Fund**. The activities of the Youth and Family Service Department (YFS), which were formerly included in the General Fund, are now treated separately in a special revenue fund. YFS receives its funding from a variety of sources, some from the General Fund, part from the activities of a Thrift Shop, and some from a variety of fund raising activities. All revenue and expenditures of YFS have now been consolidated in one fund with this change. One of the funds included as a new special revenue fund is the **YFS 501C3 Fund.** Any funds that are donated to YFS through their 501c3 foundation are deposited into this fund and then transferred by actions of the Board of Directors for Youth and Family Services programs.

Also included as a Special Revenue Fund is the **Municipal Arts Fund.** This fund receives the 1% for the Arts funds from capital projects and then appropriate art is selected and installed in the City.

Enterprise Funds

Enterprise funds are used to account for operations for activities that are financed and operated in a manner similar to private business enterprises. In enterprise funds the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Funds included in this category are the **Water Fund, Sewer Fund, and the Storm Water Fund.**

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. This category includes the **Equipment Rental Fund, and the Computer Equipment Fund.** The Equipment Rental Fund accounts for the cost of maintaining all City vehicles and equipment. Each department is charged a rate for vehicles and equipment which includes both maintenance and replacement costs. 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, replacement, and the operation of the City's wide area network. The rate is based on the number of computers actually owned by each department.

Trust and Agency Funds

These funds account for activities where the City acts as the fiscal agent. There is only one fund in this category - the **Firemen's Pension Fund.**

Permanent Funds

Permanent Funds account for principle restricted donation earnings. The City has two permanent funds - **Youth and Family Services Endowment Fund and the Youth Service Endowment Fund.** Both of these funds were created as long term funding mechanisms to support ongoing YFS programs.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and 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 Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds, and trust funds). These funds are not part of the operating budget, but are included in the City's six-year capital development plan. Current capital funds include **the Capital Improvement Fund, the Technology and Equipment Fund, the Capital Reserve Fund and the CCMV Construction Fund.** The CCMV Construction Fund will be dissolved at the end of the construction of the building.

BASIS OF ACCOUNTING

The City's basic accounting structure, including its chart of accounts and account coding format is mandated by the State Auditor's Budgeting, Accounting and Reporting System (BARS) and is enforced by the office of the State Auditor through annual audits. The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Accrual Basis of Accounting

The accrual basis of accounting is followed in all proprietary funds and the pension trust fund. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred. This may mean that revenues are recognized, although the cash has not been received. This basis of accounting is the same as private profit-making entities. All assets and liabilities are recorded in the fund that owns them.

Modified Accrual Basis of Accounting

City fund categories that are reported under the modified accrual basis of accounting include all of the remaining categories of funds, except enterprise and pension funds.

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to pay current liabilities. Those specific major revenue sources so accrued are listed on the next page.

Property Taxes - King County acts as the City's intermediary collection agency. The County remits to the City on a daily basis property taxes paid by Mercer Island property owners. Property taxes should be accrued only when due and expected to be collected within 60 days of the end of the fiscal period. Since January and February tax receipts do not vary materially from year to year, the uncollected taxes for those months are not accrued.

Grant Revenues - Where expenditure is the prime factor for determining eligibility, the grant revenue is considered measurable and available.

Interfund and Intergovernmental Services - Where goods and services have been provided, these are considered both measurable and available.

Interest and Rental - When investment interest and rental income have been earned and are due they are considered measurable and available.

Revenue sources that are not considered to meet the measurable and available criteria include licenses and permits, state shared revenues, utility taxes, fines and forfeitures, and other miscellaneous revenues since their values are not known until received.

Under the modified accrual basis, expenditures are recorded when the fund liability is incurred. An exception to this rule is: principal and interest on general long-term debt that is recognized when due. Purchases of fixed assets are expended during the year incurred (and the cost is recorded in the general fixed assets account group).

Long-term liabilities are accounted for in the long-term debt account group, except for special assessment bonds that are accounted for in the special assessment funds.

Accrual Basis of Accounting

Enterprise and pension funds are accounted for under the accrual basis. In these funds, fixed asset purchases are capitalized and long-term debt liability is recorded.

Budgetary Basis

The budgets of general government type funds (for example, the general fund itself, and the street fund) are prepared on a modified accrual basis. This means that obligations of the city (for example, outstanding purchase orders) are budgeted as expenses, but revenues are recognized only when they are actually received.

The enterprise funds (water, sewer, and stormwater) on the other hand, are budgeted on a full accrual basis. Not only are expenditures recognized when a commitment is made (e.g. through a purchase order) but revenues are also recognized when they are obligated to the city (for example, water and sewer fees are recognized as revenue when bills are produced).

BUDGET PROCESS

The City follows the below outlined procedures in establishing its budget every other year. These procedures are in accordance with State law time limitations and are designed to allow the Council and public ample opportunity to understand the budget direction and have input on the budget direction for the next two years.

In 2004, the Council was interested in obtaining more information earlier in the process to allow for the big picture view as well as a detailed view of City Services and costs. City staff provided the Council with a detailed and prioritized inventory of City services, beginning with a set of City Priorities which ultimately were confirmed as appropriate by the Council. For details of the process followed, see the Budget Message B-1 through B-3.

BUDGET PROCESS STEPS	FEB-MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1. Capital Improvement Program (CIP) Committee sets CIP priorities and projects for six years.								
2. Management & Budget policies reviewed by Council								
2. Budget instructions distributed to departments								
3. Estimates of revenue and expenditures prepared by departments								
4. Departments submit preliminary budget requests and accompanying program narratives.								
5. Finance department prepares preliminary revenue estimates.								
6. City Manager and Finance Director review requests make revisions as necessary.								
7. City Manger's Preliminary Budget prepared and filed with the City Clerk								
8. City Clerk publishes notice of Preliminary Budget and public hearings								
9. City Manger presents budget to Council								
10. Copies of Preliminary Budget made available to the public.								
11. Hearings on budget held								
12. City Clerk publishes notice of public hearing on final budget								
13. Final hearing begins no later than the first Monday in December.								
14. Council adopts final balanced budget.								

The budget, as adopted, constitutes the legal authority for expenditures. The City's budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are allowed, however, any revisions that alter the total expenditures 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 appropriations it may do so by ordinance approved by one more than the majority at any regularly scheduled Council meeting. The budget is monitored on a monthly basis by the Finance Director through the regular monthly reports generated by the financial system. In addition, the Council receives formal reviews of all funds on a quarterly basis by the Finance Director. Because the City prepares a two-year budget, a mid-biennial review is also held in November of the first year of the biennium. Budget changes may be made then, however, mid-biennial changes are usually recommended and made during the year-end report in February or March of the second year of the biennium.

BUDGET MESSAGE

INTRODUCTION

Under Washington Law, the City Manager presents a balanced annual or biennial budget for the City's upcoming fiscal period for consideration and adoption by the City Council.

Mercer Island's biennial budget serves a number of essential functions. The budget is more than a "checkbook" posting of proposed revenues and expenditures. It is a financial plan that looks out over two-year (operating budget) and six-year (capital improvement program) horizons, balancing planned income and expenses in a fiscally responsible manner. It is a policy plan, guiding and assuring the City's long-term financial health. And, most importantly, it is a detailed description of the goods and services for which the City and its elected officials will be held accountable. It documents the "social contract" between the citizens and their government.

The budget also serves in a broader policy context. It draws upon many City Council decisions and discussions that precede it. It will also leave a legacy of policies that will influence future budgets–helping to give the City's long-term stability and continuity.

HOW THE BUDGET IS ORGANIZED

The Budget is laid out from most general to most specific both in terms of detail and source of public funds. Sections C and D contain broad summary financial and policy information; setting the "big picture" for the City's next two years and beyond. Sections E through I follow with detailed revenue, expenditure and service delivery information for all capital improvement projects (Section E), water, sewer and storm water utilities (Section F) and all city departments and functions within the General Fund (Sections G, H & I). Section J provides a brief recap of all 24 separate funds that the City accounts for under Washington State law.

The budget covers two operating years for virtually all City departments and functions. However, in order to assess revenue and expenditure trends, most budget sections also show the data for 2003 actual and 2004 budget data. In the case of capital improvement projects, there is a summary showing the upcoming six years. For each budget section, a description of the services, project or program to be provided is shown along with the associated expenditure requirements. CIP projects also indicate their financing plans.

Budget Development Process

At its 2004 annual Retreat, the City Council asked to have more information early in the budget process to allow for both a big picture and detailed view of City services and costs. The Council also indicated an interest in assessing how the City spends its resources against its stated or implied priorities. This information was sought so that Councilmembers could better understand and consider tradeoff decisions among and across services and departments.

Using a process loosely based on the State of Washington's "Priorities of Government", city staff created a detailed and prioritized inventory of City services, beginning with a set of "City Priorities". The basic priorities of the city were confirmed by the City Council to be the following:

1. **The community will be safe.**
2. **The community will support effective, efficient and legal delivery of public services**.
3. **The community will support reliable public infrastructure and protect its considerable public investments** (e.g. water, sewer, storm water utilities, streets, parks, buildings).
4. **The community will support attractive, high quality neighborhood and business environments.**
5. **The community will support a broad range of recreational, cultural, health and educational opportunities**.
6. **The community will support open and informed public involvement processes within the structure of representative, democratic decision making.**

[A complete listing of the priorities and their "sub-priorities" can be found in Appendix A at the end of the Budget Message.]

City departments assembled inventories of their respective services, including information on: the expenditures and full-time equivalent employees (FTE's) required to provide the service, the revenues (if any) that the service generates and the numbers of customers served. They assigned a "tentative" priority to each service based upon the City Priorities.

Prioritization spreadsheets were created to establish where a particular service or program is prioritized among all City services. A summary table is included in Appendix B.

This was a budgeting and policy analysis exercise, not a precise accounting assignment. The inventory of services were then classified according to the degree to which the Council can decide whether or not to provide a service. The categories used were "mandatory", "essential" and "discretionary".

By way of observation, staff found that:

- The City spends most of its resources on its highest priority services.
- The City provides the highest tax subsidies for its highest priority services – Public Safety, services that ensure legal and efficient running of the City like Finance, City Attorney and City Manager, and infrastructure maintenance (streets and parks).
- The services that are least subsidized are those for which the City can "sell" the service through user fees and utility rates (recreation, youth and family counseling, development permits, utility services).
- The services for which the City has some of its most accurate data on individuals served are those services most associated with user fees. Those services are also often associated with active and supportive constituencies (recreation programs, leagues, seniors, schools-related groups).

- The City spends relatively little in services aimed at public information and public involvement.

Having created an exhaustive inventory of the City's services and organized them according to City Council approved priorities, City staff have been able to approach the 2005-2006 biennial budget with a clearer understanding of how to develop expenditure and revenue proposals. It has also given the staff a clearer view of which services to focus its performance measurement energies.

Performance Measures

This biennial budget will continue to identify key performance measures that can be traced through the budget period. Performance measures are linked to the City's budgetary resources (inputs) and to the City Council's values (outputs and outcomes) as expressed in the City Priorities. By tracking performance measures over time, the City hopes to create an ongoing link between its stated goals and priorities and how resources are applied. Ongoing improvements to the Performance Measurement system can be expected throughout the biennium.

FINANCIAL STATUS

Financial Forecast

The City's financial position, while remaining relatively stable, has become increasingly sensitive to fluctuations in financial factors beyond the City's control. Primary among those factors are regional and national economic cycles, citizen initiatives (limiting or reducing property taxes, sales taxes and transportation-related taxes), and lastly, increases in the cost of health care for city workers.

As a result, the City faces the first biennial budget in many years where expenditure reductions and service cuts or tax and fee increases (or both) will become necessary ingredients in the budget balancing mix. Whereas, in the past, annual growth of city revenues have kept pace with expenditure inflation for the same set of services, the 2005-06 biennium will see constrained revenues in the face of rising costs.

Two key revenue sources have experienced substantial declines over the last four years and will have major influences on the City's general fund budget for years to come.

With the Legislature's 2000 enactment of Initiative 695, the City experienced a loss of approximately $1.1 million per year in annual Motor Vehicle Excise Taxes (via sales tax equalization) – approximately 9% of General Fund revenues.

Further, the City's single largest revenue source – property taxes – has seen relatively low growth over the last four years. In 2001, the City Council opted for a 2% property tax increase – the lowest ever taken by the City since incorporation. In 2002, the City Council chose to implement a 1.3% *tax reduction* by transferring accumulated capital reserves to the debt

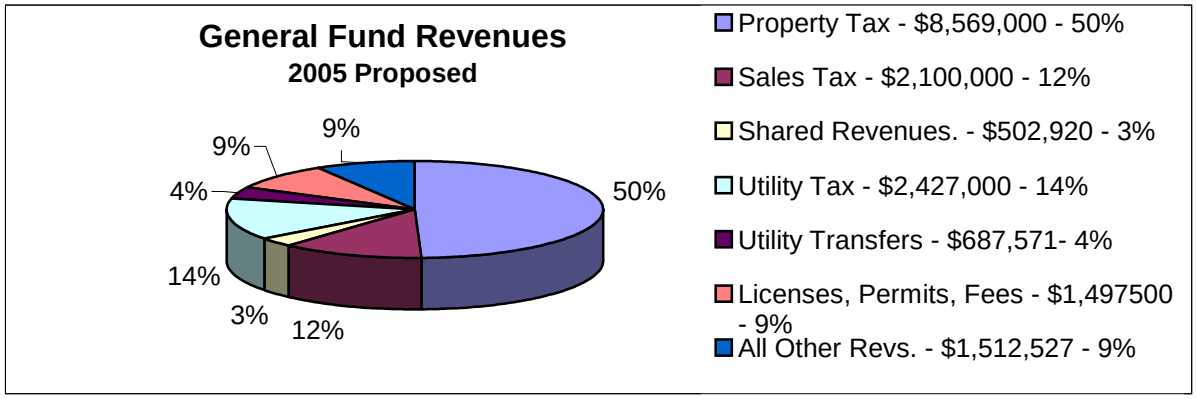
repayment fund. Finally, in November 2001, the state's voters approved Initiative 747, placing a 1% cap on annual property tax increases without a vote of the electorate. The initiative has capped City property tax receipts through the 2003-2004 biennium, the current biennium and will continue to limit future City Council-voted increases.

Proposed General Fund Revenues and Expenditures

At its highest level of generalization, the 2005-2006 Biennial Budget can best be summarized in the following ways:

- Slow growth in expenditures and slower growth in revenues.
- The General Fund balanced by a mix of expenditure reductions and revenue increases.
- Large capital improvement projects funded and underway.

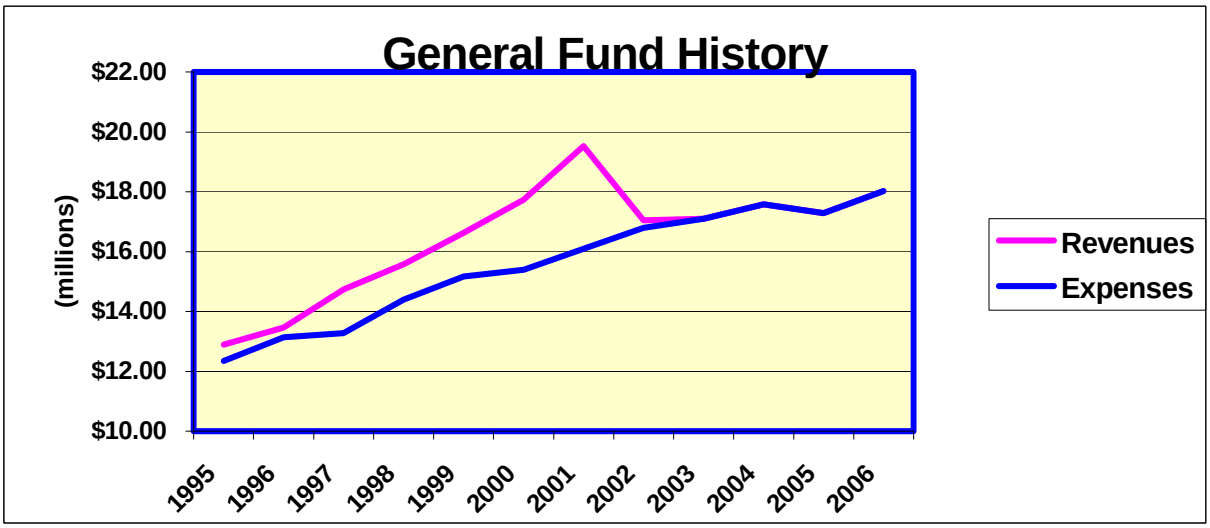
Reflecting the recent trends mentioned above, the City's General Fund in the upcoming biennium has decreased from the 2003-2004 levels. The General Fund continues to receive nearly all of its operating capital from the same tax sources in approximately the same proportions as in previous years.



Total budgeted General Fund revenues and expenditures for 2005 and 2006 are $17,296,518 and $18,055,281 respectively. The ten-year history of General Fund growth is shown below:

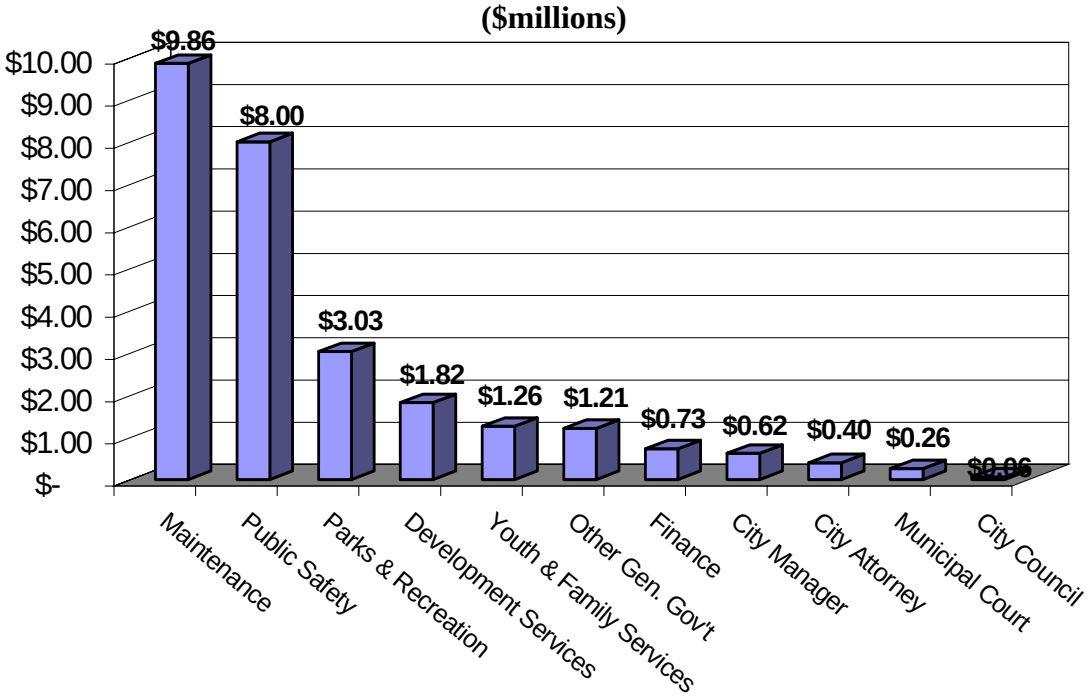
General Fund 10 Year History

	Actual 1997	Actual 1998	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Forecast 2004	Budget 2005	Budget 2006
Revenues	**$14.74**	**$15.58**	**$16.63**	**$17.73**	**$19.53**	**$18.18**	**$17.51**	**$17.66**	**$17.29**	**$18.02**
	9.4%	*5.7%*	*6.7%*	*6.6%*	*10.2%*	*-6.9%*	*-3.7%*	*0.9%*	*-2.1%*	*4.2%*
Expenses	**$13.27**	**$14.40**	**$15.17**	**$15.40**	**$16.00**	**$16.34**	**$16.61**	**$17.58**	**$17.29**	**$18.02**
	1.0%	*8.5%*	*5.3%*	*1.5%*	*3.9%*	*2.1%*	*1.7%*	*5.8%*	*-1.6%*	*4.2%*
Reserves	**$1.47**	**$1.18**	**$1.46**	**$2.33**	**$3.53**	**$1.84**	**$0.90**	**$0.08**	**$0.00**	**$0.00**



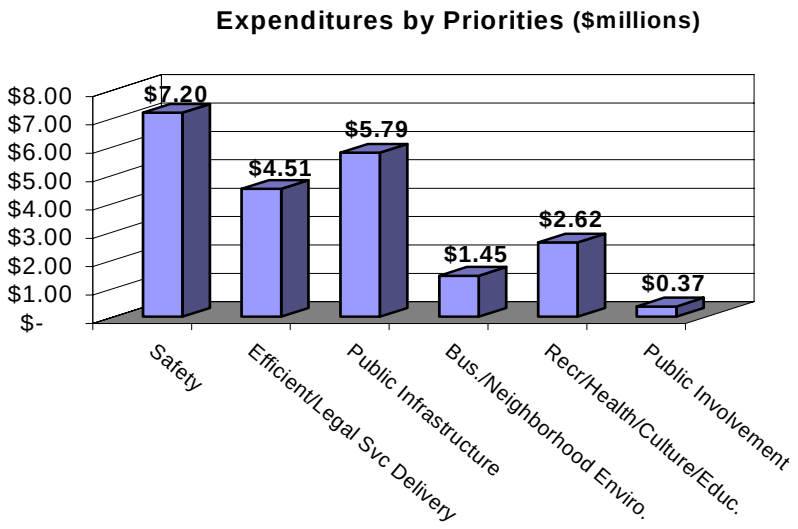
City Operating Budgets

The City continues to be largely in the Public Safety (police, fire, medical aid) and Maintenance business. As shown below, general fund and utility fund expenditures in these areas account for $17.86 million or 65% of total operating outlays.



City Priorities

Looked at in terms of stated priorities, the City spends its funds largely according to the six priorities listed on page B-2. These expenditure figures were estimated using the 2004 budgeted amounts.



Staffing Size

Paralleling revenues and expenditures, the City's staff size will decrease slightly. The proposed total permanent positions for 2005 and 2006 are shown on the next page, reflecting all new positions proposed in the budget.

Proposed staffing levels for 2005-2006 reflect an increase in 3.85 FTE's and a decrease in 7.5 FTE's as shown below:

- Reduce Public Safety dispatching staff by 5.5 FTE's in order to transition to an outsource model with the cities of Bellevue (fire/medical aid) and Kirkland (police). (2005)
- Eliminate Financial Investigator position in Police Division of Public Safety – 1 FTE (2005).
- Eliminate Development Engineer position in Development Services – 1 FTE (2005)
- Increase Parks & Recreation staff by 1 FTE for management and administration of the new community center (2006).
- Add Municipal Court staff - Administrator – 1 FTE; Judge - .85 FTE; Clerk - 1 FTE (2005)

Outstanding Debt

The City continues to carry a low level of outstanding debt. The general-purpose debt capacity, according to state statute, is $158,674,738 for voted and non-voted debt. The debt capacity for Parks and Open Space is an additional $158,674,738. Mercer Island's bonded and lease obligation as of 12/31/2004 is $7,095,000 representing only 2.2% of that allowed under state law.

BIENNIAL BUDGET ISSUES & INITIATIVES

On July 6, 2004, the City Finance Director presented a forecast for the upcoming biennium and years to follow. Based on status quo revenue and expenditure assumptions, the forecast predicted a $376,000 budget deficit in 2005 and a $709,000 deficit in 2006.

With those as starting points, the City Manager and City Council agreed that the proposed 2005-2006 biennial budget would assume a 50%-50% split between revenue increases and expenditure reductions in order to balance the budget for the biennium. In addition, the Manager and Council agreed that the proposed budget would also identify options for additional revenue increases and/or expenditure reductions so that a different budget strategy (other than a 50/50 split) could be devised and adopted.

Assumed in these agreements were: 1) The existing list, mix and prioritization of services were fundamentally correct and subject only to marginal change; 2) All major program and project initiatives were known and planned for in the proposed budget. Examples of these initiatives include Luther Burbank planning, Community Center construction and operation, dispatch outsourcing, municipal court operations; and, 3) The City Council's concurrence on service priorities and revenue assumptions presented in June and July will guide the City Manager in developing the biennial budget.

The following General Fund increases and decreases are reflective of the agreements outlined above.

GENERAL FUND EXPENDITURES

Recommendations for changes in General Fund expenditures come in two forms: 1) increases or major changes in expenditures in specific programs that were known and assumed in the July 6, 2004 forecast; and, 2) expenditure reductions proposed for the biennial budget (and not assumed in the July forecast) that when coupled with proposed revenue increases provide for a balanced budget. In the case of the latter, reductions come in three forms and will be identified as such: program elimination, reduced program level of service and efficiency in service delivery (including outsourcing). All biennial expenditure recommendations are detailed below.

PROPOSED CHANGES

Municipal Court Operations **$ +257,300 – 2005** **$ +264,540 - 2006**

The City will begin operating a municipal court in January, 2005. The expenditures for a .85 FTE judge, a fulltime court administrator and court clerk and other ancillary expenses will be offset by increased revenues from fines, fees and forfeitures. [See Management & Budget Policy, page C-30 for details.]

Community Center/Parks & Recreation Operations
$ -71,000 – 2005 (Net Gen Fund Subsidy)
$ - 5,000 – 2006 (Net Gen Fund Subsidy)

Construction of the new community center began in August, 2004. Completion is scheduled for 4th quarter, 2005. During the construction period, Parks and Recreation will manage a reduced offering of programs and services in a number of facilities throughout the community. Beginning January, 2006, the department will operate the new and larger community center based upon a policy of "no net increase in general fund subsidy". In order to enact this policy, staff will need to increase program, room rental and lease fees, expand hours of operation and market the Center for higher levels of use. In the meantime, program expenditures and cost recovery through fees will be reduced during 2005 (38%) and will rebound nearly to policy levels in 2006 (46%). [See Management & Budget Policy – Parks & Recreation Financing, Page C-33 for more details.]

Public Safety Dispatch - Outsource Services
$ -21,000 – 2005 (Net Decrease)
$ +10,000 – 2006 (Net Increase)

Beginning 4th quarter, 2004, the Public Safety Department will transition dispatch services to a outsource service model with the City of Bellevue (fire/medical aid) and City of Kirkland (police). Mercer Island Public Safety will continue to provide records management and public access (window) functions. Five and one half full-time employee positions will be terminated. Total contract expenses for technology upgrades and personnel increases at the two contracting cities will be essentially offset by expenditure reductions at Mercer Island for a small net decrease in 2005 expenditures and a small net increase in 2006 expenditures. [See Management & Budget Policy, Public Safety Dispatching, page C-41 for more details.]

PROPOSED EXPENDITURE REDUCTIONS

Department Operations $ -326,238 – 2005 $ -282,043 – 2006

In light of the deficits forecast in July, City department directors were instructed to develop their proposed biennial budgets with maximum costs savings in mind. Each department looked for areas where services could be delivered more efficiently or where expenses could be reduced without significant impact upon the service viability. As in every biennial budget process, administrative expenses were re-reviewed for size, scale and appropriateness. In some cases, department heads reduced traditional levels of service or eliminated an underutilized service altogether.

Listed below are examples of departmental reductions. A full listing is included as Appendix C the budget message.

Department	Service Reduced	Amount Reduced	Type
Public Safety	Jails	$84,000	Outsourced to Yakima Jail
	Dispatch Services	$21,766	Outsourced to Bellevue/Kirkland
	Financial Investigator	$95,600	Eliminated service/position
Parks & Recreation	Parks Maintenance	$38,616	Eliminate 1 seasonal (.75) FTE; efficiency in supplies, equipment, electricity
	CCMV Café/Concessions	$38,000	Outsource food service program.
Maintenance	Streets & Rights of Way	$24,000	Eliminate 2 seasonal (.5) positions. Reduced LOS on planter bed and trail maintenance.
City Manager's Office	Travel & Training	$1,600	Reduced travel and conference tuition.

Youth & Family Services Financing $ -69,900 – 2005 $ -41,000 – 2006.

For more than ten years, Youth & Family Services has been supported approximately with 40% from General Fund revenues and 60% from fund raising efforts and outside grants and contracts. The Thrift Shop has generated the majority of the Department's private fund support. This funding formula has served the department well during the two decades of agency growth. It also has leveraged accelerated General Fund contributions to the department as private fund raising efforts expanded. As a result, Mercer Island YFS now spends more per capita for human service activities than any other suburban jurisdiction in King County. Department staff acknowledges that, given fiscal realities, the department is adequately sized to meet the human services needs of the community.

For the 2005-2006 biennial budget and in future biennia, General Fund support is proposed to remain fixed at a level of $465,000, which is slightly below the 2004 budgeted support. Additional revenue growth to meet departmental needs will be met by private fund raising and

grants and contracts. [See Management & Budget Policy, Youth & Family Services Financing, page C- 62 for more details.]

Equipment Rental Fund Contributions $ -30,000 – 2005 $ -50,000 - 2006

Each fiscal year, transfers are made from the General Fund and Utility Funds to the Equipment Rental Fund to plan for the ongoing maintenance and replacement of City vehicles. General Fund supported vehicles include police cars, parks maintenance vehicles, right of way vehicles and trucks and building inspector cars and trucks. The annual transfers are calculated based on estimated costs for maintenance, operations and replacement. The transfer calculations are subject to adjustment for changes in gas prices, vehicle utilization, life expectancy and replacement costs. For the 2005-2006 biennium, by lowering inflation factors and reviewing all replacement costs, the overall contribution rates stayed at about the same level as the previous biennium. Since these costs have typically increased by $30,000 or more each biennium, department managers worked hard to keep these costs at a 0% increase.

GENERAL FUND REVENUES

PROPOSED INCREASES

Property Taxes – 1% increase $ +81,050 – 2005 $ +82,520 - 2006

Mercer Island continues to be highly dependent upon the property tax for much of its basic services. As primarily a residential community, Mercer Island's commercial/retail tax base yields revenues that fall substantially below the statewide average for similar sized communities. Generally, Mercer Island and these other "bedroom communities" have a disproportionately low reliance on sales tax receipts and, consequently, a higher reliance on local property taxes. Among King County's 36 cities, only Sammamish (69%) and Yarrow Point (51%), have a higher percentage of total operating revenues coming from property taxes than does Mercer Island (49%). On average, property taxes make up only 25% of all Washington cities' operating revenues.

Responding to taxpayer concern, the City Council began in 1995 to provide long-term property tax relief to Mercer Island residents by ramping down the annual increase allowed under the state's previous 6% property tax lid law. The Councils' goal since that time has been to bring the annual increase to a point at or below projected annual inflation. The proposed 2005–2006 budget continues that trend by again holding property tax increases at 1.0%. This level is consistent with voter-approved Initiative 747's 1% tax limitation.

Assuming a 1% property tax increase in each year of the biennium, the City can expect approximately $81,050 in new General Fund revenue in 2005 and $82,520 in 2006. [For more information on the property tax see Management & Budget Policy – C-35.]

Municipal Court Fines, Fees & Forfeitures **$ +25,000 – 2006 (net increase)**

By implementing a locally operated Court, the City will realized reduced expenditures and increased revenues as compared to the previous court services contract with King County. As a result, the City can assume a net $25,000 in new General Fund revenue beginning in 2006.

Development Review Fees **$ +75,000 - 2006**

In 2000, the City Council adopted new development review fees that more closely reflected the cost to process development permit applications. The cost accounting firm used to analyze potential fee increases recommended that the City adopt an overall cost recovery target of between 58% and 65%, recapturing appropriate levels of direct and indirect expenses. The City Council approved recovery at 58% with a CPI escalator.

Staff estimates that by increasing to the full recommended level of 65%, the City would increase permit revenues by as much as $120,000. Staff recommends that, if the Council chooses to raise fees, that it occurs in 2006 after additional analysis by the cost accountants and that an interim level fee increase of approximately $75,000 be considered so as to not push Mercer Island fees beyond levels of neighboring communities.

Business & Occupation Taxes and License Fees **$ +53,000 – 2006**

The City has maintained the same local B&O tax rate and license fees since 1983. Mercer Island levies some of the lowest B&O tax rates among the state's 37 cities that levy the tax. In 2004, the City adopted the model B&O tax ordinance developed and mandated by the state legislature.

Staff recommends that the City's B&O tax rates and license fees be restructured in 2006 to be more consistent with rates and fees within the state and region and to provide relief to small local businesses. This restructuring can be successfully accomplished while raising overall receipts by anywhere from $53,000 to $75,000.

RESERVES

The City maintains a contingency reserve fund target level of 10% of General Fund expenditures. (See Management and Budget Policy, page C-44 for details.) The contingency fund receives part of the Business and Occupation Taxes and in the past few years has remained at the target level. From time to time, the Finance Director also recommends to the City Council that budget allocations of unallocated, unanticipated general fund revenues be transferred to the Contingency Fund for unfunded liabilities.

UTILITY REVENUES

Water Rates

In 2003, the City Council approved a new 60 year water supply agreement with Seattle Public Utilities. As expected with Seattle new rate structure, 2005 and 2006 wholesale rates are

projected to rise. In order to meet revenue requirements for these added expenses and the City's capital improvement needs; the Utility Board recommends a 3% increase in water rates in 2005 and 2006.

Sanitary Sewer Rates

In 2004, the City Council approved a 9% increase in sewer rates as the first of several yearly increases in order to fund repair and replacement of the lake line along the northwest shore of Mercer Island. For 2005 and 2006, the Utility Board again recommends annual increases of 9% to fund lake line design and construction, expected to begin during the biennium. A 9% increase amounts to approximately an increase of $2.85 every two months for the average customer's bill.

Storm Water Utility Rates

The Storm Water Utility has not experienced a rate increase since 2001. In order to cover inflationary increases as well as to adequately fund annual capital improvement projects, the Utility Board recommends a rate increase of $.60 in each year of the biennium – an increase of 5.4%.

CAPITAL IMPROVEMENT PROGRAM

Overview

The 2005-2006 Capital Budget is part of the broader six-year CIP. Mercer Island continues to enjoy a stable capital revenue stream to maintain and reinvest in our public infrastructure. The policy basis for the CIP is explained in detail in the Management & Budget Policy Section C, page C-4. Actual project details and financing strategies are also detailed in Section E – Capital Improvement Program. Listed below are the key issues and initiatives from the proposed CIP.

Financing Strategies

The CIP continues to be largely a pay-as-you-go program. Utility rates cover all capital expenses for storm drainage, water and sewer facilities. Public building, streets, trails and parks capital maintenance are supported in whole or in part by Real Estate Excise Tax funds. And, technology applications and city fleet replacement are supported by general fund revenues. In addition to REET revenues, the City Street Fund receives revenues from local portions of the fuel tax.

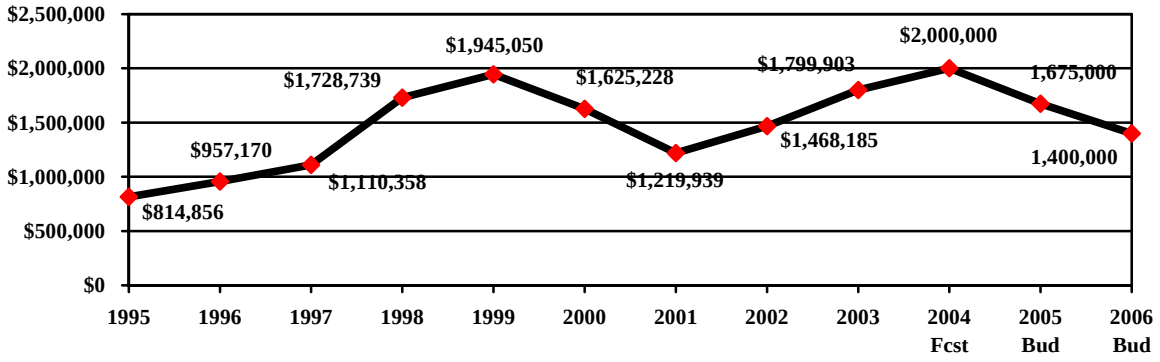
Real Estate Excise Taxes

Real Estate Excise Tax (REET) is the main revenue source to the Street Fund and the CIP Fund. REET revenue receipts have been volatile during the last 10 years. During 1998-2000 we received unprecedented levels of REET revenue, owing to a strong housing market and rapidly increasing housing prices. During the 2001-2002 biennium, actual REET revenue dropped below the $1,600,000 level budgeted for the biennium, as the economy slowed down. During the 2003-2004 biennium, we have again experienced unprecedented levels of REET revenue, owing to a boost in the number of home sales as a result of lower interest rates.

The exceptional REET revenue receipts from 1998-2000, and again in 2003-2004 allowed the City to build up fund balances in the Street Fund and CIP Fund. In the case of the CIP Fund, most of this fund balance (approximately $3,000,000) has been contributed to the Community Center building project, reducing the amount of debt financing needed for the project.

The number of annual home sales is expected to drop back to average levels of about 450 sales per year, as interest rates climb over the next few years. It is expected that home prices will continue to rise slowly, adding some stability to REET revenue receipts over the next biennium. Actual and forecasted REET revenues for the period of 1995-2006 are shown in the chart below.

Real Estate Excise Tax Revenues



Projects Summary

Parks and Open Spaces – The City will continue with forest management improvements in Pioneer Park and begin extending those efforts to other open spaces as the Council determines. Park improvements will include investments in lighting facilities at South Mercer Field, site repairs at Clarke and Groveland Beaches, park upgrades at Luther Burbank and minor park improvements across many other park sites.

Public Buildings – In 2005, the City's will complete its largest construction project – the new Community Center at Mercer View. In addition, the City will make annual maintenance investments in City Hall, both Fire Stations, the City Maintenance Facility, Thrift Shop and Luther Burbank.

Streets, Pedestrian and Bicycle Facilities

Arterial Streets. – The City will overlay Island Crest Way (SE 30th – SE 40th) and SE 24th (78th SE - 84th SE).

Residential Streets – Residential street overlays will be completed depending on street condition evaluations made early in 2005.

Roadside Shoulders – Improvements along North Mercer Way (72nd SE – 7400 block and Shorewood to Fortuna Drive) and along East Mercer Way (3800 block – 4300 block) will be constructed to create safe areas for pedestrians and bicycle pull outs.

Pedestrian and Bicycle Facilities. – Trail improvements will be undertaken from Parkwood Lane to East Mercer Way and along SE 24th adjacent to the planned street improvements.

Utilities

Sewer. The major project involving the Island's utilities in the biennium is the final design and construction for the replacement of the Sewer Lake Line at the north end of the Island. The project involves replacement of two reaches of the sewer lake line system, portions which include three miles of piping and four pump stations. These reaches encircle the northwest corner of the island and include some of the oldest piping in the system, originally constructed from 1956 to 1961.

Costs budgeted in the 2005-06 period are $650,000 for final design in 2005 and $5.93 million for construction beginning in 2006.

Stormwater. – The City will implement improvements in Basins 46a (SE 53rd Place) and Basin 26 (84th SE and Forest Avenue). Neighborhood drainage improvement and small basin projects will also be undertaken in the biennium.

Water –The City will continue with its annual water main, pressure reducing valve and hydrant replacement programs. City staff and the Utility Board will evaluate and make recommendations regarding emergency preparedness and water storage during the biennium.

ACKNOWLEDGEMENTS

Each budget development cycle represents a major planning, analysis and coordination effort by city staff. The process begins in March and continues through September and happens while all other public services are delivered to the city's customers.

Once again, it is worth noting the dedication and hard work that all staff put into the budget process. In particular, Finance Director Joanne Sylvis, Financial Operations Manager Francie Lake, and Accounting Supervisor LaJuan Tuttle have all demonstrated the expertise and professionalism for which Mercer Island has become known. And, as usual, Deputy City Manager Deb Symmonds has delivered a Capital Improvement Program that is sure to serve the Council superbly in its clarity and comprehensiveness. Staff member Jolene Parker handled the entire job of printing and collating the report with her usual dedication and painstaking attention to detail.

For all these fine efforts, the City Manager expresses his sincerest thanks.

Priorities – Mercer Island City Services

1. **The community will be safe.**

1.1
- Make timely and effective responses to crime.
- Make timely and effective responses to fire.
- Make timely and effective responses to medical emergencies.
- Crime is investigated and prosecuted.

1.2
- Buildings are safely built.
- The transportation system is safely built and operated.
- The City's drinking water will be safe.

1.3
- Crime is prevented.
- Fires are prevented.
- Mental and physical health problems are prevented.
- Emergency responses are planned for.

2. **The community will support effective, efficient and legal delivery of public services**.

2.1
- The City Council will have the information and forums necessary for making well-considered and informed decisions.
- The decisions of the City Council will be implemented.

2.2
- The City will comply with and enforce all applicable laws and ordinances.
- The City will account for its expenditures and revenues and manage its finances according to all applicable laws and ordinances.
- The City will provide for judicial services.

2.3
- The City will continually evaluate and improve upon the effectiveness and efficiency of its services.

3. **The community will support reliable public infrastructure and protect its considerable public investments** (e.g. water, sewer, storm water utilities, streets, parks, buildings).

3.1
- The City will operate and maintain its infrastructure to assure continuous, reliable and safe service.
- The City will repair and replace its infrastructure before it fails.

3.2
- The City will maintain its infrastructure to prevent failure and extend its useful life.

4. The community will support attractive, high quality neighborhood and business environments.

4.1
- Public and private physical features such as streams, shorelines, ponds, forests/trees, lakes, parks, open spaces, trails and hillsides will be protected.
- Land development regulations are applied and enforced.
- Building design regulations are applied and enforced.

4.2
- Parks, trails and open spaces are provided and maintained.
- Developed public rights of ways will be used and maintained.

5. The community will support a broad range of recreational, cultural, health and educational opportunities.

5.1
- The City will assist its least advantaged citizens with the basic necessities of food, shelter and health care.

5.2
- The City will provide mental and physical health services for all segments of the community.

5.3
- The City will support the education of all segments of the community.

5.4
- The City will provide recreational, cultural and community service programs for children and teens.
- The City will provide recreational, cultural and social service programs for senior citizens.
- The City will provide recreational, cultural and social service programs for adults.

6. Community will support open and informed public involvement processes within the structure of representative, democratic decision making.

6.1
- The City Council will make decisions on behalf of the community.

6.2
- The City will generate and disseminate public information to the community on the issues that confront the community and about the services and programs it provides.

6.3
- The City will receive information and opinions from citizens, businesses and other interested parties during the course of its policy making and delivery of its services.

CITY SERVICES SORTED BY PRIORITY

DEPARTMENTAL PROGRAM	PRIORITY	DEPT	COST	Percent Gen Fund	Other Rev	FTE	SERVICE
1 - The community will be safe							
Prosecution	**1.1**	CA	106,900	100%		1.2	Mandatory
EMS and Fire Suppression	**1.1**	FIRE	3,099,518	86%	SP REV	29	Mandatory
Street Patrol	**1.1**	POL	2,038,650	91%	SP REV	20.75	Mandatory
Bicycle Patrol	**1.1**	POL	8,685	42%	SP REV	0	Discretionary
Regional Radio Operations	**1.1**	PS	69,146	36%	SP REV	0	Essential
Dispatch and Records	**1.1**	PS	607,902	100%		8.5	Mandatory
Property and Evidence	**1.1**	PS	26,667	100%		0.5	Mandatory
Investigations	**1.1**	PS	363,368	100%		3.5	Mandatory
Undercover Narcotics Officer	**1.1**	PS	97,151	100%		1	Discretionary
Jails	**1.1**	PS	179,000	100%		0	Mandatory
Building Code	**1.2**	DSG	110,500	0%	FEE	1	Mandatory
Building Inspection	**1.2**	DSG	156,200	0%	FEE	2	Mandatory
Building Plans Examination	**1.2**	DSG	108,000	0%	FEE	1	Mandatory
Emergency Management	**1.3**	FIRE	103,026	0%	SP REV	1	Discretionary
Beaches	**1.3**	PARKS	61,000	100%		-	Discretionary
Special Operation Team	**1.3**	POL	30,481	54%	SP REV	0	Discretionary
Dive Team	**1.3**	POL	35,700	100%		0	Discretionary
2 - The community will support effective, efficient and legal delivery of public services							
Alcoholism Program	**2.0**	GEN	5,000	100%		0	Mandatory
Assoc of Wash Cities	**2.0**	GEN	12,500	100%		0	Discretionary
ARCH	**2.0**	GEN	42,000	100%	`	0	Mandatory
Innovations Group	**2.0**	GEN	1,500	100%		0	Discretionary
Public Technology Inc	**2.0**	GEN	3,000	100%		0	Discretionary
Suburban Cities	**2.0**	GEN	9,000	100%		0	Discretionary
Liability and Prop Insurance	**2.0**	GEN	450,000	100%		0	Essential
Legal Advice	**2.1**	CA	109,230	100%		0.8	Essential
Council Priorities	**2.1**	CM	57,300	100%		0.50	Essential
Council Support	**2.1**	CM	105,600	100%		0.60	Essential
Regional Representation	**2.1**	CM	55,300	100%		0.30	Discretionary
City Management	**2.1**	CM	98,500	100%		0.50	Mandatory
City Clerk	**2.1**	CM	80,700	100%		0.70	Mandatory
Council Priorities	**2.1**	Council	12,500	100%		-	Essential
Council Meetings	**2.1**	Council	25,010	100%		-	Mandatory
Constituent Support	**2.1**	Council	1,500	100%		-	Discretionary
Boards and Committees	**2.1**	Council	2,000	100%		-	Essential
Department Director Administrative Services	**2.1**	DSG	54,230	100%		0.4	Essential
Public Defender	**2.2**	CA	45,000	100%		-	Mandatory
Claims and lawsuits	**2.2**	CA	75,430	100%		0.4	Essential
Legal Assistance	**2.2**	CA	36,670	100%		0.5	Essential
Legal Dept. Mgmt	**2.2**	CA	7,225	100%		0.1	Essential
Elections	**2.2**	CM	42,200	100%		0.05	Mandatory
Human Resources	**2.2**	CM	101,300	100%		0.75	Essential
Labor Relations	**2.2**	CM	39,700	100%		0.30	Mandatory
Land Use Planning/ Management & Compliance	**2.2**	DSG	57,300	0%	FEE	0.5	Mandatory
Business Licenses / B&O Taxes	**2.2**	Finance	34,130	0%	SP REV	0.35	Essential
Accounts Payable	**2.2**	Finance	70,075	60%	UTIL	1.00	Essential
Payroll	**2.2**	Finance	94,840	60%	UTIL	1.00	Essential
Financial statements, audit	**2.2**	Finance	21,423	60%	UTIL	0.30	Mandatory
GL accounting, daily and monthly	**2.2**	Finance	64,489	60%	UTIL	0.60	Mandatory
Budget / Financial Reporting	**2.2**	Finance	115,937	60%	UTIL	0.90	Mandatory
Treasury	**2.2**	Finance	26,257	60%	UTIL	0.20	Mandatory
CIP Accouting	**2.2**	Finance	33,735	60%	UTIL	0.30	Essential
Meter Reading / Backflow	**2.2**	Finance	62,887	0%	UTIL	1.00	Essential
Utility Billing & Reporting	**2.2**	Finance	93,245	60%	UTIL	1.10	Essential
Fire Marshal	**2.2**	FIRE	54,350	100%		0.75	Mandatory
AR/AP/Payroll/Admin support	**2.2**	PARKS	112,019	100%		1.1	Essential
Marine Patrol	**2.2**	POL	288,063	41%	SP REV	2.25	Essential
Civil Service	**2.2**	PS	14,750	100%		0	Mandatory
Administration	**2.2**	YFS	16,323	100%		0.15	Essential
Land Use Code Writing	**2.3**	DSG	117,500	98%	FEE	1	Discretionary
GIS Mapping	**2.3**	DSG	173,100	64%	UTIL	2	Discretionary
DSG Administrative/Financial Support	**2.3**	DSG	66,300	85%		1	Discretionary
General Finance/IT Mgmt/Risk Mgmt	**2.3**	Finance	30,025	60%	UTIL	0.20	Essential
Systems and Customer Support	**2.3**	Finance	25,527	60%	UTIL	0.30	Essential
Technology Services	**2.3**	Finance	174,482	65%	JTIL / SP REV	2.00	Essential
Fire Administration	**2.3**	FIRE	114,597	100%		1	Essential
Fire Training	**2.3**	FIRE	100,657	100%		0	Mandatory
Gen'l copying, postage, office supplies	**2.3**	GEN	85,000	100%		0	Essential
Phones	**2.3**	GEN	133,400	100%		0	Essential
Administration and Support Services	**2.3**	MAINT	352,000	25%	UTIL	2.2	Essential
Volunteer Management	**2.3**	PARKS	19,949	100%		0.4	Discretionary
Police Training	**2.3**	POL	65,030	32%	SP REV	0	Mandatory
Police Equipment	**2.3**	POL	25,000	0%	SP REV	0	Essential
Computer Replacements	**2.3**	PS	64,937	34%	SP REV	0	Essential
Public Safety Administration	**2.3**	PS	333,590	100%		3	Essential

CITY OF MERCER ISLAND ~ 2005 – 2006 BIENNIAL BUDGET

DEPARTMENTAL PROGRAM	PRIORITY	DEPT	COST	Percent Gen Fund	Other Rev	FTE	SERVICE
3 - The community will support reliable public infrastructure and protect its considerable public investments (e.g. utilities, parks, bui							
Puget Sound Reg Council	3	GEN	14,500	100%		0	Discretionary
Private Devlp. Land Use & Eng Rev.	3.1	DSG	150,400	21%	FEE	2	Essential
City Engineering	3.1	DSG	114,600	0%	FEE/UTIL	1	Mandatory
Utility and Site Improvt Inspection	3.1	DSG	74,200	0%	UTIL	1	Essential
Fleet Services	3.1	MAINT	310,000	0%	FEE	1	Essential
Water Services	3.1	MAINT	210,000	0%	UTIL	2	Essential
Water Distribution *	3.1	MAINT	772,000	0%	UTIL	4.7	Essential
Sewer Collection **	3.1	MAINT	514,000	0%	UTIL	4.7	Essential
Storm Conveyance	3.1	MAINT	427,000	0%	UTIL	2.2	Essential
Capital Project Engineering	3.1	MAINT	323,000	0%	ITIL / SP RE'	3.2	Essential
Roadway Maintenance	3.1	MAINT	597,000	100%		3.5	Essential
Community Center Operations	3.1	PARKS	262,425	57%	FEE	2.7	Essential
Parks & Athletic Field Maint.	3.1	PARKS	776,293	92%	FEE	5.5	Essential
I-90 Maintenance	3.1	PARKS	412,217	0%	SP REV	1	Essential
Luther Burbank Park	3.1	PARKS	275,000	100%	SP REV	1	Essential
Council Priorities/CIP Project Mgm't & A(	3.1	PARKS	124,448	100%		1.05	Essential
Building Services	3.2	MAINT	438,000	93%	UTIL	1	Essential
4 - The community will support attractive, high quality neighborhood and business environments							
Air Pollution Assessment	4	GEN	18,000	100%		0	Mandatory
Interlocal Waterfowl	4	GEN	2,500	100%		0	Discretionary
Private Develop Arborist Review	4.1	DSG	43,100	79%	FEE	0.5	Essential
Land Use Develop Review-Zoning	4.1	DSG	148,856	37%	FEE	1.7	Essential
Land Use Develop Review-Design	4.1	DSG	80,214	55%	FEE	0.9	Essential
Neighborhood Traffic & Pedestrian Circu	4.1	DSG	92,600	84%	FEE	1	Discretionary
Permit Intake and Coordination	4.1	DSG	219,300	0%	FEE	3.5	Essential
Code Enforcement	4.1	DSG	43,800	95%		0.5	Essential
Permit Intake Management	4.1	DSG	41,300	100%		0.5	Essential
ROW Tree Management	4.1	MAINT	139,000	100%		1.5	Discretionary
Urban Forestry Mgm't	4.1	PARKS	58,194	100%		0.5	Discretionary
Planter Beds	4.2	MAINT	117,000	52%	SP REV	1	Discretionary
Customer Field Response	4.2	MAINT	160,000	13%	UTIL	2	Discretionary
Vegetation Maintenance	4.2	MAINT	165,000	100%		1	Essential
Trail Maintenance	4.2	MAINT	126,000	100%		1	Essential
5 - The community will support a broad range of recreational, cultural, health and educational opportunities							
Eastside Legal Aid	5	GEN	3,500	100%		0	Discretionary
Childrens Response Center	5	GEN	1,500	100%		0	Discretionary
King County Sexual Assault	5	GEN	2,500	100%		0	Discretionary
Senior Services	5.1	PARKS	73,209	37%	FEE	0.38	Discretionary
Food Service	5.1	PARKS	56,071	73%	FEE	0.5	Discretionary
Family Assistance	5.1	YFS	47,638	58%	EE / DONAT	0.7	Discretionary
Recreation Programs	5.2	PARKS	204,891	11%	FEE	1	Discretionary
Department based Counseling	5.2	YFS	197,551	40%	EE / DONAT	2.25	Discretionary
Drug Alcohol Counselor	5.2	YFS	126,504	25%	EE / SP RE'	1.6	Discretionary
Neighborhood Mediation	5.3	CA	7,820	100%		0	Discretionary
Sister City	5.3	Council	5,000	100%		0	Discretionary
Fire Public Education	5.3	FIRE	24,913	83%	SP REV	0	Discretionary
Fire Community Relations	5.3	FIRE	3,500	100%		0	Discretionary
Arts Council Programs	5.3	PARKS	79,364	72%	FEE	0.55	Discretionary
DARE	5.3	POL	83,372	100%		1	Discretionary
School Resource Officer	5.3	PS	89,138	0%	SP REV	1	Discretionary
Domestic Violence	5.3	PS	10,000	0%	SP REV	0	Discretionary
Diversion	5.3	YFS	24,013	72%	EE / DONAT	0.35	Discretionary
Youth Employment	5.3	YFS	51,715	53%	EE / DONAT	0.7	Discretionary
Special Event Coord/Permitting	5.4	PARKS	44,094	84%	FEE	0.2	Essential
Youth and Teen Camps	5.4	PARKS	140,423	12%	FEE	1	Discretionary
City Sponsored Special Events	5.4	PARKS	25,430	63%	FEE	0	Discretionary
Sports & Leagues	5.4	PARKS	53,148	0%	FEE	0.25	Discretionary
Summer Celebration	5.4	PARKS	140,747	52%	FEE	1	Discretionary
Parks/CCMV/Athletic Field Scheduling	5.4	PARKS	67,499	100%		0.77	Essential
Senior Outreach	5.4	YFS	103,818	53%	EE / DONAT	1.4	Discretionary
School based Counseling	5.4	YFS	273,548	41%	EE / DONAT	5.4	Discretionary
VOICE	5.4	YFS	125,775	44%	EE / DONAT	1.4	Discretionary
Thrift Shop	5.4	YFS	195,319	40%	EE / DONAT	1.6	Essential
6 - Community will support open & informed public involvement processes w/in the structure of representative/democratic decision							
Communications/Public Info	6.2	CM	83,100	100%		0.3	Discretionary
Switchboard Reception Services	6.2	DSG	53,700	100%		1	Essential
Utility Customer Service	6.2	Finance	43,216	60%	UTIL	0.75	Essential
Board & Committee Support	6.2	PARKS	62,194	100%		0.5	Essential

BUDGET REDUCTIONS – CITY DEPARTMENTS

Department	Service Reduced	Amount Reduced	Type
Public Safety	Civil Service	$7,050	Outsourced testing & advertising
	Jails	$84,000	Outsourced to Yakima Jail
	Dispatch Services	$21,766	Outsourced to Bellevue/Kirkland
	School Resource Ofcr.	$6,300	Increased MISD support
	Financial Investigator	$95,600	Eliminated service/position
	Administration	$7,500	Reduced supplies/equipment
	Computer/Radio Replacements	$7,700	Efficiency in replacement schedule; outsource to Bellevue/Kirkland
	Special Operations	$4,000	Reduced equipment purchases
	Prisoner Transport	$9,000	Reduced overtime; efficiency in on-duty staff use.
	Police Training	$7,000	Reduced optional training
	Auxiliary Firefighters	$60,000	Eliminated program.
	Training	$9,750	Reduce optional training.
	Mapping, Pre-fire	$6,000	Eliminate program.
	Administration	$9,750	Efficiencies in multiple line items.
	Miscellaneous	$32,900	27 line items reduced; small service reductions; efficiencies
Parks & Recreation	Printing	$10,000	Efficiency – new equipment
	Supplies & Equipment	$ 4,500	Efficiency – lowered expenses
	Recreation Programs	$38,000	Reduced service LOS in 2005; supply/equipment/rental efficiencies.
	Youth & Teen Camps	$4,200	Efficiencies in supplies; field trips
	Special Events	$15,350	Eliminate two programs; efficiencies in supplies, advertising, printing
	Sports & Leagues	$18,000	Reduced service LOS; to historic levels.
	Senior Services	$1,400	Efficiencies in supplies.
	Community Center	$175,000	Center closed in 2005
	CCMV Café/Concessions	$38,000	Outsource food service program.
	Catering	$39,579	Outsource food service program
	Senior Meals	$8,350	Outsource food service program
	Community Arts	$2,000	Efficiency in professional services
	Gallery Program	$13,500	Efficiency in CCMV (2005); printing
	Cultural/Performing Arts	$2,300	Efficiency in supplies; travel.
	Summer Celebration	$12,700	Reduced LOS in performers, advertising, printing

Department	Service Reduced	Amount Reduced	Type
Parks & Recreation (continued)	Parks Maintenance	$38,616	Eliminate 1 seasonal (.75) FTE; efficiency in supplies, equipment, electricity
	Athletic Field Maint.	$30,769	Eliminate 1 seasonal (.5) FTE; Efficiency in supplies, equipment, electricity, irrigation; remove 2 parks pay phones.
	I-90 Landscape Maint.	$39,000	Efficiencies in electricity and irrigation.
Maintenance	Streets & Rights of Way	$24,000	Eliminate 2 seasonal (.5) positions. Reduced LOS on planter bed and trail maintenance.
	Administration	$8,000	Eliminate 1 seasonal (.75) FTE for repairs/improvements at Maint. Shop, other public bldgs.
Development Services	Development Engineer	$65,000	Reorganized function; eliminated position.
	Building Permit Review	$20,000	Reduced outsourcing of permit reviews in favor of in-house reviews.
	Software Maintenance	$4,000	Expenditure not required.
	Town Center Application Reviews	$2,000	Reduced need for outside consultant reviews.
	Land surveys	$40,000	Reduced demand for land survey.
	Building Inspection	$5,000	Efficiency in inspections.
	Travel & Training	$2,000	Reduced travel & training.
City Manager's Office	Travel & Training	$1,600	Reduced travel and conference tuition.
	Professional Services & Projects	$2,200	Reduced resources for special analyses & reports.
	Personnel Services	$3,000	Efficiencies in testing, printing, advertising, supplies.
City Attorney's Office	Operating supplies	$1,000	Reduced operating supplies
Finance Department	Travel & Training	$2,000	Reduced travel and conference tuition costs.
	Bank Charges	$1,000	Received a more favorable rate
	Supplies	$800	Reduced supplies
	Repair and Maintenance	$500	Reduced repair costs experienced
	Professional Services	$5,000	Reduced Audit costs to actual 2003 cost

SECTION C

MANAGEMENT AND BUDGET POLICIES

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BEAUTIFICATION FUND

BACKGROUND

The Beautification Fund was created in 1980 by Council ordinance. According to the ordinance, Business and Occupation Tax (B&O) revenues are deposited into the Beautification Fund. The B&O tax rates and distributions are currently as follows:

- On the first $100,000 in gross revenue per quarter, the tax is 1/20th of 1% (.0005).
- On anything over $100,000 in gross sales, the tax increases to 1/10 of 1% (.001).
- The tax collected on gross revenue over $100,000 is split evenly between the Beautification Fund and the Contingency Fund.
- The tax is calculated and due on a quarterly basis.

The stated purposes of the Beautification Fund include:

- Installation and maintenance of landscaping including plants and other landscaped materials on public property or easements;
- Acquisition, operation and maintenance of any building, facility, property or easement for park, recreation, or open space purposes;
- Undergrounding of power lines and lighting facilities for the operation and maintenance thereof on public property or easements;
- Promotion and support of a Central Business District (CBD) revitalization program;
- The promotion, support, acquisition and installation of public art on public property or easements;
- Acquisition or leasing of parking spaces for Mercer Island residents for the purpose of providing additional parking;
- Enforcement of parking restrictions, providing signage related to parking, providing permits and any other expenses related to parking restrictions; and
- All expenses including, but not limited to, professional fees, printing and publishing, incurred in connection with the above-listed purposes.

Since creation of the Fund, a substantial sum has been spent on other beautification projects and the broad language of the Code has been construed to permit a variety of undertakings. In addition, while beautification of the whole community is referred to in the Code, the resources of the fund have been little used outside of the Town Center.

During the 2003-2004 biennium, expenditures of the Beautification Fund have included the operation and maintenance of the medians and planters in the downtown, the holiday lighting program, support for the chamber of commerce, maintenance of I-90 corridor landscaping and, most recently, City support for The Northwest Center's operation of the Mary Wayte Pool.

FUTURE B & O TAXES AND LICENSE FEES

Over the last decade substantial investments in Town Center revitalization have been made by the City, developers and property owners. The Town Center street grid has been completely reconstructed, adding amenities for beautification and for attracting private investment. Town Center revitalization took a major step forward in 2004 with the initiation of five major new developments. Additional redevelopment projects are expected in future years.

With these major new investments completed or underway, a re-consideration of the Beautification Fund is warranted.

B&O tax data indicates that a large majority of taxpayers and licensees are not sited in the Town Center. Most are scattered across the Mercer Island neighborhoods or are in other cities. Many taxpayers are very small local (home-based) businesses that pay very low quarterly installments. These businesses could pay slightly higher business license fees and then be exempted altogether from B&O taxes. On the other hand, some businesses with fairly large gross receipts enjoy some of the lowest B&O tax rates charged in the state. At .0005 and .001 of gross receipts, only two Washington cities that levy a B&O tax have tax rates lower than Mercer Island. The statewide average rate (.00172) is nearly double Mercer Island's rate.

Future B&O taxes will be levied according to the model B&O tax ordinance mandated by the legislature and adopted by the City Council. This ordinance will provide uniformity of taxation (other than tax rates) for all cities levying a B&O tax.

BUDGET POLICIES FOR 2005 - 2006

Given the considerations above, the City Council should consider restructuring the B&O tax, business license fee and Beautification Fund. The following policies should be enacted for the 2006 fiscal year:

- Continue to support the same list of activities previously funded by the Beautification Fund in 2003-2004.
- Transfer $55,000 from Beautification in 2005 and 2006 to the Capital Improvement Fund for Vegetation Management.
- Adjust B&O tax rates and business license fees to increase annual revenues in 2006 by approximately $53,000 to $75,000.
- Restructure B&O taxes and business license fees in order to increase tax exemptions of small gross receipt businesses.
- Consider transferring all revenues and expenses from the Beautification Fund to the General Fund with the intent of "sun-setting" the Beautification Fund.

2005 – 2006 BUDGET IMPACT

Revenues	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Opening Fund Balance	$ 666,872	$ 637,622	$ 554,562	$ 429,117
Business and Occupation Tax	234,726	225,000	225,000	225,000
Insurance Recoveries	-	-	-	-
Permit Parking Program	4,975	2,000	2,000	2,000
Subtotal Revenues	*$ 239,701*	*$ 227,000*	*$ 227,000*	*$ 227,000*
Total Revenues	**$ 906,573**	**$ 864,622**	**$ 781,562**	**$ 656,117**
Expenditures				
Chamber of Commerce	$ 14,400	$ 14,400	$ 14,400	$ 14,400
Medians and Planters	55,776	56,000	56,000	56,000
Holiday Lighting	19,732	20,000	22,500	22,500
CBD Light Fixtures	11,915	30,000	30,000	30,000
Financial Services	11,198	10,000	10,000	10,000
Permit Parking Program	17,197	16,400	1,500	1,500
Mary Wayte Pool Operations	100,000	100,000	100,000	100,000
Interfund Transfers to I-90	38,733	63,260	63,045	65,650
Interfund Transfers to CIP for Veg Mgmt.	-	-	55,000	55,000
Subtotal Expenditures	*$ 268,951*	*$ 310,060*	*$ 352,445*	*$ 355,050*
Ending Fund Balance	**$ 637,622**	**$ 554,562**	**$ 429,117**	**$ 301,067**
Total Expenditures and Fund Balance	**$ 906,573**	**$ 864,622**	**$ 781,562**	**$ 656,117**

CAPITAL IMPROVEMENT PROGRAM

BACKGROUND

The City of Mercer Island separates the Capital Improvement Program (CIP) into two parts: the Capital Reinvestment Plan (CRP) and the Capital Facilities Plan (CFP). The CRP contains all major maintenance projects for existing public assets. The CFP consists of proposed new capital facilities.

CAPITAL REINVESTMENT PROGRAM (CRP)

The CRP's purpose is to organize and schedule repair, replacement and refurbishment of public improvements for the City of Mercer Island. The CRP is established as a six-year program setting forth each of the proposed maintenance projects, including the cost and funding source. The individual six-year plans for capital reinvestment serve as the City's capital planning documents as required by the City's Comprehensive Plan (Capital Facilities Element) and the State Growth Management Act. CRP projects are generally paid from existing City resources, in other words “pay as you go”.

The program emphasis in a reinvestment plan is timely repair and maintenance of existing facilities. To this effect, while new equipment and improvements are made to some older fixed assets, the intent is to design a program, which will preserve and maintain the City's existing infrastructure. The maintenance and enhancement of the taxpayer's investment in fixed assets remains the City's best defense against the enormous cost of the replacement of older but still very valuable public improvements.

The CRP is intended to be a public document. For this purpose, it is organized by functional area. Hence, any individual who wishes to gain knowledge about a project need not know the funding source or any other technical information but only need to know the general type of improvement in order to find the relevant information. The Capital Reinvestment Program is divided into four functional programmatic areas: streets -- including pedestrian and bicycle facilities, park and recreational facilities -- including open space, general government -- including equipment, and utilities -- sewer, storm water, and water.

CRP projects are typically "pay as you go", -- funded from the current operations of the General Fund, City Street Fund and the utilities funds.

CAPITAL FACILITIES PLAN (CFP)

The CFP is also a six-year plan to outline proposed new capital projects. The CFP is divided into the same four component parts: streets - including pedestrian and bicycle facilities, parks/recreation and open space facilities, general government, and utilities - water, sewer and storm drainage. Like the CRP, the CFP plan for new facilities is intended to provide easy reading. Each project in the plan is described briefly and the total cost and appropriation for a six-year period is stated. Like the CRP, the CFP serves the capital planning requirements for six-year plans as outlined in the Comprehensive Plan and State Growth Management Act.

As it is with the CRP, the CFP is organized by category of project.

Funding for CFP will generally be decided simultaneously with the approval of the project. This may involve a bond issue, special grant or a source of revenue that is outside the available cash resources of the City.

NOMINATION PROCESS

As a part of each biennial budget process, the CIP Committee receives proposals for needed capital projects submitted by the affected department managers, team leaders, advisory bodies, City Council, and others. The CIP Committee compiles and reviews the project proposals, their associated costs and funding sources. Based upon previously identified Council priorities and staff-developed project evaluation criteria, the Committee makes a recommendation on project funding priorities to the City Manager. Council-appointed boards and commissions, such as the Utility Board, also provide input to project funding requests.

CONCLUSION

Together the CRP and the CFP provide a planning tool for the maintenance of existing public improvements and the construction of new public facilities. While all capital plans require annual updating this process will provide a solid foundation for Council planning and decision-making.

MANAGEMENT POLICY FOR 2005 - 2006

- Increase public involvement in the planning and design of capital projects.
- Improve public information about pending construction projects and their impacts (detours, delays, and effects on neighborhoods).
- Use signage and the City’s website to highlight certain projects.

BUDGET POLICIES FOR 2005 – 2006

- CRP projects take priority over CFP projects in recognition of the desire to maintain and improve existing assets before acquiring new assets.
- Major impacts on the City’s operating funds will be identified and budgeted before projects are approved.
- The CIP is a dynamic plan subject to changes in City Council policy, financial environment, design information, emergencies, and unique opportunities that can arise over a multi-year planning period.
- The CIP will be developed in accordance with requirements of the State Growth Management Act and will be consistent with the Capital Facilities Element of the City's Comprehensive Plan.
- Within the context of a biennial budget, the City will develop a six-year plan for capital improvements. The six-year plans contained in the CIP fulfill the City's six-year planning requirements outlined in the Growth Management Act and Comprehensive Plan.
- The City will enact a two-year capital budget based on the CIP.

- The City will attempt to maintain its assets at a level adequate to protect capital investment and minimize future maintenance and replacement costs.
- The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to the City Council for approval.
- Capital projects are budgeted and funds allocated in the year that the project is acquired or constructed.
- Whenever possible, capital improvements will be scheduled and completed in the same year.
- Prior to City Council funding commitments on major capital projects, the City will conduct detailed and professional cost estimating analyses.
- In general, the City will plan and implement capital improvement projects so that the spring-summer-fall construction season is used to the community's greatest advantage.
- Technology projects will be budgeted and accounted for in the Technology Fund.
- When the City receives unanticipated or extraordinary capital revenue, the City Council will consider transferring it to the Capital Reserve Fund, or:
  - Complete a listed, unfunded project;
  - Add funds to a capital program category (such as parks) for a specific desired project;
  - Advance an already programmed and budgeted capital project (such as pedestrian and bicycle facilities); or
  - Complete a project that will decrease maintenance and operating costs.

2005 - 2006 BUDGET IMPACT

Expenditures ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Capital Reinvestment Plan	$ 4,913	$ 6,498	$ 6,107	$10,027
Capital Facilities Plan	3,903	7,642	6,298	498
Total Capital Improvement Program	**$8,816**	**$14,140**	**$12,405**	**$10,525**

CRIMINAL JUSTICE FUNDS

BACKGROUND

The Washington State Legislature authorized criminal justice funds to improve the criminal justice system. In 1990, the City created the Criminal Justice fund to account for this funding allocated to the Public Safety Department. These funds must be used for criminal justice purposes only and cannot supplant General Fund expenses.

In 1992 King County voters approved an additional 0.1% Sales Tax for criminal justice purposes. Mercer Island expects to receive about $400,000 per year from this tax.

The fund also receives funds from other sources which are not "criminal justice funds" within the definition of the State law. Funds are received from the Mercer Island School District to help support the School Resource Officer. Funds are also received from the Federal Emergency Management Agency to help support our Emergency Management program. Also, some funds from seized assets are expected to help defray some of the costs of the Financial Investigator position from the previous budget period.

This year, extensive cuts were made from this budget in an effort to balance revenues and expenditures. The Financial Investigators position was cancelled due to a lack of consistent funding from seizures, and the officer was transferred to patrol to fill an existing vacancy.

The money allocated to the Drug Counselor at the High School was discontinued and will now be funded through Youth and Family Services. Budget cuts were also made in almost all areas of this fund, including police equipment and training, prisoner transport, computers and radios, and special operations team.

Despite the dramatic cuts from this fund, the remaining services, equipment, and training the fund has supported in the past will continue to operate and be funded efficiently. The fund will continue to support the Hire Ahead officers to provide much needed help to patrol. It also funds the School Resource Officer and the Emergency Management program.

BUDGET POLICIES FOR 2005 - 2006

- Continually monitor the expenditures and revenues in this fund to help assure that the fund maintains a positive monetary balance.
- Continue to support the Hire Ahead program which provides two officers for patrol and allows adequate officers to help control patrol overtime and staffing schedules.
- Continue to support the School Resource Officer program with some additional funding from the School District.
- Continue to support the regional radio system costs which cannot be charged to the levy, such as radio maintenance and replacement costs.
- Continue to support funding for enhanced police training and equipment.

- Continue to support the concept of Emergency Management for the city by funding this position and its related expenses.

2005 – 2006 BUDGET IMPACT

Revenues	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Opening Fund Balance	$ 380,126	$ 261,804	$ 187,879	$ 24,697
Washington State Sales Tax	417,993	410,000	410,000	410,000
State Shared Revenues - CJ	11,450	23,000	22,000	22,000
Intergovernmental - School Dist	12,000	12,000	16,700	16,700
Grants	47,896	24,997	20,150	21,000
COPS grant	0	0	450,318	0
Donations	0	51,400	12,500	12,500
Interfund From CIP	0	0	67,500	0
Subtotal-Revenues	*$ 489,339*	*$ 521,397*	*$ 999,168*	*$ 482,200*
Total Revenues	**$ 869,465**	**$ 783,201**	**$ 1,187,047**	**$ 506,897**
Expenditures				
Administration / Equipment Rental	$ 26,718	$ 28,768	$ 5,000	$ 5,000
Emergency Management	127,228	103,026	108,667	111,177
Computer Replacements	42,623	42,623	39,935	39,935
Regional Radio & Replacements	43,282	44,545	39,545	30,545
Special Operations/Bike Patrol	25,219	19,000	14,500	14,500
Hire Ahead	110,317	138,068	133,321	137,321
Prisoner Transport Program	2,544	9,000	0	0
School Resource Officer	78,367	89,138	85,382	87,630
Financial Investigator	11,696	2,174	0	0
Police Training	37,851	43,980	38,000	38,000
Domestic Violence	10,000	10,000	10,000	10,000
Dive Team Equipment Purchases	13,376	0	0	0
Police Equipment	38,440	25,000	20,000	25,000
Contract Dispatch Startup	0	0	668,000	0
Interfund Transfers Out	40,000	40,000	0	0
Subtotal - Expenditures	*$ 607,661*	*$ 595,322*	*$ 1,162,350*	*$ 499,108*
Ending Fund Balance	**$ 261,804**	**$ 187,879**	**$ 24,697**	**$ 7,789**

DEBT FINANCING

BACKGROUND

The City of Mercer Island has prudently issued little debt over the years, maintaining a sizable debt capacity. The City has consistently followed a conservative fiscal management policy, which is reflected by the high Aa1 rating that Moody's has given the City for bond issues. Mercer Island is the only city in the State with an Aa1 rating – only Bellevue and Seattle have a higher rating.

The total amount of debt obligations for cities is limited by state law. Mercer Island has significant legal capacity for funding foreseeable debt issues. As of 12/30/2003, the available debt capacity margin was $153,508,194 for general purposes (voted, non-voted and lease debt), $158,674,738 for utility purposes (voted debt), and $157,957,357 for open space and parks facilities (voted debt).

When the city voters annexed to the King County Library district (KCLS) in 1994, KCLS agreed to pay $206,576 per year for 20 years as a lease purchase for the city constructed library building. That lease revenue is used to offset the amount due on the GO library bonds, thus reducing the total **voted** tax levy for the Mercer Island residents each year. That is reflected in the table below.

In 1996, the City refinanced three bond issues to obtain interest savings for the taxpayers. The total present value savings for these issues amounted to over $548,000.

In 2003, the City issued $2.29 million in Councilmanic bonds to acquire the property that the Community Center at Mercerview was sited on. This was in preparation for building a new community center at the site. In 2004, after a year of study and design, the Council authorized the construction of a new $12.3 million community center. Most of that project is being paid with City reserves, however, $2,040,000 in Councilmanic bonds were issued to complete the financing package. Both of these bond issues are being funded out of the Capital Improvement Fund through real estate excise taxes.

For more detailed information on the debt of the City, see Section D, pages D-9 through D-12.

BUDGET POLICIES FOR 2005 - 2006

- The City will confine long-term borrowing to fund approved capital improvement projects that cannot be financed from current revenues.
- When the City finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the project.
- Whenever possible the City will use special assessment, revenue or other self-supporting bonds instead of general obligation bonds.
- The City will not use long-term debt for current operations.

2005 - 2006 BUDGET IMPACT

Expenditures	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Voted Debt				
1987 Refunding Bonds	$ 221,095	$ 72,240	$ -	$ -
1996 Refunding Bonds	$ 359,783	$ 357,363	$ 359,203	$ 360,190
City Hall bonds	$ 454,510	$ 458,700	$ 456,600	$ 463,413
Total Voted Debt	***$ 1,035,388***	***$ 888,303***	***$ 815,803***	***$ 823,603***
King County Library Payment	$ (206,576)	$ (206,576)	$ (206,576)	$ (206,576)
Total Amount to be levied in taxes	**$ 828,812**	**$ 681,727**	**$ 609,227**	**$ 617,027**
Non-voted Debt				
Mercerview Property Acquisition	$ -	$ 228,129	$ 224,829	$ 221,529
CCMV Construction	$ -	$ 37,302	$ 148,185	$ 151,310
Total Non-voted Debt	**$ -**	**$ 265,431**	**$ 373,014**	**$ 372,839**

DEVELOPMENT REVIEW FEES

BACKGROUND

The City issues various types of building and land use permits for private development activity. Prior to 1993, fees had been charged for such permits based solely on historical precedent and valuation of the construction activity according to standards adopted in the Uniform Building Code. Initially in 1993, and again in 1996 and 1999, the City adopted development fees with two goals in mind: (1) establish fees based on the service provided by the City, allowing for simplification and consolidation in the fee schedules; and (2) move toward fees that represent the full cost of providing the City's development review services. The most recent adjustment of all development fees was completed in December 1999.

The City's role in regulating and assisting private development has become increasingly complex. Remaining buildable lots typically are on steep slopes or involve other critical areas and require more engineering and staff review. Increasingly, residential projects are growing larger in size and scope, and many require variances, deviations and other land-use actions. The remaining larger properties are often subdivided, which can be a complex and staff-intensive process.

A recent surge in building and development activity began in 1997-98 and continued through 2001. The combination of new single-family homes and major remodels grew from 174 in 1995 to 254 permits in 2000. 2001 saw a slight decrease to 221 permits. In 2002-03, the City had a slight decline of approximately 20% in permits for single-family homes and major remodels. The anticipated workload for 2005 and 2006 is expected to remain very high, similar to the extremely high peaks of development in 1999 and 2000. The major increase in building activity and resulting permit revenue will take place in the anticipated mixed-use developments in the Town Center, with completion of new apartment dwelling units and some additional retail/office space.

The projected revenues included in the Development Services Group (DSG) budget reflect high numbers in new single-family residential and remodels, moderate activity in Town Center mixed-use projects, and increased project size and cost. Revenues are expected to decline slightly from the peak of 2004. The table below shows the permit and building related activity in the department for 1997 through 2006. The table on the next page shows the revenue history from 1997 – 2004. 2004 saw a very substantial increase in permit numbers and permit valuations similar to the peak years of 1999-2000. Much of the activity was related to the mixed-use development in the Town Center.

DEVELOPMENT REVIEW FEES AND PERMITS, ACTIVITY AND REVENUES

TYPE OF WORK	1997 Act	1998 Act	1999 Act	2000 Act	2001 Act	2002 Act	2003 Act	2004 Est.	2005 Est.	2006 Est.
Conditional Use Permits	0	1	1	2	2	2	2	2	3	2
Design Review-Major	22	17	21	20	6	14	9	7	10	10
Design Review-Minor	4	16	21	13	15	30	25	22	25	28
Deviations	7	8	10	17	5	24	34	35	35	35
Variances	23	25	19	22	18	12	11	12	12	12
Subdivisions /Short Plats	11	10	10	9	4	1	3	3	6	4
Lot Line Revisions	8	5	12	9	4	5	4	4	6	6
Pre-Application Meetings	NA	NA	146	155	133	95	109	130	130	130
New -Single Family Dwellings	43	48	57	72	60	29	31	45	40	40
Remodels -Single Family Dwelling	154	154	171	182	161	208	197	240	220	220
Demolitions –Single Family Dwelling	2	12	41	48	33	26	18	25	25	25
Code Enforcement Cases	NA	NA	144	163	217	156	138	150	150	150
Accessory Dwellings	16	16	15	12	13	11	11	11		
Shoreline Exemptions	NA	NA	NA	NA	34	23	23	20	23	23
Shoreline Substantial Development Permits	NA	NA	NA	NA	12	20	15	12	12	12
Total SEPA Reviews	NA	NA	NA	NA	27	40	41	32	32	32

Revenues	1997 Actual	1998 Actual	1999 Actual	2000 Actual	2001 Actual	2002 Actual
Single Family – New	$192,481	$231,156	$441,808	$962,865	$877,796	$565,977
Single Family – Remodel	202,310	245,176	261,505	121,331	72,699	197,774
Multi-Family / Commercial	110,912	54,152	116,383	82,117	75,308	50,343
Land Use	52,236	61,177	77,345	153,820	130,936	151,084
Street Use	15,000	21,895	68,439	77,775	61,974	80,677
Storm Drainage	4,290	8,148	20,914	76,828	54,174	41,388
Total Revenues	***$577,229***	***$621,70***	***$986,394***	***$1,474,736***	***$1,272,887***	***$1,087,243***

BUDGET POLICIES FOR 2005 - 2006

The policy of the City regarding development permit fees has been to move toward recovering the full cost of services for private land development. In November 1999, after reviewing the results of a cost of service study, the City Council adopted new fees moving closer toward that goal. The estimated cost recovery level before the fee increase was about 48% on average for all fees. The new fee structure equates to a cost recovery level of about 59% on average for all fees.

Staff estimates that by increasing to the full recommended level of 65%, the City would increase permit revenues by as much as $120,000. Staff recommends that additional analysis by our cost accountants be done in 2006 and that an interim level of fee increase of $75,000 be considered so as to not push Mercer Island fees beyond levels of neighboring communities.

- Continue the goal of moving toward full cost recovery of services provided for private land development through evaluation of the Mercer Island development fee structure.

- Review fees in 2005 with the goal of increasing fees in 2006 by about $75,000 while considering City fees in relationship to the fee levels of neighboring communities.

2005 - 2006 BUDGET IMPACT

Revenues	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Single Family – New	$458,685	$620,000	$425,000	$455,000
Single Family – Remodel	201,227	280,000	270,000	290,000
Multi-Family / Commercial	54,512	275,000	310,000	335,000
Land Use	181,423	140,000	140,000	140,000
Street Use Permits	58,888	58,000	58,000	58,000
Storm Drainage	25,990	35,000	35,000	35,000
Total Revenues	**$980,725**	**$1,408,000**	**$1,238,000**	**$1,313,000**

INTERFUND ADMINISTRATIVE CHARGES

BACKGROUND

The City-owned utilities are classified as Enterprise Funds. In carrying out the regular functions of the utilities, various departments contribute services in support of administrative needs. For the utility budgets to reflect the full costs of administration, an Interfund transfer between the General Fund and the utilities is made. In effect, the General Fund charges the utilities for the rendering of administrative services. The amount charged is computed according to the following formula.

General Fund Activity	Interfund Charges
City Attorney	11.0% of budget
City Council	11.0% of budget
City Manager	25.0% of budget
Finance	40.0% of budget
Human Resources	11.0% of budget

This formula includes the staff departments only. Engineering charges which should be charged for design, inspection and administration of the utilities capital projects are charged directly to the Capital Projects for each of the utilities.

Preliminary budget amounts are used to estimate the following year's charges. All costs are divided between the three utilities – water, sewer and the storm water utility. The percentage charges are 45% to water and sewer and 10% to storm. Other administrative charges to the utilities include a charge for office supplies, building rent and a portion of liability and property insurance.

BUDGET POLICIES FOR 2005 - 2006

- Continue the Interfund charges using the formula listed above.
- Charge 10% of the Interfund charges to the Storm Water Utility, reflecting its status as a mature utility which needs to pay for the administrative costs of the City.

2005 - 2006 BUDGET IMPACT

Charges ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Water Utility Charges	$210.0	$215.3	$214.9	$219.8
Sewer Utility Charges	$210.0	$215.3	$214.9	$219.8
Storm Water Utility Charges	$46.6	$47.8	$47.7	$48.8

INVESTMENT EARNINGS

BACKGROUND

The City pools its cash and invests it in certificates of deposit (CD's) and other investments authorized by the R.C.W. To forecast interest earnings, the Finance Department computes the average cash balances for all funds for the year using an expected market interest rate of the most recent average earnings rate.

By pooling and investing its cash, the City is able to obtain the best possible rate of return on its investment. City funds are always fully invested in a combination of timed deposits, money market accounts and an interest bearing checking account.

For maximum interest earnings the City has all of our state revenues wired directly into a City account with the State Investment Pool. The State Investment Pool has the advantage of paying excellent rates while being liquid. Most of the City's funds are currently invested in the State Pool.

The General Fund collects all interest earnings and holds the investment certificates in its name. At the end of each month each fund with a positive cash balance that earns interest is allocated a portion of the current month's earnings based on the ratio of the fund's cash balance to the City's total cash balance.

The City treasurer's primary objective in investing cash is to preserve the principle of the investment while striving to maximize investment returns.

BUDGET POLICY FOR 2005 - 2006

- Continue the cash investment policy and practice in 2005-2006. Conservatively forecast interest revenues.

2005 - 2006 BUDGET IMPACT

Revenues ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
General Fund	$ 102	$ 94	$ 100	$ 100
Other Funds	296	281	172	173
Total Revenues	**$ 398**	**$ 375**	**$ 272**	**$ 273**

I-90 LANDSCAPE MAINTENANCE FUND

BACKGROUND

The City established the I-90 Fund in 1980 as a financial mechanism for City monitoring of I-90 related construction and issues. In 1992, Washington State Department of Transportation (WSDOT) completed construction of the I-90 roadway on Mercer Island. By 1994, the Park on the Lid and other landscaped areas were completed and incrementally returned to the City for community use and maintenance. By 1998, all the agreed-upon property landscaped by WSDOT, totaling 80 acres, had been turned back to the City. The following chart illustrates the transition:

YEAR	ACRES MAINTAINED BY CITY			REVENUE	EXPENSES
	City owned	WSDOT owned	Total owned		
1992	0	8.6	8.6	$41,323	Not Tracked
1993	0	8.6	8.6	$51,372	$43,507
1994	11.3	15.7	27.0	$52,117	$86,934
1995	11.3	15.7	27.0	$101,348	$151,868
1996	25.6	52.4	78.0	$136,816	$175,000
1997	25.6	52.4	78.0	$343,159	$295,322
1998	25.6	53.9	79.5	$331,234	$334,396
1999	25.6	53.9	79.5	$331,387	$324,331
2000	25.6	53.9	79.5	$341,200	$342,485
2001	25.6	53.9	79.5	$353,894	$328,201
2002	25.6	53.9	79.5	$366,802	$356,356
2003	25.6	53.9	79.5	$373,932	$413,081
2004	25.6	53.9	79.5	$386,052	$445,255

The WSDOT owns 54 of those 80 acres and has agreed to compensate the City for maintenance costs of those 54 acres only. The State-owned properties are managed by the City under a lease agreement that will expire in 2034. The remaining 28 acres are owned by the City and were landscaped and improved by WSDOT during construction of I-90. The City receives no compensation from WSDOT for maintenance of those 26 acres.

Early in the negotiations, the City set the goal of maintaining all 80 acres of the I-90 property with the reimbursement funds for 54 acres from WSDOT. This goal was based on estimated cost data available at the time. Currently, we have a fairly clear understanding of maintenance costs with all the contracts in place with the State and several years' experience in maintaining the sites. Revenue from WSDOT will continue throughout the lease period and will be adjusted for inflation annually with a formula driven by the Consumer Price Index of Washington. The revenues are projected to grow at approximately 3% annually.

Maintenance expenditures for the I-90 facility in 2001 and 2002 came within revenue projections. In 2003 and 2004, however, the Beautification Fund was tapped to help with the maintenance of the I-90 corridor. We faced a shift in how King County jail work crews operated and experienced an increase cost of 50%. As a result, we were forced to look at alternative

funding sources to supplement the reimbursement we received from the State to maintain our current level of service. Council ultimately directed staff to balance expenditures against revenues from WSDOT reimbursement for as long as possible and then to use the City's Beautification Fund to cover the shortfall. A mid year budget adjustment of $25,000 was approved by the City Council in September 2004 to cover unanticipated costs associated with irrigation. A near record breaking dry spring and summer led to higher than predicted use of water. Due to the extreme dry weather in the spring, irrigation systems were activated one month earlier than in past seasons. In addition, as a result of a 2003 irrigation audit conducted by Seattle Public Utilities on the Lid Park, many of the irrigation heads needed to either be replaced or upgraded. Based on these recommendations, approximately 5% of the 7,500 irrigation heads were replaced in the summer of 2004. Additional upgrading and replacements will occur in 2005-06 with the expectation that future conservation can be realized from these technological advancements and system improvements.

As the facility ages we anticipate this financial trend to continue, where the costs to maintain the facility at its current level will exceed the revenue from WSDOT. It will become increasingly necessary to explore options such as recovering some maintenance costs by increasing I-90 facility user fees (such as boat launch, picnic shelter, and ball field use fees); supplementing the budget with money from other Funds (General Fund; Beautification Fund); or lowering the level of maintenance to meet WSDOT revenue projections.

Lowering the level of maintenance is a less desirable alternative since public feedback favors the high standard of appearance for the landscaped areas, and the continued heavy use of the athletic facilities requires high maintenance to keep them safe and playable. Experience with other Mercer Island parks suggests that deferring maintenance in the short term will result in expensive restoration costs in the future.

The current maintenance program and budget are designed to meet or exceed the level of care standards agreed to with WSDOT. These standards are similar to the standards the City adheres to in its other major park facilities, and are consistent with the expectations of the Island's park users. During a detailed level of service presentation in 2000, the City Council agreed that the City's presentation standard for I-90 is correct. The presentation goal for the formal landscaped areas is "as new" condition. As these facilities gain in popularity and use, there will be increased costs for turf restoration, litter control, graffiti removal, plant and tree replacement, pathway overlays, etc. Any further development, such as additional restrooms and ball fields will require additional funding in order to provide adequate maintenance service and to provide the current presentation standard. As the facility ages, it will be necessary to address the issues of restoration of the restroom and the picnic shelter, turf renovations, major tree pruning, fertilizing and replacement, pruning or removal of other vegetation that becomes overgrown.

The maintenance management strategy for the I-90 facility includes a combination of contracted, seasonal, and full-time staff labor. A commercial landscaping contractor is used for mowing, edging, and chemical applications. The King County Work Crew Program is used for weeding, shrub pruning and leaf removal. Seasonal and full-time staff provides basic maintenance, oversight, and contract management. Some measurable results for the last biennium include:

- Over 7,500 hours of weeding, edging, and litter removal by the NRF crew
- 38-week mowing cycle

- Pre-and-post emergent chemical applications
- Approximately 350 irrigation heads adjusted or replaced
- Irrigation repairs including: Upgrading or replacing valves, clocks and controllers and adding new lines for improved head to head coverage.
- Over 200 yards of litter and garbage removed
- Over 300 yards of weeds and brush removed

BUDGET POLICIES FOR 2005 - 2006

The preferred funding strategy for I-90 landscape maintenance is to balance the landscaping reimbursement from the State against the direct maintenance costs. This allows the presentation standards to be met without any additional appropriations from the General Fund or Beautification Fund.

In the 2003-2004 biennium we experienced several issues that impacted the I-90 budget. We faced a shift in how King County jail work crews operated and experienced an increase cost of 50%. Increases in the unit cost of water, drier than normal seasons, systematic irrigation system repairs and labor cost increases all contributed to higher than expected expenditures in 2004. As a result, we were forced to look at alternative funding sources to supplement the reimbursement we received from the State to maintain our current level of service. In response, Council directed staff to continue to balance expenditures with WSDOT revenues and supplement any differences with the City's Beautification Fund.

As we enter the 2005-06 biennium, we anticipate the continuation of the above policy. Other options, however, include:

- Pursue issue of defining contract language with WSDOT to clarify responsibility for major irrigation system repairs, tree and vegetation care and replacement, and pruning, thinning, or removing overgrown vegetation that is blocking sight lines and causing safety concerns.
- Explore alternative funding strategies including increasing I-90 facility user fees to help recover the cost of maintenance activities, or the less desirable option of lowering the level of maintenance in some or all of the facility to reduce costs and balance future expenditures with WSDOT reimbursement.

2005 - 2006 BUDGET IMPACT

Revenues ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
WSDOT Revenues	$ 374	$ 382	385	$ 390
Transfer from Beautification Fund	39	63	63	66
Total Revenue	**$ 413**	**$ 445**	**$ 448**	**$ 456**
Expenditures ($1,000's)				
I-90 Landscape Fund Expenditures*	**$ 413**	**$ 445**	**$ 448**	**$ 456**

* Expenditure increases for 2005 - 2006 reflect King County work crews cost increase and water rate increases.

JAIL MANAGEMENT AND BUDGET POLICY

BACKGROUND

Under state law, the City of Mercer Island is responsible to pay all costs associated with incarcerating offenders for violation of City misdemeanors. The City has contracted with King County to provide jail services since incorporation (Jail Contract). The County currently provides such jail services to approximately 30 contract cities in King County (Contract Cities).

Through the issuance of bonds, Mercer Island residents have paid for the construction of two jail facilities: (1) The King County Correctional Facility (KCCF) and (2) the Kent Regional Justice Center (RJC).

Under the terms of the City's current Jail Contract, the City pays King County a booking fee when it books an offender into jail and a daily maintenance fee for each day the offender is incarcerated. The 2004 King County booking fee is $167 and the daily maintenance fee is $87. The average length of stay in the jail for our misdemeanant prisoners is three (3) days. Accordingly, we pay King County an average daily cost of approximately $143 per day (booking fee plus maintenance fee over 3 days).

RENEGOTIATION OF JAIL CONTRACT

On May 23, 2001, King County advised the Contract Cities, including Mercer Island, that the County was unilaterally terminating the Jail Contract upon 90 days notice for the express purpose of renegotiating a new contract. The County agreed to allow the City's prisoners to remain in the KCCF and RJC during renegotiations for a new jail contract. During negotiations, King County advised the Contract Cities that its ultimate goal was to remove all Cities' misdemeanant prisoners from the RJC and KCCF due to overcrowding. The County anticipates that it will not have capacity for the City's misdemeanant prisoners after December 31, 2005.

The County requested that the King County City Managers Association appoint a group to renegotiate the Jail Contract. A team of eight representatives, including Mercer Island's City Attorney was appointed to renegotiate the Jail Contract (Cities Negotiating Team). At the same time, the Cities Negotiating Team was selected, the City Manager's Association created a Jail Alternatives Committee to identify interim and longer term solutions for the Cities' misdemeanant prisoner needs. The Mercer Island City Manager and City Attorney served on this Committee and the immediate focus was on jail services from Yakima County.

The Cities Negotiating Team met with the King County negotiating team for approximately two years and presented a new King County jail contract for the City Council's consideration in 2002 (New Jail Contract). The New Jail Contract provides a flat booking fee equal to approximately $149 and a flat daily maintenance fee equal to approximately $77. These fees increase by five percent (5%) per year. The New Jail Contract will also allow King County to terminate the Contract upon ninety (90) days notice to the Contract Cities.

YAKIMA JAIL CONTRACT

In December of 2001, the City Council approved the City entering into an Interlocal Agreement with Yakima County for the housing of City inmates in the Yakima County Jail (Yakima Jail Contract).

The Yakima Jail Contract does not charge a booking fee. The Yakima Jail Contract provides a daily maintenance fee of no more than $65 a day during 2005 and $68 during 2006. Yakima provides free transportation of the inmates to its facility. Yakima pays for all routine, major, expanded, psychiatric, dental and medical costs provided to the City's inmates.

RENTON JAIL CONTRACT

The City's 2003 Interlocal Agreement with the City of Renton allows us to house prisoners who are there for less than 24 hours, and not overnight, for $25. For prisoners staying over 24 hours, the City is charged $59 per day. Beginning in 2005, Renton will charge the same fee each year as charged by the Yakima Jail, less Yakima's medical charges. Fees should be $59 in 2005 and $62 in 2006. The Renton Jail is our gateway for prisoners going to the Yakima Jail. Prisoners going to the Yakima Jail are picked up at the Renton Jail and will normally spend at least one day in the Renton Jail.

ISSAQUAH JAIL

The City has an MOU with the Issaquah Jail which allows us to house prisoners in their facility. The Issaquah Jail is used very little, and mostly when the Renton Jail is full and cannot take our prisoners. We also send commitments of a few days to Issaquah which are too short to go to Yakima. In 2004, Issaquah charges $60 per inmate day with no booking fee.

BUDGET POLICIES FOR 2005-2006

The City's jail costs have been decreasing as a result of the City's use of jail facilities other than King County facilities and using alternatives to incarceration such as electronic home detention. The City's jails costs during the last five years are as follows:

2000 ACTUAL	2001 ACTUAL	2002 ACTUAL	2003 ACTUAL	2004 FORECAST
$157,750	$172,780	$161,432	$119,346	$80,000

The 2003 actual jail costs were $59,654 less than the 2003 budgeted costs of $179,000. We believe this reduction is due to better jail population management, increased use of alternatives to secure incarceration (such as electronic home detention), and a change in sentencing practices.

The City Council's approval of both the Yakima and Renton Jail Contracts provides an alternative for the City to place its inmates in a jail facility other than the KCCF at great cost savings and improved service delivery. During the 2005-2006 biennium, the City will take the following actions to best manage the City's jail costs and jail populations:

- Maximize Use of Yakima Jail Facilities. The City will continue to send all post-sentence prisoners and as many pre-sentence prisoners as operationally feasible to Yakima County to maximize the cost savings to the City. The City's efforts to maximize use of the Yakima jail will be enhanced by Public Safety Department's attendance and participation in the Jail Operation Group.
- Alternatives to Incarceration. Mercer Island currently contracts with Renton Electronic Home Detention Program and the Washington Association of Sheriffs and Police Chiefs for electronic home detention. The City will work with the courts to insure that this alternative is being used for any eligible offenders. The City will also work with other Eastside jurisdictions to consider other alternatives such as work crews.
- Regional Misdemeanant Facility. Mercer Island and other Cities may require a local facility in the future to house offenders that are booked and released and for certain pre-sentence offenders. Mercer Island will continue to work with the other Cities to discuss whether or not a regional misdemeanant facility is beneficial to the City both operationally and economically.
- Operational Issues. The City will continue to critically evaluate its own operations such as booking practices. The City will also coordinate with the Municipal Court to insure use of appropriate alternatives to incarceration.

2005 – 2006 BUDGET IMPACT

Expenditures ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Jail Costs	$119,346	$80,000	$94,000	$98,000

LONG TERM COMPENSATION STRATEGY

BACKGROUND

This management and budget policy recognizes the significance of the fact that approximately 70% of the City's operating expenditures are devoted to salary and benefits for employees. The City's employees are the means by which basic municipal services and Council policy directives are implemented.

The primary objectives of this compensation strategy are to build both flexibility and predictability into our human resources systems. Forces such as the regional economy and labor market are outside of our local control. Nevertheless, it is in the City's best interest to anticipate, when possible, factors that drive our compensation decisions.

This management and budget policy outlines the philosophy and assumptions underlying the City's compensation strategy. To implement it, specific actions will be taken during the next two years. These are listed below in the section titled *Budget Policies for 2005-2006.*

COMPENSATION STRATEGY

- Earnings will be viewed and compared on a "total cost of compensation" basis. Total compensation includes base pay, performance/variable pay, and benefits.
- Approved full and part-time positions represent valuable labor potential. Therefore, we fill openings in each such position carefully.
- We expect to remain competitive at approximately the mid-point of the market. We look at comparable positions in both the public and private employment sectors for our labor market.
- Employees must share in the cost of their health benefits.
- Compensation decisions (including labor negotiations) will be made using the best data available.

The City's philosophy strives to create a balance between fair and equitable pay for employees, enabling management to recognize and reward excellent performance while exercising fiscal prudence by keeping the City's salary budget within its fiscal ability to pay.

As a general rule, the City's policy is to make sure that every job is classified, and every employee's salary is at least at the range minimum of that classification. It is also the policy of the City to ensure that salaries do not exceed the range maximum. An employee's salary may be fixed at 5% less than the range minimum to allow for those who may require extensive on-the-job training to be hired at entry level. In extraordinary circumstances, such as to attract or keep valued employees, the City Manager has latitude to set salary outside the range.

COMPETITIVE COMPENSATION FOR THE NON-UNION WORKFORCE

Compensation awards and/or increases may occur for one or more of the following reasons:

1. Incentive to continue improved work quality, either for technical performance, customer service, or team performance.
2. The temporary addition of substantial responsibilities (such as temporary assignment or extra duty).
3. Special achievement.

Salary increases may occur as a condition of satisfactory completion of probation. The starting salary will be set at an amount that does not exceed the amount budgeted for the position in the annual budget.

Salary adjustments resulting from performance and annual compensation guidelines must be approved by the City Manager before becoming effective.

PERFORMANCE AWARDS/MERIT PAY

Funds are set aside for performance awards as part of the appropriation made by the City Council for all non-represented employees. The City Manager will use performance awards to reward behaviors and performance consistent with the mission of the department and the City vision. Performance awards will follow the guidelines set forth below:

1. The budgeted funding for awards does not exceed 2% of the amount of salaries for all non-represented employees.
2. Performance awards are available beginning January 1st of each New Year for which the City Council has appropriated funds for that purpose. Nominations must be approved by the City Manager.

BUDGET POLICIES FOR 2005 - 2006

- Negotiate market-based collective bargaining agreements. Police, Firefighters, Dispatchers and Maintenance unions will negotiate new or successor agreements during the 2005 – 2006 Biennium.
- Review each position vacancy for the potential of attrition or work redesign.
- Analyze personnel forecasting, benchmarking and reporting (e.g. indirect pay costs, employee demographics, tenure, turnover rate, salary spreads, total compensation reports for all employees, health benefit cost trends).
- Maintain our commitment to high standards of employee performance evaluation by continuing to track and report employee performance measures.
- On a regular basis benchmark Mercer Island's compensation against that paid by comparable cities. Develop proposal for any necessary market adjustment.

- Implement pay for performance system under which successive years of outstanding and exceptional performance are recognized. Consistently outstanding performance may be recognized by the City Manager at up to the 75th percentile of pay for comparable positions. Unless it cannot be matched, position comparisons are made to cities east of Lake Washington in King County that have similar size and services as Mercer Island. Continue funding at up to 2% of total salaries for non-represented employees.

2005 - 2006 BUDGET IMPACT

Collective bargaining and compensation awards ratified by the City Council will determine the budget impact.

LUTHER BURBANK PARK
OPERATION, MAINTENANCE AND FUTURE PARK PLANNING

BACKGROUND

In July 2001 King County approached Mercer Island with an offer to transfer Luther Burbank Park to City ownership. Facing a $52 million budget shortfall for 2002 with growing deficits in 2003 and beyond, the County was seeking to reduce a portion of its current expense budget by transferring to cities the ownership of parks and pools lying within their boundaries. For Mercer Island there were two important considerations: Can ownership and control of the Park better serve Island citizens' interests; and, Can the City be a better steward of this treasured asset, given the high cost of its operation and capital needs?

In November 2001, early in transfer discussions, two levels of service were described -- the "book ends" for cost estimating maintenance and operations:

- At the level of maintenance King County has applied over years 2000 and 2001, the cost was estimated to be about $235,000 - $240,000.
- Applying Mercer Island's park maintenance standards for parks of this size and character, the annual maintenance cost was estimated at about $433,000.

The City Park maintenance standard was assumed in those early discussions to be the most appropriate for Luther Burbank. In addition to the annual operating expenses needed for the park, there is also substantial capital investment needed to restore the Park's shoreline, grounds, buildings and infrastructure systems.

Over a full year following the County's offer, City and County staff maintained continuous discussion to clarify the parties' interests, obtain and examine official records, analyze the condition of park land and structures, assess use restrictions and opportunities, estimate future operating and capital costs, and explore the possibility of additional cash being included with the transfer to help with the restorative work.

Throughout this period Mercer Island citizens were kept informed of the City/County deliberations through the City's web site, through newspaper coverage, and in response to specific inquiries. An "instant poll" on the web site ascertained that as of mid-September 2002 81% of respondents favored City ownership of the park, a few with reservations; 8% wanted more information to make a judgment.

Final negotiations in early summer 2002 focused on the City Council's instructions to resolve hazardous materials issues related to underground oil tanks, and to free the park from ongoing County use restrictions, management controls and special designations.

The Council voted its acceptance of the negotiated Intergovernmental Land Transfer Agreement on July 22, 2002.

TRANSITION AND START-UP UNDER CITY OWNERSHIP

Control of Luther Burbank Park passed to the City on January 1, 2003. Initial City operation has mirrored the final years of King County operation. The City's intention has been to protect public safety, and maintain general security.

During the initial period of transition and start up, covering 2003, $240,000 in maintenance and operation (M&O) costs were funded from the Capital Reserve Fund, a "one-time" revenue source. The City tightly controlled costs and resisted expanding programs or maintenance until capital reserves could be replaced by a stable, ongoing revenue source. Through the first year of City operation management options and operating costs were carefully assessed under different level-of-service scenarios.

Direct experience during the first year of City operation enabled staff to more accurately estimate the costs of improvements and ongoing maintenance. Certain areas of the park required a higher level of maintenance than others and use patterns varied throughout the facility. Based on this information, Council selected modes of operation and levels of service considering Island residents' interests, the City's Park Management and Budget Policies, and other opportunities / demands on the City budget.

Upon receiving this direction from Council, staff prepared a multi-year capital improvement plan and an estimate of annual operating costs. These budget projections were used to prepare proposals for funding ongoing Luther Burbank costs into the long term future – a property tax levy proposition. Past guidance and policy action embraces the notion that when the City has taken on a major new asset, stable ongoing revenue sources are needed to support them. Staff estimated ongoing operations and maintenance at $300,000 with an additional $100,000 needed each year in minor capital repairs and replacements. Upon further discussion, an additional $15,000 per year for Upper Luther Burbank Park was added for operations and maintenance. In September 2003, the City Council directed that the question of new revenue in the annual amount of $415,000 for the specific purpose of paying for existing and future expenses for a period of six years to maintain and operate upper and lower Luther Burbank Park at prescribed levels of service be placed before Mercer Island voters. In November 2003, voters approved this property tax levy increase and in 2004 staff increased their maintenance frequencies to high impact areas of the park and pursued the implementation of the capital maintenance and repair plan.

PUBLIC INVOLVEMENT PLANNING

In addressing the long-term plan for the park, Council anticipated a sequential and thoughtful process be undertaken. Future funding for substantial capital investment in new facilities and the question of generating ongoing revenue for park maintenance and operations was to be sought only after a thorough review of private and public funding alternatives and only after Mercer Island citizens have had an opportunity to comment on a vision for the future of the park.

During its 2004 Retreat, Council considered how best to undertake planning for the future of Luther Burbank Park. Council agreed to employ the services of an outside expert to design and implement a thorough public involvement process. The goal was to engage a public involvement expert in 2004 and conduct the public process before 2006. These accomplishments would then allow the subsequent "master planning" of any desired improvements to the park to be completed

in time to design, permit and potentially construct by 2009 (when the current Luther Burbank Operations and Maintenance Levy expires).

The City Council approved an amended scope of work for public involvement activities that will include initial parameter setting discussions with the City Council, followed by several public workshops designed to identify opportunities and constraints within the park and design guidelines reflecting the priorities that community members indicate are most important. This work is anticipated to be concluded in February 2005.

BUDGET POLICIES FOR 2005 - 2006

- Continue to fund Luther Burbank Park maintenance and operations, including minor capital repairs from the approved property tax increase.
- Funding for substantial capital investment in *new* facilities (those designed to generate ongoing revenue for park M&O) will come after a thorough review of private and public funding alternatives.
- Implement Council's approved public involvement work plan and solicit public participation in developing guiding principles and design parameters for the potential future master planning of the park.
- Upon Council direction and approval, engage the community in a second phase of public involvement through more detailed park master planning activities.
- Continue routine, preventative, special response and capital maintenance activities to ensure grounds, buildings and infrastructure will remain serviceable, functional, and safe for park users and neighbors.
- Pursue vegetation management activities, including wetlands restoration, invasives removal, and re-vegetation and re-planting activities.
- Prevent and mitigate hazards to public safety and security through active and passive measures such as improved lighting, routine inspections, police vehicle, bike, boat and foot patrols and park checks.
- Park grounds will remain available to individual and group users at a scope and scale similar to that under County management in 2000-02.
- Insure the public's life safety by providing beach lifeguards through the summer swim season.

2005 - 2006 BUDGET IMPACT

Operations and Maintenance	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Revenues ($1,000)				
Capital Reserve Fund	$ 202	$ 0	$ 0	$ 0
Property Tax levy	$ 0	$ 415	$ 425	$ 426
Expenditures ($1,000)				
M&O Luther Burbank	$ 202	$ 415	$ 425	$ 426

MARINE PATROL

BACKGROUND

King County provided marine patrol services to Mercer Island for many years. In 1982, the cities of Mercer Island, Renton, and Medina decided to form their own marine patrol service. The decision was based partly on the rising costs of King County service and partly on concerns about the quality of the service. Mercer Island now has contracts to provide services to Renton, Medina, Hunts Point, and Yarrow Point. The expenses for Marine Patrol are based on Mercer Island's yearly total cost for the service. The 2005 budget for marine patrol is $301,821.

The fee structure used to charge the contract cities was established many years ago using a combination of considerations, including each city's shoreline, population, waterfront facilities, boating activity, and boat registrations. The costs are allocated by the following formula: Mercer Island 55%, Medina 20.5%, Renton 18.5%, Hunts Point 6%, and a flat fee of $10,000 from Yarrow Point. The overall costs are partially offset by boat tax revenues received from the State of Washington and passed through King County. Mercer Island receives the boat tax revenue for itself and its four contract cities, totaling $78,903 for 2003.

Current concerns and issues relating to Mercer Island’s Marine Patrol services are:

- Discussions on regionalizing Marine Patrol services continue among Bellevue and Kirkland. Mercer Island will likely receive requests to provide marine patrol services for these cities during the next budget cycle.
- Currently, Mercer Island does not charge its contract cities for all marine patrol costs. Police officers are taken from Patrol for one or two days at a time or even for a week to cover days off and vacation of the marine patrol officer. Cost associated with covering these marine patrol shifts are absorbed by the Patrol budget, and are not recovered from our contract cities. A total of 15 police officers are trained to operate the boats.
- The marine patrol unit continues to be challenged to service the many customers over a large area with a minimal number of dedicated staff. Special events such as Seafair, Summer Celebration, fireworks displays, the Renton hydroplane races and Husky football games present major challenges for the unit.
- In late 2004 / early 2005, a series of meetings will be held with Mercer Island’s contract cities to discuss the increasing demands on our Marine Patrol Unit along with the associated costs. Discussions will also include cost allocation among the cities, and how to best provide marine patrol services on Lake Washington.

BUDGET POLICIES FOR 2005 - 2006

- Continue to provide marine patrol services to Mercer Island, Medina, Renton, Hunts Point and Yarrow Point. Distribute the costs equitably and distribute the revenues equitably.
- Respond only to life threatening emergencies in cities that do not contract with us for marine patrol service, and bill that city for the costs of the response.
- Do not contract with additional cities unless the contract brings sufficient revenues to hire additional staff.
- If our current contract cities wish higher levels of service, they will pay for the increased cost.

2005 - 2006 BUDGET IMPACT

Revenues ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Boat Taxes	$ 84	$ 84	$ 84	$ 84
Contract Fees	92	83	98	102
General Fund	101	98	119	125
Total Revenues	**$ 277**	**$ 265**	**$ 301**	**$ 311**
Marine Patrol Expenditures ($1,000's)	**$ 277**	**$ 265**	**$ 301**	**$ 311**

MUNICIPAL COURT POLICY

BACKGROUND

Pursuant to state law, Mercer Island is required to provide court services by (1) forming its own municipal court; (2) forming a municipal department within the King County court system; or (3) contracting with King County for delivery of court services.

Mercer Island historically delivered court services through the third option by contracting with King County to adjudicate all City misdemeanors and traffic infractions (District Court Contract). By letter dated February 14, 2002, King County advised the City that it was terminating the District Court Contract effective December 31, 2004, unless the County was able to renegotiate a contract providing for additional compensation to the County.

As a result of the notice of termination, in the Fall of 2002, sixteen cities contracting with King County formed the Municipal Court Options Group ("MCOG"). MCOG divided into two groups in order to (1) negotiate a successor agreement with King County; and (2) evaluate other municipal court options.

Negotiations with King County resulted in a proposed new district contract that was presented to the City Council for its consideration on December 2, 2003. ("New Court Contract") The City Council determined that the New Court Contract was not in the best interests of the citizens of Mercer Island for the following reasons:

1. Two year term indicated County's unwillingness to continue with court services in the long term and would require staff resources to commence renegotiations in approximately 12 months;
2. 100% cost recovery for King County would result in future cost uncertainty, probable cost increases over the term and there was no incentive for the County to implement cost controls in delivering services;
3. Technology payments of $284,000 to the County were not supported by need and City had concern over County's capital investments in software and technology programs due to prior problems;
4. Signing surcharge was not justified because County should be able to reconcile court costs based upon existing accounting systems;
5. County had ability to unilaterally stop delivering probation services and transfer service and cost to cities;
6. Unacceptable level of service due to prior layoffs of more than 50 court clerks and court staff; and
7. Probable future district court facility closures.

The City Council considered the formation of a Mercer Island Municipal Court at its regular December 2, 2003 meeting. After considering the proposed New Court Contract, the level of customer service, the uncertainty of future costs by staying with King County, the uncertainty of King County remaining in the court business and potential adverse legislative changes to the

City's authority to form a municipal court, the City Council directed staff to proceed with formation of a Mercer Island Municipal Court to be operational on January 1, 2005. The City Council also approved an Interlocal Agreement with Newcastle for the delivery of court services commencing January 1, 2005.

In order to have a court operational by January 1, 2005, the City is required to expend some funds in the 2003-2004 biennium in order to hire the Court Administrator approximately three (3) months prior to commencement of court operations and hire the municipal court judge and court clerk approximately thirty (30) days prior to commencement of court operations. The City Council approved a total budget of $58,000 in 2004 for salaries, benefits, and equipment costs.

The establishment of a new Mercer Island Municipal Court has not required any capital investment in new facilities or systems. The City owns the existing court facility located within City Hall. This facility includes a court room with improvements for the judge, clerk and jury. The State of Washington funds the Judicial Information Services (JIS) computer system and the City may connect to this system for no cost.

BUDGET POLICIES FOR 2005-2006

- Purchase Computer Equipment for Court Operations and Connect to State Judicial Information Services. City staff will acquire three (3) computer terminals for use by the municipal court judge, municipal court administrator and municipal court clerk, necessary printers and courtroom recording system, and will connect the court system to the JIS.
- Hire Court Administrator & Court Clerk Prior to Commencing Operations – 2 FTE's. The City Manager will recruit and hire qualified candidates for the Mercer Island Municipal Court Administrator and Court Clerk positions. Once hired, these persons will assume all responsibility for having the court operational by January 1, 2005. The City is contracting with a part-time court administrator through June of 2005 to get the court operational and to determine the exact staffing needs. Although Council previously approved 2 FTE's based on the Washington State Administrator of Courts staffing recommendations (based on a caseload formula); staff believes this is a maximum administrative FTE count. During the first six months of operation, staff will be evaluating both contracting and lower staffing alternatives.
- Hire Municipal Court Judge (.85) and Obtain Council Confirmation. The City Manager will recruit and select a municipal court judge. The City Manager will obtain Council confirmation of this appointment.
- Continue Discussions with Other Cities for Delivery of Court Services. Staff will continue discussions with the City of Bellevue regarding the joint delivery of court services. Any interlocal agreements resulting from such negotiations will be brought to the City Council for its consideration and approval.

2005 - 2006 BUDGET IMPACT

Revenues ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Fines and Forfeiture Revenue	$250	$250	$250	$290*
% retained by County	167	175	0	0
% retained by City	82	75	250	290
Total City Revenues	**$ 82**	**$ 75**	**$ 250**	**$ 290**
Expenditures ($1,000's)				
Salary and Benefits	$0	$38	$241	$249
Operating supplies	0	5	4	4
Equipment	0	15	5	5
Travel and Training	0	0	2	2
Computers	0	0	5	5
Total Expenditures	**$ 0**	**$ 58**	**$ 257**	**$ 265**

** The $290,000 revenue for 2006 includes the additional revenue for handling the Newcastle court cases.*

PARKS AND RECREATION FINANCING

DEPARTMENT FINANCING

Financing of Parks and Recreation services has historically relied on a balance between program and user fees and the General Fund. Given the City Council's interest in parks and recreation related initiatives, the construction of the new Community Center at Mercer View and the upcoming public involvement process regarding the future of Luther Burbank Park, the Department will be tasked with balancing major work projects with ongoing operations and maintenance.

The Parks and Recreation Department has conducted a formal "cost of service" study which has calculated the full cost of providing park and recreation programs. The findings noted that:

- There is a wide variance among the cost recovery levels for each program. Recreation programs and I-90 landscape maintenance have very high cost recovery levels (e.g. greater than 80% of full costs). Beaches, special events, public art, and athletic field maintenance have very low cost recovery levels (less than 30% of full costs). Youth camps, Summer Celebration!, the Community Center, and the gallery program recover between 50-60% of their costs.

The Department has worked to establish basic service levels for its services, programs, facilities and park maintenance and operations. Staff has reduced the number of City sponsored special events in 2005-06, has worked diligently with the Arts Council to assess and control the amount of staff support this body requires and continues to pursue other expenditure controls.

Through effective and efficient management, the Department has been able to reduce its dependency on the General Fund over the past years, while maximizing the community use and enjoyment of Mercer Island's parks, programs, services and facilities. As demands for leisure and human services continue to expand while regional service providers continue to reduce their service levels, the challenge for Parks and Recreation is to meet those demands within existing City revenues or find alternative funding sources. Revenue recovery continues to be a top priority and field use, field service, special event, and facility rental fees for 2005-06 will be adjusted to reflect market rates and labor and material increases. Grant opportunities from local service clubs and organizations and King County, as well as sponsorships from local and regional businesses and other in-kind partnerships will continue to be pursued aggressively.

COMMUNITY CENTER OPERATIONS

Due to the construction of the new Community Center at Mercer View (CCMV) and the interim use of various community facilities for a reduced menu of activities and services the Department's revenues and expenses are significantly variable between 2005 and 2006. While expenses associated with the operation and maintenance of the old CCMV have been eliminated, so too has the facility rental revenue opportunities (room rentals, leases) in 2005. Recreation classes and programs have been adjusted and reduced in order to be accommodated at other venues in the community until the new center opens in January 2006. Full revenue opportunities from these services and programs won't be realized until they return to the new CCMV.

Revenues and expenses begin to climb in late 2005 and throughout 2006 as the facility comes on-line.

Throughout the planning process for the new CCMV, a commitment was made to operate the expanded facility with no more General Fund subsidy than what was realized in the past. Thus, staff intend to supplement this $150,000 subsidy with new and expanded revenues to off-set the increased expenses of operating a more modern, accessible and multi-purpose facility. Staff anticipates that it will require 2-3 years of focused marketing, promotions and innovative programming to lure past customers and attract new clients and community members.

The Department intends to return to a cost recovery level of 50% in the 2007-08 biennium, as operations stabilize at the new community center and Department services and programs return to 2003 levels.

BUDGET POLICIES FOR 2005 - 2006

Addressing Council initiatives, enhancing revenues and meeting public service demands will be accomplished through the following:

- Continue to provide basic service levels for existing programs and develop appropriate charges for enhanced level of services;
- Cost recovery levels for adults shall be greater than youth and seniors, and youth programs shall recover more than senior programs;
- Adult sports leagues shall recover a higher level of costs than youth sports leagues;
- Explore a higher cost recovery level for Arts Council programs and athletic field maintenance.
- Meet Community Center facility rental revenue projection of $227,985 in 2006.
- Maintain no more than a $150,000 reliance on the General Fund for Community Center operations in 2006.
- Book no less than 10,000 room-use hours at the Community Center at Mercer View (rentals & P&R classes) in 2006.
- Provide consistent Community Center staff coverage for established operating hours of 106 hours per week.

2005 - 2006 BUDGET IMPACT

Description ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Total Recreation and CCMV	$ 1,676	$ 1,736	$1,483	$ 1,846
User Fees Collected	778	750	568	865
General Fund Support	898	986	915	981
User Fee Percentage	**46%**	**43%**	**38%**	**46%**

PROPERTY TAX

BACKGROUND

There are two types of property tax collected by the City, *levied* (regular) and *voter approved*. The *levied* portion may be used for any purpose that the City deems necessary. On Mercer Island, as in most cities, the property tax levy supports our General Fund - the general operations of the City. *Voter approved* taxes are for specific purposes, such as the purchase of parks, which have been specifically identified in an ordinance and voted on by the residents. The total property tax bill that a resident pays consists of not only the city levied and voter approved portions, but also of the property taxes that other jurisdictions may assess on the residents. The Mercer Island portion of the property tax bill has gradually decreased as a percentage of the tax bill from 19% of the total property tax bill in 1997 to 16% in 2004. There are 7 jurisdictions that have taxing authority on Mercer Island. The largest two are taxes in support of schools – amounting to over 55% of the tax bill. In 2004 the State school collections amounted to 31.3% and the Mercer Island School District collected 24.9%. King County is the next largest taxing jurisdiction receiving 16.2% of the property tax dollar, about the same as the City receives for its support. The Port of Seattle, King County Library District and the Emergency Medical Services Levy receive the remainder of the taxes, amounting to about 10% of the tax bill. Below is a table of the taxing jurisdictions and the percentage of each tax dollar that they received in each year since 1997.

TAXING JURISDICTION	1997	1998	1999	2000	2001	2002	2003	2004
State Schools	27.9%	30.4%	30.5%	31.2%	32.9%	33.8%	32.5%	31.3%
MI Schools	28.1%	27.5%	25.7%	25.4%	24.1%	23.6%	25.9%	24.9%
King County	16.9%	16.0%	16.1%	16.0%	17.1%	16.4%	15.1%	16.2%
Port of Seattle	2.2%	2.3%	2.2%	2.0%	2.0%	2.1%	2.9%	2.9%
EMS (emergency services)	2.0%	0%	2.6%	2.6%	2.6%	2.8%	2.7%	2.7%
KC Library Service	4.0%	4.3%	4.5%	4.7%	5.0%	5.1%	5.6%	5.6%
City Of Mercer Island Portion	**19.0%**	**19.5%**	**18.3%**	**17.9%**	**17.1%**	**16.0%**	**15.3%**	**16.4%**

What does the homeowner pay to the City and the other jurisdictions for property tax? For 2004, a homeowner with a valuation of $500,000 would have paid $726 to the City, and a total of $4,411 in total property taxes. The table below shows the millage rate and amounts that a taxpayer would pay in 2004 per $100,000 of valuation and $500,000 of valuation.

MERCER ISLAND TAX RATES – 2004	Mill Rate 2004	Percent of Total 2004	Amount Per $100,000	Amount Per $500,000
State Schools	2.75678	31.3%	$276	$1,378
MI Schools	2.1993	24.9%	$220	$1,100
King County	1.43146	16.2%	$143	$716
Port of Seattle	0.25402	2.9%	$25	$127
EMS (emergency services)	0.23717	2.7%	$24	$119
KC Library Service	0.49246	5.6%	$246	$246
City Of Mercer Island Portion	1.45163	16.4%	$145	$726
Total	**8.84204**	**100.0%**	**$884**	**$4,411**

REGULAR LEVY AND REFERENDUMS

Each November, as required by Washington State law, the City Council sets the property tax levy for the coming year. Up until November of 1997, this levy was restricted to a maximum of 106 percent of the previous year's levy plus the full levy authority for new construction. However, in 1997, the Washington State Legislature passed Referendum 47 on to the voters of the state who in turn approved it by a 60% majority. This referendum set a limit on property tax increases to be the *lesser of 106% or the rate of inflation, whichever was less.* In 2001, Initiative 747 passed in the State which further changed the property tax law. Initiative 747 limits the property tax levy to a maximum of 101% of the previous years levy, or the rate of inflation, whichever is less. (Since the rate of inflation is normally above 1% the effective limit for property tax will normally be 1%). The initiative also allows higher property tax increases if approved by the voters, a provision that was already in the statutes. The initiative sponsors intended for voters to have a say in the size of tax increases.

Inflation, for the purposes of the referendum, is defined as the increase in the Implicit Price Deflator (IPD) for the previous 12 months as published in September of each year by the Bureau of Economic Analysis. This is not the same thing as the Consumer Price Index (CPI), which most cities, including Mercer Island, have used for many years as the measure of inflation to increase employee wages. The wage contracts specify the CPI to be used as the wage adjuster. The IPD has been both higher and lower than the CPI – the two indexes track different items.

LEVY POLICY

For many years, the Council policy was to raise the levy by the full amount allowed by law. However, beginning in the 1995-96 Budget, the City Council chose to provide property tax relief to Mercer Island residents by “ramping down” the annual increase allowed by law. The Council policy was to attempt to lower the increase by .5% per year, targeting the rate of inflation. The rate of inflation for the City was considered to be the CPI that the City uses in its union wage contracts, since the cost of salaries, at 70% of the budget, largely drives the rate of increase of the budget. This CPI is the one used by all our neighboring cities. The Council reached the “inflation” goal during the 2001 budget. Since 2001 the Council has normally followed the State law and increased taxes by 1%. However, in 2002, the Council decreased property taxes by paying for some voted debt out of reserves.

The present Council policy concerning the property tax levy, developed during the 1994 Council retreat, stresses flexibility in the property tax policy. The Council is committed to fiscal responsibility as well as keeping this community affordable for its citizens. Thus, each year, the Council reviews the regular property tax levy in light of:

- current economic conditions
- the fiscal health of the City (particularly the City's six largest revenue sources and the outlook for salary and health benefits)
- the six year financial forecast

Property Tax Factors

The General Fund has always relied heavily on the property tax, with property tax at about 45% of the total budget. Because Mercer Island is primarily a residential community, with little business growth to support the City revenue base, the property tax is the most stable, predictable, and largest of all City revenues. Mercer Island is unlike some of our eastside neighbors who are supported heavily by taxes from business activity and sales taxes. For cities such as Redmond, Kirkland, and Bellevue, property tax is less than 20% of the total revenue base. The limit in property tax collections for those cities due to the changes in the state law has been more easily covered by their other revenue sources. However, even those cities have suffered some from the economic stagnation of the past few years and have increased property taxes by the 1% limit.

Effect of increases on taxpayers and city

One of the questions that must be considered in any discussion of the property tax is the effect on both the taxpayer and the City with a 1% tax increase. Based on 2004 property taxes, a 1% property tax increase amounts to about $81,000.

Strategic Property Tax policies

To guide staff in setting the budget and future property tax levies new polices and guidelines need to be set in the following areas:

- The annual amount of "regular" property tax that will be set each year to support the general fund
- The use of "banked capacity" by the City
- Factors and circumstances which would lead the City to consider going to the voters for a tax increase to support operations

Regular property tax annual amount

Under normal circumstances, the City would plan to take the full 1% property tax increase to preserve the financial well-being of the City and to protect the property tax base for the future. Each year would, of course, stand on its own and the Council would always consider the general health of the City finances.

Banked capacity

The banked capacity provision allowed under RCW 84.55.092, Protection of Future Levy Capacity, allows local taxing districts to calculate levies based on the maximum lawful levy since 1985. If a taxing district voluntarily levied less than its maximum levy amount in a prior year, it would have some banked capacity that it could use in the future. The King County Assessors office keeps track of the banked capacity of each jurisdiction. Banked capacity is a tool that may be considered for use by the Council.

Voted tax increases for operations

The Council will determine an appropriate level of service for the Island as part of the budget process. The choice remains to balance the budget by raising taxes or by cutting services. In addition, if the cost of the services cannot be supported by the forecasted revenues with a 1% tax increase, the Council may consider authorizing a ballot measure for a voter approved operation levy.

BUDGET POLICIES FOR 2005 - 2006

- Each year, the regular property tax levy rate will be reviewed by the City Council to determine the appropriate level of funding given current economic conditions, the fiscal health of the City, and the six-year financial forecast.
- The property tax excess levy rate for general obligation bonds will be set at the amount required to pay debt service charges on the bonds as they become due.

2005 - 2006 BUDGET IMPACT

Revenues ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Regular Levy	$ 7,776	$ 8,104	$ 8,254	$ 8,410
Luther Burbank M & O Levy	0	415	425	426
GO Bond Levy	244	225	148	148
Levy Lid Raise for City Hall	454	460	460	460
Total Tax Revenues	**$8,474**	**$9,204**	**$9,287**	**$9,444**

PUBLIC SAFETY EDUCATION/EMERGENCY MANAGEMENT

BACKGROUND

Mercer Island has a long standing interest in emergency management. As a result of a severe winter storm in 1991, the Emergency Management Action Committee (EMAC) was formed. The original Committee members were City staff, School staff, local business people, Red Cross, local service agencies, Puget Sound Energy, parents of school children, and interested citizens. The numbers vary, but there have been a number of people active in EMAC from the start. EMAC participants have grown steadily since 1998.

Since 1998, EMAC is called the Emergency Management Action Council. The EMAC is in essence the Neighborhood Preparedness Program participants and comprises the City's Homeland Security Citizen Corps component. The Emergency Manager chairs the EMAC. EMAC is organized into subcommittees with specific areas of interest with active Chairs. The committees include: Shelter, Emergency Supply Container, Disaster Medical, Community Mental Health Response Team, our local ham radio operators called Mercer Island Radio Operators (MIRO), and the Neighborhood Preparedness Program Citizen Presenters. The Island is divided into nine regions or zones, each with a Regional Captain and Neighborhood Captains totaling 154 citizens. Ninety–five (95) citizen volunteers are registered in advance as Emergency Workers, as an adjunct City support resource in an emergency or natural disaster event.

EMAC has been successful in attracting and keeping dedicated citizen volunteers who are committed to preparedness efforts. The City Council approved the hiring of an Emergency Management Coordinator in 1995 to support the volunteers and programs. The position is funded by Criminal Justice, with some support of Federal funds through the Federal Emergency Management Agency (FEMA) and Homeland Security in the form of specific grants.

In the 1997-1998 budget process, the City Council approved the Public Safety Education Plan. The Plan combines the three public safety disciplines into a single coordinated program called the Neighborhood Preparedness Program, which is managed by the Emergency Manager. Emergency management, disaster preparedness, and some fire and life safety lessons are all included in this plan. Police officers and firefighters have been organized into teams and assigned to the nine geographic areas, called regions or zones, to support the public safety education needs of the community. Crime prevention education and Fire public education, per se, remain with Police and Fire, respectively.

The Emergency Manager position has been used to apply for disaster relief funds and hazard mitigation funds and grants from FEMA. This was especially important to the City after the storm damage to roads during 1996 and 1997. A seismic retrofit of the water tanks occurred through a $1.4 million dollar grant just prior to the Nisqually Earthquake in 2001. Federal reimbursement was obtained for Nisqually Earthquake damages, and specific Homeland Security grants were obtained after September 11th events.

A Hazard Identification and Vulnerability Assessment (HIVA) was completed in September 2003 to be used for all emergency management planning for the City. School violence and lockdowns have been added to the list of future emergencies this community may face. Public

Safety staff and School staff have been working closely to prepare for such an event. Emergency exercises are conducted periodically with the Department Directors, City staff, Neighborhood Preparedness Program participants, the School District, and other local facility personnel. Exercises have been planned each successive year, with a major countywide exercise scheduled for March 2, 2005.

BUDGET POLICIES FOR 2005 - 2006

- Continue support of the Public Safety Education Plan.
- Continue to support the efforts of EMAC.
- Coordinate EMAC volunteer and staff activities.
- Use the Emergency Management Coordinator position to obtain funds from FEMA for disaster relief and hazard mitigation.

2005 - 2006 BUDGET IMPACT

Revenues ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Criminal Justice Funds	$90	$83	89	91
Federal Funds	37	20	19	20
Total Revenues	**$ 127**	**$ 103**	**$ 108**	**$ 111**
Expenditures ($1,000's)				
Salary and Benefits	$81	$76	86	88
Professional Services (EMS plan)	15	0	0	0
Equipment and Supplies	31	27	22	23
Total Expenditures	**$ 127**	**$ 103**	**$ 108**	**$ 111**

PUBLIC SAFETY DISPATCHING

BACKGROUND

Mercer Island has been dispatching for its own Police and Fire services since the early 1960's. Staffing and technology have not kept up to the levels needed to accommodate rising call volume and other demands.

Several internal committees and outside groups have assessed our dispatch situation and recommended we look at contracting out for dispatch services or increase our own staffing and technology.

After much study and deliberation, it was decided to contract out for dispatch services with the cities of Kirkland for police dispatch and Bellevue for fire dispatch. This decision is the most cost effective over a long term period. It also provides access to needed technology, such as computer aided dispatch and computers in emergency response vehicles.

Mercer Island will still retain its own records section and public window services. These hours will be reduced from the current service level of being available 24 hours a day to a more normal business hours function.

This two-year budget reflects one time or start-up costs. A grant has been applied for to help offset some of the one time costs. The budget reflects fees for contracting the dispatch function and retaining our own records and property functions.

Contracting out for dispatching is a big change for Public Safety. It provides many challenges, and will require much planning and coordination to help assure a smooth transition. It is expected to provide a future level of staffing and technology that will help ensure excellent dispatch services for police and fire responders.

BUDGET POLICIES FOR 2005-2006

- Continue to work with the Cities of Bellevue and Kirkland to allow a smooth transition of dispatch services in 2005.
- Monitor dispatch services to assure that citizens and public safety employees are receiving a high level of service.
- Work with Records personnel to operate an efficient and responsive records section that serves our citizens well in a business hours environment.
- Coordinate with the vendors and contracting cities to place Mobile Computers in emergency response vehicles.
- Continue to work on coordinating police and fire responses to all large emergencies under the umbrella of using two dispatch centers.
- Continue to work with other Eastside police and fire agencies as they look at options for a future regional dispatch center.

2005 - 2006 BUDGET IMPACT

Expenditures ($1,000)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Dispatch/records – in house	$539	$577	$0	$0
Dispatch – outsource	$0	$0	$360	$395
Records in house	$0	$0	$196	$192
Total Expenditures	**$539**	**$577**	**$556**	**$587**

RESERVES – CAPITAL RESERVE FUND

BACKGROUND

As part of the overall capital budget, the City's Capital Facilities Plan (CFP) is a six-year plan to outline proposed new capital projects. The CFP is divided into four component parts: streets - including pedestrian and bicycle facilities, parks, recreation and open space facilities; general government – including public buildings; and utilities - water, sewer and storm drainage. As required by State law and our own City policies, the CFP serves the capital planning requirements for six-year plans as outlined in the Comprehensive Plan and State Growth Management Act.

According to another management and budget policy for the Capital Improvement Program, funding for CFP portion of the capital budget will generally be decided simultaneously with the approval of the project. As opposed to the Capital Reinvestment Plan, which is financed on a "pay-as-you-go" basis out of existing revenue sources, the projects in the CFP have been financed through a bond issue, special grant or a source of revenue that is outside the cash resources of the City.

During recent years, better than forecasted sales tax revenues have allowed the Council to establish a Capital Reserve Fund where such revenues have been held for future projects or otherwise be reallocated by the City Council. At the time of the fiscal year 1999 year-end the Council expressed an interest in maintaining such a reserve fund for identified capital facilities purposes (such as was done with financing the reconstruction of the main fire station). This policy would allow the Council to take advantage of the benefits of robust economic times and over time accumulate funds for future desired capital facilities.

BUDGET POLICIES FOR 2005 - 2006

- Define that the purpose of the Capital Reserve Fund is to accumulate funds to finance eligible capital facilities projects consistent with the City's overall Capital Improvement Plan. Such projects would include construction of new public buildings, major reconstruction of a public building or park and acquisition of a new open space or park.
- As part of the Finance Director's year-end report, transfers of revenues to the Capital Reserve Fund will be determined by the Council upon the recommendation of the City Manager. Specifically, these transfers may include any cash carryover from the General Fund at year-end as well as any better-than-forecast real estate excise tax revenues.

2005 - 2006 BUDGET IMPACT

Reserves ($1,000)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Beginning Cash Reserves	**$7,063**	**$5,815**	**$1,349**	**$ 295**
Revenues	1,896	40	13	0
Expenditures	3,144	4,506	1,067	0
Ending Cash Reserves	**$5,815**	**$1,349**	**$ 295**	**$ 295**

RESERVES - CONTINGENCY FUND

BACKGROUND

Expenditure Reserve

The City has established a contingency reserve to provide for unanticipated expenditures of a non-recurring nature, to meet unanticipated significant revenue shortfalls, and/or to meet unexpected increases in service delivery costs. The Contingency Fund receives revenues from two sources:

1. The B & O tax of .0005 on that portion of a business' quarterly revenues in excess of $100,000. The 2004 forecast is $100,000 in revenue from that tax.

2. An appropriation of funds by the City Council as necessary to increase the Contingency Fund balance to the specified target level.

Targeted Goal

As a long term goal, the Contingency Fund is to be funded at a target level of 10 percent of General Fund expenditures. There is a State Law, which limits the amount of cash that can be kept in the Contingency Fund to 37½ cents per thousand dollars of assessed valuation. For 2004 the legal limit for the fund is $2,380,121.

In 2004, the Council agreed to transfer $253,178 to the Contingency Fund as a reserve for unfunded LEOFF 1 medical benefits. The City is having Milliman and Robertson, Inc., complete an actuarial study of the amounts that the City may owe for the LEOFF benefits. This study and the funding of the liability will need to be resolved during the next biennium.

BUDGET POLICY FOR 2005 - 2006

- As part of the year-end financial report, the balance in the Contingency Reserve will be analyzed each year and a recommendation made to Council for adding to or subtracting from the balance as necessary to meet the stated goals and legal limits.

2005 - 2006 BUDGET IMPACT

Reserves ($1,000)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Beginning Cash Reserves	**$1,927**	**$1,990**	**$2,374**	**$2,494**
Revenues from B&O	121	131	120	120
Interfund from General Fund	0	253	0	0
Expenditures	58	0	0	0
Ending Cash Reserves	**$1,990**	**$2,374**	**$2,494**	**$2,614**

RESERVES - EQUIPMENT REPLACEMENT

BACKGROUND

The individual units of the City's fleet of vehicles and equipment are assigned to the various departments, but are accounted for in the City's Equipment Rental Fund. Each department is assessed an amount to cover vehicle and equipment operations, maintenance and replacement costs. A Reserve Fund exists for the accumulation of funds for equipment replacement, including both vehicles and emergency radios. The current fleet of vehicles and equipment stands at 129 units and has an estimated asset value of approximately $3.7 million (based on purchase cost).

The Reserve Fund for equipment replacement is maintained to allow for future inflation costs at a rate of 3% to 4.5%. Vehicle replacements in 2003 amounted to $171,934 and in 2004 the forecast is for replacements of $450,252. Replacements for 2005 and 2006 are budgeted at $460,000 and $190,000 respectively.

BUDGET POLICIES FOR 2005 - 2006

- Continue the departmental charges based on actual vehicle operations and maintenance expenses plus a charge for vehicle replacement.
- Review annually the replacement schedule on a cost and use basis.
- Replace vehicles when the forecast cost of maintenance is greater for the old vehicle than the costs of its replacement.
- Major vehicles not included in the Equipment Rental Fund (e.g. fire trucks) will be replaced through means other than the Reserve Fund.
- Additions to the City's vehicle and equipment fleet will be paid for with funds other than the Equipment Rental Reserve Fund.

2005 - 2006 BUDGET IMPACT

Amounts stated in 1,000's	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Beginning Cash Reserves	**$1,969**	**$2,285**	**$2,320**	**$2,297**
Revenues – vehicles replacement	756	756	790	790
All other revenues	57	39	28	28
Total Revenues	$813	$795	$818	$818
Expenditures				
Operations and Maintenance	(325)	(310)	(381)	(372)
Vehicle Replacements	(172)	(450)	(460)	(190)
Ending Cash Reserves	**$2,285**	**$2,320**	**$2,297**	**$2,553**

RISK MANAGEMENT

BACKGROUND

Mercer Island is one of the charter members of the municipal self-insured liability pool - Washington Cities Insurance Authority (WCIA). Through WCIA and an interlocal agreement with approximately 80 other cities, the City of Mercer Island insures general liability, automobile liability, errors and omissions, police enforcement, employee administration, and advertising liability.

Each member city is insured for $1 million per occurrence with no deductible and no limit in number of claims. Each city also is covered by an additional $4 million per year for large claims. Participation in WCIA's program has resulted in the City continuing to be covered on a per occurrence basis with tail coverage back through 1981. The pool presently is self-insured and uses an annual actuarial study to determine member "premiums" and reserve policies.

WCIA's long-term goals are to provide prudent planning and effective management to allow member cities liability protection comparable to or better than that available in the private market. Loss control procedures are reviewed with the cities to assist members to more effectively prevent, control or subrogate liability risks.

Other Insurance

The City purchases property insurance through a pooled arrangement with the other member cities of WCIA. The City continues to retain the first $5,000 of property loss through its Self-Insurance Fund which maintains about $100,000 to cover nondeductible losses.

Industrial insurance is provided by the state with premiums paid based on the number of hours worked. The City's workforce is divided into four classes with different rates for each class. Volunteers are also covered by industrial insurance.

BUDGET POLICY FOR 2005 - 2006

- Continue to participate in the Washington Cities Insurance Authority during the 2005 – 2006 biennium.

2005 - 2006 BUDGET IMPACT

Expenditures ($1,000s)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Liability Insurance-WCIA	$ 408	$ 359	$ 360	$ 360
Carrier Property	48	63	80	80
Specialty Insurance	2	3	5	5
Total Expenditures	**$ 458**	**$ 425**	**$ 445**	**$ 445**

STREET MAINTENANCE AND CONSTRUCTION

BACKGROUND

As part of each biennial budget cycle City staff develops and prioritizes street, pedestrian and bicycle facilities maintenance and construction projects. The proposed projects are reviewed annually during the Six-Year Transportation Improvement Program (TIP) and biennially during the Capital Improvements Program (CIP) planning processes. Both the TIP and the CIP plans are submitted to and ultimately approved by the City Council.

As prescribed by State law, the City Council adopts a "Six-Year Transportation Improvement Program" as part of the budget process. (The Six-Year Plan covering the 2005-2006 biennium is included below as part of this budget policy.) Adoption of the program also serves to implement portions of the City Comprehensive Plan (Transportation and Capital Facilities Elements).

Since 1988, the City Council has prescribed a street maintenance and construction financing policy that has steadily increased funding; almost doubling the amount of funds dedicated to street projects. This strategy has enabled the City to make significant investments in the community's street system.

In all, Street Fund revenues have increased from approximately $600,000 in 1985 to an annual revenue stream of $925,000 for the 2005-2006 biennium. This level of reinvestment in the City's streets and pedestrian and bicycle facilities systems will ensure that the City's arterial and residential streets will be maintained at safe and efficient levels within twenty or thirty year life cycles.

Assuming implementation of the following budget policies, this level of funding will also support completion of the highest priority street projects in the upcoming biennium, including implementation of projects identified in the 1996 Pedestrian and Bicycle Facilities Plan.

TRANSPORTATION IMPROVEMENT MANAGEMENT POLICY FOR 2005-2006

- Continue implementation of the narrower residential street standard that is more in keeping with the Island’s dominant residential character.
- From time to time staff may recommend departure from the adopted Pedestrian and Bicycle Facilities Plan design standard for a walkway associated with a particular street improvement. In such cases Council will review the project and proposed walkway standard during a pre-design phase. Recognizing the Council’s desire to facilitate access to public open spaces, an update to the plan may be advisable.
- Street construction and maintenance planning will take into account current and anticipated land development plans. Annual production of the Six-Year Transportation Improvement Plan will make explicit projects that are programmed to service private development and public capital facilities.
- Streets located within public rights-of-way, opened to the public, previously maintained by either the County or the City, serving more than one residence are public roadways. Starting in 1998 previously unmaintained or limited maintenance residential streets (so-called

"substandard streets") serving more than one residence began to be maintained by the City to at least a public safety standard. In addition to the assumption of their maintenance, substandard streets will continue to be upgraded on a regular basis.

- All residential streets (with exception of those described in the next paragraph below) will be regularly evaluated and prioritized for improvement based on a technical review and other criteria (review of safety, maintenance and implementation). The criteria are not weighted in order to maintain flexibility needed to accommodate unexpected needs or opportunities. However, the result will provide predictability for when particular streets are expected to be improved. Private contribution may be considered as a factor, although of lower importance than any of the other criteria.
- At times residents wish to change the maintenance status of their street. Occasionally, residential streets have been granted deviation from City street standards and were granted City Council resolutions of "no maintenance". Those streets will remain unmaintained and unimproved for now. On a case-by-case basis they may be considered by the Council for future improvement and maintenance.
- Safety remains the first consideration among the existing implementation criteria for the Pedestrian and Bicycle Facilities Plan. As with residential streets, private contribution may be considered as a factor, although of lower importance than any of the other seven criteria in the adopted Plan.
- Whenever possible, construction of pedestrian and bicycle facilities will be coordinated with arterial and residential street construction projects. This will allow best use of Street Fund expenditures and reduce reliance on City Maintenance crews to do actual construction of pedestrian and bicycle facilities.
- To the greatest possible extent, improvements to substandard residential streets and pedestrian and bicycle facilities will be made according to current City construction standards. Customized design to suit individual homeowner preference will be discouraged in order to make highest and best use of scarce construction dollars and implementation resources.
- Staff will coordinate development of additional segments of roadway shoulder on the Mercer Ways as part of and in addition to adjacent arterial construction projects and utility improvements.
- Staff will continue to provide more effective and meaningful public involvement opportunities on the subject of street maintenance and construction.

BUDGET POLICIES FOR 2005 - 2006

- Use 100% of the annual fuel tax-city streets revenue for pavement marking, patching, residential street overlays and substandard residential street upgrades.
- Use 100% of annual fuel tax-arterial streets revenue, $300,000 of annual Real Estate Excise Tax revenues (2nd quarter-cent), fund balances, and state grant revenues for major street construction projects, including arterial roadside shoulder development.
- Use $200,000 of annual Real Estate Excise Tax revenues (2nd quarter-cent) for pedestrian and bicycle facilities maintenance and construction projects.

- The Storm Water Utility will absorb the costs of adding drainage systems to some residential streets. This will allow certain residential streets in need of repair to move up on the priority list for the residential street repair program.
- Funding for street maintenance and construction will be maintained on an inflation adjusted basis. Using 2002 as the revenue benchmark, funding will be increased by an annual factor of inflation plus one percent.

2005 - 2006 BUDGET IMPACT

See the following "Six-Year Transportation Improvement Program" for specific revenues and project expenditure details.

SIX-YEAR TRANSPORTATION PLAN

Detail of Expenditures

2005 - 2010

			Biennial Budget						
	PROJECTS	COMMENTS	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
A.	**Residential Streets Preservation Program**								
	1. Residential Street Overlays		295,285	306,000	312,000	318,000	325,000	331,000	338,000
	2. Substandard Residential Street Upgrades		22,844	30,000	30,000	30,000	30,000	30,000	30,000
	3. Forest Avenue - Residential Street Improvements		227,700						
	Sub-total Residential Street Preservation Program		**$545,829**	**$336,000**	**$342,000**	**$348,000**	**$355,000**	**$361,000**	**$368,000**
B.	**Town Center Street Improvements**								
	1. Town Center Streets - 76th Avenue (SE 27th to SE 29th)				60,000	300,000			
	2. Town Center Traffic Signals (SE 27th Street)					200,000	200,000		
	3. Town Center Streets - 80th Ave., SE 29th, and SE 32nd					70,000	950,000		
	Sub-total Town Center Street Reconstruction		**$0**	**$0**	**$60,000**	**$570,000**	**$1,150,000**	**$0**	**$0**
C.	**Arterial Streets Improvements**								
	1. Pavement Marking		54,492	30,000	30,000	30,000	30,000	30,000	30,000
	2. Arterial Preservation Program	NEW Program		40,000	40,000	40,000	40,000	40,000	40,000
	3. West Mercer Way (Merrimount to SE 28th)								
	4. Island Crest Way (SE 53rd Pl. to SE 68th)	Grant for $217,000 in 2004	495,048						
	5. SE 68th Street (84th Ave to SE 70th Pl.)		230,000						
	6. SE 24th Street (78th Ave to 84th Ave)	In conjunction with Community Center Construction		275,000					
	7. Island Crest Way (I-90 to SE 40th)			400,000					
	8. 72nd Avenue SE (SE 24th to SE 32nd)				250,000				
	9. North Mercer Way (ICW to 76th Ave SE)	NEW Project			250,000				
	10. SE 40th Street (76th Ave to ICW)					300,000			
	11. Mercerwood Drive (Gallagher Hill Rd to EMW)							400,000	
	12. Island Crest Way (SE 40th to 86th Ave)								600,000
	Sub-total Arterial Street Improvements		**$779,540**	**$745,000**	**$570,000**	**$370,000**	**$70,000**	**$470,000**	**$670,000**
D.	**Mercer Ways - Roadside Shoulder Development**								
	1. Annual Guardrail Replacement (to current standard)		20,000	10,000	10,000	10,000	10,000	10,000	10,000
	2. West Mercer Way (Merrimount to SE 28th) (N4, N9)								
	3. North Mercer Way - Phase 1 (70th Ave to 72nd Ave) (N3)		59,182						
	4. North Mercer Way - Phase 2 (72nd Ave to 7400 block) (N3)			150,000					
	5. North Mercer Way - Phase 3 (Shorewood Dr. to Fortuna Dr.) (N3)				*150,000*				
	6. East Mercer Way - Phase 1 (4300 block to 4700 block) (C8)		107,643						
	7. East Mercer Way - Phase 2 (3800 block to 4300 block) (C8)			100,000					
	8. West Mercer Way (8100 block to 8400 block) (S8)					50,000			
	Sub-total Mercer Ways Roadside Development		**$186,825**	**$260,000**	**$160,000**	**$60,000**	**$10,000**	**$10,000**	**$10,000**
E.	**Pedestrian and Bicycle Facilities**								
	1. Island Crest Way (SE 53rd Pl. to SE 68th) (C15)	Grant for $75,000 in 2004	191,985						
	2. Merrimount Drive (Forest Avenue to WMW) (C6)		0						
	3. SE 62nd Street (ICW to 84th Ave) (S2)		5,000						
	4. 72nd Avenue SE (SE 24th to 32nd Ave.)	Traffic Calming	15,000						
	5. Ellis Pond Trail / SE 46th St (88th to 89th Ave) (C7)		6,397						
	6. Holly Lane (WMW to WM Elem) (C2)		15,000						
	7. SE 42nd Street / Mercer Island High School		7,500						
	8. SE 24th Street (81st Ave SE to 84th Ave SE) (N3)	Grant for $50,000 in 2005		75,000					
	9. 6100 East Mercer Way connection to 94th Avenue SE (S3)	Contingent on Easement Acquisition		25,000					
	10. Parkwood Trail - Pre-Design	Construction tied to Basin Improvement Schedule			60,000				
	12. SE 40th Street (76th Ave to ICW) (N11)					100,000			
	13. Island Crest Way (SE 71st to SE 78th) (S11)	Added in 2003 - Based on Public Comment				100,000			
	14. Mercerwood Drive (Gallagher Hill Rd to EMW) (N13)							100,000	
	15. Island Crest Way (SE 40th to 86th Ave)								100,000
	Sub-total Pedestrian & Bicycle Facilities		**$240,882**	**$100,000**	**$60,000**	**$200,000**	**$0**	**$100,000**	**$100,000**
F.	**Other Transportation Projects**								
	1. Public Works Trust Fund Loan Repayment (Gallagher Hill)								
	2. Regional Transportation Programs (CTR, etc.)		2,000	2,000	2,000	2,000	2,000	2,000	2,000
	3. Interfund - GIS Development		10,000	5,000	5,000	5,000	5,000	5,000	5,000
	4. Street Engineering / Pavement Modeling		22,718	45,500	45,500	47,775	50,164	52,672	55,306
	5. Emergency Repair - 84th Avenue Slide		32,500						
	6. Island Park Elementary Traffic Safety Partnership	NEW Project / City's Portion of Cost		100,000					
	7. Special Emphasis Sidewalks		15,000						
	8. Interfund Loan to Storm Drainage Fund for Parkwood Trail	NEW Financing Plan - 2005-6 Budget Process			200,000				
	Sub-total Other Transportation Projects		**$82,218**	**$152,500**	**$252,500**	**$54,775**	**$57,164**	**$59,672**	**$62,306**
	TOTAL PROJECT COSTS		**$1,835,294**	**$1,593,500**	**$1,444,500**	**$1,602,775**	**$1,642,164**	**$1,000,672**	**$1,210,306**

NOTE: Project cost estimates above are preliminary budget estimates and are subject to change depending on final definition of project scope and design. Detailed engineering estimates are made after City Council and general public review and input has occurred and been incorporated into the project scope and designs.

SIX-YEAR TRANSPORTATION PLAN

Street Fund Balance

2005 - 2010

			Biennial Budget					
Revenues	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Beginning Fund Balance	**$2,729,865**	**$2,544,412**	**$2,181,118**	**1,890,118**	**$1,340,618**	**$767,843**	**$175,679**	**$245,007**
New Revenues								
Real Estate Excise Tax - 2nd Quarter Cent	551,770	620,000	525,500	435,000	575,000	600,000	625,000	650,000
Fuel Tax - City Streets	312,430	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Fuel Tax - Arterial Streets	146,082	145,000	145,000	145,000	145,000	145,000	145,000	145,000
Vehicle Registration Fee	4,764	0	0	0	0	0	0	0
Grants - ISTEA, STP(U), STEP, CMAQ, and FEMA	0	292,000	312,000	0	0	0	0	0
Sale of Property, Insurance Proceeds and Other Misc Revenue	200	80,000	0	0	0	0	0	0
Interest @ 2% - 4%	34,773	35,000	20,000	15,000	10,000	5,000	0	0
Total New Revenues	**1,050,020**	**1,472,000**	**$1,302,500**	**$895,000**	**1,030,000**	**1,050,000**	**1,070,000**	**1,095,000**
Total Street Fund Revenues	**3,779,885**	**4,016,412**	**$3,483,618**	**$2,785,118**	**2,370,618**	**1,817,843**	**1,245,679**	**1,340,007**

Expenditures	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Residential Streets Preservation Program	439,626	545,829	336,000	342,000	348,000	355,000	361,000	368,000
Town Center Street Reconstruction	0	0	0	60,000	570,000	1,150,000	0	0
Arterial Street Improvements	482,625	779,540	745,000	570,000	370,000	70,000	470,000	670,000
Mercerways - Roadside Shoulder Development	180,362	186,825	260,000	160,000	60,000	10,000	10,000	10,000
Pedestrian & Bicycle Facilities	51,464	240,882	100,000	60,000	200,000	0	100,000	100,000
Other Transportation Projects - Regional Programs, LOS Study, Loan Repaym	81,395	82,218	152,500	252,500	54,775	57,164	59,672	62,306
Total Street Fund Expenditures	**1,235,472**	**1,835,294**	**$1,593,500**	**$1,444,500**	**1,602,775**	**1,642,164**	**1,000,672**	**1,210,306**
Year End Cash	**2,544,412**	**2,181,118**	**$1,890,118**	**$1,340,618**	**767,843**	**175,679**	**245,007**	**129,702**

TECHNOLOGY

BACKGROUND

This management and budget policy defines the direction for the City's technology environment that is reflective of the dynamic nature of information technology. The policy is reviewed each biennium and revised to express changing technological objectives.

Strategies

The City strategies for implementation and use of information technology are:

- Establish centrally managed systems built around a planned set of integrated products and technologies.
- Provide user-friendly enterprise and standardized tools.
- Use off-the-shelf software whenever possible - avoid custom development.
- Provide one-stop customer service and support of the City's technical infrastructure.
- Focus information systems investments on core business needs - use inexpensive solutions otherwise.
- For every significant information technology investment, define and evaluate the fit with the City's corporate priorities and the measurable business objectives.
- Make effective use of federal, state, and regional information systems.

CURRENT STATUS

In the past two years the City moved to standardizing servers and personal computers. As prices have continued to drop for computing equipment, the City moved to purchasing Tier 1 hardware (IBM, HP, or Dell) with on-site support. On the one hand, this is extending the life of equipment. Secondly, this is freeing up Information Technology staff time to provide more support for the network and for system users. In 2004 aging network equipment was replaced and the network was re-designed to move to a more efficient and easier to manage network structure.

The City also continues to participate in the e-gov alliance, the alliance of eastside cities participating in a regional web-site. One-stop permitting is working well and is very popular with users and the alliance is adding on-line permit status checking in 2004. The cities are also moving to on-line class registrations by the end of 2004 or first quarter of 2005.

BUDGET POLICY FOR 2005 - 2006

This biennium will be focused on enhancing connectivity between the various City sites. The City will also develop a Disaster Recovery Plan for its network and data systems. Following is a description of the projects included in the Technology Fund for the 2005 – 2006 biennium.

Financial System Enhancements

The City's financial system is running on an aging server that needs to be replaced. The City is hoping to replace the present server, which is not our standard server, with an SQL server. This change will provide cost and time savings for the City. Maintenance and upgrade costs would be substantially less with SQL as compared to the current database. Over the next biennium we will be monitoring the progress of the vendor in moving their software to the SQL platform. The vendor has a beta version operating and should have the redesigned system available during the biennium.

Customer Response Management System

Customer contact management systems centralize, automate and document the City's responses to customer inquiries and complaints. These systems help organizations provide better customer service, by tracking questions and their responses and by building a database of the answers to the common questions that are asked.

Telephone System Replacement or Upgrade

The City's phone system was purchased in 1988 and is nearing the end of its useful life. The phone system will eventually reach the point where it is not supported and parts are not available – some of the parts are already only available as remanufactured. We are beginning to put aside $25,000 per year for the replacement or upgrade of the system. Total replacement could easily be over $200,000.

Connectivity Project

Computer systems are today heavily graphic intensive, requiring high bandwidth for systems to allow staff quick response. Although the City has made enhancements at City Hall for speed improvements, all our remote users are experiencing slow response. For example, at the North Fire station, the speed is so slow for accessing GIS data that the fire staff do not even attempt to use it. At our South Fire station, GIS doesn't work at all.

During the biennium, the City will be connecting our City buildings through the King County I-net system which links all cities in King County. For sites where I-net is not available, we will be researching the availability of fiber or other faster connections.

WebWork and Web Based projects

During the biennium there are two projects to implement or enhance our present maintenance management system (WebWork) in various ways. One project is to input our park asset data into the system to develop systematic ways of tracking maintenance on park infrastructure. Another project is to interface WebWork with our GIS system, eliminating duplicate data entry in the systems. This will also make GIS accessible within the WebWork system, making it even more useful with better data to the staff.

2005 - 2006 BUDGET IMPACT

Description	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 646,458	$ 835,123	$ 602,123	$ 694,123
Charges for Services / Sales	50,000	-	-	-
Interfund Transfers From General Fund	250,000	250,000	250,000	250,000
Interfund Transfers From Utilities	208,185	90,000	-	-
Interfund Transfers From Street Fund	38,600	10,000	-	-
Interest Earnings	7,574	10,000	10,000	10,000
Subtotal Revenues	$ 554,359	$ 360,000	$ 260,000	$ 260,000
TOTAL REVENUES	**$ 1,200,817**	**$ 1,195,123**	**$ 862,123**	**$ 954,123**
EXPENDITURES				
Capital Reinvestment Plan				
Financial System Enhancements	$ 19,151	$ 60,000	$ -	$ 25,000
Fire Equipment	21,652	23,000	28,000	18,000
GIS-Map Legal ROW & Parcels	193,001	5,000	-	-
GIS Analyst	48,934	60,000	-	-
GIS-GPS Utility Features	43,625	55,000	-	-
Other Technology / Equipment		90,000	5,000	25,000
E-Government	24,506	75,000	-	-
Telephone & Customer Response	3,723	50,000	45,000	25,000
Web Based & Wireless Applications	201	35,000	15,000	140,000
Network & System Upgrades		50,000	25,000	-
Capital Facilities Plan				
Small Technology / Equipment	10,902	90,000	50,000	50,000
Total Expenditures	$ 365,694	$ 593,000	$ 168,000	$ 283,000
Ending Fund Balance	**835,123**	**602,123**	**694,123**	**671,123**

TREES AND URBAN FOREST LANDS

COMPREHENSIVE PLANNING

"Open space (trees and green spaces) preservation continues to be a primary activity for attaining the community's quality-of-life vision. The search for effective new tools and standards to protect and enhance the environment will be an ongoing focus of City leaders. The community, through its ongoing consideration of public and private projects, will continue to seek ways of enhancing the Island's quality of life through open space preservation, pedestrian trails and well-designed and functional public and semi-public facilities." Excerpts from the City Council Vision Statement.

As a mature community, Mercer Island has made substantial investments in public infrastructure over the last 30 years. Given proposed service levels and regulatory controls, additional investments may be required for open space acquisition and trail development.

Mercer Island has approximately 467 acres of City, County and State-owned parks and open space lands. This acreage comprises about 12% of the Island. Eight City parks are equal to or larger than 10 acres. Two parks exceed 70 acres (Luther Burbank Park and Pioneer Park). On a per capita basis, Islanders enjoy 21 acres of publicly owned park and open space land per 1000 population. This compares with neighboring jurisdictions as follows: Bellevue - 20.6 acres/1000pop.; Kent - 16.8 acres/1000 pop.; Redmond, - 22 acres/1000 pop.; Kirkland - 11.1 acres/1000 pop. In addition to City park lands, approximately two-thirds of the Mercer Island School District grounds are available to Island residents. And, an additional 40 acres of private open space tracts are available for residents of many subdivisions on the Island.

The 1991 *Mercer Island Comprehensive Park, Recreation, Open Space, Arts and Trails Plan* identifies Open Space objectives. These objectives are:

1. Protect and preserve natural areas, which are environmentally sensitive or represent a valuable natural and aesthetic asset for the community or the immediate neighborhood.

    a) Designate appropriate uses within open spaces.

    b) Provide community educational programs to increase understanding and appreciation of the value of natural areas and open space.

    c) Design, construct and operate park facilities with the highest sensitivity and respect for natural systems and environmental quality.

    d) Protect and retain significant, healthy trees in publicly owned open spaces.

2. The City should find permanent funding for purchase of open space land along SE 53rd Place. (Note: The City did fund and acquire SE 53rd Place Open Space.)

3. Acquire open space lands (or development rights) based on the following criteria:

a) Areas where development would create severe hazards to public health or safety should be given high priority for acquisition.

b) Open space should serve as a buffer between incompatible land uses.

c) Ravines and watercourse corridors should be preserved. Where possible, these areas should be privately owned and preserved through use of appropriate land-use tools. In certain instances, public trail easements should be secured.

d) Open space should be adjacent to or visually accessible from arterials. Open space along arterials (especially at City and neighborhood entry points) helps make visible Mercer Island's physical form, community image and identity.

e) Expansion of existing parks and open spaces, or addition to an activity node should be a high priority. Where land is not adjacent to existing public property or an activity node, parcel size should be one acre or larger.

f) Open space land should offer identifiable benefits to the community that extends beyond adjacent private properties.

BACKGROUND

The citizens of Mercer Island have long regarded trees and the wooded setting of the Island an important aspect of our community. The City has encouraged preservation and protection of steep slopes, watercourses, ravines and other environmentally sensitive areas on private and public lands. These areas help define the sylvan character of the Island.

For open spaces (defined here as all publicly owned open space, including street rights-of-way) to remain healthy and viable, programs must be developed and funded that ensure trees and other vegetation are preserved, invasive plants removed, re-vegetation of plants encouraged and when necessary, trees removed and replaced. In 2001-2002, the City took an active approach toward open space management. In Pioneer Park, a coordinated capital program of forest management and user improvements was undertaken. In November 2003, the City Council adopted the Pioneer Park Forest Management Plan, detailing how the forest canopy and under story portions of the park can best be managed over time to reach identifiable goals and outcomes.

Conflicts have arisen for decades over tree cutting, property development and preservation of trees and vegetation. As economic forces push the Island toward final build out and redevelopment of smaller homes, the pressure is on the City to effectively define policies and procedures to manage all aspects of natural resources on the Island. A new tree ordinance adopted by the City Council in early 2002 provides clear direction for the preservation and management of trees on both private and public property in the future.

In 2002, the City's vegetation management efforts in parks, open spaces and rights-of-way became an issue of debate and community interest. An ivy removal petition was circulated by citizens that was later replaced with a parks and open space preservation initiative measure which received sufficient signatures to be certified and be placed on a future ballot. The measure was defeated at the polls.

The Mercer Island City Council directed staff to prepare a comprehensive staff analysis on the removal of invasive species in City parks and open spaces which would include costs associated with the identification, removal and future maintenance obligations associated with such work. Subsequently, Council directed staff to develop a recommended scope of work that would identify the process city staff would undertake, the time frame, and the resources that would be needed to preserve the open spaces and parks from invasive species with any plans for implementation or costs associated with the preservation. Staff responded with a Parks and Open Space Vegetation Management Proposed Scope of Work which Council directed staff to undertake, complete and use in forming the 2005-06 biennial budget. The City Council will consider this plan at its October 2004 meeting.

BUDGET POLICIES FOR 2005 - 2006

- Implement the City Council's recommendation for open space vegetation management.
- Continue to fund a half-time Arborist position for 2005–2006 to support Development Services land use and regulatory functions. Also continue the half-time Arborist position that provides a resource to the Open Space Conservancy Trust and supports tree and urban forest planning in public open spaces, parks and rights-of-way.
- Continue funding for preservation and reforestation projects in Pioneer Park at 2003-2004 levels and consistent with the adopted Pioneer Park Forest Management Plan.
- Allocate $75,000 of Real Estate Excise Tax in each year of the biennium for open space purposes. Funds may be used for improvements in other open space areas, invasive plant removal and re-vegetation activities, future property acquisition, appraisal and/or other evaluation of lands that may become available for open space during the biennium.
- Continue tree care and management in rights of way, open spaces and the Town Center at 2003-2004 levels. Fund contractual services for removal of identified tree liabilities in parks and other open spaces.
- Maintain heightened park maintenance service levels of master planned capital improvements to Pioneer Park, including trail grooming, brushing, invasive plant removal, re-vegetation, vegetation control, and park furniture maintenance.

2005 - 2006 BUDGET IMPACT

Expenditures ($1,000's)	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
General Fund				
Arborist – plan review and permitting	$ 39	$ 44	$ 41	$ 42
Arborist – urban forest management	49	58	60	61
Right-of-Way tree program	76	100	97	97
Total General Fund	***$ 164***	***$ 202***	***$ 198***	***$ 200***
Capital Improvement Fund				
Pioneer Park Forest Management	$ 50	$ 50	$ 50	$ 50
Open Space Planning and Acquisition	100	100	0	0
Vegetation Management	0	0	135	135
Total Capital Improvement Fund	***$ 150***	***$ 150***	***$185***	***$185***
Total Expenditures	**$ 314**	**$ 351**	**$ 383**	**$ 385**

UTILITY FISCAL POLICIES

BACKGROUND

During 1993 the Utility Board and staff worked closely to establish financial policies to guide future rate and budget decisions. The financial policies analysis consisted of identifying, describing, and to the extent possible, evaluating impacts of various elements of the policies. Elements discussed included types and levels of utility reserves, methods of capital improvement funding, methods of capital replacement funding, rate structure and equity, and related objectives such as water conservation.

The fiscal policies, which have been approved by the Utility Board, consist of four major categories that are briefly described below. A complete copy of the policies is included at the end of Section F – Maintenance – Utilities, F-57.

Reserves
This section sets the policy for the amount of operating reserves necessary. Sewer and Stormwater reserves were set at 30 days of operating expenses while water is set at 75 days (due to the greater seasonality of revenue). The need for a capital replacement reserve is also discussed and the format for establishing such a reserve is fixed.

Financing
A policy is set that capital replacement projects will be financed from the replacement reserve established in the reserve section. It also discusses the concept of financing most improvements on a pay-as-you-go basis, however, consideration must always be given to the effect of the rate impacts on our citizens. It proposes that when projects are over $500,000 other financing alternatives should be considered.

Revenue Requirements
This section summarizes and formalizes our policies to set rates sufficient to meet all utility cash requirements including operating expenses, debt service, and additions to reserves and capital costs. It also reflects our policy to set rates to meet any bond or other debt covenants.

RATES AND USER CHARGES

There are two policies established in this section. The first policy concerns water conservation. It establishes that the City wishes to promote water conservation and will set water rates that reflect that policy. The second policy concerns the concept of a "lifeline rate" to provide basic water and sewer services at an affordable level. The lifeline rate works with the water conservation volume based structure to provide low levels of water usage at the lowest cost.

BUDGET POLICIES FOR 2005 - 2006

- Adopt rate structures for the Utilities that reflect the financial policies adopted by the Utility Board.

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YOUTH AND FAMILY SERVICES FINANCING

BACKGROUND

Youth and Family Services (YFS) was created in 1973 as a private and public partnership. Public and private sources of revenue have always been integral to the funding base for the department. In addition to the City's General Fund, YFS is currently financed through a variety of sources. These include donations from community organizations, individual contributions, Thrift Shop proceeds, grants, MIYFS Foundation fundraising efforts and contributions, client fees, interest from the Endowment Fund, contracts with King County and an Interlocal Agreement for Services with Mercer Island School District.

The following sections provide additional detail about the Funds used to manage YFS finances, and provide background for the proposed policy changes.

NEW YFS FUND (ESTABLISHED IN 2005)

In 2005, accounting for YFS Revenues and Expenditures will be restructured into a new Special Revenue Fund "The YFS Fund (160)". All fees, grants, donations, thrift shop sale revenue, and an annual transfer of $465,000 from the General Fund will be deposited into the fund to support operations.

Cash balances from past donations held in Trust Funds will be transferred into the fund to provide the beginning cash balance for the fund.

Interest will be earned on the cash balance in the fund. An appropriate percentage of earned interest is allocated to the YFS Fund based on the proportion of its cash balance to all other City interest-earning cash balances.

The General Fund contribution will be held at $465,000 per year. As expenditures increase over time, other revenues (such as donations or fees) must be increased to maintain current program levels.

THRIFT SHOP REVENUE

Thrift Shop revenue depends upon an enormous commitment of hours from volunteers. That commitment stems from the understanding that revenues will be used to pay for programs operated by YFS. Thrift Shop revenue in 2005-2006 will be deposited directly into the YFS Fund for the following priorities:

- Reimbursement of Thrift Shop expenses. This is defined as direct costs that the City would not be incurring if the Thrift Shop were not in existence.
- Support of YFS programs.
- A target amount of $10,000 will be set aside each year within the fund for facility and land repairs and improvements directly related to the Thrift Shop (re-siding, roofing, etc.).
- Excess proceeds from the Thrift Shop will remain in the YFS Fund.

MIYFS FOUNDATION

The MIYFS Foundation was created in 1989 to support and expand the human services offered by MIYFS. It is an independent, private non-profit legal entity separate from the City of Mercer Island with its own Board of Directors. The Foundation is eligible for tax deductible donations, under the provisions of Section 170 of the IRS Code, specifically due to meeting the definition of Section 501(c)(3), defining private non-profit organizations. It was created in order to be eligible for workplace giving programs and other corporate and foundation funds that require a 501(c)(3) tax-exempt status for eligibility. The nature of the relationship between the Foundation and MIYFS is similar to that of a schools foundation and a school district.

The City manages the accounting for the Foundation through two City Funds the YFS 501(c)(3) Fund (165) and the YFS 501(c)(3) Endowment Fund (065). The YFS 501(c)(3) Fund receives revenues raised through a variety of fund raising activities conducted annually by the board, including the fall fund drive, spring fund drive, and giving from the heart breakfast. The 501(c)(3) Endowment Fund receives donations into the Senior Outreach Endowment account and the Founders Fund Endowment account. Foundation Directors manage most grant and fund drive solicitation for MIYFS.

YFS PERMANENT ENDOWMENT FUND

In 1986, upon the recommendation of the Youth and Family Services staff and Advisory Board, the City Council adopted Ordinance A-45 defining the "Youth Services Program Enhancement Trust Fund" and the "Youth Services Endowment Fund" as part of the City's financial system. The ordinance formally established procedures and guidelines for the expenditure of funds donated to Youth and Family Services.

Direct donations to these funds are tax deductible under the provisions of Section 170 of the IRS Code, specifically due to meeting the definition of sub-section 115(a) that describes governmental subdivisions.

The YFS Permanent Endowment Fund (061) is a fund of contributions donated primarily by individuals. Ordinance A-45 established that the principal remains invested, and only the income earned from the investment of funds is available for expenditure. Interest from the Permanent Endowment Funds are transferred annually to the YFS Fund to support YFS programs.

PROGRAM DONATIONS

The YFS Fund (160) also receives donations toward programs. Examples include donations for emergency assistance and scholarships, donations to the Voice program, and general donations to YFS programs. Careful accounting with sub-accounts assures that funds will be spent according to the donor's wishes.

Funds are used for general operational costs of existing YFS priority programs; program enhancements, equipment purchases, and miscellaneous service related expenses. The strategic planning process identifies program priorities for funding.

BUDGET POLICIES FOR 2005 - 2006

Funding Basis

Historically, positions in the Department were divided between two categories: base positions which were funded at least in part by the City's General Fund, and privately funded positions, which only exist if funds outside the General Fund are available. The private positions were funded primarily by school district contracts, contributions and Thrift Shop revenue.

The practice of funding positions based upon their historical revenue stream has been eliminated. Except in the case of contracts, grants or specifically designated donations or bequests, dollars will not be directly tied to specific positions, but instead funding will be for the department as a whole. Positions will no longer be viewed as base positions or privately funded positions. The City Council will determine, through the budget approval process, the mix of services to be provided by the department. The MIYFS Advisory Board and staff will provide input to the Council through the YFS Strategic Plan, the Council Liaison and direct presentations to the Council.

General Fund Contribution

In the 2005-2006 biennial budget, the General Fund contribution will be set at $465,000 per year. This amounts to 36% of the Departments Revenue in the 2005-2006 biennium (a reduction from the 40% target in the 2003-2004 biennium). All revenue sources together fund an expenditure plan of $1,280,434 for 2005.

During the planning for future budgets, non-General Fund sources may be expected to fund an increasing proportion of department expenditures, as the General Fund contribution is held constant at $465,000 per year.

Responsibility to Donors and Volunteers

Contributions from donors shall be used to the maximum extent possible to provide human services for the people of Mercer Island according to the expressed wishes of the donors. An unusual partnership with community volunteers creates the revenue stream that allows the City to fund so many YFS programs. The City is committed to the principal that revenue raised by those volunteers (including Thrift Shop proceeds and fundraising efforts) is to be used to pay for programs operated by YFS. Programmatic expenditures shall be cost effective and consistent with the principles defined within the YFS Strategic Plan.

2005 - 2006 BUDGET IMPACT

Revenues	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Opening Cash Balance	**$ 374,089**	**$ 375,070**	**$ 455,100**	**$ 476,093**
Thrift Shop	466,030	495,120	500,000	500,000
Mercer Island School District	145,201	148,766	151,816	153,093
Fees and Contracts	89,926	87,748	85,311	85,311
Foundation Donations	36,000	36,000	56,000	56,000
Endowment Fund	15,000	-	3,000	3,000
Program Donations	48,321	27,000	40,300	40,300
Criminal Justice Fund	40,000	40,000	-	-
General Fund Contribution	394,867	465,000	465,000	465,000
Subtotal Revenue	$ 1,235,345	$ 1,299,634	$ 1,301,427	$ 1,302,704
TOTAL REVENUES AND CASH	**$ 1,609,434**	**$ 1,674,704**	**$ 1,756,527**	**$ 1,778,797**
Expenditures				
Department Services	$ 1,234,364	$ 1,219,604	$ 1,280,434	$ 1,303,834
Ending Fund Balance	**$ 375,070**	**$ 455,100**	**$ 476,093**	**$ 474,963**

SECTION D

BUDGET SUMMARY

A Citizens Perspective

Introduction.....D – 1
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BUDGET SUMMARY

A Citizens Perspective

INTRODUCTION

This section has been prepared as a general summary of the 2005-2006 biennial budget for the City of Mercer Island. It is designed to provide City residents and other interested parties with a quick overview of the fiscal plans of the City Council and Administration for the upcoming two years. The summary is divided into ***six*** sections:

- Organization - how the city is organized to do business
- Revenue - what are the funding sources for the city
- Property Taxes - where your tax dollars go
- Expenditures - what are the services you get
- City debt and debt limits
- Other - staffing and biennial comparisons

If a more in-depth understanding of the budget is desired, please take some time to review the wealth of information found within the graphs, charts, narrative text, and funding level summaries located in the full budget document.

Section A of the budget, *A Readers Guide*, will help guide you through the organization of the budget document. An overall table of contents is found on the first page of the document. Note that the City of Mercer Island presents and adopts a budget for two years at a time. This budget is for the calendar years 2005 and 2006. Most of the charts and graphs will be shown for each year separately; however, there is one table on D-16 that shows a "biennial" comparison of all funds.

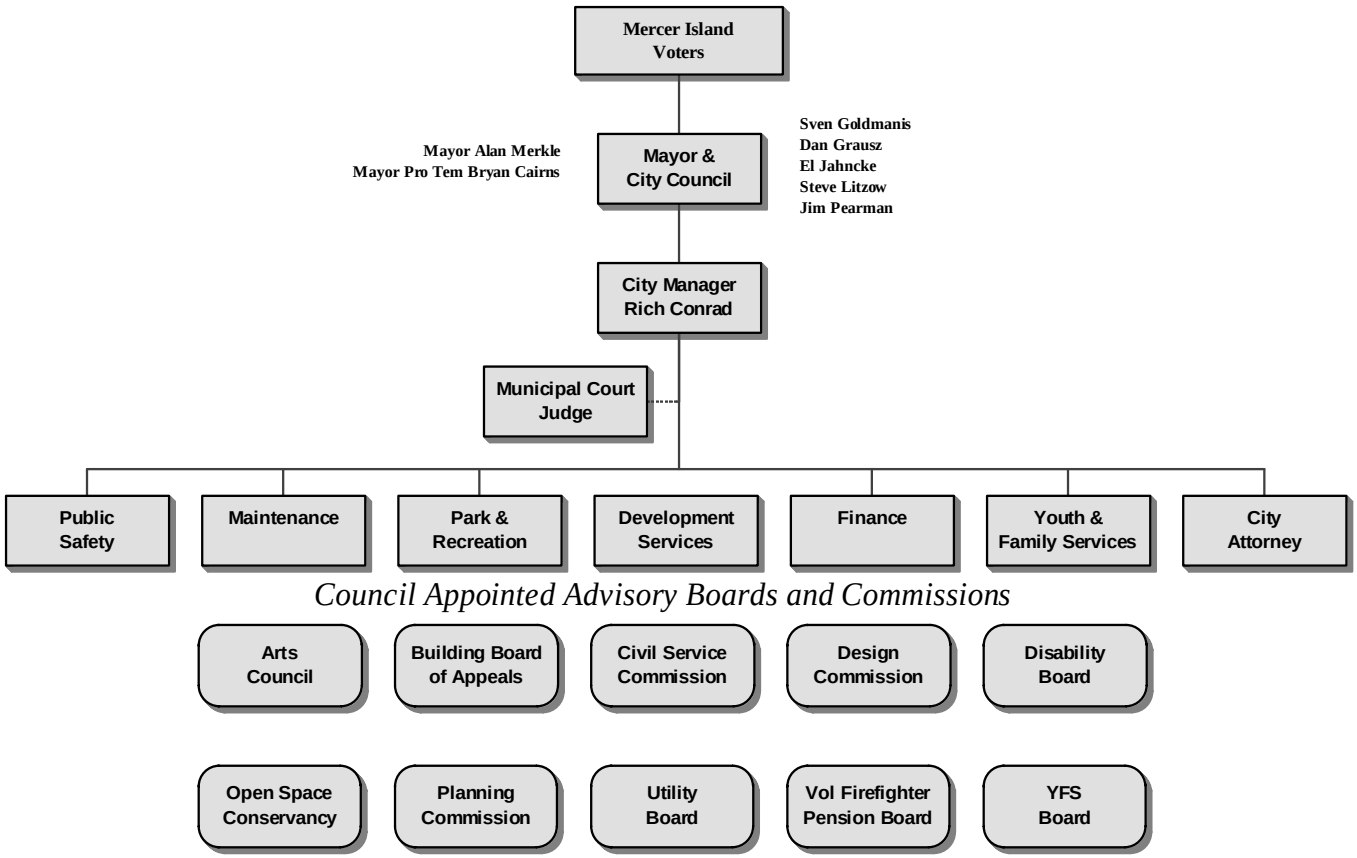
CITY ORGANIZATION

The City of Mercer Island is known as a Council/Manager form of government. In this form, the City Council of seven elected members hires a City Manager to act as Chief Executive of the City. The City Manager reports directly to the Council and carries out their policy directions - the major direction that the City takes over the course of a year. Councilmembers listen to their constituents, the Island residents, and also receive advice and help from the Council appointed Boards and Commissions, which numbered 10 in 2004. The Council is vitally interested in hearing the voices of all the residents and in increasing citizen involvement.

The day to day activities of the City are carried out by the seven departments shown on the chart on the next page. For an in-depth description of the activities of each department see *Section F* which describes the Maintenance Department and the Utilities Funds, and *Section I* which describes the remaining departments and the General Fund. Together these two sections include detailed descriptions of all the departments shown in the organization chart.

City of Mercer Island

Organization Chart

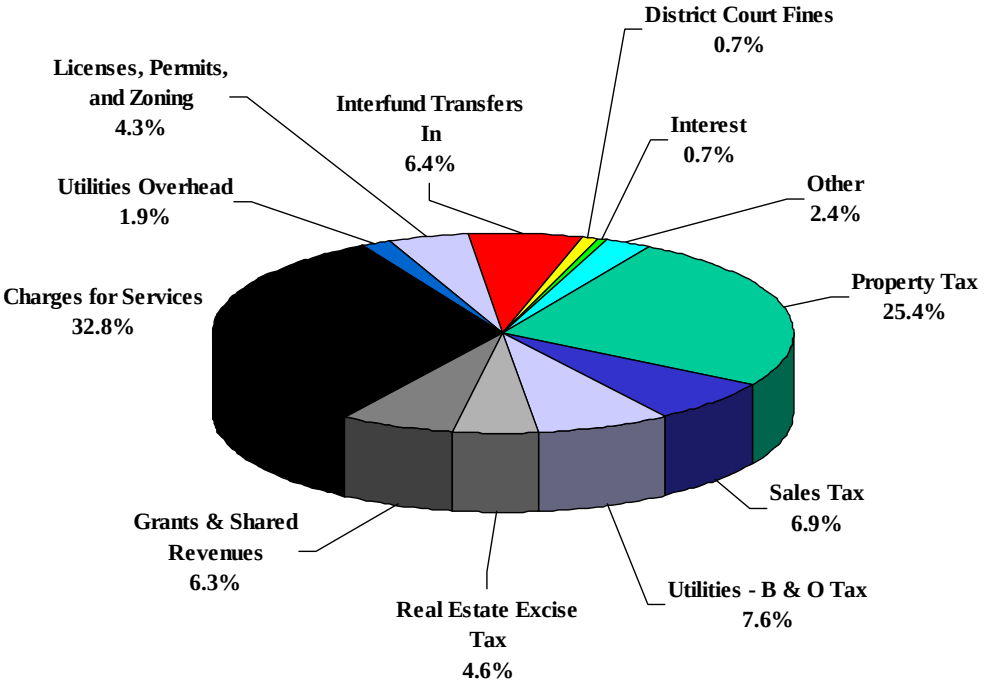


HOW THE CITY PAYS FOR SERVICES - THE REVENUE PICTURE

For 2005 and 2006 respectively, the City is forecasting revenues of $36,294,824 and $40,330,396. These totals exclude the beginning fund balances in each fund, although the beginning fund balances can be used as revenues and are typically targeted for capital projects. The City derives its revenues from a variety of sources as the graphs on the following pages show. The largest source is for *Charges for Services*, which is largely generated from the water and sewer utility rates. Other service charges include planning fees, recreation fees and counseling fees.

The second largest source of revenue is the property tax paid by our Island residents and businesses. Property taxes are budgeted at $9.3 million in 2005 and $9.4 million in 2006. Sales Taxes, Real Estate Excise Taxes, Utilities Taxes, State Shared Revenues, and Licenses, Permits, and Zoning fees amount to $10.4 million in 2005. Together, these seven revenues account for over 87% of the total City resources. The graph below shows the percentages of the major revenue sources for 2005. On the next page is a chart showing revenues for the period of 2003-2006.

2005 Revenues, All Funds
Total: $36,554,017



2003- 2006 REVENUES, ALL FUNDS

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Property Tax	$8,474,540	$9,094,000	$9,287,375	$9,443,635
Sales Tax	3,109,616	2,755,000	2,510,000	2,570,000
Utilities - B & O Tax	2,623,315	2,783,000	2,772,000	2,795,000
Real Estate Excise Tax	1,780,042	2,000,000	1,675,500	1,400,000
Grants & Shared Revenues	1,490,343	1,657,845	2,311,575	1,429,984
Charges for Services	11,672,147	12,154,225	11,978,740	17,371,694
Utilities Overhead	682,727	688,565	687,571	698,532
Licenses, Permits, and Zoning	1,425,982	1,502,500	1,579,500	1,707,500
Interfund Transfers In	723,006	3,814,097	2,354,730	1,506,960
District Court Fines	82,212	65,000	250,000	290,000
Interest	398,707	399,089	272,300	273,000
Other	7,574,653	8,268,560	874,726	864,726
Subtotal Revenues	$40,037,289	$45,181,881	$36,554,017	$40,351,031
Beginning Fund Balance	30,491,104	25,732,127	18,937,734	11,909,672
TOTAL REVENUES:	**$70,528,393**	**$70,914,008**	**$55,491,751**	**$52,260,703**

PROPERTY TAXES - WHERE YOUR TAX DOLLARS GO

As you can see from the charts above, Property Taxes play an essential role in financing the operations of the City of Mercer Island, accounting for about 26% of the City's total revenue. In 2005 Mercer Island property owners will pay a total of $9.3 million in property taxes to support City services and to pay the debt service on voter approved bonds.

Types of Property Tax

There are two types of property taxes collected by the City - levied and voter approved. The first type is property taxes that may be *levied* by the City to provide revenue necessary to fund general operations. In 2004 a total of $8.1 million in property taxes were *levied* to support City operations. Each year the amount of revenue to be raised from property taxes is determined based on forecasted expenditures, other revenue sources, and state law limitations. Washington State law, which changed in 1997, limits property tax levies to 101% of the previous year's tax revenue or to the rate of inflation, whichever is less. This is a big change from the original law which allowed taxing districts to levy 106% each year. For a more detailed discussion about the property tax policy see the Property Tax Management and Budget Policy on C-35.

The second type of property taxes collected by the city is voter approved. Voter approved purchases in the past have included land for parks and open space, new fire trucks, and remodeling of City Hall. These large capital items are financed by general obligation bonds, typically payable over 20 years. Voters pay the debt service on these bonds through their property taxes. In 2004, $685,000 in property taxes were levied for the debt payments on voter

approved bonds. In 2003, the voters approved a six year Maintenance and Operations Levy for the operation of Luther Burbank Park, a 77 acre park transferred to the City by King County in 2003. The amount for the first year of the levy was $415,000.

Beginning on page D-9 of this budget summary is a section with greater details about the City's bonded debt, including a discussion of the City's legal limits for debt. Also of interest is the Management & Budget Policy on debt included in Section C, page C-9 of the budget document.

Property Tax Levy Rates

If a homeowner on Mercer Island only paid property taxes to the City, how much would that amount to? For a homeowner with property at the "average" valuation of $500,000, the **City's** portion of the property tax bill in 2002 would have amounted to $709. In 2003, for the same valuation the tax would be $685 and in 2004 the amount would be $726. However, Mercer Island is not the only governmental entity that has the authority to levy property taxes. Following is the millage levy rate for each of the entities to which a property owner pays taxes. The City portion was 16.0% of the total taxes paid in 2002, 15.3% in 2003, and 16.4% in 2004. The highest levy amount in total is levied for support of our schools, with state schools and the Mercer Island schools combined adding up to 56.2% of the tax bill in 2004. The total tax bill for the $500,000 house on Mercer Island in 2004would amount to $4,411.

Mercer Island Tax Rates – 2004	**Mill Rate 2004**	**Percent 2004**	**Amount 2004**
City of Mercer Island	1.45163	16.4%	$ 726
Mercer Island School District	2.19937	24.9%	1,100
State Schools	2.75678	31.3%	1,378
King County	1.43146	16.2%	716
King County Library District	.49246	5.6%	246
Emergency Medical Services	.23717	2.7%	119
Port of Seattle	.25402	2.9%	127
Total Tax Rate	*8.92674*	*100.0%*	*$ 4,411*

TOTAL CITY FUNDS

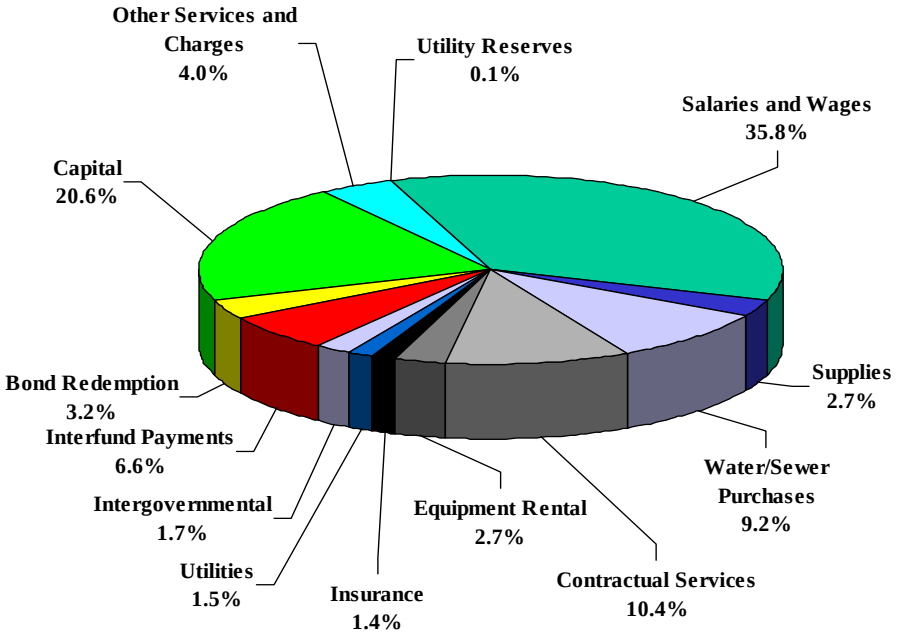
The 2005-2006 two-year budget for all City funds totals $84.4 million. In 2005 expenditures amount to $43.6 million, while the 2006 total amounts to $40.8 million. Those totals represent the expenditures for 22 different funds that are budgeted by the City. An "All Funds" summary is included as section J that describes each fund and gives the detailed revenue and expenditures for those funds. The major funds of the City are the General Fund, the Utilities Funds, and the Capital and Street Funds. The ***General Fund*** constitutes the largest non-capital fund and provides for such basic government services as police and fire protection, street and park maintenance, recreation, services for our youth and families, and building and engineering services. In 2005 General Fund expenditures are budgeted at $17.3 million while in 2006 they are $18.0 million. The second largest group of funds are the ***Water, Sewer and Storm Water Utility Funds*** which together provide funding for the Water distribution, Sewage disposal and Storm Water services provided to Mercer Island residents. In 2005, the Utilities budgets together amounted to $10.7 million, including capital projects. In 2006 the budget totals $15.3 million. The increase in 2006 is due to the start of construction of the Sewer Lake Line capital project.

For more information on the ***General Fund*** see Sections G, H, and I of the budget. Those sections cover General Fund revenues, General Fund Expenditures, and the departmental budgets. The ***Water, Sewer and Storm Water Utilities*** are described in Section F. For the total amount for each fund see the tables at the end of this section, pages D-16 and D-17. There is also an entire section, Section J which provides a brief explanation of all City Funds and gives summary revenue and expenditure detail for each fund.

EXPENDITURES BY CATEGORY

Another way to look at the overall City budget is by expenditure category. The $43.6 million in 2005 budgeted expenditures is comprised of 13 separate categories as the graph on the following page illustrates. The largest expenditure City-wide is for Salaries & Benefits of city employees. This category comprises 35.8% of the total budget in 2005. Contractual Services is the next largest non-capital category with 10.4% of the total expenditures. Capital projects amount to 20.6% of the total 2005 budget.

2005 City Expenditures
$43,582,079
By Expenditure Category



DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
Salaries and Wages	$14,746,886	$15,316,551	$15,595,618	$16,200,769
Supplies	1,157,500	1,310,699	1,191,352	1,194,921
Water/Sewer Purchases	3,729,766	3,850,000	4,015,641	4,260,769
Contractual Services	3,794,722	6,382,931	4,551,621	3,744,868
Equipment Rental	1,149,521	1,337,972	1,189,268	1,204,783
Insurance	602,979	611,700	595,600	595,600
Utilities	662,431	630,335	633,780	689,195
Intergovernmental	929,206	510,771	756,396	771,948
Interfund Payments	5,861,553	10,209,354	2,868,176	2,076,367
Bond Redemption	1,183,725	1,253,240	1,380,646	1,549,616
Capital	5,960,068	9,717,348	8,995,250	8,711,750
Other Services and Charges	957,202	846,897	1,753,929	768,487
Utility Fund Reserves	4,060,705	-1,523	54,802	-910,589
Subtotal Expenditures	$44,796,265	$51,976,275	$43,582,079	$40,858,484
Ending Fund Balance	25,732,127	18,937,734	11,909,672	11,402,219
TOTAL EXPENDITURES:	**$70,528,393**	**$70,914,008**	**$55,491,751**	**$52,260,703**

WATER & SEWER FUNDS

The Water and Sewer Funds are completely self-supporting activities that do not receive funding from property taxes or any other City Fund. The utilities are designed to operate like businesses, charging rates for the purpose of providing water distribution and sewer disposal services to City residents. The City purchases its water from the City of Seattle as do many of our neighboring communities. METRO, which is part of King County, provides treatment for all of the sewage in the King County area including Mercer Island. The City's sewage is pumped to Renton where it is treated through a secondary treatment process. The resulting sludge is further treated at the West Point Treatment Plant. The Metro rate is the largest part of the total cost of the Sewer utility bill. In 2005 we estimate the Metro costs to be close to $2.6 million, or 70% of the total operating budget. Metro rates have risen dramatically in the past few years because of the recent construction of the West Point Secondary Treatment Plant in Seattle. In 2002 Metro raised its rate 18%. However, that rate held steady in 2003 and 2004. In 2005 the Metro rate is increasing to $25.60, a 9.4% increase. The City did not raise its portion of the sewer rate for a number of years. However, beginning in 2004, due to the design and eventual replacement of part of our Sewer lake line, raised rates 9%. Again in 2005 a 9% increase has been recommended to build the capital portion of the rate.

The City of Seattle increased their water rates by 16% in September, 2002 and again by 9% in January of 2004. As a result of these large rate increases, the Utility Board and staff spent the earlier months of 2002 studying the Water rate structure and raised rates in 2002 and 2003. This year Seattle is once again increasing rates by 9% and Mercer Island is recommending an increase of 3%.

One of the financial policies set by the Utility Board four years ago was to fund capital on a pay-as-you-go basis. The board decided to set aside a certain amount of funds each year for capital and to pay for all capital projects out of this "capital reserve". This would keep rates from fluctuating wildly to pay for capital projects. The Water and Sewer financial statements are on pages F-54 and F-55.

STORM WATER

In May 1993 the City began preparing to make significant changes in the way it manages storm water on Mercer Island. The catalyst for this effort was new regional, state and federal requirements that must be met by local governments. During 1994 the Utility Board, at the direction of the City Council, began studying the entire storm water management area. The Storm Water Utility was formed in 1996 and the City began implementing plans for major improvements to the storm water system. The budget reflects the program development goals as recommended by the Utility Board. The Program budget for Storm Drainage has stayed at a rate of $11.10 for the past 4 years. This year the Utility Board and staff are recommending an increase of 60 cents in 2005 and 2006. This will significantly increase the City's ability to do storm water quality monitoring, evaluation, and maintenance and continue funding a major capital improvement program. The Storm Water financial statement is on page F-56.

CITY DEBT

The City has issued very little debt over the past few years, maintaining a sizable debt capacity and enjoying an excellent bond rating from Moody's rating service. The City has had an excellent rating from Moody's since 1984. In 2003, when Mercer Island issued Councilmanic debt for the purchase of the community center property, Moody's upgraded our rating to Aa1. Only two cities have higher ratings – Bellevue and Seattle have ratings of Aaa. Mercer Island is the only city in the state with the Aa1 rating. A high bond rating equates to lower interest costs and is very desirable.

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. On D-11 is a schedule of all the City debt classified by type.

Voted Debt

Voted debt is that which the citizens agree to in an election and is supported by special (excess) tax revenues levied on property each year. Voted debt has generally been used for the purpose of funding large public buildings or buying open space property. At the end of 2004 the City had 1 voted debt issue outstanding, amounting to $1.3 million. During 2004, one of the bond issues was completely paid off. These bond issues are described in more detail below. All of the City's voted debt has been "refunded" in the last few years to save interest costs. The original issues of the 20 year bonds had to be held for 10 years before they could be refunded. This is a common bond covenant to make bonds more attractive on the bond market. When the bonds are refunded, the entity continues to pay on the first 10 years of bonds, but then pays off the last 10 years and issues new debt. A present value analysis is always done in a refunding to be sure that money is being saved by the refunding.

1987 REFUNDING (1984 PARKS AND FIRE TRUCKS BONDS) - a $3,500,000 issue for the purpose of refurbishing parks and buying new fire trucks. These bonds were refunded in 1987 with a new issue of $1,765,000. The original 1984 bonds have all been paid off and during 2004, the City paid the final $70,000 due on the refunded bonds.

1996 REFUNDING BONDS (1988 GALLAGHER HILL & 1990 LIBRARY) – this issue combined the 1988 Gallagher Hill Bonds and the 1990 Library Bonds in new bonds that were issued to save money. The 1988 bonds were originally issued at $1,650,000 to buy a large open space parcel on Gallagher Hill, one of the "gateways" to the Island. The 1990 Library Bonds were issued at $2,180,000. The 1990 bond issue, although a legal debt of the City, is being paid for from lease payments by the King County Library System. The City annexed to the library district in 1994 and as part of the annexation, the library agreed to buy the library from the City for a price equal to the debt service costs of the bond issue. The lease payments will continue through December 2009. The total owed at the end of 2004 for these two issues is $1,300,000.

Non-Voted Debt

Non-voted debt must be paid for out of the general revenues of the city. Non-voted debt includes not only bonds but also any loans and lease obligations of the City. During 2003 the City issued one new bond issue, the 2003 CCMV property bond. In 2004 the City issued another bond, this for the construction of the community center. The three issues are described below.

1996 MIDA REFUNDING.- This is a refunding of the original $4,979,000 bond to remodel the offices at City Hall. Under the original bond issue, the building was owned by a public development authority called the Mercer Island Development Authority (MIDA). The City then leased the building back from MIDA at the same cost as the debt service. When the bonds were refunded, they were reissued as non-voted general obligation bonds.

The money to pay the lease payments/debt service was raised by a special vote of the Mercer Island citizens who agreed to raise "the limit on property taxes for the purpose of remodeling a city hall". From a legal standpoint the debt is classified as a non-voted debt issue. To the Mercer Island taxpayers, however, the transaction is paid for just like the City's voted debt issues - by an addition to the property tax. The total amount owed as of 12/31/04 is $2,125,000.

2003 CCMV PROPERTY – This bond issue, paid for from real estate excise taxes, was used to buy the site from the Mercer Island School District that housed the community center. The City had been using the building under a variety of terms for many years and had been leasing the building since 1998. The City Council had been considering various options for the construction or remodel of a new community center. During November 2002 the Council directed staff to take the steps in 2003 to issue Councilmanic Bonds to pay the remaining balance to the school district and finalize the purchase of the property.

2004 CCMV CONSTRUCTION - During 2004, the City also issued $2.0 million in additional Councilmanic debt to partially pay for the construction of the new community center. The old center was demolished in June 2004 preparatory to the rebuilding which will be completed in late 2005.

Loans

Public Work Trust Fund

In addition to the above debt, the City has the following four long-term loans outstanding as of the end of 2004.

DESCRIPTION	ORIGINAL LOAN AMOUNT	REMAINING 12/31/2004
Water Booster Pump	$248,906	$ 54,928
Sewer Emergency Generator	$290,551	$ 61,170
Sewer Pump rehab - Phase I	$468,668	$ - 0 -
Sewer pump rehab - Phase II	$368,625	$141,811

The loans are low-interest loans (1% interest) administered through the State of Washington Department of Community Development. In 1985 the legislature made provisions for this program from the Public Works Assistance Account which is a portion of the Motor Vehicle Excise Tax (MVET) of the state. Qualifying criteria require jurisdictions to do the following:

(1) impose the ¼ of one percent real estate excise tax;
(2) have developed a long-term plan for financing public work needs;
(3) be using all local revenue sources which are reasonably available for funding public works; and,
(4) have an adopted comprehensive plan.

CITY OF MERCER ISLAND
SCHEDULE OF LONG TERM GENERAL OBLIGATION DEBT
FOR THE YEAR ENDING DECEMBER 31, 2004

DESCRIPTION	DATE ISSUED	DATE OF MATURITY	ORIGINAL AMOUNT	AMOUNT 1/1/2004	2004 REDEEMED	AMOUNT 12/31/2004
NON-VOTED DEBT						
1996 MIDA REFUNDING (CITY HALL REMODELING)	8/26/96	12/1/08	3,680,000	$1,990,000	$360,000	1,630,000
2003 CCMV PROPERTY	05/18/03	6/1/2017	2,290,000	$2,290,000	$165,000	2,125,000
2004 CCMV CONS.			2,040,000	$0	$0	2,040,000
TOTAL NON-VOTER APPROVED			**$ 8,010,000**	**$ 4,280,000**	**$ 525,000**	**$ 5,795,000**
VOTED DEBT						
1987 REFUNDING (PARKS AND FIRE BOND)	3/1/87	2/1/04	1,765,000	70,000	70,000	0
1996 REFUNDING (GALLAGHER HILL AND LIBRARY)	8/26/96	12/1/08	2,680,000	1,580,000	280,000	1,300,000
TOTAL VOTER APPROVED			**$ 4,445,000**	**$ 1,650,000**	**$ 350,000**	**$ 1,300,000**
TOTAL GO DEBT			**$ 12,455,000**	**$ 5,930,000**	**$ 875,000**	**$ 7,095,000**
PUBLIC WORKS TRUST FUND						
WATER PUMP -1ST HL	5/1/88	7/1/08	248,906	68,659	13,731	54,928
SEWER EMER GEN	5/1/88	7/1/08	290,551	76,462	15,292	61,170
SEWER PUMP REHAB	5/1/89	7/1/04	468,668	46,493	46,493	0
SEWER PUMP II	11/6/92	7/1/11	368,625	159,537	17,726	141,811
TOTAL PUBLIC WORKS TRUST FUND			**$ 1,376,750**	**$ 351,151**	**$ 93,242**	**$ 257,909**

Note: For an explanation of the projects funded with each of these debt issues, see D-9 and D-10.

DEBT CAPACITY

The debt capacity of the City is limited by law. Below is a chart showing the computation of the debt capacity as of December 31, 2003.

	LIMITED TAX	UNLIMITED TAX		
	General Purpose Debt (1) (based on 1.5% of AV)	General Purpose Debt(1) (based on 2.5% of AV)	Open Space and Parks (based on 2.5% of AV)	Utility Purposes (based on 2.5% of AV)
Legal Limit	**$95,204,843**	**$158,674,738**	**$158,674,738**	**$158,674,738**
Add: Cash on hand for debt redemption	4,946	27,736	18,339	0
Less: Limited Tax Debt outstanding	-4,280,000	-4,280,000	0	0
Less Unlimited Tax Debt outstanding	0	-914,275	-735,725	0
Remaining Debt Capacity, Limited Tax	**$90,929,789**			
Remaining Debt Capacity, Unlimited Taxes		**$153,508,199**	**$157,957,352**	**$158,674,738**

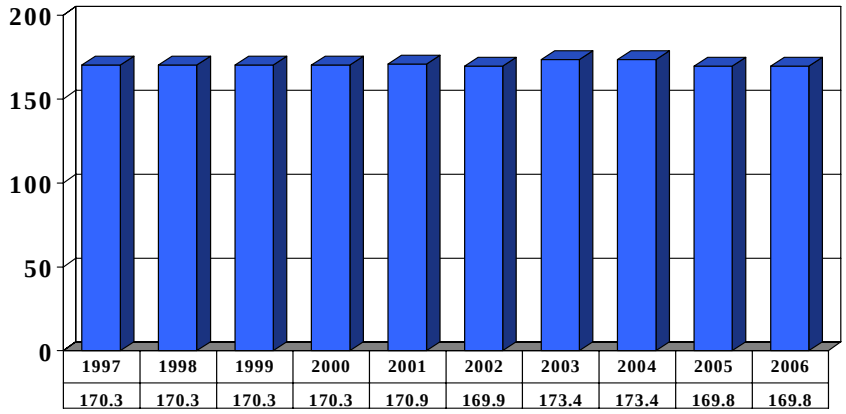
12/31/03 AV (assessed valuation): $6,346,989,537

(1) Indebtedness for all General Purpose debt may not exceed 2.5% of AV. Any non-voted debt issues, including leases, reduces the margin available for voted general purpose debt.

Staffing Level
Full Time Equivalents

DEPARTMENT	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City Manager	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**	**4.0**
City Attorney	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**
Finance	**10.6**	**10.6**	**10.6**	**10.6**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**	**10.0**
Park & Recreation	**10.5**	**10.5**	**10.5**	**10.5**	**11.0**	**11.0**	**19.0**	**19.0**	**19.0**	**19.0**
Youth & Family Services	**14.7**	**14.7**	**14.7**	**14.7**	**14.4**	**14.4**	**14.4**	**14.4**	**14.4**	**14.4**
Development Services	**20.0**	**20.0**	**20.0**	**20.0**	**20.0**	**19.0**	**18.0**	**18.0**	**17.0**	**17.0**
Public Safety	**72.5**	**72.5**	**72.5**	**72.5**	**73.5**	**73.5**	**73.5**	**73.5**	**67.0**	**67.0**
Fire	29.0	29.0	29.0	29.0	30.0	30.0	30.0	30.0	31.0	31.0
Police	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	31.0	31.0
Dispatch	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	3.0	3.0
Hire Ahead	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Maintenance	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**	**35.0**	**31.5**	**31.5**	**31.5**	**31.5**
E Team	7.0	7.0	7.0	7.0	7.0	7.0	0.0	0.0	0.0	0.0
Support Services	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Right of Way	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Utilities	13.0	13.0	13.0	13.0	13.0	13.0	14.0	14.0	14.0	14.0
CIP	0.0	0.0	0.0	0.0	0.0	0.0	3.5	3.5	3.5	3.5
Totals of FTE's	**170.3**	**170.3**	**170.3**	**170.3**	**170.9**	**169.9**	**173.4**	**173.4**	**165.9**	**165.9**
Positions requested in 2005-2006										
CCMV Manager in September 2005									1.0	1.0
Municipal Court Judge									0.85	0.85
Court Staff									2.0	2.0
Department reorganizations during 2004, already reflected in chart, 8 less FTE's in total										
One engineering position abolished in DSG										
Financial investigator position abolished in Police										
5.5 dispatch positions abolished - service contracted out to Bellevue and Kirkland										
Correction of head count errors										
The FTE table has been corrected for an error in the Parks and DSG staffing. In Parks, a .5 Park arborist was added by Council in 2001, however, the .5 FTE was not added to the head count in the last budget.										
In DSG in 2002 a position was changed from a full time planning technician to a .5 code review attorney. This change had not been reflected properly in the FTE count.										
TOTALS									**169.8**	**169.8**

City of Mercer Island
1997-2006 FTE's
(7.5 reductions – 3.85 new for 2005-2006)



STAFFING AND FULL TIME EQUIVALENTS (FTE)

The chart on the previous page and the chart above show the number of full time positions authorized by the Council for employment in the various departments. These authorized positions are those that are considered necessary to carry out the core mission of the departments. There is a proposal to add 3.85 additional FTE's in various departments during the 2005-2006 biennium. The proposals include adding a new CCMV manager in September 2005 for the new Community Center. The Municipal Court operation will require a Municipal Court Judge, who will work about 34 hours per week (.85). In addition, there is a request for a court administrator and a court clerk. The City is contracting with a part-time court administrator through June of 2005 to get the court operational and to determine the exact staffing needs. Although Council previously approved 2 FTE's, staff believes this is a maximum administrative FTE count. During the first six months of operation, staff will be evaluating both contracting and lower staffing alternatives.

During 2004, a number of positions were abolished – 6.5 in Public Safety and 1 in DSG. After a year's study, the decision was made to contract out the City's Dispatch function to Kirkland and Bellevue. This change eliminates 5.5 positions. The position of Financial Investigator was also abolished and the officer transferred to a vacant position in patrol. In DSG, 2 engineering positions were combined into one to attract qualified engineers.

In addition to these authorized positions, the City from time to time needs additional help to carry out programs. The additional help is of three types – contract employees, casual labor, and consultants/contractors.

Contract employees are brought on to help with work overload conditions, such as the contract staff helping with high permit activity in the Development Services Group. These employees are hired for a particular length of time, usually one or two years. A department may request that a contract employee become permanent if workload warrants the request. At the present time, DSG has a planner and a permit technician as contract positions to help with the high permit activity.

Casual labor is brought on to supplement the City's core staff in light of short-term workload issues and/or special initiatives the City engages in. An example of annual workload-driven casual labor is the employment of seasonal employees in the Maintenance Department. We have two types – 6 month and 9 month seasonals. At the present time we have 17 seasonals employed for 6 months and 5 who are employed for 9 months in our maintenance departments. Most of the seasonals (15) work in park maintenance; 4 work for the Right of Way team and the remaining 3 work for the utilities teams. As part of the budget process for 2005, 5 of the seasonal positions were eliminated to save money. The City also uses casual labor on a limited basis for temporary vacancies and other workload issues.

Consultants are hired when there is a need for a particular expertise that the staff does not possess, or when there is not enough work to justify hiring a full time staff person. Examples of consultant services are architectural services, specialized engineering, and specialized financial services. **Contractors** are hired to do specialized work such as servicing the Cities heating and cooling systems and janitorial maintenance of our buildings.

BIENNIAL BUDGET TOTALS

On the following two pages are charts showing the total revenue per fund and per year and total expenditures per fund and per year that make up the 2005-2006 biennium. On the last page of this summary chapter is a chart showing the Biennial comparison of expenditures, by fund for the previous biennium (2001-2002), the current biennium (2003-2004), and the next biennium (2005-2006).

COMPARISON OF REVENUES BY FUND FOR 2005 - 2006 BIENNIUM

Fund No.	Description	2005	2006	2005 - 2006 Biennium
001	GENERAL FUND	$ 17,306,893	$ 18,032,916	$ 35,339,809
037	SELF INSURANCE FUND	10,000	10,000	20,000
061	YS ENDOWMENT FUND	3,000	3,000	6,000
065	MIYFS FOUNDATION ENDOWMENT	4,500	5,000	9,500
104	STREET FUND	1,302,500	895,000	2,197,500
112	CRIMINAL JUSTICE FUND	999,168	482,200	1,481,368
117	BEAUTIFICATION FUND	227,000	227,000	454,000
125	I-90 LANDSCAPE FUND	447,745	455,987	903,732
130	CONTINGENCY FUND	120,000	120,000	240,000
140	MUNICIPAL ARTS FUND	18,000	10,000	28,000
160	YOUTH & FAMILY SERVICES FUND	1,301,427	1,302,704	2,604,131
165	MIYFS FOUNDATION FUND	83,225	83,225	166,450
208	BOND REDEMPTION (VOTED)	817,076	817,076	1,634,152
239	BOND REDEMPTION (NON VOTED)	373,285	373,410	746,695
343	CAPITAL IMPROVEMENT FUND	1,500,000	1,170,000	2,670,000
345	TECHNOLOGY AND EQUIPMENT FUND	260,000	260,000	520,000
350	CAPITAL RESERVE FUND	13,500	-	13,500
355	CCMV CONSTRUCTION FUND	975,000	-	975,000
402	WATER FUND	3,477,300	3,581,300	7,058,600
426	SEWER FUND	4,826,840	9,753,600	14,580,440
432	STORM DRAIN FUND	1,380,340	1,645,380	3,025,720
503	EQUIPMENT RENTAL FUND	818,098	818,098	1,636,196
520	COMPUTER EQUIPMENT FUND	264,120	279,135	543,255
606	FIREMEN'S PENSION FUND	25,000	26,000	51,000
613	TRUST FUND	-	-	-
	TOTAL EXPENDITURES	**$ 36,554,017**	**$ 40,351,031**	**$ 76,905,048**

COMPARISON OF EXPENDITURES BY FUND FOR 2005 - 2006 BIENNIUM

Fund No.	Description	2005	2006	2005-2006 Biennium
001	GENERAL FUND	$ 17,306,893	$ 18,032,916	$ 35,339,809
037	SELF-INSURANCE	30,000	30,000	60,000
061	YS ENDOWMENT	3,000	3,000	6,000
065	MIYFS FOUNDATION ENDOWMENT	-	-	-
104	STREET FUND	1,593,500	1,444,500	3,038,000
112	CRIMINAL JUSTICE FUND	1,162,350	499,108	1,661,458
117	BEAUTIFICATION FUND	352,445	355,050	707,495
125	I-90 LANSCAPE MAINTENANCE FUND	447,745	455,987	903,732
130	CONTINGENCY FUND	-	-	-
140	MUNICIPAL ARTS FUND	3,000	3,000	6,000
160	YOUTH & FAMILY SERVICES FUND	1,280,434	1,303,834	2,584,268
165	MIYFS FOUNDATION FUND	83,225	83,225	166,450
208	BOND REDEMPTION FUND (VOTED)	815,803	823,603	1,639,406
239	BOND REDEMPTION FUND (NON-VOTED)	373,014	372,839	745,853
343	CAPITAL IMPROVEMENTS	2,274,185	1,016,310	3,290,495
345	TECHNOLOGY & EQUIPMENT FUND	168,000	283,000	451,000
350	CAPITAL RESERVE FUND	1,067,500	-	1,067,500
355	CCMV CONSTRUCTION FUND	4,800,000	-	4,800,000
402	WATER REVENUE FUND *	4,187,998	3,615,052	7,803,050
426	SEWER REVENUE FUND *	5,012,758	9,876,909	14,889,667
432	STORM WATER FUND *	1,482,453	1,790,002	3,272,455
503	EQUIPMENT RENTAL	840,763	562,889	1,403,652
520	COMPUTER EQUIPMENT FUND	257,013	267,260	524,273
606	FIREMENS PENSION FUND	40,000	40,000	80,000
	TOTAL EXPENDITURES:	**$ 43,582,079**	**$ 40,858,484**	**$ 84,440,563**

BIENNIAL COMPARISON OF EXPENDITURES BY FUND

Fund No.	Description	2001-2002 Biennium	2003 - 2004 Biennium	2005 - 2006 Biennium
001	GENERAL FUND	$ 39,029,687	$ 35,544,806	$ 35,339,809
037	SELF INSURANCE FUND	14,227	472	60,000
061	YS ENDOWMENT FUND	20,711	6,762	6,000
065	MIYFS FOUNDATION ENDOWMENT	-	-	-
104	STREET FUND	2,374,834	2,522,020	3,038,000
112	CRIMINAL JUSTICE FUND	1,066,518	1,010,736	1,661,458
117	BEAUTIFICATION FUND	789,550	466,701	707,495
125	I-90 LANDSCAPE FUND	684,557	857,925	903,732
130	CONTINGENCY FUND	-	505,851	-
140	MUNICIPAL ARTS FUND	23,935	39,251	6,000
160	YOUTH & FAMILY SERVICES FUND	-	-	2,584,268
165	MIYFS FOUNDATION FUND	-	-	166,450
208	BOND REDEMPTION (VOTED)	2,065,163	1,793,690	1,639,406
239	BOND REDEMPTION (NON VOTED)	85,308	302,868	745,853
343	CAPITAL IMPROVEMENT FUND	2,787,036	5,079,360	3,290,495
345	TECHNOLOGY AND EQUIPMENT FUND	1,136,912	914,359	451,000
347	FIRE STATION CONSTRUCTION FUND	121,210	-	-
350	CAPITAL RESERVE FUND	2,287,047	1,935,978	1,067,500
355	CCMV CONSTRUCTION FUND	-	11,429,183	4,800,000
402	WATER FUND	7,408,223	7,178,237	7,803,050
426	SEWER FUND	7,842,950	8,504,421	14,889,667
432	STORM DRAIN FUND	2,319,207	2,654,078	3,272,455
503	EQUIPMENT RENTAL FUND	1,177,125	1,609,233	1,403,652
520	COMPUTER EQUIPMENT FUND	499,242	498,144	524,273
606	FIREMEN'S PENSION FUND	56,253	40,873	80,000
613	TRUST FUND	1,040,616	1,364,255	-
	TOTAL EXPENDITURES	**$ 72,830,311**	**$ 84,259,202**	**$ 84,440,563**

SECTION E

CAPITAL IMPROVEMENT PROGRAM

Introduction.....E – 1
Capital Improvement Financing Strategy.....E – 1
Fund Balance Trends.....E – 3
Council's Preliminary Review of the CIP.....E – 3
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CAPITAL IMPROVEMENT PROGRAM

INTRODUCTION

The two plans that make up the 2005-2006 Capital Improvement Program (CIP) -- the Capital Reinvestment Plan (CRP) and Capital Facilities Plan (CFP) -- have been developed according to the guidelines set forth in the CIP Management and Budget Policy and the City Comprehensive Plan.

Council and Staff have been discussing the expenditure building blocks for the upcoming CIP for several months. Each biennium, Council provides direction in the form of its annual retreat discussions and various Management and Budget Policies. Adoption of comprehensive planning documents (such as the Pioneer Park Master Plan approved in October 2001, the Water System Plan adopted in December 2001, the General Sewer Plan completed in February 2003 and the Transportation Improvement Plan (TIP), adopted in May 2004) give more specific project direction.

Often the capital budget is made up of almost entirely reinvestment projects (CRP) to maintain our existing infrastructure. The most significant reinvestment is for replacement of a portion of the Sewer Lake Line. During the upcoming biennium design and the environmental review process will be completed and construction of the favored alternative will begin. The standout project in the 2005-2006 Capital Facilities Plan is construction of the new Community Center at Mercer View.

Comparing the 2005-06 Proposed CIP

Table 1 compares relative amounts of funds devoted to specific categories of projects in the 2005-06 CIP with the approved budget for the previous two biennia. (Actual spending varies due to factors such as permitting delays and added projects.)

Table 1 – Comparison of Proposed Budget by Project Category

	2001-02 Budget	2003-04 Budget	2005-06 Proposed
Parks, Recreation and Open Space[1]	$1,923,000	$2,590,000	$7,730,000
Streets, Pedestrian and Bicycle Facilities	$2,527,000	$2,751,000	$3,163,000
Buildings, Equipment and Technology	$2,448,000	$2,091,000	$2,341,000
Utilities	$3,689,000	$5,195,000	$10,000,000
Total	$10,587,000	$12,627,000	$23,234,000

CAPITAL IMPROVEMENT FINANCING STRATEGY

Each biennial capital budget is part of a broader CIP financing plan that looks into the future to match facility needs with realistic financing strategies. (Please refer also to the CIP Management and Budget Policy in Chapter C for additional detail.)

[1] Includes $4.8 million for Community Center building construction in 2005, and $1 million for Boys and Girls Club. Also includes the debt service on both the Mercer View property and a portion of the building financing.

Consistent with established management and budget policies and past Council financing strategies, CIP funding for the next years relies heavily on pay-as-you-go sources such as Real Estate Excise Taxes (REET), State shared revenues (fuel taxes), and Utility revenues. The General Fund continues to be the sole source for capital investments in technology and equipment.

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

Real Estate Excise Tax (REET) is the 0.5% tax paid by the seller in property transactions. State law restricts the use of REET for specific capital purposes. REET-1 (the 1st quarter of 1% of the sales price) may be used for streets, parks, facilities or utilities. REET-2 (the 2nd quarter of 1% of the sales price) may be used for streets, parks, or utilities, but may not be used for facilities. Neither REET-1 nor REET-2 may be used for equipment or technology.

REET revenue is a volatile revenue source as its base (home sales) is highly dependent on economic conditions and interest rates. With the continued low interest rates, REET revenues were up in 2003, and are expected to be as strong or stronger in 2004. As you will recall, REET revenue dropped below forecast for both years of the previous biennium, hitting a 5 year low of $1,219,940 in 2001. REET had reached a previous high of $1,945,050 in 1999, as a result of a high number of sales (a reflection of good economic conditions). Because interest rates are expected to rise in the coming years, it is forecast that REET will drop during the 2005-2006 biennium.

Since 1985, the City has relied upon Real Estate Excise Taxes (REET 1) as the primary "discretionary" funding source for capital projects. Among the several revenue sources to the CIP, REET 1 remains today the area in which the Council has the most discretion.

The City's CIP financing strategy continues to show REET 1 revenues targeted at facilities maintenance and land/building acquisition. This includes such projects as maintaining our existing public buildings -- City Hall, Thrift Shop, Fire Stations, and the Maintenance Shop – as well as paying the debt service on the Mercer View property and on the bonds paying a portion of the cost of constructing the new community center.

REET 2 revenues continue to be used for infrastructure needs. Repairs and reinvestment in our parks, as well as construction and maintenance of streets, pedestrian and bicycle facilities, consume all available REET 2 funds.

Because they cannot rely upon REET revenues, expenditures for new vehicles, equipment, and technology come from general, reserve, or grant funds. An example of the use of General Funds is setting aside funds to replace the City's telephone system six years from now.

Consistent with their financial policies, utilities capital improvements are funded from the respective utility rates, primarily on a pay-as-you-go basis.

Table 2 below shows an overview of the CIP financing strategy.

Table 2 - Capital Improvement Program Financing Strategy

REET 1	REET 2	General, Reserve and Other Funds	Utilities
Facilities Planning, Maintenance and Acquisition	Infrastructure Maintenance and Construction	Equipment and Technology	Infrastructure Construction and Maintenance
Property Acquisition • Open Space • Community Center	Streets • Construction • Maintenance	Equipment • Vehicles Replacement • Public Safety items	• Sanitary Sewer
Open Space • Planning • Improvements	Pedestrian and Bicycle Facilities • Construction • Maintenance	Technology • Computers • Software • Communications	• Stormwater
Public Buildings • Repair • Maintenance • Planning and Design	Parks • Construction • Maintenance		• Water

FUND BALANCE TRENDS

The fund balance in the *Street Fund* will be drawn down by about $1,000,000 during the 2005-2006 biennium, in accordance with the 6-year TIP (Transportation Improvement Plan). This balance will be drawn down further when the next phase of street reconstruction occurs in the Town Center. This expenditure of about $1,500,000 on Town Center streets is planned for 2007-2008 in the 6 year TIP.

The fund balance in the *CIP Fund* will be drawn down significantly during 2003-04 biennium, as $2,029,183 has been transferred to the Community Center Building fund and an additional $975,000 transfer will occur in 2005. The proposed CIP program anticipates that the ending balance in the CIP fund will be about $138,000 at the end of the 2005. CIP Funds will continue to be drawn down over the next several years by the annual debt service payment of approximately $150,000 for the Community Center Building along with approximately $225,000 for the Mercer View property.

COUNCIL'S PRELIMINARY REVIEW OF THE CIP

Beginning four years ago, Staff presented an early look at the CIP before the Preliminary Budget was produced. The purpose of this preview was to allow the City Council to see a near-completed CIP. Then, based upon it, Council gave Staff direction to fine-tune and finalize a proposed CIP. For the 2005-06 Budget, this preview presentation was given July 6, 2004.

Council indicated they would like to reduce the scope and/or eliminate certain technology and parks projects in order to achieve significant savings that could be applied to reducing the

amount of debt needed to finance construction of the new community center. Staff identified $375,000 in potential cost reductions from the CIP and the Council applied that level of debt reduction when finalizing the Community Center financing plan August 2nd 2004.

The following Table 3 summarizes the recommended changes.

Table 3 – Recommended Changes to the 2005-06 CIP in '000s

Project	July Preview 2005	July Preview 2006	Preliminary Budget 2005	Preliminary Budget 2006	Savings	Notes
Deane's Restroom	5	55	0	0	60	Eliminated
Boat Launch Restroom	13	89	0	0	31	Eliminated project and potential grant funding
Homestead North Backstop	30	0	0	0	30	Eliminated
Groveland Dock & Slope	0	100	0	50	50	Reduced scope
Open Space	100	100	75	75	50	Reduced scope
South Mercer Ballfield Lights	262	0	262	0	130	Same expenditure; add grant revenue
Comm Ctr Minor Repairs	0	25	0	0	25	Eliminated from biennium
Reductions - CIP Fund					376	Used for Comm Ctr Debt Reduction
CIP Database	10	0	0	0	10	Eliminated
WebWorks for Parks Maint	25	15	0	20	20	Delayed and reduced scope
WebWorks GIS Interface	20	0	15	0	5	Reduced scope
Document Imaging	25	50	0	25	50	Delayed
Utility Billing Online Payment	30	0	0	0	30	Eliminated; Utility Funds savings
False Alarms Database	5	0	0	0	5	Eliminated; Criminal Justice savings
Paperless Office	0	20	0	0	20	Eliminated; Criminal Justice savings
Reductions - Technology Fund					140	Reduced expenses to General, Criminal Justice and Utility Funds
Equipment Rental	504	228	430	190	112	Certain vehicle replacements postponed.
Comm Ctr Building Debt Service	228	228	148	151	157	Per debt issued 9/20/04.
Reductions - Other					269	
Total Reductions					785	
Additions						
Parkwood Basin 45B & Trail	0	260	0	510	<250>	Reappropriate $260 from PBF project 72nd Avenue SE; add in $250 from Storm Water Fund
Contract Dispatch Start Up Costs	150	0	479	0	<329>	Appropriate $329 from Capital Reserve
Total Additions					<579>	

PROJECT HIGHLIGHTS

Contract Dispatch Startup – Since the Council's decision in July to contract public safety dispatching to Kirkland for police and Bellevue for fire, a new project worksheet has been added to account for the one time costs to make this transition. These costs are for licenses, training,

equipment, consultants, and other fees. The City has applied for a grant to cover most, if not all of these costs. However, as a decision on the grant funding is still pending at the time the budget was published, the funding is shown as coming from fund balances in the Capital Reserve and Criminal Justice Funds.

Parks Ballfield Lights – Lighting systems at Island Crest Park (ICP) and South Mercer Playfields (SMP). Both lighting systems (poles, controls and electrical service) are approaching the end of their 25-year useful life. In both locations there have been repeated instances of system failure, in the case of SMP the cause a minor electrical fire.

Island Park Elementary Traffic Safety Partnership – The City will help fund a parking lot expansion at Island Park Elementary that will improve bus and car circulation at the school and relieve congestion on Island Crest Way during drop-off and pick-up times. The City portion of the project is $100,000 in 2005.

Sewer Lake Line – There are two phases of this project in the upcoming budget time period. With a budget of $665,000 over the two years, design of the Sewer Lake Line Replacement project continues through 2006 following preparation of the Draft Environmental Impact Statement (DEIS). Four alternatives: Upland, On-shore, In-lake and No-action, are evaluated in the DEIS. Following a decision on a preferred alternative route, the $13,000,000 construction phase would begin in 2006 and continue for two years. The estimate of construction costs to be spent in 2006 stands at $5,930,000.

Comprehensive Basin Review – This project will provide for a complete review of the island's stormwater system. The product will assist the Utility Board and staff in prioritization of future capital improvements, such as for Basin 29 currently shown in the 2007-08 biennium.

UNFUNDED CAPITAL NEEDS

In addition to the projects noted above which have been eliminated from the 2005-06 Biennium or delayed, there remain significant capital improvements for which a funding source has not yet been determined.

Water Storage – The Utility Board continues to study the requirement for additional water storage on the Island. Since all our water is supplied by Seattle via the seismically-vulnerable East Channel/Mercer Slough pipeline, experts recommend that it is prudent to have additional storage capacity for emergency purposes. The Board is evaluating two alternatives: a pair of emergency wells or a new reservoir. The Water Utility owns two properties acquired decades ago for a future reservoir. A new reservoir would cost approximately $1 million per million gallons of water stored. For comparison purposes, our existing reservoir tanks are each 4 million gallons. The estimated cost for two wells is $1 million.

Open Space Vegetation Management Program – Later this year the Council will receive recommendations about how to increase our management of the Island's open spaces. Costs and methods are unknown, but if the Council chooses to increase its investment, there is not an identified funding source today.

Luther Burbank Master Plan – Public involvement will begin in fall of 2004. If a master planning phase, design and construction costs for any improvements follow it, the cost of implementing the results of the planning is currently unknown and unfunded.

Fire Apparatus – The City's existing fleet of fire trucks were acquired in 1984 through voter-approved general obligation bonds of $1.5 million. Previous Councils have decided that when it comes time to replace all or portions of the fleet, it will be accomplished by issuing new debt.

South Fire Station – Station 92 located at 8473 SE 68th Street was constructed in 1962. If the building is to continue providing emergency response services, it will eventually need significant renovation such as seismic strengthening. The Council decided not to approve studies related to the South Fire Station and eventual replacement of fire apparatus that were proposed in the 2003-04 CIP.

Park Restrooms – Still remaining unfunded are the restroom facilities at Deane's Park, the Boat Launch and on the West Lid.

*City Hall Plumbing Replacemen*t – Mercer Island City Hall is a renovated 1950s-era building once owned by Farmers Insurance. While significant remodeling was done to the building in the mid 1980s to convert it to its current City Hall functionality, the old plumbing was not replaced. The largely galvanized plumbing is beginning to fail. In the 2005-06 CIP a special allocation of $100,000, $50,000 in each year is recommended to begin upgrading and replacing plumbing in the building. Staff estimates that another $200,000 will be required to complete the job in 2007-08.

READER'S GUIDE

The CIP section of the budget attempts to satisfy various interests, ranging from a high level overview to detailed specifics of each project planned for the upcoming biennium. In addition, project worksheets are included to describe certain projects for future years (2005-2010) of the six-year CIP. Understandably, predictions about projects in the last four years of the period are not as precise as for the projects the Council will be asked to formally approve for implementation in 2005-2006.

Readers interested in a broad perspective will find this chapter introduction document and the two-year spreadsheets immediately following it, to be useful. Readers who are interested in the project details will want to focus on the individual project sheets. For the long-range view, the foldout spreadsheets capture projects for the six-year planning period.

CRP projects are listed first, followed by CFP projects, then by category:

A. Parks, Recreation and Open Space
B. Streets, Pedestrian and Bicycle Facilities
C. General Government (Equipment, Public Buildings, and Technology)
D. Sewer Utility
E. Storm Drainage Utility
F. Water Utility

Within each category, projects for the 2005-2006 biennium are assigned an identifying project number corresponding to a detailed description on a separate page. (For your information, the project number also corresponds to expense categories in the City's financial system.) On both the individual project sheets and the foldout summary sheets, revenues and expenditures are expressed in thousands of dollars, rounded to the nearest $1,000.

SUMMARY

As proposed, the 2005-2006 Capital Improvement Program consists of 61 individual projects totaling $23,234,000. The two-year CIP is balanced and fully funded. The CRP totals $16,318,000 and the CFP is $6,916,000.

Likewise, the six-year CIP is in balance and can be accomplished within forecasted revenues. The six-year CRP is proposed at $39,347,000 the CFP at $8,970,000 for a total 2005-2010 CIP of $48,317,000.

A statement of the CIP Fund itself, along with other funds supporting capital projects such as the Street Fund and Utilities Funds are shown in Chapter J of the 2005-2006 Budget document.

CIP Project Summary

Project Description		Project Costs 2005	2006	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Capital Reinvestment Plan														
Parks, Recreation and Open Space														
Open Space														
WP140R	Pioneer Park Forest Management	50	50	**100**	100	0	0	0	0	0	0	0	0	0
Sub-Total Open Space		50	50	**100**										
Parks Improvements														
WP501R	Ballfield Lights - Island Crest Park	32	0	**32**	32	0	0	0	0	0	0	0	0	0
WP502R	Ballfield Lights - South Mercer Playfields	262	0	**262**	132	0	0	0	0	0	0	130	0	0
WP503R	Luther Burbank Park Improvements	100	100	**200**	0	0	0	0	0	0	0	0	0	200
Sub-Total Parks Improvements		394	100	**494**										
Parks Repairs and Maintenance														
WP101R	Clarke Beach Park Repairs	52	0	**52**	42	0	0	0	0	0	10	0	0	0
WP300R	Recurring Park Projects	100	100	**200**	200	0	0	0	0	0	0	0	0	0
WP314R	Groveland Beach Repairs - Dock & Slope	0	50	**50**	50	0	0	0	0	0	0	0	0	0
Sub-Total Parks Repairs and Maintenance		152	150	**302**										
Planning and Design														
WP504P	Island Crest Park Master Plan	0	18	**18**	18	0	0	0	0	0	0	0	0	0
Sub-Total Planning and Design		0	18	**18**										
Total Parks, Recreation and Open Space		596	318	**914**										
Streets, Pedestrian and Bicycle														
Annual Street Maintenance Program														
WR501R	Residential Street Preservation	336	342	**678**	0	678	0	0	0	0	0	0	0	0
WR510R	Arterial Streets Preservation	70	70	**140**	0	140	0	0	0	0	0	0	0	0
Sub-Total Annual Street Maintenance Progra		406	412	**818**										
Arterial Street Improvements														
WR512R	Arterial Street Improvements - 2005	675	0	**675**	0	675	0	0	0	0	0	0	0	0

CIP Project Summary

Project Description		Project Costs 2005	2006	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
WR515R	Arterial Street Improvements	0	500	**500**	0	500	0	0	0	0	0	0	0	0
Sub-Total Arterial Street Improvements		675	500	**1,175**										
CBD Street Reconstruction														
WR520R	Town Center Street Improvements	0	60	**60**	0	60	0	0	0	0	0	0	0	0
Sub-Total CBD Street Reconstruction		0	60	**60**										
Mercer Ways Shoulder Development														
WR530R	Roadside Shoulder Development	250	150	**400**	0	400	0	0	0	0	0	0	0	0
Sub-Total Mercer Ways Shoulder Developme		250	150	**400**										
Other Transportation Projects														
WR545C	Island Park Elementary Traffic Safety Part	100	0	**100**	0	100	0	0	0	0	0	0	0	0
Sub-Total Other Transportation Projects		100	0	**100**										
Pedestrian and Bicycle Facilities														
WR541C	Pedestrian and Bicycle Facilities	100	0	**100**	0	100	0	0	0	0	0	0	0	0
WR543C /	Parkwood Trail / Storm Basin 45b	0	510	**510**	0	60	450	0	0	0	0	0	0	0
Sub-Total Pedestrian and Bicycle Facilities		100	510	**610**										
Total Streets, Pedestrian and Bicycle		1,531	1,632	**3,163**										
General Government														
Other Equipment														
WG130E	Equipment Rental	430	190	**620**	0	0	0	0	0	620	0	0	0	0
WG131E	Fire Equipment	28	18	**46**	0	0	0	46	0	0	0	0	0	0
WG132E	Police Equipment	20	25	**45**	0	0	0	0	45	0	0	0	0	0
Sub-Total Other Equipment		478	233	**711**										
Public Buildings														
WG101R	City Hall	100	100	**200**	200	0	0	0	0	0	0	0	0	0
WG102R	Maintenance Building	40	40	**80**	20	0	60	0	0	0	0	0	0	0
WG103R	South Fire Station Repairs	15	15	**30**	30	0	0	0	0	0	0	0	0	0
WG104R	Thrift Shop	20	15	**35**	0	0	0	0	0	0	35	0	0	0
WG106R	North Fire Station	20	20	**40**	40	0	0	0	0	0	0	0	0	0

CIP Project Summary

	Project Description	Project Costs 2005	2006	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Sub-Total Public Buildings		195	190	**385**										
Small Technology/Equipment														
WG520T	Fleet Management System	30	0	**30**	0	0	0	0	0	30	0	0	0	0
Sub-Total Small Technology/Equipment		30	0	**30**										
Technology														
WG110T	Computer Equipment Replacements	68	74	**142**	0	0	0	0	0	142	0	0	0	0
WG113T	Financial System Upgrade	0	25	**25**	0	0	0	25	0	0	0	0	0	0
WG313T	Document Imaging	0	25	**25**	0	0	0	25	0	0	0	0	0	0
WG510T	Client Tracking System	5	0	**5**	0	0	0	5	0	0	0	0	0	0
WG512T	Contract Dispatch Startup and MDCs	668	0	**668**	0	0	0	0	150	0	0	450	0	68
WG514T	Customer Response Management System	20	0	**20**	0	0	0	20	0	0	0	0	0	0
WG516T	Disaster Recovery and Business Continuity	25	0	**25**	0	0	0	25	0	0	0	0	0	0
WG518T	Fiber to Remote City Sites	0	100	**100**	0	0	0	100	0	0	0	0	0	0
WG522T	Implement WebWork in Parks Department	0	20	**20**	0	0	0	20	0	0	0	0	0	0
WG524T	Telephone System Replacement/Upgrade	25	25	**50**	0	0	0	50	0	0	0	0	0	0
WG526T	Webwork / GIS Interface	15	0	**15**	0	0	0	15	0	0	0	0	0	0
WG528T	Web-based System to Deploy Application	0	20	**20**	0	0	0	20	0	0	0	0	0	0
Sub-Total Technology		826	289	**1,115**										
Total General Government		1,529	712	**2,241**										
Sewer Utility														
Sewer System Improvements														
WS330T	Sewer System Telemetry Improvements	120	120	**240**	0	0	240	0	0	0	0	0	0	0
WS510R	Sewer System Improvements	350	270	**620**	0	0	620	0	0	0	0	0	0	0
Sub-Total Sewer System Improvements		470	390	**860**										
Sewer System Rehabilitation														
WS110C	Sewer Lake Line Replacement - Constructi	0	5,930	**5,930**	0	0	0	0	0	0	0	0	5,000	0
WS110D	Sewer Lake Line Replacement - Design	540	115	**655**	0	0	205	0	0	0	0	0	450	0
Sub-Total Sewer System Rehabilitation		540	6,045	**6,585**										

CIP Project Summary

Project Description		Project Costs 2005	2006	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Total Sewer Utility		1,010	6,435	**7,445**										
Storm Drainage Utility														
Neighborhood Drainage Improvements														
WD510C	Neighborhood Drainage Improvements	50	50	**100**	0	0	100	0	0	0	0	0	0	0
WD512C	96th Avenue SE Drainage Improvements	0	200	**200**	0	0	200	0	0	0	0	0	0	0
Sub-Total Neighborhood Drainage Improvem		50	250	**300**										
Other Storm Drainage System Projects														
WD303S	Comprehensive Basin Review	100	0	**100**	0	0	100	0	0	0	0	0	0	0
WD530T	Storm Drainage Map Conversion	150	0	**150**	0	0	150	0	0	0	0	0	0	0
Sub-Total Other Storm Drainage System Proj		250	0	**250**										
Watercourse Projects														
WD520C	Small Basin Improvements	50	50	**100**	0	0	100	0	0	0	0	0	0	0
WD522C	Watercourse Stabilization - Basin 26	300	0	**300**	0	0	300	0	0	0	0	0	0	0
WD524C	Basin 46a (53rd Place)	0	200	**200**	0	0	200	0	0	0	0	0	0	0
Sub-Total Watercourse Projects		350	250	**600**										
Total Storm Drainage Utility		650	500	**1,150**										
Water Utility														
Other Water System Projects														
WW532T	Water Modeling and Fire Flow Analysis	40	10	**50**	0	0	50	0	0	0	0	0	0	0
Sub-Total Other Water System Projects		40	10	**50**										
Water System Improvements														
WW510A	2005 Water System Improvements - EMW	800	0	**800**	0	0	800	0	0	0	0	0	0	0
WW510C	Water Main Replacements	0	300	**300**	0	0	300	0	0	0	0	0	0	0
WW520C	Hydrants and Other Water System Compo	0	70	**70**	0	0	70	0	0	0	0	0	0	0
WW525R	Pressure Relief Valve at Town Center Pres	85	0	**85**	0	0	85	0	0	0	0	0	0	0
WW530P	Emergency Preparedness and Planning	50	50	**100**	0	0	100	0	0	0	0	0	0	0
Sub-Total Water System Improvements		935	420	**1,355**										
Total Water Utility		975	430	**1,405**										

CIP Project Summary

Project Description	Project Costs 2005	2006	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Total Capital Reinvestment Plan	6,291	10,027	**16,318**										

CIP Project Summary

	Project Description	Project Costs 2005	2006	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Capital Facilities Plan														
Community Center														
Public Buildings														
IFT343	Debt Service - Mercerview Property	225	222	**447**	447	0	0	0	0	0	0	0	0	0
IFT343	Debt Service - Community Center	148	151	**299**	299	0	0	0	0	0	0	0	0	0
XG320K	Community Center Construction	4,800	0	**4,800**	1,000	0	0	0	0	0	0	0	0	0
Sub-Total Public Buildings		5,173	373	**5,546**										
Total Community Center		5,173	373	**5,546**										
Parks, Recreation and Open Space														
Open Space														
XP101P	Open Space Vegetation Management	135	135	**270**	150	0	0	0	0	0	0	10	0	110
Sub-Total Open Space		135	135	**270**										
Public Buildings														
XG102C	Boys and Girls Club Agreement	1,000	0	**1,000**	0	0	0	1,000	0	0	0	0	0	0
Sub-Total Public Buildings		1,000	0	**1,000**										
Total Parks, Recreation and Open Space		1,135	135	**1,270**										
General Government														
Small Technology/Equipment														
XG150T	Small Technology/Equipment Items	50	50	**100**	0	0	0	100	0	0	0	0	0	0
Sub-Total Small Technology/Equipment		50	50	**100**										
Total General Government		50	50	**100**										
Total Capital Facilities Plan		6,358	558	**6,916**										

CIP Project Summary

	Project Costs			Sources of Fund								
Project Description	2005	2006	Total	REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Grand Total	12,649	10,585	23,234										

Pioneer Park Forest Management

Project ID WP140R **Project Mgr** P. Mayer

Primary Client Parks and Recreation

Project Description

Continue coordinated pursuit and control of invasive species and pursue appropriate reforestation and replanting programs as advised in the Pioneer Park Forest Management Plan. Remove diseased species as appropriate. Pursue adaptive management techniques to assess effectiveness of plantings and adjust approaches where necessary. Continue park maintenance efforts to control vegetation and preserve the physical assets of the park.

Business Need

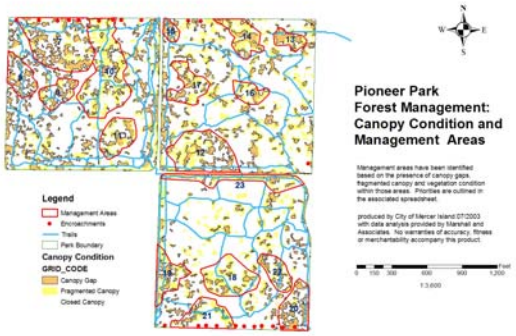
Continue to insure plant, vegetation and tree diversity for long-term health of the urban forest. Prevent invasive species from overtaking new plantings.

Existing Conditions

Invasive plants and vegetation and diseased trees are endangering the native species and threaten the natural character of the park.

Project Location

SE 68th Street and Island Crest Way



Prior Council Review

AB 3818 - 12/15/03

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Parks Repairs	$50	$50	$100
Total EXP	$50	$50	$100

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 2	$50	$50	$100
Total REV	$50	$50	$100

Ballfield Lights - Island Crest Park

Project ID WP501R **Project Mgr** P. Mayer

Primary Client Parks and Recreation

Project Description

Extend life of existing ballfield lighting system. Inspect and certify existing 17 wood poles, clean and re-lamp all fixtures, re-aim lights and install new control system.

Business Need

Current lighting levels and uniformities far below recommended minimum levels for safe play, but may be improved via stop-gap measures.

Existing Conditions

17 wood poles installed in 1985 appear to be in good condition. Electrical system in good condition, but lighting levels and uniformity are poor. Control system inadequate and unreliable.

Project Location

5500 Island Crest Way

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$30	$0	$30
Design Services	$1	$0	$1
Project Management	$1	$0	$1
Total EXP	$32	$0	$32

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 2	$32	$0	$32
Total REV	$32	$0	$32

Ballfield Lights - South Mercer Playfields

Project ID WP502R **Project Mgr** P. Mayer

Primary Client Parks and Recreation

Project Description

Replace 8 90-foot wood poles with 4 shorter steel poles w/concrete foundation. Illuminate the field to 50 fc (foot candles) and equip with step level dimming to provide a 25 fc level for youth soccer, track and practice. Install user-activated controls to accommodate walkers and joggers by using a few of the sports lights (timed/dimmed to low level). Replace electrical service, cabinet, interior components and controls. Re-use 480-v transformers and service conductors. Install new controls system.

Business Need

Current lighting levels far below recommended minimum levels for safe play. Light uniformity severly compromised. Electrical and sports lighting equipment at end of useful life of 25 years.

Existing Conditions

Field lighting consists of eight (8) wooden poles with 68 fixtures and unshielded luminaires. Security lights mounted on each of the 8 poles. Existing control system unreliable.

Project Location

SE 74th and 84th Avenue SE

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$232	$0	$232
Design Services	$22	$0	$22
Project Management	$8	$0	$8
Total EXP	$262	$0	$262

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Grant	$130	$0	$130
REET 2	$132	$0	$132
Total REV	$262	$0	$262

Luther Burbank Park Improvements

Project ID WP503R **Project Mgr** G. Brown

Primary Client Parks and Recreation

Project Location

2040 - 84th Avenue SE

Project Description

Implement various minor park and infrastructure improvements throughout the park (plaza paver replacement, irrigation repairs, restroom fixture replacements, tennis court re-surfacing, entry-drive repairs, park furnishings, etc.)

Business Need

Continue to upgrade park infrastructure consistent with park maintenance needs identified in the LB Park Operations and Maintenance Levy.

Existing Conditions

Irrigation systems non-functioning or leaking, broken or partially working restroom fixtures, drainage system deterioriation that causes back-ups, cracks on tennis court needing re-surfacing, etc.

Prior Council Review

AB 3796 - 9/02/03

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Parks Repairs	$100	$100	$200
Total EXP	$100	$100	$200

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Other	$100	$100	$200
Total REV	$100	$100	$200

Clarke Beach Park Repairs

Project ID WP101R **Project Mgr** G. Brown

Primary Client Parks and Recreation

Project Description

Install root barriers and repave parking lot in 2005 after King County crew demobilizes from parking lot area. King County used a portion of parking lot as staging site for sewer lift station construction in 2004.

Business Need

Parking lot paving originally scheduled for 2000 was under funded. Project re-budgeted for 2003-04, but due to King County sewer lift station construction the project has been re-scheduled for 2005.

Existing Conditions

The existing asphalt lot (constructed in 1973) has deteriorated and roots are breaking through the surface.

Project Location

7700 East Mercer Way

Prior Council Review

1999 - 2000 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Parks Repairs	$52	$0	$52
Total EXP	$52	$0	$52

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Private Contributions	$10	$0	$10
REET 2	$42	$0	$42
Total REV	$52	$0	$52

Recurring Park Projects

Project ID WP300R **Project Mgr** M. Elde

Primary Client Parks and Recreation

Project Description

Parking lot overlays; sport court resurfacing; playground replacements; roof replacements; fence replacements; trails restoration; etc.

Business Need

Life cycle of park infrastructure needs to be kept safe and functional.

Existing Conditions

Various stages of deterioration are evident throughout the parks system and need to be maintained on a regular schedule.

Project Location

Mercer Island Parks

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Parks Repairs	$100	$100	$200
Total EXP	$100	$100	$200

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 2	$100	$100	$200
Total REV	$100	$100	$200

Groveland Beach Repairs - Dock & Slope

Project ID WP314R **Project Mgr** G. Brown

Primary Client Parks and Recreation

Project Description

Support rotted pile with galvanized steel collar. Replace damaged decking on short pier and install soil retention mat. Stabilize slope by regrading sloughing area. Install French drain and erosion control blanket.

Business Need

Prevent further degradation of park infrastructure and restore grounds and assets to sound condition. Prevent unsafe conditions within the park.

Existing Conditions

Dock areas have minor above and below water line deterioration and need repair. Upper pathway has been jeopardized by surface run-off and underground seepage resulting in a minor slide.

Project Location

Lake Washington at 5800 block West Mercer Way

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$0	$20	$20
Design Services	$0	$30	$30
Project Management	$0	$0	$0
Total EXP	$0	$50	$50

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 2	$0	$50	$50
Total REV	$0	$50	$50

Island Crest Park Master Plan

Project ID WP504P **Project Mgr** P. Mayer

Primary Client Parks and Recreation

Project Description

Engage stakeholders in the development of a Park Master Plan for Island Crest Park to guide future development and use patterns.

Business Need

Other than Luther Burbank Park, this is the last remaining major park facility lacking a Park Master Plan.

Existing Conditions

Ongoing improvement requests are made for altering the park for high intensity ballfield purposes. A Master Plan will eliminate incremental changes that may be in conflict with other users.

Project Location

5500 Island Crest Way

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Design Services	$0	$15	$15
Project Management	$0	$3	$3
Total EXP	$0	$18	$18

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 1	$0	$18	$18
Total REV	$0	$18	$18

Residential Street Preservation

Project ID WR501R **Project Mgr** C. Morris

Primary Client DSG and Maintenance

Project Description

This annual project repairs and resurfaces residential streets on the Island. Streets scheduled for improvements in 2005 and 2006 include The south end of the First Hill Neighborhood, the Groveland Park area, SE 71st Street between 84th Avenue and Island Crest Way, and those streets lying east of Pinoeer Park between SE 68th and SE 72nd Streets. This project also includes the Substandard Residential Street Upgrades, planned at the rate of at least one per year.

Business Need

Many of the Island's residential streets are 20 to 30 years old and are in need of major repair and resurfacing.

Existing Conditions

A biennial street condition survey determines which segments of the 52 miles of streets are most in need of repair. Current planning allows for a 30-year life cycle of residential street pavements.

Project Location

Various locations around the Island

Prior Council Review

2005 - 2010 Transportation Improvement Plan

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$286	$292	$578
Design Services	$25	$25	$50
Project Management	$25	$25	$50
Total EXP	$336	$342	$678

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Street Fund	$336	$342	$678
Total REV	$336	$342	$678

Arterial Streets Preservation

Project ID WR510R **Project Mgr** C. Morris

Primary Client DSG and Maintenance

Project Description

This new program repairs failing segments of existing arterial street pavements to extend their service lives. Also included in this project is the ongoing replacement of existing pavement markings around the Island.

Business Need

Arterial streets develop localized pavement failures that need repair. Pavement markings need ongoing replacement.

Existing Conditions

Some of the Island's arterial streets have developed segments of pavement fatigue and failure that need repair.

Project Location

Various locations around the Island

Prior Council Review

2005 - 2010 Transportation Improvement Plan

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$65	$65	$130
Project Management	$5	$5	$10
Total EXP	$70	$70	$140

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Street Fund	$70	$70	$140
Total REV	$70	$70	$140

Arterial Street Improvements - 2005

Project ID WR512R **Project Mgr** C. Morris

Primary Client DSG and Maintenance

Project Description

Island Crest Way, from SE 30th Street to SE 40th Street, will be repaired and resurfaced. SE 24th Street, from 78th Avenue to 84th Avenue, will be repaired and resurfaced in coordination with the Community Center construction.

Business Need

These two arterial streets are nearing the end of their pavement lives and need resurfacing.

Existing Conditions

Island Crest Way is a four lane arterial which handles the largest amount of the Island's traffic. SE 24th Street provides the primary access to the Community Center.

Project Location

Island Crest Way, SE 24th Street

Prior Council Review

2005 - 2010 Transportation Improvement Plan

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$510	$0	$510
Design Services	$120	$0	$120
Project Management	$45	$0	$45
Total EXP	$675	$0	$675

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Street Fund	$675	$0	$675
Total REV	$675	$0	$675

Arterial Street Improvements

Project ID WR515R **Project Mgr** C. Morris

Primary Client DSG and Maintenance

Project Description

72nd Avenue SE from SE 24th to SE 32nd Streets will be resurfaced. North Mercer Way from Island Crest Way to 76th Avenue will be resurfaced in coordination with Park-and-Ride expansion.

Business Need

These two arterials are nearing the end of their pavement lives and need resurfacing. Arterial streets are currently resurfaced on a 20 to 25 year life cycle.

Existing Conditions

North Mercer Way provides access to the Park-and-Ride and is a major transit route. 72nd Avenue provides primary access for the First Hill Neighborhood.

Project Location

72nd Avenue, North Mercer Way

Prior Council Review

2005 - 2010 Transportation Improvement Plan

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$0	$385	$385
Design Services	$0	$70	$70
Project Management	$0	$45	$45
Total EXP	$0	$500	$500

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Street Fund	$0	$500	$500
Total REV	$0	$500	$500

Town Center Street Improvements

Project ID WR520R **Project Mgr** C. Morris

Primary Client DSG and Maintenance

Project Description

This is the design of 76th Avenue roadway improvements from SE 27th Street to SE 29th Street. Project is scheduled for construction in 2007. Remaining Town Center Streets will be constructed in 2008.

Business Need

This portion of 76th Avenue is near the end of its service life.

Existing Conditions

This block of 76th Avenue is over 30 years old and serves as the primary access for several large apartment and condominium buildings.

Project Location

76th Avenue SE

Prior Council Review

2005 - 2010 Transportation Improvement Plan

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$0	$0	$0
Design Services	$0	$60	$60
Total EXP	$0	$60	$60

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Street Fund	$0	$60	$60
Total REV	$0	$60	$60

Roadside Shoulder Development

Project ID WR530R **Project Mgr** C. Morris

Primary Client DSG and Maintenance

Project Description

Project constructs three shoulder improvements over the biennium on North Mercer Way (72 Ave to 7400 block and Shorewood to Fortuna) and on East Mercer Way (3800 to 4300).

Business Need

This program continues the goal of creating walkable shoulder areas along the Mercer Ways to improve pedestrian and bicycle access.

Existing Conditions

These sections of the Mercer Ways currently have limited shoulder area.

Project Location

North and East Mercer Ways

Prior Council Review

2005 - 2010 Transportation Improvement Plan

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$200	$105	$305
Design Services	$30	$30	$60
Project Management	$20	$15	$35
Total EXP	$250	$150	$400

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Street Fund	$250	$150	$400
Total REV	$250	$150	$400

Island Park Elementary Traffic Safety Partnership

Project ID WR545C **Project Mgr** G. Boettcher

Primary Client Public Safety

Project Description

The City will help fund a parking lot expansion at Island Park Elementary that will improve bus and car circulation at the school and relieve congestion on Island Crest Way during drop-off and pick-up times.

Business Need

Address traffic and pedestrian safety concerns.

Existing Conditions

Inadequate parking lot and circulation capacity.

Project Location

5300 Block of Island Crest Way

Prior Council Review

2005 - 2010 Transportation Improvement Plan

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$100	$0	$100
Total EXP	$100	$0	$100

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Street Fund	$100	$0	$100
Total REV	$100	$0	$100

Pedestrian and Bicycle Facilities

Project ID WR541C **Project Mgr** N. Fairchild

Primary Client DSG and Maintenance

Project Description

Work includes SE 24th Street walkway, Parkwood Trail to East Mercer Way which will be built at the same time as Basin 45b storm drainage improvements, and 72nd Avenue walkway improvement on First Hill.

Business Need

Ongoing effort to upgrade existing facilities and add new trails as part of the Transportation Element of the Comprehensive Plan.

Existing Conditions

Walkway on SE 24th Street will access new Community Center; no path exists through Parkwood area to East Mercer Way.

Project Location

Various locations around the Island

Prior Council Review

2005 - 2010 Transportation Improvement Plan

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$75	$0	$75
Design Services	$15	$0	$15
Project Management	$10	$0	$10
Total EXP	$100	$0	$100

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Street Fund	$100	$0	$100
Total REV	$100	$0	$100

Parkwood Trail / Storm Basin 45b

Project ID WR543C / WD526C **Project Mgr** P. Yamashita

Primary Client DSG and Maintenance

Project Description

This project to stabilize and protect the eroded ravine watercourse and include a pedestrian trail element from SE 54th Street to East Mercer (as programmed in the 6-Year TIP). The path portion of the project will be funded by the Street Fund.

Business Need

Protecting Lake Washington from siltation and other water quality problems, and safely conveying stormwater to the Lake, is a primary responsibility of the City's Storm and Surface Water Utility.

Existing Conditions

Erosion in ravine watercourse. It also affects a section of sewer line in the watercourse and could eventually affect private properties. Short term degradation of water quality in the lake.

Project Location

Vicinity of Parkwood/Glenhome

Prior Council Review

Trail approved in 2005 - 2010 TIP

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$0	$410	$410
Design Services	$0	$75	$75
Project Management	$0	$25	$25
Total EXP	$0	$510	$510

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Street Fund	$0	$60	$60
Utilities - Storm Drainage	$0	$200	$200
Utilities - Storm Drainage	$0	$250	$250
Total REV	$0	$510	$510

Equipment Rental

Project ID WG130E **Project Mgr** G. Boettcher

Primary Client All Departments

Project Location

Maintenance Shop

Project Description

Procurement of equipment and vehicles scheduled for replacement through the Equipment Rental program, including Police patrol vehicles, Marine Patrol boat engines, and various items of Maintenance rolling stock.

Business Need

Equipment and vehicles that have reached the end of their useful lives need to be replaced in a timely and cost-effective manner.

Existing Conditions

The Equipment Rental Fund is used to manage maintenance and replacement funds to ensure that the City's fleet can meet the needs and demands of public service.

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$430	$190	$620
Total EXP	$430	$190	$620

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Dept Fees	$430	$190	$620
Total REV	$430	$190	$620

Fire Equipment

Project ID WG131E **Project Mgr** R. Elsoe

Primary Client Fire Station

Project Description

Purchase small equipment for Fire Operations. Anticipated purchases for 2005-06 include: Speech Microphones for our SCBA masks, Updated Thermal Imagers, a Ruggadized computer for the command vehicle and upgrades to a portion of our SCBA masks.

Business Need

Some of this equipment is safety related, some will enhance services, some will streamline work to reduce staff workload.

Existing Conditions

Equipment is inadequate, worn out or unsafe. Our data tracking systems are inadequate and require much extra staff time to complete data entry and transfer data from one system to another.

Project Location

North and South Fire Stations

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$28	$18	$46
Total EXP	$28	$18	$46

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$28	$18	$46
Total REV	$28	$18	$46

Police Equipment

Project ID WG132E **Project Mgr** R. Elsoe

Primary Client Public Safety

Project Description

Purchase small equipment for Police and Administration Divisions. Anticipated purchases for the next two-year budget include: firearms, office chairs, lobby furniture, patrol scheduling program, and radio equipment.

Business Need

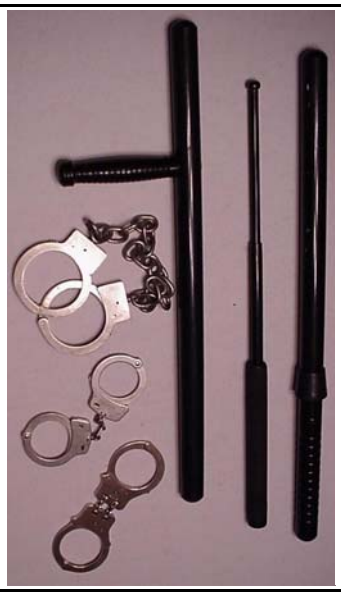
Some items are safety related and mandated. Operational items need to be replaced and updated.

Existing Conditions

Routine replacement of certain equipment needed to improve operational efficiency.

Project Location

City Hall



Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$20	$25	$45
Total EXP	$20	$25	$45

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Criminal Justice	$20	$25	$45
Total REV	$20	$25	$45

City Hall

Project ID WG101R **Project Mgr** M. Olson

Primary Client All Departments

Project Description

Projects include ongoing HVAC replacement and upgrades, interior paint, landscaping and irrigation improvements, parking lot paint, restroom remodel, Council Chambers furnishings, and phase 1 of a plumbing upgrade.

Business Need

To maintain the functions of the building for customers and users. The improvements are intended to enhance the life of the building and its systems.

Existing Conditions

HVAC is aging and needing continual upgrades. Stadium chairs in the Chambers need recovering. Restroom tile needs replacement. Galvanized plumbing needs to be replaced.

Project Location

9611 SE 36th Street

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Building Repairs	$100	$100	$200
Total EXP	$100	$100	$200

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 1	$100	$100	$200
Total REV	$100	$100	$200

Maintenance Building

Project ID WG102R **Project Mgr** M. Olson

Primary Client Maintenance

Project Description

Projects include exterior and interior paint, storage, hard surface floors, carpet upstairs, generator replacement and landscaping.

Business Need

To maintain and enhance the functions of the facility and add longevity to the structure.

Existing Conditions

The building is in need of paint. Hard surface floors and carpet in the office area need to be replaced. The generator needs to be upgraded to a larger set that will support emergency operations.

Project Location

9601 SE 36th Street

Prior Council Review

2001 - 2002 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Building Repairs	$40	$40	$80
Total EXP	$40	$40	$80

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 1	$10	$10	$20
Utilities	$30	$30	$60
Total REV	$40	$40	$80

South Fire Station Repairs

Project ID WG103R **Project Mgr** M. Olson

Primary Client Fire Station

Project Description

Electrical upgrade, paint dayroom and office area, small bay floor scrubber, electric stove, new kitchen countertops, diesel exhaust system.

Business Need

To sustain the life and use of the facility.

Existing Conditions

The electrical system is unbalanced and at capacity. The dayroom and watch office need paint. Countertops and a stove are needed in the kitchen. A diesel hose exhaust system is needed in the bay.

Project Location

8473 SE 68th Street

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Building Repairs	$15	$15	$30
Total EXP	$15	$15	$30

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 1	$15	$15	$30
Total REV	$15	$15	$30

Thrift Shop

Project ID WG104R **Project Mgr** M. Olson

Primary Client Youth and Family Services

Project Description

Replace 1982 HVAC unit, interior paint, floor replacement and repair.

Business Need

Comfort and safety for the public and users and prolong the life of the building.

Existing Conditions

HVAC unit is showing increasing signs of age, flooring is cracked and broken in many places. Interior paint is needed.

Project Location

7710 SE 34th Street

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Building Repairs	$20	$15	$35
Total EXP	$20	$15	$35

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Private Contributions	$20	$15	$35
Total REV	$20	$15	$35

North Fire Station

Project ID WG106R **Project Mgr** M. Olson

Primary Client Fire Station

Project Location

3030 - 78th Avenue SE

Project Description

Ventilation system for drying room, landscaping (north and east end of the parking lot), storage on North wall of bay, Battalion Chief office relocation and remodel including furnishings, interior paint where needed.

Business Need

To satisfy the changing needs of the building personnel and maintain the building.

Existing Conditions

Two administration functions have been moved to the fire station, the fire marshall's office and emergency management, necessitating some office remodeling and increased storage.

Prior Council Review

1999 - 2000 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Building Repairs	$20	$20	$40
Total EXP	$20	$20	$40

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 1	$20	$20	$40
Total REV	$20	$20	$40

Fleet Management System

Project ID WG520T **Project Mgr** G. Boettcher

Primary Client All Departments

Project Location

Maintenance Shop

Project Description

A fleet management module will be added to the Maintenance Department's Web Work maintenance management system.

Business Need

This module would allow more comprehensive and cost-effective management of the City's fleet.

Existing Conditions

Fleet management functions are spread between the Web System and spread sheets and other documents on the City's network.

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$30	$0	$30
Total EXP	$30	$0	$30

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Dept Fees	$30	$0	$30
Total REV	$30	$0	$30

Computer Equipment Replacements

Project ID WG110T **Project Mgr** A. Moreno

Primary Client All Departments

Project Location

City Hall

Project Description

Scheduled replacement of desktop computers and associated equipment.

Business Need

Routine replacement of outdated desktop computers and associated equipment.

Existing Conditions

Departments schedule replacement of desktop computers and contribute a predetermined amount to the Computer Equipment Replacement Fund.

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$68	$74	$142
Total EXP	$68	$74	$142

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Dept Fees	$68	$74	$142
Total REV	$68	$74	$142

Financial System Upgrade

Project ID WG113T **Project Mgr** A. Moreno

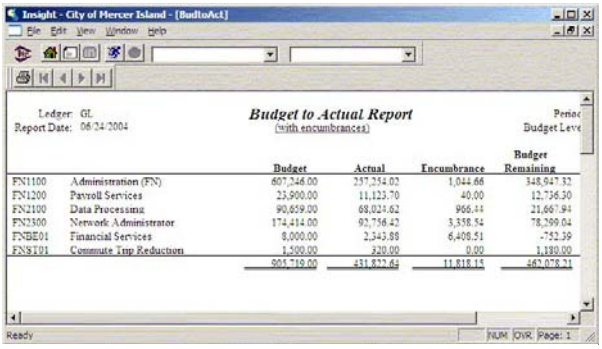
Primary Client All Departments

Project Location

City Hall

Project Description

Replace aging hardware that runs the financial system - HP9000 and Unix. Additionally, replace Informix database with SQL database.



Business Need

The current hardware was purchased in 1997 and operates too slowly. The vendor is currently testing a more cost effective database.

Existing Conditions

Aging equipment and a growing database make accessing the system slow. Ideally, we would replace the current configuration with the City's standard server technology - SQL server.

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$0	$25	$25
Total EXP	$0	$25	$25

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$0	$25	$25
Total REV	$0	$25	$25

Document Imaging

Project ID WG313T **Project Mgr** A. Moreno

Primary Client All Departments

Project Description

Implement a system to archive and easily retrieve public records in a digital format.

Business Need

Provide an easy to use mechanism for staff and the public to search and retrieve public records.

Existing Conditions

Currently, searching of paper copies of documents is a time consuming and often a hit-and-miss task.

Project Location

City Hall

Prior Council Review

AB 3059 - 6/30/96

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$0	$25	$25
Total EXP	$0	$25	$25

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$0	$25	$25
Total REV	$0	$25	$25

Client Tracking System

Project ID WG510T **Project Mgr** C. Goodwin

Primary Client Youth and Family Services

Project Description

A client tracking system will centralize all client information into one location. This will allow management to efficiently monitor service use/needs and to adjust resources.

Business Need

This will allow staff to generate reports on service usage of clients that is needed to provide contractors with the information they require of the Department.

Existing Conditions

Currently statistics and demographics are hand tabulated.

Project Location

Youth and Family Services Department

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$5	$0	$5
Total EXP	$5	$0	$5

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$5	$0	$5
Total REV	$5	$0	$5

Contract Dispatch Startup and MDCs

Project ID WG512T **Project Mgr** R. Elsoe

Primary Client Public Safety

Project Description

This project will pay for the one-time equipment and technology costs associated with the recent decision to contract dispatching services to the Cities of Kirkland and Bellevue. For example, mobile data computers for police vehicels and software and radio licenses.

Business Need

Make our systems compatible with technology and operating procedures used at Kirkland and Bellevue.

Existing Conditions

There are presently no computers in police vehicles or computer aided dispatch for police or fire used by Mercer Island.

Project Location

City Hall

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$668	$0	$668
Total EXP	$668	$0	$668

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Criminal Justice	$150	$0	$150
Grant	$450	$0	$450
Other - Reserves	$68	$0	$68
Total REV	$668	$0	$668

Customer Response Management System

Project ID WG514T **Project Mgr** G. Boettcher

Primary Client All Departments

Project Description

Customer contact management would centralize, automate and document the City's responses to customer inquiries and complaints.

Business Need

Need to have an enterprise system to quickly check on status of customer inquiries or complaints.

Existing Conditions

No centralized method for tracking customer inquiries, contacts or complaints.

Project Location

City Hall

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$20	$0	$20
Total EXP	$20	$0	$20

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$20	$0	$20
Total REV	$20	$0	$20

Disaster Recovery and Business Continuity Plan

Project ID WG516T **Project Mgr** A. Moreno

Primary Client All Departments

Project Description

Develop a plan that specifies mission critical areas and regularly test and update the plan.

Business Need

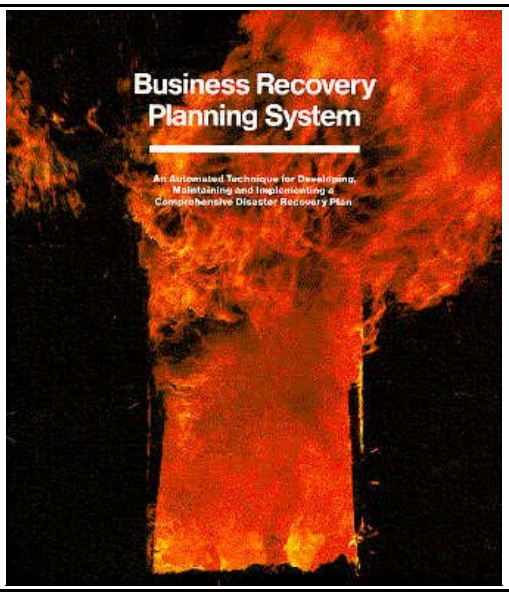
The City does not have a disaster recovery and business continuity plan for its technology systems.

Existing Conditions

In case of a natural disaster, the City would lose time and potentially services while determining what steps to take to fix or bring systems online.

Project Location

City Hall



Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$25	$0	$25
Total EXP	$25	$0	$25

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$25	$0	$25
Total REV	$25	$0	$25

Fiber to Remote City Sites

Project ID WG518T **Project Mgr** A. Moreno

Primary Client All Departments

Project Description

Provide fiber and I-Net connectivity to all City buildings.

Business Need

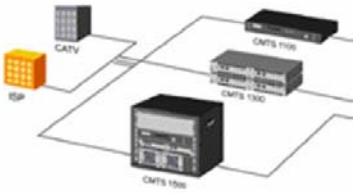
Provide staff with adequate network speed to access enterprise applications.

Existing Conditions

Remote sites experience slow data transfer when using basic City applications. In fact, GIS does not work at South Fire station due to the speed issues.

Project Location

Various



Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$0	$100	$100
Total EXP	$0	$100	$100

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$0	$100	$100
Total REV	$0	$100	$100

Implement WebWork in Parks Department

Project ID WG522T **Project Mgr** P. Mayer

Primary Client Parks and Recreation

Project Location

Parks Department

Project Description

Input park inventory/asset data into Web Work system and develop maintenance procedures and activities associated with maintenance tasks.

Business Need

Parks has no systematic method of tracking maintenance on park infrastructure and lacks the ability to effectively capture trends, issues or opportunities for efficiency.

Existing Conditions

Preventative and capital maintenance is currently conducted based on personal experience and history without a systematic program in place to alert us to future needs/issues.

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$0	$20	$20
Total EXP	$0	$20	$20

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$0	$20	$20
Total REV	$0	$20	$20

Telephone System Replacement/Upgrade

Project ID WG524T **Project Mgr** J. Sylvis

Primary Client All Departments

Project Description

The telephone system was purchased in 1988 and is nearing its life expectancy. During the next two budgets we will reserve $25,000 each year for its eventual replacement or major upgrade.

Business Need

Phone system will not be supported by its manufacturer (NEC) after 2010.

Existing Conditions

Phone system works well at this point, but we are planning for replacement when it becomes necessary due to lack of support and parts.

Project Location

City Hall

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$25	$25	$50
Total EXP	$25	$25	$50

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$25	$25	$50
Total REV	$25	$25	$50

Webwork / GIS Interface

Project ID WG526T **Project Mgr** G. Boettcher

Primary Client All Departments

Project Description

Both Webwork and GIS use the same set of utility features in their respective databases. This project will build a set of low-level tools to synchronize these datasets to reduce duplication.

Business Need

Assist staff to locate the map layers within the maintenance management system.

Existing Conditions

Duplicate data entry in each independent system.

Project Location

Maintenance Shop

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$15	$0	$15
Total EXP	$15	$0	$15

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$15	$0	$15
Total REV	$15	$0	$15

Web-based System to Deploy Application Reports

Project ID WG528T **Project Mgr** A. Moreno

Primary Client All Departments

Project Description

Provide a Web interface for delivering and running reports out of City databases.

Business Need

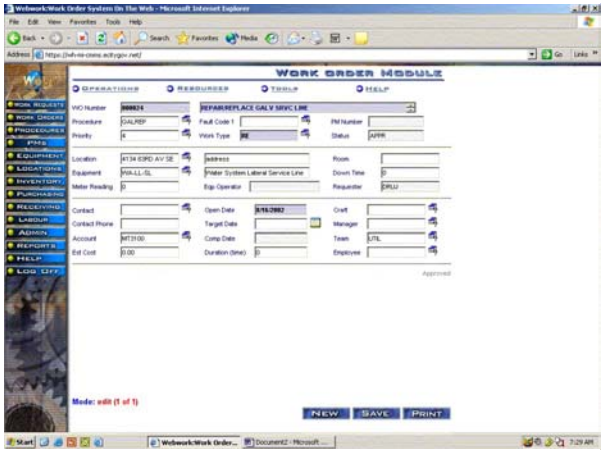
Need a simple and user-friendly means of producing information out of existing deparment applications.

Existing Conditions

It is very difficult to distribute information in report form to staff out of existing department software applications.

Project Location

City Hall



Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$0	$20	$20
Total EXP	$0	$20	$20

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$0	$20	$20
Total REV	$0	$20	$20

Sewer System Telemetry Improvements

Project ID WS330T **Project Mgr** G. Boettcher

Primary Client Maintenance

Project Description

Replace and upgrade the equipment and software that provides monitoring and control of the sewer collection system and pump stations.

Business Need

An effective telemetry system is necessary for the efficient collection and delivery of sewage for treatment without impacting public health or water quality.

Existing Conditions

The telemetry system for sewage pump stations and the collection system is outdated, is deteriorating, and does not meet minimum reliability requirements.

Project Location

Maintenance Shop

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$120	$120	$240
Design Services	$0	$0	$0
Project Management	$0	$0	$0
Total EXP	$120	$120	$240

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities	$120	$120	$240
Total REV	$120	$120	$240

Sewer System Improvements

Project ID WS510R **Project Mgr** G. Boettcher

Primary Client Maintenance

Project Description

Emergency Generator Replacement: replace emergency generators that provide backup power for sewer pump stations.

Wear Ring/Seal Replacement: This is a one time project to replace wear rings and seals on 40 of the sewer pump station sewage pumps.

Odor Control: Address sewer system odor complaints.

Emergency Repairs: replace sewer system infrastructure on an emergency basis.

Business Need

These projects are necessary for continuing reliable and cost-effective sewer system operations.

Existing Conditions

The improvements provided by this project can no longer be deferred.

Project Location

Various

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$350	$270	$620
Total EXP	$350	$270	$620

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities - Sewer	$350	$270	$620
Total REV	$350	$270	$620

Sewer Lake Line Replacement - Construction

Project ID WS110C **Project Mgr** A. Tonella-Howe

Primary Client Maintenance

Project Location

Near-shore area along north end of Island

Project Description

This project will construct replacement sections of Sewer Lake Line located just off the shoreline in two separate areas: between SE 32nd Street to Roanoke Way, and between 76th Avenue and 80th Avenue SE.

Business Need

The existing lake line is critical to maintaining reliable sewer system service to upland residents.

Existing Conditions

This section of sewer line was constructed in the mid-1950's in Lake Washington along the near-shore area at the north end of the Island. The pipe is deteriorating and is subject to leaks and breaks.

Prior Council Review

Lakeline Replacement Study; 2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$0	$5,800	$5,800
Project Management	$0	$130	$130
Total EXP	$0	$5,930	$5,930

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Debt	$0	$5,000	$5,000
Other - Utility Reserves	$0	$930	$930
Total REV	$0	$5,930	$5,930

Sewer Lake Line Replacement - Design

Project ID WS110D **Project Mgr** A. Tonella-Howe

Primary Client DSG and Maintenance

Project Description

This project continues the design phase that will replace sections of Sewer Lake Line located just off the shoreline in two separate areas: between SE 32nd St to Roanoke Way, and between 76th Avenue SE to 80th Avenue SE.

Business Need

The existing lake line is critical to maintaining reliable sewer system service to upland residents.

Existing Conditions

The section of pipe was installed in the mid-1950's with asbestos-cement (AC) pipe material in Lake Washington. The pipe is deteriorating and is subject to leaks and breaks.

Project Location

Near-shore area along north end of Island

Prior Council Review

2003 General Sewer Plan, 2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Design Services	$500	$100	$600
Project Management	$40	$15	$55
Total EXP	$540	$115	$655

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Debt	$450	$0	$450
Utilities	$90	$115	$205
Total REV	$540	$115	$655

Neighborhood Drainage Improvements

Project ID WD510C **Project Mgr** C. Morris

Primary Client Maintenance

Project Location

Various

Project Description

This annual program identifies improvements to the public stormwater system in the public right of way to improve neighborhood drainage and complement future street projects. Keeping ahead of street paving projects and improving drainage in neighborhoods while performing other utility construction are typical examples of neighborhood improvements. Additionally, minor spot improvements to replace failing culverts, catch basins and sections of pipe in the public right of way occurs annually.

Business Need

An effective stormwater system is essential to prevent property and infrastructure damage and protect water quality in Lake Washington.

Existing Conditions

Deficiencies develop in the public stormwater system due to a variety of factors, including increased demand on the system and failure of older components of the system.

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$45	$45	$90
Project Management	$5	$5	$10
Total EXP	$50	$50	$100

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Private Contributions			$0
Utilities	$50	$50	$100
Total REV	$50	$50	$100

96th Avenue SE Drainage Improvements

Project ID WD512C **Project Mgr** C. Morris

Primary Client Maintenance

Project Description

Build a drainage system serving 96th Avenue SE from SE 68th to SE 70th.

Business Need

This section of 96th Avenue SE is near the top of the priority list for residential street improvements.

Existing Conditions

There is no formal drainage system in this section of 96th Avenue SE.

Project Location

96th Ave SE between SE 68th and SE 69th Streets

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$0	$200	$200
Design Services	$0	$0	$0
Total EXP	$0	$200	$200

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities - Storm Drainage	$0	$200	$200
Total REV	$0	$200	$200

Comprehensive Basin Review

Project ID WD303S **Project Mgr** P. Yamashita

Primary Client DSG and Maintenance

Project Description

Conduct a comprehensive basin review that will examine the island's stormwater system, identifying current conditions and prioritize future needs.

Business Need

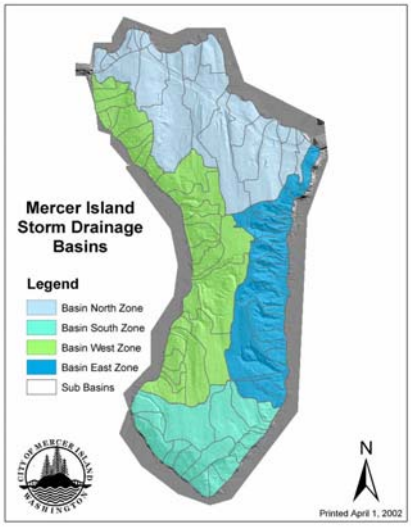
A goal of the utility is to create a comprehensive program to protect water quality and to satisfy the appropriate water quality requirements of the Clean Water Act and NPDES.

Existing Conditions

Many of the basins have watercourses experiencing downcutting and erosion in various locations, and conveyance systems that are not adequately sized.

Project Location

Islandwide



Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Design Services	$90	$0	$90
Project Management	$10	$0	$10
Total EXP	$100	$0	$100

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities	$100		$100
Total REV	$100		$100

Storm Drainage Map Conversion

Project ID WD530T **Project Mgr** M. Onzay

Primary Client Maintenance

Project Description

Conversion of the old storm drainage maps, the new GPS data, and the autocad drainage maps into the GIS database.

Business Need

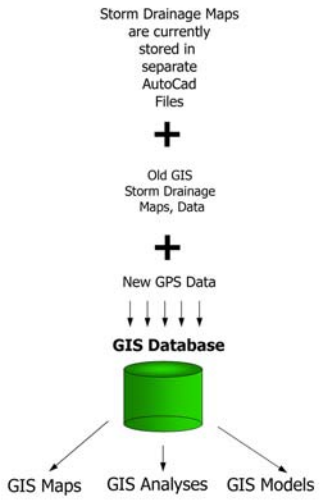
These maps are not up to date.

Existing Conditions

Three separate sources currently exist for storm drainage. Each source has good information not present on the other sources. It is difficult, if not impossible, to update and maintain all sources.

Project Location

Islandwide



Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$150	$0	$150
Total EXP	$150	$0	$150

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities - Storm Drainage	$150	$0	$150
Total REV	$150	$0	$150

Small Basin Improvements

Project ID WD520C **Project Mgr** A. Tonella-Howe

Primary Client Maintenance

Project Description

Minor system improvements including bioengineering measures are completed in selected basins on an annual basis. The selection of basins and the type of work accomplished are assessed annually or after a major storm event. Work typically includes minor spot improvements to repair damage to the watercourse and to prevent further erosion.

Business Need

Protecting Lake Washington from siltation and other water quality problems, and safely conveying stormwater to the Lake, is a primary responsibility of the City's Storm and Surface Water Utility.

Existing Conditions

Many of the Island's basins have watercourses experiencing downcutting and erosion in various locations, and conveyance systems that are not adequately sized.

Project Location

Various

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$40	$40	$80
Design Services	$0	$0	$0
Project Management	$10	$10	$20
Total EXP	$50	$50	$100

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities	$50	$50	$100
Total REV	$50	$50	$100

Watercourse Stabilization - Basin 26

Project ID WD522C **Project Mgr** A. Tonella-Howe

Primary Client DSG and Maintenance

Project Description

Installation of erosion control and slope stabilization for a section of Basin 26 downstream of 84th Avenue SE to the Lake.

Business Need

Protecting Lake Washington from siltation and other water quality issues and safely conveying stormwater to the Lake is a primary responsibility of the Storm and Surface Water Utility.

Existing Conditions

Moderate to severe channel downcutting and streambank erosion is occurring in the section downstream of 84th Avenue SE to the Lake.

Project Location

Vicinity of 84th Avenue SE and Forest Avenue

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$280	$0	$280
Design Services	$0	$0	$0
Project Management	$20	$0	$20
Total EXP	$300	$0	$300

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities - Storm Drainage	$300	$0	$300
Total REV	$300	$0	$300

Basin 46a (53rd Place)

Project ID WD524C **Project Mgr** P. Yamashita

Primary Client DSG and Maintenance

Project Description

Stabilization and protection of the actively eroding watercourse channel and banks.

Business Need

Protecting Lake Washington from siltation and other water quality problems, and safely conveying stormwater to the Lake, is a primary responsibility of the City's Storm and Surface Water Utility.

Existing Conditions

Erosion in ravine watercourse affecting adjoining private properties. Short term degradation of water quality in the Lake.

Project Location

53rd Place between Island Crest and EMW

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$0	$185	$185
Permitting & Environment	$0	$5	$5
Project Management	$0	$10	$10
Total EXP	$0	$200	$200

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities - Storm Drainage	$0	$200	$200
Total REV	$0	$200	$200

Water Modeling and Fire Flow Analysis

Project ID WW532T **Project Mgr** R. Lin

Primary Client Fire Station

Project Description

Update the water model every two years to incorporate improvements and changes to the water system made by capital projects, private development and maintenance activities.

Business Need

Maintaining current information in the water model is essential for fire analysis and system planning. These data will be used to update the Comprehensive Water System Plan.

Existing Conditions

The water model becomes out of date every time improvements and changes are made to the water system.

Project Location

City Hall

Prior Council Review

2001 Water System Plan

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Design Services	$36	$8	$44
Project Management	$4	$2	$6
Total EXP	$40	$10	$50

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities	$40	$10	$50
Total REV	$40	$10	$50

2005 Water System Improvements - EMW/SE 42nd PL

Project ID WW510A **Project Mgr** R. Lin

Primary Client DSG and Maintenance

Project Description

The 2" water main on East Mercer Way will be replaced with a new 8" water main between SE 40th Street and SE 43rd Street. Hydrants and services will be replaced. A new 8" water main including hydrants will be extended on SE 42nd Place.

Business Need

Improving the water system is necessary to ensure the cost-effective distribution of drinking water and minimum fire protection for the neighborhood.

Existing Conditions

The existing 2" line, currently functioning as a water main, is undersized and inadequate to provide water service and fire protection to the approximatley 50 homes connected to it.

Project Location

E Mercer Way/SE 42nd Place

Prior Council Review

2003 Year-End Financial Report

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$640	$0	$640
Design Services	$90	$0	$90
Project Management	$70	$0	$70
Total EXP	$800	$0	$800

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities - Water	$800	$0	$800
Total REV	$800	$0	$800

Water Main Replacements

Project ID WW510C **Project Mgr** R. Lin

Primary Client DSG and Maintenance

Project Description

Mains and other components of the water system will be replaced or upsized in an annual program that takes into consideration the criteria etablished in the Water System Comprehensive Plan. Projects will be reviewed and re-prioritized as necessary on an annual basis. Proposed improvements to 78th Avenue SE from SE 22nd to SE 24th are planned for 2006. Proposed projects for 2007 - 2010 currently include Sandy Cove, Mercerwood Drive, 7400 block off West Mercer Way, 4400 Block off West Mercer Way.

Business Need

A systematic, annual improvement program is necessary to ensure safe and cost-effective distribution of drinking water on Mercer Island.

Existing Conditions

All components of the distribution system eventually will fail if not replaced. Others require upsizing due to the increasing demands or insufficient fire flow.

Project Location

78th Avenue SE or other prioritized water mains

Prior Council Review

2001 Water System Plan; 2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$0	$220	$220
Design Services	$0	$40	$40
Project Management	$0	$40	$40
Total EXP	$0	$300	$300

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities	$0	$300	$300
Total REV	$0	$300	$300

Hydrants and Other Water System Components

Project ID WW520C **Project Mgr** R. Lin

Primary Client DSG and Maintenance

Project Description

Components of the water system including hydrants, air-vac release valves, blow-offs and in-line valves will be replaced annually.

Business Need

A systematic, annual improvement program is necessary to ensure safe and cost effective distribution of drinking water on Mecer Island.

Existing Conditions

All components of the distribution system will eventaully fail if not replaced.

Project Location

Various

Prior Council Review

2001 Water System Plan

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$0	$55	$55
Project Management	$0	$15	$15
Total EXP	$0	$70	$70

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities	$0	$70	$70
Total REV	$0	$70	$70

Pressure Relief Valve at Town Center Pressure Zone

Project ID WW525R **Project Mgr** R. Lin

Primary Client Maintenance

Project Description

Install a pressure relief valve in the Town Center to relieve high water pressure in any of the 8 pressure reducing valves servicing the business district area.

Business Need

A pressure relief valve will help prevent built-up water pressure from damaging service lines and other water system components.

Existing Conditions

Currently there are no pressure relief valves protecting the Town Center Pressure Zone. Mechanical malfunction of valves or debris trapped in PRVs can increase the pressure in the water system.

Project Location

Town Center Business District

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$56	$0	$56
Design Services	$22	$0	$22
Project Management	$7	$0	$7
Total EXP	$85	$0	$85

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities	$85	$0	$85
Total REV	$85	$0	$85

Emergency Preparedness and Planning

Project ID WW530P **Project Mgr** R. Lin

Primary Client Maintenance

Project Description

Evaluate alternatives and identify the most cost-effective approach for providing additional water storage for emergency purposes.

Business Need

Preparing the water system for a major disaster is essential to minimize damages and service interruptions.

Existing Conditions

During times of high demand, the Island's current storage may not be adequate to meet the challenges of a major disaster.

Project Location

TBD - part of the planning

Prior Council Review

None

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Design Services	$42	$42	$84
Project Management	$8	$8	$16
Total EXP	$50	$50	$100

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Utilities	$50	$50	$100
Total REV	$50	$50	$100

Debt Service - Mercerview Property

Project ID IFT343 **Project Mgr** F. Lake

Primary Client Parks and Recreation

Project Location

8236 SE 24th Street

Project Description

Payment of annual debt service on general obligation bonds issued in 2003 for purchase of Mercer View property.

Business Need

Maintain property in public domain, currently as location for City Community Center.

Existing Conditions

The property was originally acquired under a 1994 agreement with MI School District. LTGO bonds were issued in 2003 for 15 years, final payment made to MISD, and title transferred to City.

Prior Council Review

AB 3767 - 5/19/03

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Other	$225	$222	$447
Total EXP	$225	$222	$447

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 1	$225	$222	$447
Total REV	$225	$222	$447

Debt Service - Community Center

Project ID IFT343 **Project Mgr** F. Lake

Primary Client Parks and Recreation

Project Location

8236 SE 24th Street

Project Description

Payment of annual debt service on councilmanic bonds issued in 2004 for construction of the Community Center.

Business Need

Provide financing for construction of a new Community Center in 2004-2005.

Existing Conditions

The community center constructed in the late 1950s is due for replacement. Some debt financing is needed to complete the project.

Prior Council Review

AB 3881 - 6/21/04

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Other	$148	$151	$299
Total EXP	$148	$151	$299

CIP Funds REV			
Description	**2005**	**2006**	**Total**
REET 1	$148	$151	$299
Total REV	$148	$151	$299

Community Center Construction

Project ID XG320K **Project Mgr** R. Conrad

Primary Client Parks and Recreation

Project Location

8236 SE 24th Street

Project Description

Demolish old buildings and construct a new Community Center on the Mercerview site.

Business Need

Replace old buildings with a new multi-generational facility, housing meeting spaces, recreational (gymnasium) functions, day care/pre-school activities, and arts/crafts.

Existing Conditions

The new center is intended to replace the old CCMV buildings, which were constructed in 1960 as an elementary school.

Prior Council Review

AB 3881 - 06/21/04

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Construction	$4,700	$0	$4,700
Design Services	$0	$0	$0
Project Management	$100	$0	$100
Total EXP	$4,800	$0	$4,800

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Debt	$0	$0	$0
General Fund	$0	$0	$0
General Fund	$0	$0	$0
REET 1	$1,000	$0	$1,000
Total REV	$1,000	$0	$1,000

Open Space Vegetation Management

Project ID XP101P **Project Mgr** D. Symmonds

Primary Client Parks and Recreation

Project Location

Various

Project Description

For 2005-06 funding previously used for improvements in existing open space areas, future property acquisition, and appraisal and/or other evaluation of lands that may become available for open space is reallocated to and supplemented by other funds to remove invasive species from parks and open spaces. Council adopted Level B as recommended in the Open Space Vegetation Management Plan.

Business Need

Meet Level B standards for removal of invasive species and restoration of parks and open spaces.

Existing Conditions

Current level of service standards for acquisition of open space are set in 1991 and 1995 planning documents. Council has expressed an interest in revisiting these standards.

Prior Council Review

AB 3922 - 10/04/04

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Parks Repairs	$135	$135	$270
Total EXP	$135	$135	$270

CIP Funds REV			
Description	**2005**	**2006**	**Total**
Grant	$5	$5	$10
Other - Reserves	$55	$55	$110
REET 1	$75	$75	$150
Total REV	$135	$135	$270

Boys and Girls Club Agreement

Project ID XG102C **Project Mgr** P. Mayer

Primary Client Parks and Recreation

Project Description

Share in the cost of major repairs at the Boys and Girls Club in exchange for 25 years of shared use of the gym facility for Parks and Recreation activities.

Business Need

The City's Park and Recreation Department provides numerous classes requiring use of gym facilities.

Existing Conditions

Agreement is pending Club's satisfaction of condition precedent to City obligation to pay $1 million that by 12/31/04 the Club raises 70% of funds necessary to complete project.

Project Location

2825 West Mercer Way

Prior Council Review

AB 3824 - 12/15/03

Required Resources ($1,000's)

CIP Funds EXP			
Description	2005	2006	Total
Other	$1,000	$0	$1,000
Total EXP	$1,000	$0	$1,000

CIP Funds REV			
Description	2005	2006	Total
General Fund	$1,000	$0	$1,000
Total REV	$1,000	$0	$1,000

Small Technology/Equipment Items

Project ID XG150T **Project Mgr** R. Conrad

Primary Client All Departments

Project Location

City Hall

Project Description

Set aside funds for purchase of small items of office equipment and technology.

Business Need

Ability to respond to unanticipated needs for new technology components and small office equipment items.

Existing Conditions

Planned replacement of technology items and office equipment is budgeted in the CRP and operating budgets. From time to time, new products become available to improve staff efficiency.

Prior Council Review

2003 - 2004 Budget

Required Resources ($1,000's)

CIP Funds EXP			
Description	**2005**	**2006**	**Total**
Technology & Equipment	$50	$50	$100
Total EXP	$50	$50	$100

CIP Funds REV			
Description	**2005**	**2006**	**Total**
General Fund	$50	$50	$100
Total REV	$50	$50	$100

CIP Project Summary

Project Description	Primary Client	Project Manager	Project Costs 2004	2005	2006	2007	2008	2009	2010	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Capital Reinvestment Plan																				
Parks, Recreation and Open Space																				
Open Space																				
WP140R Pioneer Park Forest Management	Parks and Recreation	P. Mayer	50	50	50	50	50	50	50	300	300	0	0	0	0	0	0	0	0	0
Sub-Total Open Space Projects			50	50	50	50	50	50	50	300										
Parks Improvements																				
WP501R Ballfield Lights - Island Crest Park	Parks and Recreation	P. Mayer	0	32	0	0	0	398	0	430	430	0	0	0	0	0	0	0	0	0
WP502R Ballfield Lights - South Mercer Playf	Parks and Recreation	P. Mayer	0	262	0	0	0	0	0	262	132	0	0	0	0	0	0	130	0	0
WP503R Luther Burbank Park Improvements	Parks and Recreation	G. Brown	0	100	100	100	100	100	0	500	0	0	0	0	0	0	0	0	0	500
Sub-Total Parks Improvements Projects			0	394	100	100	100	498	0	1,192										
Parks Repairs and Maintenance																				
WP101R Clarke Beach Park Repairs	Parks and Recreation	G. Brown	0	52	0	0	0	0	0	52	42	0	0	0	0	0	10	0	0	0
WP300R Recurring Park Projects	Parks and Recreation	M. Elde	0	100	100	100	100	100	100	600	600	0	0	0	0	0	0	0	0	0
WP314R Groveland Beach Repairs - Dock &	Parks and Recreation	G. Brown	0	0	50	650	0	0	0	700	700	0	0	0	0	0	0	0	0	0
Sub-Total Parks Repairs and Maintenance Projects			0	152	150	750	100	100	100	1,352										
Planning and Design																				
WP504P Island Crest Park Master Plan	Parks and Recreation	P. Mayer	0	0	18	0	0	0	0	18	18	0	0	0	0	0	0	0	0	0
Sub-Total Planning and Design Projects			0	0	18	0	0	0	0	18										
Total Parks, Recreation and Open Space Costs			50	596	318	900	250	648	150	2,862										
Streets, Pedestrian and Bicycle																				
Annual Street Maintenance Program																				
WR501R Residential Street Preservation	DSG and Maintenance	C. Morris	282	336	342	348	355	361	368	2,110	0	2,110	0	0	0	0	0	0	0	0
WR510R Arterial Streets Preservation	DSG and Maintenance	C. Morris	54	70	70	70	70	70	70	420	0	420	0	0	0	0	0	0	0	0
Sub-Total Annual Street Maintenance Program Projects			336	406	412	418	425	431	438	2,530										
Arterial Street Improvements																				
WR512R Arterial Street Improvements - 2005	DSG and Maintenance	C. Morris	0	675	0	0	0	0	0	675	0	675	0	0	0	0	0	0	0	0
WR515R Arterial Street Improvements	DSG and Maintenance	C. Morris	0	0	500	300	0	400	600	1,800	0	1,800	0	0	0	0	0	0	0	0
Sub-Total Arterial Street Improvements Projects			0	675	500	300	0	400	600	2,475										
CBD Street Reconstruction																				
WR520R Town Center Street Improvements	DSG and Maintenance	C. Morris	0	0	60	570	1,150	0	0	1,780	0	1,780	0	0	0	0	0	0	0	0
Sub-Total CBD Street Reconstruction Projects			0	0	60	570	1,150	0	0	1,780										
Mercer Ways Shoulder Development																				
WR530R Roadside Shoulder Development	DSG and Maintenance	C. Morris	0	250	150	50	0	0	0	450	0	450	0	0	0	0	0	0	0	0
Sub-Total Mercer Ways Shoulder Development Projects			0	250	150	50	0	0	0	450										
Other Transportation Projects																				
WR545C Island Park Elementary Traffic Safet	Public Safety	G. Boettcher	0	100	0	0	0	0	0	100	0	100	0	0	0	0	0	0	0	0

CIP Project Summary

Project Description	Primary Client	Project Manager	Project Costs 2004	2005	2006	2007	2008	2009	2010	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Sub-Total Other Transportation Projects Projects			0	100	0	0	0	0	0	100										
Pedestrian and Bicycle Facilities																				
WR541C Pedestrian and Bicycle Facilities	DSG and Maintenance	N. Fairchild	0	100	0	200	0	100	100	500	0	500	0	0	0	0	0	0	0	0
543C / WD526C Parkwood Trail / Storm Basin 45b	DSG and Maintenance	P. Yamashita	0	0	510	0	0	0	0	510	0	60	450	0	0	0	0	0	0	0
Sub-Total Pedestrian and Bicycle Facilities Projects			0	100	510	200	0	100	100	1,010										
Total Streets, Pedestrian and Bicycle Costs			336	1,531	1,632	1,538	1,575	931	1,138	8,345										
General Government																				
Other Equipment																				
WG130E Equipment Rental	All Departments	G. Boettcher	430	430	190	1,499	165	370	146	2,800	0	0	0	0	0	2,800	0	0	0	0
WG131E Fire Equipment	Fire Station	R. Elsoe	20	28	18	23	23	23	23	138	0	0	0	138	0	0	0	0	0	0
WG132E Police Equipment	Public Safety	R. Elsoe	25	20	25	25	25	25	25	145	0	0	0	0	145	0	0	0	0	0
Sub-Total Other Equipment Projects			475	478	233	1,547	213	418	194	3,083										
Public Buildings																				
WG101R City Hall	All Departments	M. Olson	90	100	100	95	55	65	65	480	480	0	0	0	0	0	0	0	0	0
WG102R Maintenance Building	Maintenance	M. Olson	30	40	40	52	35	40	40	247	62	0	185	0	0	0	0	0	0	0
WG103R South Fire Station Repairs	Fire Station	M. Olson	33	15	15	20	30	30	25	135	135	0	0	0	0	0	0	0	0	0
WG104R Thrift Shop	Youth and Family Ser	M. Olson	0	20	15	15	25	25	20	120	0	0	0	0	0	0	120	0	0	0
WG105R Community Center Minor Repairs	Parks and Recreation	G. Brown	50	0	0	25	25	25	25	100	100	0	0	0	0	0	0	0	0	0
WG106R North Fire Station	Fire Station	M. Olson	0	20	20	20	25	30	30	145	145	0	0	0	0	0	0	0	0	0
Sub-Total Public Buildings Projects			203	195	190	227	195	215	205	1,227										
Small Technology/Equipment																				
WG520T Fleet Management System	All Departments	G. Boettcher	0	30	0	0	0	0	0	30	0	0	0	0	0	30	0	0	0	0
Sub-Total Small Technology/Equipment Projects			0	30	0	0	0	0	0	30										
Technology																				
WG110T Computer Equipment Replacements	All Departments	A. Moreno	45	68	74	70	70	70	70	422	0	0	0	0	0	422	0	0	0	0
WG113T Financial System Upgrade	All Departments	A. Moreno	0	0	25	0	0	0	0	25	0	0	0	25	0	0	0	0	0	0
WG313T Document Imaging	All Departments	A. Moreno	0	0	25	50	100	50	0	225	0	0	0	225	0	0	0	0	0	0
WG510T Client Tracking System	Youth and Family Ser	C. Goodwin	0	5	0	0	0	0	0	5	0	0	0	5	0	0	0	0	0	0
WG512T Contract Dispatch Startup and MDC	Public Safety	R. Elsoe	0	668	0	0	0	0	0	668	0	0	0	0	150	0	0	450	0	68
WG514T Customer Response Management Sy	All Departments	G. Boettcher	0	20	0	0	0	0	0	20	0	0	0	20	0	0	0	0	0	0
WG516T Disaster Recovery and Business Cont	All Departments	A. Moreno	0	25	0	0	0	0	0	25	0	0	0	25	0	0	0	0	0	0
WG518T Fiber to Remote City Sites	All Departments	A. Moreno	0	0	100	0	0	0	0	100	0	0	0	100	0	0	0	0	0	0
WG522T Implement WebWork in Parks Depa	Parks and Recreation	P. Mayer	0	0	20	20	0	0	0	40	0	0	0	40	0	0	0	0	0	0
WG524T Telephone System Replacement/Upg	All Departments	J. Sylvis	0	25	25	25	25	0	100	200	0	0	0	200	0	0	0	0	0	0
WG526T Webwork / GIS Interface	All Departments	G. Boettcher	0	15	0	0	0	0	0	15	0	0	0	15	0	0	0	0	0	0
WG528T Web-based System to Deploy Applic	All Departments	A. Moreno	0	0	20	0	0	0	0	20	0	0	0	20	0	0	0	0	0	0
Sub-Total Technology Projects			45	826	289	165	195	120	170	1,765										
Total General Government Costs			723	1,529	712	1,939	603	753	569	6,105										

CIP Project Summary

Project Description	Primary Client	Project Manager	Project Costs 2004	2005	2006	2007	2008	2009	2010	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Sewer Utility																				
Sewer System Improvements																				
WS330T Sewer System Telemetry Improveme	Maintenance	G. Boettcher	250	120	120	140	140	160	160	840	0	0	840	0	0	0	0	0	0	0
WS510R Sewer System Improvements	Maintenance	G. Boettcher	0	350	270	0	0	0	0	620	0	0	620	0	0	0	0	0	0	0
Sub-Total Sewer System Improvements Projects			250	470	390	140	140	160	160	1,460										
Sewer System Rehabilitation																				
WS110C Sewer Lake Line Replacement - Con	Maintenance	A. Tonella-How	0	0	5,930	5,930	1,140	0	0	13,000	0	0	0	0	0	0	0	0	10,000	0
WS110D Sewer Lake Line Replacement - Desi	DSG and Maintenance	A. Tonella-How	690	540	115	0	0	0	0	655	0	0	205	0	0	0	0	0	450	0
Sub-Total Sewer System Rehabilitation Projects			690	540	6,045	5,930	1,140	0	0	13,655										
Total Sewer Utility Costs			940	1,010	6,435	6,070	1,280	160	160	15,115										
Storm Drainage Utility																				
Neighborhood Drainage Improvements																				
WD510C Neighborhood Drainage Improveme	Maintenance	C. Morris	200	50	50	185	185	185	185	840	0	0	680	0	0	0	160	0	0	0
WD512C 96th Avenue SE Drainage Improvem	Maintenance	C. Morris	10	0	200	0	0	0	0	200	0	0	200	0	0	0	0	0	0	0
Sub-Total Neighborhood Drainage Improvements Projects			210	50	250	185	185	185	185	1,040										
Other Storm Drainage System Projects																				
WD303S Comprehensive Basin Review	DSG and Maintenance	P. Yamashita	50	100	0	0	0	0	0	100	0	0	100	0	0	0	0	0	0	0
WD530T Storm Drainage Map Conversion	Maintenance	M. Onzay	0	150	0	0	0	0	0	150	0	0	150	0	0	0	0	0	0	0
Sub-Total Other Storm Drainage System Projects Projects			50	250	0	0	0	0	0	250										
Watercourse Projects																				
WD520C Small Basin Improvements	Maintenance	A. Tonella-How	200	50	50	100	120	150	150	620	0	0	620	0	0	0	0	0	0	0
WD522C Watercourse Stabilization - Basin 26	DSG and Maintenance	A. Tonella-How	40	300	0	0	0	0	0	300	0	0	300	0	0	0	0	0	0	0
WD524C Basin 46a (53rd Place)	DSG and Maintenance	P. Yamashita	0	0	200	0	0	0	0	200	0	0	200	0	0	0	0	0	0	0
WD528C Basin 29 Watercourse Improvements	DSG and Maintenance	P. Yamashita	0	0	0	675	0	0	0	675	0	0	675	0	0	0	0	0	0	0
Sub-Total Watercourse Projects Projects			240	350	250	775	120	150	150	1,795										
Total Storm Drainage Utility Costs			500	650	500	960	305	335	335	3,085										
Water Utility																				
Other Water System Projects																				
WW532T Water Modeling and Fire Flow Anal	Fire Station	R. Lin	0	40	10	0	15	0	15	80	0	0	80	0	0	0	0	0	0	0
Sub-Total Other Water System Projects Projects			0	40	10	0	15	0	15	80										
Water System Improvements																				
WW510A 2005 Water System Improvements -	DSG and Maintenance	R. Lin	0	800	0					800	0	0	800	0	0	0	0	0	0	0
WW510C Water Main Replacements	DSG and Maintenance	R. Lin	0	0	300	720	380	720	380	2,500	0	0	2,500	0	0	0	0	0	0	0
WW520C Hydrants and Other Water System C	DSG and Maintenance	R. Lin	0	0	70	50	50	50	50	270	0	0	270	0	0	0	0	0	0	0
WW525R Pressure Relief Valve at Town Cente	Maintenance	R. Lin	0	85	0	0	0	0	0	85	0	0	85	0	0	0	0	0	0	0
WW530P Emergency Preparedness and Planni	Maintenance	R. Lin	0	50	50	0	0	0	0	100	0	0	100	0	0	0	0	0	0	0

CIP Project Summary

Project Description	Primary Client	Project Manager	Project Costs 2004	2005	2006	2007	2008	2009	2010	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Sub-Total Water System Improvements Projects			0	935	420	770	430	770	430	3,755										
Total Water Utility Costs			0	975	430	770	445	770	445	3,835										
Total Capital Reinvestment Plan			2,549	6,291	10,027	12,177	4,458	3,597	2,797	39,347										

CIP Project Summary

Project Description	Primary Client	Project Manager	Project Costs 2004	2005	2006	2007	2008	2009	2010	Total	Sources of Fund REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Capital Facilities Plan																				
Community Center																				
Public Buildings																				
IFT343 Debt Service - Mercerview Property	Parks and Recreation	F. Lake	229	225	222	219	215	211	206	1,298	1,298	0	0	0	0	0	0	0	0	0
IFT343 Debt Service - Community Center	Parks and Recreation	F. Lake	37	148	151	149	152	150	152	902	902	0	0	0	0	0	0	0	0	0
XG320K Community Center Construction	Parks and Recreation	R. Conrad	7,600	4,800	0	0	0	0	0	4,800	1,000	0	0	0	0	0	0	0	0	0
Sub-Total Public Buildings Projects			7,866	5,173	373	368	367	361	358	7,000										
Total Community Center Costs			7,866	5,173	373	368	367	361	358	7,000										
Parks, Recreation and Open Space																				
Open Space																				
XP101P Open Space Vegetation Management	Parks and Recreation	D. Symmonds	100	135	135	100	100	100	100	670	550	0	0	0	0	0	0	10	0	110
Sub-Total Open Space Projects			100	135	135	100	100	100	100	670										
Public Buildings																				
XG102C Boys and Girls Club Agreement	Parks and Recreation	P. Mayer	0	1,000	0	0	0	0	0	1,000	0	0	0	1,000	0	0	0	0	0	0
Sub-Total Public Buildings Projects			0	1,000	0	0	0	0	0	1,000										
Total Parks, Recreation and Open Space Costs			100	1,135	135	100	100	100	100	1,670										
General Government																				
Small Technology/Equipment																				
XG150T Small Technology/Equipment Items	All Departments	R. Conrad	50	50	50	50	50	50	50	300	0	0	0	300	0	0	0	0	0	0
Sub-Total Small Technology/Equipment Projects			50	50	50	50	50	50	50	300										
Total General Government Costs			50	50	50	50	50	50	50	300										
Total Capital Facilities Plan			8,016	6,358	558	518	517	511	508	8,970										

CIP Project Summary

			Project Costs								Sources of Fund									
Project Description	Primary Client	Project Manager	2004	2005	2006	2007	2008	2009	2010	Total	REET	Street	Utilities	General	Criminal	Fees	Contrib's	Grants	Debt	Other
Grand Total			10,565	12,649	10,585	12,695	4,975	4,108	3,305	48,317										

SECTION F

MAINTENANCE/UTILITIES

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MAINTENANCE DEPARTMENT

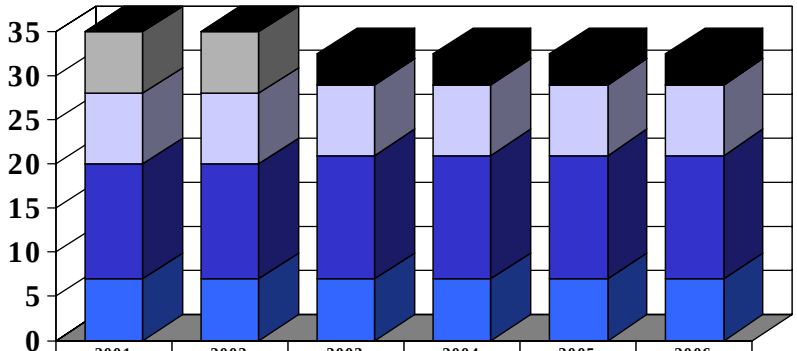
BACKGROUND

In 1990, as part of the City's Continuous Improvement Program, the Maintenance Department Labor/Management Committee initiated an audit of employee problems that affected customer service and worker morale. Labor and Management agreed to a major reorganization plan that took effect in the spring of 1991. The department organized into four teams: Environmental, Construction, Mechanical and Support Services. Late in 1996 a Maintenance Director was hired and in 1997 the Department undertook a smaller reorganization in response to new work requirements including: increased focus on the care of the rights-of-way, the addition of the I-90 park properties and increased emphasis on the management of utilities. In 2003 Park Maintenance activities were transferred to the Parks and Recreation Department. Maintenance currently exists as the Capital Projects Team, Right-of-way Team, Utilities Team, and Support Services Team.

Reorganizations in Maintenance are accompanied by a review of maintenance-related work responsibilities in the form of work design programs. Teams identify the activities required for each product and help establish performance standards. This work design and the team's annual work schedules provide a foundation for budget planning and continued improvements for product delivery. Several ongoing performance measures are included in this budget to collect information on the effectiveness of our work programs.

Maintenance Department

Staffing Trends (FTE's)



	2001	2002	2003	2004	2005	2006
CIP Team	0	0	3.5	3.5	3.5	3.5
E Team	7	7	0	0	0	0
Right of Way	8	8	8	8	8	8
Utilities	13	13	14	14	14	14
Support Services	7	7	7	7	7	7

MAINTENANCE TEAM STRUCTURE

BACKGROUND

The Maintenance Department has a work-based structure both for operations and for financial information. The structure encompasses activities that are funded from five different City Funds: the General Fund, Water Fund, Sewer Fund, Stormwater Fund, and Equipment Rental Fund. The Department currently consists of four teams. These are briefly described below, and then a section for each team with the complete description and performance measures follows.

Capital Projects Team

The Capital Projects Team coordinates the planning, design and construction of all utility and roadway improvement projects for the City.

Right-of-Way Team

The ROW Team maintains Mercer Island's roadways, walkways, and trails to ensure a clean, safe, and cost-effective system. This Team also coordinates maintenance of trees in City right-of-way. (Trees in parks and open spaces are the responsibility of the Parks and Recreation Department).

Support Services Team

The Support Services Team performs a variety of informational and operational activities that support other Maintenance Teams as well as other City Departments. These include building services, fleet services, a maintenance management system, warehouse and inventory services, and a customer response group that responds quickly to customer complaints and problems.

Utilities Team

The Utilities Team operates and maintains Mercer Island's water, sewer, and storm water utilities on a 24-hour basis. The Team is also responsible for compliance with state and federal regulations about drinking water, storm water and sewage collection and conveyance.

Team Totals and Fund Statements

Following the descriptive budgets for the four Maintenance Teams are a group of tables providing summary totals for the Maintenance Department (shown both excluding and including Indirect Administrative costs). This is followed by a section showing the income statement and equipment information for the Equipment Rental Fund. The final section is the Utility Funds section, including income statements for the Water, Sewer, and Stormwater Funds, as well as the Utility Financial policies.

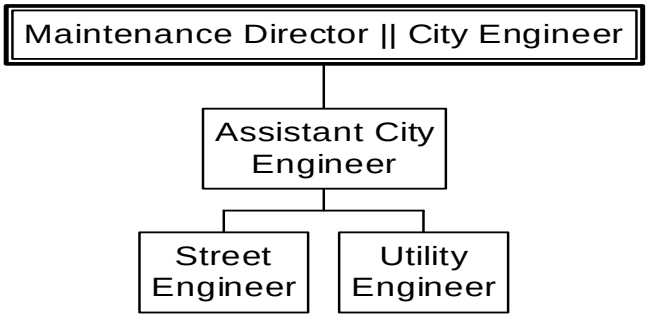
Maintenance Department Capital Projects Team

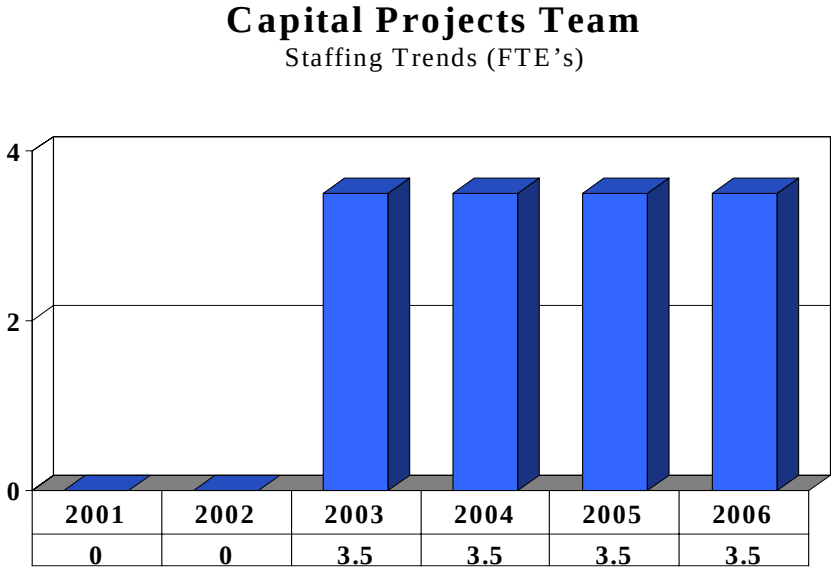
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Team Narrative

CAPITAL PROJECTS TEAM

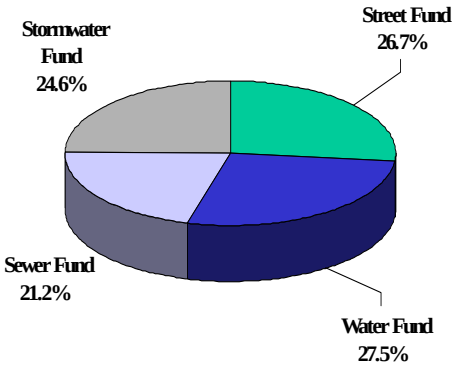
Mission Statement

The Capital Projects Team works to complete utility and street improvements on time and on budget, and coordinates planning processes that balance the needs of the Island's infrastructure with the best interests of our customers.

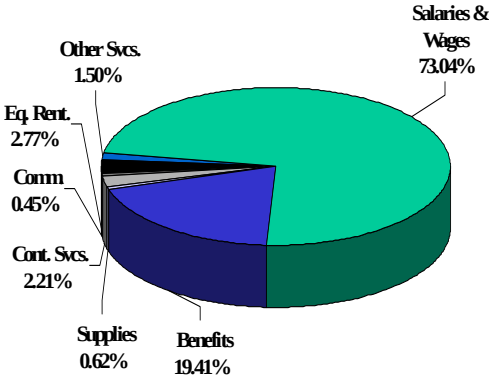




Capital Projects Team
Sources of Revenue



Capital Projects Team
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
Street Fund	68,757	75,718	120,500	145,500
Water Fund	80,647	23,418	124,100	101,800
Sewer Fund	57,463	72,718	96,000	203,000
Stormwater Fund	68,018	62,718	111,200	80,000
Total Sources:	$274,884	$234,572	$451,800	$530,300
Salaries & Wages	207,619	169,900	329,980	395,820
Benefits	52,255	41,800	87,685	100,345
Supplies	384	3,000	2,800	2,800
Contractual Services	715	0	10,000	10,000
Communications	0	2,000	2,050	2,050
Equipment Rental	12,372	12,372	12,515	12,515
Other Services & Charges	1,540	5,500	6,770	6,770
Total Uses:	$274,884	$234,572	$451,800	$530,300

Capital Project Planning and Management

Description:

The Capital Projects Team consists of the Assistant City Engineer, the Street Engineer, and the Utility Engineer. All three are funded completely through the projects for which they are responsible. The Assistant City Engineer functions as the team leader, and the team is managed jointly by the Maintenance Director and the City Engineer. The three team members, formerly part of the Development Services Department's Public Team, joined the Maintenance Department in early 2002. They are responsible for the budgeting, design, construction management and inspection of a variety of capital projects initiated by the City. These projects include improvements to the public utility and transportation systems. During 2005-2006, in-house resources will be augmented by selecting consultant teams with project-specific expertise to assist with the design and management of some projects. This approach is a refinement of a consultant services model first developed in 1999-2000. The capital projects team also coordinates comprehensive planning for the water, sewer and stormwater utilities, as well as the annual update of the Transportation Improvement Plan.

Services and Products:

- Coordination of transportation improvements
- Capital improvement planning and monitoring
- Pre-design services including public involvement and information
- Project design and development
- Contract administration
- Construction management and inspection
- Pavement marking replacement

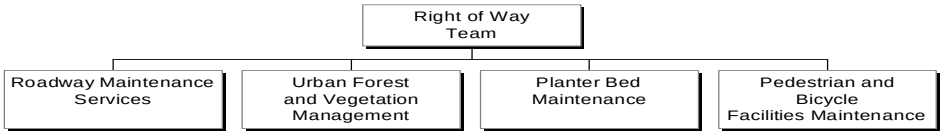
Maintenance Department Right-of-Way Team

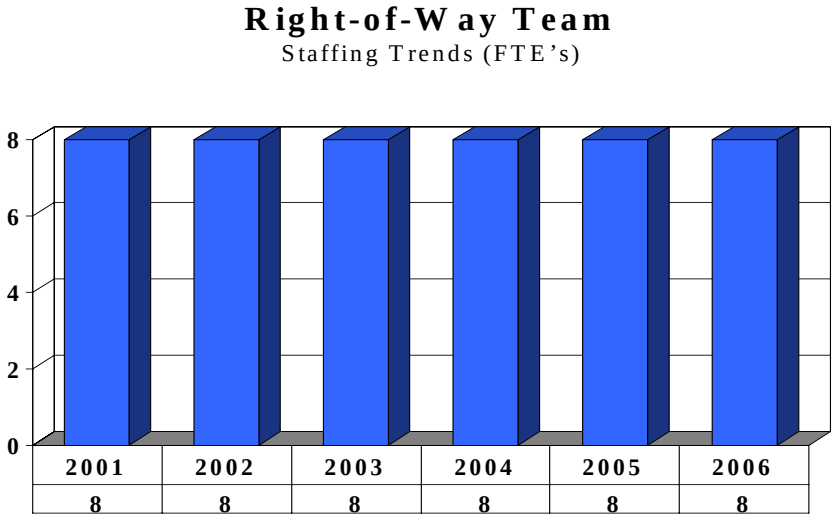
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Team Narrative

RIGHT-OF-WAY TEAM

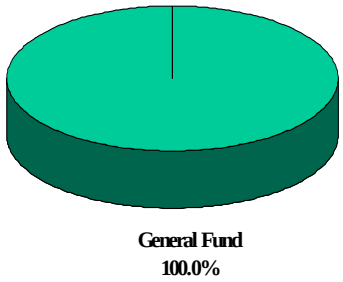
Mission Statement

Provide a right-of-way maintenance program that will meet the requirements of the community. The Team's goals are to maintain Mercer Island rights-of-way, walkways, and trails to ensure a clean, safe, and travelable system. High priorities are to provide excellent maintenance for the City's roadways and to resolve tree issues in the best interest of the community. We also provide storm response and assist other departments in achieving the City's goals. We pride ourselves on the fact that we provide service in a timely, efficient manner 24 hours a day, 7 days a week.

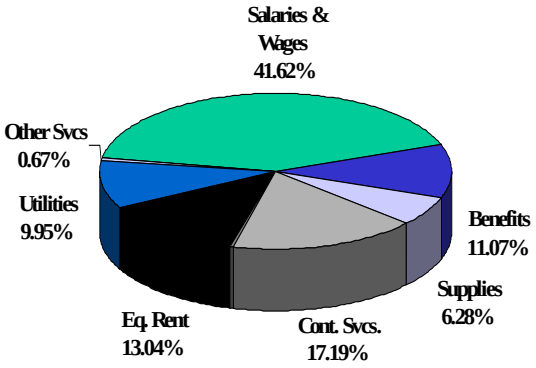




Right-of-Way Team
Sources of Revenue



Right-of-Way Team
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
General Fund	880,934	1,103,175	1,075,078	1,100,758
Total Sources:	$880,934	$1,103,175	$1,075,078	$1,100,758
Salaries & Wages	377,293	462,129	447,452	467,452
Benefits	84,874	117,624	118,974	124,574
Supplies	37,342	76,450	67,500	67,500
Contractual Services	137,986	180,050	184,800	184,800
Communications	2,509	1,630	2,000	2,080
Equipment Rental	145,227	146,692	140,152	140,152
Utilities	88,875	110,500	107,000	107,000
Other Services & Charges	6,063	8,100	7,200	7,200
Capital Equipment	764	0	0	0
Total Uses:	$880,934	$1,103,175	$1,075,078	$1,100,758

RIGHT-OF-WAY TEAM

The Right-of-Way Team is charged with keeping the City's roads, sidewalks, paths and trails safe for public use. The Team is responsible for the maintenance of 84 miles of public roads, uncounted acres of undeveloped rights-of-way, street lighting, traffic signage, four acres of planter beds, 54 miles of trails and paths, 3000 stairs, several footbridges, and sidewalks throughout the Island.

2005 - 2006 TEAM HIGHLIGHTS AND INITIATIVES

- Expand our preventive maintenance programs within the Maintenance Management System, that minimize reactive maintenance
- Continually update mapping and systemized scheduling of routine work in our work design
- Provide tree care and management in the Town Center and in the rights-of-way
- Continue a program for replacing wooden streetlight poles
- Continue sidewalk hazard mitigation program
- Maintain a database of traffic signage and crosswalk locations, as required by WCIA
- Expand the maintenance program for roadway shoulders

Roadway Maintenance Services

Description:

Maintain 84 miles of roadways by patching surface holes, repairing edge failures, smoothing depressions, and grading gravel streets. Sweep leaves, sand and other debris to prevent safety hazards as well as to reduce maintenance to roadways and help prevent stormwater backups. Mow and brush rights-of-way for the traveling public, ensuring safe sight distances and vehicle clearances are maintained. Prune, trim and remove vegetation to allow for safe passage and utilization of rights-of-way. Ensure proper street signage is maintained and installed for the safety and awareness of the traveling public. Provide street lighting service and repair for the Town Center and Island Crest Way. Coordinate activities with Puget Sound Energy for contracted street lighting and with King County for traffic signal maintenance. Providing pre-storm and post-storm event inspection and cleaning of catch basin grates and ditches will be this team's major contribution to the Storm Water Utility.

Services and Products:

- Permanent patching, including skin patching and reconstruction of small areas of sub-grade and asphalt. Patching will be done mostly in the dry months of the year. The Team will consult with DSG and the Six Year Transportation Plan to schedule the major patching work. The Team will also watch for street deterioration and respond to customer requests
- Mowing and brushing of rights-of-way, including the road shoulder, ditches, and banks, to maintain grass lengths of 2" to 4"
- Street sweeping and storm drain maintenance including storm-related catch basin and ditch cleaning
- Repair and install traffic signage
- Coordinate the City's pavement marking program
- Repair and maintain street lighting, as needed
- Coordinate guardrail repairs as identified
- Respond to MI School District requests regarding school bus issues and safe walking paths

KEY PERFORMANCE MEASURES - 1

Roadway Maintenance — Street Sweeping

DESCRIPTION	Street sweeping consists of using the Elgin Geovac sweeper truck, supported by ground workers using shovels, rakes, brooms and backpack blowers.
CITY PRIORITIES	Priority 3.1 – The community will support reliable public infrastructure and protect its considerable public investments (e.g. water, sewer, stormwater utilities, streets, parks, and buildings).
GOAL	To keep the road surfaces clean and safe for the traveling public, while maintaining our current level of service.
OBJECTIVE	To meet the current scheduled level of service, while keeping streets free of harmful and unsightly debris: Sweep the 8 curb miles of the Town Center 36 times per year. Sweep the 49 curb miles of arterial streets 18 times per year. Sweep the 92 curb miles of residential streets twice per year. Respond to unscheduled events and requests.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Labor hours	819	863	690	690	690
	Swept curb miles – arterial streets	637	673	882	882	882
	Swept curb miles – residential streets	305	305	184	184	184
	Swept curb miles – Town Center	258	258	288	288	288
	Swept unscheduled events – ex: storm clean up, accidents	0	34	35	35	35
Output	Total miles swept	1,200	1,270	1,354	1,354	1,354
Outcome	Targeted frequencies are met or exceeded.	100%	100%	100%	100%	100%
	On an average annual basis, number of curb miles per day of sweeping done.	4.6	4.9	5.2	5.2	5.2

Urban Forest and Vegetation Management

Description:

Keep right-of-way trees and vegetation trimmed back to provide safe passage on City streets, trails, paths and sidewalks. Respond to requests to prune, trim or remove trees on public property. Manage urban forest for health and safety. Assist DSG with tree and vegetation site distance issues.

Services and Products:

- Trim, prune and remove trees and vegetation encroaching onto travel lanes, trails or encroaching on adjacent property
- Implement proactive urban forest management practices
- Replant right-of-way areas to maintain erosion control, aesthetics and tree canopy
- Mow and brush rights-of-way shoulders on the main arterials and other roadways where necessary
- Evaluate and prioritize requests for hazard tree evaluation and removal.

KEY PERFORMANCE MEASURES - 2

Hedge Maintenance

DESCRIPTION	Numerous Laurel hedges border streets and sidewalks throughout Mercer Island. In order to provide safe vehicle and pedestrian passage, these hedges must be pruned on an ongoing basis.
CITY PRIORITIES	Priority 4.2 – The community will support attractive, high quality neighborhood and business environments.
GOAL	To maintain all of the Laurel hedges along arterial streets to a size that can be efficiently managed: 8' to 10' in height and 1' to 3' from roadway or sidewalk edge.
OBJECTIVE	To maintain 100% of the rights-of-way Laurel hedges along arterial streets, following size management guidelines and providing safe passage.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Labor hours	--	--	--	1227	1227
	Contractor services	--	--	--	$0	$0
Output	Number of linear feet of hedges to prune	--	--	--	5800	5800
	Number of hedges to prune	--	--	--	64	64
Outcome	Total of linear feet of hedges pruned	--	--	--	4350	5800
	Percentage of hedges meeting our objective	--	--	--	75%	100%

*New measure in 2005 - 2006, no figures available for 2002 - 2004

Planter Bed Maintenance

Description:

Maintain the City's planter beds and beautification areas in an economical and aesthetic state.

Services and Products:

- Weed control by hand and minimal chemical applications
- Fertilization
- Irrigation maintenance
- Pruning
- Plant Replacement

Pedestrian and Bicycle Facilities Maintenance

Description

Maintain over 54 miles of pedestrian and bicycle facilities to keep them operational, clean and safe for use. This work includes trails, paved paths, sidewalks, over 3,000 stairs and several footbridges.

Services and Products:

- General trail maintenance including brushing, graveling, and ditching
- Vehicle barrier installations and maintenance
- Steps, bridges and retaining walls repaired/replaced
- Sidewalks and paved paths are repaired and cleared of vegetation encroachments
- Control damage caused by tree roots

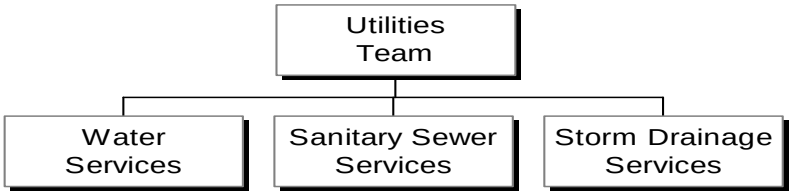
Maintenance Department Utilities Team

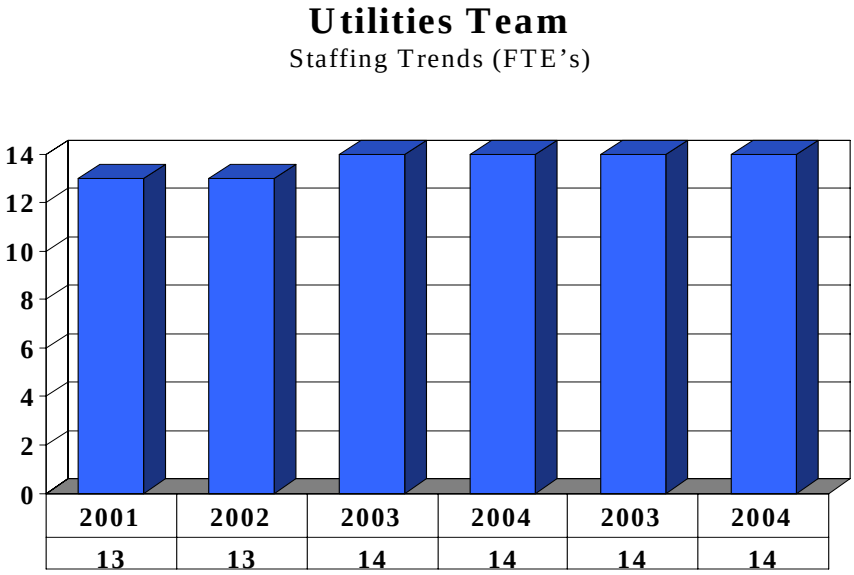
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Team Narrative

UTILITIES TEAM

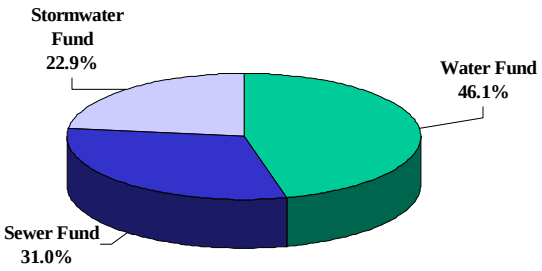
Mission Statement

The Utility Team provides quality 24-hour service for the water, sanitary sewer, and stormwater utility customers on Mercer Island. The team strives to meet or exceed the rules and regulations for quality in drinking water delivery, contained collection of sewage, and water quality for storm drainage discharge. The team also provides snow removal and storm response.

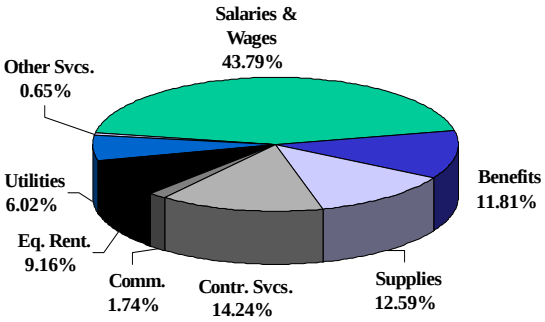




Utilities Team
Sources of Revenue



Utilities Team
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
Water Fund	689,530	750,920	829,502	835,234
Sewer Fund	480,408	493,309	558,261	568,121
Stormwater Fund	366,803	406,630	413,260	417,954
Total Sources:	$1,536,740	$1,650,859	$1,801,023	$1,821,309
Salaries & Wages	736,553	731,601	788,594	819,801
Benefits	178,572	190,716	212,776	222,355
Supplies	186,125	207,450	226,700	226,700
Contractual Services	154,990	215,200	256,500	236,500
Communications	21,797	30,800	31,300	30,300
Equipment Rental	157,914	154,892	165,003	165,003
Utilities	93,011	107,000	108,500	108,500
Other Services & Charges	7,779	13,200	11,650	12,150
Total Uses:	$1,536,740	$1,650,859	$1,801,023	$1,821,309

UTILITIES TEAM

The Utilities Team provides quality service for the water, stormwater and sanitary sewer utility customers on Mercer Island. The team operates and maintains supply and distribution lines, collection systems, and pumping facilities making up the infrastructure of the water, sanitary sewer, and stormwater systems for more than 7,200 Mercer Island customers.

2005 - 2006 TEAM HIGHLIGHTS AND INITIATIVES

The Utility Team is responsible for the operation and maintenance of water, sewer, and storm drainage systems. Planned goals and objectives for this budget cycle include:

- Update a comprehensive work design completed in 2002 that prioritizes work and increases focus on scheduled preventive maintenance programs and team operations
- Monitor the effectiveness of upgraded security at the reservoirs
- Complete the second of three phases of improvements to the water and sewer telemetry systems
- Expand preventative maintenance programs through the use of the department's Maintenance Management System

Water Services

Description:

Water is delivered to the headworks by Seattle Public Utilities' 16" and 24" water supply lines. The water is stored in two 4-million gallon reservoirs for domestic use and fire protection. Of the 73 million gallons of water used annually, approximately 30% must be pumped to the higher elevations and to the south end of Mercer Island. The majority of water used is distributed through 4" to 30" waterlines and is delivered to customers through approximately 7,300 water meters. To control high water pressure in the lower elevations in the system, 173 pressure reducing valves (PRV's) are necessary. There are 1,800 gate and butterfly valves installed for control and isolation purposes. There are also 998 fire hydrants in the system.

Services and Products:

Water Distribution

- Operate, maintain and repair reservoirs, pumping stations, distribution lines, valves, hydrants, and meters
- Water quality testing and monitoring required by the Environmental Protection Agency (EPA) Safe Drinking Water Act (SDWA)
- Flush water mains and service lines to consistently provide safe and high quality drinking water
- Annual testing and maintenance of backflow prevention devices on City property
- Install new or upsized domestic and fire water services for single family and commercial properties
- Replace old galvanized service lines with copper lines
- Repair broken water mains, valves, and service lines
- Maintain and repair fire hydrants
- Operate and maintain telemetry system

KEY PERFORMANCE MEASURES - 1

Flush Water Mains

DESCRIPTION	Remove sediment from main water distribution lines using hydrants and blow off valves.
CITY PRIORITIES	Priority 1.2 – The community will be safe.
GOAL	To deliver safe drinking water to Mercer Island residents and meet or exceed the Mercer Island Coliform Monitoring program that was approved by the Health Department.
OBJECTIVE	100% of the dead end lines flushed each year. 50% of distribution system flushed each year. 100 % of the 17 routine samples per month meet the Department of Health standards.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Dead end lines (linear feet)	52,800	52,800	52,800	52,800	52,800
	Water mains (miles)	120	120	120	120	120
Output	Number of samples collected and tested	204	204	204	204	204
Outcome	Percentage dead end lines flushed	100%	100%	100%	100%	100%
	Percentage of water mains flushed	50%	0%[1]	50%	50%	50%
	Percentage samples pass test	100%	100%	100%	100%	100%

[1] Flushing cancelled due to water shortage.

Sanitary Sewer Services

Description:

There are 7,200 single-family residences, 1,300 multi-family units and 155 businesses and schools connected to the sanitary sewer collection system. Sewage is piped through 520,000 lineal feet of pipe and pumped through 18 sewage pump stations to the King County/Metro Southeast and North end pumping stations. Our goal is to perform all work in accordance with City, State and Federal rules and regulations, including the City's Sewer Comprehensive Plan and the Growth Management Act.

Service and Products:

Sanitary Sewer Collection System

- Regular cleaning of collection system with high-pressure jetting and vacuum process over a 5 year cycle
- Clean manholes and special catchbasins on appropriate schedules
- Use special T.V. camera to inspect lines that have roots or breaks causing problems in normal flow

Sanitary Sewer Pump Stations

- Operate and maintain pumping station facilities, including auxiliary power systems
- Operate and maintain telemetry system
- Maintain wet wells

KEY PERFORMANCE MEASURES - 1

Cleaning of Sewer Collection System

DESCRIPTION	Break up and remove undesirable debris from the sanitary collection system using a jet truck.
CITY PRIORITIES	Priority 3.1 – The community will support reliable public infrastructure and protect its considerable public investments (e.g. water, sewer, stormwater utilities, streets, parks, buildings).
GOAL	Clean the sanitary sewer system on a five-year schedule. Additionally, clean all known problem lines three times annually.
OBJECTIVE	Reduce amount of unexpected backups on known problem lines to zero. Reduce claims for damage due to backups on known problem lines to zero. Clean one fifth of the sanitary sewer system each year.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Staff hours	1,600	1,600	1,600	1,600	1,600
	Equipment costs	$29,500	$29,500	$30,500	$31,000	$31,000
Output	Number of linear feet of problem lines cleaned	40,000	61,000	25,000	40,000	40,000
	Total number of linear feet cleaned (including problem lines)	102,000	75,000	90,000	102,000	102,000
	Number of claims paid due to problem lines	1	1	1	1	1
Outcome	Percentage of the system cleaned annually	20%	15%	18%	20%	20%
	Number back ups on known problem lines	2	1	2	1	1

Storm Drainage Services

Description:

There are over 3,000 catchbasins and 285,000 feet of storm lines on Mercer Island. Our goal is to comply with State and Federal regulations affecting storm water quality by performing maintenance using our established standards. Operations and Maintenance (O&M) programs are necessary to protect property from flooding and to prevent pollutants and sediments that have been captured by stormwater facilities from being washed into the lake during storm events. The Storm Drainage Utility relies heavily on contracted services to perform many of these operations.

Services and Products:

- Clean catch basins through contracted vactor services and by hand. Repair or replace broken frames and grates; Install small sections of new pipe or upgrade existing drainage systems
- Clean out debris in open ditches using in-house and contracted services
- Inspect and clean, where necessary, the 285,000 feet of storm drain lines every year
- Perform pre-storm and post-storm inspections to ensure proper operation of the system
- Coordinate the installation and maintenance of erosion control measures in watercourses

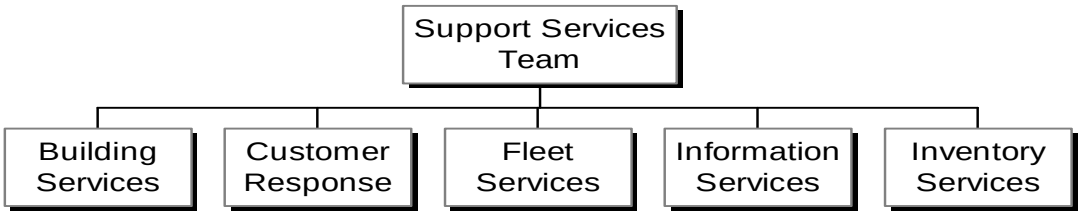
Maintenance Department Support Services Team

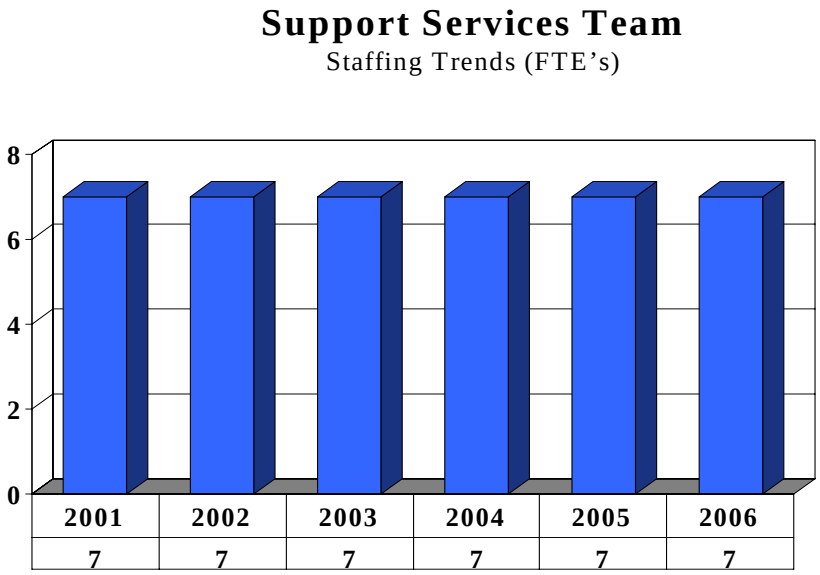
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Team Narrative

SUPPORT SERVICES TEAM

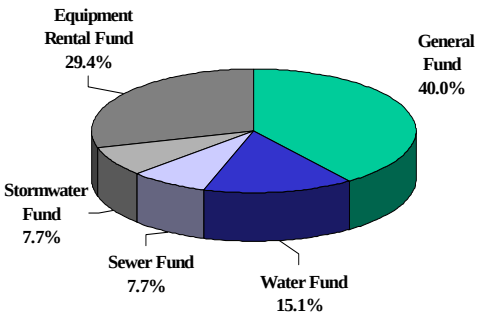
Mission Statement

We provide the essential information and operational needs that primarily support the Utilities, Right-of-Way, and Capital Project Teams, as well as other City Departments. We take pride in providing 24-hour service to our customers.

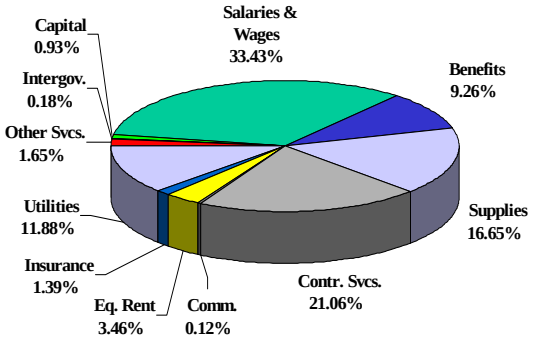




Support Services Team
Sources of Revenue



Support Services Team
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
General Fund	455,257	517,455	517,314	527,000
Water Fund	176,750	193,005	196,073	200,830
Sewer Fund	84,323	103,429	100,201	102,053
Stormwater Fund	72,369	103,429	100,201	102,455
Equipment Rental Fund	325,268	310,399	380,763	372,889
Total Sources:	$1,113,966	$1,227,718	$1,294,552	$1,305,227
Salaries & Wages	398,473	431,257	432,824	445,279
Benefits	97,838	114,922	119,843	122,863
Supplies	174,206	186,000	215,500	205,500
Contractual Services	230,492	242,250	272,650	273,500
Communications	512	2,800	1,500	1,500
Equipment Rental	47,883	48,328	44,774	44,774
Insurance	13,580	9,500	18,000	18,000
Utilities	134,195	147,735	153,735	158,085
Other Services & Charges	14,480	27,550	21,350	21,350
Intergovernmental	2,306	2,376	2,376	2,376
Capital Equipment	0	15,000	12,000	12,000
Total Uses:	$1,113,966	$1,227,718	$1,294,552	$1,305,227

SUPPORT SERVICES TEAM

The Support Services Team supports the field teams with essential information, fleet maintenance, building maintenance, department training, record keeping, inventory and customer response functions. Team production data is collected and coordinated by Support Services with a computerized maintenance management system.

2005 - 2006 TEAM HIGHLIGHTS AND INITIATIVES

Major planned development goals and objectives for the upcoming budget years include:

- Expand the use of the maintenance management system to include fleet management. Create business rules for system usage to link the system to the City's Geographic Information System, Financial Information System, and with other City systems. Expand the use of the maintenance management system for scheduling preventive maintenance.
- Expand inventory accounting of items not currently in warehouse to develop accurate cost centers for cost recovery.

Building Services

Description:

The goal of Building Services is to provide preventive and corrective maintenance to City managed facilities including City Hall, Maintenance Shop, North and South Fire Stations, Thrift Shop, and the Community Center. Approximately two-thirds of building related services are contracted. Examples of contracted services include custodial, landscaping, HVAC, carpet cleaning, painting, and window washing. Building services activities and contracts are coordinated and performed by one FTE.

Services and Products:

- Scheduled preventive building maintenance
- Corrective responses to building maintenance requests
- Planned building improvements and reinvestments
- Coordinated contracted building services
- Safe, professional, effective environments for City services

Customer Response

Description:

Customer requests to the Maintenance Department are coordinated in the field by the Customer Response Team (CRT) for the Utility, Right-of-Way and Environmental Teams. The goal is to provide customers with the appropriate information or maintenance service as quickly and effectively as possible without interrupting scheduled maintenance activities. Managing customer requests separately from scheduled maintenance through Customer Response allows other team members to focus primarily on preventive maintenance. Our service standard is to respond to requests in 24 hours and to resolve requests that can be completed in one hour, by one person, with one truck. Requests which require more resources are scheduled through the appropriate team. The 2.33 FTE's in Customer Response provide field responses to about 2,500 requests per year.

"Top Ten" Customer Responses:

- Check for water leaks
- Locate underground utilities
- Raise or change water meter
- Vegetation control
- Patch pothole
- Check for sewer problems
- Assess health of tree
- ROW Inspections
- 'Clean and Clear' – anything from trash to raccoons
- Miscellaneous and unique customer requests that no one else can answer!

KEY PERFORMANCE MEASURES

Customer Response

DESCRIPTION	The Maintenance Department responds within 24 to 48 hours to priority 1 requests (quick calls from internal and external customers that can be taken are of by one person with one truck in one hour).
CITY PRIORITIES	Priority 2.3 – The community will support effective, efficient and legal delivery of public services.
GOAL	Provide customers with appropriate information or maintenance service as quickly and effectively as possible.
OBJECTIVE	Make a field response to 90% of priority 1 and 2 quick calls within 24 hours. Make a field response to 90% of priority 3 quick calls within 48 hours. Close out 80% of priority 1, 2, and 3 quick calls within 3 days.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Number of full-time employees	2.33	2.33	2.33	2.33	2.33
Output	Number of calls by type:					
	locates	1297	1068	1200	1200	1200
	water leaks / check for repairs	243	266	260	250	250
	raise / change meters	130	85	100	100	100
	repairs	43	53	50	50	50
	assess/inspect	71	55	50	50	50
Outcome	Percentage response to priority 1 and 2 CRT calls with in 24 hours	94%	94%	90%	90%	90%
	Percentage response to priority 3 calls address within 48 hours	90%	87%	90%	90%	90%
	Percentage priority 1, 2 and 3 quick calls closed out with in 3 days	87%	85%	80%	80%	80%

Fleet Services

Description:

The City of Mercer Island relies on its fleet of cars and trucks for much of its service delivery. Fleet Services is responsible for making sure City cars and trucks are working effectively. There are over 100 items of rolling stock scheduled for preventive maintenance by in-house staff. Contracting specialized fleet services has allowed staffing to remain at one full-time mechanic.

Example of contracted specialized services:

- Transmission and major engine rebuilds
- Emissions testing
- Propane fuel conversions
- Patrol vehicle set up and extended service plans
- Fire truck repairs
- Large mower repairs

Information Services

Description:

Support Services manages the Department's operating data. The goal of Information Services is to provide costs associated with product delivery, improve customer service through monitoring request information, perform system administration for the Maintenance Management System (Webwork), provide accurate personnel record-keeping, and coordinate department training. Information services activities are performed by one FTE.

Services and Products:

- Manage equipment rental data
- Perform system administration for Webwork system
- Record status of customer requests
- Record labor, materials and other costs to cost centers
- Personnel time- and record-keeping, coordinate departmental training
- Record and report on product measures
- Process purchase orders

Inventory Services

Description:

The Maintenance Department relies on having 80 % of its operating supplies on hand to carry out work assignments and emergency response. The "Maintenance Store" consists of over $250,000 of materials in 35,000 square feet of space. Inventory Services goal is to lessen the time spent by team members acquiring materials from outside sources so that their focus remains on completing their work. Warehouse services are performed by one FTE.

Services and Products:

- Water, sewer and storm drainage materials
- Custodial supplies
- Landscaping and athletic facilities supplies
- Power and hand tool check-out
- Lumber, hardware, and paint
- Safety supplies
- Electrical and plumbing supplies
- Concrete, asphalt, gravel and other construction materials
- Uniforms for regular and seasonal employees

Maintenance Department Team Totals

Team Operating Budgets
Total Maintenance Budget
Maintenance Budget by Fund Source
Sources of Revenue by Team

MAINTENANCE TEAM TOTALS

BACKGROUND

The Maintenance Department has a work-based structure both for operations and for financial information. The structure encompasses activities that are funded from five different City Funds: the General Fund, Water Fund, Sewer Fund, Stormwater Fund, and Equipment Rental Fund. The financial tables that follow present the financial information in a variety of ways to answer a number of very different financial questions.

Maintenance Team Operations Budgets 2005-2006

The first two tables show the operating costs of each of the four maintenance teams. They answer the basic question of "What do Maintenance Operations cost the City?" They include only direct team operating costs. They exclude the general administrative overhead that is charged to the Utilities as well as the costs of buying water from Seattle and the METRO sewage disposal charges.

Maintenance Total Budgets 2005-2006

These two tables include all the team operations costs from the tables above, as well as all the indirect costs that are part of the costs of the water and sewer utilities, but are not directly related to a team product budget. These include the Seattle Water charge, the METRO sewage charges, taxes, insurance debt payments, and city administrative charges. These charts answer the question "What is the total budget of the Maintenance Department including all utility related costs?"

Matrix of Fund Sources, Total Maintenance Budget and Sources of Revenue by Team

These tables show the five funds that make up the revenue sources for the total Maintenance Utilities budget. These tables answer the question "Where do the revenues come from to finance the total Maintenance/Utilities budget and how does it compare to last year?”

2005 MAINTENANCE TEAM OPERATING BUDGET

Description	Right-of-Way Team	Utilities Team	CIP Team	Support Services Team	Total All Teams
Salaries & Wages	447,452	788,594	329,980	432,824	1,998,850
Benefits	118,974	212,776	87,685	119,843	539,278
Supplies	67,500	226,700	2,800	215,500	512,500
Contractual Services	184,800	256,500	10,000	272,650	723,950
Communications	2,000	31,300	2,050	1,500	36,850
Equipment Rental	140,152	165,003	12,515	44,774	362,444
Insurance	0	0	0	18,000	18,000
Utilities	107,000	108,500	0	153,735	369,235
Other Services & Charges	7,200	11,650	6,770	21,350	46,970
Intergovernmental	0	0	0	2,376	2,376
Capital	0	0	0	12,000	12,000
Total	**$1,075,078**	**$1,801,023**	**$451,800**	**$1,294,552**	**$4,622,453**

2006 MAINTENANCE TEAM OPERATING BUDGET

Description	Right-of-Way Team	Utilities Team	CIP Team	Support Services Team	Total All Teams
Salaries & Wages	467,452	819,801	395,820	445,279	2,128,352
Benefits	124,574	222,355	100,345	122,863	570,137
Supplies	67,500	226,700	2,800	205,500	502,500
Contractual Services	184,800	236,500	10,000	273,500	704,800
Communications	2,080	30,300	2,050	1,500	35,930
Equipment Rental	140,152	165,003	12,515	44,774	362,444
Insurance	0	0	0	18,000	18,000
Utilities	107,000	108,500	0	158,085	373,585
Other Services & Charges	7,200	12,150	6,770	21,350	47,470
Intergovernmental	0	0	0	2,376	2,376
Capital	0	0	0	12,000	12,000
Total	**$1,100,758**	**$1,821,309**	**$530,300**	**$1,305,227**	**$4,757,594**

2005 TOTAL MAINTENANCE BUDGET

Description	All Teams	Utility Indirect Charges	Total
Salaries & Wages	1,998,850	107,971	2,106,821
Benefits	539,278	28,555	567,833
Supplies	512,500	16,000	528,500
Contractual Services	723,950	272,600	996,550
Communications	36,850	22,000	58,850
Equipment Rental	362,444	3,642	366,086
Insurance	18,000	126,000	144,000
Utilities	369,235	3,000	372,235
Other Services & Charges	46,970	238,200	285,170
Intergovernmental	2,376	20,500	22,876
City Administration	0	567,571	567,571
Metro/Water	0	4,015,641	4,015,641
Capital Equipment	12,000	5,000	17,000
Bond Redemption-Principal	0	184,249	184,249
Bond Redemption-Interest	0	7,580	7,580
Total	**$4,622,453**	**$5,618,509**	**$10,240,962**

2006 TOTAL MAINTENANCE BUDGET

Description	All Teams	Utility Indirect Charges	Total
Salaries & Wages	2,128,352	111,009	2,239,361
Benefits	570,137	29,429	599,566
Supplies	502,500	16,000	518,500
Contractual Services	704,800	207,700	912,500
Communications	35,930	22,000	57,930
Equipment Rental	362,444	3,642	366,086
Insurance	18,000	126,000	144,000
Utilities	373,585	3,000	376,585
Other Services & Charges	47,470	238,400	285,870
Intergovernmental	2,376	20,500	22,876
City Administration	0	578,532	578,532
Metro/Water	0	4,260,769	4,260,769
Capital Equipment	12,000	5,000	17,000
Bond Redemption-Principal	0	296,749	296,749
Bond Redemption-Interest	0	56,425	56,425
Total	**$4,757,594**	**$5,975,155**	**$10,732,749**

MAINTENANCE BUDGET BY FUND SOURCE
2003-2006 COMPARISON

Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Water Fund	$2,926,818	$3,160,437	$3,243,778	$3,223,614
Sewer Fund	3,537,343	3,593,865	4,007,473	4,489,259
Stormwater Fund	735,848	825,801	866,156	843,679
Equipment Rental Fund	325,268	310,399	380,763	372,889
Street Fund	68,757	75,718	120,500	145,500
General Fund				
Right-of-Way Maintenance	972,975	1,213,189	1,182,495	1,210,429
Building Maintenance	363,216	407,441	409,897	417,329
Solid Waste Admin.	30,117	26,900	29,900	30,050
Total	**$8,960,341**	**$9,613,751**	**$10,240,962**	**$10,732,749**

SOURCES OF REVENUE BY TEAM
2003-2006 COMPARISON

Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Right-of-Way Team	**$880,934**	**$1,103,175**	**$1,075,078**	**$1,100,758**
General Fund	880,934	1,103,175	1,075,078	1,100,758
Utilities Team	**$1,536,740**	**$1,650,859**	**$1,801,023**	**$1,821,309**
Water Fund	689,530	750,920	829,502	835,234
Sewer Fund	480,408	493,309	558,261	568,121
Stormwater Fund	366,803	406,630	413,260	417,954
Support Services	**$1,113,966**	**$1,227,718**	**$1,294,552**	**$1,305,227**
General Fund	455,257	517,455	517,314	527,000
Water Fund	176,750	193,005	196,073	200,830
Sewer Fund	84,323	103,429	100,201	102,053
Stormwater Fund	72,369	103,429	100,201	102,455
Equipment Rental Fund	325,268	310,399	380,763	372,889
Capital Proj Mgmt Team	**$274,884**	**$234,572**	**$451,800**	**$530,300**
Street Fund	68,757	75,718	120,500	145,500
Water Fund	80,647	23,418	124,100	101,800
Sewer Fund	57,463	72,718	96,000	203,000
Stormwater Fund	68,018	62,718	111,200	80,000
Utility Indirect	**$5,153,816**	**$5,397,427**	**$5,618,509**	**$5,975,155**
Water Fund	1,979,892	2,193,094	2,094,103	2,085,750
Sewer Fund	2,915,149	2,924,409	3,253,011	3,616,085
Stormwater Fund	228,659	253,024	241,495	243,270
Solid Waste	30,117	26,900	29,900	30,050
Total	**$8,960,341**	**$9,613,751**	**$10,240,962**	**$10,732,749**

Equipment Rental Fund

Background
Highlights and Initiatives
Financial Statement
Equipment Information

EQUIPMENT RENTAL FUND

INTRODUCTION

The Equipment Rental Fund provides for the management, maintenance, replacement and administration of activities in support of the City's vehicles and associated equipment. The City fleet is operated by the Support Services Team in the Maintenance Department. On the following pages is a brief overview of the Equipment Rental Fund, which includes highlights and initiatives for 2005-2006. Included on the following pages is a financial statement for the Equipment Rental Fund. Also included following the financial statement is a discussion of the original purchase costs and projected replacement costs of vehicles and equipment in the fund, followed by a roster of the vehicles and equipment used by each of the City's departments in carrying out their operations.

BACKGROUND

The purpose of the Equipment Rental Fund is to manage maintenance and replacement funds to ensure sufficient dollars are available to meet the City's ongoing vehicle and equipment needs. There are two separate service components to the Equipment Rental Fund. The replacement function provides asset management and the accumulation of resources for future replacement of existing assets. The operations function provides maintenance, fuel and other fleet support activities. Separate rates are established for each service.

The Equipment Rental Fleet Policy provides the uniform operating policies and procedures for funding, acquisition, maintenance, and surplus/disposal of the City's fleet. Primary oversight and direction of the Equipment Rental Fund is provided by the Equipment Rental Committee, which is staffed by representatives from each department. The Committee reviews costs on a quarterly basis, approves changes to the fund before they are presented to Council, and creates policy. Final authority comes from the City Manager. The Finance and Maintenance Departments manage the administration of the Fund. The City's mechanic provides basic maintenance activities, while specialized services such as major engine work, brake jobs, fire equipment maintenance, and emissions testing are provided through contracted services. Contracting these specialized services has allowed mechanic staffing to remain at one full-time position.

2005-2006 EQUIPMENT RENTAL HIGHLIGHTS AND INITIATIVES

- Continue to outsource specialized services and keep mechanic staffing at one full-time position
- Review each piece of equipment for serviceability before it is replaced
- New (additional) pieces of equipment must be reviewed and approved by the Equipment Rental Committee before they are presented to Council
- Implement a new fleet management software system

EQUIPMENT RENTAL FUND INCOME STATEMENT

DESCRIPTION	2003 Actual	2004 Estimate	2005 Budget	2006 Budget
Revenues				
Charges for Services & Vehicles	$ 756,417	$ 756,419	$ 790,431	$ 790,431
Contributions for Radios	27,491	27,491	27,667	27,667
Sale of Fixed Assets	29,415	12,000	-	-
Total Revenues	$ 813,323	$ 795,910	$ 818,098	$ 818,098
Operating Expenses				
Salaries and Benefits	$ 66,540	$ 71,937	$ 73,413	$ 75,539
Supplies	151,298	151,500	181,000	171,000
Contractual Services	79,791	65,000	97,000	97,000
Equipment Rental	12,231	10,462	8,350	8,350
Other Services and Charges	1,827	2,000	3,000	3,000
Insurance	13,580	9,500	18,000	18,000
Total Operating Expenses	$ 325,267	$ 310,399	$ 380,763	$ 372,889
Net Income	$ 488,056	$ 485,511	$ 437,335	$ 445,209
Other Financial Sources (Uses)				
Vehicle Replacements	$ (171,934)	$ (450,252)	$ (460,000)	$ (190,000)
Total Sources (Uses)	$ (171,934)	$ (450,252)	$ (460,000)	$ (190,000)
Net Increase (Decrease) in Working Capital	$ 316,122	$ 35,259	$ (22,665)	$ 255,209
Working Capital				
Beginning Working Capital	$ 1,968,981	$ 2,285,103	$ 2,320,362	$ 2,297,697
Net Increase (Decrease)	316,122	35,259	(22,665)	255,209
Ending Working Capital	$ 2,285,103	$ 2,320,362	$ 2,297,697	$ 2,552,906

EQUIPMENT RENTAL EQUIPMENT INFORMAITON

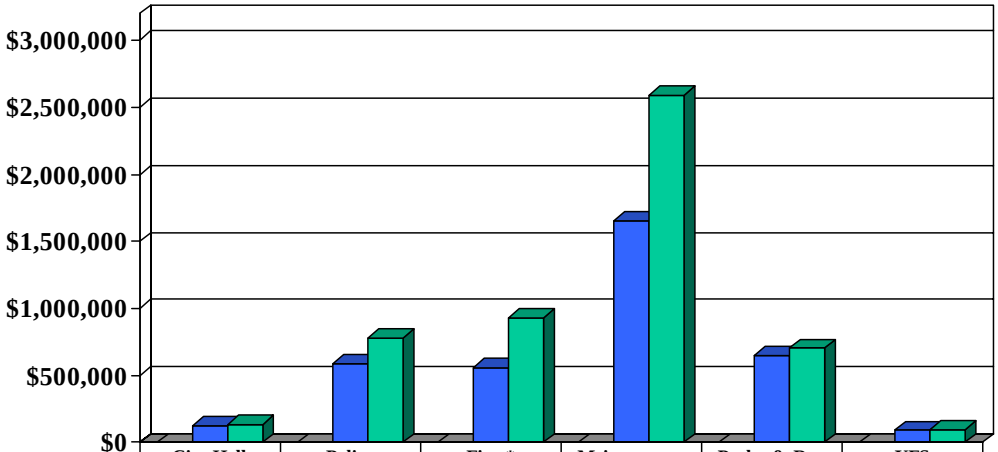
CURRENT VALUE AND PROJECTED REPLACEMENT COSTS

The Equipment Rental Committee annually reviews the current value and projected replacement cost of all City owned vehicles and equipment. Current value is based on the original purchase price. The projected replacement cost for City owned vehicles and equipment is reviewed annually and contribution rates are revised to insure adequate funding for future replacements.

The table below shows the original purchase costs and projected replacement costs of equipment in the Equipment Rental Fund. While the larger Fire Division equipment (7 trucks) are included in the number of vehicles, they are not reflected in the purchase cost or projected replacement cost figures. This is because they were purchased through a 1.5 million voted bond issue in 1984, and the exact equipment that will be purchased in the future has not yet been identified. Replacement costs for fire trucks could cost between 3 and 3.5 million dollars.

Equipment Valuation

Current Value and Projected Replacement Cost



	City Hall	Police	Fire *	Maintenance	Parks & Rec	YFS
Number of Vehicles	9	17	18	45	38	6
Purchase Cost	128,276	586,262	556,999	1,658,854	652,548	93,105
Replacement Cost	135,311	780,077	932,866	2,593,699	705,941	95,737

** Note: Purchase and Replacement Costs for Fire Vehicles do not include the 7 Fire Trucks purchased in 1984.*

ROSTER OF EQUIPMENT RENTAL VEHICLES AND EQUIPMENT

Department / Team	Description		Number of Units
Development Services Group	6 Passenger Vehicles		6
General Fund	2 Passenger Vans		2
Finance	1 Pickup		1
Public Safety Police	5 Patrol Units	1 SUV	
	4 Unmarked Vehicles	1 Dare Vehicle	
	2 Marine Patrol Boats	1 Radar Trailer	
	2 Passenger Vehicles	1 Pickup	17
Public Safety Fire	3 Aid Units	2 Utility Trailers	
	2 Passenger Vehicles	1 Rescue Vehicle	
	7 Fire Trucks	3 Suburbans	18
Maintenance R-O-W Team	3 Pickups	1 Boom Truck	
	1 Asphalt Heater	1 Patcher	
	1 Street Sweeper	1 Grader	
	1 Loader	1 Backhoe	
	2 Tractors	1 Street Roller	
	1 Utility Van	1 Utility Trailer	
	1 Mowers	1 Chipper	
	1 Trucks	2 Dump Trucks	
	1 Brusher Attachment		21
Maintenance Utility Team	1 Cargo Van	2 Dump Trucks	
	1 Jet/Vactor Truck	5 Pickups	
	1 Truck	1 Service Van	
	1 Sewer Camera	1 Backhoe	
	1 Pipe Puller	1 Air Compressor	15
Maintenance Support Services	8 Pickups	1 Forklift	9
Parks Maintenance Team	10 Pickups	3 Trucks	
	3 Mowers	3 Utility Vehicles	
	3 Tractors	7 Turf Vehicles	
	2 Trailers	1 Seeder	
	2 Sweepers		34
Parks & Recreation	1 Passenger Van	1 Bus	
	1 Passenger Vehicle	1 Pickup	4
Youth & Family Services	1 Passenger Car	5 Passenger Vans	6
	TOTAL		129

Utilities Funds

Introduction
Emerging Issues
Financial Statements
Financial Policies

UTILITIES FUNDS

INTRODUCTION

On the following pages is listed some important information about the Utilities as a whole. The next section lists the emerging issues for the Utilities due to regional activities. Starting on page F – 54 are financial statements for each of the Utilities – Water, Sewer, and Stormwater. The last section, beginning on F – 57 lists the Financial Policies that were approved by the Utility Board in 1992 and which help govern the financial decisions of the staff in setting rates.

EMERGING ISSUES FOR THE UTILITIES

During the 2005-2006 Biennium, Mercer Island's utilities will undergo fiscal impacts caused by developments elsewhere in the region and new state and federal regulations. The continued pace of development in the greater Puget Sound area is driving local governments to plan and develop new utility infrastructure, manage endangered natural resources, and develop new resources to replace dwindling water supplies. Each of the City's utilities will be affected differently. The following summarizes the emerging issues on the horizon for each utility.

Sanitary Sewer

King County is attempting to control the growing demand for sewage treatment capacity in the region through a new Regional Inflow/Infiltration (I/I) Control Program that was included in the 1999 Regional Wastewater Services Plan (RWSP). I/I is a term used to describe clean storm runoff and/or groundwater that enters the sewer system through cracked pipes, leaky manholes, or improperly connected storm drains. Most inflow comes from stormwater and most infiltration comes from groundwater. I/I has a major effect on the size of King County's conveyance and treatment systems and, ultimately, the rate businesses and residents pay to operate and maintain them.

This I/I Control Program is designed to determine where I/I comes from, establish that it is cost-effective to remove I/I, and recommend actions to actively control I/I in the future. This is a five-year program and is based on a cooperative partnership between King County and 34 local component agencies including Mercer Island. It is designed to:

- Meter and identify I/I in the overall system
- Conduct pilot I/I control projects
- Evaluate financial options and solutions
- Design a long-term control program for the Local Agencies and King County

The purpose of the pilot projects is to evaluate the effectiveness of various rehabilitation techniques and to document the effectiveness of specific pilot projects in reducing excessive I/I flows in the King County conveyance and treatment system. Successes can be used as models for future projects. The original contract scope anticipated 10 pilot projects with $13.2 million

reserved for project design and construction. Mercer Island was the recipient of one such project in 2003. About 16,000 linear feet of leaky mains were lined during a $1.2 million project comleted by King County in the East Seattle neighborhood.

An update of the City's General Sewer Plan was completed in 2002. The Plan is the guide for future capital budget planning.

The long-discussed Sewer Lakeline Replacement Project is underway. The feasibility study for the project was completed in 2002. Design and permitting continued throughout 2003-2004 and is expected to continue into 2005. This will be the Island's largest sewer capital project in decades. Permitting for this work in Lake Washington will be a challenge as a result of the recent listing of the Puget Sound chinook salmon as a threatened species under the Endangered Species Act and the issuance of the 4d rule.

A sewer rate analysis was conducted in 2003, and was reviewed again in 2004. The analysis looked at the rate impacts of the capital projects identified in the General Sewer Plan, particularly the Lake Line Replacement Project, as well as operation and maintenance costs associated with the utility. This was the first formal rate analysis in a decade.

Solid Waste

The King County Solid Waste Division remains the primary provider of waste transfer and landfill services for suburban cities. Collection services, including garbage recycling and yard waste, on the Island are provided under the City's contract with Eastside Disposal Service, which does not terminate until 2009. The County provides grant funding that provides the two special recycling events held each year on Mercer Island.

An update of the King County Comprehensive Solid Waste Management Plan was completed in late 2001 in partnership with suburban city staff and elected officials. The plan includes several major policy recommendations. One key recommendation is to continue using the Cedar Hills Regional Landfill until it reaches its permitted capacity in 2012. Following closure, waste will have to be exported to a facility outside King County. Planning for the eventual export of the County’s waste began in earnest in 2004 and will continue into 2005.

The Plan also identifies strategies for keeping rates low and stable for the next two decades, and outlines upgrades to the transfer system to meet regional demands for capacity and service. The Factoria Transfer Station is scheduled for a $25 million upgrade that could be completed as soon as 2006. This upgrade will allow additional services to be provided that will benefit Island residents, such as expanded collection of bulky yard debris. Another new service benefiting Island residents, the collection of household hazardous waste, became available at the Factoria Transfer Station in September of 2002.

Stormwater

Municipal storm and surface water utilities throughout the region are working to comply with new requirements evolving from the listing of the Puget Sound chinook salmon as a threatened

species under the Endangered Species Act (ESA) in 1999. At the same time, they also are facing the implementation of new Phase II National Pollution Discharge Elimination System (NPDES) requirements.

On the ESA front, watershed planning is well under way for Water Resource Inventory Area (WRIA) 8, the Water Resource Inventory Area that encompasses parts of King and Snohomish counties along with 24 cities. The end result is expected to be a Salmon Conservation Plan based on best available science that provides a long-term strategy for bringing salmon off the list of threatened species. This planning effort is being funded by jurisdictions throughout WRIA 8. A draft of the plan was released in 2004 and will be formally considered by elected officials from the region in 2005.

NPDES requires cities to implement six "minimum control measures," including public education and involvement about the impacts of stormwater, detection and elimination of polluting discharges, post-construction management of stormwater in redevelopment and new development, and "good housekeeping" efforts for municipal operations.

Water

The Cascade Water Alliance (Cascade) formed in 1998 with Mercer Island becoming its second member to join. Cascade's formation followed years of work by elected officials in the greater King County region to develop independent water supplies for suburban cities and water districts. Seattle initially supported the formation of a "new entity" to provide water supply outside its city limits. In 1999, a water supply contract negotiated by Seattle and the group that became Cascade failed to gain enough support (75% of Seattle's 27 wholesale Purveyors) to be accepted by Seattle. Today Seattle's policy is that they will continue to own, operate and control the Seattle water supply system. They offered new wholesale contracts to individual or groups of water utilities for either full or partial water supply requirements.

In late 2002, Cascade adopted a new interlocal agreement for its members that heightened the potential for near-term water shortages and large capital expenditures for development of new supply. In January 2003 the Utility Board and city staff recommended that Mercer Island withdraw from the Cascade Water Alliance on the belief that Seattle's water system is a more certain supply for the City of Mercer Island's low-growth needs at lower long-term cost increases for our utility customers.

The City Council agreed and in June 2003 approved a new supply contract with the City of Seattle. Nine wholesale water customers including Mercer Island, who had 30-year contracts now have new 60-year water service agreements with Seattle. Mercer Island has a seat on the Seattle Public Utilities Operating Board that oversees the new wholesale contract.

For water utilities throughout the region, the growing pressure on limited storage capacity has meant a continuing focus on conservation. Mercer Island's Be Responsible conservation campaign, which kicked off in 2001, and will continue through the coming biennium. Be Responsible is designed to complement the Seattle Public Utilities' conservation programs, which are more regional in nature, by targeting residential usage during the summer when

consumption is at its peak. A conservation surcharge on the summer water bills of Island customers is funding Be Responsible.

In 2004, the City completed the Utility Vulnerability Assessment and Emergency Response Plan required by the Bioterrorism Preparedness and Response Act of 2002. This work highlighted the importance of creating more drinking water storage on the Island. During the next biennium, the City will examine the feasibility of different approaches to accomplish this and develop a funding strategy.

WATER FUND INCOME STATEMENT

DESCRIPTION	2003 Actual	2004 Estimate	2005 Budget	2006 Budget
Revenues				
Sales/Service	$ 3,261,784	$ 3,126,300	$ 3,067,300	$ 3,161,300
Conservation Surcharge	133,277	75,000	75,000	75,000
Meter Installations	121,543	110,000	110,000	110,000
Connection Charges	110,857	185,000	185,000	185,000
Interest	24,476	30,000	40,000	50,000
Total Revenues	**$ 3,651,937**	**$ 3,526,300**	**$ 3,477,300**	**$ 3,581,300**
Operating Expenses				
Salaries and Benefits	$ 651,600	$ 673,116	$ 732,485	$ 764,027
Supplies	126,621	157,700	162,800	162,800
Purchased Water	1,334,191	1,450,000	1,390,000	1,430,000
Contractual Services	89,379	181,200	205,900	131,000
Equipment Rental	73,412	73,137	84,510	84,510
Other Services and Charges	133,274	190,782	133,344	133,906
Insurance	43,000	43,000	43,000	43,000
Taxes	170,936	139,000	139,000	139,000
City Administration	210,027	215,354	214,908	219,840
Total Operating Expenses	**$ 2,832,440**	**$ 3,123,289**	**$ 3,105,947**	**$ 3,108,083**
Net Income	**$ 819,497**	**$ 403,011**	**$ 371,353**	**$ 473,217**
Other Financial Sources (Uses)				
Debt Service	$ (13,731)	$ (13,731)	$ (13,731)	$ (13,731)
Capital Projects	(886,571)	(647,485)	(975,000)	(430,000)
Capital Project Management	(23,839)	(22,718)	(55,100)	(52,800)
Interfund Trsf - CIP (Tech/Bldg)	(75,241)	(30,000)	(10,000)	(10,000)
Total Sources (Uses)	**$ (999,382)**	**$ (713,934)**	**$(1,053,831)**	**$ (506,531)**
Net Increase (Decrease) in Working Capital	**$ (179,885)**	**$ (310,923)**	**$ (682,478)**	**$ (33,314)**
Working Capital				
Beginning Working Capital	$ 2,139,873	$ 1,351,489	$ 1,040,566	$ 329,868
Net Increase (Decrease)	(179,885)	(310,923)	(682,478)	(33,314)
Ending Working Capital	**$ 1,959,988**	**$ 1,040,566**	**$ 358,088**	**$ 296,554**
Less: Fiscal Policy Reserves	(608,499)	-	(28,220)	(438)
Working Capital Available	**$ 1,351,489**	**$ 1,040,566**	**$ 329,868**	**$ 296,116**

SEWER FUND INCOME STATEMENT

DESCRIPTION	2003 Actual	2004 Estimate	2005 Budget	2006 Budget
Revenues				
Sales/Service	$ 3,892,037	$ 3,959,100	$ 4,333,540	$ 4,701,600
Interest	58,284	45,000	43,300	52,000
Total Revenues	**$ 3,950,321**	**$ 4,004,100**	**$ 4,376,840**	**$ 4,753,600**
Operating Expenses				
Salaries and Benefits	$ 403,578	$ 419,269	$ 453,238	$ 467,481
Supplies	51,036	38,200	51,500	51,500
Contractual Services	78,643	99,700	139,000	128,000
Metro Charges	2,395,575	2,400,000	2,625,641	2,830,769
Equipment Rental	63,003	62,942	41,844	41,844
Other Services and Charges	85,815	102,669	101,824	150,807
Insurance	43,000	43,000	43,000	43,000
Taxes	69,690	60,500	70,000	70,000
City Administration	210,027	215,354	214,908	219,840
Total Operating Expenses	**$ 3,400,367**	**$ 3,441,634**	**$ 3,740,955**	**$ 4,003,241**
Net Income	**$ 549,954**	**$ 562,466**	**$ 635,885**	**$ 750,359**
Other Financial Sources (Uses)				
Proceeds of PWTF Loan	$ -	$ 550,000	$ 450,000	$ 5,000,000
Debt Service	(79,513)	(79,513)	(170,518)	(283,018)
Sewer Lake Line Project	(272,363)	(730,000)	(540,000)	(6,045,000)
Other Capital Projects	(433,297)	(512,500)	(470,000)	(390,000)
CIP Project Management	(27,241)	(22,718)	(56,000)	(58,000)
Interfund Trsf - CIP (Tech/Bldg)	(70,695)	(30,000)	(10,000)	(10,000)
Total Sources (Uses)	**$ (883,109)**	**$ (824,731)**	**$ (796,518)**	**$(1,786,018)**
Net Increase (Decrease) in Working Capital	**$ (333,155)**	**$ (262,265)**	**$ (160,633)**	**$(1,035,659)**
Working Capital				
Beginning Working Capital	$ 4,900,633	$ 1,282,268	$ 1,022,797	$ 836,879
Net Increase (Decrease)	(333,155)	(262,265)	(160,633)	(1,035,659)
Ending Working Capital	**$ 4,567,478**	**$ 1,020,003**	**$ 862,164**	**$ (198,780)**
Less: Fiscal Policy Reserves	(285,210)	2,794	(25,285)	(17,650)
Less: Reserve for Lake Line	(3,000,000)	-	-	930,000
Working Capital Available	**$ 1,282,268**	**$ 1,022,797**	**$ 836,879**	**$ 713,570**

STORM WATER FUND INCOME STATEMENT

DESCRIPTION	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Revenues				
Sales/Service	$ 1,215,041	$ 1,210,000	$ 1,275,340	$ 1,340,380
Other Revenues / Grants	110,674	80,000	80,000	80,000
Interfund Trsf from Street Fund	-	-	-	200,000
Interest	18,363	20,000	25,000	25,000
Total Revenues	**$ 1,344,078**	**$ 1,310,000**	**$ 1,380,340**	**$ 1,645,380**
Operating Expenses				
Salaries and Benefits	$ 265,691	$ 274,882	$ 274,007	$ 281,633
Supplies	29,442	40,750	40,500	40,500
Contractual Services	185,813	252,600	227,100	227,100
Other Services and Charges	29,011	34,200	30,350	30,350
Equipment Rental	43,923	42,200	62,650	62,650
Insurance	40,000	40,000	40,000	40,000
Utilities	16,204	20,000	20,000	20,000
Intergovernmental	11,073	10,594	12,594	12,594
City Administration	46,673	47,857	47,755	48,852
Total Operating Expenses	**$ 667,830**	**$ 763,083**	**$ 754,956**	**$ 763,679**
Net Income	**$ 676,248**	**$ 546,917**	**$ 625,384**	**$ 881,701**
Other Financial Sources (Uses)				
Capital Projects	$(1,266,317)	$ (733,000)	$ (650,000)	$ (950,000)
Capital Project Management	(14,548)	(22,718)	(66,200)	(65,000)
Interfund Trsf - CIP (Tech/Bldg)	(81,618)	(30,000)	(10,000)	(10,000)
Total Sources (Uses)	**$(1,362,483)**	**$ (785,718)**	**$ (726,200)**	**$(1,025,000)**
Net Increase (Decrease) in Working Capital	**$ (686,235)**	**$ (238,801)**	**$ (100,816)**	**$ (143,299)**
Working Capital				
Beginning Working Capital	$ 1,543,918	$ 690,687	$ 450,615	$ 348,502
Net Increase (Decrease)	(686,235)	(238,801)	(100,816)	(143,299)
Ending Working Capital	**$ 857,683**	**$ 451,886**	**$ 349,799**	**$ 205,203**
Less: Fiscal Policy Reserves	$ (63,565)	$ (1,271)	$ (1,297)	$ (1,323)
Less: Reserves for Specific Basins	(103,431)	-	-	-
Working Capital Available	**$ 690,687**	**$ 450,615**	**$ 348,502**	**$ 203,880**

UTILITY FINANCIAL POLICIES

ESTABLISHMENT OF FINANCIAL POLICIES

Starting in the spring of 1992, the Finance Department worked closely with the Utility Board to establish financial policies to guide future rate and budget decisions made for the Utilities. The financial policy analysis consisted of identifying, describing, and to the extent possible, evaluating impacts of various elements of the policies. Elements discussed included types and levels of utility reserves, methods of capital improvement funding, methods of capital replacement funding, rate structure and equity, and related objectives such as water conservation. During their consideration of the financial policies, the Utility Board also considered and approved "levels of service" standards for both the Water and Sewer systems, as required by the Growth Management Act. The approved levels of service were incorporated into the Capital Facilities Plan.

The fiscal policies, which have been approved by the Utility Board, consist of four major categories:

- Reserves - including working capital reserves, capital replacement reserves, contingency, and bond reserves
- Capital Financing Policies
- Revenue Requirements
- Rate and User Charges

Reprinted on the next three pages are the complete text of the fiscal policies. The results of these policies are included in the Water and Sewer Fund Income Statements, which are shown beginning on page F- 54. These policies are also to be reflected in the rate structure, which will ultimately be adopted as part of the budget.

CITY OF MERCER ISLAND
FISCAL POLICIES FOR WATER AND SEWER ENTERPRISES

This document is to be read in conjunction with the Level of Service Standards established for the Water and Sewer Systems. Together they form the basis for 1) the updating of the Comprehensive Plans for both Water and Sewer through the end of the decade; 2) the Capital Facilities Plan prepared as part of the City's Comprehensive Plan in response to the Growth Management Act; and 3) the biannual operating plans for each utility. It is intended that these policies be reviewed periodically; at the minimum each time either the Utility's Comprehensive Plan is updated or when the Capital Facilities Plan is updated.

A. REVENUE REQUIREMENTS

1. Cash Needs

Each utility will establish rates sufficient on an annual basis to meet all utility cash requirements including operating expenses, debt service, additions to reserves and rate-funded capital costs.

2. Coverage

Each utility will establish rates sufficient to meet all security conditions of outstanding debt, including any bond coverage requirements. Typically bond covenants require a minimum coverage factor of 1.25, although the City may elect to establish a higher factor in order to enhance it's potential bond rating. Should the coverage requirement result in a revenue requirement in excess of cash needs, the budget shall identify the use, transfer or addition to reserves intended for the surplus. Such cash surplus cannot be used to meet operating expenses.

If debt is jointly issued, or issued under conditions pledging all utility revenue, the debt service will be allocated to the water or sewer utilities based on the use of bond proceeds, and the coverage requirement will be allocated to each utility based on their share of the debt service.

B. RATES AND USER CHARGES

1. Rate Equity

The City will establish rates and charges, which equitably recover the cost of service from each utility's customers. Changes in rate structure will be accompanied by a cost of service analysis justifying the equity of such changes. Rate structures considered will, to the extent practical and equitable, incorporate other rate objectives as defined in these policies.

2. Conservation

The City wishes to promote efficient and conservative use of water. Therefore, water and sewer rates will, to the extent practical, promote water conservation through an emphasis on volume-

based charges and allocation of the cost of meeting peak demands to those users imposing the cost.

3. Lifeline Rates

The City wishes to provide water and sewer service to meet basic human needs at an affordable level. Therefore, rate structures should consider the opportunity to maintain reasonable water and sewer bills at lifeline usage levels. Features such as volume-based sewer charges, increasing block water rates, and low fixed service costs among others help to promote this objective.

C. RESERVES

1. Operating (Working Capital) Reserve

It is appropriate to maintain sufficient cash reserves to accommodate routine fluctuations in revenues and expenses. The City therefore establishes operating reserves for the water and sewer utilities. Utility budgets will target ending cash balances sufficient to meet the reserve targets. The following operating reserves are established:

- Sewer - 30 days of operating expenses (8.2% of annual operating budget)
- Water - 75 days of operating expenses (20.5% of annual operating budget)

The water reserve has been established at a higher level than sewer to reflect the greater seasonality of revenues and to protect against reduced water sales in wet years or during restrictions.

Should the operating reserves for either utility fall below the target level, or should the target level be increased, additions to the reserve will be budgeted to reach and maintain that level within no more than two budget years.

2. Capital Improvement Reserve

It is considered that both the water and sewer utilities are completed to their capacity and that it is not required or prudent to establish a reserve for capital improvements.

There are, however, water and sewer systems now existing on Mercer Island which are not part of the City Utilities. It is the Board's recommendation not to incorporate those other systems into the City Utilities unless those systems meet the performance standards established for the City's water and sewer utilities.

3. Replacement Reserve

It is prudent to protect the City's multi-million dollar investment in utility assets. The City therefore establishes a capital replacement reserve and funding strategy. These reserves should enable the City to support future replacement needs without extraordinary rate increases, while

recognizing the responsibility of existing customers to fund both current and future replacement needs on a regular basis.

It is intended that all replacement projects that are to be funded on a pay-as-you-go basis be funded from the appropriate replacement reserve. This requires that the City carefully plan and schedule replacement projects so that the integrity of the replacement reserve is maintained.

The following annual contributions to reserves are established:

Water - The minimum capital funding level will be based on the annual depreciation expense for water plant-in-service, adjusted to reflect replacement costs. (Replacement cost estimates are based on a "construction cost index" published by the Engineering News Record.) The annual contributions can be reduced or eliminated once the balance in the replacement reserve is sufficient to meet the program set forth in the approved Capital Facilities Plan.

Sewer - Same formula

4. Contingency (Emergency) Reserve

It is not considered necessary to establish a separate reserve to handle emergency situations in addition to the replacement reserve. It is considered prudent however that the replacement reserve not be scheduled to be less than $100,000. Should situations arise where the replacement reserve does drop below that level due to an emergency, the reserve level should be restored to at least the minimum level within the following budget year.

5. Bond Reserves

It is an obligation of the City to meet reserve requirements of bonds and loans, which it uses for utility purposes. It is the policy of the City to fully fund such reserves as required by bond covenant or loan agreement.

D. FINANCING

1. Capital Facilities Planning

Due to the impact of capital costs on rates and charges and due to the variation in funding levels needed over time, each utility will establish and maintain a capital projects schedule of at least six years in duration. Said schedule will be consistent with the Utility's Comprehensive Plan. This schedule will include project description, scheduled year of construction and total estimated cost. Each project will be identified as an improvement project or a replacement project (including repair and rehabilitation). If projects provide both improvement and replacement benefits, then the schedule will include an appropriate allocation of project costs to the two categories and then use the criteria below for the allocated portions.

2. Improvement Projects

Improvements to the system shall be scheduled and budgeted with consideration of the rate impacts that may result. It is the City's intent to make such improvements without the issuance of new debt, except when opportunities for below market rate loans may arise. However, in the case of projects involving a capital outlay of $500,000 or more per year, the City will evaluate alternatives including phasing, deferral or debt financing as methods to mitigate rate impacts.

3. Replacement Projects

Replacement projects are normally to be funded from the replacement reserve. However, if the funding needs exceed $500,000 per year, the City will evaluate alternatives to total rate funding to mitigate rate impacts. Alternatives to be considered include phasing and/or deferral of projects or debt financing.

SECTION G

GENERAL FUND - REVENUE SUMMARY

Introduction.....G – 1
Property Tax.....G – 3
Sales Tax.....G – 4
Utilities - B & O Taxes.....G – 6
Shared Revenues.....G – 7
Licenses, Permits, and Zoning Fees.....G – 8
Water and Sewer Overhead.....G – 9
All Other Revenues.....G – 10

GENERAL FUND - REVENUE SUMMARY

INTRODUCTION

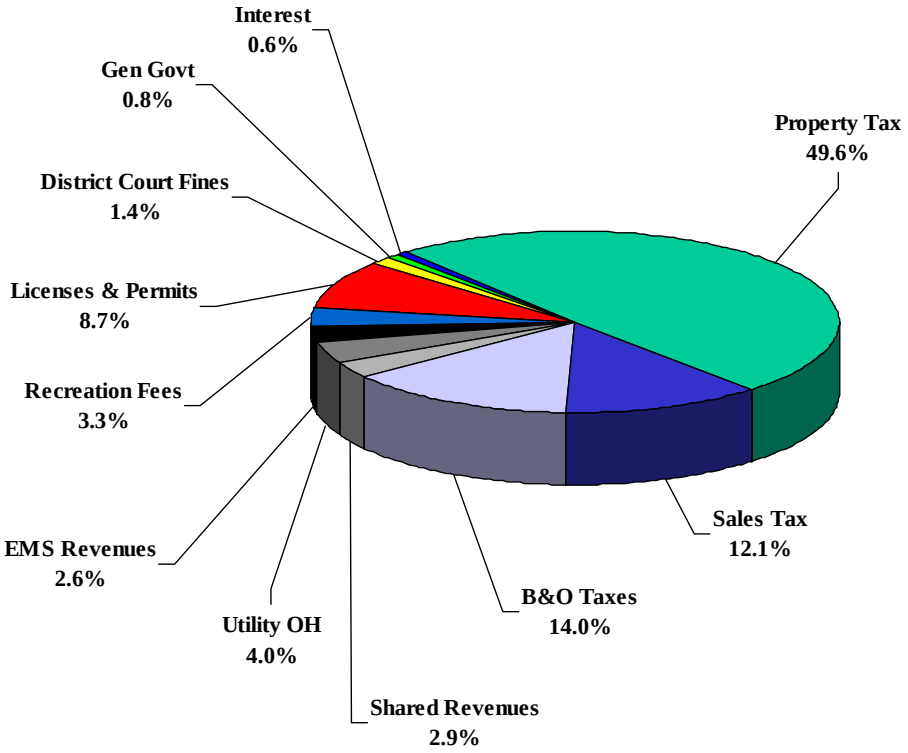
The General Fund is the general operating fund of the City and encompasses the major activities of the City excluding utilities. The activities of fire and police services, street and park maintenance, development services, youth and family services, recreation services, legal and financial services, and general administration are all included in the General Fund. Over the past 10 years, the City has faired well with revenues rising faster than expenditures. The City has enjoyed a number of years of excellent permit activity and this has produced excellent sales tax revenues and additional property tax on new construction. The sales tax activity has slowed, however, along with the somewhat depressed economy, and this budget sees a decrease in the City's overall revenues. On the following pages are descriptions of the City's revenue sources, with graphs of the history of the activity of all the major revenues.

REVENUES

There are four major revenues that comprise 83% of the General Fund budget. These four revenues are the property tax, sales tax, business and utility taxes, and license and permit fees – all of which are over $1 million each year. The importance of the permit category to the General Fund has increased over the past few years as building activity has increased and permit fees were increased to become closer to the cost of doing the work required. Below is a table of all the City's revenues, showing the 2003 actual receipts, the 2004 budget and the 2005 and 2006 budgeted amounts. On G - 2 is a graph depicting the percentages of each of the revenue sources.

REVENUES	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Beginning Fund Balance	1,802,891	891,178	0	0
Property Tax	7,776,612	8,416,000	8,579,375	8,735,635
Sales Tax	2,691,622	2,345,000	2,100,000	2,160,000
Business & Utility Taxes	2,266,915	2,428,000	2,427,000	2,450,000
Shared Revenues	461,495	468,182	502,920	506,160
Utility Overhead	682,727	688,565	687,571	698,532
EMS Revenues	415,889	409,706	456,887	464,904
Recreation Programs	771,479	810,274	568,490	865,035
Youth & Family Service Revenue	689,000	629,463	0	0
Licenses & Permits	1,263,956	1,420,500	1,497,500	1,625,500
District Court Fines	82,212	65,000	250,000	290,000
General Government	204,207	137,700	137,150	137,150
Capital Project Reimbursement	0	0	0	0
Interest	102,156	180,000	100,000	100,000
Interfund Transfer In	98,146	40,000	0	0
Total Revenues:	**$19,309,307**	**$18,929,568**	**$17,306,893**	**$18,032,916**

2005 General Fund Revenues



PROPERTY TAX

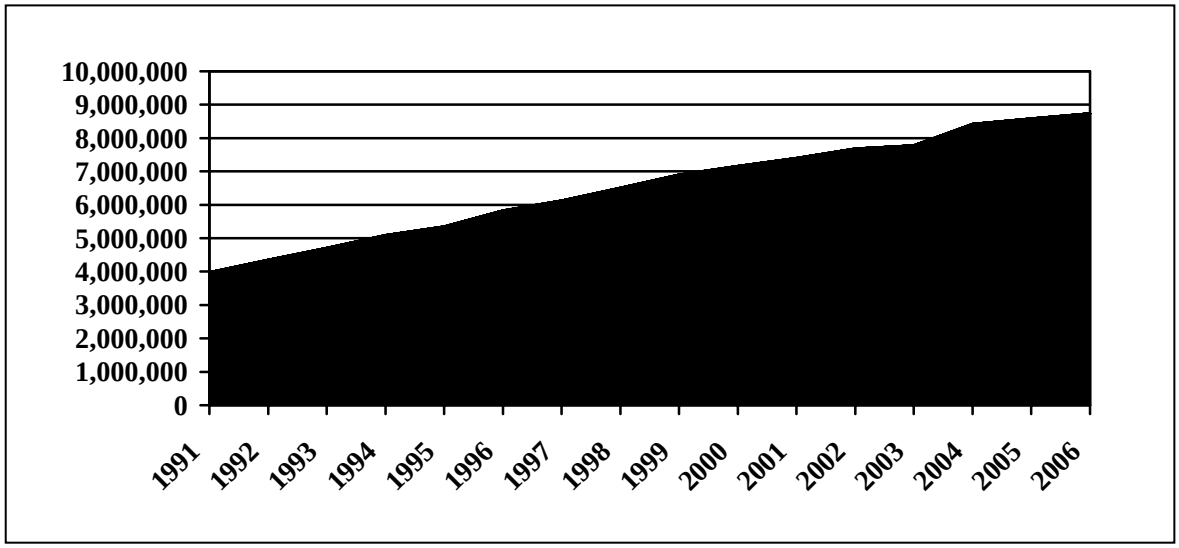
Property Tax plays an essential role in financing operations of the City of Mercer Island, accounting for about 49% of the General Fund budget in 2005 and 2006. In 2004 Mercer Island property owners paid a total of $8,416,000 in property taxes to support general City services. In 2005 they are scheduled to pay about $8,569,000.

There are two types of property tax collected by the City, *levied* and *voter* approved. The *levied* portion may be used for any purpose that the City deems necessary. In Mercer Island as in most cities, the property tax levy supports the General Fund - the general operations of the City. *Voter approved* taxes are for specific purposes, such as the purchase of parks or fire trucks and may not be used for any purpose other than what the voters approved. In 2004 Mercer Island property owners paid a total of $685,000 for voter approved bond issues. In addition, in 2003 voters approved an operations and maintenance levy for the operation of Luther Burbank Park. That levy, which first appeared on the 2004 property tax bills, amounted to $415,000. For information about the voter approved taxes levied by the City, see Section D, Budget Summary, "City Debt" beginning on page D-9.

Each November, as required by Washington State law, the City Council sets the property tax levy for the coming year. Up until November of 1997, this levy was restricted to a maximum of 106 percent of the previous year's levy plus the full levy authority for new construction. However, in 1997, the Washington State Legislature passed Referendum 47 on to the voters of the state who in turn approved it by a 60% majority. This referendum set a limit on property tax increases to be the *lesser of 106% or the rate of inflation, whichever was less.* In 2001, Initiative 747 passed in the State which further changed the property tax law. Initiative 747 limits the property tax levy to a maximum of 101% of the previous years levy, or the rate of inflation, whichever is less. (Since the rate of inflation is normally above 1% the effective limit for property tax will normally be 1%). The initiative also allows higher property tax increases if approved by the voters, a provision that was already in the statutes. Beginning in 1995, before the state law was changed, the Council decided to begin ramping down the property tax increases by .5% per year, with the goal of eventually matching the inflation rate. The Council reached that goal in 1999. Below is a table and chart of the property tax receipts since 1991, including the budgeted increases for 2005 and 2006.

Year	Amount	Year	Amount
1991	$3,978,576	**1999**	$6,849,930
1992	$4,348,442	**2000**	$7,158,934
1993	$4,701,000	**2001**	$7,397,242
1994	$5,083,656	**2002**	$7,602,108
1995	$5,344,355	**2003**	$7,776,612
1996	$5,824,072	**2004**	$8,416,000
1997	$6,065,315	**2005**	$8,579,375
1998	$6,500,000	**2006**	$8,735,635

PROPERTY TAX REVENUE– 1991 - 2006



SALES TAX

Sales Tax revenue until 2000 was made up of two components - regular sales tax and "sales tax equalization". Combined, these revenues accounted for about 16% of the 1999 General Fund budget. In 1999, however, an initiative changed the law and the City no longer receives sales tax equalization (see further discussion below). Sales tax receipts are estimated to be 12% of the 2005 revenues.

Sales and Use Tax - Cities and towns are authorized under 1970 state law to levy a sales and use tax of one-half cent per dollar. In 1982, the State authorized an additional half-cent sales and use tax for cities and towns. Mercer Island levies the full amount allowed.

Sales Tax Equalization - The law that provided for "Sales Tax Equalization" went into effect in 1983. The purpose of sales tax equalization was to provide a means for guaranteeing a minimum amount of sales tax to each city and town in Washington. That allowed cities with little commercial activity, to receive through a combination of the sales tax it "earns" and equalization, at least **70 percent** of the statewide average per capita sales tax. The amount of sales tax equalization each city received was computed on their prior year's sales tax receipts. In 1999, however, Initiative 695 was passed by the voters which eliminated the Motor Vehicle Excise Tax, which was the source of funds for the distribution of sales tax equalization dollars. The effect of the initiative was to bring our total “sales tax” receipts back to the same level that they had been in 1987. This change lost the City about $1,000,000 of revenue per year.

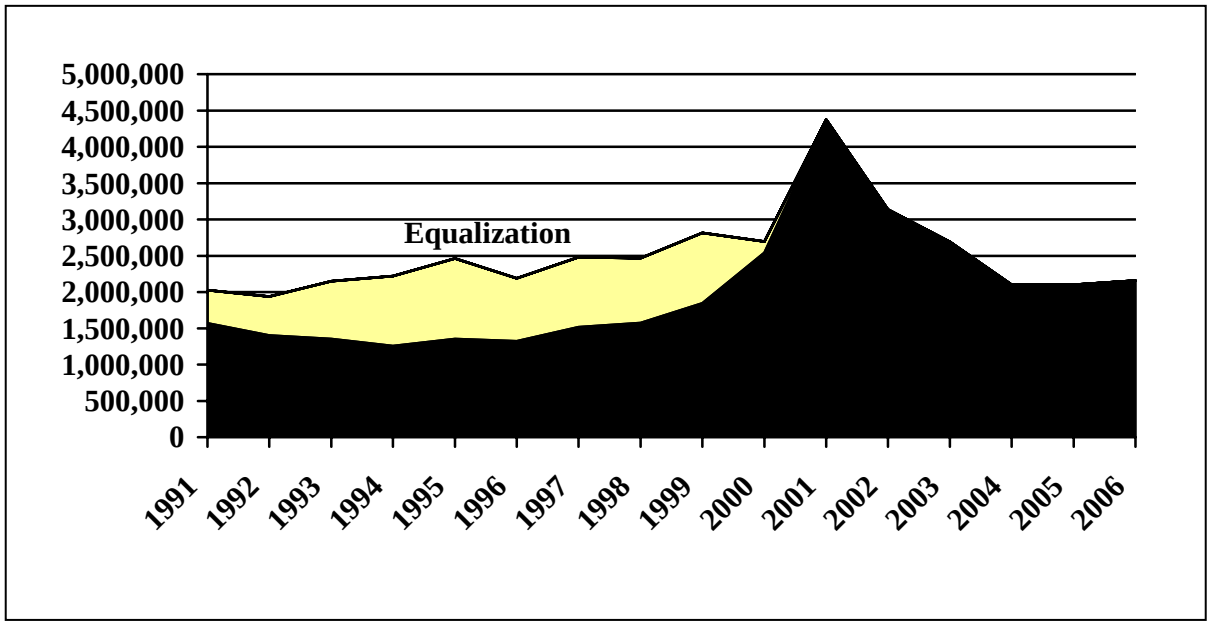
As one can see from the chart on the next page, the City’s sales tax, even with equalization was very uneven and fairly unpredictable. Because of the uncertainty of equalization and the economy during the mid-1990’s, the City used a very conservative figure for predicting sales tax during each biennial budget. This approach was largely responsible for some large cash carryovers during the last two bienniums. However, this approach, which treated any “extra” sales tax revenue as one time windfalls, also allowed the City to put money first for the Fire

Station, which was built without any voted tax increases, and more recently for the new Community Center at Mercerview. More importantly, the City did not plan for long term use of those additional revenues and kept expenditures growing slowly. This conservative approach helped the City weather the demise of the Sales Tax equalization revenue.

For the 2003-2004 biennium, sales tax was predicted fairly aggressively, at $185,000 per month for 2003 and $195,000 per month for 2004. In 2003 and 2004 the City's sales tax receipts did not keep up with the forecast. In 2003, a use tax payment brought the total to slightly better than the budget amount, however, for 2004 we are estimating that we will not make budget. For 2005 and 2006, we have been very conservative in predicting Sales Tax. We used the actual average for 2004 as our prediction for 2005 and 2006.

Year	Sales Tax	Equalization	Total	Year	Sales Tax	Equalization	Total
1991	$1,570,090	$458,133	$2,028,223	**1999**	$1,845,161	$968,395	$2,813,556
1992	$1,400,938	$536,465	$1,937,403	**2000**	$2,540,000	$158,178	$2,698,178
1993	$1,350,470	$797,437	$2,147,907	**2001**	$4,376,496	0	$4,376,496
1994	$1,254,845	$965,135	$2,219,980	**2002**	$3,137,059	0	$1,980,000
1995	$1,352,936	$1,107,887	$2,467,428	**2003**	$2,691,622	0	$2,691,622
1996	$1,321,582	$868,634	$2,190,216	**2004**	$2,100,000	0	$2,345,000
1997	$1,513,946	$966,245	$2,480,191	**2005**	$2,100,000	0	$2,100,000
1998	$1,570,792	$896,194	$2,466,986	**2006**	$2,160,000	0	$2,160,000

SALES TAX AND EQUALIZATION RECEIPTS – 1991 - 2006



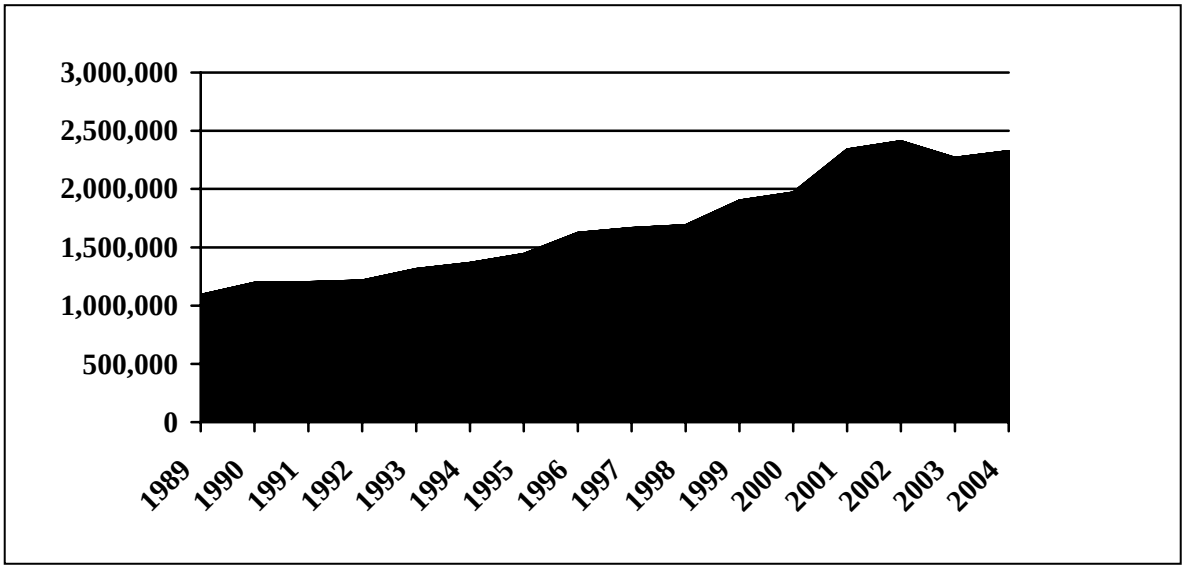
UTILITIES - B & O TAXES

The City charges a tax on the gross receipts of the public and private utilities doing business on Mercer Island. Cities are limited by state law to charging no more than 6% on electric power, gas and telephone utilities. Puget Sound Energy, Washington Natural Gas, US West (Quest), AT & T and a variety of small long distance carriers each pay the city at the 6% rate. Two other major utilities, Eastside Disposal and AT&T Broadband Cable are assessed a 7% tax. The total B & O taxes make up about 14% of the revenues in 2005 and should continue at the same percentage in 2006. Although cities can charge a utility tax on water and sewer utilities, the City of Mercer has not charged such a tax since 1985.

As can be seen from the chart below, the revenue from the utilities taxes has been growing at a rate averaging about 7% from 1991 to 2002, but with large variability from year to year. Six of the years had increases of 4% or less. Because Mercer Island has had a low housing growth rate, the growth in revenues from the utilities is dependent on rate increases by the utilities and on weather conditions that affect the use of gas and electric heat. In 2002, cable companies stopped paying the utility tax on broadband internet services, but the cellular phone industry continued to grow and produce increased revenue. Revenue for 2003 dropped primarily due to a revenue decrease from the gas/electric utility. For 2005 and 2006 we are budgeting for some continued growth in revenue from cellular phone companies.

Year	Amount	Year	Amount
1991	$1,198,512	**1999**	$1,898,546
1992	$1,214,316	**2000**	$1,967,000
1993	$1,311,219	**2001**	$2,337,863
1994	$1,365,000	**2002**	$2,409,176
1995	$1,440,317	**2003**	$2,266,915
1996	$1,621,913	**2004**	$2,325,000
1997	$1,663,792	**2005**	$2,427,000
1998	$1,687,617	**2006**	$2,450,000

UTILITIES BUSINESS AND OCCUPATION TAXES – 1991 - 2006



SHARED REVENUES

This revenue category consists of both State shared revenues and revenues from the County and the Federal Government. It comprises about 2.9% of the total revenue in 2005. After some additional receipts from the State in 2001 and 2002 which have now been discontinued because of the State's fiscal problems, this category has been relatively flat. Below is a brief description of each of the components.

Motor Vehicle Excise Tax/Local Government Assistance – Until 2000, a Motor Vehicle Excise Tax totaling 2% of the market value of a vehicle was collected by the state and a portion of that money was allocated to the cities on a per capita basis. Mercer Island received $299,104 from the MVET in 1999. In 1999, Initiative 695 was passed which abolished this particular tax and in 2000 the City received a total of $56,808 in MVET, which was the last payment to be received. During the 2000 legislative session, the legislature recognized that many governments lost a considerable amount of money from the repeal of the MVET and provided some "backfill" funds for 2000, 2001 and 2002. During 2000, the City received $186,558 in funds and in 2001 received an additional $373,117. In 2002 the City received one last payment of $383,527. Although the legislature originally stated their intention of providing funding in the future, the worsening state economy made it impossible to continue the funding.

Liquor Excise Tax and Liquor Profits - Liquor sales are taxed at the rate of 15% of sales price for individuals and 11.4% for Class H licenses. Cities and towns split 28% of the total collected based on population. Additionally, 32% of the gallonage tax imposed on sales of wine (75 cents per gallon) is allocated to cities and towns. The profits of the Liquor Control Board are divided between the state, counties and cities (after deducting a fixed amount for alcoholism research). The cities split 40% based on population. In 1994, the city received $9.68 per capita from this source. In 2003 we received $9.83. This decrease has occurred as more cities have incorporated and thus each city receives a smaller amount. The estimates for 2005 and 2006 have increased for this first time since 1999.

Marine Patrol Revenue – Revenue for the Marine Patrol Services provided by Mercer Island are included in this category and comes from two sources. First of all is the revenue the City receives from the three cities who contract with Mercer Island to provide service. Second, Mercer Island receives boat tax revenue because it provides Marine Patrol service. The tax is received by the State of Washington and passed on to the City through King County.

Federal Grants – When major storms occur and the area is declared a federal disaster site, the City sometimes receives reimbursement for some of the damage. These storms and the reimbursement is variable and impossible to predict. The federal government is becoming more and more restrictive on the activities for which a City can request payment of those funds.

16 YEAR HISTORY - SHARED REVENUES

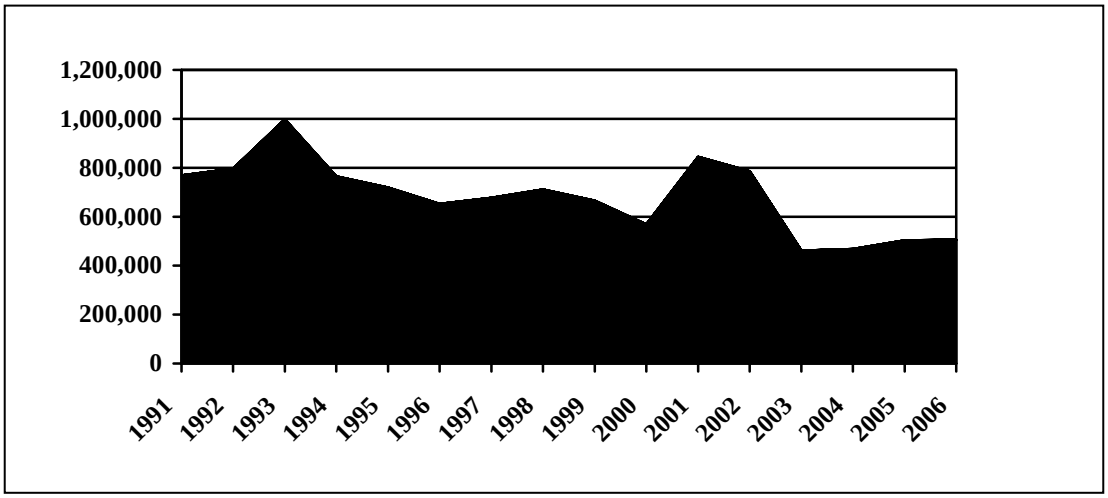
The 16 year history for this category shows quite a variation. In 1992 and 1993 the City received revenue from the State to implement the Growth Management Act, which increased the total revenue for two years. In 1993 the City also received $185,513 from the federal government due to a winter storm. In 2000, due to Initiative 695, the City lost $223,191 of Motor Vehicle excise tax that had been programmed in the budget. At the same time the City received $186,558 from "new" money granted by the State. Because there is so much variability in each of these sources,

each individual component of shared revenues is reviewed and then forecast individually. Shared revenues are about half what they were a decade ago.

16 YEAR HISTORY - SHARED REVENUES

Year	Amount	Year	Amount
1991	$768,343	**1999**	$665,536
1992	$795,604	**2000**	$568,743
1993	$997,875	**2001**	$844,115
1994	$764,355	**2002**	$785,431
1995	$718,302	**2003**	$461,495
1996	$652,101	**2004**	$468,182
1997	$676,706	**2005**	$502,920
1998	$710,930	**2006**	$506,160

SHARED REVENUE – 1991 - 2006



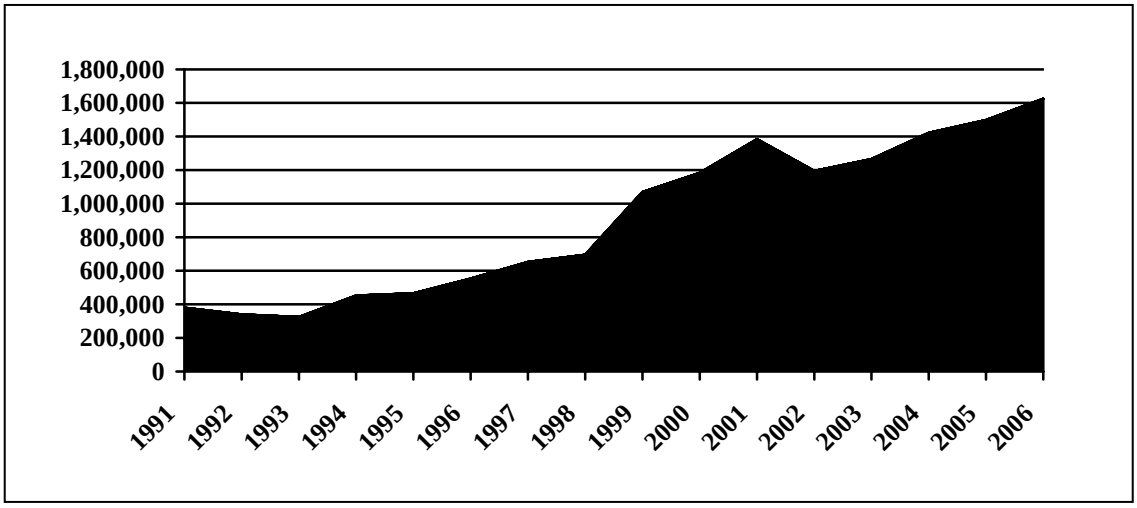
LICENSES, PERMITS, AND ZONING FEES

The last of the Cities four largest revenue categories is “licenses, permits, and zoning fees”. These are the fees charged by the City for building fees and permits. A management and budget policy approved by the Council in 1994 raised the fees to be charged for permits. In 1999, the City had a cost of services study done by an outside consultant and the fees were raised again to more closely match the cost of doing the work. In 1999, 2000, and then 2001 there was a record amount of construction activity generating a high of $1,382,951 in revenues in 2001. After a small decrease in activity in 2002 and 2003, 2004 is again promising to be a banner year. We have forecast continued growth for 2005 as well as adding an increase for planned increases in permit fees in 2006. Also included in this category are the business license fees, that the City also plans to increase in 2006.

18 YEAR HISTORY – PERMIT REVENUES

Year	Amount	Year	Amount
1989	$555,538	**1998**	$694,865
1990	$543,991	**1999**	$1,068,026
1991	$379,855	**2000**	$1,183,300
1992	$339,762	**2001**	$1,382,951
1993	$324,664	**2002**	$1,193,398
1994	$450,539	**2003**	$1,263,956
1995	$464,478	**2004**	$1,420,500
1996	$552,463	**2005**	$1,497,500
1997	$650,711	**2006**	$1,625,500

PERMIT FEES – 1989 TO 2006

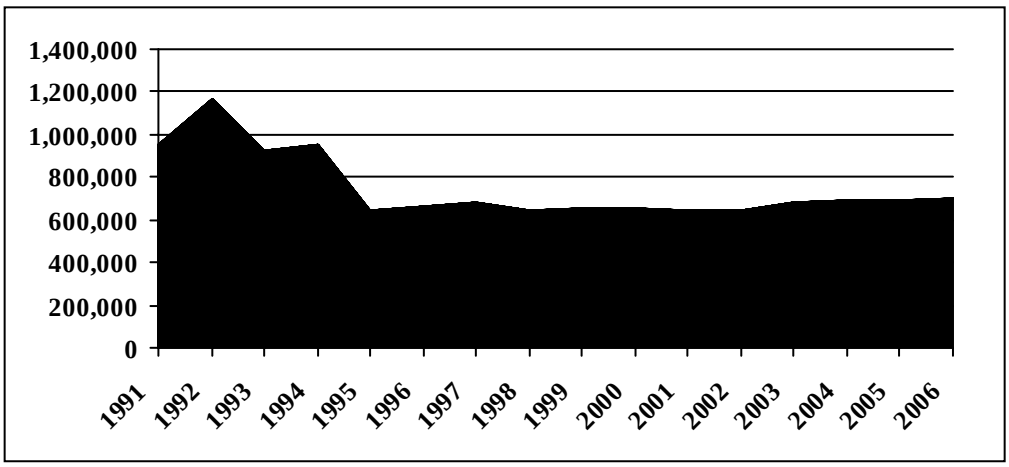


WATER AND SEWER (UTILITY) OVERHEAD – 1991 TO 2006

Another large revenue category is the water and sewer overhead charges. Various General Fund departments perform a variety of administrative services for the city's water and sewer utilities, including accounting, data processing, personnel and legal services. These charges for services are revenue to the General Fund and expenses of the utilities. The charges are based on percentages listed in the Management and Budget Policies section (C-14) and are approved by the City Council. These charges generally increased from 1987 to 1992, reflecting the upward trend of the General Fund. In 1993-1994, however, the charges dropped because the City changed the way it charged Engineering services to utility capital projects. The City no longer charges engineering services as an overhead charge to the Water and Sewer Utilities. Engineering services are instead charged directly to the capital projects of the utilities as services

are provided. During the period from 1995 until the present the charges have remained relatively flat, as the various administrative department budgets have remained relatively flat. The 2005 - 2006 interfund charges follow the formulas listed in the Management and Budget Policy on Interfund Charges, listed on page C-14 of the budget.

WATER & SEWER OVERHEAD- 1991 TO 2006



ALL OTHER REVENUES

All the remaining revenue categories comprise about 9% of the total 2005 and 10% of the 2006 budget.. Following is a brief description of the remaining categories.

Interfund Transfers In - This category includes amounts transferred in from other funds such as the Contingency Fund. For example, in 1999 there was a transfer of $150,000 from the Contingency Fund into the General Fund to pay for the purchase of the Ellsworth House by ARCH.

Emergency Medical Service Levy - Beginning in 1990, the city began receiving a portion of the 25 cents that was voted on by the citizens for 911 emergency service. At that time, the city reduced the EMS fee that it charged citizens, so that Mercer Islander taxpayers would pay roughly the same as they did before the new law. In 1996, when the City decided to add 4 new firefighters because of the high volume of aid calls, the fee was increased to help pay for that service.

Recreation Programs - This category includes the fees that are charged for recreation programs offered by the city as well as fees charged at the Community Center. The fee structure now in place brings in about 45% of the cost of those programs. This revenue will drop in 2005 because of the demolition of the old community center, but will increase again with the completion of the new building. See the Management and Budget Policy for Park and Recreation Financing beginning on page C-33.

Youth and Family Services – Until 2005, the revenue for programs run by the Youth and Family Services Department (YFS) were included in the General Fund. The revenue included grants and fees for programs run by the department as well as part of the profit from the Thrift Shop. Also included was the revenue from the Mercer Island School District which helped pay for the

counseling in the schools. In 2005, the City changed the accounting structure to a Special Revenue Fund to simplify the funding structure. All the revenues and expenditures are now shown in one place, and the General Fund provides a set amount of revenue to the department each year.

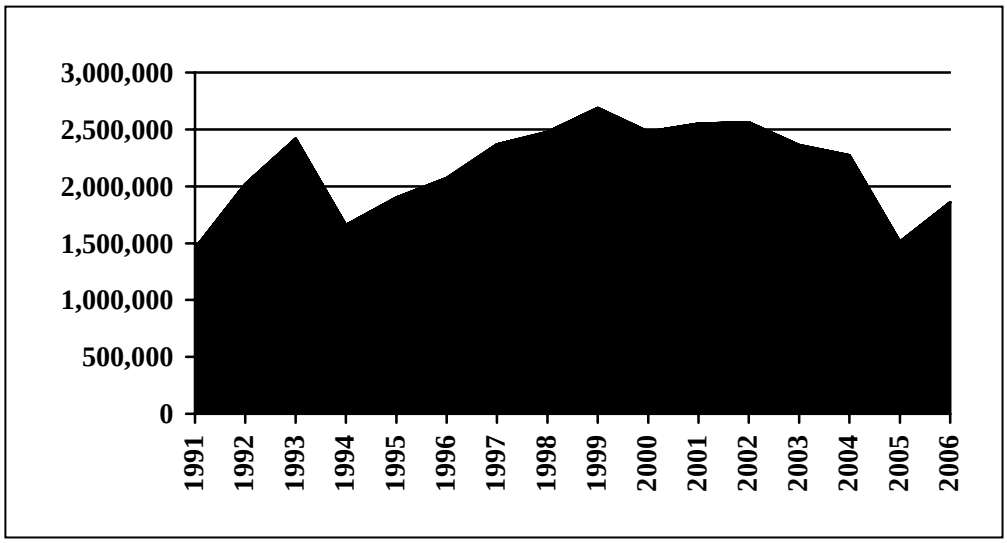
Interest - The money of the City is pooled for investment purposes. After enjoying high interest rates in the middle and late '80's, interest dropped substantially during the early 1990's and then rose again. 2002, 2003, and 2004 have seen the lowest interest rates earned in years. Interest rates have begun to rise again, so interest revenue will increase.

Cash Carryover, beginning Fund Balance – Not included in the remaining revenues is the cash carryover that the City may have from year to year. The cash carryover is not something budgeted, but something that occurs because revenues are higher that budgeted or expenditures are less than the budget or usually a combination of the two. Cash carryover's are transferred out to other funds, typically capital funds after year end. The City has enjoyed excellent cash carryovers the past few years due to the good economy in the Northwest. The disposition of any cash carryover is decided by Council during the year-end financial report.

16 YEAR HISTORY - ALL OTHER REVENUE

Year	Amount	Year	Amount
1991	1,453,338	**1999**	2,686,818
1992	2,017,480	**2000**	2,480,133
1993	2,418,657	**2001**	2,551,389
1994	1,658,968	**2002**	2,562,768
1995	1,899,418	**2003**	2,363,088
1996	2,073,375	**2004**	2,272,143
1997	2,368,546	**2005**	1,512,527
1998	2,476,321	**2006**	1,857,089

ALL OTHER REVENUE – 1991 - 2006



SECTION H

GENERAL FUND - EXPENDITURE SUMMARY

Introduction.....H – 1
Expenditure Summary Table .....H – 1
Expenditure Summary Chart .....H – 2
Expenditure Categories.....H – 3

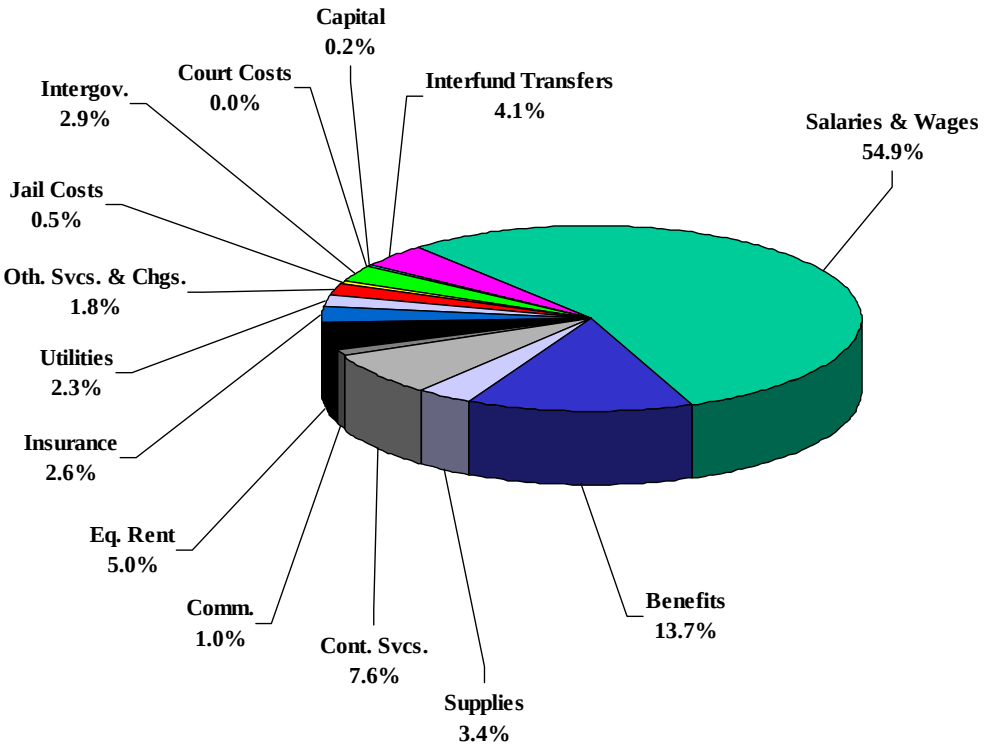
GENERAL FUND EXPENDITURE SUMMARY

The General Fund is the general operating fund of the City and encompasses the major activities of the City excluding utilities. In this section the expenditures are shown by major functional category. For a breakdown of expenditures by department and an analysis of the department functions see the next section of the budget, Section I.

Below is a table of General Fund expenditures by category from 2003 through 2006.

EXPENDITURES	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Salaries & Wages	10,046,326	10,500,940	9,504,754	9,876,089
Benefits	2,253,946	2,491,586	2,364,149	2,453,581
Supplies	525,022	679,857	584,680	598,249
Contractual Services	1,160,456	1,483,930	1,310,876	1,457,643
Communications	149,284	164,376	167,530	175,410
Equipment Rental	830,991	842,938	859,836	875,351
Insurance	463,399	476,200	451,600	451,600
Utilities	373,247	411,135	393,880	445,895
Other Services & Charges	289,811	407,439	319,194	333,152
Jail Costs	119,346	179,000	94,000	98,000
Intergovernmental	135,383	142,489	510,394	521,946
Court Costs	2,705	3,500	3,000	3,000
Capital	15,322	143,000	28,000	28,000
Interfund Transfers	2,052,889	1,003,178	715,000	715,000
Unappropriated (End Fund Bal)	891,178	0	0	0
Total Expenditures:	**$19,309,307**	**$18,929,568**	**$17,306,893**	**$18,032,916**

2005 General Fund Expenditures



SALARIES AND BENEFITS

The largest expenditure categories by far for the City are salaries and benefits, with those two categories comprising about 68.7% of the 2005 budget. Salaries during the period from 1993 to 2003 have increased 3% per year while benefits have increased at a slightly faster rate of 4% for the same time period. Salary costs are driven by the cost of living increases and step increases bargained by the City's unions which cover about 65% of the employees.

During the time period of 1991 - 2004, staff head count has remained relatively level, with a high of 165.9 full time equivalent positions authorized in 1991, a low of 158 in 1993 and 169.8 proposed for 2005. In the middle 1990's there was somewhat of a leveling off in salaries and FTE's due to the number of retirements that occurred with positions that were not replaced. However, in 1996 the Council authorized the addition of 4 new firefighters, which increased the overall headcount of the City and the salary base. In 1999 the Council authorized 2 new firefighter positions with a third firefighter approved in the 2001 budget. Also approved in 1999 were a ½ time code enforcement staff person and a half time arborist, both in the Development Services Group. A full-time youth volunteer coordinator was also approved in 1999. In 2001 a second half time arborist was approved for the Parks Department.

In 2002 one position was eliminated in the DSG department, however, 2 positions are proposed for the General Fund in 2003 (as well as one in the water utility). One of the General Fund positions is a conversion of a contract position to a full time equivalent, which does not require new general fund dollars. The other position in Parks is being funded by new parks revenue.

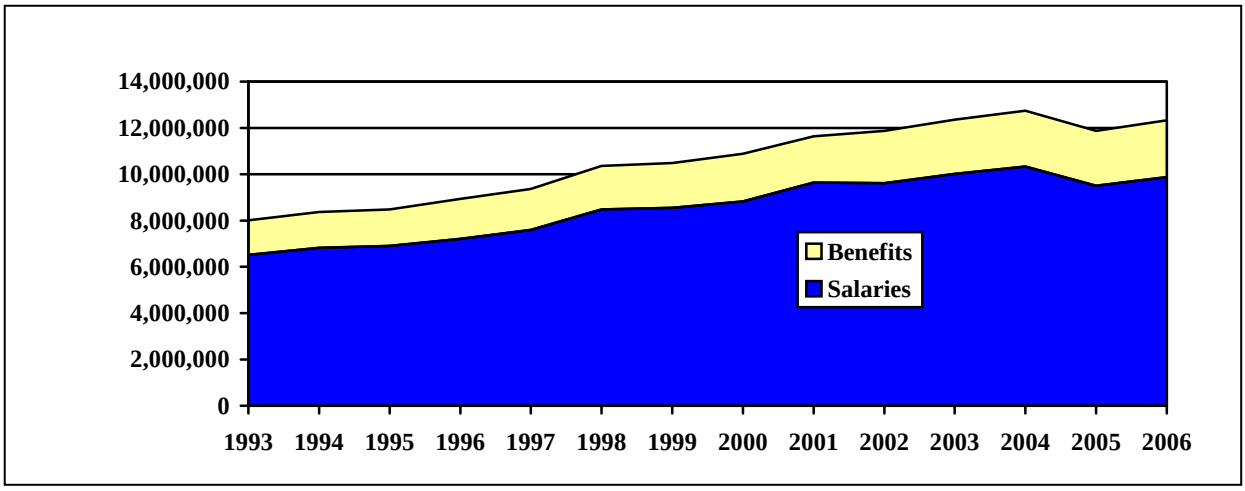
In the current biennium are a number of significant changes that affect the FTE count. After a year long study of the Dispatch function, the Public Safety Director recommended that the Dispatch function be contracted – with fire dispatch going to Bellevue and police dispatch going to Kirkland. This change will eliminate 5.5 of the dispatchers; with 2.5 remaining to do the records function for the City. This change will cost the city roughly the same as it is paying now, but with significantly improved coverage and the use of modern computer aided dispatch technology which will provide much better data to our police and fire staff.

Other changes in Police include the abolishment of the position of financial investigator. In our Development Services Group Department, one engineering position has been eliminated.

The remaining change in City staff is due to the establishment of the City's Municipal Court. Staffing for the court includes a part time judge – 30 to 35 hours per week, a court administrator and a court clerk. The actual time required of the administrator and clerk will be reviewed over the course of the first six months and will hopefully be less than two full time positions.

Included in the salary category are permanent full-time and part time employees, and also contract employees, summer labor, and casual labor used by the Maintenance Department and parks maintenance. Salaries and benefits are estimated to be a total of $11,868,903 for 2005 and $12,329,670 in 2006. These totals are substantially less than in 2004, however, part of the drop in salaries is due to the change in how we are accounting for the Youth and Family Services (YFS) department. Up until 2004 the department and staff of 14.4 have been included in the General Fund. Beginning in 2005, all YFS revenues and expenditures are in their own fund. This accounting change was made to simplify the accounting for the department and to meet new accounting standards.

SALARY AND BENEFITS COSTS – 1993 - 2006



SUPPLIES

The supply category includes all the supplies that employees need to operate in their jobs. Thus it includes paper and various office and computer supplies, as well as fertilizer, fuel and oil, sand, gravel and other types of operating supplies. The category as a whole has increased an average of 3.7% per year since 1993. The supply category actually decreased in 2003, and the budget for 2005 and 2006 reflects a lower level of expenditures in this category.

UTILITIES

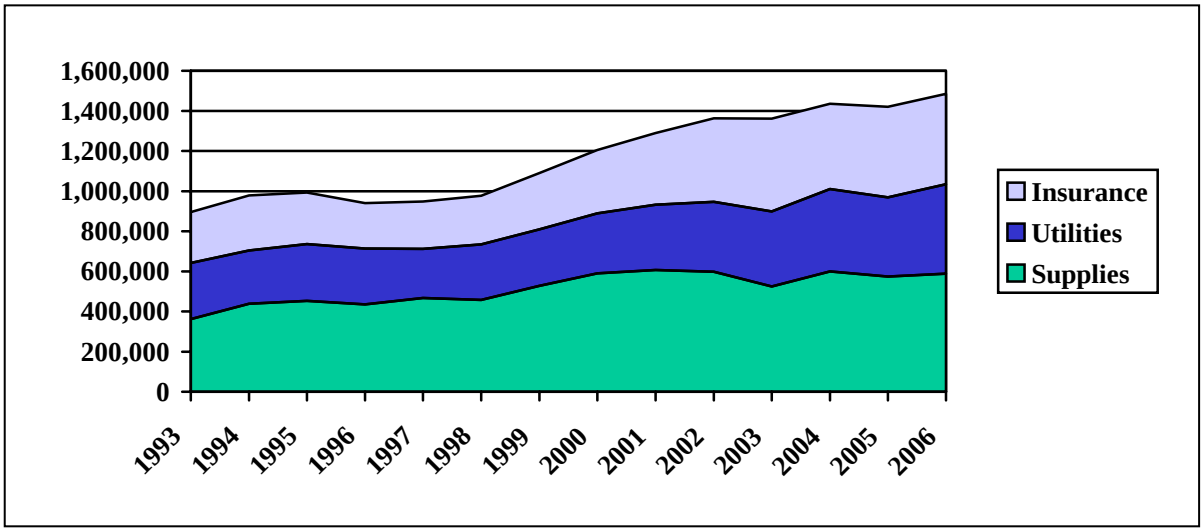
The utility category includes all the major utility costs – water, sewer, power, and heat. Also included is the cost of dumping waste such as from excavations, cleaning of ditches, etc. Utility costs have risen at an uneven increase over the years, but the last 3 years have seen increases of over 7%. This has been largely fueled by high water costs for our Parks and unusually dry summers. We have kept the utilities at about 2004 levels for 2005, and then increased them for the last year of the biennium.

INSURANCE

The City now buys all liability and property insurance through the Washington Cities Insurance Authority (WCIA). The Insurance Authority is mostly self insured for liability purposes and has been building a cash reserve from the member cities over the past 10 years to help keep premium costs down and to provide a higher amount of liability coverage. Because insurance costs in the market place were inexpensive during the past 4 years, the Authority has been buying insurance for large claims over $4,000,000, which provides a safety net for the pool. Liability claims and defense costs for the pool as a whole have risen considerably in past years. Our liability rates, which are the largest portion of the insurance bill, have increased an average of 5.5% per year over the past 10 years. In 2004, however, our liability insurance decreased by $49,000, or 12%. Rates are based on a combination of number of worker hours and the City's previous five-years of liability losses which were more favorable than the previous biennium. The rates are determined for WCIA by an actuary – our rates will remain lower for the next biennium. In

1993 the City switched its property insurance to WCIA, thereby reducing property insurance costs by 50%. Rates stayed low for a number of years, but in 2003 property insurance rose it has continued to increase in 2004. We are expecting further increases in 2005.

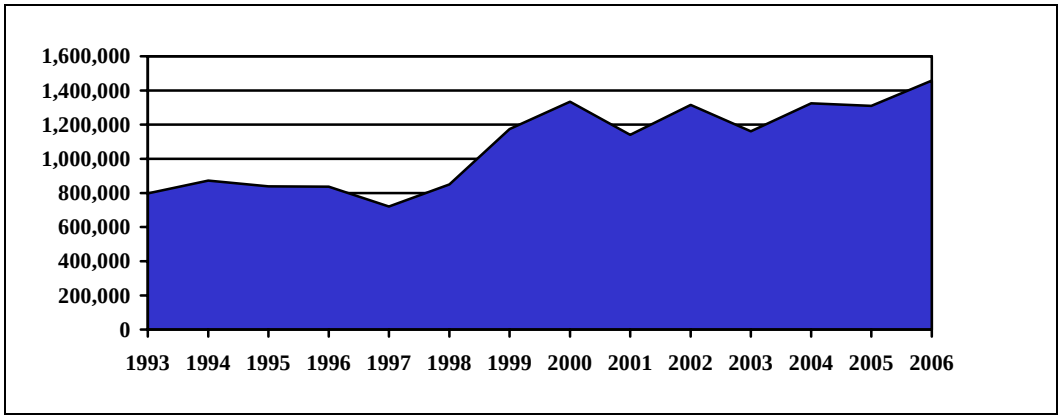
SUPPLIES, UTILITIES, AND INSURANCE COSTS – 1993 - 2006



CONTRACTUAL SERVICES

This category includes all the individuals and firms with which the city contracts for services. Included are such things as consultants, landscaping services, janitorial, and outside legal services. Also included are the many class instructors used by the Parks and Recreation department. The category has increased an average of 4.9% per year over the course of the last 10 years, but since 2000 has increased at less than 2%. In 1997 this category took a jump as the City began to contract out work for the Storm Water Utility, but now is beginning to level off. In 1999 and 2000, work related to the high activity in the Development Services Group drove costs higher. For this biennium we are seeing a drop in contractual services for 2005 and then an increase for 2006 corresponding to the additional programs planned for the new community center.

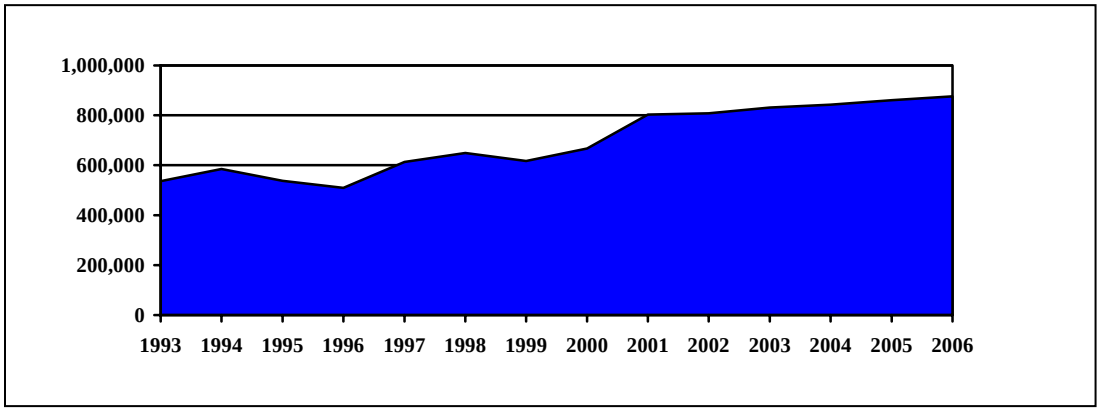
CONTRACTUAL SERVICES 1993 - 2006



EQUIPMENT RENTAL

This category includes the "rental charges" from the Equipment Rental Fund to the departments to operate and replace the City's fleet of vehicles and also the charges to the departments for repairing and replacing computer equipment. In 1996, a computer staff person was added to the costs in the Computer Equipment Fund, and in 2001, the network administrator position and support costs were transferred from the General Fund to the Computer Equipment Fund to more fully reflect the ongoing cost of our information technology. The 10-year average increase in this category is 5%. The largest part of the equipment rental costs are for the vehicles and equipment charges. Since 2001, every vehicle has been reviewed both for suitability and for replacement years and costs. The replacement factor has been reduced from 5% down to 3% and vehicles have been kept longer than original estimates when warranted. Equipment Rental is a category that will continue to need scrutiny to keep costs within reasonable levels.

EQUIPMENT RENTAL 1993 - 2006



COMMUNICATIONS

This category includes all the telephone and postage costs for the City and has increased an average of 3.6% from 1993 to 2004.

OTHER SERVICES AND CHARGES

This category consists of a variety of miscellaneous payments, including advertising, printing, travel, subscriptions, tuition and registrations, election costs and copying and miscellaneous.

JAIL COSTS AND COURT COSTS

Jail costs have increased substantially since 1991 due in part from greater jail costs charged by King County and in part by longer jail terms. In May 2001, the cities began a negotiating process with the County for a new jail contract. At the same time the cities began looking for other jails to use as an alternative to King County. These strategies helped reduce jail costs from a high of $172,000 in 2001 to an estimated $100,000 in 2004. Jail costs are budgeted at under $100,000 for the next biennium See the Jail Management and Budget Policy on pages C-19 through C –21 for more details on the jail costs and process.

In February 2002, King County advised the City that it intended to terminate the District Court contract effective 12/31/2004. Mercer Island, along with 16 other cities with district courts participated in a renegotiation process with the County, but the City Council determined that the new contract was not in the best interest of the citizens of Mercer Island. The Council directed staff to proceed with the formation of a new Municipal Court effective January 1, 2005. For more details about the history and formation of the court, see pages C-30 through C–32.

INTERGOVERNMENTAL

The Intergovernmental category includes the charges for services from other governmental agencies. This category included the Library contract cost in 1993 and 1994; however, those costs are not included in 1995 and beyond because of the annexation by the City to the Library District. Expenditures in this category in recent years have been quite modest with small increases from year to year.

INTERFUND TRANSFERS

Interfund charges consist of two types of transfers: (1) transfers to funds for annual ongoing purposes or (2) transfers to capital funds for large capital projects such as the funding of the Fire Station. Transfers of the annual ongoing purposes come from the general revenues of the City. Transfers that are meant for Capital Funds have typically come from cash surpluses from the preceding year, when either revenues have been greater than expected or expenditures have been less that expected (or both). These transfers are done during the annual year end report when the amount of any cash carry forward is known.

An annual transfer of $250,000 is budgeted for the Computer and Technology Fund. This transfer is to support the ongoing needs of the City for technology projects and for the purchase of larger pieces of equipment that are outside the scope of departmental budgets. Approval of these projects is through the Capital Improvement Committee.

A new transfer that is showing for the first time this biennium is a $465,000 transfer from the General Fund to the Youth and Family Services (YFS) Fund for the support of the YFS department. At the present time, the YFS department shows up in the General Fund. To simplify the accounting of the department, which is supported by a myriad of sources, staff created the YFS Fund to show all donations, Thrift Shop revenue, the General Fund support, and all other sources. The support for YFS has also been capped for the first time ever. For more detail see the YFS Financing Policy beginning on page C-62.

SECTION I

GENERAL FUND - DEPARTMENT DETAIL

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GENERAL FUND
DEPARTMENT REVENUES AND EXPENDITURE SUMMARY

The General Fund is the general operating fund of the City and encompasses the major activities of the City excluding utilities. The activities of fire and police services, street and park maintenance, development services, youth and family services, recreation services, legal and financial services, and general administration are all included in the General Fund.

REVENUES BY DEPARTMENT

General fund departments are at least partially subsidized by City taxes and shared revenues, but most departments bring revenues into the General Fund through charges for services, permit fees or donations. Below is a table summarizing revenues by department. The detailed descriptions for each department, beginning on page I - 3 show the percentage of General Fund subsidy for that department.

General Fund Revenues by Department

Revenues	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Beginning Fund Balance	$1,802,891	$891,178	$0	$0
City Attorney	$82,212	$65,000	$0	$0
City Council	0	0	0	0
City Manager	0	0	0	0
City Municipal Court	0	0	250,000	290,000
Development Services	1,002,790	1,220,500	1,283,000	1,358,000
Finance	58,366	59,200	57,000	110,000
Maintenance	0	0	0	0
Parks and Recreation	771,912	810,274	568,490	865,035
Public Safety	620,580	608,074	704,457	708,714
Youth and Family Services	733,258	675,447	0	0
Other General Government Services	242,818	202,000	204,000	204,000
Department Total:	$3,511,936	$3,640,495	$3,066,947	$3,535,749
General Fund	13,994,480	14,397,895	14,239,946	14,497,167
Total Revenues:	$19,309,307	$18,929,568	$17,306,893	$18,032,916

EXPENDITURES BY DEPARTMENT

Below is a table summarizing General Fund expenditures by department from 2003 through 2006 followed by a description of each department's revenues, expenditures, services and products and key performance measures.

General Fund Expenditures by Department

Expenditures	2003 Actual	2004 Budget	2005 Budget	2006 Budget
City Attorney	$404,388	$388,275	$398,297	$411,049
City Council	35,446	46,010	56,570	56,570
City Manager	642,892	703,274	617,057	634,903
City Municipal Court	0	58,000	257,300	264,539
Development Services	1,616,539	1,876,928	1,792,712	1,836,202
Finance	650,859	726,805	734,742	748,088
Maintenance	1,366,308	1,647,530	1,622,292	1,657,808
Parks and Recreation	2,420,695	2,792,377	2,588,275	2,974,426
Public Safety	7,226,541	7,433,049	7,533,101	7,746,015
Youth and Family Services	1,128,126	1,174,704	0	0
Other General Government Services	854,381	960,373	971,025	967,794
Department Total:	$16,346,175	$17,807,325	$16,571,371	$17,297,394
Transfer to Other Funds				
Technology / Equipment Fund	250,000	250,000	250,000	250,000
Capital Reserve Fund	1,802,889	0	0	0
Community Center Building Fund	0	500,000	0	0
Contingency Fund	0	253,178	0	0
Youth and Family Services Fund	0	0	465,000	465,000
Equipment Rental / Computer Replacements	19,065	19,065	20,522	20,522
Luther Burbank Capital Equipment	0	100,000	0	0
Ending Fund Balance	891,178	0	0	0
Total Expenditures:	$19,309,307	$18,929,568	$17,306,893	$18,032,916

NOTE: YFS Expenditures are treated as a Transfer to Other Funds (the Youth and Family Services Fund) starting in 2005.

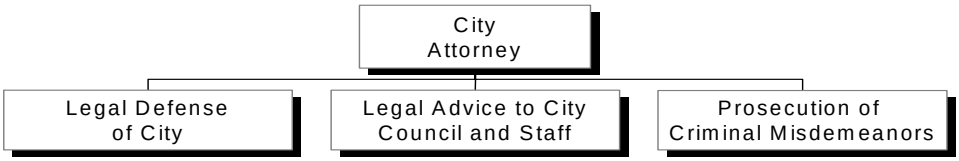
City Attorney

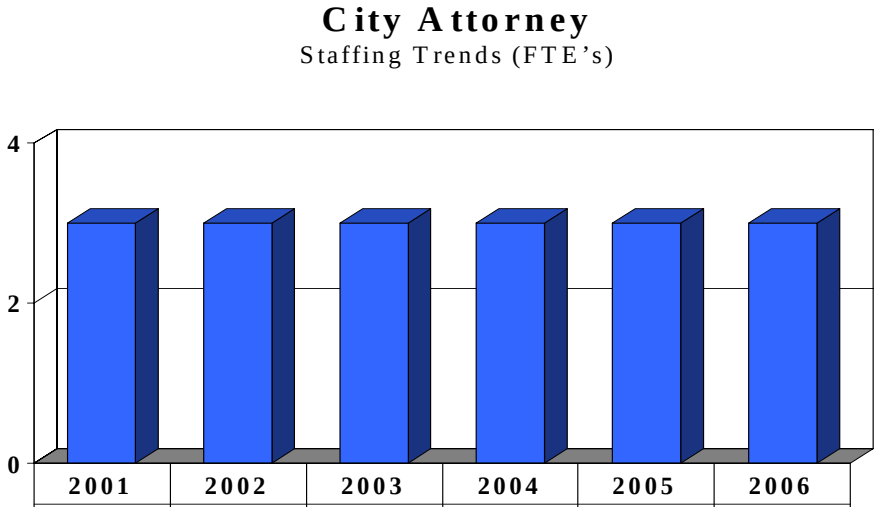
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Department Narrative

CITY ATTORNEY

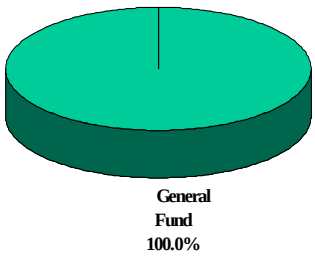
Mission Statement

To provide the highest quality legal representation and counsel to the City of Mercer Island, its elected officials and City departments, and to contribute both legal and management perspective to the management team to insure that the City Council vision is met.

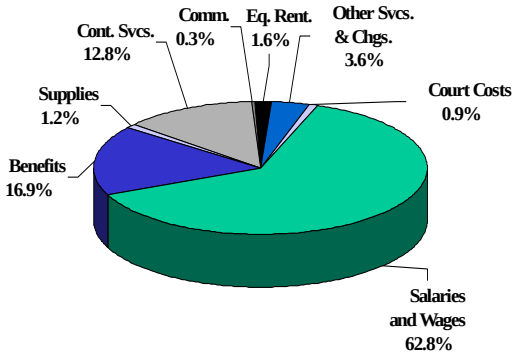




City Attorney
Sources of Revenue



City Attorney
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
District Court Fines	$82,212	$65,000	$0	0
Legal Services	0	0	0	0
General Fund	322,176	323,275	398,297	411,049
Total Sources:	$404,388	$388,275	$398,297	$411,049
Uses of Funds:				
Salaries and Wages	$255,157	$244,001	$251,468	$258,696
Benefits	61,384	65,710	70,231	72,255
Supplies	1,481	4,500	3,000	3,000
Contractual Services	63,611	50,150	50,000	53,500
Communications	1,291	1,000	1,000	1,000
Equipment Rental	5,914	5,914	6,098	6,098
Other Services and Charges	12,666	13,500	13,500	13,500
Court Costs	2,705	3,500	3,000	3,000
Capital Equipment	180	0	0	0
Total Uses:	$404,388	$388,275	$398,297	$411,049

CITY ATTORNEY

The City Attorney's Office is responsible for providing legal advice and counsel to the City Manager, City Council and all departments, as well as boards and commissions. The office represents the City in civil litigation and administrative hearings in the areas of tort defense, land use, personnel and labor, and municipal law. The City Attorney's Office prosecutes criminal misdemeanors in District Court, and handles appeals of District Court decisions (RALJ Hearings) in King County Superior Court.

The City Attorney is also responsible for preparation and review of City ordinances, contracts, legal documents, and specific projects assigned by the City Manager.

2005-2006 DEPARTMENTAL HIGHLIGHTS & INITIATIVES

As a result of King County terminating the City's district court contract, the City Attorney evaluated district court options during 2003 and reported back to the City Manager and City Council. In December 2003, the City Council directed the City Attorney to prepare the necessary enabling ordinances for the formation of the Mercer Island Municipal Court to commence operation on January 1, 2005. The City Council also approved an Interlocal Agreement with Newcastle for the delivery of court services commencing January 1, 2005. The City Attorney's office will be working cooperatively with the City's new municipal court in 2005 and 2006 to insure a seamless transition from King County District Court. In addition to the formation of the new court, the City Attorney continues to have an active caseload of land use, initiative/referendum and employment matters.

Legal Representation of City

Description:

The City Attorney handles or supervises all civil and criminal cases for the City, and represents the City in administrative hearings. In 2005-2006, the City Attorney will be continuing to work on aggressive and professional representation of the City in all contested administrative and judicial matters.

Services and Products:

- Representation in state and federal courts
- Representation before administrative agencies
- Control and monitor litigation involving Washington Cities Insurance Authority
- Prosecute misdemeanors in Mercer Island Municipal Court
- Represent the City in labor negotiations
- Represent the City in inter-governmental disputes

KEY PERFORMANCE MEASURES – 1

Civil Litigation

DESCRIPTION	Appear, defend, represent or prosecute the City's position in judicial or administrative forums in land use, employment, labor, regional matters and general municipal matters.
CITY PRIORITIES	Priority 2.1 & 2.2: The Community will support effective, efficient and legal delivery of public services.
GOAL	To effectively represent the City in local, state, and federal forums.
OBJECTIVE	To obtain a high ratio of wins to losses on litigated cases. To settle cases that have factual or legal problems. To attain a lower than average loss history from Washington Cities Insurance Authority.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of cases / claims handled	60	42	44	40	40
	Number of cases / claims settled	40	32	30	30	30
Outcome	Loss history for City of Mercer Island from WCIA	$52,800	$48,600	$30,000	$30,000	$30,000
	Loss history from WCIA comparable cities	$108,000	$126,700	$125,000	N/A	N/A

KEY PERFORMANCE MEASURES – 2

Prosecution of Misdemeanor Cases

DESCRIPTION	Filing and trial or disposition of misdemeanor violations and traffic infractions committed within Mercer Island jurisdictional limits.
CITY PRIORITIES	Priority 1.1: The community will be safe.
GOAL	To provide efficient, fair and professional prosecution of the City's misdemeanor cases.
OBJECTIVE	Efficiently and effectively process all misdemeanor cases and provide quality prosecutorial representation for the City in court.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of misdemeanor cases handed Infractions: Criminal Citations:	N/A	1,812 253	2,000 250	2,000 250	2,000 250
	Revenue from cases[1]	$90,000	$83,980	$85,000	$250,000	$290,000

[1] Revenue from cases through December 31, 2004, is the percentage of court revenue retained by the City pursuant to the District Court Contract with King County. Commencing January 1, 2005, concurrent with formation of the City's Municipal Court, the City will retain 100% of all fines and forfeitures.

City Council

Mission Statement
Organization Chart
2005-2006 Expenditures
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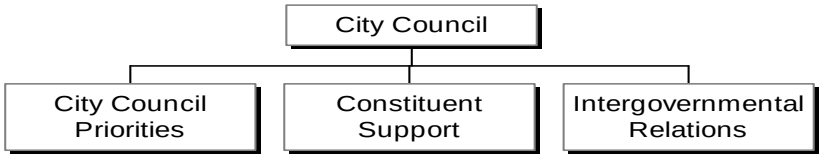
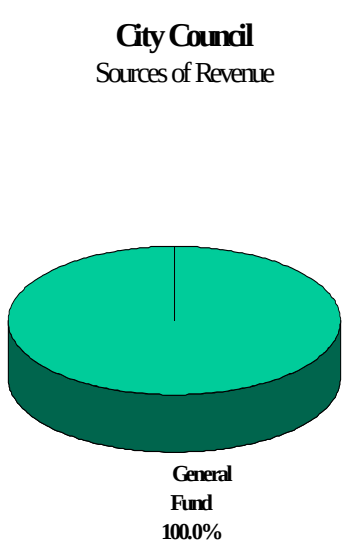
CITY COUNCIL

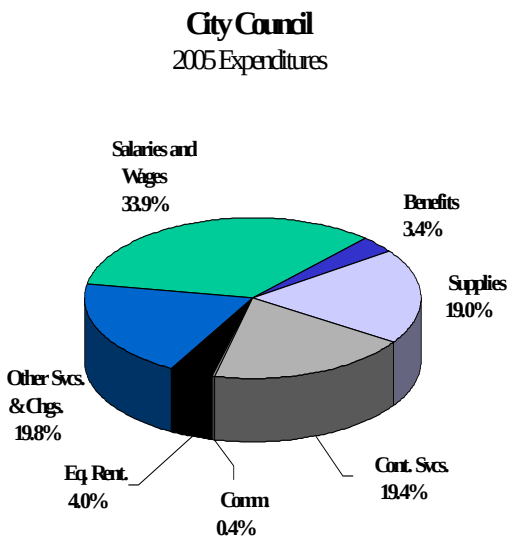
Mission Statement

The City Council strives to provide effective representative government for the citizens of Mercer Island. While exercising leadership and integrity the Council works to preserve Mercer Island as a residential community, noted for its quality municipal services, it's excellence in education and its livable environment and physical beauty.



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
General Fund	$35,446	$46,010	$56,570	$56,570
Total Sources:	$35,446	$46,010	$56,570	$56,570
Uses of Funds:				
Salaries and Wages	$9,600	$9,600	$19,200	$19,200
Benefits	960	960	1,920	1,920
Supplies	4,744	10,750	10,750	10,750
Contractual Services	7,788	11,000	11,000	11,000
Communications	0	250	250	250
Equipment Rental	2,450	2,250	2,250	2,250
Other Services and Charges	9,904	11,200	11,200	11,200
Total Uses:	$35,446	$46,010	$56,570	$56,570





CITY COUNCIL

The seven City Council members are elected on a non-partisan "at-large" basis to four-year terms by majority votes of the Mercer Island citizenry. The Council serves as the legislative branch of Mercer Island city government establishing all City policies as well as passing ordinances and resolutions. The City Council elects a Mayor and a Deputy Mayor from its members to preside over City Council meetings and establish a focal point for conducting the Council's business. The Mayor and Council members serve on a part-time basis. Council Meetings are scheduled the first and third Monday of the each month. Individual Council members serve in a liaison role to a number of local boards and commissions as well as to other county and regional agencies and forums.

2005-2006 DEPARTMENTAL HIGHLIGHTS & INITIATIVES

During the 2005-06 biennium, the City Council will continue to work through policy issues regarding the Council's priorities listed below.

An Independent Salary Commission convened in 2004 established a new City Council compensation schedule effective January 1, 2005. The Commission increased the monthly stipend for Councilmembers from $100 to $200 and for the Mayor from $200 to $400.

City Council Priorities

Description:

Make substantial progress on each of the City Council's top priorities.

Services and Products:

- Community Center at Mercer View – oversee construction phase of project through completion expected December of 2005.
- Luther Burbank Park – support the public involvement process to plan for future uses of the park.
- I-90 Operations – represent Mercer Island interests in I-90 operational decisions.
- City–School District Relations – continue productive dialogue that is in the best interests of all Mercer Island residents.

Measures of Effectiveness:

The Council evaluates its past and future work program at its annual retreat.

Council-Advisory Board Liaison Role

Description:

Serve as liaison between the City Council and City advisory boards and commissions, communicating information, policies and work priorities between the bodies.

Services and Products:

- Attend advisory board and commission meetings.
- Report on Council actions, policies and work priorities.
- Convey work products and priorities between City Council and boards and commissions.
- Assist in recruitment and appointment of advisory board members and commissioners.

Measures of Effectiveness:

- Board and commission work programs are consistent with Council priorities.
- Board and commission vacancies are filled in a timely manner.
- Board and commission meetings are attended by council members.

Constituent Support

Description:

Be accessible to citizens, listening to their concerns, identifying their needs and connecting them with the appropriate City personnel and resources.

Services and Products:

- Accessibility through council meetings, letters, phone and personal contact.
- Explain city policy and practices to citizens and media.
- Connect citizens to City staff to address concerns and needs effectively.

Measures of Effectiveness:

- Citizen satisfaction with City responses to information and service needs.
- Media relations are positive and satisfy public, City and press needs.

Intergovernmental Relations

Description:

Represent Mercer Island and broader regional interests in regional forums and agencies.

Services and Products:

- Participate in the I-90 Steering Committee regarding I-90 roadway.
- Participate in the Eastside Transportation Program as it relates to local and Eastside transit needs.
- Be actively involved in the leadership of the Suburban Cities Association (SCA).
- Participate and be active in state matters through the Association of Washington Cities.
- Participate in and monitor activities of the Metropolitan King County/Regional Committees.
- Continue semi-annual joint meetings of the School Board and City Council.

Measures of Effectiveness:

- Mercer Island is viewed as a leader in SCA and at other regional forums.
- Relationship with Mercer Island School District is strengthened.

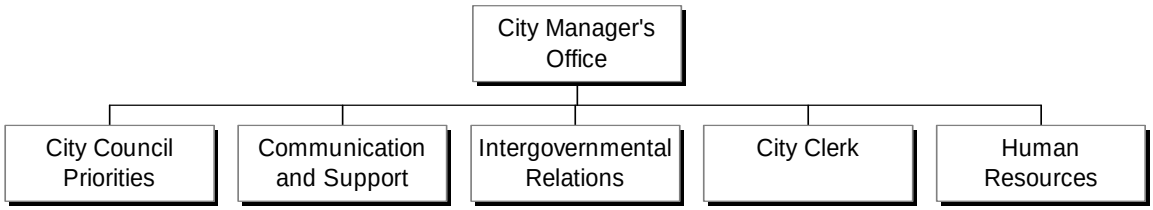
City Manager's Office

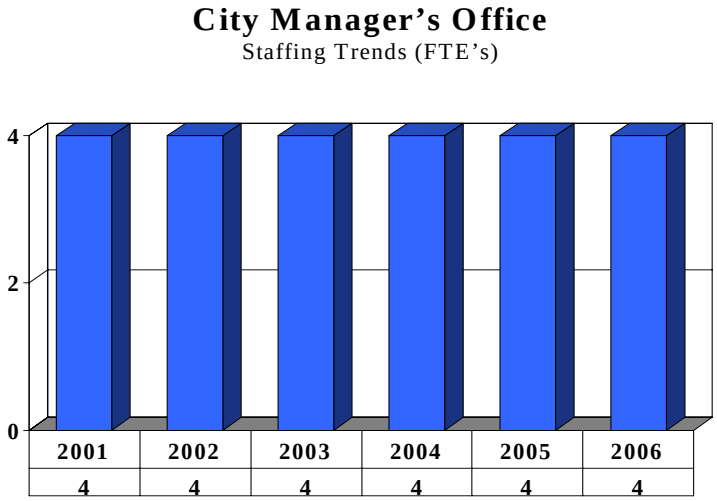
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Department Narrative

CITY MANAGER'S OFFICE

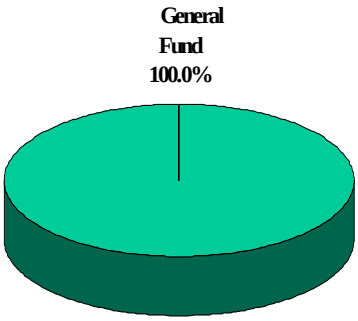
Mission Statement

Within the context of the Council-Manager form of government, the City Manager's Office is dedicated to the highest standards of professional municipal government. The City Manager's Office subscribes to the professional code of the International City Manager's Association including its dedication to democratic principles, representative government, primacy of elected officials in their policy making role, and management based on merit, facts and integrity.

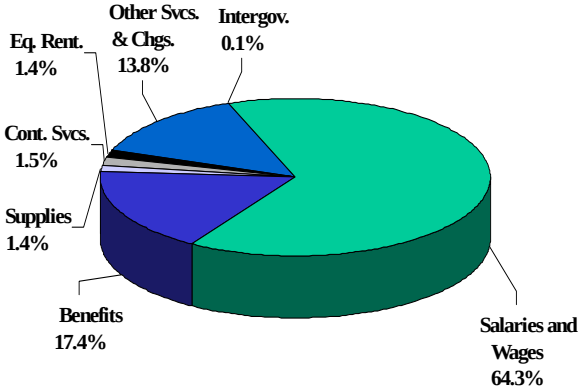




City Manager's Office
Sources of Revenue



City Manager's Office
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
General Fund	642,892	703,274	617,057	634,903
Total Sources:	$642,892	$703,274	$617,057	$634,903
Uses of Funds:				
Salaries and Wages	$419,600	$429,991	$397,011	$407,806
Benefits	99,944	113,290	107,271	110,322
Supplies	14,505	10,080	8,580	8,580
Contractual Services	6,099	10,600	9,500	9,500
Communications	521	240	240	240
Equipment Rental	11,694	11,694	8,526	8,526
Other Services and Charges	89,870	126,700	85,250	89,250
Intergovernmental	659	679	679	679
Total Uses:	$642,892	$703,274	$617,057	$634,903

CITY MANAGER'S OFFICE

Appointed by the City Council, the City Manager serves as chief executive officer of the City. The City Manager is responsible for the preparation of the City's annual budget, enforcement and implementation of all laws, policies and services of the City. Directing the allocation and organization of the City's resources, the City Manager's Office oversees the development and implementation of all policy and program initiatives, including the City Council's top legislative priorities.

2005-2006 DEPARTMENTAL HIGHLIGHTS & INITIATIVES

During the 2005-2006 biennium, the City Manager's Office will continue to provide leadership on the Council's top policy priorities including construction of a new community center at Mercer View, overseeing the public involvement process for planning any future improvements to Luther Burbank Park, and coordination with Sound Transit on its Mercer Island Park-and-Ride project.

The City Council and Manager’s Office will continue to be active in regional forums concerning water supply, transportation, and jail services that are provided other than by King County government. City and School District relations will continue to be a high priority.

The City Manager’s Office will continue to direct the development and dissemination of public information. This will include continued use and improvement of the City’s website, Egov Alliance portal services and other print and video media. Public information efforts that will be emphasized will include community center, park and ride, Luther Burbank Park and Town Center redevelopment.

City Council Priorities

Description:

Make substantial progress on each of the City Council's top priorities.

Services and Products:

- Community Center at Mercer View – manage construction phase of project through completion expected December of 2005.
- Luther Burbank Park – support the public involvement process to plan for future uses of the park.
- I-90 Operations – represent Mercer Island interests in I-90 operational decisions.
- Mercer Island Park-and-Ride – coordinate with Sound Transit's project management team for the final design and construction phases of a new 450-space park-and-ride at the existing location.
- City–School District Relations – continue productive dialogue that is in the best interests of all Mercer Island residents.

Communications and Support

Description:

Provide effective communications to City Council member and citizens.

Services/Products:

- Oversee preparation of Council agendas and Inside News editions.
- Plan and conduct Council retreat.
- Assist in issue identification and discussion with Council members.
- Attend to information requests from Council members and citizens.
- Assist in resolving neighborhood disputes.
- Respond to and initiate press/media communications and information requests.
- Continue improvements in public involvement techniques.

KEY PERFORMANCE MEASURES - 1

City Response to City Council Meeting Appearances

DESCRIPTION	At every Council Meeting, time is set aside for the public to address the Council regarding items not included on the agenda. Unless an emergency exists, the Council will ordinarily take the matter under advisement before taking action.
CITY PRIORITIES	Priority 2.1 – The community will support effective, efficient and legal delivery of public services.
GOAL	To foster a responsive environment that encourages public questions, comments, and concerns.
OBJECTIVE	To provide a meaningful and timely response to citizen questions and comments made during the Appearances section of the meeting and if follow-up is needed 100% of matters are attended to within one month.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of appearances recorded	74	51	90	100	100
Outcome	Percentage of appearances attended to within one month	100%	100%	100%	100%	100%

Intergovernmental Relations

Description:

Provide representation of Mercer Island interests in local, regional and state forums.

Services and Products:

- Participate in the I-90 Steering Committee and any subsequent forums regarding I-90 roadway operations.
- Represent the City on the Seattle Public Utilities Operating Board.
- Meet regularly with School District Administration officials to discuss matters of mutual concern.
- Participate in the Eastside Transportation Program as it relates to local and Eastside transportation needs and planning.
- Be involved in supporting Mercer Island's leadership in the Suburban Cities Association.
- Participate in and monitor activities of the Metropolitan King County/Regional Committees.
- Participate and be active in state matters through the Association of Washington Cities.
- Represent the City with ARCH, EPSCA, E-Gov Alliance and Mercer Island Sister City Association.
- Represent the City and city management profession in the Washington City Management Association.

City Clerk Function

Description:

The City Clerk is responsible for fulfilling the statutory requirements of the City Clerk position, managing the City's website, as well as supporting the City Council and City Manager.

Services and Products:

- Manage official City records including ordinances, resolutions, agreements, and minutes.
- Provide City Council support and administration of Council Meetings.
- Process affidavits of publication regarding ordinances and notices.
- Prepare Inside News bulletins.
- Liaison to King County regarding elections.
- Collaborate on the issuance of regular and special business license such as amusement, towing, and massage by the Business License Clerk in the Finance Department.
- Manage the registration of public notaries.
- Maintain appointment records of City boards and commissions. Coordinate the appointment process with the Mayor and staff liaisons.
- Provide training to employees regarding City Clerk and Council policies and procedures.
- Track and coordinate the processing of public disclosure requests.
- Maintain the City's municipal code and coordinate supplements including the zoning code.
- Maintain the City's contracts and agreements database.

KEY PERFORMANCE MEASURES - 1

Process Public Information/Disclosure Requests

DESCRIPTION	Most of the records and documents which are in the possession of the City are public records and are available for public inspection and copying. Requests for review of records will normally be granted at the time the request is made unless; (1) Providing immediate access would disrupt normal business or be unduly burdensome; (2) The information cannot be located immediately; (3) The records have been placed in a confidential file; or (4) The records are exempt from disclosure. If any one of the above criteria exists, a Request for Access to Public Records is used.
CITY PRIORITIES	Priority 2.2 – The community will support effective, efficient and legal delivery of public services.
GOAL	To respond to customer requests for information in an open environment, which builds public trust.
OBJECTIVE	To receive, in a central location, and respond to 100% of form-generated public records requests within five business days, per RCW 42.17.320.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Staff hours per request	.54	.51	.89	.50	.50
	Number of staff involved per request	1.85	1.97	1.44	1.5	1.5
Output	Number of requests received	48	60	50	60	60
Outcome	Percentage of requests responded to in five business days	100%	100%	100%	100%	100%

Human Resources Function

Description:

Plan, organize, develop, and administer uniform Human Resources policies, procedures, and programs.

Services and Products:

- Conduct recruitments to attract a qualified and diverse applicant pool, including up to 75 seasonal employees each year.
- Research and answer questions about policies, programs, benefits and compensation for employees, managers, other government agencies.
- Manage employee benefit programs, administration of the contracts, and monitor the programs for effectiveness.
- Complete compensation and benefits surveys and provide data used in contract negotiations for four bargaining units.
- Coordinate performance evaluation process to ensure employees receive annual feedback on their performance and accomplishments.
- Administer employee recognition program, service award program, and performance award program.
- Serve as System Administrator for the Human Resources Information System to ensure accurate recording of personnel, compensation, training and performance data. Produce standard and customized reports for managers and other government agencies.
- Write and produce an Employee Handbook, annual Benefit Statements, annual Human Resources Report, and annual Open Enrollment Packet, along with other internal communications to ensure consistent and correct information is given to all employees regarding polices, procedures, benefits and regular business practices.
- Coordinate management training programs.
- Serve as Secretary/Chief Examiner to Civil Service Commission.
- Serve as Secretary to Disability Board.

KEY PERFORMANCE MEASURES - 1

Employee Performance Management

DESCRIPTION	The formal performance evaluation process allows managers and employees to meet together on a regular basis to discuss job performance, career growth and professional development. Managers are required to meet with their employees either annually or semi-annually in a formal performance review process.
CITY PRIORITIES	Priority 2.2 – The community will support effective, efficient and legal delivery of public services.
GOAL	To increase individual job performance and satisfaction, as well as management's effectiveness by adhering to an annual performance review process for every regular employee in the City.
OBJECTIVE	To assure that at least 80% of City employees receive an annual performance review. To assure that at least 90% of the performance reviews receive an overall ranking of "satisfactory" or above.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of performance reviews completed.	165	169	166	150	150
	Number of performance reviews by ranking[1] Outstanding Exceeds Expectations Meets Expectations Needs Improvements Unacceptable Not Rated	 57 71 22 1 0 14	 56 71 27 3 0 12	 54 78 20 2 0 19	N/A	N/A
	Percentage of performance reviews completed	91%	93%	92%	90%	90%
	Percentage of reviews that receive an overall ranking of "satisfactory" or above.	99%	98%	99%	90%	90%

[1] In 2000, a consistent citywide performance review form was implemented.

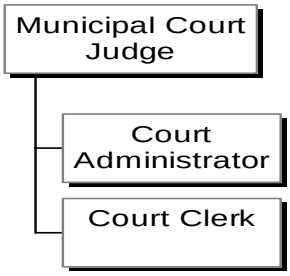
Municipal Court

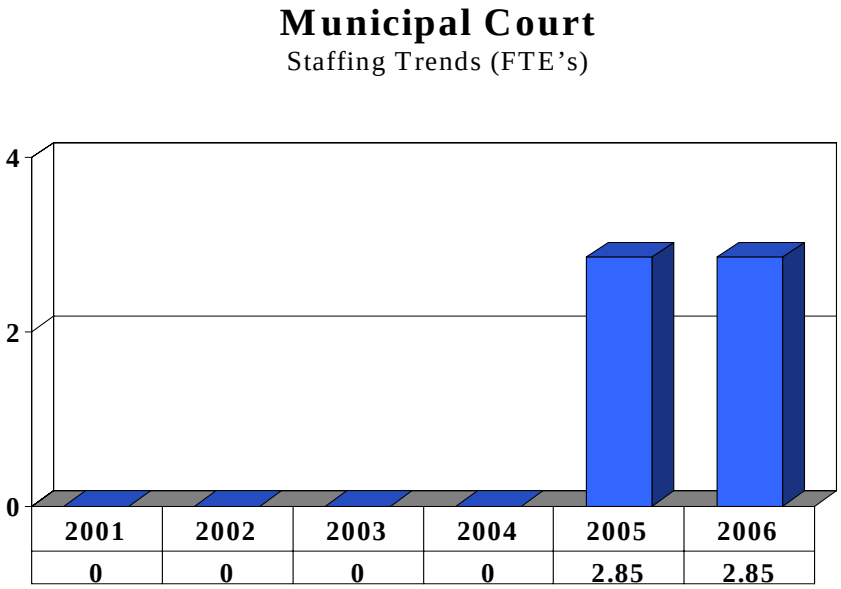
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Department Narrative

MUNICIPAL COURT

Mission Statement

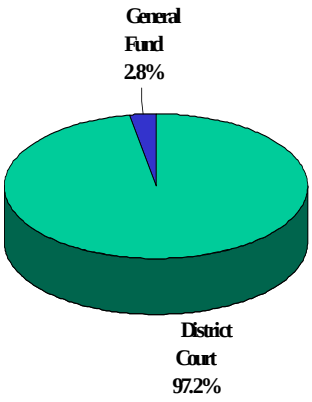
To provide the highest quality judicial and court administrative services to all court customers.



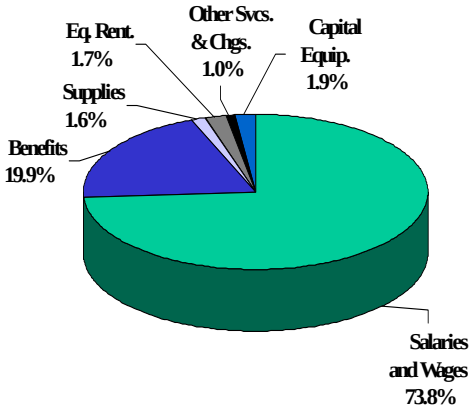


NOTE: The staffing for the Court includes up to a maximum of 2.85 FTE's as follows: Judge (0.85 FTE) to work less than 35 compensated hours per week. Contract Court Administrator retained for first 6 months as needed to determine appropriate administrative staff level (which may be less that 2 FTE's).

Municipal Court
Sources of Revenue



Municipal Court
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
District Court Fines	$0	$0	$250,000	$290,000
General Fund	$0	$58,000	$7,300	-$25,461
Total Sources:	$0	$58,000	$257,300	$264,539
Uses of Funds:				
Salaries and Wages	0	30,000	190,000	195,700
Benefits	0	8,000	51,300	52,839
Supplies	0	0	4,000	4,000
Contractual Services	0	0	0	0
Equipment Rental	0	0	4,500	4,500
Other Services and Charges	0	0	2,500	2,500
Capital Equipment	0	20,000	5,000	5,000
Total Uses:	$0	$58,000	$257,300	$264,539

MUNICIPAL COURT

The Mercer Island Municipal Court is responsible for processing all civil, traffic and other infraction actions, and criminal citations/complaints filed by either the City of Mercer Island or the City of Newcastle in the Mercer Island Municipal Court. Processing of cases includes the adjudication of all cases; issuance of all subpoenas, warrants; maintenance of court files for all municipal cases; case scheduling; assessment and collection of all fines and forfeitures; conducting all motions, evidentiary hearings, discovery matters, bench and jury trials and sentencing.

2005-2006 DEPARTMENTAL HIGHLIGHTS & INITIATIVES

As a result of King County terminating the City's district court contract, the City Attorney evaluated district court options during 2003 and reported back to the City Manager and City Council. In December 2003, the City Council directed the City Attorney to prepare the necessary enabling ordinances for the formation of the Mercer Island Municipal Court to commence operation on January 1, 2005. The City Council also approved an Interlocal Agreement with Newcastle for the delivery of court services commencing January 1, 2005. The City has entered into a professional services agreement with Tracy Jeffries to provide part-time court administrative services during the last quarter of 2004 and first two quarters of 2005. Ms. Jeffries is responsible for coordinating the commencement of the Municipal Court with the Washington State Administrator of the Courts and prepare all necessary pleading and court forms prior to commencement of court operations. The City Manager is in the process of recruiting a municipal court judge candidate for the City Council's consideration and confirmation.

Adjudication of All Municipal Court Cases

Description:

The Mercer Island Municipal Court processes all civil and criminal cases filed in the Mercer Island Court by either Mercer Island or the City of Newcastle. In 2005-2006, the Municipal Court will be commencing its first two years of operations. This will be an opportunity for the judge to implement appropriate case scheduling and to coordinate the efficient and effective delivery of court services to all Municipal Court customers.

Services and Products:

- Processing of all civil infractions
- Processing of all criminal Municipal Court matters
- Efficient Court Calendar
- Effective collection of fines

KEY PERFORMANCE MEASURES – 1

Adjudication of Municipal Court Cases

DESCRIPTION	Adjudicate all civil and criminal court cases filed in Mercer Island Municipal Court.
CITY PRIORITIES	Priority 2.2 – The community will support effective, efficient and legal delivery of public services.
GOAL	To efficiently and effectively process all cases in the Mercer Island Municipal Court.
OBJECTIVE	To obtain a high ratio of cases adjudicated from arraignment to sentencing within a time period that meets or is less than the adjudication time period of similar size municipal or district courts. To collect fines at a collection rate equal to or greater than the collection rate of similar sized municipal or district courts.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of cases / claims handled	0	0	0	2000	2250
	Time Period to Process Cases-Weeks	0	0	0	*	*
	Fines Collected	0	0	0	$250,000	$290,000

* Goal to be set by Municipal Court Judge after he/she is confirmed.

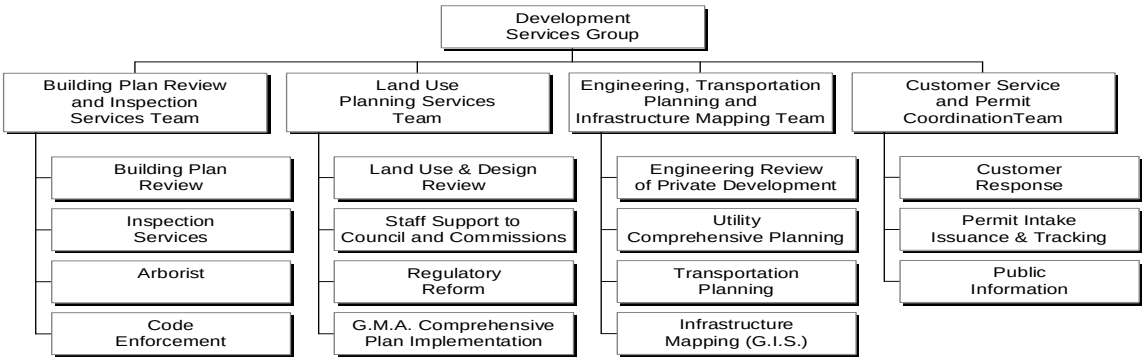
Development Services Group

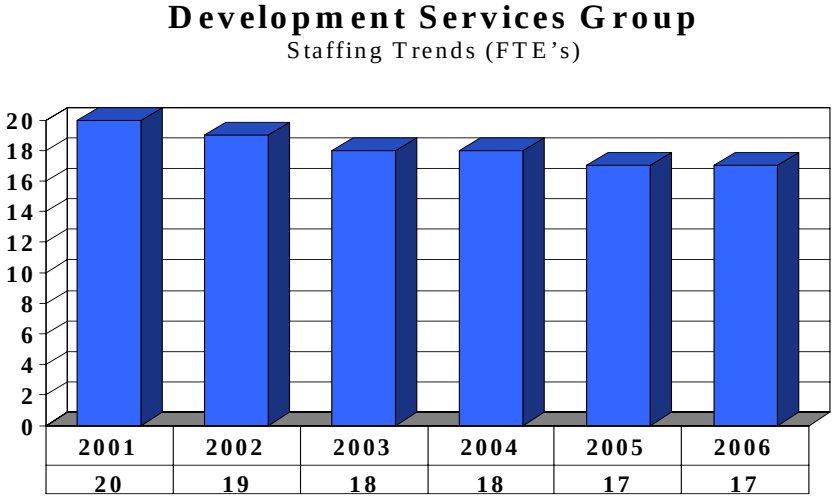
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Department Narrative

DEVELOPMENT SERVICES GROUP

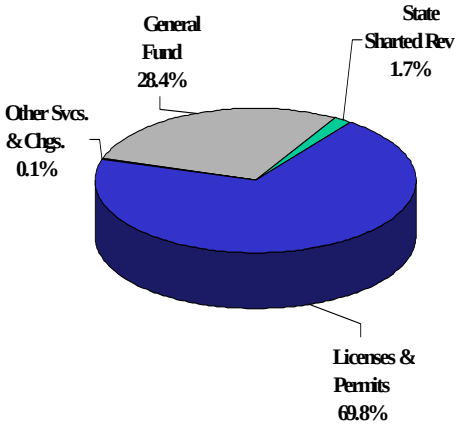
Mission Statement

The Development Services Group is dedicated to helping the community achieve the vision of their future, their values and lifestyles. We are also committed to preserving the unique island environment while encouraging sensitive, quality development.

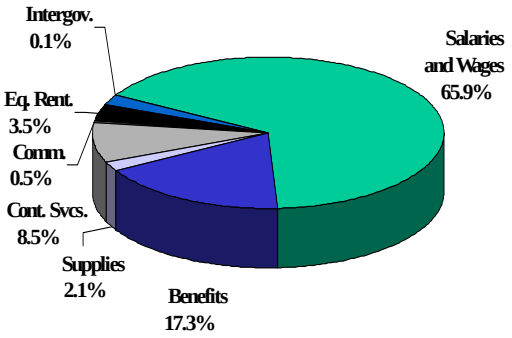




Development Services Group
Sources of Revenue



Development Services Group
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
Shared Revenue / Grant	$13,392	$30,000	$30,000	$30,000
Licenses & Permits	987,170	1,190,500	1,250,500	1,325,500
Other Services and Charges	2,228	0	2,500	2,500
General Fund	613,750	656,428	509,712	$478,202
Total Sources:	$1,616,539	$1,876,928	$1,792,712	$1,836,202
Uses of Funds:				
Salaries and Wages	$1,089,580	$1,220,498	$1,180,632	$1,214,616
Benefits	251,851	295,293	310,867	320,373
Supplies	43,816	43,200	37,200	37,200
Contractual Services	132,334	205,830	152,500	152,500
Communications	7,433	6,500	8,500	8,500
Equipment Rental	62,338	64,210	63,616	63,616
Other Services and Charges	26,536	39,750	37,750	37,750
Intergovernmental	1,647	1,647	1,647	1,647
Capital Equipment	1,004	0	0	0
Total Uses:	$1,616,539	$1,876,928	$1,792,712	$1,836,202

DEVELOPMENT SERVICES GROUP

The Development Services Group (DSG) is responsible for all development activities on the Island. DSG reviews all private permits for development and ensures that development protects and enhances the public infrastructure system for the city. Work of the department is conducted within four teams of employees, organized by the product and service priorities of the City.

2005- 2006 DEPARTMENTAL HIGHLIGHTS & INITIATIVES

In the next two years the department will continue working to provide a high quality and quantity of private development review to the citizens and constituents of Mercer Island, as well as internal customer service to other City departments with an increased emphasis on anticipated new mixed-use developments in the Town Center as well as new and remodeled single family homes in residential neighborhoods:

- Work to continuously improve our permit tracking system (Trak It), Geographic Information Systems (GIS) and pre-application conference meetings that will assist staff in managing a more complex permit application work load with increased emphasis on mixed-use projects in the Town Center and single-family remodels in residential neighborhoods.
- Continue to review permits and provide written comments to all applicants within a 60-day time frame as well as streamline the permit coordination process.
- Continue to monitor the fee structure supported by past management and budget policies. Use data from the 03-04 budget year and level of permit and fee activity in 05-06 to maintain the appropriate staffing levels to support quality customer service and timely development review, recognizing the fluctuations in permit volumes and other needed work products.
- Continue to respond to work demands resulting from the proposed new Park-and-Ride facility and expanded transit center through staff analysis or contractual services.
- Respond to the increased challenges of complex development issues on steep slopes and other critical areas and the high level of public scrutiny associated with most of the remaining vacant lots and in-fill development on the island.
- Continue to revise, update and amend land use and building codes, as well as implement broader use of GIS to insure consistent and up-to-date land use information for citizens and other city departments.
- Implement Shoreline Regulations, implement the newly updated Comprehensive Plan and Critical Areas Ordinances under the Growth Management Act (GMA), and continue to respond to State requirements for SEPA/GMA integration by revising some Mercer Island codes, ordinances and policies.
- Several new mixed-use commercial/office/residential development projects in the Town Center will demand substantially more time and resources from DSG staff and Commissions. Staffing will shift/evolve/change to meet the specific demands and expertise necessary for reviewing, inspecting and constructing these complex mixed-use projects.

Building Plan Review and Inspection Services

Description:

The Building Plan Review and Inspection Services Team processes all private development permits, including building plan reviews and field inspections. Seventy percent of the team's work is the review, issuance and inspection for single family residential permits, many within critical lands. The team is also responsible for review of multi-family, church, school and commercial/office development projects. In addition, the team will play an important role in the building construction review and inspection of major public projects, such as the new community center and Park-and-Ride facility. Emphasis will also shift to a greater involvement in on-line permit and inspection services.

Services and Products:

- Customer service advice on building permit options and requirements
- Detailed pre-application meetings
- Public notice and information
- Plan review for compliance with applicable codes and regulations
- Building inspections and enforcement of project conditions and requirements as well as site inspections for connections to public infrastructure improvements
- Update of building codes and other public safety requirements
- Increased emphasis in providing new on-line services for permits and inspections
- Half-time Code Compliance Officer function
- Half-time Arborist review of all private development applications for compliance with adopted tree regulations

KEY PERFORMANCE MEASURES – 1

Permit Activities

DESCRIPTION	The intake, review, issuance and inspections for development permits.
CITY PRIORITIES	Priority 2.2 – The Community will support effective, efficient and legal delivery of public services.
GOAL	To provide high quality and expedient building plan review and inspection processes.
OBJECTIVE	90% of single-family new/major remodel plans submitted for review are reviewed and an initial comment letter sent or permit ready for issuance within 60 days. 90% of all express plan checks are reviewed and an initial comment letter sent or permit ready for issuance within 30 days. 90% of simple plan check (with total plan review time less than one hour) are reviewed and ready to issue within 10 days.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of single family new construction permits issued	29	31	45	40	40
	Number of single family addition/alteration permits issued	208	197	270	225	225
	Number of commercial projects new/TI (tenant improvements)	1/33	2/48	12/75	5/70	2/70
	Number of multi-family new units	70	0	295	235	10
	Total valuation of work (millions)	$47.7	$26.8	$85	$62	$45
	Number of over-the-counter permits	2,143	1,896	2300	2300	2000
	Number of pre-application meetings	95	109	150	135	125
	Number of code enforce complaints	156	138	160	155	150
Outcome	Percentage of plans reviewed or ready to issue within 60 days	90%	90%	70%	90%	90%
	Percentage of express plan checks reviewed or ready to issue within 30 days	95%	90%	60%	90%	90%
	Percentage of simple plan checks reviewed or ready to issue within 10 days	95%	95%	100%	95%	95%

KEY PERFORMANCE MEASURES - 2

Natural Resource Management

DESCRIPTION	Arborist services will provide plan and restoration review, site inspections and code enforcement regarding tree and vegetation development issues and implementation of the City's tree ordinance.
CITY PRIORITIES	Priority 4.2 - The Community will support attractive, high quality neighborhood and business environments.
GOAL	Review, update as necessary, and implement city policies and regulations addressing tree and vegetation issues associated with private development plans, and tree removal on private property, for consistent application of codes.
OBJECTIVE	To review and inspect 100% of code required land clearing and development plans for consistent application of the tree ordinance. To inspect 90% of the tree inspection requests within 1 week, and all emergency requests within 2 work days.

Type of Measure	Description	2002 Actual	2003 Actual	2004 Estimate	2005 Estimate	2006 Estimate
Input	Number of staff hours	1,100	1,085	1093	1088	1088
Output	Number of tree permits issued	88	83	110	100	90
	Number of site inspections	429	512	565	590	500
	Number of code violation complaints	75	52	70	65	55
	Number of tree related phone calls	2001	1632	1900	1800	1600
Outcome	Percentage of development plans (required by code) reviewed	100%	100%	100%	100%	100%
	Percentage of tree inspections within 1 week, emergency requests within 2 days	100%	100%	100%	100%	100%

Land Use Planning Services

Description:

The Land Use Planning Services Team processes all land use and design applications consistent with adopted planning and development regulations and within timeframes required by state law. These include rezones, conditional use permits, variances, deviations, long plats, short plats, lot line adjustments, shoreline development permits, State Environmental Policy Act (SEPA) determinations, accessory dwelling permits, other private development permits and land use appeals. Seventy percent of the team's work is the analysis and issuance of zoning decisions, short plats, shoreline permits, variances, deviations and major design reviews within the standards of the Unified Land Development Code. The team is also responsible for review, maintenance and amending of the Comprehensive Plan and Unified Land Development Code under the State Growth Management Act. In addition, the team plays an important role in the coordination of pre-application meetings with the plan review/ inspection and customer service teams.

Services and Products:

- Land use permit review and processing, including subdivision, variance, deviation, shoreline and SEPA applications
- Property, zoning and development information
- Land use/zoning review on building permits
- Design review for all development projects other than single-family dwellings
- Staff support to the City's Planning Commission, Design Commission, City Council and selected committees and task forces
- Critical area review
- Update of the Mercer Island Comprehensive Plan, Shoreline Master Program, Unified Land Development Code, Critical Areas Ordinance and Endangered Species Act compliance
- Environmental review including, SEPA) Responsible Official and affected jurisdiction review and comment
- Preparation of land development code amendments as requested by the City Council, Planning Commission or citizens/private sector constituents.

KEY PERFORMANCE MEASURES - 1

Land Use Planning

DESCRIPTION	Perform review and decision making in land use, design and planning processes consistent with long term vision of the city council and adopted Comprehensive Plan.
CITY PRIORITIES	Priority 4.1 - The community will support attractive, high quality neighborhood and business environments.
GOAL	Provide excellent and timely land use and design review and decisions.
OBJECTIVE	90% of land use and design applications are processed with decisionsin 120 days.

Type of Measure	Description	2002 Actual	2003 Actual	2004 Estimate	2005 Estimate	2006 Estimate
Outcome	Percentage of land use and design applications processed in 120 days[1].	88%	91%	90%	90%	90%

[1] Applications not processed in 120 days were a result of incomplete applications or delayed due to the need for additional customer information or customer revisions.

Engineering Review, Transportation Planning and Infrastructure Mapping

Description:

The engineering, transportation planning and infrastructure mapping team is responsible for a variety of functions. Specifically the team conducts engineering review and inspection of utility, right of way, and overall site development for all private development; insures new private development projects protect the public infrastructure system; conducts transportation planning and traffic management for all modes of traffic; and maintains and enhances a land-based geographic information and mapping system. The team uses a mix of staff and some professional services for project-specific expertise and coordinates with the Maintenance Department, through the City Engineer, all comprehensive planning for the water, sewer and stormwater utilities. The team also is responsible for planning and coordinating island transportation issues, including neighborhood traffic, pedestrian and bicycle facilities, traffic calming and transportation management. The team maintains a comprehensive infrastructure mapping system for use by all city departments and members of the public.

Services and Products:

- Transportation planning and traffic management
- Coordination of transportation improvements
- Storm water drainage planning, review and monitoring for private development
- Comprehensive engineering review for all private development projects subject to permitting
- Implementation and enforcement of engineering standards associated with private development
- Protection of public utility and roadway infrastructure by insuring all private development conforms to adopted standards of construction through quality review and field inspection
- Maintenance and enhancement of a quality geographic information system for use by all city departments and the public

KEY PERFORMANCE MEASURES - 1

GIS Program

DESCRIPTION	The Geographic Information Systems (GIS) program seeks to identify, collect, create, analyze and share geographically related citywide information with all departments and the public.
CITY PRIORITIES	Priority 3.1 - The community will support reliable public infrastructure and protect its considerable public investments.
GOAL	Improve the City's planning and decision-making capabilities through automated mapping and geographic analysis.
OBJECTIVE	To serve all departments and utilities through development of GIS layers and map availability.

Type of Measure	Description	2002 Actual	2003 Actual	2004 Estimate	2005 Estimate	2006 Estimate
Input	Number of staff (FTEs)	2	2	2	2	2
	Number of intern/temp hours	1,775	1,913	2180	2180	2180
Output	Number of GIS data requests	230[2]	147	300	325	350
	Number of maps requests (single sheet)	NA	221	340	350	360
	Number of maps requests (multiple sheet)[3]	NA	NA	40	40	40

[2] In 2002, data and map requests were grouped together.
[3] A multiple sheet map request is usually an atlas comprising 40 single map sheets. More time is required to created an atlas.

Customer Service and Permit Coordination

Description:

The Customer Service and Permit Coordination Team is the primary point of contact for the public and an advocate for the City's customers relating to all permitting functions. The team manages requests for a wide range of Development Services information as well as both the building and land use permit process including permit intake and issuance, tracking, inspection, scheduling and records management.

Services and Products:

- Phone and over-the-counter general information
- Maintain permit tracking database
- Provide and maintain permit information and guidelines
- Conduct permit intake and issuance
- Respond to general building and land use application inquiries
- Schedule field inspections for building permits

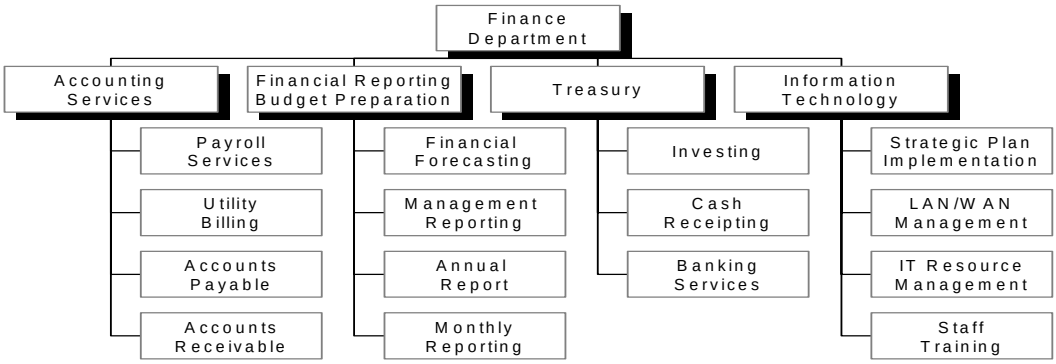
Finance Department

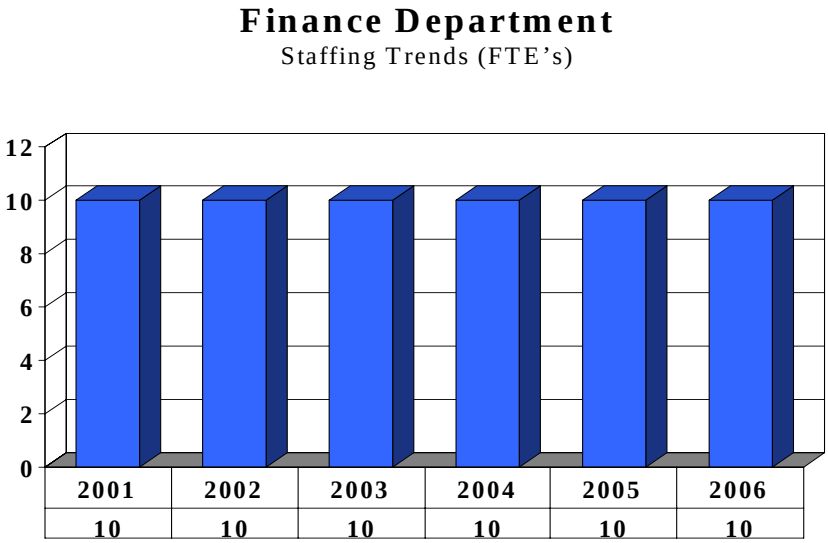
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Department Narrative

FINANCE DEPARTMENT

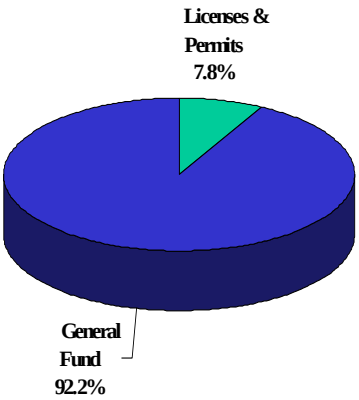
Mission Statement

The Finance Department provides a full range of timely and accurate financial, accounting and information technology services to City staff, the citizens of Mercer Island, Council and management, the investment community and other customers.

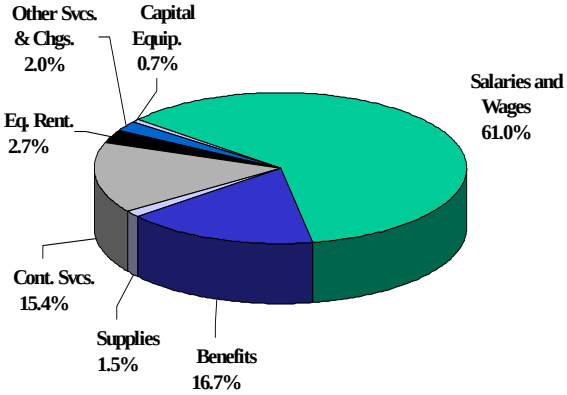




Finance Department
Sources of Revenue



Finance Department
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
Licenses & Permits	$57,316	$55,000	$57,000	$110,000
Other Services and Charges	1,050	4,200	0	0
General Fund	592,492	667,605	677,742	$638,088
Total Sources:	$650,859	$726,805	$734,742	$748,088
Uses of Funds:				
Salaries and Wages	$402,077	$436,225	$448,000	$456,050
Benefits	97,134	114,771	122,663	125,954
Supplies	15,531	12,800	11,000	11,000
Contractual Services	102,578	119,500	113,000	115,000
Communications	23	0	0	0
Equipment Rental	21,659	21,659	20,119	20,119
Other Services and Charges	11,856	16,850	14,960	14,965
Capital Equipment	0	5,000	5,000	5,000
Total Uses:	$650,859	$726,805	$734,742	$748,088

FINANCE DEPARTMENT

The Finance Department provides the City with a full range of financial and accounting services, including payroll, accounts payable, accounts receivable, and utility billing. The Director serves as the City Treasurer and is responsible for managing the City's investments and cash assets. The department generates monthly, quarterly, and annual reports for City departments, the City Council, and various external agencies. Finance is responsible for information technology management, including planning for investment in new technology, and maintenance and replacement of existing computing equipment.

2005 – 2006 DEPARTMENT HIGHLIGHTS & INITIATIVES

The Finance Department's key initiatives for the 2005-2006 biennium continue to emphasize the financial accounting and external reporting for the City. Starting in 2003 the City was required to make major changes in the way it reports the financial transactions of the City in order to comply with new Government Accounting Standards Board reporting requirements. Some of the effects of that initiative, which was successfully completed, were accounting changes that can be seen in this budget, such as the new accounting structure and fund for the Youth and Family Services department. That initiative will continue to be of focus to meet the 2007 reporting requirements for the City's infrastructure (streets, bridges, and sidewalks). During the last quarter of 2004, an upgrade to our financial system will be made that will make the system more user friendly. Training will be offered to all departments in 2005 in the new features. Training will also be offered in the reporting capabilities of the financial system. Another important goal in 2005 and 2006 is to implement the recommendations of a study made of the City's telecommunications and technology infrastructure. New technology, more closely linking phones and computers is changing the way those technologies will be used. The City is beginning to set aside money to replace the phone system, which at 16 years, is reaching the end of its life.

Financial Reporting and Budget Preparation

Description:

Financial reporting is required in many different forms for a wide variety of customers that include the citizens, City Council, Utility Board, City departments, the State Auditor's Office, bond rating agencies and the investment community.

Services and Products:

- Biennial budget
- Financial forecasting model
- Quarterly reports to Council
- On-line / real-time financial management reports

- Annual financial statements
- Coordination and analysis of utility rate studies
- Reports to bond rating agencies

KEY PERFORMANCE MEASURES - 1

Financial Rating for the City

DESCRIPTION	The City has both limited and unlimited General Obligation bonds which are rated periodically by Moody's Rating Service.
CITY PRIORITIES	Priority 2.2 – The community will support effective, efficient and legal delivery of public services.
GOAL	To continue to receive at least an Aa2 for our unlimited tax GO bonds and an Aa3 for the limited tax bonds.
OBJECTIVE	The City has received high ratings in the past from Moody's for our General Obligation Bonds. A high rating translates to a lower interest rate and the opinion by Moody's analysts that the City is well run financially. The higher ratings are due to the sound financial practices of the City that maintains reserves and has a modest level of debt.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Actual*	*2005 Estimate*	*2006 Estimate*
Outcome	Rating for Unlimited Tax General Obligation Bonds	Aa2	Aa1[1]	Aa1	Aa1	Aa1
	Rating for Limited Tax GO Bonds	Aa3	Aa2	Aa2	Aa2	Aa2

[1] The ratings were upgraded when the City issued the limited tax GO bonds for the purchase of the Mercerview site in 2003 and reaffirmed for the bonds issued in 2004 for construction.

KEY PERFORMANCE MEASURES - 2

Annual Financial Statements

DESCRIPTION	The State Auditor mandates the annual preparation of financial statements by each city in the State. The City prepares financial statements in accordance with Generally Accepted Accounting Principals and the State Budget and Accounting Act. An auditor from the state audits the statements for accuracy and adherence to GAAP, as well as reviewing the City's internal control procedures.
CITY PRIORITIES	Priority 2.2 – The community will support effective, efficient and legal delivery of public services.
GOAL	To accurately state the financial condition of the City and to receive an unqualified opinion on the State Auditor's report.
OBJECTIVE	1. To receive a clean opinion 100% of the time. 2. There are no major findings in the State Auditor management report. 3. There are no minor findings that have been uncorrected since the previous audit.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of minor findings from previous audit	4	4	5	5	5
Outcome	Percentage of time receiving an unqualified opinion	100%	100%	100%	100%	100%
	Number of major findings from Audit	0	0	0	0	0
	Percentage of minor findings corrected from previous audit	100%	100%	100%	100%	100%

Treasury

Description:

The treasury function consists of the management of cash resources: collecting all cash, depositing it safely, recording it accurately and investing it prudently.

Services and Products:

- Investing
- Cash management
- Banking services
- Internal control policies

Accounting Services

Description:

Accounting services are the primary job of six members of the Finance Department. They are responsible for processing over 45,000 utility bills, 5,200 paychecks, 7,000 vendor payments and 8,400 Business and Occupation tax bills. In addition, they are often the first point of contact for customers, and use the opportunity to leave the customer with a good first impression of the City.

Services and Products:

- Payroll services
- Accounts payable
- Accounts receivable
- Utility billing and meter reading
- Business and Occupation tax billing
- Business licenses

KEY PERFORMANCE MEASURES - 1

Accounting Services – Utility Billing

DESCRIPTION	The Finance Department handles the full utility receipting and billing of 3 utilities – water, sewer, and stormwater.
CITY PRIORITIES	Priority 2.2 – The community will support effective, efficient and legal delivery of public services.
GOAL	To bill and collect the revenue owing from utility bills in a timely and accurate manner.
OBJECTIVE	Utility accounts receivable balances due over 90 days is less than .5% of revenues.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Outcome	Utility accounts receivable balances due over 90 days are less than .5% of revenue billed.	0.2%	0.2%	0.2%	0.2%	0.2%

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Information Technology

Description:

The City of Mercer Island has a wide area voice and data network connecting different physical office locations. This network consists of about 150 computers, 13 servers, 60 printers, and 150 phones. It is used for such functions as telecommunications, voice mail the financial management system, city-wide email and scheduling, permitting, police and fire records management, internet access, as well as file sharing and network printing. Finance has the responsibility for managing the infrastructure and all the individual pieces of this Wide Area Network.

Services and Products:

- Management of information technology resources
- Network management and administration
- PC troubleshooting and repair
- Phone and voice mail set up and troubleshooting
- Information technology training for city staff

Maintenance Department

2005-2006 Expenditures
Department Narrative

MAINTENANCE DEPARTMENT

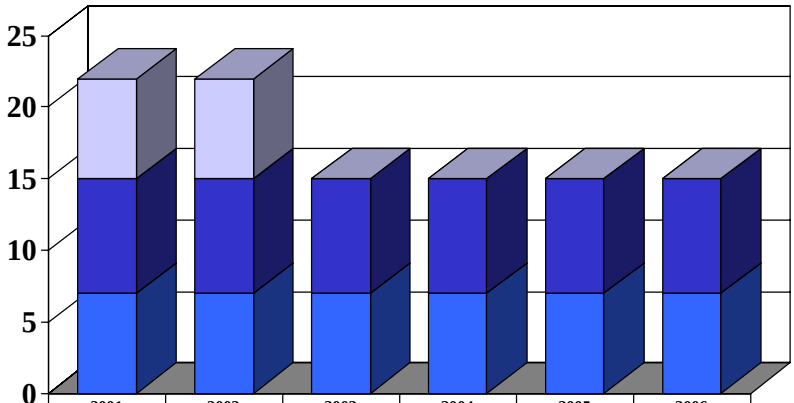
The Maintenance Department is organized into three teams: Right of Way, Utilities, and Support Services. The department is funded by five sources: the General Fund, Water Fund, Sewer Fund, Storm Drainage Fund and Equipment Rental Fund. For comparative purposes, the General Fund portion of the Maintenance budget is presented here for 2001 through 2004. This includes Street Maintenance and a portion of Maintenance Administration.

The entire Maintenance Department budget, including the Utilities Team, is presented in the Maintenance/Utility (F) section of this budget.

Maintenance Department

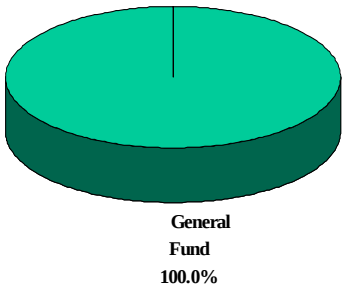
Staffing Trends (FTE's)

General Fund Only

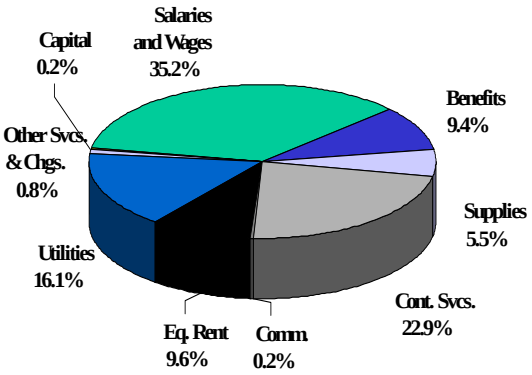


	2001	2002	2003	2004	2005	2006
E Team	7	7	0	0	0	0
Right of Way	8	8	8	8	8	8
Support Services	7	7	7	7	7	7

Maintenance Department
Sources of Revenue



Maintenance Department
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
General Fund	$1,366,308	$1,647,530	$1,622,292	$1,657,808
Total Sources:	$1,366,308	$1,647,530	$1,622,292	$1,657,808
Uses of Funds:				
Salaries and Wages	$491,506	$586,903	$570,818	$594,439
Benefits	113,082	149,905	153,028	159,643
Supplies	53,458	98,850	89,900	89,900
Contractual Services	309,021	365,300	371,450	372,300
Communications	2,679	2,930	2,900	2,980
Equipment Rental	162,448	165,163	156,217	156,217
Utilities	223,070	258,235	260,735	265,085
Other Services and Charges	9,703	16,650	13,650	13,650
Intergovernmental	576	594	594	594
Capital Equipment	764	3,000	3,000	3,000
Total Uses:	$1,366,308	$1,647,530	$1,622,292	$1,657,808

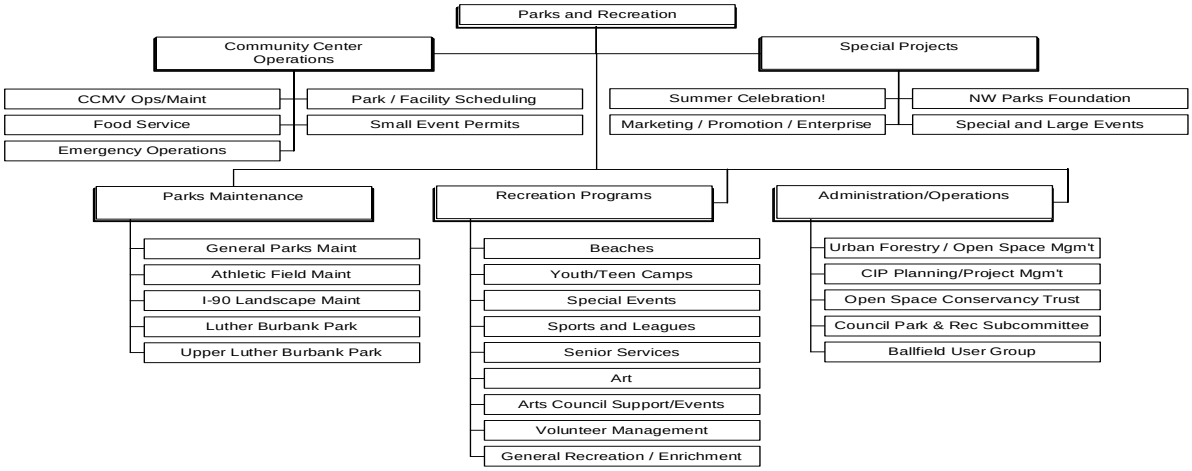
Parks and Recreation

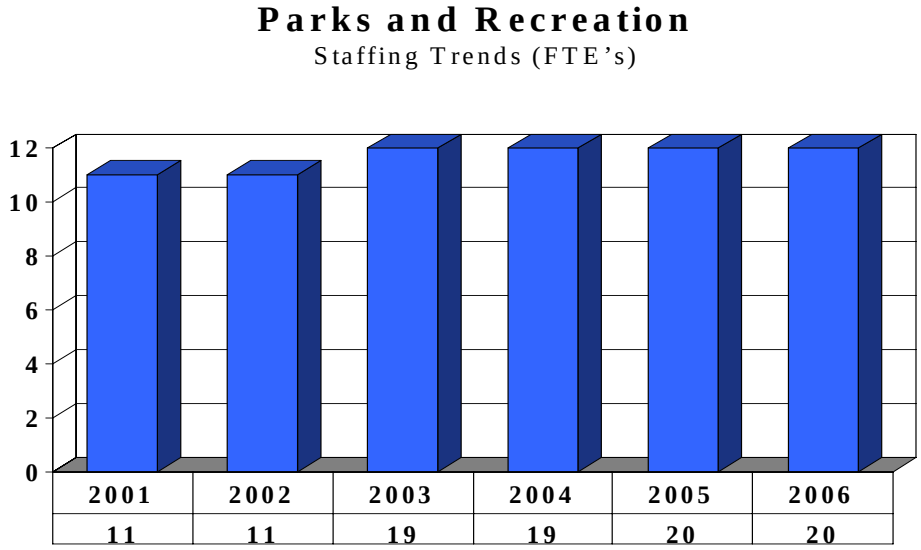
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Department Narrative

PARKS AND RECREATION

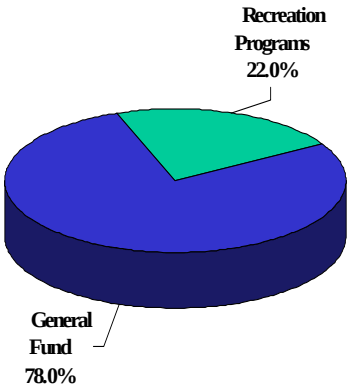
Mission Statement

The Mercer Island Parks and Recreation Department takes pride in providing the highest quality facilities and services in partnership with the community to enhance livability on Mercer Island.

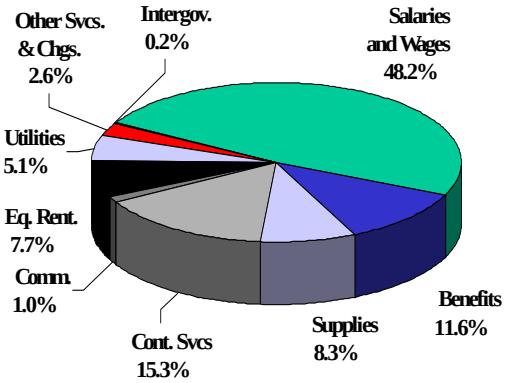




Park and Recreation
Sources of Revenue



Park and Recreation
2005 Expenditures



PARKS AND RECREATION – GENERAL FUND ONLY

Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
Shared Revenue / Grant	$0	$0	$0	$0
Recreation Programs	771,479	810,274	568,490	865,035
Program Donations	433	0	0	0
General Fund	1,648,784	1,982,103	2,019,785	2,109,391
Total Sources:	$2,420,695	$2,792,377	$2,588,275	$2,974,426
Uses of Funds:				
Salaries and Wages	$1,199,087	$1,344,449	$1,247,755	$1,386,131
Benefits	250,801	304,207	300,214	331,516
Supplies	189,565	245,125	214,339	230,425
Contractual Services	361,171	467,625	395,920	534,994
Communications	22,394	16,650	24,840	27,240
Equipment Rental	174,978	179,071	198,022	198,537
Insurance	0	200	0	0
Utilities	144,368	145,500	133,145	180,810
Other Services and Charges	67,469	85,520	68,030	78,758
Intergovernmental	5,410	4,030	6,010	6,015
Capital Equipment	5,452	0	0	0
Total Uses:	$2,420,695	$2,792,377	$2,588,275	$2,974,426

PARKS AND RECREATION DEPARTMENT

The Mercer Island Parks and Recreation Department is dedicated to facilitating and providing a comprehensive delivery of diverse parks and recreation services to the community. Services include recreation, athletic, social, art, special event, park and facility operations/maintenance, open space acquisition, urban forestry management and other services. The Department assumes a major role in developing a sense of community by providing diverse services to preschool age children, youth, teen, adult, family and senior populations; and develops partnerships with community agencies, businesses and institutions to ensure that service needs are met. Use of park facilities and participation in recreation programs fosters relationships with the park and recreation patron that improves their quality of life.

With over 35 parks and open space areas boasting over 460 acres and trails in excess of 50 miles, the Department maintains high demand and multi-use athletic fields, playgrounds, sport courts, swimming beaches, street-end waterfront access areas, hiking, biking and equestrian trails, open space areas and picnic facilities. The Parks Maintenance Team provides routine, preventative, special response and capital maintenance services. Routine tasks include garbage and litter control, restroom maintenance, athletic field preparation, turf rehabilitation, irrigation repairs and installation, sweeping and cleaning of parking lots and hard surfaces, mowing and edging, vegetation control, tree and planter bed care, trail maintenance, and the upkeep and repair of park assets.

The Recreation Programming Team provides fitness classes, sports and leagues, social and health services, transportation, special events, special needs programming, outdoor recreation, educational/enrichment programs, arts activities, and operates 2 swim beaches. While the new Community Center at Mercer View is under construction, multi-generational programs and services have moved to various community locations, including West Mercer Elementary, Mercer Island High School, Shorewood Heights Apartments, King County Public Library, Covenant Shores, the Boys and Girls Club, the VFW and Club Emerald.

The community continues to embrace seasonal special events including the annual Egg Hunt, Firehouse Munch, All-Island Track Meet, Teen Battle of the Bands, Summer Carnival, Argosy Christmas Ship festival, Garage Sale, Basketball Hot Spot competition and Funtastic Fridays. The Department coordinates reviews and permits special event requests from outside organizations and agencies through the City Special Events Committee.

The Department is responsible for facilitating the public's desire to utilize various park and recreation assets. This includes scheduling and coordinating multi-use parks and facilities, including a new approximately 41,000-sq. ft. community center, all-weather sports stadium, 12 soccer fields, 7 softball fields, 3 hardball fields, and 2 picnic shelters. The Department will open and operate the new Community Center at Mercer View in January 2006 providing room rental opportunities for the community, indoor gallery space, food preparation facilities, drop-in and organized activities, social gathering places and program/activity spaces for the Department and tenants.

A part-time Park Arborist provides on-site public hazard tree mitigation, invasive vegetation removal plans, re-planting programs, helps implement urban forestry management initiatives in parks, public rights-of-way, trails and open space areas and facilitates a volunteer Forest Stewardship training program.

Parks and Recreation staff support the work of over 200 volunteers, providing over 13,800 volunteer hours through Adopt a Park and Forest Stewardship programs, as well as through the Ivy Brigade, Community Center courtesy desk, senior meals, Arts Council sponsored events, CCMV library, Meals on Wheels and Senior Social programs.

Department staff facilitates the work of the Open Space Conservancy Trust, Ballfield User Group, Arts Council, the Council Subcommittee on Parks and Recreation and other community groups engaged in supporting parks and recreation. Staff serves as liaisons to these groups by providing administrative support and ensuring compliance to City Council direction and City codes/ordinances. The Department also has formalized a relationship with NW Parks Foundation, a 501c3 organization, to facilitate donations and gifts that benefit the park system.

In addition to one-day special events, the annual citywide Summer Celebration! festival is produced by the Parks and Recreation Department with the assistance and support of Police, Fire, Maintenance and DSG. Summer Celebration! provides cultural and recreational programming, intergenerational activities, and showcases local and regional visual and performing arts, as well as community pride. A citywide coordinating team comprised of department staff representatives meets to coordinate logistics and communications for the 3-day festival. Over 30,000 regularly attend this SEAFAIR sanctioned community event which is supported by over 200 volunteers and numerous City staff.

In addition to the revenues earned from recreation programs, rentals, user fees and leases, the Department relies on financial support from the General Fund to support facilities, special projects, recreation, administration and most park maintenance activities. Park maintenance activities within the I-90 corridor are funded separately from the General Fund. The I-90 Landscape Maintenance Fund was established in 1980 as a financial mechanism for City monitoring of I-90 related construction and issues. The Washington State Department of Transportation (WSDOT) owns 54 of the 80 acres that creates the I-90 corridor and has agreed to compensate the City for maintenance costs of those 54 acres only. Revenue from the WSDOT will continue throughout the lease period and will be adjusted for inflation annually with a formula driven by the Consumer Price Index of Washington. The revenues are projected to grow at approximately 3% annually. The City manages the State-owned properties under a lease agreement that will expire in 2034. The remaining 28 acres are owned by the City and were landscaped and improved by the WSDOT during construction of I-90. The City receives no compensation from the WSDOT for maintenance of those 28 acres. Early in the negotiations, the City set the goal of maintaining all 80 acres of the I-90 property with the reimbursement funds for 54 acres from the WSDOT. This goal was based on estimated cost data available at the time.

For the department, as a whole, the table below shows the total revenue sources for the 4 years, from both the General Fund and the I-90 Landscape Maintenance Fund.

Parks and Recreation Expenditures–General Fund and I-90 Landscape Maintenance Fund

Department Expenditures	2003 Actual	2004 Budget	2005 Budget	2006 Budget
General Fund - Recreation	$1,671,426	$2,043,526	$1,856,429	$2,213,081
General Fund - Park Maintenance	749,269	748,851	731,846	761,345
I-90 Landscape - Park Maintenance	413,081	445,255	447,745	455,987
Total Expenditures	$2,833,776	$3,237,632	$3,036,020	$3,430,413

For the department, as a whole, the table below shows the total expenditures for the 4 years, including both the General Fund and the I-90 Landscape Maintenance Fund.

Parks and Recreation Expenditures–General Fund and I-90 Landscape Maintenance Fund

Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Uses of Funds:				
Salaries and Wages	$1,264,333	$1,428,288	$1,335,337	$1,477,552
Benefits	264,758	321,813	321,257	353,562
Supplies	205,416	280,275	239,489	255,575
Contractual Services	485,294	651,625	573,420	712,494
Communications	23,027	17,450	25,640	28,040
Equipment Rental	189,277	192,981	212,142	212,657
Insurance	0	200	0	0
Utilities	323,017	254,700	254,145	305,210
Other Services and Charges	67,599	86,270	68,580	79,308
Intergovernmental	5,410	4,030	6,010	6,015
Capital Equipment	5,646	0	0	0
Total Uses:	$2,833,776	$3,237,632	$3,036,020	$3,430,413

This budget is presented with similar levels of service delivery as in past budgets, and reflects user fee increases to recover direct and indirect costs associated with basic service delivery.

2005 - 2006 DEPARTMENTAL HIGHLIGHTS AND INITIATIVES

- Community Center at Mercer View
- Open new community center facility on Tuesday, January 3, 2006.
- Meet facility rental revenue projection of $227,985 in 2006.
- Maintain a general fund subsidy of no more than $150,000 in 2006.
- Book no less than 10,000 room-use hours (rentals and Parks & Recreation activities) in 2006.
-
- Recreation
- Evaluate current program offerings and new trends to insure balanced program offerings between age and demographic groups.
- Assist in developing a programming plan for the new community center.
- Implement eConnect, on-line activity registration, and integrate search and register capabilities with other cities as part of the e-Gov Alliance's www.myparksandrecreation.com project.
-
- Summer Celebration!
- Continue to organize and sponsor the annual Summer Celebration! festival in coordination with local organizations, service clubs, non-profit groups, businesses and volunteers.
- Continue to pursue other funding sources to be self-sustaining and to recoup expenses through revenue sources such as financial sponsorships, grants and monetary donations.
- Maintain high quality and low cost programming, reduce costs where necessary with competitive bidding and in-kind support, and continue to develop new festival offerings that reflect community diversity.
-
- Park Maintenance
- Conduct annual turf renovations to athletic fields for improved playability and durability.
- Implement water reductions through technological improvements, improved park landscaping and design and aggressive conservation methods.
- Implement the Maintenance Management System for scheduling and tracking preventative park maintenance tasks.
-
- Administration
- Assist and support the Luther Burbank Park public involvement process and implement any master planned improvements.
- In conjunction with Mercer Island High School staff, expand jointly scheduled School District facilities to include other indoor and outdoor venues for use by the public.
- Assist in the project management of the new Community Center at Mercer View and prepare it for opening on January 3, 2006.
- Continue to pursue invasive species removal in parks and open space areas and implement re-vegetation programs where appropriate.

Arts Council Programs

Description:

Provide cultural opportunities to the community in literary arts, performing arts, indoor/outdoor gallery exhibits, summer concerts, public art acquisition, and cultural arts programs for all ages.

Services and Products:

- Indoor art gallery
- Outdoor sculpture garden
- Art in public places
- Arts Council events such as performing arts, concerts and literary
- Community Grant Opportunities

KEY PERFORMANCE MEASURES - 1

Arts Council Programs

DESCRIPTION	Provide cultural opportunities to the community in literary arts, performing arts, indoor/outdoor gallery exhibits, summer concerts, public art acquisition, and cultural arts programs for all ages.
CITY PRIORITIES	Priority 5.3 – The community will support a broad range of recreational, cultural, health and educational opportunities.
GOAL	Present a wide variety of art activities, experiences and educational opportunities to the community and local artists.
OBJECTIVE	Continue to provide 9 Mostly Music in the Park events; 10 Shakespeare in the Park events; 3 literary events quarterly; rotate 3 outdoor sculptures and in 2006 provide 4 indoor gallery exhibits.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Number of staff hours	1,419	1,472	1,583	1,144	1,144
Output	Number of Mostly Music in the Park Events	9	9	9	9	9
	Number of Shakespeare in the Park Events	11	11	11	11	11
	Number of outdoor sculptures changed annually	4	3	7	2	2
	Number of Literary Programs	12	12	15	12	12
	Number of indoor gallery shows	8	6	2	0	6
Outcome	Number of participants at Mostly Music in the Park events	8,500	7,900	8,700	8,700	9,200
	Number of participants at Shakespeare in the Park events	4,200	3,600	4,000	3,300	4,400
	Revenue generated from outdoor gallery sales	$0	$0	$2,250	$3,600	$2,250
	Number of participants attending Literary Programs	--	--	450	300	300
	Revenue from indoor gallery sales	$10,438	$7,592	$5,655	$0	$8,500

Indoor Recreation Facilities

Description:

Provide a public gathering place for citizens of all ages. Seniors, young children, teens and adults will have available to them a wide variety of activities and programs offered at the new Community Center at Mercer View. It will first and foremost provide services for the citizens of Mercer Island. The Center will be the community's primary civic meeting center addressing recreational, educational, and cultural interests for all Mercer Islanders. It will also be a meeting place for organizations, individuals and for public events.

Services and Products:

- Active and passive areas including: gymnasium, fitness and dance rooms, multi-purpose room, locker facilities, kitchen, games room, library, lounges, art room, outdoor patios and terraces and indoor art gallery
- Program space for Recreation classes and special events
- Meeting rooms and private rental areas for the public
- Leased program spaces
- Multipurpose spaces for casual social engagement, drop-in programs, rentals and scheduled activities
- Catering and food service facilities
- Emergency shelter operations
- Pea patch community gardens

KEY PERFORMANCE MEASURES - 1

CCMV Operations

DESCRIPTION	Provide a multi-generational civic gathering place that offers active, passive, organized and drop-in activities and events for the benefit of the community.
CITY PRIORITIES	Priority 3.1 – The community will support reliable public infrastructure and protect its considerable public investments (e.g. water, sewer, storm water utilities, streets, parks, buildings).
GOAL	Provide first class facility space for Parks and Recreation Department functions and rental activities while maximizing revenue for the City.
OBJECTIVE	Maximize available facility space through efficient, effective and creative scheduling practices using facility-booking software. Insure adequate room availability for Recreation classes and events. Provided a satisfying rental experience for clients by offering room variety and accommodating client needs. Promote, attract and retain new rental groups to the center.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Number of operating hours	--	--	--	--	5,300
Output	Number of room-use hours booked	--	--	--	--	10,000
Outcome	Total annual facility visits[1]	--	--	--	--	125,000
	Total room rental revenue[2]	--	--	--	--	$227,985

[1] Total annual facility visits= Number of visitors entering facility annually
[2] Total room rental revenue = Community Center hourly rentals.

Recreation Programs

Description:

Provide recreation classes and camps, sports events, sports leagues and special events that will reach all ages, abilities and interests of the residents of Mercer Island.

Services and Products:

- Recreation classes in arts, fitness, outdoor, health and general enrichment
- Sports activities for youth and adults
- Sports leagues for adults
- Youth and Teen Camps
- Special events for all ages

KEY PERFORMANCE MEASURES - 1

Recreation Classes/Activities

DESCRIPTION	Classes in art, fitness, outdoor, health and general enrichment opportunities for preschool, youth, teen and adult populations.
CITY PRIORITIES	Priority 5.4 – The community will support a broad range of recreational, cultural, health and educational opportunities.
GOAL	Provide continuous learning/enrichment and social service opportunities to preschool, youth, teen, adult and seniors in all programming categories.
OBJECTIVE	Plan and evaluate diverse programming in each age group each quarter to meet the public needs.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of Health & Fitness classes	--	--	--	37	57
	Number of Outdoor classes	--	--	--	12	20
	Number of Art classes	--	--	--	29	36
	Number of Special Interest classes	--	--	--	31	42
	Number of sport activities/programs	--	--	--	30	42
Outcome	Amount of participants enrolled in Health & Fitness classes	--	--	--	1545	2230
	Amount of participants enrolled in Outdoor classes	--	--	--	240	320
	Amount of participants enrolled in Art classes	--	--	--	525	2020
	Amount of participants enrolled in Special Interest classes	--	--	--	1300	2050
	Amount of participants enrolled in Sports classes/activities	--	--	--	2200	2850

New measure beginning in 2005-06.

Summer Celebration!

Description:

Provide the community with a family-oriented festival over a 3-day weekend with a wide range of events and activities for all ages- free admission (minimal cost for some activities and ticketed events). Summer Celebration! provides cultural and recreational programming, intergenerational activities, and showcases local and regional visual and performing arts, as well as community pride.

Services and Products:

- Performing arts/concert events
- Special events for all ages and interests (car show, arts and crafts, boat tours, inflatable rides & games, Battle of the Bands, etc.)
- Business sponsorships and partnership opportunities, including SEAFAIR festival promotion
- Volunteer opportunities for 200+
- Community involvement for organizations, service clubs, non-profit groups and local businesses
- Marketplace venue for a variety of local and regional artists and crafts people
- Food faire featuring local and international cuisine
- Children's visual arts enrichment with hands-on art projects

KEY PERFORMANCE MEASURES - 1

Summer Celebration!

DESCRIPTION	Major community summer festival for all ages highlighting recreational, cultural and community activities.
CITY PRIORITIES	Priority 5.4 – The community will support a broad range of recreational, cultural, health and educational opportunities.
GOAL	Provide a wide variety of high quality and low cost festival offerings which includes performances, recreation and special events to the community with diverse levels of cultural and recreational interests and experiences.
OBJECTIVE	Recover at least 48% of festival expenses through vendor fees, sponsorships, donations, grants, ticket sales, merchandise sales, event registration fees and in-kind services. Continue to pursue other funding sources to be increasingly self-sustaining. Promote, attract and retain new sponsors and vendors in highly competitive festival industry.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Number of contracted staff (other duties include city-wide special events, marketing, media relations, public information, & P&R Foundation liaison)	1 FTE	1 FTE	1 FTE	1 FTE	1 FTE
	Number of volunteers	--	235	200	225	230
Output	Number of events/activities	--	46	42	40	40
	Number of crafts booths	--	100	100	100	100
	Number of food booths	--	24	20	22	24
	Number of info booths	--	18	20	20	20
	Number of sponsor booths	--	18	20	20	20
	Number of financial and in-kind sponsors	--	60	59	60	60
	Percentage of participant satisfaction	--	--	84%	86%	90%
Outcome	Total cash sponsorships	--	$21,300	$24,750	$25,000	$25,500
	Total festival revenue	--	$66,466	$67,508	$68,000	$69,500

New measure beginning in 2005-06.

Athletic Field Maintenance

Description:

Prepare all athletic fields (including 12 soccer, 3 baseball, 1 football and 7 softball fields) for scheduled activity.

Services and Products:

- Daily field preparation for use including: dragging, marking with lime and paint, placing bases, adding or removing water as needed, and setting light schedules.

- Seasonal field preparation to include: aeration, boxing, leveling, adding mix, installing base pegs, removing grass and weeds, irrigation maintenance, installing pitching rubbers, home plates and goal posts, fence maintenance, and pest management.

KEY PERFORMANCE MEASURES - 1

Athletic Field Preparation

DESCRIPTION	Preparation for sporting programs for all ages that use park facilities for their programs. Programs include baseball, softball, lacrosse, football, soccer, etc. The Boys and Girls Club, Island Baseball Club and the Mercer Island School District are the primary facility users.
CITY PRIORITIES	Priority 3.1 – The community will support reliable public infrastructure and protect its considerable public investments (e.g. water, sewer, storm water utilities, streets, parks, buildings)
GOAL	Provide healthy and safe athletic facilities that meet the presentation and use standards for the users. Meet the schedule requirements for programs when weather conditions allow for safe play.
OBJECTIVE	Maintain the presentation standard and frequency for scheduled games 99% of the time. 95 % of the facility users rate the presentation, safety, and usability as good or excellent.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Staff costs for game prep	$17,641	$19,902	$22,278	$20,000	$21,000
	Staff costs for seasonal prep[1] (March 1 – November 20)	$14,669	$27,027	$19,846	$18,500	$18,000
	Supplies for game prep	$5,778	$6,289	$4,000	$6,000	$6,500
	Supplies for seasonal prep (March 1 – November 20)	$28,252	$19,905	$20,000	$18,000	$17,000
Output	Number of game preps	514	504	532	520	520
	Cost per game prep	$46	$52	$49	$50	$53
Outcome	Percentage of all scheduled games that are prepped	99.4%	99.25%	99.5%	99.5%	99.5%
	Percentage of user satisfaction with field prep[2]	95%	95%	96%	96%	96%

[1] Seasonal prep is the preparation for each entire sport (e.g. baseball, soccer) season. Game prep is the preparation for each individual game.

[2] As reported by Ballfield User Group (BUG) in an annual written evaluation

Park Maintenance

Description:

This product includes general maintenance activities in all parks including I-90. Facilities include: 2 beaches, 13 street end parks, 7 restroom buildings, 2 picnic structures, hundreds of park furniture items, miles of fences, 9 playgrounds, 8 sports courts and 8 parking lots.

Services and Products:

- Turf mowing, edging, and trimming
- General repair and maintenance of park assets
- Garbage and litter control
- Court maintenance
- Sweeping and cleaning parking lots and hard surfaces
- Painting buildings, signs, and furniture
- Maintenance of planter beds
- Restroom services

KEY PERFORMANCE MEASURES - 1

Level A Maintenance at South Mercer Playfields, Island Crest Park, Homestead Field, Mercerdale Park, I-90 Lid Park and Luther Burbank Park

DESCRIPTION	**Level A maintenance** involves servicing the park at a high enough standard to ensure we achieve a well kept look. The following is a brief list of the park amenities and at what frequency each is maintained: **Lawns** – all are mowed a minimum of twice a week (Mar-Oct) = 60x/yr per site @ 4 sites. Luther Burbank park and the I-90 property are mowed by a landscape service. All areas are trimmed by weedeater, sidewalks are edged and blown clean. **Restrooms and Garbage –** Restrooms are cleaned and garbage is picked up a minimum of once a day. This task fluctuates and cleaning and stocking supplies may be performed up to 3 times daily, depending on weather and use. **Playgrounds –** are looked over weekly and thoroughly inspected and maintained on a quarterly basis.
CITY PRIORITIES	Priority 3.1 – The community will support reliable public infrastructure and protect its considerable public investments (e.g. water, sewer, storm water utilities, streets, parks, buildings).
GOAL	Provide healthy and safe parks that meet the presentation and use standards for the park.
OBJECTIVE	Maintain the presentation standard and frequency schedule 95% of the time. 90% of park users indicate overall satisfaction with their experience.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Staff hours to mow	--	--	1,468	1,500	1,500
	Staff hours cleaning restrooms and picking up garbage	--	--	2,561	2,400	2,400
	Staff hours inspecting playgrounds	--	--	266	270	313
Output	Mowing frequencies met	--	--	367	367	367
	Park check frequencies met	--	--	1,638	1,638	1,638
	Playground inspection frequencies met	--	--	312	312	368
Outcome	Percentage presentation standards are met	--	--	95%	95%	95%
	Percentage of park user satisfaction	--	--	90%	91%	91%

New measure beginning in 2005-06.

KEY PERFORMANCE MEASURES - 2

Turf and Planter Bed Maintenance

DESCRIPTION	The City maintains 120 acres of active use turf and 85,000 square feet of planter beds. Maintaining a balance between water conservation and healthy turf and planter beds is an ongoing challenge.
CITY PRIORITIES	Priority 3.1 – The community will support reliable public infrastructure and protect its considerable public investments (e.g. water, sewer, storm water utilities, streets, parks, buildings)
GOAL	Keep active use turf and planter beds healthy while managing water consumption.
OBJECTIVE	Reduce water consumption by 5% each year. Fertilize athletic fields 4 times per year. Core aerify all athletic fields 2 times per year to increase drainage and promote healthy turf grass. Top-dress with sand and over-seed all athletic fields biannually. Weed and add mulch or bark to all flowerbeds.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Labor hours for athletic Turf Maintenance	--	--	550	520	500
	Labor hours for Planter Bed Maintenance	--	--	760	720	700
	Cost of water to irrigate parks	--	--	$219,000	$210,000	$200,000
Output	Number of fields aerated	--	--	19	21	23
	Percentage of athletic fields fertilized four times per year	--	--	100%	100%	100%
	Number of fields top-dressed and over-seeded	--	--	5	6	7
	Percentage of flowerbeds weeded	--	--	92%	93	93
Outcome	Percentage of turf and planter beds kept healthy	--	--	90%	91%	91%
	Percentage of increase/decrease of water consumption over previous year	--	--	- 18%	5%	5%

New measure beginning in 2005-06.

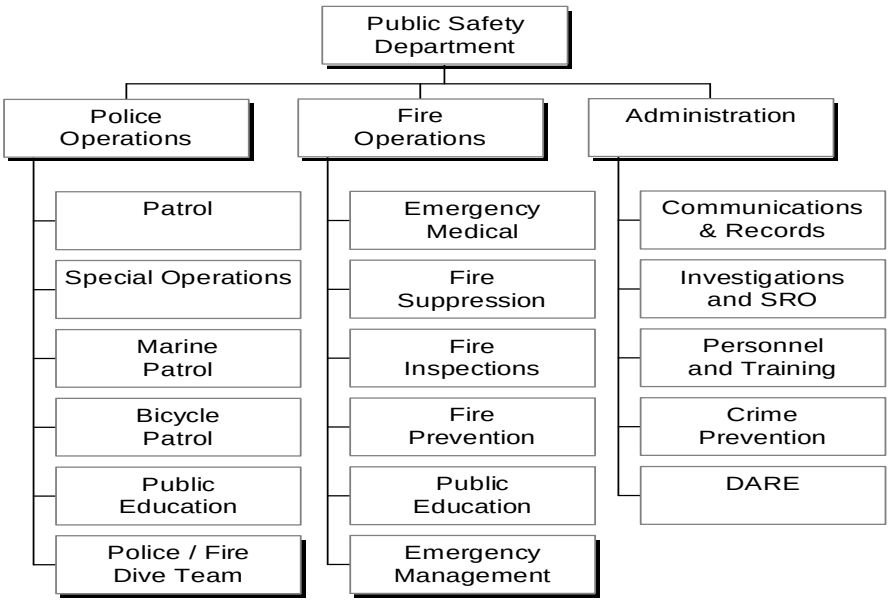
Public Safety

Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Department Narrative

PUBLIC SAFETY DEPARTMENT

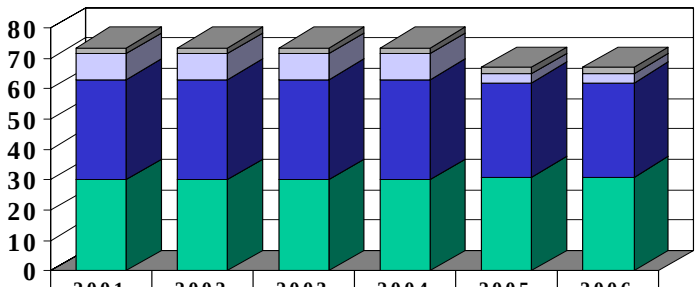
Mission Statement

The mission of the Public Safety Department is to protect life and property.

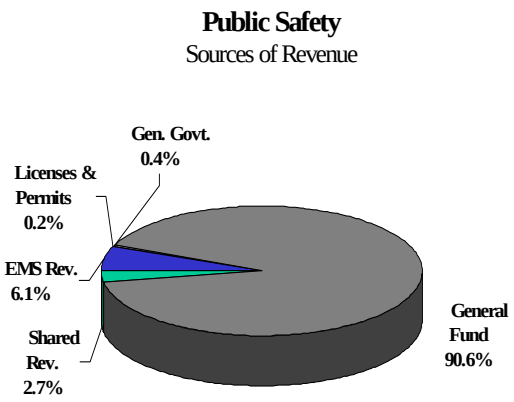


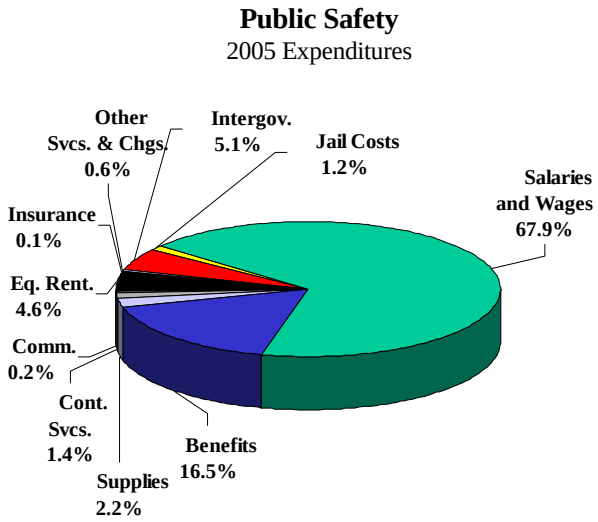
Public Safety

Staffing Trends (FTE's)



	2001	2002	2003	2004	2005	2006
Hire-Ahead	2	2	2	2	2	2
Dispatch	8.5	8.5	8.5	8.5	3	3
Police	33	33	33	33	31	31
Fire	30	30	30	30	31	31





PUBLIC SAFETY REVENUES AND EXPENDITURES – GENERAL FUND ONLY

Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
Shared Revenues	$179,446	$173,368	$203,920	$200,160
EMS Revenues	416,067	409,706	456,887	464,904
Licenses & Permits	0	0	15,000	15,000
General Government	25,067	25,000	28,650	28,650
General Fund	6,605,961	6,824,975	6,828,644	7,037,301
Total Sources:	$7,226,541	$7,433,049	$7,533,101	$7,746,015
Uses of Funds:				
Salaries and Wages	$5,354,414	$5,295,765	$5,114,495	$5,258,076
Benefits	1,114,946	1,221,364	1,246,655	1,278,759
Supplies	138,369	184,002	166,411	163,894
Contractual Services	124,877	149,232	108,506	114,849
Communications	16,334	21,550	16,700	22,100
Equipment Rental	302,552	306,397	347,966	362,966
Insurance	5,950	5,500	6,600	6,600
Other Services and Charges	33,807	53,810	47,645	46,870
Intergovernmental	14,494	16,429	384,123	393,901
Jail Costs	119,346	179,000	94,000	98,000
Capital Equipment	1,452	0	0	0
Total Uses:	$7,226,541	$7,433,049	$7,533,101	$7,746,015

PUBLIC SAFETY DEPARTMENT

The Public Safety Department provides police, fire, emergency medical, and emergency management services to the citizens of Mercer Island and its visitors. The Department is organized into three Divisions: Police, Fire, and Administrative Services. Some additional services provided are Fire Marshal, Dive Team, Marine Patrol, Bike Patrol, Special Operations, and Crime Prevention and Community Education.

The Department responds to over 19,000 calls for service each year on a 24 hour a day basis. There will be 67 positions in Public Safety beginning in 2005. This is down five full-time and one half-time positions due to dispatch services being contracted out at the end of 2004. Most of the time, police and fire staff have sufficient staffing on duty to handle calls for service. However, it is not unusual to call neighboring cities for mutual aid or to call in additional Mercer Island staffing to respond to simultaneous calls or significant events.

The Public Safety Department has the largest number of employees and the largest budget in the City. The General Fund budget for 2005 is $7,533,101 and for 2006 is $7,746,015. The budget for Police and Administration Divisions is supplemented by Criminal Justice funds. (See Budget Policy on these funds). The Criminal Justice budget for 2005 is $499,350 and $499,108 in 2006.

In the sections below are brief descriptions of the three Public Safety Divisions and their highlights for the next two year period. Included after each Division description is a graph showing the total expenditures for the Division. For the Public Safety Department as a whole, the chart below shows total expenditures for the four years, including General Fund and Criminal Justice Fund.

Department Expenditures	2003 Actual	2004 Budget	2005 Budget	2006 Budget
General Fund	$7,226,541	$7,433,049	$7,533,101	$7,746,015
Criminal Justice Fund	607,660	595,322	494,350	499,108
Total Expenditures	**$7,834,201**	**$8,028,371**	**$8,027,451**	**$8,245,123**

2005 - 2006 HIGHLIGHTS AND INITITATIVES (BY DIVISION)

Police Operations

Major construction in the Central Business District will remain a source of traffic and parking challenges for the community. Police officers will continue to work with citizens, businesses, and the City to mitigate the impact of this construction.

Police officers will continue to work with other agencies and community groups on strategies that address concerns relating to homeland security and terrorism. Officers will continue to receive specialized training in this area, and will bring this training back to our community.

New mobile data computers (MDC's) will be installed in each patrol vehicle. These new computers will allow the officers to perform critical job tasks via the mobile computer rather than via the radio. Mapping programs that assist police officers in responding to emergencies by providing vital information can also be accessed via these computers. In addition, these computers will give the officers the ability to write their reports in the field instead of at the station, maximizing their time in the community.

Officers will be equipped with tasers for use as a less-lethal alternative to their firearm. Officers will receive training on the proper use and application of these devices. Patrol vehicles will be equipped with AR-15 rifles instead of shotguns. Officers will realize more flexibilty and capabilities with the rifles. Rifles will be equipped with special sights conducive to patrol operations, and will be more useful in responding to possible school emergencies and homeland security issues.

Community policing remains a strong emphasis of the Department. Officers will remain active in their participation in neighborhood preparedness meetings. Officers will continue to work with our crime prevention officer in an effort to identify ways to keep our community protected. A focus will be on assisting citizens to secure their property and avoid being victims of fraud.

We will continue to provide marine patrol services for our four contract cities of Renton, Medina, Hunts Point, and Yarrow Point. Possibilities of forming regional marine patrol service continue with the Eastside cities. (See Management and Budget Policy on Marine Patrol.)

A new officer has been assigned to the School Resource Officer position. The officer will continue to work at the High School, Middle School, and Crest Learning Center. The DARE officer will teach a new DARE curriculum this school year. The two officers will coordinate their efforts in the area of classroom instruction and providing overall security for the schools.

Police Expenditures – General Fund and Criminal Justice

Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Uses of Funds:				
Salaries and Wages	$2,124,744	$2,087,564	$2,099,660	$2,159,479
Benefits	516,050	534,142	609,384	626,149
Supplies	130,088	60,700	55,900	55,900
Contractual Services	62,796	39,750	33,750	24,750
Communications	5,179	6,000	6,000	6,000
Equipment Rental	274,487	274,250	277,219	277,219
Insurance	5,950	5,500	6,600	6,600
Other Services and Charges	33,088	31,450	27,040	27,040
Intergovernmental	24,494	25,000	25,000	25,000
Interfund Trsf / Drug Intervention	40,000	40,000	0	0
Capital	3,402	38,750	29,750	34,750
Total Uses:	$3,220,276	$3,143,106	$3,170,303	$3,242,887

Fire Operations

The Fire Department will be working on maintaining a high level of preparedness for both the day to day incidents and the high risk low frequency incidents such as disasters or terrorism. During the past year, Emergency Management was integrated into Fire Division. During the next two years, additional efforts will be made to involve Emergency Management into Fire Operations.

The Fire Operations Division is working to adjust to a new technical rescue agreement with other fire agencies in the area. Fire is also working on the transfer of dispatch services being contracted to Bellevue. The ongoing EMS training is quite stable and will continue as it has in the past. The fire level of training is increasing greatly due to statutory requirements. Fire training staff will be working to provide the mandatory training in an economical fashion. In addition, staff has identified some grant opportunities that may offset some of these new training costs.

The part-time Fire Marshal has been overwhelmed with work as a result of the volume of development in our business district. The next two year budget cycle moves this contracted position to full time to keep up with this work. There appears to be opportunity to increase the revenues collected for the Fire Marshal's services. This will be reviewed next year with recommendations for possible fee increases brought forward.

Fire Division has operated with the same administrative structure for at least 30 years. The workload has grown past our capacity. In an effort to increase capacity at the most reasonable cost, a review of our secretary's position is being done. The expected result is a new job function for this position which focuses on administrative tasks. An effort will be made to utilize volunteers at the Main Fire Station to assist with routine customer service issues. This new function should be in place early in 2005.

Fire continues a very aggressive public education program. An array of classes like CPR, First Aid and disaster readiness/response classes will continue to be offered. Education is provided to the community through in-house classes and outreach classes such as in the schools and senior residence facilities.

The labor agreement with the Firefighters Association expires at the end of 2005. Work will be undertaken to negotiate a new agreement. Fire continues to enjoy good labor management relations. Our goal will be to sustain this through the next negotiations.

Fire Division Expenditures – General Fund

Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Uses of Funds:				
Salaries and Wages	$2,625,775	$2,598,463	$2,668,962	$2,758,893
Benefits	452,028	528,926	550,466	567,533
Supplies	87,477	134,352	119,361	116,844
Contractual Services	76,904	105,132	59,706	60,049
Communications	4,850	10,350	5,700	5,700
Equipment Rental	91,175	94,044	105,221	105,221
Other Services and Charges	14,111	22,960	22,695	22,420
Intergovernmental	14,494	16,429	49,123	49,901
Capital Equipment	1,452	0	0	0
Total Uses:	$3,368,266	$3,510,656	$3,581,234	$3,686,561

Police Administration and Dispatch

Staff will continue to work with courts, prosecutors and contract jail sites in an effort to secure long-term jail capacity and reduce jail costs. King County is expected to further reduce the number of misdemeanor beds available to contracting cities in 2005. Jail booking policies and prisoner transportation options will continue to be studied to determine the most cost-effective methods.

The City will begin to operate its own municipal court in early 2005. The City Attorney's Office is the lead on this project, but Public Safety staff will be actively involved.

Dispatching services for Mercer Island will be contracted out no later than the start of 2005. Police will be dispatched by the Kirkland Police Dispatch Center and Fire will be dispatched by Eastside Dispatching out of Bellevue. Mercer Island will retain a records section to provide records and other non-dispatch services to police, fire, and to the public. The process of changing over will take much time and coordination with Bellevue and Kirkland.

The Department will benefit from some new technologies as part of the change in dispatch services. All patrol vehicles will have Mobile Data Computers installed. Our new dispatch service will make use of Computer Aided Dispatch which features the ability to send dispatches to the officers' in-car computers. A new Records Management System is another change. The new RMS system can be accessed from the in-car computers, and incident reports can be written in the cars.

Mercer Island Police will continue its efforts to maintain its status as an accredited police agency through the Washington Association of Sheriffs and Police Chiefs. We are currently scheduled to renew our accreditation during 2005. A renewal occurs after a team of assessors from outside

agencies come to the department and compare the department's policies, procedures and practices against a large number of state and national standards covering all functions of a professional police department. Agencies achieving accreditation have proven that they are professional agencies operating under the highest standards. Accreditation renewals are currently scheduled every three years.

Police Administration and Dispatch Expenditures – General Fund

Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Uses of Funds:				
Salaries and Wages	$846,323	$879,539	$601,849	$602,522
Benefits	209,763	231,857	161,998	162,186
Supplies	9,830	10,350	9,050	9,050
Contractual Services	27,019	32,100	32,800	38,800
Communications	11,484	11,200	11,000	16,400
Equipment Rental	14,999	16,213	19,567	34,567
Other Services and Charges	6,894	14,350	10,650	10,150
Jail Costs	119,346	179,000	94,000	98,000
Intergovernmental	0	0	335,000	344,000
Total Uses:	$1,245,659	$1,374,609	$1,275,914	$1,315,675

Police Operations

Description:

*To provide the full range of police services while respecting individual rights and freedoms***.**

Services and Products:

- Routine patrol, including enforcement of criminal and traffic laws
- Answer calls for service and take appropriate police action
- Follow up investigations of criminal cases
- Bicycle patrol in the CBD and the I-90 right of way
- Marine patrol in the waters of Mercer Island, Medina, Renton, Hunts Point and Yarrow Point
- Each officer is assigned an area for which he/she is responsible as part of the community policing and emergency management programs
- Provide officers to work in the schools as part of the DARE and School Resource Officer programs
- In cooperation with the Fire Division, provide dive team services for Mercer Island and marine patrol contract cities
- Provide a police Special Operations Team to respond to high risk situations

KEY PERFORMANCE MEASURES - 1

Law Enforcement

DESCRIPTION	Providing law enforcement services to all people on Mercer Island.
CITY PRIORITIES	Priority 1.1 - The community will be safe.
GOAL	Reduce crime losses through fast response to police emergencies. Have a safer community through a low crime rate. Have timely and effective responses to crime.
OBJECTIVE	Respond to police emergencies in less than 5 minutes, 90% of the time. Have a lower crime rate than other comparable cities in King County.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Population of Mercer Island	21,970	21,970	21,970	21,970	21,970
Output	Number of police calls	18,895	17,934	18,500	19,000	19,500
	Number of Part One crimes	404	373	550	550	550
Outcome	Percentage of police emergency calls responded to in 5 minutes or less (based on sampling).	83.3%	86.3%	85%	87%	88%
	Police average response time – emergencies (minutes)	3.8	3.3	3.8	3.7	3.6
	Crime rate for Mercer Island (Crimes per 1000 population)	18.4	17.0	25.0	25.0	25.0
	Crime rate for other comparable King County cites	Kirkland 35.6 Redmond 42.9 Mtlake Terr 44.7	Kirkland 39.8 Redmond 42.9 Issaquah 57.0	--	--	--

KEY PERFORMANCE MEASURES - 2

Traffic Safety

DESCRIPTION	Providing traffic safety services to the people of Mercer Island.
CITY PRIORITIES	Priority 1.2 - The community will be safe.
GOAL	Reduce the total number of traffic accidents including the number of persons killed and injured in traffic accidents. Operate the transportation system safely.
OBJECTIVE	Have a traffic accident rate for Mercer Island that is less than comparable King County cities.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of persons killed in traffic accidents	1	0	0	0	0
	Number of persons injured in traffic accidents	55	39	52	50	50
	Number of traffic accidents reported to the police	238	193	233	230	230
Outcome	Traffic accident rates for Mercer Island per 1000 population	10.8	8.8	10.6	10.5	10.5
	Traffic accident rates for other comparable King County cities	M. Terr 13.5 Bothell 24.5 Issaquah 43.3 Redmond 33.9 Kirkland 17.2	M. Terr 13.0 Bothell 20.2 Redmond 31.3 Kirkland 21.6	--	--	--

Fire Operations

Description:

To provide a full range of fire services in a professional manner for the public safety.

Services and Products:

- Fire suppression
- Emergency medical services
- Fire inspections
- Code enforcement
- Fire prevention and public education
- Each firefighter is assigned a geographic area of the City as part of the Emergency Management & Public Education programs.
- Emergency Management
- Fire Marshal's office
- Coordination and management of training for fire employees
- Fire payroll management

KEY PERFORMANCE MEASURES - 1

Emergency Medical Services

DESCRIPTION	Providing basic life support services to all people on Mercer Island.
CITY PRIORITIES	Priority 1.1 - The community will be safe.
GOAL	Save lives through fast response to medical emergencies. Have a higher heart attack survival rate than the King County average.
OBJECTIVE	Respond to aid calls in less than 6 minutes, 95% of the time. Achieve a 30% heart attack survival rate after one year.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of EMS aid calls	1,382	1,470	1348	1400	1400
	Number of emergency aid calls (minus code yellow and walk-in)	1,290	1,369	1254	1304	1304
	Number of emergency aid calls with a response time of less than 6 minutes.	916	955	836	902	902
	Percentage of Mercer Island emergency aid calls within 6 minutes	64.5%	68%	62%	69%	69%
Outcome	Average response time of Mercer Island emergency aid calls (mins.)	6.1	6.0	5.5	5.75	5.75
	Although the data is not up to date, the King County data shows Mercer Island with a "Patient discharged alive from the hospital" after a CPR incident at 40% while the County average is 34%.					

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Note: As a result of our switching to Bellevue Fire Dispatch future data can be presented more accurately and in more detail. The advantage is that data will be more meaningful, the disadvantage is that the new data may not be easily comparable to the old data.

KEY PERFORMANCE MEASURES - 2

Fire Prevention and Suppression

DESCRIPTION	Minimize fire losses through prevention, fast response and suppression.
CITY PRIORITIES	Priority 1.1 - The community will be safe.
GOAL	Reduce losses through fast response to fire calls. Minimize losses through good fire suppression.
OBJECTIVE	Respond to fire calls in less than 6 minutes, 95% of the time. Reduce fire losses through inspections of commercial occupancies.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Output	Number of emergency fire calls	153	480	480	500	500
	Number of emergency fire calls with a response time of less than 6 minutes	93	294	300	300	300
	Fire loss in millions	$2.7	$0.6	$0.5	$1.25	$1.25
	Number of estimated company fire inspections / violations[1]	743/714	956/646	1,000/700	1,050/725	1,100/750
	Population of Mercer Island	21,970	21,970	21,970	21,970	21,970
Outcome	Percentage of Mercer Island emergency fire calls within 6 minutes	62.0%	68%	61%	68%	68%
	Per capita fire loss on Mercer Island (5 yr. Average)	$123	$28	$23	$57	$57
	Per capita fire loss other King County cities	--	Bothell $9.21 Redmond $13.10 Kirkland $16.96	--	--	--

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[1] Modified Output to exclude re-inspections and added violations.

Administration

Description:

To provide leadership and staff support to the Public Safety Department. To provide public safety information and records services to the whole community.

Services and Products:

- Policy and procedure oversight
- Public Safety records
- Crime Prevention program
- Personnel and payroll
- Electronic Home Detention and jail coordination services
- Coordination and management of training for police
- False alarms program management
- Communications oversight and coordination for police

KEY PERFORMANCE MEASURES - 1

Public Safety Services

DESCRIPTION	Providing quality public safety services at a reasonable cost.
CITY PRIORITIES	Priority 2.3 – The community will support effective, efficient, and legal delivery of public services.
GOAL	Quality public safety services. Police, fire, and medical services at a reasonable cost. Customer satisfaction with Public Safety services.
OBJECTIVE	Lower per capita cost for police and fire services than other King County cities. 80% of the customers surveyed rate the service good or excellent.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Cost of police services (millions)	$4.1	$4.5	$4.2	$4.4	$4.5
	Cost of fire services (millions)	$3.56	$3.6	$3.6	$3.7	$3.8
	Population of Mercer Island	21,970	21,970	21,970	21,970	21,970
Output	Number of surveys completed	0	0	401	200	200
Outcome	Per capita costs of police services on Mercer Island	$155	$164	$170	$198	$203
	Per capita cost of police services in other King County cities	--	--	Kirkland $241 Issaquah $356 Redmond $230 Bothell $290	--	--
	Per capita cost of fire service on Mercer Island	$159	$164	$160	$168	$172
	Per capita cost of fire service in other King County cities	--	--	Kirkland - $125 Redmond $157 Bothell $188	--	--
	Percentage of survey responses rating the service good or excellent	--	--	Police 86% Fire 85%	--	--

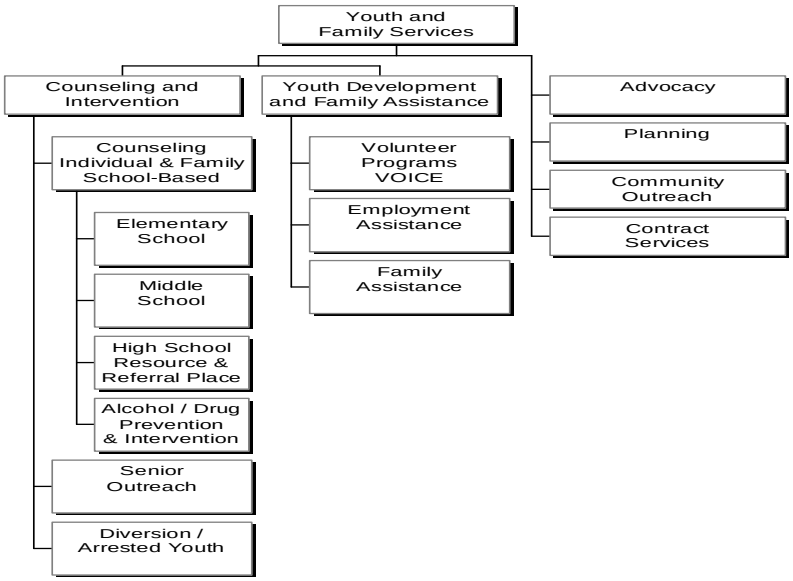
Youth and Family Services

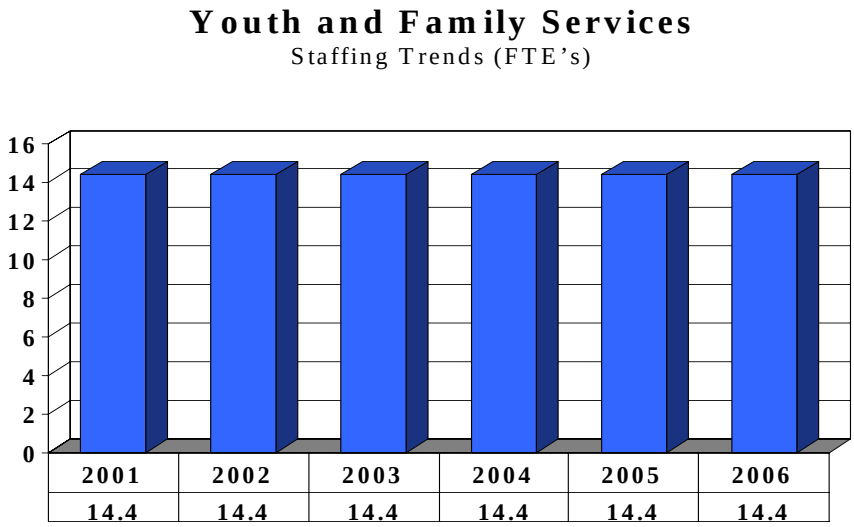
Mission Statement
Organization Chart
Staffing Trends
2005-2006 Expenditures
Department Narrative

YOUTH AND FAMILY SERVICES

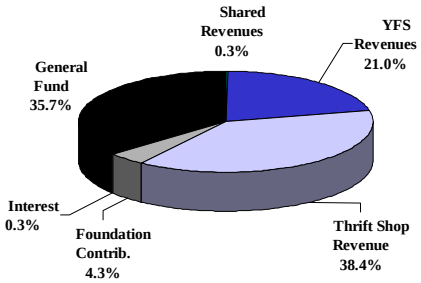
Mission Statement

The mission of Mercer Island Youth and Family Services is to provide, coordinate and advocate for high quality, affordable human services for the community of Mercer Island. Our vision is a healthy community for all its members, and services are designed to help accomplish this vision.

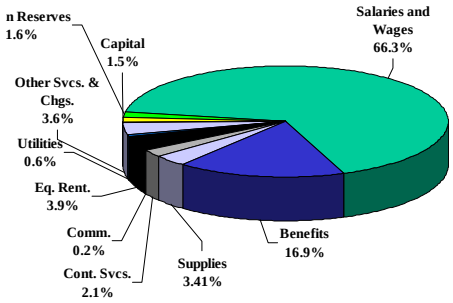




Youth and Family Services
Sources of Revenue



Youth and Family Services
2005 Expenditures



Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
Sources of Revenue:				
Shared Revenues	$4,258	$5,984	$3,787	$3,787
Youth & Family Service Revenues	302,042	297,191	273,140	274,417
Thrift Shop Revenue	380,958	326,272	500,000	500,000
Foundation Contributions	46,000	46,000	56,000	56,000
Interest	0	0	3,500	3,500
General Fund	394,868	499,257	465,000	465,000
YFS Fund (use Reserves)	0	0	0	1,130
Total Sources:	$1,128,126	$1,174,704	$1,301,427	$1,303,834
Uses of Funds:				
Salaries and Wages	$825,305	$847,554	$863,257	$885,445
Benefits	196,652	218,086	219,343	225,555
Supplies	33,540	31,550	42,922	42,922
Contractual Services	13,892	13,693	26,715	26,715
Communications	2,105	2,156	2,550	2,550
Equipment Rental	37,532	35,515	51,402	51,402
Utilities	5,809	7,400	7,400	7,400
Other Services and Charges	11,600	18,750	46,625	46,625
Intergovernmental	220	0	220	220
Capital Equipment / Trsf to CIP	1,470	0	20,000	15,000
YFS Fund (add to Reserves)	0	0	20,993	0
Total Uses:	$1,128,126	$1,174,704	$1,301,427	$1,303,834

NOTE: The YFS Department was accounted for in the General Fund through 2004. As of the 2005-2006 Biennium, the accounting for the department has been moved to the YFS Fund (a new fund), to account for donations as well as ongoing revenues to the department.

YOUTH AND FAMILY SERVICES

The Department of Youth and Family Services (YFS) directly provides a wide range of family and community services for Mercer Island. These services include programs that offer counseling and intervention, youth development and family assistance, and community education, advocacy and planning. The Department also manages a limited number of contracts with specialized agencies to provide their services for Mercer Island residents. The services of YFS contribute to the full array of quality municipal services offered by the staff and volunteers of the City of Mercer Island.

2005 – 2006 DEPARTMENT HIGHLIGHTS AND INITIATIVES

Overall for the Department, there was little staff turnover in the past two years. Programs continue to flex to current and emerging community needs. Counseling services reach more youth, seniors and families every year and employment and family support services work closely to serve those most in need on the island. The VOICE program continues to operate at capacity, providing youth volunteers opportunities both during the summer and school year.

Accounting Change to YFS Fund

Starting in 2005, the YFS Department will be wholly accounted for in a new fund, the YFS Fund. The accounting for most YFS expenditures has been handled in the General Fund, however, many donations, and all of the Thrift Shop revenues were shown in a number of different accounts in the Trust Fund. All revenues and expenditures will now be accounted for in the same fund, eliminating numerous transfers and simplifying the accounting structure. The General Fund will now make one transfer in support of the YFS activities.

In conjunction with this change, the General Fund support for the YFS Department has been set at $465,000 for the 2005-2006 biennium. The YFS Department will rely on other revenues, such as new fund raising efforts on the part of the MIYFS Foundation to fund increases in department expenditures.

In addition, the YFS Fund will carry a cash balance. When annual donations and other department revenues exceed annual expenditures, these cash carry over balances will be added to the YFS Fund. In years when annual expenditures exceed annual revenues, the YFS Fund balance will be used to bridge the gap as additional revenue sources are identified.

Youth Development, Family Assistance and Support and JobLink

The Department's Youth Development and Family Assistance programs work to develop the promise and potential of island youth and meet basic human needs. In 2003, Youth Development's Volunteer Outreach In Communities Everywhere (VOICE) Program engaged 277 youth in donating 8,351 hours of service to 43 organizations throughout the King County community. In 2004 the number of hours of service to the community will surpass even that level. In addition, the 2004 summer program was expanded to include middle school aged youth.

Each year the food pantry continues to provide food for more Mercer Island families. In 2003 the food pantry served 70 families for a total of 502 visits; 2004 will also see record service provision. In the same year, JobLink provided 193 youth with career exploration education and employment assistance and filled 313 jobs for Mercer Island employers.

Counseling and Clinical Programs

The school-based services included many dynamic programs designed to help Mercer Island young people develop their potential and resolve emotional difficulties. Peer mediation programs have been implemented and improved at two elementary schools and the middle school. Department staff were involved in their respective schools' Improvement Plans as they related to developing positive peer and community relationships. Other school activities included offering a parenting class at Lakeridge Elementary School, participating on Link Crew at the high school, taking at risk youth to the Snowboarding Outreach Society program in January and February, conducting a Girls' Empowerment Group, advising the Gay Straight Alliance and helping all high school youth find meaningful volunteer experiences for the Day of Service. YFS school counselors touch the lives of every student during their educational years in the district. In the 2002-03 school year counselors provided over 2,000 teacher consultations, over 1,100 parent consultations, and had upwards of 4,400 individual contacts with students.

Other clinical services available to the Mercer Island community include Department-based counseling, Senior Outreach, and the Arrested Youth Program. Department-based counseling has been one of Youth and Family Services core programs since beginning in 1973. In 2003 the Department provided over 900 hours of counseling to approximately 200 Mercer Island residents. The Department's geriatric specialist served over 300 senior adults or their children in 2003 through home visits, phone consultations and counseling appointments. The Arrested Youth Program is the smallest of the Department's services, providing early intervention to 33 court involved youth in 2003. The diversion counselor offers services to families very soon after the youth has been involved with the law, making the consequences timely and appropriate to the offense committed.

Services over the coming biennium will remain stable, with a likely continued growth in Family Assistance, and VOICE summer program services to middle school youth. The pattern of services, along with outcomes and program goals continue to reflect past planning through stakeholder and community input. At the end of the coming biennium, Department staff will conduct a stakeholder input process to develop a strategic plan. This plan will be used in reevaluating and, if needed, revising the structure and content of the Department's service provision for the following five to six years.

All of these services are a part of the Department's mission to provide, coordinate and advocate for high quality social services on Mercer Island. YFS works to support and enhance the "human infrastructure" of our community. Formal and informal collaborations with individuals and organizations on Mercer Island provide essential links between the Department and the community. The Department benefits from citizen expertise and advice as well as funding and volunteer support, all of which help the Department maintain its relevancy to the community. The extent of community funding and support from contributions and Mercer Island Thrift Shop

proceeds is evidence of citizen commitment. In addition, over 145 volunteers contribute more than 19,500 hours annually to YFS operations. Major volunteer groups include the MIYFS Advisory Board, the MIYFS Foundation Board, the Thrift Shop, office support volunteers, and volunteers assisting services and programs.

The Department of Youth and Family Services serves the Mercer Island community and is, in turn, served by many volunteers who shape the scope of services and assist in the Department's ability to meet community needs.

Counseling And Intervention Programs

Description:

High quality, accessible prevention, intervention and counseling services are provided. Affordable individual and family counseling is available for Mercer Island residents. School-based programs offer young people individual and group counseling, prevention activities and alcohol/drug prevention and intervention services on-site in all Mercer Island public schools. Geriatric assistance in the form of in-home assessments, consultation and advocacy are available for senior adults and their families. Diversion and early intervention programs are offered for arrested youth.

Services and Products:

- Individual and family counseling
- Counseling services provided on-site in schools
- Alcohol/drug prevention and intervention
- Diversion and early intervention programs for arrested youth
- Senior adult outreach and advocacy

KEY PERFORMANCE MEASURES – 1

Community Counselors On-Site - Elementary Schools

DESCRIPTION	Provide school-based professional counseling services to students and parents on-site at the three Mercer Island elementary schools.
CITY PRIORITIES	Priority 5.2 - The community will support a broad range of recreational, cultural, health and educational opportunities.
GOAL	To encourage children's potential and prevent personal difficulties by promoting healthy emotional and interpersonal development.
OBJECTIVE	This program provides a number of services including those related to the following objectives. Serve 400 students individually and in groups. Conduct 800 teacher consultations and 600 parent consultations. Eighty percent of teachers responding to follow-up evaluation report positive development in students served, 80% of students evaluated maintain or show improvement in social and emotional functioning and 80% of students will report services as helpful.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Number of staff (10-month school-year FTE positions)	3	3	3	3	3
Output	Elementary students attending individual and group counseling services	--	510	250	400	400
	Parent consultations	--	610	600	600	600
	Teacher consultations	913	1,117	800	800	800
Outcome	Percentage of school staff surveyed reporting services as effective	100%	99%	80%	80%	80%
	Percentage of students evaluated maintaining or improving in social or emotional functioning	100%	98%	80%	80%	80%
	Percentage of students reporting services as helpful	--	99%	80%	80%	80%

KEY PERFORMANCE MEASURES - 2

Community Counselors On-Site - Middle/High Schools

DESCRIPTION	Provide school-based professional counseling services to adolescents and their families at Islander Middle School, Mercer Island High School and Crest Alternative School.
CITY PRIORITIES	Priority 5.2 - The community will support a broad range of recreational, cultural, health and educational opportunities.
GOAL	To encourage adolescent potential and prevent personal difficulties by providing counseling services, classroom presentations and group activities to a broad spectrum of adolescents, increasing skills, attitudes and information important to healthy emotional and interpersonal development.
OBJECTIVE	This program provides a number of services including those related to the following objectives. Provide 50 classroom presentations. Conduct 500 teacher consultations. Conduct 250 parent consultations and 1500 individual contacts with students. Increase or maintain healthy social and emotional functioning in students served.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Number of staff (10-month school-year FTE positions)	2	2	2	2	2
Output	Classroom presentations	88	128	50	50	50
	Teacher consultations	636	492	550	500	500
	Number of individual contacts with students	--	1720	1,500	1,500	1,500
	Parent consultations	--	256	250	250	250
Outcome	Percentage of adolescents self-reporting services as effective	88%	96%/84%[1]	80%	80%	80%
	Percentage of school staff reporting satisfaction with services or rating services as effective	100%	99%	80%	80%	80%
	Percentage of adolescents evaluated reporting maintenance or improvement in one or more problem areas	97%	100%	80%	80%	80%
	Percentage of adolescents evaluated reporting an increase in knowledge of issues related to adolescence	94%	78%	80%	75%	75%

[1] Counseling – 96%; Class presentations – 84%.

KEY PERFORMANCE MEASURES – 3

Alcohol / Drug Abuse Prevention & Intervention

DESCRIPTION	Provide school-based professional drug and alcohol education, assessment, referral, and counseling services to adolescents and their families at Islander Middle School, Mercer Island High School and Crest Alternative School.
CITY PRIORITIES	Priority 5.2 - The community will support a broad range of recreational, cultural, health and educational opportunities.
GOAL	To increase access to information and services designed to prevent/reduce substance abuse by providing useful information, referral, support and counseling for youth at risk and/or involved in substance abuse.
OBJECTIVE	This program provides a number of services including those related to the following objectives. Provide 45 classroom presentations. Conduct 20 formal drug/alcohol assessments. Provide 800 individual contacts with students. Provide 300 teacher consultations and 250 parent consultations. Eighty percent of students responding to follow-up evaluations report the individual and classroom services received were useful. Increase or maintain healthy choice-making by youth around alcohol/other drug use as measured in the three indictors below.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Number of staff (10-month school year FTE positions)	1.5	1.5	1.5	1.5	1.5
Output	Classroom presentations provided	84	88	45	45	45
	Adolescents receiving formal drug/alcohol assessments	17	18	20	20	20
	Short-term counseling contacts provided	449	1,055	800	800	800
	Teacher consultations	--	461	300	300	300
	Parent consultations	--	286	250	250	250
Outcome	% of adolescents self-reporting classroom and individual counseling services as effective	80%	96%/88%[1]	80%	80%	80%
	% of adolescents evaluated reporting increased awareness of consequences of alcohol/drug use	98%	90%	80%	80%	80%
	% of adolescents evaluated reporting maintenance or improvement in one or more problem areas	84%	100%	80%	80%	80%
	% of school staff responding to surveys rating services as effective	80%	87%	80%	80%	80%

[1] Counseling – 96%; Class presentations – 88%.

KEY PERFORMANCE MEASURES – 4

Senior Outreach and Advocacy

DESCRIPTION	Provide professional geriatric assistance including in-home assessments to Mercer Island senior adults, and consultation with their adult children.
CITY PRIORITIES	Priority 5.4 - The community will support a broad range of recreational, cultural, health and educational opportunities.
GOAL	To maintain and improve health, safety and well-being of Island senior adults by providing assessment, referral and support to meet individual needs of senior adults for safety and care.
OBJECTIVE	This program provides a number of services including those related to the following objectives. Conduct 250 home visits. Serve 200 individuals including senior adults, adult children and community members. Provide 250 phone consultations. Improve or maintain the health, safety and/or well-being of senior adults receiving services, as reported in 80% of follow-up evaluation. Eighty percent of seniors or adult children will rate services as effective.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Number of staff (FTEs)	1	1	1	1	1
Output	Home visits provided	288	364	250	250	250
	Community members or seniors/adult children served through individual and group services	206	301	200	200	200
	Phone consultations provided	--	262	250	250	250
Outcome	Percentage of follow-up evaluations reporting maintenance or improvement in general well being	93 %	96%	80%	80%	80%
	Percentage of seniors or adult children rating services as effective	--	100%	80%	80%	80%

Youth Development and Family Assistance

Description:

A range of community-based programs providing opportunities to enhance development of youth, and support and assistance to families.

Services and Products:

- Structured volunteer and leadership development opportunities for youth
- Help to youth in finding employment opportunities and increasing vocational awareness
- Help to local employers in filling job openings
- Help to families and individuals in need to develop strategies and access resources to address basic needs
- Limited financial, food, educational and other basic assistance to low income Mercer Island families and individuals in need

KEY PERFORMANCE MEASURES – 1

VOICE Program (Volunteer Outreach in Communities Everywhere)

DESCRIPTION	Provide structured group community youth development opportunities to Mercer Island youth.
CITY PRIORITIES	Priority 5.3 - The community will support a broad range of recreational, cultural, health and educational opportunities.
GOAL	To increase awareness of community service/leadership opportunities and community needs by providing satisfying structured group volunteer opportunities.
OBJECTIVE	This program provides a number of services including those related to the following objectives. Involve 200 youth as participants. Involve 40 youth as peer leaders. Coordinate over 5000 hours of community volunteer service. Provide satisfactory services to 80% of youth and parents responding to follow-up evaluation.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Number of staff (summer months) (FTE)	3.5	3.5	4.5	4.5	4.5
	Number of staff (year round)	1.0	1.0	1.0	1.0	1.0
Output	Youth involved as program participants	240	277	150	200	200
	Youth involved in leadership roles/activities with their peers*	15	32	40	25	30
	Hours of community volunteer service generated	7,039	8,351	8,200	6,500	7,000
Outcome	Percentage of youth self-reporting satisfaction with program	100%	100%	80%	80%	80%
	Percentage of parents self--reporting satisfaction with program	100%	100%	80%	80%	80%

*Formerly "Youth involved as community event organizers"

KEY PERFORMANCE MEASURES - 2

Family Assistance and Support

DESCRIPTION	Providing financial, food, educational and other basic assistance to low-income Mercer Island individuals and families in need.
CITY PRIORITIES	Priority 5.1 - The community will support a broad range of recreational, cultural, health and educational opportunities.
GOAL	To help families and individuals stabilize their economic situations and increase self-sufficiency by providing targeted assistance to address basic needs of low-income Mercer Islanders.
OBJECTIVE	This program provides a number of services including those related to the following objectives. Assist 50 families. Directly help 30 families access services. Coordinate 40 family holiday sponsorships. Eighty percent of families responding to follow-up evaluation report the purpose for seeking assistance was achieved.

Type of Measure	*Description*	*2002 Actual*	*2003 Actual*	*2004 Estimate*	*2005 Estimate*	*2006 Estimate*
Input	Number of staff (FTEs)	.5	.5	.5	.5	.5
Output	Families assisted (food, financial, etc)	77	110	50	50	50
	Family holiday sponsorships	45	53	40	40	40
	Families helped to access other relevant services	30	45	30	30	30
	Percentage of families for whom the purpose of the assistance was achieved	89%	95%	80%	80%	80%

Other General Government

2005-2006 Expenditures
Expenditure Narrative

Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
EXPENDITURES				
Intergovernmental Services				
Mandatory				
Air Pollution Control	$17,616	$18,000	$17,683	$18,000
Alchoholism Program	4,251	5,000	5,000	5,000
Voluntary				
AWC Assessment	12,262	12,500	12,500	12,500
ARCH	41,884	42,110	42,110	42,110
Innovations Group	1,750	1,500	1,500	1,500
Eastside Convention & Visitors	0	3,500	0	0
Interlocal Waterfowl	2,750	3,500	3,500	3,500
Puget Sound Regional Council	13,852	14,500	14,548	15,000
Public Technology, Inc.	3,000	3,000	0	0
Suburban Cities Association	7,157	8,000	9,000	10,000
Reinvesting in Youth	0	0	4,000	4,000
Human Services Contracts				
Eastside Legal Aid Program	3,500	3,500	3,500	3,500
Eastside Sexual Assault/Children	1,750	1,500	1,500	1,500
King County Sexual Assault	2,605	2,500	2,500	2,500
Total Intergovernmental Services	$112,377	$119,110	$117,341	$119,110
Transfers to Other Funds				
Technology / Equipment Fund	$250,000	$250,000	$250,000	$250,000
Capital Reserve Fund	1,802,889	0	0	0
Community Center Building Fund	0	500,000	0	0
Contingency Fund	0	253,178	0	0
Youth and Family Services Fund	0	0	465,000	465,000
Equipment Rental / Computer Replacements	19,065	19,065	20,522	20,522
Total Transfers to Other Funds	$2,071,954	$1,022,243	$735,522	$735,522
SUBTOTAL	**$2,184,331**	**$1,141,353**	**$852,863**	**$854,632**

Description	2003 Actual	2004 Budget	2005 Budget	2006 Budget
EXPENDITURES - Continued				
Miscellaneous				
Obligated Reserve	$9,045	$55,954	$85,375	$85,375
Professional Services	0	25,000	25,000	20,000
Management Consulting Services	22,409	45,000	53,000	53,000
Miscellaneous	12,292	20,709	20,709	20,709
Long Term Care - Unfunded	58,146	0	0	0
Special Project - Ellsworth House	0	0	0	0
Special Projects	0	0	0	0
Total Miscellaneous	$101,892	$146,663	$184,084	$179,084
Insurance				
Insurance-Liability Pool	$408,170	$425,000	$360,000	$360,000
Insurance-Carrier Property	47,662	40,000	80,000	80,000
Insurance-Other	1,617	5,500	5,000	5,000
Total Insurance	$457,449	$470,500	$445,000	$445,000
Office Support				
Office Supplies	$22,469	$24,200	$24,700	$24,700
Telephone	79,546	113,400	113,400	113,400
Postage & Machine Rentals	59,829	61,000	61,000	61,000
Repair and Maintenance	16,676	21,000	21,000	21,000
Printing	4,142	4,500	4,500	4,500
Total Office Support	$182,662	$224,100	$224,600	$224,600
GRAND TOTAL	**$2,926,335**	**$1,982,616**	**$1,706,547**	**$1,703,316**

OTHER GENERAL GOVERNMENT SERVICES

This portion of the General Fund Budget addresses expenditures that are not appropriate to charge to a specific department. In general, expenditures in this category reflect the purchase of services in support of city-wide or non-departmental objectives.

Intergovernmental - Mandatory

Air Pollution Control Assessment

The City of Mercer Island is a participant in the Puget Sound Air Pollution Control Authority created under RCW 70.94 for the prevention, abatement and control of air pollution. The annual assessment formula for member jurisdictions is based on a 50%-50% ratio of the city's total assessed valuation and population in relation to the regional totals. The Authority provides atmospheric monitoring and implementation of controls.

Alcoholism Program

In order to qualify for a pro-rated share of state liquor taxes and profits, RCW 70.96-096 requires the participating jurisdiction contribute 2% of the revenues to the alcoholism program certified by the county. The King County Alcoholism program provides treatment for alcoholics, persons incapacitated by alcohol, and intoxicated persons, as described in RCW 70.96A.

Intergovernmental – Voluntary

Association of Washington Cities

AWC is the official organization of cities and towns of the state, established to aid local governments in the solution of common problems.

ARCH (A Regional Coalition for Housing)

ARCH is jointly funded by the cities of Bellevue, Kirkland, Redmond, Woodinville, Bothell, Mercer Island and Issaquah to provide planning and coordination of affordable housing efforts. Individual cities participate in ARCH to achieve local, regional and state housing goals and mandates.

Innovations Group

Innovations Group is a network of local governments throughout the nation that share information about innovative programs, services and technologies.

Interlocal Waterfowl

The City has contributed for five years to a regional program that is helping control the Canadian Geese population and reducing the birds' impact on public and private waterfront property.

Puget Sound Regional Council (PSRC)

PSRC is a voluntary organization of cities and counties for the cooperative planning for the future of the region. Funding comes from the Urban Mass Transit Administration, the Federal Highway Administration, dues from cities and counties, transit operators' dues, and miscellaneous contracts.

Public Technology, Inc.

P.T.I. is a cooperative membership organization of city and county governments. Associated with both ICMA and the National League of Cities, it functions as a non-profit research and development service to assist local governments in finding solutions to expansion of existing services, to reorganize obsolete programs, and to enhance the cost effectiveness of public services. The City is canceling its membership in PTI in the 2005-2006 biennium.

Suburban Cities Association

The Suburban Cities Association is the forum that King County elected officials use to coordinate regional policy efforts affecting King County cities.

Human Services Contracts

Eastside Legal Aid Program

The ELAP is a non-profit service organization providing free legal advice for indigents and senior citizens on the Eastside. ELAP also sponsors bi-weekly clinics on various legal subjects including domestic relations, wills, trusts and real property.

Eastside Sexual Assault Center for Children

This center provides intervention and counseling services for families related to sexual assault of children.

King County Sexual Assault Resource Center

The King County Sexual Assault Resources Center provides services to rape victims, consultation to Public Safety Officers and public education in the schools and communities.

Miscellaneous Charges and Costs

Services - Obligated Reserve

This account identifies the funds which have been approved by the City Council to meet the costs of salary adjustments for the budget year.

Professional Services

This account identifies money set aside for the purchase of unanticipated services not presently provided by the City's regular operations or services which exceed those which can be provided by regular staff. Such services are generally multi-departmental or non-departmental in scope.

Management Consulting Services

This account is used to identify funds which have been approved by the City Council to meet the costs of consultants whose services are multi-departmental in scope or can only be classified as non-departmental.

Insurance and Risk Management

Insurance costs include an annual assessment for partially self-insured liability pooling with the Washington Cities Insurance Authority. The liability assessment is determined by an actuary and is based on a combination of the City's five years of past claims and the number of worker hours for the City. The City also uses WCIA for their broker for property and other specialty insurance.

The City's operations are insured for: general liability, automobile liability, errors and omissions, police enforcement, employee administration, advertising liability, loss of property (city owned and in-city custody), and special events.

Office Support

Office support costs include such general purpose city wide expenses as telephone service, copier costs, postage, paper and the ever popular post-it note.

SECTION J
ALL FUNDS RECAP

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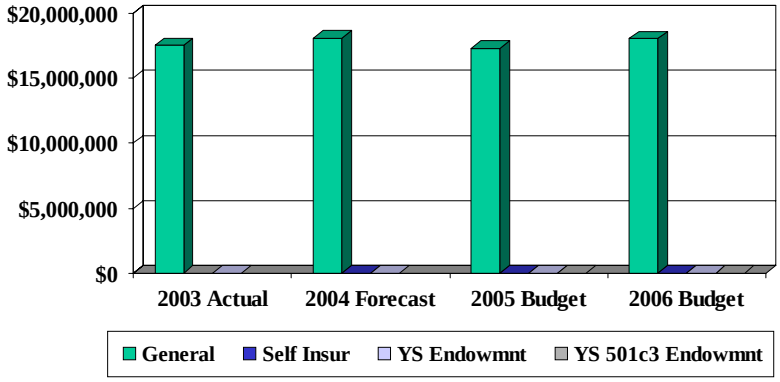
GENERAL FUND

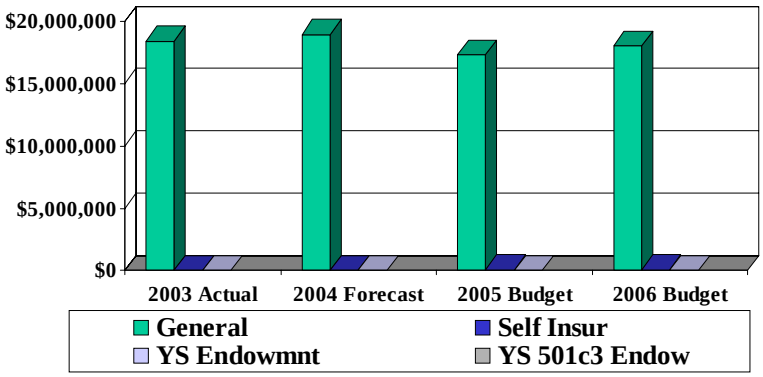
The City of Mercer Island's General Fund accounts for all financial transactions not required to be accounted for in a separate fund by statute or generally accepted accounting principles. It is the City's largest accounting entity and provides for the majority of its general operations. The General Fund's main resource is general tax revenues. License and permit fees, state shared revenues, charges for services, and fines and forfeits provide additional support.

Three other general purpose funds are included in this section. They are the City's Self-Insurance Fund, the Youth Services Permanent Endowment Fund, and the Youth Services Foundation Permanent Endowment Fund.

General Revenues



General Expenditures



GENERAL FUND – 001

The General Fund accounts for all receipt and disbursement transactions of ordinary City operations that are not required by statute to be accounted for in a separate fund. Property taxes, utility taxes, and the sales tax are the funds main sources of revenue.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 1,802,891	$ 891,178	$ -	$ -
Property Tax	7,776,612	8,416,000	8,579,375	8,735,635
Sales Tax	2,691,622	2,345,000	2,100,000	2,160,000
Business & Utility Taxes	2,266,915	2,428,000	2,427,000	2,450,000
State Shared Revenues	235,049	231,830	240,000	247,000
Overhead - Utility Funds	682,727	688,565	687,571	698,532
Public Safety Revenues	620,580	608,074	704,457	708,714
Recreation Programs	771,912	810,274	568,490	865,035
Youth and Family Services	733,258	675,447	-	-
Permitting & Other Economic Development	1,008,180	1,220,500	1,283,000	1,358,000
District Court Services	82,212	65,000	250,000	290,000
General Government	535,192	369,700	367,000	420,000
Interest	102,156	180,000	100,000	100,000
SUB-TOTAL REVENUES	$ 17,506,416	$ 18,038,390	$ 17,306,893	$ 18,032,916
TOTAL REVENUES	**$ 19,309,307**	**$ 18,929,568**	**$ 17,306,893**	**$ 18,032,916**
EXPENDITURES				
General Government	$ 2,494,653	$ 2,724,692	$ 2,680,872	$ 2,719,816
Judicial & Court Services	-	58,000	257,300	264,539
Public Safety	7,226,541	7,433,049	7,533,101	7,746,015
Permitting & Other Economic Development	1,616,539	1,876,928	1,792,712	1,836,202
Maintenance & Physical Environment	1,366,308	1,647,530	1,622,292	1,657,808
Youth and Family Services	1,128,126	1,174,704	-	-
Culture and Recreation	2,420,695	2,792,377	2,588,275	2,974,426
Capital Facilities / Reinvestment	-	100,000	-	-
Intergovernmental	112,377	119,110	117,341	119,110
Interfund Transfer to YFS Fund	-	-	465,000	465,000
Interfund Transfer Contingency	-	253,178	-	-
Interfund Transfer Capital & Reserves	2,052,889	750,000	250,000	250,000
SUBTOTAL EXPENDITURES	$ 18,418,129	$ 18,929,568	$ 17,306,893	$ 18,032,916
Ending Fund Balance	891,178	-	-	-
TOTAL EXPENDITURES & FUND BAL	**$ 19,309,307**	**$ 18,929,568**	**$ 17,306,893**	**$ 18,032,916**

SELF-INSURANCE CLAIM RESERVE – 037

The Self-Insurance Claim Reserve Fund accounts for payments of deductibles and insurance claims not covered under the City's property insurance policies. Annual contributions from the General Fund are appropriated to maintain a targeted available cash balance of $100,000. Expenditures are estimated, as they are difficult to anticipate.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 109,053	$ 107,421	$ 107,853	$ 87,853
General Govt / Insurance Recoveries	-	472	10,000	10,000
Interfund Transfers In - From General Fund	-	-	-	-
SUB-TOTAL REVENUES	$ -	$ 472	$ 10,000	$ 10,000
TOTAL REVENUES	**$ 109,053**	**$ 107,893**	**$ 117,853**	**$ 97,853**
EXPENDITURES				
Repair & Maintenance - General Govt	$ 1,632	$ 40	$ 30,000	$ 30,000
SUBTOTAL EXPENDITURES	$ 1,632	$ 40	$ 30,000	$ 30,000
Ending Fund Balance	107,421	107,853	87,853	67,853
TOTAL EXPENDITURES & FUND BAL	**$ 109,053**	**$ 107,893**	**$ 117,853**	**$ 97,853**

YOUTH SERVICES ENDOWMENT – 061

The City established the Youth Services Endowment Fund as a long term funding mechanism. The donated funds remain invested as principal and are not used to purchase goods or services. Interest earnings from the Endowment Fund are used to support Youth and Family Services operations, which are accounted for in the Youth and Family Services Fund.

In prior budget years this Endowment and its support of YFS Programs was budgeted as a separate Trust Fund (Fund 614). In June of 1999 the Governmental Accounting Standards Board issued GASB Statement 34, *Basic Financial Statements and MD&A for State and Local Governments*. This Statement includes significant new restrictions on the use of Trust funds and defines a new fund type for the accounting and reporting of long term endowment funds. As required by the Statement, the City implemented the GASB 34 reporting changes in its financial statements for year end 2003. Budget year 2005 – 2006 is the first budget to be presented in accordance with the new requirements. As a result the Youth Services Endowment Fund has been reclassified here as a Permanent Endowment Fund.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 10,462	$ 1,118	$ 1,224	$ 1,224
Opening Fund Balance-Restricted	285,856	285,856	285,856	285,856
Private Donations	-	-	-	-
Interest	3,656	3,106	3,000	3,000
SUB-TOTAL REVENUES	$ 3,656	$ 3,106	$ 3,000	$ 3,000
TOTAL REVENUES	**$ 299,974**	**$ 290,080**	**$ 290,080**	**$ 290,080**
EXPENDITURES				
Interfund Transfers to YFS Fund	$ 13,000	$ 3,000	$ 3,000	$ 3,000
SUBTOTAL EXPENDITURES	$ 13,000	$ 3,000	$ 3,000	$ 3,000
Ending Fund Balance	286,974	287,080	287,080	287,080
TOTAL EXPENDITURES & FUND BAL	**$ 299,974**	**$ 290,080**	**$ 290,080**	**$ 290,080**

MIYFS FOUNDATION ENDOWMENT – 065

The MIYFS Foundation Endowment Fund was set up as a long term funding mechanism. As a 501©3, the MIYFS Foundation has a Board of Directors which is responsible for its financial oversight, including fundraising efforts and budget spending decisions. The Foundation and its endowments support only City of Mercer Island Youth and Family Services programs. The Foundation has an agreement with the City to manage its cash and accounting functions. As such, it is included as a fund of the City under the definition of a blended component unit as directed by the Governmental Accounting Standards Board (GASB) Statement 34.

This Endowment fund is comprised of two components, Senior Outreach and General Foundation Endowment. The Senior Outreach component was established by the Foundation Board in March of 1994 as a long term funding mechanism specifically to support the Senior Outreach program. The General endowment component was established by the Foundation Board in the year 2000 in recognition of departing YFS Director Peg Morgan and is intended to support general Youth and Family Services programs. The donated funds remain invested as principal and are not used to purchase goods or services. Interest earnings from the Endowment Funds are used to support Youth and Family Services operations, which are accounted for in the Youth and Family Services Fund.

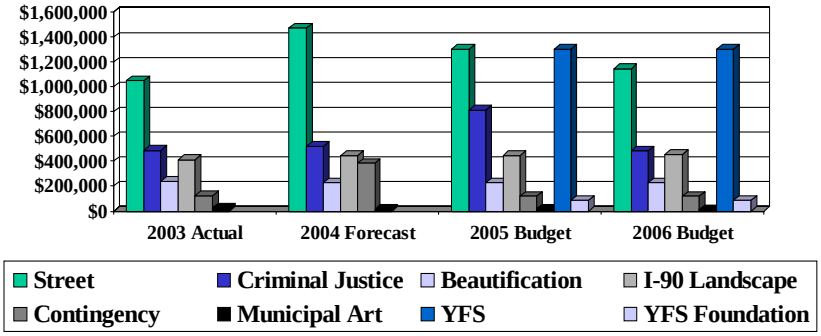
In prior budget years this Endowment and its support of YFS Programs was budgeted within the City's Trust Fund (Fund 613). In June of 1999 the Governmental Accounting Standards Board issued GASB Statement 34, *Basic Financial Statements and MD&A for State and Local Governments*. This Statement includes significant new restrictions on the use of Trust funds and defines a new Fund type for the accounting and reporting of long term endowment funds. As required by the Statement, the City implemented the GASB 34 reporting changes in its financial statements for year end 2003. Budget year 2005 – 2006 is the first budget to be presented in accordance with the new requirements. As a result the MIYFS Foundation Endowment portion of the Trust Fund has been reclassified here as a Permanent Endowment Fund.

SPECIAL REVENUE FUNDS

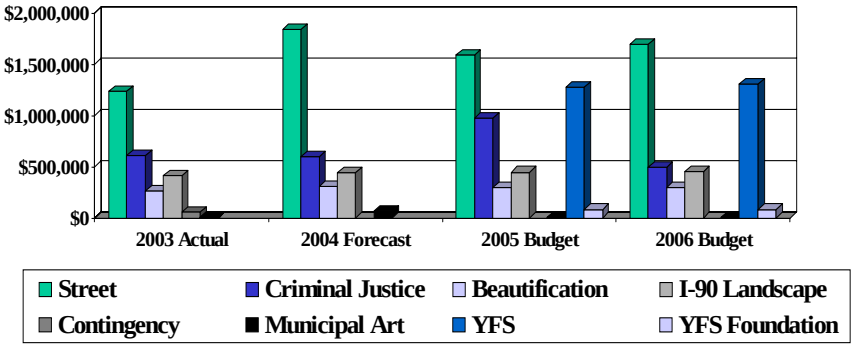
Special Revenue Funds are established to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted to provide for particular functions or activities of the City. The restricted revenues are segregated into individual funds to ensure that expenditures are made exclusively for the purpose designated.

The City of Mercer Island has eight Special Revenue Funds. They are the City Street Fund, the Criminal Justice Fund, the Beautification Fund, the I-90 Landscape Maintenance Fund, the Contingency Fund, the Municipal Arts Fund, the Youth and Family Services Fund, and the Youth Services 501©3 Foundation Fund.

Special Revenue Funds Revenue



Special Revenue Expenditures



CITY STREET FUND - 104

The City Street Fund is a restricted fund that accounts for revenues and expenditures for street maintenance and construction. Major sources of revenue include Fuel Tax revenues, Real Estate Excise Taxes, and Federal and State Grants. Expenditures for street maintenance, including seal coating, crack sealing, pavement marking, minor patching, and thin asphalt overlays are funded with the annual fuel tax-city streets revenues. Major street construction projects are funded by the annual fuel tax-arterial street revenues, a portion of Real Estate Excise Tax revenues and grant funding. A portion of Real Estate Excise Tax revenues also funds Pedestrian and Bicycle construction projects.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 2,729,866	$ 2,544,414	$ 2,181,120	$ 1,890,120
Real Estate Excise Tax - 2	551,770	620,000	525,500	435,000
Fuel Tax - City Streets	312,431	300,000	300,000	300,000
Fuel Tax - Arterial Streets	146,082	145,000	145,000	145,000
Vehicle Registration Fee	4,764	-	-	-
General Govt / Grants / Fines	200	292,000	312,000	-
ROW Land Sale	-	80,000	-	-
Interest	34,773	35,000	20,000	15,000
SUB-TOTAL REVENUES	$ 1,050,020	$ 1,472,000	$ 1,302,500	$ 895,000
TOTAL REVENUES	**$ 3,779,886**	**$ 4,016,414**	**$ 3,483,620**	**$ 2,785,120**
EXPENDITURES				
Residential Street Preservation	$ 439,626	$ 545,829	$ 336,000	$ 342,000
Town Center Street Reconstruction	-	-	-	60,000
Arterial Street Improvements	482,625	779,540	745,000	570,000
Mercer Way's Roadside Shoulder Developmnt	180,362	186,825	260,000	160,000
Pedestrian & Bicycle Facilities	51,464	240,882	100,000	60,000
Other Transportation Projects	37,506	72,218	147,500	47,500
Interfund Loan to Storm Drain				200,000
Interfund Transfer	43,889	10,000	5,000	5,000
SUBTOTAL EXPENDITURES	$ 1,235,472	$ 1,835,294	$ 1,593,500	$ 1,444,500
Ending Fund Balance	2,544,414	2,181,120	1,890,120	1,340,620
TOTAL EXPENDITURES & FUND BAL	**$ 3,779,886**	**$ 4,016,414**	**$ 3,483,620**	**$ 2,785,120**

CRIMINAL JUSTICE FUND – 112

The Criminal Justice Fund was created in 1990 to account for new funding being provided through passage of Senate Bill 6913 for criminal justice needs. In September 1992, King County voters approved an additional 0.1% Sales Tax for criminal justice purposes. Mercer Island is estimated to receive about $410,000 from this tax. This Budget cycle, extensive cuts were made in an effort to balance revenues and expenditures. The Financial Investigators position was eliminated due to a lack of seizure funds. The dollars allocated to the High School Drug Counselor were discontinued and will be funded by Youth and Family Services. Despite these cuts from Criminal Justice programs, most of the basic services, equipment, and training supported in past years will continue to operate and be funded efficiently. These programs include the Hire Ahead Program, Emergency Management and the School Resource Officer.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 380,126	$ 261,805	$ 187,880	$ 24,698
Washington State Sales Tax	417,993	410,000	410,000	410,000
State Shared Revenues - CJ	11,450	23,000	22,000	22,000
Intergovernmental - School Dist	12,000	12,000	16,700	16,700
Grants	47,896	24,997	470,468	21,000
Donations	-	51,400	12,500	12,500
Interfund From Capital Reserve	-	-	67,500	-
SUBTOTAL-REVENUES	$ 489,339	$ 521,397	$ 999,168	$ 482,200
TOTAL REVENUES	**$ 869,465**	**$ 783,202**	**$ 1,187,048**	**$ 506,898**
EXPENDITURES				
Administration / Equipment Rental	$ 26,718	$ 28,768	$ 5,000	$ 5,000
Emergency Management	127,228	103,026	108,667	111,177
Computer Replacements	42,623	42,623	39,935	39,935
Regional Radio & Replacements	43,282	44,545	39,545	30,545
Special Operations/Bike Patrol	25,219	19,000	14,500	14,500
Hire Ahead	110,317	138,068	133,321	137,321
Prisoner Transport Program	2,544	9,000	-	-
School Resource Officer	78,367	89,138	85,382	87,630
Financial Investigator	11,696	2,174	-	-
Police Training	37,851	43,980	38,000	38,000
Domestic Violence	10,000	10,000	10,000	10,000
Dive Team Equipment Purchases	13,376	-	-	-
Police Equipment	38,440	25,000	20,000	25,000
Contract Dispatch Startup	-	-	668,000	-
Interfund Transfers Out	40,000	40,000	-	-
SUBTOTAL-EXPENDITURES	$ 607,660	$ 595,322	$ 1,162,350	$ 499,108
Ending Fund Balance	261,805	187,880	24,698	7,790
TOTAL EXPENDITURES & BAL	**$ 869,465**	**$ 783,202**	**$ 1,187,048**	**$ 506,898**

BEAUTIFICATION FUND - 117

The Beautification Fund was created in 1980 by Council ordinance. According to the ordinance, Business and Occupation Tax Revenues are deposited into the Beautification Fund. The B & O Tax is calculated as follows: One twentieth of one percent (.0005) is charged on gross earnings of up to $100,000 to provide revenue for City beautification. (For gross sales over $100,000, the tax rate is one tenth of one percent (.0010) that is split between the Beautification Fund and the Contingency Fund. In effect the B & O Tax dedicated to the Beautification Fund is (.0005) on all gross sales.

The stated purposes of the Beautification fund include: 1) Installation and maintenance of landscaping including plants and other landscape materials on public property or easements; 2) acquisition, operation and maintenance of any building, facility, property or easements for parks, recreation, and open space; 3) under grounding of power lines and lighting facilities and the operation and maintenance thereof on public property or easements; 4) promotion and support of a central business district revitalization program; 5) the promotion, support, acquisition and installation of public art on public property; 6) Acquisition or leasing of parking spaces for residents; 7) Enforcement of parking restrictions and providing parking permits and 8) all expenses including, but not limited to, professional fees, printing and publishing, incurred in connection with the above-listed purposes.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 666,872	$ 637,622	$ 554,562	$ 429,117
Business and Occupation Tax	234,726	225,000	225,000	225,000
Permit Parking Program	4,975	2,000	2,000	2,000
SUB-TOTAL REVENUES	$ 239,701	$ 227,000	$ 227,000	$ 227,000
TOTAL REVENUES	**$ 906,573**	**$ 864,622**	**$ 781,562**	**$ 656,117**
EXPENDITURES				
Chamber of Commerce	$ 14,400	$ 14,400	$ 14,400	$ 14,400
Medians and Planters	55,776	56,000	56,000	56,000
Holiday Lighting	19,732	20,000	22,500	22,500
CBD Light Fixtures	11,915	30,000	30,000	30,000
Financial Services	11,198	10,000	10,000	10,000
Permit Parking Program	17,197	16,400	1,500	1,500
Mary Wayte Pool Operations	100,000	100,000	100,000	100,000
Interfund Transfers to CIP	-	-	55,000	55,000
Interfund Transfers to I-90	38,733	63,260	63,045	65,650
SUBTOTAL EXPENDITURES	$ 268,951	$ 310,060	$ 352,445	$ 355,050
Ending Fund Balance	637,622	554,562	429,117	301,067
TOTAL EXPENDITURES & FUND BAL	**$ 906,573**	**$ 864,622**	**$ 781,562**	**$ 656,117**

I-90 LANDSCAPE MAINTENANCE FUND - 125

The I-90 Maintenance Fund was established in 1995 to track revenues and expenditures associated with the maintenance of landscaping along the I-90 corridor. On November 1, 1996 the City of Mercer Islands' level of maintenance responsibilities increased from 27 acres of landscape to 78 acres. Of those 78 acres, approximately 24 acres are City of Mercer Island properties. The remaining 54 acres are Department of Transportation right-of-way, but are maintained by the City of Mercer Island, as agreed to in a contract between the State of Washington and the City of Mercer Island. It is the City's goal to effectively manage the I-90 corridor landscape maintenance, so that the revenue received from the State contract will pay for maintenance of both Department of Transportation and City owned acres.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 213,217	$ 212,801	$ 212,806	$ 212,806
Landscape Services	373,932	382,000	384,700	390,337
Interfund-Beautification	38,733	63,260	63,045	65,650
SUB-TOTAL REVENUES	$ 412,665	$ 445,260	$ 447,745	$ 455,987
TOTAL REVENUES	**$ 625,882**	**$ 658,061**	**$ 660,551**	**$ 668,793**
EXPENDITURES				
Salaries and Benefits	$ 79,203	$ 101,445	$ 108,625	$ 113,467
Supplies	15,851	35,150	25,150	25,150
Contractual Services	124,122	184,000	177,500	177,500
Equipment Rental	14,299	13,910	14,120	14,120
Utilities	178,649	109,200	121,000	124,400
Other Services and Charges	957	1,550	1,350	1,350
SUBTOTAL EXPENDITURES	$ 413,081	$ 445,255	$ 447,745	$ 455,987
Ending Fund Balance	212,801	212,806	212,806	212,806
TOTAL EXPENDITURES & FUND BAL	**$ 625,882**	**$ 658,061**	**$ 660,551**	**$ 668,793**

CONTINGENCY FUND - 130

The Contingency Fund was created to set aside resources to provide for unanticipated expenditures of a non-recurring nature and to meet unexpected small increases in service delivery costs. As a long-term goal, the Contingency Fund is to be funded at a target level of 10% of General Fund Expenditures. However, state law limits the accumulated balance of contingency funds to the equivalent of thirty-seven and one-half cents per thousand dollars of assessed valuation of property within the city.

The Contingency Fund has its own source of revenue, which is a small portion of Business & Occupation tax on any business conducting activity on Mercer Island. One twentieth of one percent (.0005) is charged on gross earnings over $100,000 to provide revenue to the Contingency Fund. (Most of the revenue from B & O tax goes to the Beautification Fund. See Fund 117 for a full explanation of the B & O tax structure.)

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 1,926,711	$ 1,990,238	$ 2,374,416	$ 2,494,416
Business and Occupation Tax	121,673	130,000	120,000	120,000
Insurance Proceeds/Recoveries	-	1,000	-	-
Interfund Transfers From General Fund	-	253,178	-	-
SUB-TOTAL REVENUES	$ 121,673	$ 384,178	$ 120,000	$ 120,000
TOTAL REVENUES	**$ 2,048,384**	**$ 2,374,416**	**$ 2,494,416**	**$ 2,614,416**
EXPENDITURES				
Interfund Transfers Out-To General Fund	$ 58,146	$ -	$ -	$ -
SUBTOTAL EXPENDITURES	58,146	-	-	-
Ending Fund Balance	$ 1,990,238	$ 2,374,416	$ 2,494,416	$ 2,614,416
TOTAL EXPENDITURES & FUND BAL	**$ 2,048,384**	**$ 2,374,416**	**$ 2,494,416**	**$ 2,614,416**

MUNICIPAL ARTS FUND - 140

The Municipal Arts Fund accounts for revenues contributed and disbursements appropriated for the City's municipal art program. The main source of revenue is the one percent for the arts charged major capital construction and improvement projects. The funds are used for art in public places and the maintenance of existing works of art.

In prior budget years the Municipal Arts Fund was budgeted as a separate Trust Fund (Fund 615). In June of 1999 the Governmental Accounting Standards Board issued GASB Statement 34, *Basic Financial Statements and MD&A for State and Local Governments*. This Statement includes significant new restrictions on the use of Trust funds. As required by the Statement, the City implemented the GASB 34 reporting changes in its financial statements for year end 2003. Budget year 2005 – 2006 is the first budget to be presented in accordance with the new requirements. As a result, the Municipal Arts Trust Fund has been reclassified here as a Special Revenue Fund.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 117,613	$ 133,809	$ 83,412	$ 98,412
Interfund Transfers One Percent for Arts	24,658	12,390	17,000	9,000
Interest	1,490	713	1,000	1,000
SUB-TOTAL REVENUES	$ 26,148	$ 13,103	$ 18,000	$ 10,000
TOTAL REVENUES	**$ 143,761**	**$ 146,912**	**$ 101,412**	**$ 108,412**
EXPENDITURES				
Public Art Maintenance	$ 360	$ 1,000	$ 3,000	$ 3,000
Gallagher Hill Art	9,591	-	-	-
Veterans Memorial	-	62,500	-	-
SUBTOTAL EXPENDITURES	$ 9,952	$ 63,500	$ 3,000	$ 3,000
Ending Fund Balance	133,809	83,412	98,412	105,412
TOTAL EXPENDITURES & FUND BAL	**$ 143,761**	**$ 146,912**	**$ 101,412**	**$ 108,412**

YOUTH & FAMILY SERVICES FUND – 160

The Youth and Family Services Fund was created to account for all revenues, including donations, and expenditures directly related to the Youth and Family Services (YFS) programs. These programs include the VOICE Program, Thrift Shop operations, Family Counseling, Emergency Assistance, Job-line, and the School Counselors. YFS is largely supported by donation revenues, grant revenues, fundraising efforts, and Thrift Shop sales.

In prior budget years YFS program expenditures and some program revenues were accounted for in the General Fund. Donation revenues and some program expenditures were also accounted for in the City's Trust Fund (Fund 613). In June of 1999 the Governmental Accounting Standards Board issued GASB Statement 34, *Basic Financial Statements and MD&A for State and Local Governments*. This Statement includes significant new restrictions on the use of Trust funds. As required by the Statement, the City implemented the GASB 34 reporting changes in its financial statements for year end 2003. To present the Youth and Family Services programs in accordance with GASB 34 both the General Fund portions and the Trust Fund portions have been reclassified here as a new Special Revenue Fund.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ -	$ -	$ 455,100	$ 476,093
KC Grant Revenue	-	-	39,886	39,886
Interlocal-School Counselors	-	-	151,816	153,093
Thrift Shop	-	-	500,000	500,000
Program Fees & Donations	-	-	82,225	82,225
Interfund Transfer - YFS Foundations	-	-	59,000	59,000
Interfund Transfer - General Fund	-	-	465,000	465,000
Interest	-	-	3,500	3,500
SUBTOTAL-REVENUES	$ -	$ -	$ 1,301,427	$ 1,302,704
TOTAL REVENUES	**$ -**	**$ -**	**$ 1,756,527**	**$ 1,778,797**
EXPENDITURES				
YFS Administration and General	$ -	$ -	$ 345,955	$ 352,783
Thrift Shop	-	-	132,718	134,369
Diversion	-	-	14,005	14,005
School City Partnership	-	-	367,061	377,597
Senior Outreach	-	-	63,927	65,789
VOICE Program	-	-	98,458	100,134
Jobline	-	-	32,800	33,635
Family Counseling & Assistance	-	-	205,510	210,522
Interfund Transfers to Capital	-	-	20,000	15,000
SUBTOTAL-EXPENDITURES	$ -	$ -	$ 1,280,434	$ 1,303,834
Ending Fund Balance	-	-	476,093	474,963
TOTAL EXPENDITURES & BAL	**$ -**	**$ -**	**$ 1,756,527**	**$ 1,778,797**

MIYFS FOUNDATION – 165

The MIYFS Foundation was established as an IRS designated 501©3 tax exempt organization. The primary purpose of the Foundation is fund raising efforts to support the programs of the City's Youth and Family Services Department. As a 501©3, the Foundation has a Board of Directors which is responsible for its financial oversight, including fundraising efforts and budget spending decisions. The Foundation supports only City of Mercer Island Youth and Family Services programs, as such, it is included as a fund of the City under the definitions of a blended component unit as directed by the Governmental Accounting Standards Boards Statement 34.

In prior budget years this Foundation and its support of YFS Programs was budgeted within the City's Trust Fund (Fund 613). In June of 1999 the Governmental Accounting Standards Board issued GASB Statement 34, *Basic Financial Statements and MD&A for State and Local Governments*. This Statement includes significant new restrictions on the use of Trust funds. As required by the Statement, the City implemented the GASB 34 reporting changes in its financial statements for year end 2003. Budget year 2005 – 2006 is the first budget to be presented in accordance with the new requirements. To present the MIYFS Foundation in accordance with GASB 34 the portion of the Trust Fund restricted to the General Foundation has been reclassified here as a new Special Revenue Fund

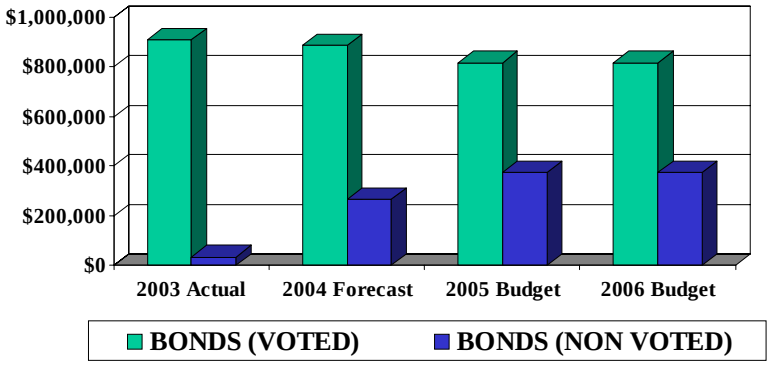
DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ -	$ -	$ 128,076	$ 128,076
Private Donations	-	-	82,325	82,325
Interest	-	-	900	900
SUB-TOTAL REVENUES	$ -	$ -	$ 83,225	$ 83,225
TOTAL REVENUES	**$ -**	**$ -**	**$ 211,301**	**$ 211,301**
EXPENDITURES				
Foundation General Administration	$ -	$ -	$ 16,350	$ 16,350
Interfund Transfers to YFS Fund	-	-	56,000	56,000
Interfund Transfers - Unallocated	-	-	10,875	10,875
SUBTOTAL EXPENDITURES	$ -	$ -	$ 83,225	$ 83,225
Ending Fund Balance	-	-	128,076	128,076
TOTAL EXPENDITURES & FUND BAL	**$ -**	**$ -**	**$ 211,301**	**$ 211,301**

DEBT SERVICE FUNDS

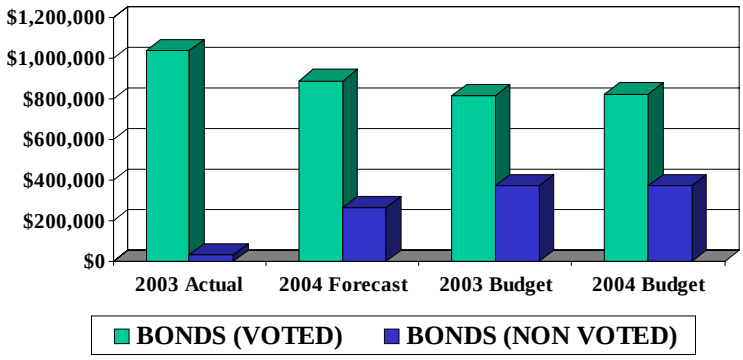
Debt Service Funds account for the accumulation of resources for the payment of principal and interest on general obligation bonds. General obligation bonds are those for which the full faith and credit of the City are pledged. They are payable from property taxes. The amount of bonds outstanding are shown in the Summary Section of the Budget.

The City of Mercer Island has two Debt Service Funds. The Bond Redemption Fund – Voted, and the Bond Redemption Fund – Non-Voted.

Debt Service Revenues



Debt Service Expenditures



BOND REDEMPTION FUND - VOTED - 208

This Bond Redemption Fund is a restricted fund that accounts for revenues and expenditures dedicated to debt service for those voted general obligation bonds that are repaid with excess property tax levies. Bond issues accounted for in this fund include the 1984 Fire Apparatus and Park bonds (refunded in1987) and the the1988 Gallagher Hill Bonds and the 1990 Library Bonds (both refunded in 1996). The Mercer Island Development Authority Lease (MIDA) payments are also accounted for in this fund.

See Use of Long Term Debt Financing in Management and Budget Policies and the Schedule of Long Term Debt in Section D for bond maturities and interest rates.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 169,433	$ 41,129	$ 39,432	$ 40,705
Property Tax	244,332	218,000	148,000	148,000
Property Tax - Lid Lift	453,596	460,000	460,000	460,000
King County Library Payment	206,576	206,576	206,576	206,576
Interfund Transfers	-	-	-	-
Interest	2,580	2,030	2,500	2,500
SUB-TOTAL REVENUES	$ 907,084	$ 886,606	$ 817,076	$ 817,076
TOTAL REVENUES	**$ 1,076,517**	**$ 927,735**	**$ 856,508**	**$ 857,781**
EXPENDITURES				
Principal - Voted				
1987 Refunding Bonds	$ 210,000	$ 70,000	$ -	$ -
1996 Refunding Bonds	270,000	280,000	295,000	310,000
Interest - Voted				
1987 Refunding Bonds	11,095	2,240	-	-
1996 Refunding Bonds	89,783	77,363	64,203	50,190
Lease Payments - MIDA				
1996 MIDA Refunding Principal	340,000	360,000	375,000	400,000
1996 MIDA Refunding Interest	114,510	98,700	81,600	63,413
SUBTOTAL EXPENDITURES	$ 1,035,388	$ 888,303	$ 815,803	$ 823,603
Ending Fund Balance	41,129	39,432	40,705	34,178
TOTAL EXPENDITURES & FUND BAL	**$ 1,076,517**	**$ 927,735**	**$ 856,508**	**$ 857,781**

BOND REDEMPTION FUND - NON-VOTED - 239

This Bond Redemption Fund is a restricted fund that accounts for revenues and expenditures dedicated to debt service for non-voted bonds. In 2003 the City issued new non voted bonds for the purchase the property known as Mercer View. This property is the site of the City's Community Center at Mercer View. In 2004 the City issued new non-voted bonds as part of the overall funding plan to construct a new Community Center building on the Mercer View property. Both of these bond issuances will be repaid by a fund transfer from the Capital Improvement Fund of REET-1 revenues.

See Use of Long Term Debt Financing in the Management and Budget Policies and the Schedule of Long Term Debt in Section D for bond maturities and interest rates.

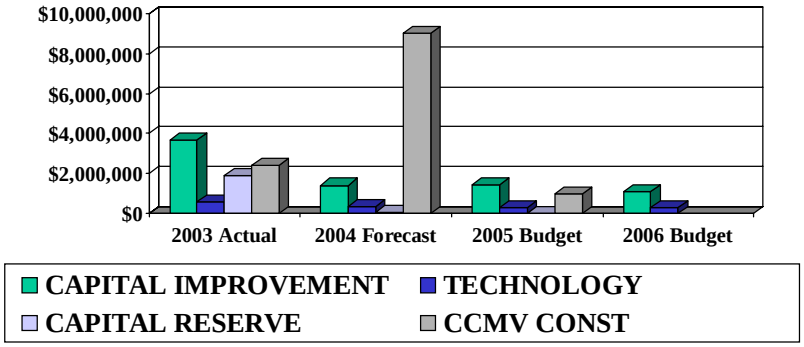
DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 4,886	$ 4,946	$ 7,056	$ 7,327
Interfund Transfer In	35,268	267,300	373,185	373,310
Interest	60	240	100	100
SUB-TOTAL REVENUES	$ 35,328	$ 267,540	$ 373,285	$ 373,410
TOTAL REVENUES	**$ 40,214**	**$ 272,486**	**$ 380,341**	**$ 380,737**
EXPENDITURES				
Principal - Non-Voted				
2003 Mercer View Property Acquisition	$ -	$ 165,000	$ 165,000	$ 165,000
2004 CCMV Construction	-	25,000	75,000	80,000
Interest - Non-Voted				
2003 Mercer View Property Acquisition	35,268	63,129	59,829	56,529
2004 CCMV Construction	-	12,302	73,185	71,310
SUBTOTAL EXPENDITURES	$ 35,268	$ 265,430	$ 373,014	$ 372,839
Ending Fund Balance	4,946	7,056	7,327	7,898
TOTAL EXPENDITURES & FUND BAL	**$ 40,214**	**$ 272,486**	**$ 380,341**	**$ 380,737**

CAPITAL FUNDS

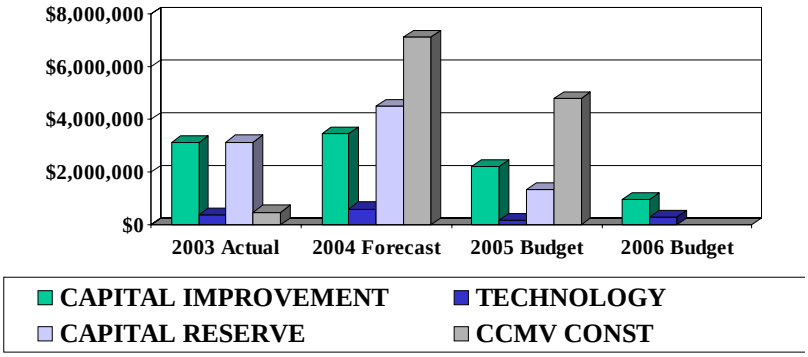
Capital Project Funds account for financial resources to be used for the acquisition or construction of capital facilities other than those financed by enterprise or internal service funds.

The City of Mercer Island has four active capital funds. The Capital Improvement Fund and the Technology and Equipment Fund account for the City's ongoing investment in parks, buildings, technology and equipment. The Capital Reserve Fund was created by the City Council to set aside funds for future large-scale capital projects. The Community Center Construction Fund was created to account for the costs associated with the construction of a new Community Center at Mercerview.

Capital Funds Revenue



Capital Funds Expenditures



CAPITAL IMPROVEMENT FUND - 343

The Capital Improvement Fund is used to account for the City's general government capital projects. The Real Estate Excise Tax - 1st quarter cent (REET-1) and - 2nd quarter cent (REET-2) are the main revenue sources for capital reinvestment and new capital facilities projects. Expenditures in this fund are for acquisition or replacement of the City's capital assets. Projects which have a restricted funding source (bond issue or gas tax for streets), or which are associated with an enterprise activity are accounted for in their own fund. The expenditures planned for 2005 and 2006 are described in further detail in the Capital Improvement Program section of the budget.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 2,392,047	$ 2,959,766	$ 912,983	$ 138,798
Property Tax	-	-	100,000	100,000
Real Estate Excise Tax - 1	890,089	1,000,000	837,500	700,000
Real Estate Excise Tax - 2	338,181	380,000	312,500	265,000
General Govt / Grants / Fines	100,000	-	145,000	5,000
Proceeds of Long Term Debt	2,304,087	-	-	-
Interfund Transfers In - YFS	13,019	5,000	20,000	15,000
Interfund Transfers In - Beautification	-	-	55,000	55,000
Interfund Transfers In - Utilities	-	-	30,000	30,000
Interest	34,984	14,000	-	-
SUB-TOTAL REVENUES	$ 3,680,360	$ 1,399,000	$ 1,500,000	$ 1,170,000
TOTAL REVENUES	**$ 6,072,407**	**$ 4,358,766**	**$ 2,412,983**	**$ 1,308,798**
EXPENDITURES				
Capital Facilities Plan				
Parks and Recreation	$ 142,436	$ 9,300	$ -	$ -
Mercer View Property Acquisition	2,469,839	-	-	-
Gen Govt - Open Space & Veg. Mngmnt	234,748	133,660	135,000	135,000
Capital Reinvestment Plan				
Parks and Recreation	117,040	768,840	596,000	318,000
Gen Govt - Public Buildings	113,310	237,500	195,000	190,000
Interfund Transfer - Debt Service	35,268	267,300	373,185	373,310
Interfund Transfer - CCMV Const Fund	-	2,029,183	975,000	-
SUBTOTAL EXPENDITURES	$ 3,112,641	$ 3,445,783	$ 2,274,185	$ 1,016,310
Ending Fund Balance	2,959,766	912,983	138,798	292,488
TOTAL EXPENDITURES & FUND BAL	**$ 6,072,407**	**$ 4,358,766**	**$ 2,412,983**	**$ 1,308,798**

TECHNOLOGY AND EQUIPMENT FUND - 345

The Technology and Equipment Fund is used to account for the City's continued investment in technology and new equipment purchases. Contributions from the General Fund are the main revenue sources for this fund. Other funds may contribute resources for specific projects. Expenditures in this fund are for acquisition of technology, new equipment and building furnishings.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 646,458	$ 835,123	$ 602,123	$ 694,123
Charges for Services / Sales	50,000	-	-	-
Interfund Transfers From General Fund	250,000	250,000	250,000	250,000
Interfund Transfers From Utilities	208,185	90,000	-	-
Interfund Transfers From Street Fund	38,600	10,000	-	-
Interest Earnings	7,574	10,000	10,000	10,000
SUB-TOTAL REVENUES	$ 554,359	$ 360,000	$ 260,000	$ 260,000
TOTAL REVENUES	**$ 1,200,817**	**$ 1,195,123**	**$ 862,123**	**$ 954,123**
EXPENDITURES				
Capital Reinvestment Plan				
Financial System Enhancements	$ 19,151	$ 60,000	$ -	$ 25,000
Fire Equipment	21,652	23,000	28,000	18,000
GIS-Map Legal ROW & Parcels	193,001	5,000	-	-
GIS-Temporary Analyst	48,934	60,000	-	-
GIS-GPS Utility Features	43,625	55,000	-	-
Other Technology / Equipment		90,000	5,000	25,000
E-Government	24,506	75,000	-	-
Telephone & Customer Response	3,723	50,000	45,000	25,000
Web Based & Wireless Applications	201	35,000	15,000	140,000
Network & System Upgrades		50,000	25,000	-
Capital Facilities Plan				
Small Technology / Equipment	10,902	90,000	50,000	50,000
Interfund Transfers	-	-	-	-
SUBTOTAL EXPENDITURES	$ 365,694	$ 593,000	$ 168,000	$ 283,000
Ending Fund Balance	835,123	602,123	694,123	671,123
TOTAL EXPENDITURES & FUND BAL	**$ 1,200,817**	**$ 1,195,123**	**$ 862,123**	**$ 954,123**

CAPITAL RESERVE FUND – 350

The Capital Reserve Fund was created by the City Council in an effort to set aside funds for future large-scale capital facility improvements. The primary source of funding for Capital Reserve is the year end cash carry forward transfer from the General Fund of revenues received in excess of budgeted amounts.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 7,062,859	$ 5,814,514	$ 1,349,014	$ 295,014
Interfund Transfers From General Fund	1,802,889	-	-	-
Interest	93,089	40,000	13,500	-
SUB-TOTAL REVENUES	$ 1,895,978	$ 40,000	$ 13,500	$ -
TOTAL REVENUES	**$ 8,958,837**	**$ 5,854,514**	**$ 1,362,514**	**$ 295,014**
EXPENDITURES				
Luther Burbank Park Operations & Maint	$ 202,056	$ -	$ -	$ -
Boys and Girls Club Contract for Use	-	-	1,000,000	-
CM Policy Work	712	-	-	-
Pioneer Park Improvements	41,555	5,500	-	-
High School Field Improvements	500,000	-	-	-
Interfund Transfer To Criminal Justice	-	-	67,500	-
Interfund Transfer To CCMV Construction	2,400,000	4,500,000	-	-
SUBTOTAL EXPENDITURES	$ 3,144,323	$ 4,505,500	$ 1,067,500	$ -
Ending Fund Balance	5,814,514	1,349,014	295,014	295,014
TOTAL EXPENDITURES & FUND BAL	**$ 8,958,837**	**$ 5,854,514**	**$ 1,362,514**	**$ 295,014**

COMMUNITY CENTER BUILDING CONSTRUCTION FUND – 355

The Community Center Building Construction Fund was created in 2003 to account for the design and construction of a new community center at Mercer View.

During the 2003-2004 biennium, the City Council worked to scale back and modify the design of the Community Center building, reducing the project's budget from a 13.1 million maximum budget set in July, 2003 to the 12.4 million project budget approved August, 2004.

On the funding side, the Council and city staff made decisions to reserve unanticipated General and REET revenues to minimize the Debt Financing required for the project. In August, 2004, the Council awarded the construction project and approved the financing plan for the project – as reflected here.

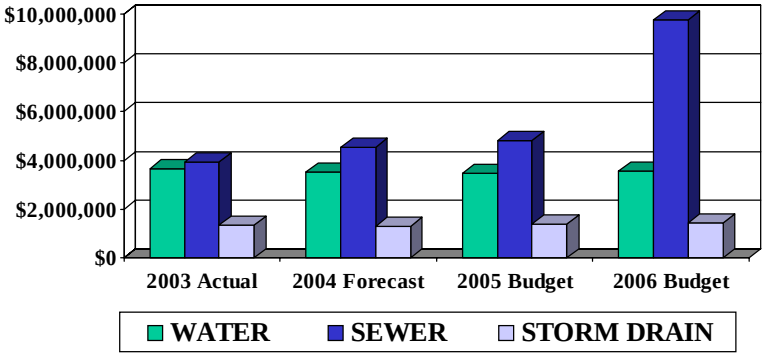
DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ -	$ 1,931,963	$ 3,825,000	$ 0
Proceeds of Long Term Debt	-	2,000,000	-	-
Interfund Transfers From General Fund	-	500,000	-	-
Interfund Transfers From CIP	-	2,029,183	975,000	-
Interfund Transfers From Capital Reserve	2,400,000	4,500,000	-	-
Interest	-	-	-	-
SUB-TOTAL REVENUES	$ 2,400,000	$ 9,029,183	$ 975,000	$ -
TOTAL REVENUES	**$ 2,400,000**	**$ 10,961,145**	**$ 4,800,000**	**$ 0**
EXPENDITURES				
Community Center Design	$ 417,751	$ 999,500	$ -	$ -
Luther Burbank Tenant Improvements	-	262,585	-	-
CCMV Temporary Space Rentals	-	187,500	-	-
Community Center Pre-Construction	50,287	482,300	-	-
Community Center Construction	-	5,204,260	4,800,000	-
Interfund Transfers Out	-	-	-	-
SUBTOTAL EXPENDITURES	$ 468,037	$ 7,136,145	$ 4,800,000	$ -
Ending Fund Balance	1,931,963	3,825,000	0	0
TOTAL EXPENDITURES & FUND BAL	**$ 2,400,000**	**$ 10,961,145**	**$ 4,800,000**	**$ 0**

ENTERPRISE FUNDS

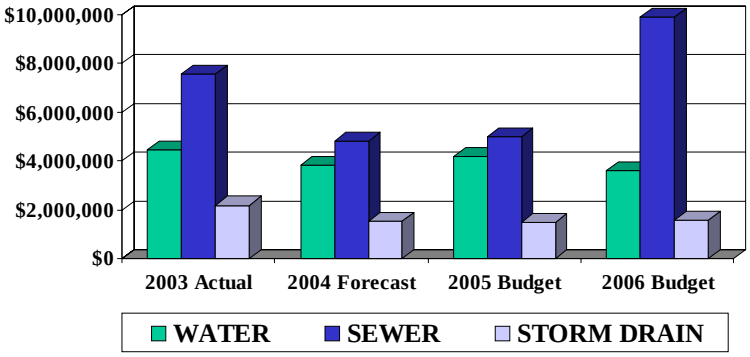
Enterprise Funds account for government activities that are financed and operated in a manner similar to private business. Costs of providing services to the community are primarily financed by user fees.

The City of Mercer Island has three Enterprise Funds.
The Water Fund, Sewer Fund, and the Storm Drainage Fund.

Enterprise Funds Revenues



Enterprise Funds Expenses



WATER FUND - 402

The Water Fund accounts for all operations related to providing water services to City residents. All activities (i.e. administration, financing, debt service, billing and collection) necessary for the operation, maintenance, and capital reinvestment in the Water Utility are accounted for in this fund. See section F of the Budget for a detailed discussion of the Water Fund.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 2,139,873	$ 1,351,489	$ 1,040,566	$ 329,868
Sales to Customers	3,494,184	3,421,300	3,362,300	3,456,300
Conservation Surcharge	133,277	75,000	75,000	75,000
Interest	24,476	30,000	40,000	50,000
SUB-TOTAL REVENUES	$ 3,651,937	$ 3,526,300	$ 3,477,300	$ 3,581,300
TOTAL REVENUES	**$ 5,791,810**	**$ 4,877,789**	**$ 4,517,866**	**$ 3,911,168**
EXPENDITURES				
Salaries and Benefits	651,600	673,116	732,485	764,027
Supplies	126,621	157,700	162,800	162,800
Water Purchases	1,334,191	1,450,000	1,390,000	1,430,000
Contractual Services	89,379	181,200	205,900	131,000
Equipment Rental	73,412	73,137	84,510	84,510
Insurance	43,000	43,000	43,000	43,000
City Administration	210,027	215,354	214,908	219,840
Other Services and Charges	304,210	329,781	272,344	272,906
Debt Service	13,731	13,731	13,731	13,731
Capital Facilities / Reinvestment	886,571	647,485	975,000	430,000
Capital Project Management	23,839	22,718	55,100	52,800
Interfund Transfers Capital & Technology	75,241	30,000	10,000	10,000
Increase Reserves - Fiscal Policy	608,498	-	28,220	438
SUBTOTAL EXPENDITURES	$ 4,440,321	$ 3,837,222	$ 4,187,998	$ 3,615,052
Ending Fund Balance	1,351,489	1,040,566	329,868	296,116
TOTAL EXPENDITURES & FUND BAL	**$ 5,791,810**	**$ 4,877,789**	**$ 4,517,866**	**$ 3,911,168**

SEWER FUND - 426

The Sewer Fund accounts for all operations related to providing wastewater services to City residents. All activities (i.e. administration, financing, debt service, billing and collection) necessary for the operation, maintenance, and capital reinvestment in the Sewer Utility are accounted for in this fund. See section F of the Budget for a detailed discussion of the Sewer Fund.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 4,900,633	$ 1,282,268	$ 1,022,797	$ 836,879
Sales to Customers	3,892,037	3,959,100	4,333,540	4,701,600
Proceeds PWTF Loan		550,000	450,000	5,000,000
Interest	58,284	45,000	43,300	52,000
SUB-TOTAL REVENUES	$ 3,950,321	$ 4,554,100	$ 4,826,840	$ 9,753,600
TOTAL REVENUES	**$ 8,850,953**	**$ 5,836,368**	**$ 5,849,637**	**$ 10,590,479**
EXPENDITURES				
Salaries and Benefits	403,578	419,269	453,238	467,481
Supplies	51,036	38,200	51,500	51,500
Metro Sewer Treatment	2,395,575	2,400,000	2,625,641	2,830,769
Contractual Services	78,643	99,700	139,000	128,000
Equipment Rental	63,003	62,942	41,844	41,844
Insurance	43,000	43,000	43,000	43,000
City Administration	210,027	215,354	214,908	219,840
Other Services and Charges	155,505	163,169	171,824	220,807
Debt Service	79,513	79,513	170,518	283,018
Capital Project Management	27,241	22,718	56,000	58,000
Sewer Lake Line Project	272,363	730,000	540,000	6,045,000
Other Capital Projects	433,296	512,500	470,000	390,000
Interfund Transfers to Capital & Tech	70,695	30,000	10,000	10,000
Reserves - Fiscal Policy	3,285,210	(2,794)	25,285	(912,350)
SUBTOTAL EXPENDITURES	$ 7,568,685	$ 4,813,571	$ 5,012,758	$ 9,876,909
Ending Fund Balance	1,282,268	1,022,797	836,879	713,570
TOTAL EXPENDITURES & FUND BAL	**$ 8,850,953**	**$ 5,836,368**	**$ 5,849,637**	**$ 10,590,479**

STORM AND SURFACE WATER FUND - 432

The Storm and Surface Water Fund accounts for all operations related to providing storm water services to City residents. All activities (i.e. administration, financing, debt service, billing and collection) necessary for the operation, maintenance, and capital reinvestment in the Storm and Surface Water Utility are accounted for in this fund. See section F of the Budget for a detailed discussion of the Storm and Surface Water Fund.

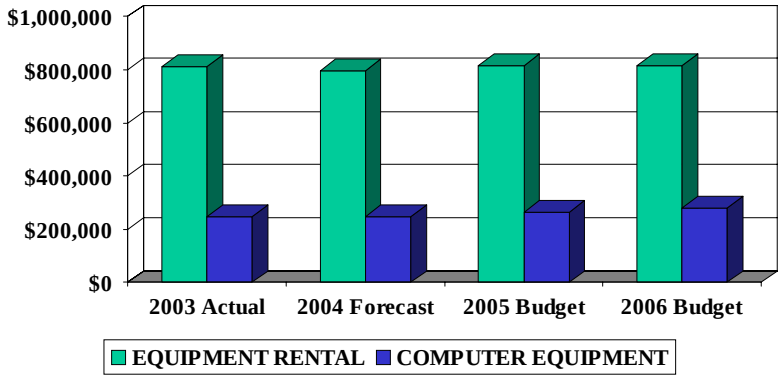
DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 1,543,918	$ 690,687	$ 450,615	$ 348,502
Sales to Customers	1,215,041	1,210,000	1,275,340	1,340,380
Stormwater Fee in Lieu Collected	106,491	80,000	80,000	80,000
Grants & Other Misc Revenues	4,183	-	-	-
Interfund Loan From Streets	-	-	-	200,000
Interest	18,363	20,000	25,000	25,000
SUB-TOTAL REVENUES	$ 1,344,078	$ 1,310,000	$ 1,380,340	$ 1,645,380
TOTAL REVENUES	**$ 2,887,996**	**$ 2,000,687**	**$ 1,830,955**	**$ 1,993,882**
EXPENDITURES				
Salaries and Benefits	$ 265,691	$ 274,882	$ 274,007	$ 281,633
Supplies	29,442	40,750	40,500	40,500
Contractual Services	185,813	252,600	227,100	227,100
Equipment Rental	43,923	42,200	62,650	62,650
Insurance / Utilities	56,204	60,000	60,000	60,000
Other Services and Charges	40,084	44,794	42,944	42,944
City Administration	46,673	47,857	47,755	48,852
Capital Project Management	14,548	22,718	66,200	65,000
Capital Projects	1,266,317	733,000	650,000	950,000
Interfund Transfers Capital & Tech	81,618	30,000	10,000	10,000
Reserves - Fiscal Policy	166,996	1,271	1,297	1,323
SUBTOTAL EXPENDITURES	$ 2,197,309	$ 1,550,072	$ 1,482,453	$ 1,790,002
Ending Fund Balance	690,687	450,615	348,502	203,880
TOTAL EXPENDITURES & FUND BAL	**$ 2,887,995**	**$ 2,000,687**	**$ 1,830,955**	**$ 1,993,882**

INTERNAL SERVICE FUNDS

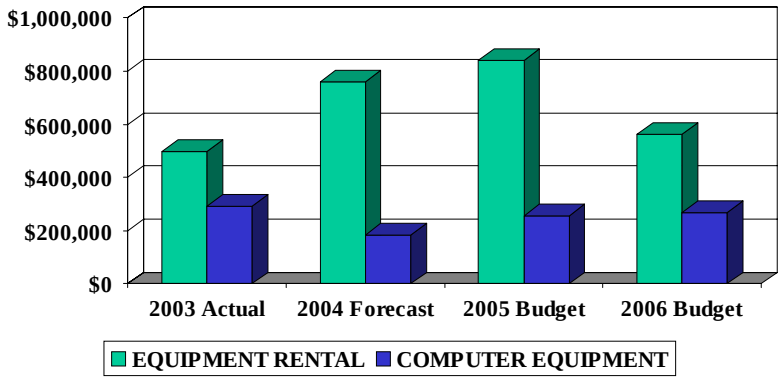
Internal Service Funds account for the financing, on a cost-reimbursement basis, of goods and services provided by one department or agency of the City to another department or agency of the City.

The City of Mercer Island has two Internal Service Funds. The Equipment Rental Fund and the Computer Replacement Fund.

Internal Service Funds Revenue



Internal Service Funds Expense



EQUIPMENT RENTAL FUND - 503

The Equipment Rental Fund accounts for the cost of maintaining all City owned vehicles and heavy equipment used by City staff, primarily the Maintenance and Public Safety Departments (except fire equipment). All costs, including depreciation, are included in establishing the rate charged to each department utilizing the City vehicle fleet. Vehicles scheduled for replacement are described in section E – Capital Improvement Program. See section F of the Budget for an in depth discussion of the Equipment Rental Fund.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 1,968,981	$ 2,285,103	$ 2,320,362	$ 2,297,697
Charges for Services - Vehicles	756,417	756,419	790,431	790,431
Radio Replacement Contributions	27,491	27,491	27,667	27,667
Sale of Assets	29,415	12,000	-	-
SUB-TOTAL REVENUES	$ 813,323	$ 795,910	$ 818,098	$ 818,098
TOTAL REVENUES	**$ 2,782,304**	**$ 3,081,013**	**$ 3,138,460**	**$ 3,115,795**
EXPENDITURES				
Salaries and Benefits	$ 66,540	$ 71,937	$ 73,413	$ 75,539
Supplies	151,298	151,500	181,000	171,000
Contractual Services	79,791	65,000	97,000	97,000
Equipment Rental	12,231	10,462	8,350	8,350
Other Services and Charges	15,407	11,500	51,000	21,000
Vehicle Replacements	171,933	450,252	430,000	190,000
Reserves - Fiscal Policy / CIP	-	-	-	-
SUBTOTAL EXPENDITURES	$ 497,201	$ 760,651	$ 840,763	$ 562,889
Ending Fund Balance	2,285,103	2,320,362	2,297,697	2,552,906
TOTAL EXPENDITURES & FUND BAL	**$ 2,782,304**	**$ 3,081,013**	**$ 3,138,460**	**$ 3,115,795**

COMPUTER EQUIPMENT FUND - 520

The Computer Equipment Fund was created to protect the City's current and future investment in computer equipment. The City currently owns 152 personal computers, 59 printers, 12 servers, the City Council projection system and a portable LCD projector system. This fund also supports network administrator position and the IT Manager position.

This fund operates in a manner similar to the Equipment Rental Fund. It funds scheduled computer equipment replacements, equipment maintenance, and network administration through user charges. The fund is re-capitalized as various departments "rent" the equipment owned by this fund. Each department is assessed an amount to cover the maintenance and replacement costs associated with the computers and printers located in the department. A reserve fund accumulates the resources needed to replace equipment when its useful life has been exceeded.

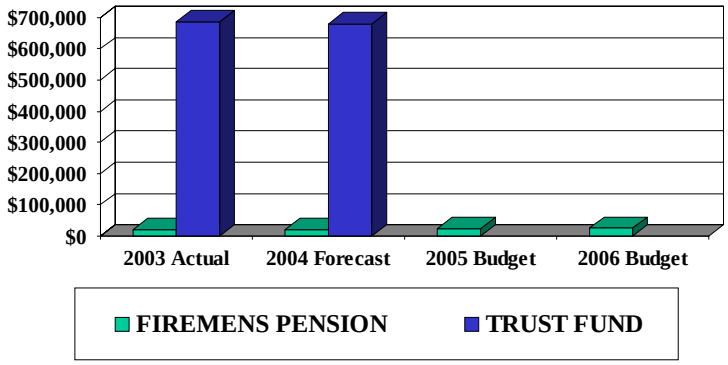
DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 156,633	$ 114,188	$ 178,846	$ 185,953
Computer Replacement Contributions	249,072	249,072	264,120	279,135
Sale of Assets	-	-	-	-
SUB-TOTAL REVENUES	$ 249,072	$ 249,072	$ 264,120	$ 279,135
TOTAL REVENUES	**$ 405,705**	**$ 363,260**	**$ 442,966**	**$ 465,088**
EXPENDITURES				
Network Administration	$ 174,482	$ 174,414	$ 189,013	$ 193,260
Capital Replacement - Computers	117,035	10,000	68,000	74,000
SUBTOTAL EXPENDITURES	$ 291,517	$ 184,414	$ 257,013	$ 267,260
Ending Fund Balance	114,188	178,846	185,953	197,828
TOTAL EXPENDITURES & FUND BAL	**$ 405,705**	**$ 363,260**	**$ 442,966**	**$ 465,088**

TRUST FUNDS

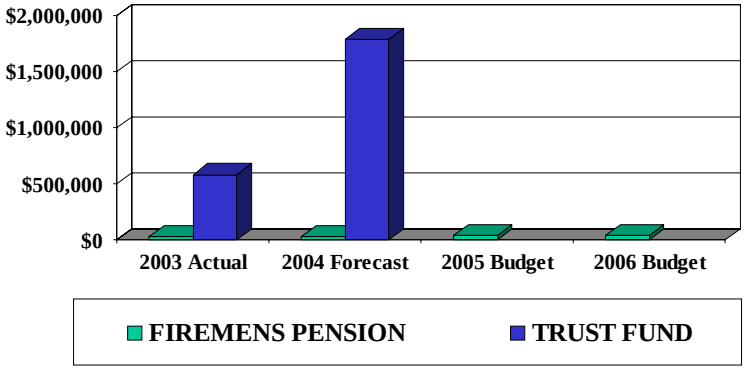
Trust Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments.

The City of Mercer Island has two Trust Funds. The Firemen's Pension Fund and the Trust Fund,

Trust Funds Revenue



Trust Funds Expenditures



FIREMEN'S PENSION FUND - 606

The Firemen's 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 Firemen's Pension Fund retained responsibility for all benefits payable to members (or their survivors) who retired prior to March 1, 1970, as well as a portion of the benefits payable to members who were active as of that date. An actuarial study shows that Mercer Island has nine individuals covered, all nine are retired and six are eligible for benefits.

Cities with a Firemen's Pension Fund receive state-shared fire insurance premium taxes. The liability represented by these nine members may start to be realized in the next few years, as these members reach retirement age, and will continue into the foreseeable future.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 259,211	$ 249,548	$ 239,848	$ 224,848
Insurance Premium Tax	17,424	15,300	20,000	21,000
Interest	3,148	5,000	5,000	5,000
SUB-TOTAL REVENUES	$ 20,573	$ 20,300	$ 25,000	$ 26,000
TOTAL REVENUES	**$ 279,784**	**$ 269,848**	**$ 264,848**	**$ 250,848**
EXPENDITURES				
Excess Retirement Benefits Paid	$ 30,236	$ 30,000	$ 40,000	$ 40,000
SUBTOTAL EXPENDITURES	$ 30,236	$ 30,000	$ 40,000	$ 40,000
Ending Fund Balance	249,548	239,848	224,848	210,848
TOTAL EXPENDITURES & FUND BAL	**$ 279,784**	**$ 269,848**	**$ 264,848**	**$ 250,848**

TRUST FUND - 613

Historically, the Trust Fund accounted for the revenues, earnings, and disbursements of money donated to the City for specific purposes. Donations have included such things as funding for community celebrations, the D.A.R.E. program, Mercer Island aid car services, senior adult programs, and donations to the Youth and Family Services Department.

In June of 1999 the Governmental Accounting Standards Board issued GASB Statement 34, *Basic Financial Statements and MD&A for State and Local Governments.* This Statement includes significant new restrictions on the use of Trust funds. As required by the Statement, the City implemented the GASB 34 reporting changes in its financial statements for year end 2003. Budget year 2005 – 2006 is the first budget to be presented in accordance with the new requirements. These changes require the Trust Fund to be closed. All fund balances will be transferred out to new or existing funds where the related program will be accounted for in future years. The new funds created by closing the Trust Fund are Fund 160 – Youth and Family Services Fund, Fund 165 – Youth Services Foundation Fund, and Fund 065 – Youth Services Foundation Endowment Fund.

DESCRIPTION	2003 Actual	2004 Forecast	2005 Budget	2006 Budget
REVENUES				
Opening Fund Balance	$ 1,003,509	$ 1,105,143	$ 0	$ 0
Private Donations	138,726	100,000	-	-
Private Donations - Thrift Shop	466,030	525,000	-	-
Private Donations - YFS Emergency Assist	23,075	30,000	-	-
Seized Property	42,052	10,000	-	-
General Government / Grants / Fines	1,300	-	-	-
Interest	14,073	14,000	-	-
SUB-TOTAL REVENUES	$ 685,255	$ 679,000	$ -	$ -
TOTAL REVENUES	**$ 1,688,764**	**$ 1,784,143**	**$ 0**	**$ 0**
EXPENDITURES				
Public Safety Programs	$ 7,904	$ 16,775	-	-
Parks & Recreation Programs	8,728	1,500	-	-
Youth & Family Service Programs	79,809	20,000	-	-
Youth & Family Emergency Assistance	21,203	20,000	-	-
YFS Contributions to General Fund	452,958	450,000	-	-
Contributions to Capital Fund	13,019	5,000	-	-
Other Services and Charges	-	12,000	-	-
Interfund to Criminal Justice	-	51,400	-	-
Closing Transfer to New YFS Funds	-	959,964	-	-
Closing Transfer to Existing Funds	-	247,504	-	-
SUBTOTAL EXPENDITURES	$ 583,621	$ 1,784,143	$ -	$ -
Ending Fund Balance	1,105,143	0	0	0
TOTAL EXPENDITURES & FUND BAL	**$ 1,688,764**	**$ 1,784,143**	**$ 0**	**$ 0**

YOUTH AND FAMILY SERVICES ENDOWMENT FUND - 614

The Youth and Family Services Endowment Fund was set up as a long term funding mechanism. The donated funds remain invested as principal and are not used to purchase goods or services. Interest earnings from the Endowment Fund are used to support Youth and Family Services operations, which are accounted for in the General Fund.

In June of 1999 the Governmental Accounting Standards Board issued GASB Statement 34, *Basic Financial Statements and MD&A for State and Local Governments*. This Statement includes significant new restrictions on the use of Trust funds and defines a new Fund type for the accounting and reporting of long term endowment funds. As required by the Statement, the City implemented the GASB 34 reporting changes in its financial statements for year end 2003. Budget year 2005 – 2006 is the first budget to be presented in accordance with the new requirements. Accordingly, the Youth Services Endowment Fund has been reclassified Permanent Endowment Fund – the Youth Services Endowment Fund 061. See page J-5 for budget detail.

MUNICIPAL ARTS TRUST FUND - 615

Historically, the Municipal Arts Trust Fund accounted for revenues contributed and disbursements appropriated for the City's municipal art program. The main source of revenue is the one percent for the arts charged on major capital construction and improvement projects. The funds are used for art in public places and the maintenance of existing works of art.

In June of 1999 the Governmental Accounting Standards Board issued GASB Statement 34, *Basic Financial Statements and MD&A for State and Local Governments*. This Statement includes significant new restrictions on the use of Trust funds. As required by the Statement, the City implemented the GASB 34 reporting changes in its financial statements for year end 2003. Budget year 2005 – 2006 is the first budget to be presented in accordance with the new requirements. Accordingly, the Municipal Arts Trust Fund was reclassified as a Special Revenue Fund – the Municipal Arts Fund 140. See page J-14 for budget detail.

SUMMARY SHEETS

COMPARATIVE ACTUAL AND BUDGETED REVENUES SUMMARY FOR ALL FUNDS 2003 – 2006

FUND NO	DESCRIPTION	2003 ACTUAL	2004 FORECAST	2005 BUDGET	2006 BUDGET
001	GENERAL FUND	$ 17,506,416	$ 18,038,390	$ 17,306,893	$ 18,032,916
037	SELF INSURANCE FUND	-	472	10,000	10,000
061	YS ENDOWMENT FUND	3,656	3,106	3,000	3,000
065	MIYFS FOUNDATION ENDOWMENT	-	-	4,500	5,000
	SUBTOTAL GENERAL & PERM FUND	**$ 17,510,073**	**$ 18,041,968**	**$ 17,324,393**	**$ 18,050,916**
104	STREET FUND	$ 1,050,020	$ 1,472,000	$ 1,302,500	$ 895,000
112	CRIMINAL JUSTICE FUND	489,339	521,397	999,168	482,200
117	BEAUTIFICATION FUND	239,701	227,000	227,000	227,000
125	I-90 LANDSCAPE FUND	412,665	445,260	447,745	455,987
130	CONTINGENCY FUND	121,673	384,178	120,000	120,000
140	MUNICIPAL ARTS FUND	26,148	13,103	18,000	10,000
160	YOUTH & FAMILY SERVICES FUND	-	-	1,301,427	1,302,704
165	MIYFS FOUNDATION FUND	-	-	83,225	83,225
	SUBTOTAL SPECIAL REVENUE	**$ 2,339,546**	**$ 3,062,938**	**$ 4,499,065**	**$ 3,576,116**
208	BOND REDEMPTION (VOTED)	$ 907,084	$ 886,606	$ 817,076	$ 817,076
239	BOND REDEMPTION (NON VOTED)	35,328	267,540	373,285	373,410
	SUBTOTAL DEBT SERVICE	**$ 942,412**	**$ 1,154,146**	**$ 1,190,361**	**$ 1,190,486**
343	CAPITAL IMPROVEMENT FUND	$ 3,680,360	$ 1,399,000	$ 1,500,000	$ 1,170,000
345	TECHNOLOGY AND EQUIPMENT FUND	554,359	360,000	260,000	260,000
350	CAPITAL RESERVE FUND	1,895,978	40,000	13,500	-
355	CCMV CONSTRUCTION FUND	2,400,000	9,029,183	975,000	-
	SUBTOTAL CAPITAL	**$ 8,530,697**	**$ 10,828,183**	**$ 2,748,500**	**$ 1,430,000**
402	WATER FUND	$ 3,651,937	$ 3,526,300	$ 3,477,300	$ 3,581,300
426	SEWER FUND	3,950,321	4,554,100	4,826,840	9,753,600
432	STORM DRAIN FUND	1,344,078	1,310,000	1,380,340	1,645,380
	SUBTOTAL ENTERPRISE	**$ 8,946,335**	**$ 9,390,400**	**$ 9,684,480**	**$ 14,980,280**
503	EQUIPMENT RENTAL FUND	$ 813,323	$ 795,910	$ 818,098	$ 818,098
520	COMPUTER EQUIPMENT FUND	249,072	249,072	264,120	279,135
	SUBTOTAL INTERNAL SERVICE	**$ 1,062,395**	**$ 1,044,982**	**$ 1,082,218**	**$ 1,097,233**
606	FIREMEN'S PENSION FUND	$ 20,573	$ 20,300	$ 25,000	$ 26,000
613	TRUST FUND	685,255	679,000	-	-
	SUBTOTAL TRUST	**$ 705,828**	**$ 699,300**	**$ 25,000**	**$ 26,000**
	TOTAL REVENUES	**$ 40,037,285**	**$ 44,221,916**	**$ 36,554,017**	**$ 40,351,031**

COMPARATIVE ACTUAL AND BUDGETED EXPENDITURES SUMMARY FOR ALL FUNDS 2003 – 2006

FUND NO	DESCRIPTION	2003 ACTUAL	2004 FORECAST	2005 BUDGET	2006 BUDGET
001	GENERAL FUND	$ 18,418,129	$ 18,929,568	$ 17,306,893	$ 18,032,916
037	SELF INSURANCE FUND	1,632	40	30,000	30,000
061	YOUTH SERVICE ENDOWMENT FUND	13,000	3,000	3,000	3,000
065	MIYFS FOUNDATION ENDOWMENT	-	-	-	-
	SUBTOTAL GENERAL & PERM FUND	**$ 18,432,761**	**$ 18,932,608**	**$ 17,339,893**	**$ 18,065,916**
104	STREET FUND	$ 1,235,472	$ 1,835,294	$ 1,593,500	$ 1,444,500
112	CRIMINAL JUSTICE FUND	607,660	595,322	1,162,350	499,108
117	BEAUTIFICATION FUND	268,951	310,060	352,445	355,050
125	I-90 LANDSCAPE FUND	413,081	445,255	447,745	455,987
130	CONTINGENCY FUND	58,146	-	-	-
140	MUNICIPAL ARTS FUND	9,952	63,500	3,000	3,000
160	YOUTH & FAMILY SERVICES FUND	-	-	1,280,434	1,303,834
165	MIYFS FOUNDATION FUND	-	-	83,225	83,225
	SUBTOTAL SPECIAL REVENUE	**$ 2,593,262**	**$ 3,249,431**	**$ 4,922,699**	**$ 4,144,704**
208	BOND REDEMPTION (VOTED)	$ 1,035,388	$ 888,303	$ 815,803	$ 823,603
239	BOND REDEMPTION (NON VOTED)	35,268	265,430	373,014	372,839
	SUBTOTAL DEBT SERVICE	**$ 1,070,656**	**$ 1,153,733**	**$ 1,188,817**	**$ 1,196,442**
343	CAPITAL IMPROVEMENT FUND	$ 3,112,641	$ 3,445,783	$ 2,274,185	$ 1,016,310
345	TECHNOLOGY AND EQUIPMENT FUND	365,694	593,000	168,000	283,000
350	CAPITAL RESERVE FUND	3,144,323	4,505,500	1,067,500	-
355	CCMV CONSTRUCTION FUND	468,037	7,136,145	4,800,000	-
	SUBTOTAL CAPITAL	**$ 7,090,696**	**$ 15,680,428**	**$ 8,309,685**	**$ 1,299,310**
402	WATER FUND	$ 4,440,321	$ 3,837,222	$ 4,187,998	$ 3,615,052
426	SEWER FUND	7,568,685	4,813,571	5,012,758	9,876,909
432	STORM DRAIN FUND	2,197,309	1,550,072	1,482,453	1,790,002
	SUBTOTAL ENTERPRISE	**$ 14,206,315**	**$ 10,200,866**	**$ 10,683,209**	**$ 15,281,963**
503	EQUIPMENT RENTAL FUND	$ 497,201	$ 760,651	$ 840,763	$ 562,889
520	COMPUTER EQUIPMENT FUND	291,517	184,414	257,013	267,260
	SUBTOTAL INTERNAL SERVICE	**$ 788,718**	**$ 945,065**	**$ 1,097,776**	**$ 830,149**
606	FIREMEN'S PENSION FUND	$ 30,236	$ 30,000	$ 40,000	$ 40,000
613	TRUST FUND	583,621	1,784,143	-	-
	SUBTOTAL TRUST	**$ 613,857**	**$ 1,814,143**	**$ 40,000**	**$ 40,000**
	TOTAL EXPENDITURES	**$ 44,796,264**	**$ 51,976,274**	**$ 43,582,079**	**$ 40,858,484**

2005 BUDGET SUMMARY FOR ALL FUNDS
REVENUE, EXPENDITURE AND CHANGE IN ESTIMATED FUND BALANCE

2005 DESCRIPTION	General 001	Self Insur 037	YS Endowmnt 061	501c3 Endw 065	Street 104	Crim Justice 112	Beautificatn 117	I-90 Maint 125	Contingency 130	Munic Arts 140	YFS 160	YS 501c3 165	Voted Bond 208	Bond Red 239	Capital 343	Technology 345	Cap Reserve 350	CCMV Const 355	Water 402	Sewer 426	Storm Drn 432	Equip Rent 503	Computer 520	Fire Pension 606	2005 TOTAL
REVENUES																									
Opening Fund Balance	-	107,852	287,080	376,788	2,181,120	187,880	554,562	212,806	2,374,416	83,412	455,100	128,076	39,432	7,056	912,983	602,123	1,349,014	3,825,000	1,040,566	1,022,797	450,615	2,320,362	178,846	239,848	18,937,734
Property Tax	8,579,375	-	-	-	-	-	-	-	-	-	-	-	608,000	-	100,000	-	-	-	-	-	-	-	-	-	9,287,375
Sales Tax	2,100,000	-	-	-	-	410,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,510,000
Utilities - B&O Tax	2,427,000	-	-	-	-	-	225,000	-	120,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,772,000
Real Estate Excise Tax	-	-	-	-	525,500	-	-	-	-	-	-	-	-	-	1,150,000	-	-	-	-	-	-	-	-	-	1,675,500
State Shared Revenues	959,807	-	-	-	757,000	57,850	-	384,700	-	-	3,787	-	-	-	-	-	-	-	-	-	-	-	-	20,000	2,183,144
Charges for Services / Sales	568,490	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,437,300	4,783,540	1,275,340	818,098	264,120	-	11,146,888
Licenses, Permits, and Zoning	1,497,500	-	-	-	-	-	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	80,000	-	-	-	1,579,500
General Govt / Grants / Fines	1,074,721	10,000	-	-	-	463,818	-	-	-	-	770,140	82,325	206,576	-	145,000	-	-	-	-	-	-	-	-	-	2,752,580
Interest	100,000	-	3,000	4,500	20,000	-	-	-	-	1,000	3,500	900	2,500	100	-	10,000	13,500	-	40,000	43,300	25,000	-	-	5,000	272,300
Interfund Transfers In	-	-	-	-	-	67,500	-	63,045	-	17,000	524,000	-	-	373,185	105,000	250,000	-	975,000	-	-	-	-	-	-	2,374,730
SUB-TOTAL REVENUES	17,306,893	10,000	3,000	4,500	1,302,500	999,168	227,000	447,745	120,000	18,000	1,301,427	83,225	817,076	373,285	1,500,000	260,000	13,500	975,000	3,477,300	4,826,840	1,380,340	818,098	264,120	25,000	36,554,017
TOTAL REVENUES	**17,306,893**	**117,852**	**290,080**	**381,288**	**3,483,620**	**1,187,048**	**781,562**	**660,551**	**2,494,416**	**101,412**	**1,756,527**	**211,301**	**856,508**	**380,341**	**2,412,983**	**862,123**	**1,362,514**	**4,800,000**	**4,517,866**	**5,849,637**	**1,830,955**	**3,138,460**	**442,966**	**264,848**	**55,491,751**
EXPENDITURES																									
Salaries and Benefits	11,868,903	-	-	-	124,555	331,169	-	108,625	-	-	1,082,600	-	-	-	39,000	-	-	-	851,115	543,488	379,237	73,413	153,513	40,000	15,595,618
Supplies	584,680	-	-	-	700	17,900	24,000	25,150	-	-	42,922	5,300	-	-	-	40,000	-	-	163,500	52,200	41,200	181,000	12,800	-	1,191,352
Water Purchases / Sewer Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,390,000	2,625,641	-	-	-	-	4,015,641
Contractual Services	1,478,406	30,000	-	-	209,500	85,250	106,800	178,300	-	3,000	29,265	5,750	-	-	655,000	25,000	-	100,000	416,150	639,450	467,550	97,000	18,300	-	4,544,721
Equipment Rental	859,836	-	-	-	3,970	54,041	-	14,120	-	-	51,402	-	-	-	-	-	-	-	87,360	44,694	65,495	8,350	-	-	1,189,268
Insurance	451,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,000	43,000	40,000	18,000	-	-	595,600
Utilities	393,880	-	-	-	-	-	-	121,000	-	-	7,400	-	-	-	-	-	-	-	49,000	42,500	20,000	-	-	-	633,780
Other Services and Charges	926,588	-	-	-	3,775	43,740	103,600	550	-	-	46,845	5,300	-	-	-	-	1,000,000	-	431,372	335,952	89,674	3,000	4,400	-	2,994,796
Bond Redemption	-	-	-	-	-	-	-	-	-	-	-	-	815,803	373,014	-	-	-	-	14,281	177,548	-	-	-	-	1,380,646
Capital Facilities / Reinvestment	28,000	-	-	-	1,238,000	630,250	-	-	-	-	-	-	-	-	232,000	103,000	-	4,700,000	697,000	473,000	366,000	460,000	68,000	-	8,995,250
Reserves - Fiscal Policy / CIP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,220	25,285	1,297	-	-	-	54,802
Interfund Transfers Out	715,000	-	3,000	-	13,000	-	118,045	-	-	-	20,000	66,875	-	-	1,348,185	-	67,500	-	17,000	10,000	12,000	-	-	-	2,390,605
SUBTOTAL EXPENDITURES	17,306,893	30,000	3,000	-	1,593,500	1,162,350	352,445	447,745	-	3,000	1,280,434	83,225	815,803	373,014	2,274,185	168,000	1,067,500	4,800,000	4,187,998	5,012,758	1,482,453	840,763	257,013	40,000	43,582,079
Ending Fund Balance	-	87,852	287,080	381,288	1,890,120	24,698	429,117	212,806	2,494,416	98,412	476,093	128,076	40,705	7,327	138,798	694,123	295,014	-	329,868	836,879	348,502	2,297,697	185,953	224,848	11,909,672
TOTAL EXPENDITURES & FUND BAL	**17,306,893**	**117,852**	**290,080**	**381,288**	**3,483,620**	**1,187,048**	**781,562**	**660,551**	**2,494,416**	**101,412**	**1,756,527**	**211,301**	**856,508**	**380,341**	**2,412,983**	**862,123**	**1,362,514**	**4,800,000**	**4,517,866**	**5,849,637**	**1,830,955**	**3,138,460**	**442,966**	**264,848**	**55,491,751**

2006 BUDGET SUMMARY FOR ALL FUNDS
REVENUE, EXPENDITURE AND CHANGE IN ESTIMATED FUND BALANCE

2006 DESCRIPTION	General 001	Self Insur 037	YS Endowmnt 061	501c3 Endw 065	Street 104	Crim Justice 112	Beautificatn 117	I-90 Maint 125	Contingency 130	Munic Arts 140	YFS 160	YS 501c3 165	Voted Bond 208	Bond Red 239	Capital 343	Technology 345	Cap Reserve 350	CCMV Const 355	Water 402	Sewer 426	Storm Drn 432	Equip Rent 503	Computer 520	Fire Pension 606	2006 TOTAL
REVENUES																									
Opening Fund Balance	-	87,852	287,080	381,288	1,890,120	24,698	429,117	212,806	2,494,416	98,412	476,093	128,076	40,705	7,327	138,798	694,123	295,014	-	329,868	836,879	348,502	2,297,697	185,953	224,848	11,909,672
Property Tax	8,735,635	-	-	-	-	-	-	-	-	-	-	-	608,000	-	100,000	-	-	-	-	-	-	-	-	-	9,443,635
Sales Tax	2,160,000	-	-	-	-	410,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,570,000
Utilities - B&O Tax	2,450,000	-	-	-	-	-	225,000	-	120,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,795,000
Real Estate Excise Tax	-	-	-	-	435,000	-	-	-	-	-	-	-	-	-	965,000	-	-	-	-	-	-	-	-	-	1,400,000
State Shared Revenues	971,064	-	-	-	445,000	58,700	-	390,337	-	-	3,787	-	-	-	-	-	-	-	-	-	-	-	-	21,000	1,889,888
Charges for Services / Sales	865,035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,531,300	9,701,600	1,340,380	818,098	279,135	-	16,535,548
Licenses, Permits, and Zoning	1,625,500	-	-	-	-	-	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	80,000	-	-	-	1,707,500
General Govt / Grants / Fines	1,125,682	10,000	-	-	-	13,500	-	-	-	-	771,417	82,325	206,576	-	5,000	-	-	-	-	-	-	-	-	-	2,214,500
Interest	100,000	-	3,000	5,000	15,000	-	-	-	-	1,000	3,500	900	2,500	100	-	10,000	-	-	50,000	52,000	25,000	-	-	5,000	273,000
Interfund Transfers In	-	-	-	-	-	-	-	65,650	-	9,000	524,000	-	-	373,310	100,000	250,000	-	-	-	-	200,000	-	-	-	1,521,960
SUB-TOTAL REVENUES	18,032,916	10,000	3,000	5,000	895,000	482,200	227,000	455,987	120,000	10,000	1,302,704	83,225	817,076	373,410	1,170,000	260,000	-	-	3,581,300	9,753,600	1,645,380	818,098	279,135	26,000	40,351,031
TOTAL REVENUES	**18,032,916**	**97,852**	**290,080**	**386,288**	**2,785,120**	**506,898**	**656,117**	**668,793**	**2,614,416**	**108,412**	**1,778,797**	**211,301**	**857,781**	**380,737**	**1,308,798**	**954,123**	**295,014**	**-**	**3,911,168**	**10,590,479**	**1,993,882**	**3,115,795**	**465,088**	**250,848**	**52,260,703**
EXPENDITURES																									
Salaries and Benefits	12,329,670	-	-	-	124,555	339,927	-	113,467	-	-	1,111,000	-	-	-	3,000	-	-	-	860,357	664,731	380,663	75,539	157,860	40,000	16,200,769
Supplies	598,249	-	-	-	700	17,900	24,000	25,150	-	-	42,922	5,300	-	-	-	40,000	-	-	163,500	52,200	41,200	171,000	12,800	-	1,194,921
Water Purchases / Sewer Treatment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,430,000	2,830,769	-	-	-	-	4,260,769
Contractual Services	1,633,053	30,000	-	-	189,500	8,750	106,800	178,300	-	3,000	29,265	5,750	-	-	620,000	35,000	-	-	237,250	228,450	317,550	97,000	18,300	-	3,737,968
Equipment Rental	875,351	-	-	-	3,970	54,041	-	14,120	-	-	51,402	-	-	-	-	-	-	-	87,360	44,694	65,495	8,350	-	-	1,204,783
Insurance	451,600	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,000	43,000	40,000	18,000	-	-	595,600
Utilities	445,895	-	-	-	-	-	-	124,400	-	-	7,400	-	-	-	-	-	-	-	49,000	42,500	20,000	-	-	-	689,195
Other Services and Charges	956,098	-	-	-	3,775	43,740	103,600	550	-	-	46,845	5,300	-	-	-	-	-	-	437,004	340,884	90,771	3,000	4,300	-	2,035,867
Bond Redemption	-	-	-	-	-	-	-	-	-	-	-	-	823,603	372,839	-	-	-	-	14,143	339,031	-	-	-	-	1,549,616
Capital Facilities / Reinvestment	28,000	-	-	-	911,000	34,750	-	-	-	-	-	-	-	-	20,000	208,000	-	-	280,000	6,143,000	823,000	190,000	74,000	-	8,711,750
Reserves - Fiscal Policy / CIP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	438	(912,350)	1,323	-	-	-	(910,589)
Interfund Payment for Services	715,000	-	3,000	-	211,000	-	120,650	-	-	-	15,000	66,875	-	-	373,310	-	-	-	13,000	60,000	10,000	-	-	-	1,587,835
SUBTOTAL EXPENDITURES	18,032,916	30,000	3,000	-	1,444,500	499,108	355,050	455,987	0	3,000	1,303,834	83,225	823,603	372,839	1,016,310	283,000	-	-	3,615,052	9,876,909	1,790,002	562,889	267,260	40,000	40,858,484
Ending Fund Balance	-	67,852	287,080	386,288	1,340,620	7,790	301,067	212,806	2,614,416	105,412	474,963	128,076	34,178	7,898	292,488	671,123	295,014	-	296,116	713,570	203,880	2,552,906	197,828	210,848	11,402,219
TOTAL EXPENDITURES & FUND BAL	**18,032,916**	**97,852**	**290,080**	**386,288**	**2,785,120**	**506,898**	**656,117**	**668,793**	**2,614,416**	**108,412**	**1,778,797**	**211,301**	**857,781**	**380,737**	**1,308,798**	**954,123**	**295,014**	**-**	**3,911,168**	**10,590,479**	**1,993,882**	**3,115,795**	**465,088**	**250,848**	**52,260,703**

SECTION K

CITY HIGHLIGHTS

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- **Island History** ..... K – 1
- **The Community** ..... K – 1
- **City Operations** ..... K – 2

Mercer Island At A Glance (demographics) ..... K – 3
- **Land Area and Use** ..... K – 3
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- **Climate** ..... K – 3
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- **Gender, Age, and Racial Composition** ..... K – 4
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CITY HIGHLIGHTS

ABOUT MERCER ISLAND

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 1870's. 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 in order 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 was 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, high-quality residential community with a commercial business district and multi-family dwellings concentrated at the northern end of the Island. It's close proximity to both Seattle and Bellevue makes island living convenient. The City owns approximately 300 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 its approximately 22,000 residents.

The Mercer Island School District has an outstanding reputation and is a source of community pride. The District serves approximately 3,000 students on the island with three elementary schools, one middle school, one high school, and an alternative high school. In addition to the public schools, the island is home to St. Monica's Catholic School for grades K-8, Yeshiva Jewish High School, and the French American School for grades K – 5. Per capita spending for education in the all-island district also ranks at the highest levels in the state. On statewide exams Mercer Island students consistently rank among the highest. Approximately 90 percent of the island's high school graduates continue on to post-secondary education.

The City Council's commitment to open spaces and parks is reflected in the three large city parks on the island, one public boat launch, and more than ten public waterfront parks which provide open access to a significant portion of the island's shoreline. In a landmark action the City Council voted to create what may be the first municipal Open Space Conservancy Trust in the United States to protect a twenty acre parcel on the south side of the island. Effective January 1, 2003 the City Council accepted ownership of Luther Burbank Park from King County. The County was seeking to reduce it's budget by transferring to cities the ownership of parks lying within their boundaries. This jewel of a park is 77 acres and lies along the shores of Lake Washington. In the fall of 2003 the citizens of Mercer Island passed a bond issue to provide operation and maintenance dollars to the City to bring it up to an acceptable park standard. In other areas, there are numerous ball fields, bike trails and picnic areas, as well as over 50 miles of marked trails. The City's Parks and Recreation Department operates a number of programs geared to residents of all ages at its community center, including youth, senior citizen, and art programs.

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 Disability Board, Volunteer Fire Pension Board, Arts Council, Building Board of Appeals, Civil Service Commission, Planning Commission, Design Commission, Utilities Board, and the Youth and Family Services Board. All the boards assist in the formulation of policy and direction for the City.

The City employs 169.8 full-time equivalent employees. Approximately one-half of the City's permanent employees are represented by bargaining units as follows:

Bargaining Unit	# of Full Time Equivalents	Current Contract Expires
International Association of Firefighters	28	December 2005
Mercer Island Police Association	30	December 2004
Records & Marine Patrol Tech	4	December 2005
American Federation of State, County, and Municipal Employees	43	December 2005

The City of Mercer Island provides the following services:

Public Safety (police, fire and emergency medical services)
Street Maintenance
Utilities Maintenance (water, sewer and storm drainage)
Park Maintenance and Recreation Activities
Planning and Zoning
Youth and Family Support Services

MERCER ISLAND AT A GLANCE
Demographics

Land Area		6.2	Square miles
Land Use	Developed residential	3675	Acres
	Undeveloped residential	368	Acres
	Multi-Family	112	Acres
	Commercial/Business	181	Acres
	Public Institutions	181	Acres
Public Schools	Mercer Island School District #400	3	Elementary Schools
		1	Middle School
		1	High School
Parks/Open Space	Developed Parks	23	Parks
	Sites Maintained	45	Sites
	Total Inventory	475	Acres
Climate[1]	Variant Summer Temperatures	50 – 70	Degrees Fahrenheit
	Variant Winter Temperatures	20 – 40	Degrees Fahrenheit
	Annual Precipitation[2]	32 – 35	Inches

Population[3]	2004	21,830
	2003	21,840
	2002	21,955
	2001	21,970
	2000	22,036
	1999	21,570
	1998	21,690
	1997	21,550
	1996	21,490
	1995	21,290
	1994	21,270
	1993	21,260
	1992	21,210

[1] *Source: National Weather Service.*
[2] *Approximately half falls between October and January.*
[3] *Sources: 1990 and 2000 United States Census Report and Washington State Office of Financial Management.*

MERCER ISLAND AT A GLANCE
More Demographics

Population (Future Projection)	2015	25,000
Gender Composition[4]	Male	48.1%
	Female	51.9%
Median Age		44.3 years
Age Composition	Under 5 years	4.5%
	5-9 years	7.5%
	10-14 years	8.8%
	15–19 years	6.9
	20–24 years	2.5%
	25-34 years	6.2%
	35-44 years	15%
	45-54 years	18.2%
	55-59 years	6.6%
	60-64 years	5.1%
	65-74 years	8.9%
	75-84 years	7.2%
	85+ years	2.6%
Racial composition[5]	Caucasian	84.1%
	Asian or Pacific Island	11.9%
	African American	1.1%
	Hispanic or Latino	1.9%
	American Indian, Eskimo or Aleut.	.2%
Family Size	2000	3.03/unit
	1990	2.59/unit
	1980	2.85/unit
Number of Dwelling Units	Single-family	7,039
	Multi-family	1,767
	Total	8,806

[4] *Source: 2000 United States Census Report. This source has been used for other demographic statistics in this section including median age, age composition, racial composition, family size, housing values, housing income, and educational attainment.*
[5] *Source: 2000 United States Census Report.*

MERCER ISLAND AT A GLANCE
More Demographics

Housing Values (2004 Assessors Information)	$500 - $100,000	183
	$100,000 - $500,000	2,901
	$500,000 - $1,000.000	3,939
	$1,000,000 - $10,000,000	1,222
	$10,000,000 or more	13
	Mean Housing Value	$794,914
Household Income	Less than $10,000	2.4%
	$10,000 - $24,999	7.3%
	$25,000 - $49,999	16.1%
	$50,000 - $74,999	14.1%
	$75,000 - $99,999	13.5%
	$100,000 - $149,000	19.9%
	$150,000 - $199,999	8.3%
	$200,000 or more	18.4%
	Male full-time, year-round	$82,855
	Female full-time, year-round	$46,734
	Mercer Island	2000
	Median Household Income	$91,904
	King County	2000
	Median Household Income	$53,157
Educational Attainment	*Persons 25 years and over*:	
	Less than 9th grade	.9%
	9th – 12th grade, no diploma	1.3%
	High school graduate	8.5%
	Some college, no degree	16.1%
	Associate degree	4.1%
	Bachelor's degree	37.5%
	Graduate or professional degree	31.6%
	Number of high school graduate or higher	97.7
	Number of bachelor's or higher	69.1

MERCER ISLAND AT A GLANCE
More Demographics

Police and Fire Protection

The City provides police and fire protection. Some emergency medical services are contracted with outside agencies. The City also operates a marine patrol on Lake Washington throughout the year.

# of Commissioned Police Officers	30
# of Calls for Police Service	16,947
# of Firefighters	28
# of Fire Stations	2
# of Emergency Calls	1,944
Response Time for Urgent Calls (minutes)	Under 5 minutes

Utility Services

Residential Units Served	7,039
Commercial/Multi-Family Units Served	1,542
Public/Inst. & Misc. Units Served	128

Water Utility	Gallons
Storage Capacity	8,000,000
Annual:	
Average Daily Demand	2,100,000
Average Monthly Use	62,800,000
Winter:	
Avg. Daily Demand	1,700,000
Summer:	
Avg. Daily Demand	2,900,000
Miles of Lines	85

Sewer Utility	
Miles of Mains	97
Number of Pump Lift Stations	20
Sewage Treatment is provided by King County/ Metro	

MERCER ISLAND AT A GLANCE
More Demographics

Storm Drainage	**Description**	**Feet**
	Pipes	337,000
	Water Courses	116,600
	Ditches	157,000
	Catch Basins/Manholes (#)	4,900
Transportation	**Paved Streets**	**Miles**
	Residential	54.1
	Minor Arterial	4.1
	Collector Arterial	18.5
	Major Arterial	1.0
	Total	78.1
Legal Status	Non-Charter Code City	
Congressional District	Washington's Eighth	
Legislative District	41st	
Voting Information	Registered Voters:	16,147

ECONOMIC INFORMATION

The Town Center business core is the larger of the two commercial areas on Mercer Island. A smaller commercial district, the QFC Village, is located on the south end of Mercer Island and includes a large supermarket, drug store, coffee shop, and other retail and service businesses. The Town Center is a 76-acre bowl-shaped area located at the north end of Mercer Island just south of Interstate 90. The Town Center is a mixture of low-rise developments surrounded by parking lots more typical of suburban development combined with several tall office buildings and several new mixed-use residential/commercial structures under construction that contain underground parking. Revitalization efforts were initiated in 1993 to create a new urban design vision with both residences and businesses along with adequate parking for Mercer Island citizens, business owners, and visitors. Beginning with the adoption of the *Comprehensive Plan* and subsequent adoptions of the *Town Center Plan* and *Town Center Development and Design Standards*, Mercer Island citizens have created a "new urbanism" vision for downtown. The primary goals of the process are:

- To provide a mixed-use commercial core with residences, retail shops and professional offices linked by a pedestrian-oriented circulation system;
- To create a mid-rise office district with ground level retail and below grade or rear lot parking;
- To build low rise, high density housing that encircles the retail core;
- To improve transportation linkages with increased transit service, and;
- To create memorable plazas, courtyards and open spaces suitable for public gathering, community celebrations and public art.

The Mercer Island City Council reaffirmed its commitment to downtown revitalization at its 1996 retreat, establishing an ad hoc committee of Councilmembers and staff to develop long and near term strategies for the Town Center improvements, and to initiate a number of planning efforts which have been accomplished. These include:

- Partnership with the Chamber of Commerce to provide a downtown business/community liaison;
- Design of downtown gateway markers and a monument honoring the contributions of service clubs;
- A downtown parking study with revisions to the parking requirements.

In the mid 1990's, public efforts were focused on new light standards, street and sidewalk improvements and enhancements, landscaping and the installation of street furniture. Private investment in downtown is now becoming visible, with new commercial and residential

buildings being built and more proposed. In 2001, parking requirements were increased in the Town Center and revised design standards were adopted to govern all new development

With several major mixed-use projects that started construction in the Fall of 2003 and the Spring of 2004, and one additional project which will begin in the Fall of 2004, Island residents will soon see a new character, style and design emerging in the Town Center. The redevelopment projects will create a wide range of new retail, commercial and office developments with underground parking. Many are combined with upper-floor dwelling units.

When the current projects are completed, they will add about 550 new dwelling units to the Town Center, provide new office space for existing and relocated businesses, provide about 15% more retail rental space than the buildings being replaced, and provide more parking for use by all visitors to the Town Center.

For current information about the projects that are underway or under review, see the City website at www.ci.mercer-island.wa.us.

Employment Information

With 575 employees, Farmers New World Life Insurance Company is the largest employer on Mercer Island. The firm established its offices on the Island in 1958 and relocated its facilities to its current location in the Central Business District in 1982. The Mercer Island office serves as the firm's national headquarters.

Two of the largest office complexes within the City are the Island Corporate Center, which was built in 1987 with approximately 103,000 square feet and the Washington Mutual Building, also built in 1987, with 35,850 square feet. These buildings house both retail and office tenants.

ECONOMIC STATISTICS

Business Provides:

4,200 Jobs

Major Employers:

Farmers New World Life Insurance Company
575 employees
Mercer Island School District #400
377 employees
PacifiCare of Washington
120 employees
City of Mercer Island
170 employees

Local Sales Tax Rates:

Effective 10/04

State Sales Tax Rate	6.5%
RTA	0.4%
Local:	1.7%
Criminal Justice	.1%
Transit	.8%
City	1.0%
Total Sales Tax Rate	**8.8%**

Building Construction:

Year	# of Building Permits Issued(Residential and Commercial)	Valuation
2003	385	$26,827,671
2002	427	$47,678,701
2001	362	$47,408,279
2000	379	$52,576,037
1999	330	$39,786,827
1998	273	$45,244,342
1997	264	$29,280,362
1996	268	$27,553,464
1995	248	$31,293,498
1994	255	$42,039,108
1993	258	$16,250,785

PROPERTY TAX INFORMATION

City of Mercer Island Levy Rates[6]

Representative Levy Rates and Percents for Collection Year 2004
(Per $1,000 of Assessed Valuation).
Amount based on housing value of $500,000

Mercer Island Tax Rates – 2004	Mill Rate	Percent	Amount
City of Mercer Island	1.45163	16.5%	$ 726
Mercer Island School District	2.19937	24.9%	1,100
State Schools	2.75678	31.2%	1,378
King County	1.43146	16.2%	716
King County Library District	.49246	5.6%	246
Port of Seattle	.25402	2.9%	127
Emergency Medical Services	.23717	2.7%	118
Total Tax Rate	**9.55271**	**100.0%**	**$ 4,411**

City of Mercer Island Major Taxpayers[6]

Taxpayer	Business	Assessed Valuation
Paul G. Allen[7]	Residences	$120,040,000
Shorewood Apartments	Apartments	$59,212,000
Farmers New World Life Insurance Co.	Insurance	$19,001,123
Covenant Shores	Apartments/retirement	$18,712,500
Island Corporate Center	Office Building	$12,195,000
Qwest Communications	Telecommunications	$12,075,799
Gencor S-Mercers Island Association	Island House - Retirement Home	$ 8,884,016
Mercer Island Beach Club	Private Recreation Club	$ 7,383,765
Puget Sound Energy	Gas/electric utility	$ 7,277,144
O'Keefe Development Corp	Condominiums	$6,280,700

[6] *King County Department of Assessments, September 2004*
[7] *Paul G. Allen is an individual property owner and was a founding member of the Microsoft Corporation.*

Levy Rates for Voted Bonds and General Tax

There are two parts to the levy imposed by the City -- general tax and voted bonds. In support of basic services including fire, police and maintenance, the City levied a general tax (non-voter approved) of $8,110,399 in 2004. To pay for the costs of voter approved bonds for large capital projects (City Hall, Library, Fire Trucks, Park Development, and Open Space purchases); the City levied a voter-approved general obligation bond tax of $685,000 in 2004. In November 2003, voters approved a 6 year M & O levy for Luther Burbank Park. This voted levy amounted to $415.000, bringing the total voted levy amount to $1,100,000 in 2004.

	Levy Rates[8]			Levy Amounts		
Collection Year	Voted Bonds/Levy	General Tax	Total	Voted Bonds/Levy	General Tax	Total
2004	$0.17380	$1.27783	$1.45163	$ 1,100,000	$8,110,399	$9,210,399
2003	$0.11311	$1.25624	$1.36935	$ 710,000	$7,866,370	$8,596,370
2002	$0.08064	$1.33833	$1.41897	$ 460,000	$7,633,924	$8,093,924
2001	$0.14662	$1.48908	$1.63570	$ 735,000	$7,464,928	$8,199,928
2000	$0.19596	$1.69233	$1.88829	$ 828,955	$7,158,934	$7,987,889
1999	$0.22297	$1.79447	$2.01743	$ 853,705	$6,870,772	$7,724,477
1998	$0.25657	$1.99849	$2.25506	$ 845,176	$6,583,400	$7,428,576
1997	$0.31750	$2.07933	$2.39683	$ 932,108	$6,140,000	$7,072,108
1996	$0.34025	$1.99435	$2.33826	$ 993,627	$5,824,072	$6,817,699
1995	$0.34936	$1.87144	$2.22025	$ 999,423	$5,395,380	$6,394,803
1994	$0.45602	$1.84386	$2.33548	$1,239,552	$5,012,023	$6,251,575
1993	$0.54238	$1.73186	$2.28418	$1,474,302	$4,707,570	$6,181,872

Property Tax Collection Information[9]

Taxes are due and payable on April 30 of each year succeeding the levy. The entire tax or first half must be paid on or before April 30, the total amount becoming delinquent on May 1. The second half of the tax is payable on or before October 31, becoming delinquent November 1.

Collection Year	Assessed Valuation	Levy Rate	Tax Levy	Tax Collection Year of Levy	Tax Collection As of 12/31/03
2004	$ 6,346,989,537	1.452	$ 9,310,399	In process	In process
2003	$ 6,277,164,020	1.369	$ 8,596,370	98.0%	98.0%
2002	$ 5,704,064,921	1.419	$ 8,093,924	98.3%	99.7%
2001	$ 5,014,883,644	1.636	$ 8,199,928	98.2%	100.0%
2000	$ 4,230,232,677	1.888	$ 7,987,889	98.3%	100.0%
1999	$ 3,828,866,473	2.017	$ 7,724,477	98.0%	100.0%
1998	$ 3,294,183,967	2.256	$ 7,428,576	98.2%	100.0%
1997	$ 2,952,878,554	2.367	$ 7,072,108	98.4%	100.0%
1996	$ 2,918,884,544	2.338	$ 6,817,739	98.4%	100.0%
1995	$ 2,883,007,844	2.220	$ 6,394,824	98.3%	100.0%
1994	$ 2,719,252,413	2.335	$ 6,339,547	98.4%	100.0%
1993	$ 2,710,268,409	2.284	$ 6,182,396	98.3%	100.0%

[8] *Source: King County Department of Assessments*
[9] *Source: King County Finance Division*

SECTION L

SUPPLEMENTARY INFORMATION

Glossary of Budget Related Terms.....L – 1
Staffing Classifications .....L – 6

GLOSSARY OF BUDGET-RELATED TERMS

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

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.

ASSESSED VALUATION: The fair market value of both real (land and building) and personal property as determined by the King County Assessors 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.

CERTIFICATE OF DEPOSIT: A negotiable or nonnegotiable receipt for moneys deposited in a bank or other financial institution for a specified period for a specified rate of interest.

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.

CONSTANT OR REAL DOLLARS: The presentation of dollar amounts adjusted for inflation to reflect the real purchasing power of money as compared to a certain point of time in the past.

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 R.C.W.

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.

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 U.S. Marshals 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 at some future.

LICENSES AND PERMITS: Revenue category that includes building permits, business and amusement licenses and any other miscellaneous license or permit.

LID: Local Improvement District or Special Assessments made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

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.

NOMINAL DOLLARS: The presentation of dollar amounts not adjusted for inflation. Adjusting for inflation would be done to reflect the real purchasing power of money today.

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.

RESERVE: The unencumbered year-end balance of revenue less expenditures in governmental funds.

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.

R.C.W - 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 less 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.

STAFFING CLASSIFICATIONS

JOB	SALARY RANGE	TITLE
GENERAL EMPLOYEES –	(non-union)	
Directors	$90,000-$116,200	Deputy City Manager City Attorney Development Services Director Finance Director Maintenance Director Parks & Recreation Director Public Safety Director Youth & Family Services Director
Division Commanders	$88,000-$96,000	Police Commander Fire Commander
Individual Contributors	$66,600-$85,500	Assistant City Attorney City Engineer Human Resources Manager Principal Planner
Managers	$57,500-$75,000	Building Official Clinical Supervisor Customer Services Team Leader Financial Operations Manager Parks & Recreation Manager Parks Maintenance Manager Right-of-Way Maintenance Manager Utilities Operations Manager YFS Administrative Manager
Professional (B)	$50,000-$66,700	Elementary School Counselor Emergency Management Coordinator Geriatric Specialist High School Drug/Alcohol Int Specialist Individual & Family Counselor Middle School Counselor Middle School Drug/Alcohol Specialist R & R Placement Coordinator Recreation Supervisor

JOB	SALARY RANGE	TITLE
Technician (B)	$53,500-$66,700	Arborist Assistant City Engineer Contract Attorney GIS Coordinator Information Technology Manager
Technician (A)	$41,000-$60,000	Associate Planner Computer Support Technician Development Engineer Fire Marshal Project Engineer Street Engineer Transportation Planner
Professional (A)	$39,000-$53,600	City Clerk Family Asst & Emerg Prgm Coordinator Paralegal Thrift Shop Coordinator Utility Billing Supervisor Volunteer Coordinator Youth Employment Coordinator
Administrative Specialty	$36,900-$45,300	Payroll Specialist Public Safety Executive Secretary Recreation Coordinator Recreation Program Scheduler
Administrative Assistant	$33,800-$42,200	P&R Administrative Assistant Public Safety Administrative Assistant YFS Administrative Assistant

PUBLIC SAFETY

JOB	SALARY RANGE	TITLE
Communications Supervisor	$41,630-$59,030	Communications Supervisor
Communications Specialist	$35,942-$51,334	Communications Specialist
Evidence/Records Technician	$32,344-$46,197	Evidence/Records Technician
Fire Battalion Chief	$73,224-$85,098	Fire Battalion Chief

JOB	SALARY RANGE	TITLE
PUBLIC SAFETY (Continued)		
Fire Lieutenant	$67,170-$78,078	Fire Lieutenant
Firefighter	$46,215-$69,075	Firefighter
Police Lieutenant	$80,353-$89,989	Police Lieutenant
Police Sergeant	$65,854-$78,246	Police Sergeant
Police Officer	$42,824-$68,042	Marine Patrol Officer Police Officer
Marine Patrol Technician	$36,697-$52,412	Marine Patrol Technician
MAINTENANCE[1]		
Team Generalist (4-3)	$23.76-$28.06/hour $49,611-$58,589/year	Facilities Project Coordinator Parks Maintenance Team Generalist Right-of-Way Team Generalist Utilities Team Generalist
Fleet Mechanic (4-2)	$22.63-$26.72/hour $47,251-$55,791/year	Fleet Mechanic
CRT Technician(3-3)	$21.55-$25.45/hour $44,996-$53,140/year	Customer Response Technician
Team Member (3-2)	$20.52-$24.24/hour $42,846-$50,613/year	Park Maintenance Team Member Right-of-Way Team Member Support Services Team Member Utilities Team Member
CITY HALL – AFCSME[1]		
Clerical and Technical Workers	$16.48-$18.54/hour $34,410-$38,712/year	Switchboard Receptionist
	$17.00-$19.12/hour $35,496-$39,923/year	Fire Administrative Assistant
	$18.11-$20.38/hour $37,814-$42,553/year	Customer Service Representative Accounts Payable Clerk

JOB	SALARY RANGE	TITLE
CITY HALL – AFCSME[1] (Continued)		
Clerical and Technical Workers	$18.14-$20.41/hour $37,876-$42,616/year	DSG Administrative Assistant
	$19.90-$22.39/hour $41,551-$46,750/year	GIS Mapping Analyst
	$18.93-$21.30/hour $39,526-$44,474/year	Water Services Specialist
	$16.76-$18.87/hour $34,995-$39,401/year	Permit Technician
	$19.31-$21.72/hour $40,319-$45,351/year	Permit Coordinator
	$23.67-$26.64/hour $49,423-$55,624/year	Utilities Inspector
	$24.50-$27.57/hour $51,156-$57,566/year	Building Inspector

The salary range for all positions is the 2004 salary range.

[1] The pay plans for Maintenance and the City Hall AFSCME group show hourly rates for all positions. For comparison purposes, an average of 2088 work hours per year was used to obtain the annual figures shown.