The purpose of this agenda bill is to provide the Council with an opportunity to finalize its decisions on how to use $1.6 million of the $2.0 million in Sewer Lake Line project savings. This issue was first discussed with the Council at its Mini-Planning Session on June 18, 2011, when staff reported that the total estimated savings on the Sewer Lake Line project had been increased from $1.2 million to $2.0 million. This figure was confirmed as part of the Sewer Lake Line and Pump Station No. 4 Replacement Project Close-out agenda bill (AB 4654), which was accepted by Council at its July 18, 2011 meeting. As a reminder, the Council has already taken formal action on $400,000 of the $2.0 million in project savings, committing it to the First Hill Booster Pump Station project (AB 4605, 2/7/11) and amending the 2011-2012 budget (AB 4638, 5/17/11).

In terms of funding sources, the $2.0 million consists of $1.6 million in General Fund surplus revenues (which have no strings attached) and $400,000 in real estate excise tax revenue (which is restricted per state law). Staff made this determination because the Sewer Lake Line project had received $2.8 million in tax funding, which was legal and reflected the Council’s will, but was unusual given that utility projects are typically funded solely through utility rates.

On the following pages are two tables that were presented to the Council at its Mini-Planning Session on June 18, 2011. The first table, which includes staff’s original recommendation, has been updated to reflect the Council’s direction at the Mini-Planning Session as well as staff’s revised recommendation, which is based on the General Fund’s financial condition as of June 30, 2011 and additional funding needs that came to light after June 18, 2011. The changes associated with staff’s revised recommendation are highlighted in orange. The second table identifies unfunded needs that aren’t included in the first table.
### Staff’s Original Recommendation, Council Direction, and Staff’s Revised Recommendation

<table>
<thead>
<tr>
<th>Description</th>
<th>Staff’s Original Recommendation</th>
<th>Council Direction on 6/18/11</th>
<th>Staff’s Revised Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding Needs Discussed at Mini-Planning Session:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide funding for First Hill Booster Pump Station project (formally decided by Council at its 2/7/11 meeting)</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Replenish the “revenue stabilization” reserve used in 2009-2010</td>
<td>300,000</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Replenish the Contingency Fund monies used in 2010</td>
<td>220,279</td>
<td>220,279</td>
<td>220,279</td>
</tr>
<tr>
<td>Advance replenishment of the planned draw on the Contingency Fund in 2011-2012</td>
<td>619,739</td>
<td>319,739</td>
<td>0</td>
</tr>
<tr>
<td>Unbudgeted sales and B&amp;O taxes due to WA State Department of Revenue on amusement, recreation, and physical fitness services in 2011</td>
<td>28,000</td>
<td>28,000</td>
<td>28,000</td>
</tr>
<tr>
<td>Provide funding equivalent to 1.0 contract FTE to support City Clerk for 1 ½ years</td>
<td>110,000</td>
<td>60,000</td>
<td>110,000</td>
</tr>
<tr>
<td>Provide funding for Town Center transit oriented development study (phase 2)</td>
<td>70,000</td>
<td>70,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Make contribution to LEOFF I long-term care reserve ($2.07M target vs. $913K balance as of 12/31/10)</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Provide funding for biennial citizen survey in Jan/Feb 2012</td>
<td>20,000</td>
<td>0</td>
<td>20,000</td>
</tr>
<tr>
<td>Provide funding for community pool study (See AB 4676)</td>
<td>0</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Additional Funding Needs:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide funding to reduce the impact of SPU’s 34.7% wholesale water rate increase on the City’s 2012 water utility rates</td>
<td>200,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attorney’s fees related to Public Records Act claim award below (per Federal District Court)</td>
<td>94,477</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Records Act claim award (per Federal District Court)</td>
<td>90,560</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace the floats, framework, and decking associated with the I-90 Boat Launch/Police Dock project (this represents the additional funding needed to renovate the entire dock)</td>
<td>84,100</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$1,868,018</strong></td>
<td><strong>$1,548,018</strong></td>
<td><strong>$1,767,416</strong></td>
</tr>
<tr>
<td>Remaining balance</td>
<td>131,982</td>
<td>451,982</td>
<td>232,584</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,000,000</strong></td>
<td><strong>$2,000,000</strong></td>
<td><strong>$2,000,000</strong></td>
</tr>
</tbody>
</table>

Additional information regarding five of the staff recommended changes is provided below:

- **Advance replenishment of planned draw on Contingency Fund in 2011-2012:** With total revenues exceeding total expenditures by almost $585,000 in the General Fund as of June 30, 2011, the Finance Director believes it is highly unlikely that the City will need to tap the Contingency Fund in 2011 to balance the budget (as originally planned). As a result, the $319,739, which the Council had earmarked as an advance replenishment of the Contingency Fund, is now available for other purposes. If there’s a “double dip” recession in 2012, the Finance Director will recommend using the 2011 General Fund revenue surplus to address any revenue shortages next year.
• Given the above recommended change, staff would like to ask the Council to re-consider two of its original requests:
  
  o **City Clerk support:** Increasing funding for the Deputy City Clerk position from $60,000 to $110,000 would allow the City Manager to fill the Communications Coordinator position in January 2012 rather than have to keep it vacant to fund the Deputy City Clerk position.
  
  o **Biennial citizen survey:** Approving the $20,000 funding request for this survey in January/February 2012 will enable staff to continue to track changes in citizen priorities, opinions on significant issues, and service level satisfaction ratings. In addition, selected results from the biennial citizen survey account for 9 of the 35 performance indicators included in the annual Mercer Island Dashboard report.
  
• **SPU’s 34.7% wholesale water rate increase:** Transferring $200,000 to the Water Fund would enable staff to “buy down” the City’s 2012 overall water rate increase from 12.5% to 9.5%, which is the originally planned rate increase in the adopted 2012 water utility budget.

• **I-90 Boat Launch/Police Dock Renovation project:** Additional funding of $84,100 is needed, because WSDOT won’t allow the City to use a boating facilities grant awarded by the Washington State Recreation and Conservation Office to make improvements on WSDOT property, which is leased by the City. A memo from Jason Kintner, Parks Superintendent, and David Jokinen, Police Operations Commander, which describes the current condition of the I-90 Boat Launch/Police Dock (see the pictures) and the need for additional funding, is attached as Exhibit 1. Alternatively, the Council could use excess REET revenue (relative to budget) generated through the first half of 2011 to fully fund this project. However, given the economic volatility nationally and the sluggish real estate market in King County, staff doesn’t recommend this funding option, which assumes that property sales in the second half of 2011 will mirror the first half of the year.

If the Council approves staff’s revised recommendation, there’s still an unallocated balance remaining of $232,584, leaving the Council with four funding choices:

1) Select an item or items from the list of unfunded needs in the table below;
2) Restore an expenditure cut made in the adopted 2011-2012 budget;
3) Apply the amount to a specific capital improvement project; or
4) Leave this amount, or a portion thereof, unallocated for now.

### Unfunded Needs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEOFF I long-term care reserve unfunded balance (based on 2011 actuarial valuation by Milliman)</td>
<td>$3,067,000</td>
</tr>
<tr>
<td>Design costs for South Fire Station replacement project</td>
<td>415,000</td>
</tr>
<tr>
<td>Pay down principal on outstanding LTGO bond issues</td>
<td>150,000</td>
</tr>
<tr>
<td>PBF Plan Implementation project in 2012 (unfunded)</td>
<td>100,000</td>
</tr>
<tr>
<td>Island Crest Park Ballfield Lights Replacement project in 2012 (if the energy grant isn’t awarded to the City)</td>
<td>45,000</td>
</tr>
<tr>
<td>Sustainability program funding (continue dedicating 25% of Fred Gu to this effort in 2012, with the 3 year PSE grant program ending in Dec 2011, and provide $15K in additional funding for public communications and other program costs)</td>
<td>30,000</td>
</tr>
<tr>
<td>Audit of Human Resources policies and procedures (See AB 4675)</td>
<td>9,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,816,000</strong></td>
</tr>
</tbody>
</table>
Regarding the LEOFF I long-term care unfunded balance of $3.07 million, an explanation is obviously warranted. The City contracts with Milliman periodically to update its actuarial valuation of this significant long-term liability. The most recent valuation was completed on June 29, 2011, which estimated the total liability to be $4.08 million as of January 1, 2011. This amount is almost twice as much as the previous valuation, which estimated the total liability to be $2.07 million as of January 1, 2008. The $3.07 million unfunded balance is derived as follows:

\[
\begin{align*}
&\text{Total estimated liability, 1/1/11} & $4,080,000 \\
&\text{Less current reserve balance} & - 913,108 \\
&\text{Less contribution from Sewer Lake Line project savings} & - 100,000 \\
\hline
&\text{Unfunded reserve balance} & $3,066,892
\end{align*}
\]

While this is concerning, immediate action isn’t required, because: 1) none of the City’s LEOFF I retirees are currently in a long-term care facility; and 2) the City has sufficient funding to last 11 years, or through 2021, according to Milliman. The Finance Director intends to brief the Council on this issue at the mid-biennial budget review, which is scheduled for November 21, 2011.

Following the Council’s decisions on the disposition of the Sewer Lake Line project savings, the Finance Director will prepare a budget amending ordinance as part of the Third Quarter 2011 Financial Status Report, which is encompassed in the mid-biennial budget review.

**RECOMMENDATION**

*Finance Director*

**MOVE TO:** Appropriate the Sewer Lake Line project savings as outlined in staff’s revised recommendation in AB 4652, page 2, with the remaining balance being allocated to the following:

- 
- 
- 
- 
- 

**ALTERNATE:** Appropriate the Sewer Lake Line project savings as outlined in staff’s revised recommendation in AB 4652, page 2, with the remaining balance being left unallocated.
To: Chip Corder, Finance Director  
From: Jason Kintner, Parks Superintendent  
        David Jokinen, Police Operations Commander  
Date: September 7, 2011  
Re: Funding Request for I-90 Boat Launch/Police Dock

During the 2011-2012 budget process, City Council approved $47,000 for the replacement of the boat launch decking, which has reached the end of its useful life. The existing dock and boat launch facility was built in 1991 as part of the I-90 freeway construction and is the only facility that supports all public watercraft launching from Mercer Island. The facility also houses Mercer Island Marine Patrol which protects and enforces our state and local laws while providing the public with a safe boating experience.

The Primary Safety concerns for both the Public Dock and the Police Dock are as follows –

• The current dock surface, treated wood planks, has significantly deteriorated
  o The dock surface is in poor condition, with numerous popped nails and trip hazards
  o The wood surface of the dock is slippery and dangerous during the rainy season
  o Numerous police officers have slipped and fallen on this surface
  o There are no self rescue ladders on the docks
  o Both the public and the police dock are currently listing
  o The floats have holes in them and allow water to penetrate, which causes the listing

• Mercer Island’s emergency response vessels are attached to a failing and substandard structure
  o The three vessels provide emergency response to Mercer Island, Bellevue and Renton – including search and rescue, medical aid and firefighting.
  o The three vessels represent an investment of over $600,000
  o The vessels are a significant component of the CMI’s emergency response/disaster plan

In June 2011, the City was awarded a boating facilities grant from the Washington State Recreation and Conservation Office to fund the replacement of the dock floats, installation of self rescue ladders, and decking on the public portion of the dock. Funding for this grant could not be used for the police section. It was our goal to use the remaining funding from the 2011-2012 budget and a small funding request to fund the police side improvements. Unfortunately, through negotiations with the Washington State Department of Transportation (WSDOT), WSDOT will not support the criteria outlined in the grant and will not allow improvements to occur with grant funds on their property.
Given the current condition of the launch dock, we are requesting an additional $84,100 from the Sewer Lake Line project savings to fund the float replacement, decking replacement, and installation of self-rescue ladders at the boat launch facility. Paired with the current allocation, this funding will be sufficient to address the needs on both the public and police sides.

Attached are photos displaying the current dock conditions of the boat launch facility.

Current Dock Conditions at the I-90 Boat Launch/Police Dock:

As wave action increases during peak boating season, the nails and decking continue to work loose and deteriorate.
Current dock that shows listing or leaning due holes/leaks in the pontoons of the floats, allowing water into the shell of the floats.

Dock and ramp interface showing the dock tilt/lean.
Exhibit 2
AB 4652*

Appropriate $1.6 million of the $2.0 million in Sewer Lake Line project savings as follows:

- $365,000 for the design costs of the South Fire Station replacement project;
- $300,000 to replenish the “revenue stabilization” reserve used in 2009-2010;
- $220,279 to replenish the Contingency Fund reserve used in 2010;
- $100,000 to increase the LEOFF I long-term care reserve;
- $100,000 for PBF plan implementation project in 2012;
- $94,477 for attorney’s fees related to a Public Records Act claim award by a federal district court;
- $90,560 for a Public Records Act claim award by a federal district court;
- $84,100 for the I-90 Boat Launch/Police Dock project;
- $70,000 for a Town Center transit oriented development study;
- $60,000 to fund a contract position to support the City Clerk’s Office for 18 months;
- $30,000 for sustainability program funding;
- $28,000 for unbudgeted sales and business and occupation taxes estimated to be due to the Washington State Department of Revenue in 2011;
- $25,000 for a community pool study;
- $17,584 transferred to the Youth & Family Service Department to address human services needs; and
- $15,000 for a human resources audit.

* Exhibit 2 was added to AB 4652 at the 10/3/11 Council meeting.