



CITY OF MERCER ISLAND

CITY COUNCIL REGULAR VIDEO MEETING

Tuesday, February 16, 2021 at 5:00 PM

COUNCIL MEMBERS:

Mayor Benson Wong, Deputy Mayor Wendy Weiker,
Councilmembers: Lisa Anderl, Jake Jacobson,
Salim Nice, Craig Reynolds, David Rosenbaum

LOCATION & CONTACT:

Mercer Island City Hall - Council Chambers
9611 SE 36th Street | Mercer Island, WA 98040
Phone: 206.275.7793 | www.mercerisland.gov

In compliance with the Americans with Disabilities Act, those requiring accommodation for Council meetings should notify the City Clerk's Office at least 24 hours prior to the meeting at 206.275.7793.

Virtual Meeting Notice

The virtual meeting will be broadcast live on MITV Channel 21 and live streamed on the City Council's [YouTube Channel](#)

Registering to Speak: Individuals wishing to speak live during Appearances will need to register their request with the City Clerk at 206.275.7793 or email the [City Clerk](#) and leave a message before 4 PM on the day of the Council meeting. Please reference "Appearances" on your correspondence. Each speaker will be allowed three (3) minutes to speak. A timer will be visible online to speakers, City Council, and meeting participants. Please be advised that there is a time delay between the Zoom broadcast and the YouTube or Channel 21 broadcast.

Public Appearances: Notify the [City Clerk](#) in advance that you wish to speak on camera and staff will be prepared to permit temporary video access when you enter the live Council meeting. Please remember to activate the video option on your phone or computer, ensure your room is well lit, and kindly ensure that your background is appropriate for all audience ages. Screen sharing will not be permitted, but documents may be [Emailed to Council](#).

Join by Telephone at 6:00 PM: To listen to the meeting via telephone, please call 253.215.8782 and enter Webinar ID 818 5775 0366 and Password 827337 if prompted.

Join by Internet at 6:00 PM: To watch the meeting over the internet via your computer, follow these steps:

- 1) Click [this link](#)
- 2) If the Zoom app is not installed on your computer, you will be prompted to download it.
- 3) If prompted for Webinar ID, enter 818 5775 0366; Enter Password 827337
- 4) The City Clerk will call on you by name or refer to your email address when it is your turn to speak. Please confirm that your audio works prior to participating.

Submitting Written Comments: Written comments may be submitted at the Mercer Island [Let's Talk Council Connects](#) page. Written comments received by 3 PM on the day of the meeting will be forwarded to all Councilmembers and a brief summary of the comments will be included in the minutes of the meeting.

CALL TO ORDER & ROLL CALL, 5 PM

PLEDGE OF ALLEGIANCE

AGENDA APPROVAL

SPECIAL BUSINESS

1. AB 5812: 2019 Annual Financial and Accountability Audit Exit Conference

Recommended Action: Staff recommends the City Council receive and review the attached exhibits from the Washington State Auditor's Office.

APPEARANCES, 6 PM

CITY MANAGER REPORT

CONSENT CALENDAR

2. Approve Accounts Payable Reports for the periods ending:
 - A) February 1, 2021 in the amount of \$559,154.11
 - B) February 5, 2021 in the amount of \$249,322.80
3. Certification of Payroll dated February 12, 2021 in the amount of \$757,302.97
4. Approve Minutes for the following meetings:
 - A) January 27, 2021 Special Meeting
 - B) February 2, 2021 Regular Meeting
 - C) February 9, 2021 Special Meeting
5. AB 5815: Rare Disease Day Proclamation No. 262
Recommended Action: Mayor Wong proclaims February 28, 2021 Rare Disease Day in Mercer Island.
6. AB 5811: Mayors United Against Antisemitism
Recommended Action: Authorize Mayor Wong to sign the Mayors United Against Antisemitism letter.
7. AB 5814: Authorizing a Limited-Term Recreation Specialist Position
Recommended Action: Authorize up to \$72,000 of the 2021 Recreation Recovery Plan Startup funding to hire a limited-term Recreation Specialist through the end of 2021.

REGULAR BUSINESS

8. AB 5816: An emergency ordinance establishing interim development regulations to allow more outdoor seating for eating and drinking establishments and setting a Public Hearing date
Recommended Action:
 - 1) Suspend the City Council Rules of Procedure 6.3, requiring a second reading of an ordinance.
 - 2) Adopt Ordinance No. 21C-03 establishing interim development regulations to allow more outdoor seating for eating and drinking establishments and setting a Public Hearing date of April 6, 2021.
9. AB 5813: Second Reading of Ordinance No. 21C-02 - Use of Mercer Island Public Property
Recommended Action:
 - 1) Adopt Ordinance No. 21C-02, adding Chapter 9.60 – Use of Mercer Island Public Property to Title 9 of the Mercer Island City Code.
 - 2) Direct the City Manager to provide the City Council with a report on the experience the City has had with implementation of this ordinance within six months, and to include this information as part of the Annual Police Report.

OTHER BUSINESS

10. Planning Schedule
11. Councilmember Absences & Reports

ADJOURNMENT



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5812
February 16, 2021
Special Business

AGENDA BILL INFORMATION

TITLE:	AB 5812: 2019 Annual Financial and Accountability Audit Exit Conference	<input checked="" type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Receive report. No action necessary.	<input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Finance
STAFF:	LaJuan Tuttle, Deputy Finance Director Matt Mornick, Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. 2019 Audit Engagement Letter Exhibits to be presented by the State Auditor's Office: 2. Exit Conference (Agenda) 3. Accountability Audit Report 4. Financial Statements Audit Report 5. Summary of Uncorrected Items 6. Exit Recommendations
CITY COUNCIL PRIORITY:	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.

AMOUNT OF EXPENDITURE \$ n/a

AMOUNT BUDGETED \$ n/a

APPROPRIATION REQUIRED \$ n/a

SUMMARY

Representatives of the Washington State Auditor's Office (SAO) will lead an Exit Conference to report on the results of the Financial and Accountability Audits for the year ending December 31, 2019. The purpose of the Exit Conference is for the audit team to report audit results to management prior to publication of the audited financial statements. After the Exit Conference, the SAO will publish the audit reports, audited financial statements, notes to the financial statement, and required supplementary information on the SAO website. Exhibits 2-6 will be provided once submitted by the SAO's office.

BACKGROUND

The City of Mercer Island is audited on an annual basis. The SAO performs two types of audits each year: A Financial Audit and an Accountability Audit, resulting in an Audit report for both types. Additional

information regarding the scope and limitations of each audit type can be found in the audit representation letter included as an exhibit to this agenda bill.

A financial audit provides an independent opinion on a local government's financial statements and the results of its operations and cash flows. In other words, these audits determine whether the financial statements present a reliable, accurate picture of a government's finances.

An accountability audit evaluates whether a local government has adhered to applicable state laws, regulations, and its own policies and procedures. Auditors review records to ensure public funds are accounted for and controls are in place to protect public resources from misappropriation and misuse.

RECOMMENDATION

Staff recommends the City Council receive and review the attached exhibits from the Washington State Auditor's Office.



**Office of the Washington State Auditor
Pat McCarthy**

November 5, 2020

City Council
City of Mercer Island
9611 SE 36th St.
Mercer Island, WA 98040

We are pleased to confirm the audits to be performed by the Office of the Washington State Auditor, in accordance with the provisions of Chapter 43.09 RCW, for the City of Mercer Island. This letter confirms the nature and limitations of the audits, as well as responsibilities of the parties and other engagement terms.

Auditor Responsibilities

Financial Statement Audit

The Office of the Washington State Auditor agrees to perform an audit of the basic financial statements of the City of Mercer Island as of and for the fiscal year ended December 31, 2019, prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Our audit will be conducted with the objective of our expressing an opinion on these financial statements.

We will perform our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Since we do not review every transaction, our audit cannot be relied upon to identify every potential misstatement. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the standards identified above.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers relevant internal controls in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we will express no such opinion.

Although our audit is not designed to provide an opinion on the effectiveness of internal control over financial reporting, we are required to report any identified significant deficiencies and material weaknesses in controls. We are also required to report instances of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the accuracy of financial statements, or any instances of material abuse that come to our attention. Abuse is defined by *Government Auditing Standards* as involving behavior that is deficient or improper, or misuse of authority or position for personal financial interests. As the determination of abuse is subjective, *Government Auditing Standards* do not require auditors to detect instances of abuse.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

All misstatements identified by the audit will be discussed with management. Material misstatements corrected by management and all uncorrected misstatements will be communicated at the exit conference, as required by professional auditing standards.

Our responsibility is to express in a written report an opinion on the financial statements based on the results of our audit. We cannot guarantee an unmodified opinion. We may modify or disclaim an opinion on the financial statements if we are unable to complete the audit or obtain sufficient and appropriate audit evidence supporting the financial statements. If our opinion is other than unmodified, we will fully discuss the reason with you prior to issuing our report. Further, in accordance with professional standards, we may add emphasis-of-matter or other-matter paragraphs to our report to describe information that, in our judgment, is relevant to understanding the financial statements or our audit.

We will also issue a written report (that does not include an opinion) on issues identified during the audit related to the City's internal control over financial reporting and on compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*.

Accountability Audit

In accordance with RCW 43.09.260, we will perform an accountability audit for the fiscal year ended December 31, 2019, of the City's compliance with applicable state laws, regulations, policies and procedures, and safeguarding of public resources in areas representing the highest risk of fraud, loss, abuse, or noncompliance.

Areas will be selected for audit using a risk-based approach and will be identified in the audit entrance conference.

Upon completion of our audit, we will issue a written report describing the overall results and conclusions for the areas we examined.

Data Security

Our Office is committed to appropriately safeguarding the information we obtain during the course of the audit. We will:

- Avoid, where feasible, including information considered confidential in work papers.
- In cases where inclusion of personal information is unavoidable, we will follow our policy on confidentiality, consistent with applicable federal and state requirements.

- Maintain the confidentiality of personal information in accordance with the law.
- Ensure that confidential information will be encrypted in transmission if we retransmit it to any parties authorized to receive such information.
- Warrant that collection, access, use, storage, disposal and disclosure of confidential information will comply with all applicable federal, state and data protection laws, as well as all other applicable regulations and directives.
- Warrant that administrative, physical, and technical safeguards to protect confidential information are in place that are no less rigorous than accepted industry practices, including the current State of Washington Office of the Chief Information Officer (OCIO) IT Security Standards (OCIO 141.10) relating to Securing Information Technology Assets Standards, and that all such safeguards, including the manner in which confidential information is collected, accessed, used, stored, processed, disposed of and disclosed, comply with applicable data protection and privacy laws.

Responsibilities specific to this engagement

Additionally, we will:

- Conduct weekly progress meetings to discuss audit plans for future weeks. At those meetings, we will provide information on the departments we will work in and the audit objectives we will be addressing.
- Provide the audit liaison with advance notification if we identify issues that require further audit work and increase audit costs.
- Conduct a formal exit conference with the audit committee to discuss the results of the audit on or before January 31, 2020.
- Safeguard financial records and documentation from loss, damage, and inadvertent release to unauthorized persons.
- Provide written correspondence during the course of the audit through email to the audit liaison, LaJuan Tuttle, Deputy Finance Director.
- Provide advance notice when a scheduled meeting is to be cancelled.
- Allow seven days to provide written response to any findings.

Reporting levels for audit issues

Issues identified through the auditing process will be communicated as follows. Failure to appropriately address audit issues may result in escalated reporting levels.

- **Findings** formally address issues in an audit report. Findings report significant deficiencies and material weaknesses in internal controls; misappropriation; and material abuse or non-compliance with laws, regulations, contracts or grant agreements. You will be given the opportunity to respond to a finding, and this response, or a synopsis of it, will be published in the audit report. Professional auditing standards define the issues we must report as findings with regard to non-compliance with a financial statement effect and internal controls over financial reporting.
- **Management letters** communicate control deficiencies, non-compliance, abuse, or errors with a less-than-material effect on audit objectives. Management letters are referenced, but not included, in the audit report.
- **Exit items** address control deficiencies, non-compliance, abuse, or errors that have an insignificant effect on audit objectives. These issues are informally communicated to management and are not referenced in the audit report.

Client's Responsibilities

Management is responsible for the accuracy and completeness of information provided to the auditor and will provide the Office of the Washington State Auditor with:

- Unrestricted access to people with whom the auditor wishes to speak.
- All information that is requested or relevant to auditor requests.
- Notification when any documents, records, files, or data contain information that is covered by confidentiality or privacy laws, such as HIPAA.
- Adequate workspace and conditions (for any planned site visits), including interacting with auditors professionally and respectfully and promptly communicating about any issues and concerns.

Moreover, our audit does not relieve management or the governing body of their responsibilities. Management's responsibilities, with oversight from the governing body, include:

- Selecting and applying appropriate administrative and accounting policies.
- Establishing and maintaining effective internal controls over financial reporting, compliance, and safeguarding of public resources.
- Designing and following effective controls to prevent and detect fraud, theft, and loss.
- Promptly reporting to us knowledge of any fraud, allegations of fraud or suspected fraud involving management, employees or others, in accordance with RCW 43.09.185.
- Ensuring compliance with laws, regulations and provisions of contracts and grant agreements.
- Preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Responsibilities at the conclusion of the audit

At the conclusion of our audit, the City will provide us with a letter to confirm in writing certain express and implied representations made during the course of the audit. This letter includes representations regarding legal matters. A separate letter may be needed from the City's legal counsel.

Management and the governing body are also responsible for following up and taking corrective action on all audit findings, including, when applicable, preparing a summary schedule of prior audit findings and a corrective action plan on the City's own letterhead.

Responsibilities specific to this engagement

Additionally, the City will:

- Provide our Office with documentation of the financial statement review and approval before they were submitted for audit.
- Obtain a clear understanding of accounting standards applied in your financial statements and fully understand any adjusting journal entries recommended by the Office of the Washington State Auditor before approving the entries.
- Revise financial statement and schedules only if agreed to in writing by our Office.
- Provide auditors adequate work space with access to secure Internet, phone, and electrical outlets, for any planned site visits.
- Interact with auditors professionally and respectfully and promptly communicate issues and concerns.

Estimated Audit Costs and Timeline

We estimate the cost of the audit work to be \$74,500, plus travel costs, and other expenses, if any. Invoices for these services will be prepared and presented each month as our audit work progresses.

We anticipate our reports, which will be addressed to the City's governing body and published on our website www.sao.wa.gov to be available to you and the public as outlined below. These estimates are based on timely access to financial information and no significant audit reporting issues. The estimated cost and completion date may change if unforeseen issues arise or if significant audit issues are identified necessitating additional audit work. We will promptly notify you if this is the case.

Report	Date*
Independent Auditor's Report on Financial Statements	January 31, 2021
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	January 31, 2021
Independent Auditor's Report on Accountability	January 31, 2021

**Report Issuance Dates Are Estimates Only*

The audit documentation for this engagement, which may contain confidential or sensitive information, is the property of SAO and constitutes a public record under Chapter 42.56 RCW. Subject to applicable laws and regulations, appropriate individuals, as well as audit documentation, will be made available upon request and in a timely manner to appropriate auditors and reviewers, City's management and governing body, and federal agencies, for purposes of a public records request, a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities.

The audit documentation for this engagement will be retained for a minimum of five years after the report release (publish) date in accordance with the public records retention schedule established by the Washington Secretary of State.

Expected Communications

During the course of the audit, we will communicate with the City's selected audit liaison, LaJuan Tuttle, Deputy Finance Director, on the audit status, any significant changes in our planned audit scope or schedule and preliminary results or recommendations as they are developed. The audit liaison is responsible for regularly updating the City's management and the governing body on these matters. We may also provide direct communication of these matters to management and the governing body as needed or at the City's request.

Please contact us if, during the audit, any events or concerns come to your attention of which we should be aware. We will expect the audit liaison to keep us informed of any such matters.

Audit Dispute Process

Please contact the Audit Manager or Assistant Director to discuss any unresolved disagreements or concerns you have during the performance of our audit. At the conclusion of the audit, we will summarize the results at the exit conference. We will also discuss any significant difficulties or disagreements encountered during the audit and their resolution.

By signing and returning this letter, you acknowledge that the foregoing is in accordance with your understanding. Please contact us with any questions.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

Sincerely,



Wendy Choy, Program Manager 11/5/2020
Office of the Washington State Auditor

City Response:

This letter correctly sets forth our understanding.



11/17/2020

Jessi Bon, City Manager Date

LaJuan Tuttle 11/13/2020

LaJuan Tuttle, Deputy Finance Director Date



Office of the Washington State Auditor

Pat McCarthy

Exit Conference: City of Mercer Island

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Accountability audit for January 1, 2019 through December 31, 2019 – see draft report.
- Financial statement audit for January 1, 2019 through December 31, 2019 – see draft report.

Audit Highlights

- We would like to thank LaJuan Tuttle, Deputy Finance Director, as well as other City staff for their cooperation and timely responses to our requests throughout the audit, especially since the audit was performed in a remote environment.
- We thank the City for its commitment to improving internal controls and processes related to payroll, as evidenced through our review of the City's updated processes.
- We thank the City for its commitment to strengthen the relationship with the Office of the Washington State Auditor.

Recommendations not included in the Audit Reports

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Communications required by audit standards

In relation to our financial statement audit report, we would like to bring to your attention:

- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements.
- There were no material misstatements in the financial statements corrected by management during the audit.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal/>.

Management Representation Letter

We have included a copy of representations requested of received from management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be \$74,500, plus travel expenses, and actual audit costs will approximate that amount.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in Summer 2021 and will cover the following general areas:

- Accountability for Public Resources
- Financial Statement
- Federal Programs

The estimated cost for the next audit based on current rates is \$88,800, plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

Working Together to Improve Government

Audit Survey

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation of the Office of the Washington State Auditor is designed to offer services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean, peer-to-peer networking and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning

how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

Kelly Collins, CPA, Director of Local Audit, (564) 999-0807, Kelly.Collins@sao.wa.gov

Mark Rapozo, CPA, Assistant Director of Local Audit, (564) 999-0794, Mark.Rapozo@sao.wa.gov

Wendy Choy, Program Manager, (425) 502-7067, Wendy.Choy@sao.wa.gov

Lorraine Nitta, Assistant Audit Manager, (425) 679-6674, Lorraine.Nitta@sao.wa.gov

Jessie Fleming, CFE, Audit Lead, (425) 502-7067, Jessica.Fleming@sao.wa.gov



Office of the Washington State Auditor
Pat McCarthy

Preliminary Draft - Please do not duplicate, distribute, or disclose.

Accountability Audit Report

City of Mercer Island

For the period January 1, 2019 through December 31, 2019

Published (Inserted by OS)

Report No. 1027816



Find out what's new at SAO
by scanning this code with
your smartphone's camera



**Office of the Washington State Auditor
Pat McCarthy**

Issue Date – (Inserted by OS)

Council
City of Mercer Island
Mercer Island, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

Audit Results..... 4

Summary Schedule of Prior Audit Findings 5

Related Reports..... 9

Information about the City..... 10

About the State Auditor's Office..... 11

Preliminary Draft - Please do not duplicate, distribute, or disclose.

AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, City operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the City of Mercer Island from January 1, 2019 through December 31, 2019.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Financial condition – review of fiscal sustainability and management's plans to address fiscal impacts due to COVID-19
- Payroll disbursements – review of timesheets, leave balance accruals, and leave cash-outs; review of performance awards and special recognition awards; review of payroll and benefit calculations



CITY OF MERCER ISLAND, WASHINGTON

9611 SE 36th Street | Mercer Island, WA 98040-3732

(206) 275-7600 | (206) 275-7663 fax

www.mercergov.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Mercer Island January 1, 2019 through December 31, 2019

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2018 through December 31, 2018	1026125	2018-001
Finding Caption:		
The City's internal controls over payroll disbursements were not adequate to safeguard public resources, resulting in errors and overpayments.		
Background:		
The City's payroll internal controls and policies were not adequate to ensure public resources were safeguarded. Our audit identified the following internal control deficiencies:		
<ul style="list-style-type: none"> • The City had multiple policies related to leave balance accruals and cash-outs. Different policies outlined different guidelines, resulting in guidance not being uniform across policies. In addition, there were instances where practices were not supported by a policy or when the guidance documented in policy was not being followed. • The City did not have adequate policies or procedures for the Director's Compensation Program, including stipends. The City provides a stipend to director-level employees that is paid as a lump sum at the beginning of the year. The City had several Directors leave the City in 2019 and did not require the employees to pay back a pro-rated amount for the stipend received. • The City did not perform adequate reviews over timesheets, leave balance reconciliations, vacation leave cash-outs, and payroll and benefit calculations for reporting and payments to the state Department of Labor and Industries. • The City did not require employees to submit a leave slip or other documentation for approval to support leave taken. • The City issued a large number of manual checks for payroll that is outside of the normal payroll run (off-cycle payroll checks). This practice should be minimized because it does not follow the same monitoring or controls established through the normal check run process. 		

Preliminary Draft - Please do not duplicate, distribute, or disclose.

Status of Corrective Action: (check one)

☒ Fully Corrected
 ☐ Partially Corrected
 ☐ Not Corrected
 ☐ Finding is considered no longer valid

Corrective Action Taken:

- **Leave Accrual Balances and Cash-Outs**
 - All employees' (except police and fire employees) leave accrual balances are now managed by one Timekeeper who is not the Payroll Specialist.
 - Police and Fire each have a timekeeper and separate software that tracks employees leave accrual balances
 - Variants in policies for represented employee's leave accruals and cash-outs have been noted and will be addressed during contract bargaining in 2021.
 - All cash-outs must now be approved by an employee's supervisor AND department director. The updated leave cash-out form is attached
 - The Timekeeper reviews employees leave balances to ensure the leave is available to cash-out when a form is received.
 - All cash-outs are provided by direct deposit only and with the next regularly scheduled payroll.
- **Director's Compensation Program**
 - The City Manager approved a new policy for Additional Directors Benefits effective 6/1/2020 (see attached). The policy:
 - Sets the amounts and uses of Additional Monetary Benefits offered.
 - Determines when the Additional Monetary Benefits will be disbursed and notes pro-ratio for mid-year disbursement.
 - Notes that vacation leave accrual will change from annual to monthly in 2021.
 - Establishes that a director who separates from the City must reimburse the City at a pro-rated amount of Additional Monetary Benefits
 - Establishes that interim director appointments are ineligible for Additional Directors Benefits.
 - Establishes that a director who is reclassified to a non-director position must reimburse the City at a pro-rated amount for the Additional Monetary Benefits.
 - The City Manager approved a revised policy for Additional Directors Benefits effective 1/1/2021 (see attached). The revised policy:
 - Sets the amounts and uses of Additional Monetary Benefits offered.
 - Determines when the Additional Monetary Benefits will be disbursed and notes pro-ratio for mid-year disbursement.
 - Establishes that a director who separates from the City must reimburse the City at a pro-rated amount of Additional Monetary Benefits
 - Establishes that interim director appointments are ineligible for Additional Directors

Preliminary Draft - Please do not duplicate, distribute, or disclose.

Benefits.

- Establishes that a director who is reclassified to a non-director position must reimburse the City at a pro-rated amount for the Additional Monetary Benefits.
- Starting in 2021, department directors will receive their vacation leave on a monthly basis rather than an annual lump sum.
- The department director vacation accrual language is moving to the Employee Handbook instead of the Additional Director Benefits policy.
- The City consulted outside counsel to determine that the City would not try recover the pro-rated amount from former directors who left the City.
- **Adequate Review**
 - All employee timesheets are reviewed and signed by the employee's supervisor
 - All director timesheets are reviewed and signed by the City Manager
 - The City Manager's timesheet is reviewed and signed by the Mayor
 - Department summaries are reviewed and signed by the department director
 - One Timekeeper was established to review and reconcile all employees' (except police and fire employees) leave accrual balances and cash-outs. When processing cash-outs the Payroll Specialist also reviews the leave accrual balance of the employee.
 - The Payroll Specialist reconciles every payroll as follows:
 - After timesheets are collected from Timekeeper, they are organized in a Payroll Backup binder.
 - Payroll Specialist reviews the department summaries as well as the timesheets and enter the time worked in an excel spreadsheet titled "Post Payroll." The hours are entered in batches in ADP.
 - HR and Payroll have an EAF (Employee Action Form) spreadsheet that includes all changes and paperwork submitted.
 - A payroll preview is run when all the time and adjustments have been entered in ADP (City's payroll vendor).
 - The Payroll Specialist reconciles the payroll preview to the post payroll spreadsheet. Once it balances, the payroll is approved.
 - After payroll has been processed, the Payroll Specialist prints out all of the corresponding payroll reports.
 - The payroll register then is reconciled to the post payroll spreadsheet. This includes all hours worked, gross pay, and deductions.
 - Benefit deduction reports are printed and reconciled with corresponding benefit bills as well as individual excel spreadsheet per benefit provider.
 - HR Specialist reviews and verifies that changes on the EAF spreadsheet were entered on correctly on the payroll.
 - Hours and JL/GL codes are generated in OneSolution (City's financial system) and are reconciled to the payroll register.

- **Leave Slips**
 - Operating departments have variable electronic approval processes for authorizing paid time off including email notification, shared Outlook calendars and scheduling software specific to operational needs. Supervisors are required to review and sign each employee's timesheets for accuracy including any leave hours by type, amount, and day that leave was taken.
- **Manual Checks**
 - The City no longer issues manual checks for payroll except in extenuating circumstances (i.e. emergency, former employee, etc.).
 - All cash-outs are now provided by direct deposit only and with the next regularly scheduled payroll

RELATED REPORTS

Financial

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Preliminary Draft - Please do not duplicate, distribute, or disclose.

INFORMATION ABOUT THE CITY

The City of Mercer Island was incorporated in 1960. The City operates under the council-manager form of government, and has seven council members. The Council elects one of its members to serve a two-year term as Mayor. The Council appoints a City Manager to oversee the City's daily operations as well as its 178 employees.

The City serves approximately 24,000 residents. The City provides a full range of services to the public including general government, public safety, municipal court, street and trails maintenance, utilities maintenance, parks and recreation activities, public improvements, planning and zoning, and youth and family services.

The City is funded by a variety of revenue sources, including property taxes, sales taxes, utility taxes, business taxes, charges for services, and grants. In fiscal year 2019, the City's general fund operating budget was approximately \$29.7 million.

Contact information related to this report

Address:	City of Mercer Island 9611 S.E. 36th Street Mercer Island, WA 98040
Contact:	LaJuan Tuttle, Deputy Finance Director
Telephone:	(206) 275-7785
Website:	www.mercerisland.gov

Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Mercer Island at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov



Office of the Washington State Auditor
Pat McCarthy

Preliminary Draft - Please do not duplicate, distribute, or disclose.

Financial Statements Audit Report

City of Mercer Island

For the period January 1, 2019 through December 31, 2019

Published (Inserted by OS)

Report No. 1027809



Find out what's new at SAO
by scanning this code with
your smartphone's camera



**Office of the Washington State Auditor
Pat McCarthy**

Issue Date – (Inserted by OS)

Council
City of Mercer Island
Mercer Island, Washington

Report on Financial Statements

Please find attached our report on the City of Mercer Island's financial statements.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	4
Independent Auditor's Report on the Financial Statements	6
Financial Section.....	9
About the State Auditor's Office.....	105

Preliminary Draft - Please do not duplicate, distribute, or disclose.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Mercer Island January 1, 2019 through December 31, 2019

Council
City of Mercer Island
Mercer Island, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mercer Island, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 16, 2021.

As discussed in Note 21 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 21.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy

State Auditor

Olympia, WA

February 16, 2021

Preliminary Draft - Please do not duplicate, distribute, or disclose.

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of Mercer Island January 1, 2019 through December 31, 2019

Council
City of Mercer Island
Mercer Island, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mercer Island, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

Preliminary Draft - Please do not duplicate, distribute, or disclose.

including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mercer Island, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 21 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the City. Management's plans in response to this matter are also described in Note 21. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

February 16, 2021

Preliminary Draft - Please do not duplicate, distribute, or disclose.

FINANCIAL SECTION

City of Mercer Island January 1, 2019 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Activities – 2019

Balance Sheet – Governmental Funds – 2019

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2019

Statement of Net Position – Proprietary Funds – 2019

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds – 2019

Statement of Cash Flows – Proprietary Funds – 2019

Statement of Net Position – Fiduciary Funds – 2019

Statement of Changes in Net Position – Fiduciary Funds – 2019

Notes to the Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – 2019

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Street Fund – 2019

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2 – 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3, PSERS, LEOFF 1, LEOFF 2 – 2019

GASB 67 Schedule of Changes in Net Pension Liability and Related Ratios – Firefighters Pension Fund – 2019

GASB 67 Money-Weighted Rate of Return – Firefighters Pension Fund – 2019

GASB 75 Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 Retiree Medical and Long-Term Care Benefits – 2019

Notes to Required Supplementary Information – 2019

Preliminary Draft - Please do not duplicate, distribute, or disclose.

**City of Mercer Island
Management's Discussion and Analysis
For the Year Ended December 31, 2019**

The discussion and analysis of the City of Mercer Island's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the City's financial performance. For comparison purposes, the 2018 fiscal year data is also included in the discussion.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 are as follows:

- The assets and deferred outflow of resources of the City of Mercer Island exceeded its liabilities and deferred inflows of resources at the close of the 2019 fiscal year by \$236,411,321 (*net position*). Of this amount, \$29,991,705 represents unrestricted net position, which may be used to meet the City's business type and governmental activities ongoing obligations.
- The City of Mercer Island's total net position increased \$6,737,077 in 2019 compared to the prior fiscal year. The overall increase in net position is primarily the result of the accumulation of funds for future utility infrastructure improvement projects and the underspending of planned capital outlays in the business type funds.
- At the close of 2019, the City's governmental funds reported combined fund balances of \$21,620,903, a decrease of \$222,138 relative to 2018. Approximately 35% of this amount (\$7,556,857) is available for spending at the City's discretion (*unassigned fund balance*). All of the unassigned fund balance is reported in the General Fund, and \$4,129,165 of this amount has been designated by the City Council as a contingency reserve.
- At the end of 2019, unrestricted fund balance (the total of *committed*, *assigned*, and *unassigned* components of *fund balance*) for the General Fund was \$10,623,529, or approximately 36% of total General Fund expenditures.
- The City of Mercer Island's total outstanding long-term debt at the end of 2019 was \$12,667,404, which represents a decrease of \$1,939,952 from the end of 2018. During 2019, the City redeemed \$1,365,721 in general obligation bonds, \$171,473 in capital lease obligations, and \$402,757 in loans.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City of Mercer Island's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Mercer Island's finances in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Mercer Island is improving or deteriorating.

The *statement of activities* presents information showing how the City of Mercer Island's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and trails, youth and family services, development services, and culture and recreation. The business-type activities of the City include a water utility, a sewer utility, and a storm water utility.

The government-wide financial statements can be found in the basic financial statements section of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mercer Island, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Mercer Island currently maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Fund and the Capital Improvement Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

The basic governmental fund financial statements can be found in the basic financial statement section of this report.

Proprietary Funds. The City of Mercer Island maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility, and storm water utility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the maintenance and replacement of fleet vehicles and the maintenance and replacement of technology assets. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all three utilities, which are considered to be major funds of the City. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found in the basic financial statement section of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements, because the resources of those funds are not available to support the City of Mercer Island's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Mercer Island maintains two different types of fiduciary funds. The *Pension Trust Fund* is used to report resources held in trust for retirees covered by the pre-LEOFF 1 Firemen's Pension Fund. The *Agency Fund* reports resources held by the City in a custodial capacity for individuals.

The fiduciary fund financial statements can be found in the basic financial statement section of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City of Mercer Island's obligation to provide pension and OPEB benefits to its employees.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

The net position of the City as of December 31, 2019 and December 31, 2018 is summarized and analyzed below. As noted earlier, net position over time may serve as a useful indicator of a government's financial position.

City of Mercer Island's Net Position

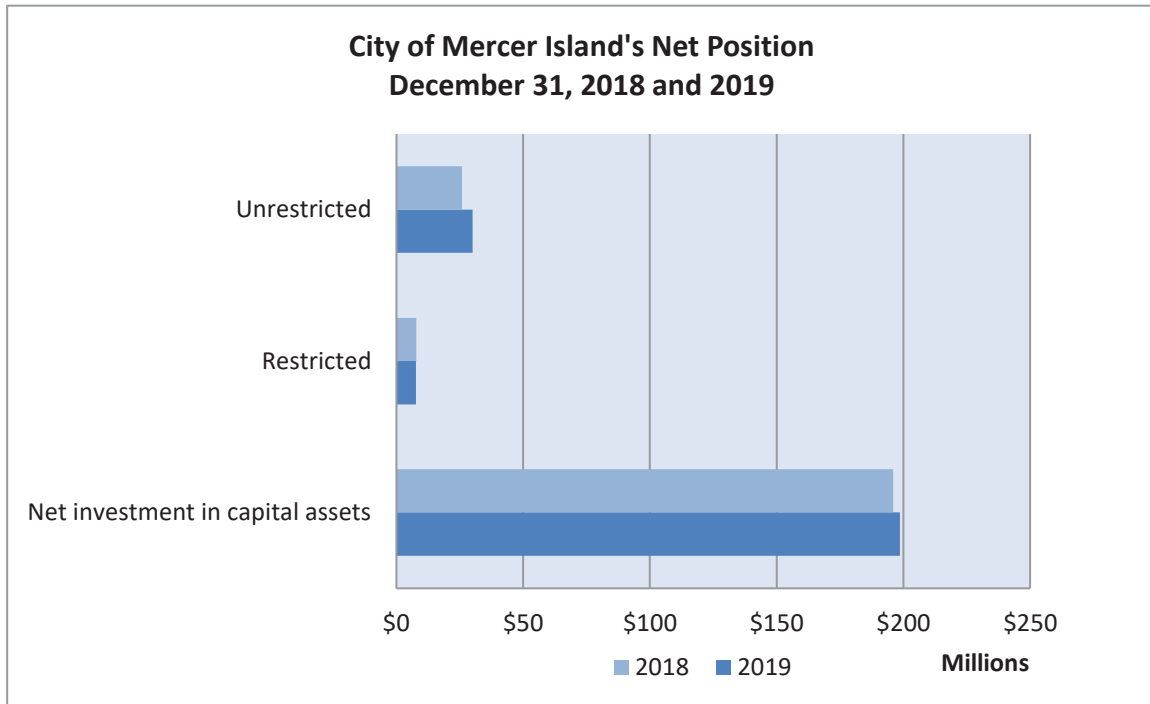
	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 28,741,667	\$ 28,764,499	\$ 26,823,076	\$ 23,855,690	\$ 55,564,743	\$ 52,620,189
Net Pension Asset	6,400,897	6,350,974	-	-	6,400,897	6,350,974
Land	108,789,823	106,789,823	203,992	203,992	108,993,815	106,993,815
Capital assets net of accumulated depreciation	52,238,647	48,340,064	49,283,713	49,568,582	101,522,360	97,908,646
Construction in progress	181,737	5,348,914	606,298	261,071	788,035	5,609,985
Total assets	\$ 196,352,771	\$ 195,594,274	\$ 76,917,078	\$ 73,889,335	\$ 273,269,849	\$ 269,483,609
Deferred Outflow of Resources						
Deferred amount on refunding Pensions	\$ 29,130	38,840	280,647	308,712	\$ 309,777	347,552
Total deferred outflow of resources	\$ 2,382,202	1,863,995	299,157	293,149	2,681,359	2,157,144
	\$ 2,411,332	\$ 1,902,835	\$ 579,804	\$ 601,861	\$ 2,991,136	\$ 2,504,696
Liabilities						
Current Liabilities	\$ 2,952,307	\$ 3,332,574	\$ 1,737,451	\$ 2,232,552	\$ 4,689,758	5,565,126
Non-Current Liabilities	20,439,277	20,939,743	9,641,586	10,987,262	30,080,863	31,927,005
Total liabilities	\$ 23,391,584	\$ 24,272,317	\$ 11,379,037	\$ 13,219,814	\$ 34,770,621	\$ 37,492,131
Deferred Inflow of Resources						
Unavailable revenue	\$ 189,597	196,375	-	-	\$ 189,597	196,375
Pensions	4,315,231	4,122,016	574,214	503,537	4,889,445	4,625,553
Total deferred inflow of resources	\$ 4,504,828	\$ 4,318,391	\$ 574,214	\$ 503,537	\$ 5,079,042	\$ 4,821,928
Net Position						
Net investment in capital assets	\$ 158,102,183	\$ 156,390,283	\$ 40,563,753	\$ 39,553,648	\$ 198,665,936	195,943,931
Restricted	7,753,681	7,855,835	-	-	7,753,681	7,855,835
Unrestricted	5,011,826	4,660,282	24,979,878	21,214,197	29,991,705	25,874,479
Total net position	\$ 170,867,690	\$ 168,906,400	\$ 65,543,631	\$ 60,767,845	\$ 236,411,321	\$ 229,674,245

For the City of Mercer Island, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$236,411,321 at the close of 2019. The largest component of the City's total net position at \$198,665,936 is net investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, and infrastructure), which subtracts out any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities.

Approximately 3.3%, or \$7,753,681, of the City's total net position represents resources that are subject to external restrictions on how they may be used. The decrease in restricted net position in 2019, as compared to 2018, is primarily the result of a decrease in real estate excise tax revenues, which are

restricted for capital projects related to streets, pedestrian/bicycle facilities, parks, and public buildings. The remaining 12.7%, or \$29,991,705, of the City's total net position is unrestricted and may be used to meet the government's ongoing obligations. Though it should be noted that \$24,979,878, or 83.3% of unrestricted net position is in the business type activities and can only be used to meet the ongoing obligations of the City's water, sewer and storm water utilities.

At the end of the 2019 fiscal year, the City of Mercer Island had positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true for the prior fiscal year.



A more detailed look at the revenues and expenses underlying the changes in the City's net position is presented on the following page. Compared to the prior year, the City's total net position increased \$6.7 million in 2019. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

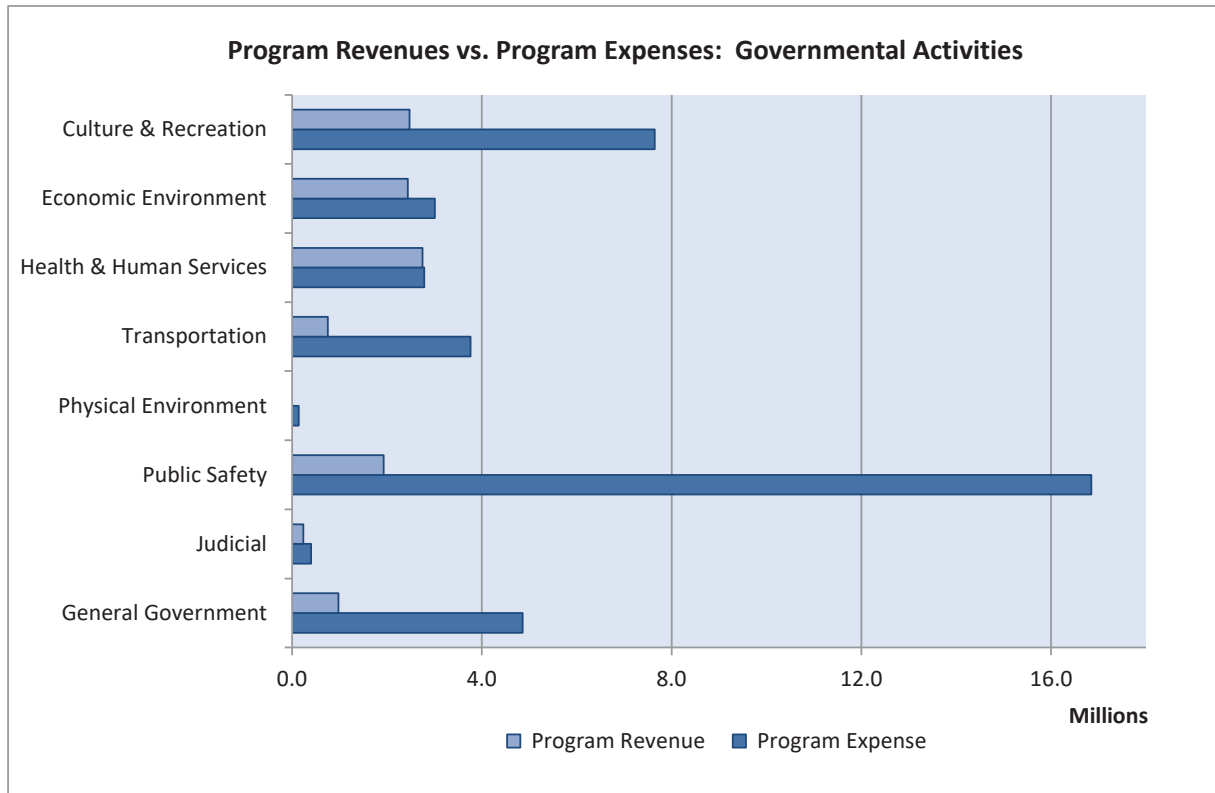
Governmental Activities. At the end of 2019, the City's total net position for governmental activities was \$170,867,690. Governmental activities increased \$1,961,290 in 2019 primarily due to the purchase of an additional land asset.

Comparing 2019 to 2018, total revenues increased slightly by \$33.8 thousand or 0.08% as compared to 2018.

Total expenses in 2019 increased \$3.5 million, or 9.76%, over 2019. Of particular note, public safety expenditures increased \$4.1 million or 32.4% as compared to 2018. The primary driver of this increase was the \$2.0 million increase to the total OPEB Liability for LEOFF 1 retirees.

City of Mercer Island's Changes in Net Position

	Governmental Activities		Business type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Charges for services	\$ 10,407,468	\$ 9,519,914	\$ 20,513,576	\$ 20,183,364	\$ 30,921,044	\$ 29,703,278
Operating grants and contributions	1,162,915	934,477	106,845	30,202	1,269,760	964,679
Capital grants and contributions	186,873	840,902	-	-	186,873	840,902
Property tax	13,725,516	13,387,659			13,725,516	13,387,659
Sales tax	5,257,123	5,251,610			5,257,123	5,251,610
B&O tax	4,864,885	5,414,598			4,864,885	5,414,598
Real estate excise tax	3,558,523	3,825,548			3,558,523	3,825,548
Other taxes	1,265,504	1,417,079			1,265,504	1,417,079
Investment earnings	632,758	418,845	619,465	346,437	1,252,223	765,282
Total revenues	\$ 41,061,565	\$ 41,010,632	\$ 21,239,886	\$ 20,560,003	\$ 62,301,451	\$ 61,570,635
Expenses:						
General government	\$ 4,857,520	\$ 5,036,841			\$ 4,857,520	\$ 5,036,841
Judicial	399,479	411,825			399,479	411,825
Public safety	16,851,248	12,723,888			16,851,248	12,723,888
Physical environment	136,441	53,594			136,441	53,594
Transportation	3,761,140	3,780,504			3,761,140	3,780,504
Health & human services	2,786,372	2,682,312			2,786,372	2,682,312
Economic environment	3,008,051	3,186,381			3,008,051	3,186,381
Culture and recreation	7,643,554	8,041,495			7,643,554	8,041,495
Interest on long term debt	66,603	80,756	231,976	250,124	298,579	330,880
Water			5,810,521	5,753,369	5,810,521	5,753,369
Sewer			8,364,513	8,171,950	8,364,513	8,171,950
Stormwater			1,669,650	1,895,418	1,669,650	1,895,418
Total expenses	\$ 39,510,408	\$ 35,997,597	\$ 16,076,660	\$ 16,070,861	\$ 55,587,068	\$ 52,068,457
Increase (decrease) in net position before transfers, special and extraordinary items	\$ 1,551,157	\$ 5,013,035	\$ 5,163,226	\$ 4,489,142	\$ 6,714,383	\$ 9,502,178
Disposition of capital assets	22,692	30,584	-	-	22,692	30,584
Transfers	387,440	67,775	(387,440)	(65,775)	-	2,000
Increase (decrease) in net position	1,961,290	5,111,394	4,775,787	4,423,367	6,737,077	9,534,762
Net position beginning of year	168,906,400	171,247,406	60,767,845	56,344,479	229,674,245	227,591,885
Prior period adjustment	-	(7,452,400)	-	-	-	(7,452,400)
Net position, end of year	\$ 170,867,690	\$ 168,906,400	\$ 65,543,631	\$ 60,767,845	\$ 236,411,321	\$ 229,674,246



Business-type Activities. At the end of 2019, the City's total net position for business-type activities, encompassing the water, sewer, and storm water utilities, was \$65,543,631. The total net position for business-type activities increased \$4,775,787 in 2019 primarily due to increased rate revenues and lower than expected capital reinvestment expenditures.

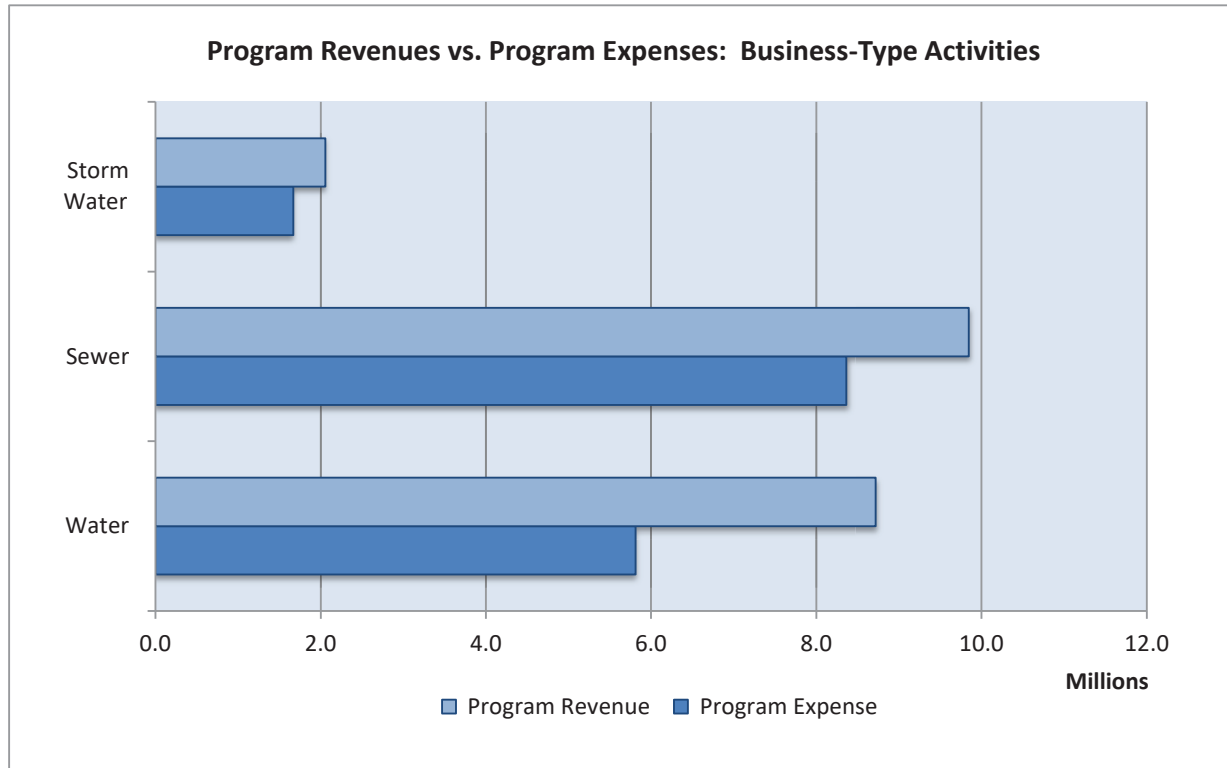
Comparing 2019 to 2018, total operating revenues, which excludes investment earnings and capital grants and contributions, increased \$330,212, or 1.6%, which is primarily attributable to charges for services. Total expenses in 2019 increased \$5,799 compared to 2018.

Additional information about each City utility is provided below:

- **Water Utility** revenue is derived from three sources: 1) bi-monthly service charges, 2) system connection fees, and 3) miscellaneous work orders. The majority of the revenue comes from bi-monthly service charges. The City uses consumption based rates for water. Ratepayers pay a base fee plus a consumption charge according to the number of cubic feet of water used. A ramped rate for usage was built into the rate structure to encourage conservation.
- **Sewer Utility** revenue is derived from two sources: 1) bi-monthly service charges, and 2) system connection fees. The majority of the revenue comes from bi-monthly service charges. Residential sewer rates are charged on a water consumption basis. The utility uses the four most recent winter months to determine the average water consumption for each residence. Commercial accounts are charged based on the actual consumption of water. The bi-monthly service charges have two components: 1) a City charge for sewer maintenance and operations, including transmission of the sewage to the treatment plant; and 2) a King County "pass through" charge for treatment costs. The City collects the latter charge from all sewer customers, remitting the full amount to King County, which provides sewer treatment services

to the City.

- **Storm Water Utility** revenue is derived from bi-monthly service charges, which are based on the amount of impervious surface on the customer's property. A sample of residences was taken when the utility was formed, and the average impervious surface for a residence was determined to be 3,419 sq ft. That is considered one (1) equivalent residential unit (ERU). All residences are charged one ERU on a bi-monthly basis. All other properties are charged based on the actual impervious surface.



FINANCIAL ANALYSIS OF GOVERNMENTAL & PROPRIETARY FUNDS

As noted earlier, the City of Mercer Island uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use, because it represents that portion of fund balance that is not restricted, committed, or assigned for a specific purpose by an external party, the City itself, or a group or individual that has been delegated authority to assign resources to be used for particular purposes by the Mercer Island City Council.

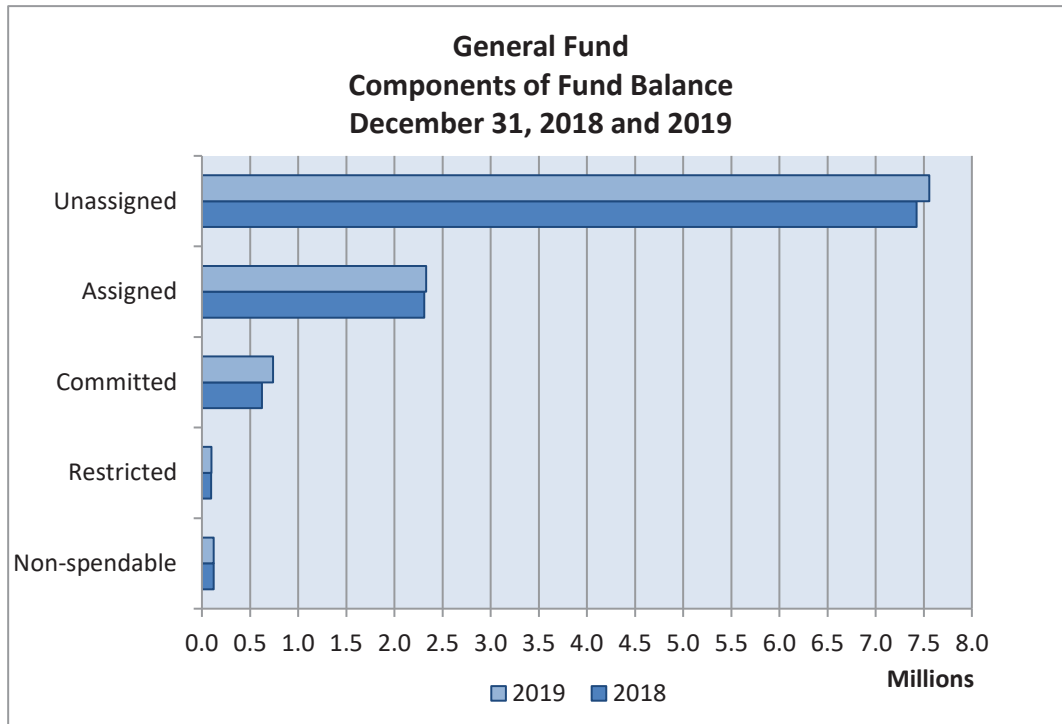
The following analysis is based on the Balance Sheet for Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balance for Governmental Funds.

At the end of 2019 the City's combined ending fund balances for governmental funds amounted to \$21,620,903, which represents a decrease of \$222,138 from the prior year. Of this combined total, \$7,556,857, or 35%, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the combined ending fund balances consists of the following: 1) \$406,713 that is *non-spendable* (i.e. not in a spendable form); 2) \$7,145,301 that is *restricted* for particular purposes; 3) \$1,645,753 that is *committed* for particular purposes; and 4) \$4,866,280 that is *assigned* for particular purposes.

Drilling down further, a brief analysis of each of the City's major governmental funds follows for the General Fund and Capital Improvement Fund.

The **General Fund** is the largest operating fund of the City. It accounts for all financial resources and transactions of the City except those required to be accounted for in another fund. Taxes are the primary revenue source for the General Fund. The 2019 ending fund balance was \$10,841,483, which represents an increase of \$268,342. Comparing 2019 to 2018, total revenues increased \$1,254,820, or 4.1%, and total expenditures, excluding transfers out, increased \$1,501,146, or 5.3%.

As a measure of the General Fund's liquidity, unassigned fund balance equals 25.4% of total General Fund expenditures, and total fund balance equals 36.5% of total General Fund expenditures.



The **Street Fund** is a special revenue fund that accounts for the financial resources dedicated to street maintenance and construction. The fund balance at the end of 2019 was \$3,749,933, a 6.7% decrease from the prior year. The primary driver of the decrease in fund balance was a reduction in REET revenue.

The **Capital Improvement Fund** is a capital projects fund that accounts for those financial resources that are used for the acquisition, construction, and preservation of the City's "general government" (i.e. not utility) capital assets and facilities, which include parks, open space, and public buildings. The 2019 ending fund balance was \$4,485,965, which represents an increase of \$866,922, or 24.0%, relative to 2018. This increase in fund balance is mainly due to an increase in the proportionate share of REET revenues and lower than expected capital project spending. Interfund transfers out of the Capital Improvement Fund relate to paying the debt service on non-voted bonds for the Mercer Island Community & Event Center (MICEC). The original bonds that financed the construction of the MICEC were advance refunded in 2013. As a result, the Capital Improvement Fund will continue to realize debt service cost savings.

**Other Governmental Funds
Components of Fund Balance
December 31, 2018 and 2019**

Fund Balance Component	Street Fund			Capital Improvement Fund			Other Governmental Funds		
	2018	2019	% Change	2018	2019	% Change	2018	2019	% Change
Non-spendable	-	-	N/A	-	-	N/A	285,856	285,856	0.0%
Restricted	3,733,114	3,399,501	-8.9%	3,173,898	3,177,113	0.1%	2,417,275	471,589	-80.5%
Committed	187,052	250,748	N/A	116,604	150,306	N/A	381,274	506,478	32.8%
Assigned	99,684	99,684	0.0%	328,542	1,158,546	252.6%	546,602	1,279,599	134.1%
Unassigned	-	-	N/A	-	-	N/A	-	-	N/A
Total fund balance	4,019,850	3,749,933	-6.7%	3,619,044	4,485,965	24.0%	3,631,008	2,543,523	-29.9%

Proprietary Funds. The City's *proprietary funds* provide the same type of information found in the government-wide financial statements, but in more detail. The total net position of the City's proprietary funds, as well as the change in total net position over the prior year, was addressed above under Business-Type Activities in the Government-Wide Overall Financial Analysis section.

Drilling down further, a brief analysis of each of the City's major proprietary funds follows for the Water Fund, Sewer Fund, and Storm Water Fund. The analysis is based on the Statement of Net Position for Proprietary Funds and the Statement of Revenues, Expenses, and Changes in Net Position for Proprietary Funds.

The **Water Fund** is an enterprise fund that accounts for all operating, maintenance, and capital activities associated with the City's water utility. The 2019 ending net position was \$30,208,792, which represents an increase of \$3,138,498, or 11.6%, relative to 2018. Operating income was \$2,836,607 in 2019, representing an accumulation of funding for capital projects in coming years.

The **Sewer Fund** is an enterprise fund that accounts for all operating, maintenance, and capital activities associated with the City's sewer utility. The 2019 ending net position was \$22,955,935, which represents an increase of \$1,183,838, or 5.4%, relative to 2018. Operating income was \$1,492,221 in 2019, representing an accumulation of funding for capital projects in coming years.

The **Storm Water Fund** is an enterprise fund that accounts for all operating, maintenance, and capital activities associated with the City's storm water utility. The 2019 ending net position was \$12,416,927, which represents an increase of \$432,609, or 3.6%, relative to 2018. Operating income was \$319,221 in 2019, representing an accumulation of funding for capital projects in coming years.

**Proprietary Funds
Components of Net Position
December 31, 2018 and 2019**

Net Position Component	Water Fund			Sewer Fund			Storm Water Fund		
	2018	2019	% Change	2018	2019	% Change	2018	2019	% Change
Net investment in capital assets	14,957,790	15,576,454	4.1%	16,707,120	17,053,154	2.1%	7,888,738	7,934,145	0.6%
Unrestricted	12,112,505	14,632,337	20.8%	5,064,977	5,902,781	16.5%	4,095,580	4,482,782	9.5%
Total net position	27,070,294	30,208,792	11.6%	21,772,097	22,955,935	5.4%	11,984,318	12,416,927	3.6%

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. The City of Mercer Island budgets on a biennial basis with each biennial budget beginning in an odd numbered year by state law. Comparing the final amended 2019-2020 General Fund budget to the originally adopted budget, total budgeted expenditures and other financing uses decreased by \$2,607,136. Following are the *major* budgetary changes to the originally adopted 2019-2020 **General Fund** budget:

- \$1,255,814 decrease in the first quarter of 2019 to reduce deficit spending;
- \$1,689,600 reduction, primarily in Parks and Recreation, in response to revenue reductions as a result of the impacts of COVID 19;

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital assets. The City of Mercer Island's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$211,304,201 (net of accumulated depreciation). It includes land, buildings, improvements, machinery and equipment, infrastructure, construction in progress, and intangibles.

City of Mercer Island's Capital Assets (net of depreciation)

Capital Asset	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2017
Land	\$108,789,823	\$106,789,823	\$203,992	\$203,992	\$108,993,815	\$106,993,815
Buildings	18,937,872	19,735,594	430,048	430,048	19,367,920	20,165,642
Improvements	9,083,748	6,658,742	90,412,420	88,806,118	99,496,168	95,464,860
Machinery & equipment	4,963,471	4,475,361	1,616,455	1,582,705	6,579,926	6,058,066
Infrastructure	17,957,158	16,039,834	-	-	17,957,158	16,039,834
Construction in progress	181,737	5,348,914	606,299	261,071	788,035	5,609,985
Intangibles	1,296,398	1,430,534	18,129	18,129	1,314,527	1,448,663
Accumulated depreciation			(43,193,339)	(41,268,418)	(43,193,339)	(41,268,418)
	\$161,210,207	\$160,478,801	\$50,094,003	\$50,033,645	\$211,304,210	\$210,512,447

Major capital asset events during the 2019-2020 biennium include the following:

- Multiple projects to improve parks and playfields, including Island Crest Park sports field improvements;
- The purchase of a land asset in the Town Center for future site of long term parking;
- The purchase of a CCTV Truck and related software; and
- Continued investment in Utility infrastructure that included mains, hydrants and watercourse improvements.

Those capital assets that are subject to depreciation are depreciated over their useful lives based on the straight-line method.

Additional information on the City of Mercer Island's capital assets can be found in Note 11 (Capital Assets) in the notes to the financial statements.

Long-term debt. At the end of 2019, the City of Mercer Island had total debt outstanding of

\$12,667,404. Of this amount, \$8,785,147 is backed by the full faith and credit of the government. The remainder of the City's long-term obligations comprises capital leases and a Public Works Trust Fund loan. The City of Mercer Island maintains bond ratings with Moody's Investors Service. Moody's upgraded the City's non-voted (i.e. limited tax) general obligation (LTGO) bond rating in February 2017 from Aa1 to Aaa. The City does not have any voted (i.e. unlimited tax) general obligation (UTGO) debt.

City of Mercer Island's Outstanding Long-term Debt

Type of Debt	Governmental		Business-Type		Total	
	2019	2018	2019	2018	2019	2017
General obligation bonds	\$ 2,074,198	\$ 2,892,929	\$ 6,710,948	\$ 7,257,939	\$ 8,785,147	\$ 10,150,868
Capital leases	1,062,956	1,234,429	-	-	1,062,956	1,234,429
Public works loans	-	-	2,819,301	3,222,059	2,819,301	3,222,059
TOTAL	\$ 3,137,154	\$ 4,127,358	\$ 9,530,249	\$ 10,479,998	\$ 12,667,404	\$ 14,607,356

The City has one Public Works Trust Fund loan from the State of Washington. This loan was for sewer capital improvements to the Sewer Lake Line. Debt service on the loan is paid for by sewer utility rates. The City currently has no revenue bonds.

Washington State law limits the amount of general obligation debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to a 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% is for open space/park facilities, and 2.5% is for utilities. Non-voted (i.e. limited tax) general obligation indebtedness is limited to 1.5% of assessed valuation. The combination of all debt cannot exceed 7.5% of assessed valuation. The City of Mercer Island's debt obligations are substantially below the statutory limits for debt capacity.

Additional information on the City's long term debt can be found in Note 8 (Long-term Debt), Note 9 (Leases), and Note 10 (Changes in Long-term Liabilities) in the notes to the financial statements.

NEXT YEAR'S BUDGET, RATES AND ECONOMIC FACTORS

Mercer Island is an affluent, single-family residential community that is essentially built out. Its real property assessed valuation per square mile is the highest of any city in King County. Also, the per capita income level is more than two times the state average. However, the City has significant financial challenges with annual revenue growth not keeping pace with annual expenditure growth.

For 2019-2020, the General Fund's total revenues were projected to lag total expenditures by \$1.8 million for the biennium. Accordingly, the City had to use \$1.8 million in one-time revenues to balance the 2019-2020 original budget. At the root of the revenue growth problem is property tax, which makes up 39% of the General Fund's total revenues in 2019-2020 and is limited by state law to 1% growth per year plus an allowance for "new construction" (which generates an additional 1% per year on average). Taken together, the effective cap on property tax growth is 2% per year, which puts an unrealistic burden for growth on the City's other major revenues.

In April 2019, staff identified, and the Council approved, \$1.34 million in mostly expenditure reductions to the 2019-2020 General Fund budget.

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow

the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, and limiting gathering sizes.

Consistent with the Governors instructions the City of Mercer Island made the following changes to its operations:

- Suspended all operations at the Mercer Island Community and Events Center including recreation programming and facility rentals.
- Closed all public buildings to the public and limited operations to essential services only.
- Closed the Mercer Island Thrift Shop, suspending all retail operations.

The City incurred immediate revenue reductions with the closure of the Thrift Shop and Parks and Recreation operations impacting both the General Fund and the Youth and Family Services Fund. The City anticipates a decline in sales tax revenues further impacting the General Fund revenues. Immediate actions are being taken to reduce expenditures in both the General Fund and the Youth and Family Services Fund. Phased decisions on expenditure reductions are ongoing as the pandemic response continues throughout 2020.

The City of Mercer Island has a history of excellent financial management practices and prudent fiscal policies that have served the City well over the years. The City has various operating and capital reserves, which have been established to address unanticipated, significant revenue shortfalls or to provide funding for unplanned, significant expenditures. In addition, the City has very little debt, relying on a “pay as you go” approach for most of its capital projects.

REQUEST FOR FINANCIAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Mercer Island, Washington, 9611 SE 36th Street, Mercer Island, Washington 98040.

City of Mercer Island
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current assets:</i>			
Cash & cash equivalents	\$ 24,948,144	\$ 25,714,567	\$ 50,662,711
Receivables (net)	3,634,644	915,713	4,550,356
Internal balances	38,022	(38,022)	-
Inventories	120,857	230,818	351,674
<i>Noncurrent Assets:</i>			
Net pension asset	6,400,897	-	6,400,897
Capital assets not being depreciated:			
Land	108,789,823	203,992	108,993,815
Construction in progress	181,737	606,298	788,035
Capital assets net of depreciation:			
Buildings, improvements, machinery and equipment.	34,281,489	49,283,713	83,565,202
Infrastructure	17,957,158	-	17,957,158
Total assets	<u>\$ 196,352,771</u>	<u>\$ 76,917,078</u>	<u>\$ 273,269,849</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	\$ 29,130	\$ 280,647	\$ 309,777
Pensions	2,382,202	299,157	2,681,359
Total deferred outflows of resources	<u>\$ 2,411,332</u>	<u>\$ 579,804</u>	<u>\$ 2,991,136</u>
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable and accrued exp.	\$ 1,354,750	\$ 764,954	\$ 2,119,704
Accrued interest payable	27,239	24,347	51,586
Bonds, notes, loans payable	971,498	927,757	1,899,255
Other current liabilities	113,147	20,393	133,540
Unearned revenue - other	485,673	-	485,673
<i>Noncurrent liabilities:</i>			
Net pension liability	4,759,901	881,292	5,641,194
OPEB Liability	12,097,772	-	12,097,772
Due in more than one year	3,581,604	8,760,294	12,341,898
Total liabilities	<u>\$ 23,391,584</u>	<u>\$ 11,379,037</u>	<u>\$ 34,770,621</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 189,597	\$ -	\$ 189,597
Pensions	4,315,231	574,214	4,889,445
Total deferred inflows of resources	<u>\$ 4,504,828</u>	<u>\$ 574,214</u>	<u>\$ 5,079,042</u>
NET POSITION			
Net investment in capital assets	\$ 158,102,183	\$ 40,563,753	\$ 198,665,936
Restricted for:			
Debt service	23,981	-	23,981
Investment in parks, open space and buildings	3,427,420	-	3,427,420
Streets, paths and trails	3,749,934	-	3,749,934
Criminal Justice	64,680	-	64,680
Court trust and jails	97,097	-	97,097
Emergency Assistance	100,044	-	100,044
Expendable permanent fund	4,669	-	4,669
Non expendable permanent fund	285,856	-	285,856
Unrestricted	5,011,826	24,979,878	29,991,705
Total net position	<u>\$ 170,867,690</u>	<u>\$ 65,543,631</u>	<u>\$ 236,411,321</u>

City of Mercer Island
Statement of Activities
For the Year Ending December 31, 2019

	Program Revenues				Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Primary Government							
Governmental activities:							
Judicial	\$ 399,479	\$ 234,253	\$ 2,130	\$ -	\$ (163,096)		\$ (163,096)
General government	4,857,520	802,487	171,648	-	(3,883,385)		(3,883,385)
Public safety	16,851,248	1,612,037	333,416	-	(14,905,795)		(14,905,795)
Physical environment	136,441	-	-	-	(136,441)		(136,441)
Transportation	3,761,140	708,743	40,546	-	(3,011,851)		(3,011,851)
Human services	2,786,372	2,235,671	513,485	-	(37,216)		(37,216)
Economic environment	3,008,051	2,424,941	15,000	-	(568,110)		(568,110)
Culture & recreation	7,643,554	2,389,336	86,690	186,873	(4,980,655)		(4,980,655)
Interest on long-term debt	66,603	-	-	-	(66,603)	(231,976)	(298,579)
Total governmental activities	\$ 39,510,408	\$ 10,407,468	\$ 1,162,915	\$ 186,873	\$ (27,753,152)	\$ (231,976)	\$ (27,985,128)
Business-type Activities:							
Water	\$ 5,810,521	\$ 8,689,642	\$ 29,195	\$ -		\$ 2,908,316	\$ 2,908,316
Sewer	8,364,513	9,845,534	-	-		1,481,021	1,481,021
Other utilities	1,669,650	1,978,400	77,650	-		386,400	386,400
Total business type activities	15,844,684	20,513,576	106,845	-		4,775,737	4,775,737
Total primary government	\$ 55,355,092	\$ 30,921,044	\$ 1,269,760	\$ 186,873	\$ (27,753,152)	\$ 4,543,761	\$ (23,209,390)
GENERAL REVENUES:							
Property taxes					\$ 13,725,516	\$ -	\$ 13,725,516
Sales taxes					5,257,123		5,257,123
B&O taxes					4,864,885		4,864,885
Real estate excise taxes					3,558,523		3,558,523
Other taxes					1,265,504		1,265,504
Investment earnings					632,758	619,465	1,252,223
Gain (loss) on disposal of capital assets					22,692	-	22,692
TRANSFERS					387,440	(387,440)	(0)
Total general revenues & transfers					\$ 29,714,441	\$ 232,025	\$ 29,946,467
Change in net position					\$ 1,961,290	\$ 4,775,787	\$ 6,737,077
Net position - beginning					168,906,400	60,767,845	229,674,245
Net position - ending					\$ 170,867,690	\$ 65,543,631	\$ 236,411,321

**City of Mercer Island
Balance Sheet
Governmental Funds
December 31, 2019**

	General Fund	Street	Capital Improve	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash & cash equivalents	\$ 9,836,278	\$ 3,628,547	\$ 4,477,854	\$ 2,179,096	\$ 20,121,775
Receivables (net)	2,348,743	371,972	180,572	484,518	3,385,804
Inventories	120,857	-	-	-	120,857
Total assets	12,305,877	4,000,518	4,658,426	2,663,614	23,628,436
LIABILITIES					
<i>Current Liabilities:</i>					
Accounts payable and accrued exp.	740,925	188,972	172,460	116,757	1,219,114
Unearned revenue-other	420,725	61,613	-	3,335	485,673
Deposits payable	113,147	-	-	-	113,147
Total liabilities	1,274,798	250,585	172,460	120,091	1,817,935
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	189,597	-	-	-	189,597
Total deferred inflows of resources	189,597	-	-	-	189,597
FUND BALANCE					
Non-Spendable	120,857	-	-	285,856	406,713
Restricted	97,097	3,399,501	3,177,113	471,589	7,145,301
Committed	738,221	250,748	150,306	506,478	1,645,753
Assigned	2,328,450	99,684	1,158,546	1,279,599	4,866,280
Unassigned	7,556,857	-	-	-	7,556,857
Total fund balance	10,841,483	3,749,933	4,485,965	2,543,523	21,620,903
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,305,877	\$ 4,000,518	\$ 4,658,426	\$ 2,663,614	\$ 23,628,436

Total Fund Balance for Governmental Funds	\$ 21,620,903
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	156,708,055
Other long-term assets are not available to pay for current period expenditures are deferred in the funds	9,007,597
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(24,385,243)
Internal service funds are used by management to charge the costs of certain activities to individual funds.	
These assets and liabilities are included in governmental activities in the statement of net position.	7,916,376
Net position of governmental activities	\$ 170,867,690
See also NOTE 2 for detailed reconciliation.	

City of Mercer Island
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2019

Item 1.

	General	Street	Capital Imp	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 12,522,800	-	\$ 359,912	\$ 615,500	13,498,212
Sales	5,257,123	-	-	-	5,257,123
B&O	4,864,885	-	-	-	4,864,885
REET	-	1,601,198	1,957,325	-	3,558,523
Licenses & permits	2,684,589	-	-	-	2,684,589
Intergovernmental	573,967	1,055,865	181,073	570,191	2,381,097
Charges for services	4,230,869	63,696	133,702	2,235,671	6,663,938
Fines & forfeitures	300,893	-	-	-	300,893
Investment earnings	614,433	-	-	7,373	621,806
Other revenues	452,096	546	5,800	438,071	896,513
Total revenues	31,501,654	2,721,305	2,637,813	3,866,807	40,727,579
EXPENDITURES					
Current:					
Judicial	437,031	-	-	-	437,031
General government	4,844,020	-	88,590	43,643	4,976,253
Public safety	14,555,206	-	182,318	48,027	14,785,552
Physical environment	67,938	-	-	-	67,938
Transportation	920,390	1,180,209	-	454,262	2,554,860
Health & human services	12,522	-	7,911	2,972,661	2,993,094
Economic environment	3,344,713	-	-	-	3,344,713
Culture & recreation	5,515,408	-	1,290,443	44,186	6,850,038
Debt service:					
Principal	-	-	-	780,000	780,000
Interest	-	-	-	61,800	61,800
Capital outlay:					
General government	-	-	-	16,565	16,565
Public safety	-	-	-	60,627	60,627
Transportation	18,497	1,766,534	-	2,044,478	3,829,510
Economic environment	-	-	-	71,237	71,237
Culture & recreation	-	-	113,613	-	113,613
Total expenditures	29,715,725	2,946,743	1,682,876	6,597,488	40,942,831
Excess (deficiency) of revenues over (under) expenditures	1,785,929	(225,437)	954,937	(2,730,681)	(215,252)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	50,085	1,643,195	1,693,280
Transfers out	(1,517,587)	(44,479)	(138,100)	-	(1,700,166)
Total other financing sources (uses)	(1,517,587)	(44,479)	(88,015)	1,643,195	(6,886)
Net change in fund balances	268,342	(269,916)	866,922	(1,087,486)	(222,138)
Fund balances - Beginning	10,573,141	4,019,850	3,619,044	3,631,008	21,843,041
Fund balances - Ending	\$ 10,841,483	3,749,933	\$ 4,485,965	\$ 2,543,523	21,620,903

The Notes to the Financial Statements are an integral part of this statement.

City of Mercer Island
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2019

Item 1.

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances for governmental funds	(222,138)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	253,668
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Current year depreciation is:	
Capital Outlays	4,091,552
Depreciation Expense	(3,035,101)
	<u>1,056,451</u>
	1,056,451
The issuance of long term debt is a resource and the repayment of bond principal is an expenditure in governmental funds. These transactions effect liabilities in the Statement of net position.	
Debt Principal repayments and related costs.	810,445
Expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditure in governmental funds. Total:	(534,730)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income/(loss) of most of these activities is reported with governmental activities.	597,594
Change in net position of governmental activities	<u>\$ 1,961,290</u>
See also NOTE 2 for detailed reconciliation.	

**City of Mercer Island
Statement of Net Position
Proprietary Funds
December 31, 2019**

Item 1.

	Business-type Activities--Enterprise Funds				Governmental Activities--Internal Service Funds
	Water Fund	Sewer Fund	Storm Drain Fund	Total Enterprise Funds	
ASSETS					
Current assets:					
Cash & cash equivalents	\$ 15,114,714	\$ 5,807,607	\$ 4,792,245	\$ 25,714,567	\$ 4,826,369
Receivables (net)	270,997	528,320	116,395	915,713	556
Inventories	219,894	10,924	-	230,818	-
Noncurrent assets:					
Capital assets:					
Land	106,125	97,866	-	203,992	-
Construction in progress	92,846	433,898	79,554	606,298	-
Depreciable assets (net of accumulated depreciation)	16,343,929	25,085,193	7,854,591	49,283,713	4,502,152
Total assets	32,148,506	31,963,809	12,842,786	76,955,100	9,329,077
DEFERRED OUTFLOW of RESOURCES					
Deferred amount on refunding	\$ -	280,647	-	280,647	-
Pensions	127,935	95,928	75,294	299,157	52,916
Total Deferred Outflow of Resources	127,935	376,575	75,294	579,804	52,916
LIABILITIES					
Current liabilities:					
Accounts payable and accrued exp.	\$ 402,964	\$ 280,062	\$ 81,927	\$ 764,954	\$ 135,636
Accrued interest payable	3,096	21,251	-	24,347	23,514
Bonds, notes, loans payable	70,000	857,757	-	927,757	176,498
Deposits payable	8,700	-	11,693	20,393	-
Noncurrent liabilities:					
Compensated absences	63,995	52,608	41,199	157,802	24,079
Bonds, notes, loans payable	896,446	7,706,046	-	8,602,492	886,459
Net pension liability	376,885	282,596	221,811	881,292	155,885
Total liabilities	1,822,086	9,200,321	356,630	11,379,037	1,402,071
DEFERRED INFLOW of RESOURCES					
Pensions	\$ 245,563	184,128	144,523	574,214	101,568
Total Deferred Inflow of Resources	245,563	184,128	144,523	574,214	101,568
NET POSITION					
Net investment in capital assets	\$ 15,576,454	\$ 17,053,154	\$ 7,934,145	\$ 40,563,753	\$ 3,439,195
Unrestricted	14,632,337	5,902,781	4,482,782	25,017,900	4,439,159
Total net position	\$ 30,208,792	\$ 22,955,935	\$ 12,416,927	\$ 65,581,654	\$ 7,878,354
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:				(38,022)	
Net position of business-type activities				<u>\$ 65,543,631</u>	

The Notes to the Financial Statements are an integral part of this statement

City of Mercer Island
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year ended December 31, 2019

	Water Fund	Sewer Fund	Storm Drain Fund	Total Enterprise Funds	Governmental Activities-Internal Service Funds
OPERATING REVENUES					
Charges for Services:					
Charge for services	\$ 8,630,778	\$ 9,845,534	\$ 1,978,400	\$ 20,454,712	\$ 2,085,285
Total operating revenues	8,630,778	9,845,534	1,978,400	20,454,712	2,085,285
OPERATING EXPENSES					
Maintenance & operations	2,260,373	1,992,401	1,396,251	5,649,026	1,435,502
Water purchased for resale	1,922,076	-	-	1,922,076	-
Metro sewer charges	-	4,797,727	-	4,797,727	-
Administrative and general	337,729	286,018	-	623,747	-
Insurance	124,077	63,993	13,635	201,705	34,505
State utility taxes	444,569	211,641	31,250	687,460	-
Depreciation	705,347	1,001,531	218,043	1,924,922	800,635
Total operating expenses	5,794,171	8,353,313	1,659,179	15,806,663	2,270,642
Operating income (loss)	2,836,607	1,492,221	319,221	4,648,049	(185,358)
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	348,755	150,611	120,098	619,465	10,952
Interest expense	(38,195)	(193,781)	-	(231,976)	(35,249)
Other non-operating revenue	29,195	-	77,650	106,845	411,072
Gain (loss) on disposition of assets	-	-	-	-	22,692
Total non-operating income (expense)	339,755	(43,170)	197,749	494,334	409,468
Income before contributions & transfers	3,176,363	1,449,051	516,970	5,142,384	224,110
Transfers in	-	-	-	-	394,326
(Transfers out)	(37,865)	(265,213)	(84,361)	(387,440)	-
Change in net position	3,138,498	1,183,838	432,609	4,754,944	618,436
Net position--beginning	27,070,294	21,772,097	11,984,318	60,826,709	7,259,919
Net position --ending	\$ 30,208,792	\$ 22,955,935	\$ 12,416,927	\$ 65,581,654	\$ 7,878,354
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.				20,842	
Change in net position of business-type activities				\$ 4,775,787	

**City of Mercer Island
Statement of Cash Flows**

Item 1.

**Proprietary Funds
For the Year Ended December 31, 2019**

	Water	Sewer	Storm Drain	Totals	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 8,629,900	\$ 9,825,482	\$ 1,975,752	\$ 20,431,134	\$ 2,085,285
Payments to employees	(1,564,666)	(1,201,898)	(902,171)	(3,668,735)	(655,979)
Payments to suppliers	(1,423,522)	(1,624,058)	(623,308)	(3,670,887)	(905,562)
Payments to other governments	(2,366,645)	(5,009,368)	(31,250)	(7,407,263)	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,275,068	1,990,158	419,023	5,684,249	523,744
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other non-operating revenues	70,435	0	497,945	568,380	142,847
Interfund transfers received/(paid)	(37,865)	(265,213)	(84,361)	(387,439)	394,326
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	32,570	(265,213)	413,584	180,941	537,173
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash contributions in aid of capital purchases	0	0	34,307	34,307	251,145
Purchase of capital assets	(1,252,971)	(468,858)	(263,451)	(1,985,279)	(475,590)
Principal paid on capital debt	(71,041)	(850,643)	0	(921,683)	(171,472)
Interest paid on capital debt	(38,384)	(196,255)	0	(234,639)	(38,598)
Proceeds from sales of capital assets	0	0	0	0	39,772
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(1,362,396)	(1,515,755)	(229,144)	(3,107,295)	(394,743)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on Investments	359,766	155,754	124,280	639,799	11,340
NET CASH PROVIDED BY INVESTING ACTIVITIES	359,766	155,754	124,280	639,799	11,340
Net increase(decrease)in cash	2,305,008	364,944	727,743	3,397,695	677,514
Cash January 1, 2019	12,809,706	5,442,664	4,064,502	22,316,872	4,148,856
Cash December 31, 2019	15,114,714	5,807,607	4,792,245	25,714,567	4,826,370
Cash at the end of the year consists of:					
Operating fund cash	15,114,714	5,807,607	4,792,245	25,714,567	4,826,370
Total cash at the end of the year	15,114,714	5,807,607	4,792,245	25,714,567	4,826,370
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 2,836,607	\$ 1,492,221	\$ 319,221	\$ 4,648,049	\$ (185,358)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	705,347	1,001,531	218,043	1,924,922	800,635
(Increase)decrease in accounts receivable	(878)	(20,052)	(2,648)	(23,578)	0
Increase(decrease) in accounts payable	(91,302)	(397,640)	(59,944)	(548,886)	25,508
Increase (decrease) in salary and benefit payable	(174,707)	(85,902)	(55,649)	(316,258)	(117,041)
Total adjustments	438,461	497,937	99,802	1,036,200	709,101
Net cash provided by operating activities	\$ 3,275,068	\$ 1,990,158	\$ 419,023	\$ 5,684,249	\$ 523,744

The Notes to the Financial Statements are an integral part of this statement.

City of Mercer Island
Statement of Net Position
Fiduciary Funds
December 31, 2019

Item 1.

	Firemens Pension Trust Fund	Agency Funds
ASSETS		
Cash & cash equivalents	\$ 879,482	\$ 39,025
Receivables	1,141	-
Total assets	<u>880,623</u>	<u>39,025</u>
LIABILITIES		
Benefits payable	\$ 4,186	\$ 39,025
Total liabilities	<u>\$ 4,186</u>	<u>39,025</u>
NET POSITION		
Held in trust for pension and other benefits	876,437	-
Total net position restricted for pensions	<u>\$ 876,437</u>	<u>-</u>

The Notes to the Financial Statements are an integral part of this statement,

City of Mercer Island
Statement of Changes in Net Position
Fiduciary Funds
For the year ended December 31, 2019

	Firemens Pension Trust Fund
ADDITIONS:	
Contributions:	
Taxes	\$ 26,410
Other	33,226
Total other contributions	59,636
Investment earnings:	
Interest & dividends	22,489
Total net investment income (loss)	22,489
Total additions	82,125
DEDUCTIONS:	
Benefit payments	84,671
Total deductions	84,671
Change in net position	(2,546)
Net position - Beginning	878,983
Net position - Ending	<u>\$ 876,437</u>

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Mercer Island have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

Organization

The City of Mercer Island was incorporated on July 18, 1960. It remained separate from the Town of Mercer Island (which occupied the area now in the central business district) until July of 1970. The City has a council-manager form of government and operates under Title 35A of the Revised Code of Washington (RCW). The City Council is composed of seven non-partisan members elected at large for 4 year terms. From among the council members a mayor is elected for a term of two years. Day-to-day City operations are under the direction of a city manager, who is appointed by the council. The City provides general government services including police, fire service, streets and trails, parks and recreation, planning and zoning, permits and inspection, general administrative and water, sewer, and storm water services.

Reporting Entity

The City of Mercer Island operates under the laws of the State of Washington applicable to the council-manager form of government. As required by generally accepted accounting principles the financial statements present the City of Mercer Island as the primary government.

Blended Component Unit – The Mercer Island Transportation Benefit District was formed by the City Council on October 20, 2014. The purpose of the District is to fund the maintenance, improvement and preservation of existing transportation facilities. The City of Mercer Island Council appointed itself to act as the seven-member governance board of the District. At its December 7, 2015 meeting, the City Council adopted ordinance 15C-24 authorizing the City to assume the rights, powers, functions, immunities and obligations of the Mercer Island Transportation Benefit District. The Mercer Island Transportation Benefit District is reported as a part of the primary government because of its governance structure and because its sole purpose is to finance and construct Mercer Island streets. The District is funded by a \$20 excise tax on all vehicles registered within the City of Mercer Island. Under contract with the Washington State Department of Licensing, the vehicle excise taxes began collection in May 2015. Voters approved Initiative 976 with the November 5, 2019 Election, which repealed certain vehicle registration fees, including the Mercer Island TBD. The Department of Licensing continues to collect the fees pending the outcome of litigation regarding I-976. The City of Mercer Island will defer earning fee revenue collected after the passage of I-976 until the Washington State Supreme Court rules on the appeals regarding I-976.

Government-Wide and Fund Financial Statements

The city's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are paid for by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included as program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, State shared revenues, utility taxes, franchise fees, grants, and reimbursements under inter-local agreements associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are charges between the government's utility functions and various other functions of the government.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

The proprietary fund statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the funds principal ongoing operations. The principal operating revenues of the City's utility funds and internal service funds are charges to customers for sales and services, vehicle replacement, and computer replacements. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

Financial Statement Presentation

The City of Mercer Island reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It accounts for all financial resources and transactions of the City except those required to be accounted for in another fund.

The **Street Fund** is a special revenue fund that accounts for revenues and expenditures for street maintenance, preservation and construction.

The **Capital Improvement Fund** accounts for financial resources to be used for the acquisition, construction and preservation of the City's general government capital assets and facilities.

The City reports the following major Proprietary Funds:

The **Water Fund** accounts for all activities necessary for the operation, maintenance, and capital reinvestment required to provide water services to Mercer Island residents.

The **Sewer Fund** accounts for all activities necessary for the operation, maintenance, and capital reinvestment required to provide waste water services to Mercer Island residents.

The **Storm and Surface Water Fund** accounts for all activities necessary for the operation, maintenance, and capital reinvestment required to provide storm water services to Mercer Island residents

Additionally the City reports the following fund types:

Permanent Funds account for principle restricted donation earnings. The City has one permanent fund, the Youth Service Endowment, which was created as long-term funding mechanism to support ongoing YFS programs.

Special Revenue Funds account for revenues derived from restricted or committed taxes, grants, contributions, and other resources for specific purposes. The City has one non-major special revenue funds: the Youth and Family Services fund.

Capital Funds account for the 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 has three non-major capital funds: Technology and Equipment Fund, Long Term Parking Construction, and the Capital Reserve fund.

Internal service funds account for fleet maintenance and information technology services provided to other departments of the city.

Agency funds account for assets held by the city as an agent for private individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

The **Pension Trust Fund** accounts for the activities of the Firemen's Pension Fund, which accumulates resources for excess pension benefit payments to qualified firefighters.

Budget Policy

The City of Mercer Island budgets its funds in accordance with the Revised Code of Washington (RCW) Chapter 35A.34. The City of Mercer Island biennial budget is adopted by appropriation ordinance of the Mercer Island City Council and may be amended by subsequent ordinances. Budgets are legally adopted for all general and special revenue fund types on the modified accrual basis, in accordance with GAAP (Generally Accepted Accounting Principles). The City also establishes budgets for the following other fund types: debt service, capital projects, internal service, proprietary, and fiduciary funds. Biennial budgets for debt service and capital project funds are determined by debt issue ordinances and capital spending plans, respectively, therefore, budgetary comparisons, are not reported in the basic financial statements. Nor are budgetary comparisons presented for proprietary fund types, as they are "management budgets", determined on the working capital basis. Washington State law requires that a mid-biennial review and modification be conducted between September 1st and December 31st of the first year of the biennium.

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 after holding a public meeting. To date the City's 2019-2020 biennial budget has been amended seven (7) times during the 2019-2020 biennium. The financial statements present the original and final budgetary information as approved. The original budget is the first complete adopted budget. The final budget is the original budget adjusted by all revisions, transfers and supplemental appropriations legally authorized. All appropriations, except for budgeted capital projects and appropriations for federal and state grant projects, lapse at the end of the biennium. Unexpended resources must be re-appropriated in the subsequent biennial period. The City does not use encumbrances.

The steps taken in the budget process are as follows: City departments begin budget preparation in late spring, incorporating policies, goals, and priorities set by City Council in their Management and Budget Policies, during their annual retreat, and during regular Council meetings throughout the year. By November 1st of even years, in compliance with the law, the City Manager submits a balanced proposed budget to the City Council for the two fiscal years commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public budget hearings are conducted by the City Council in November and December, in accordance with State Law, to obtain taxpayer comments. Should the Council decide to make changes in the preliminary budget; the changes are made after the public hearings and before the adoption of the budget ordinance in December. Washington State law requires that the City Council adopt a balanced budget, which is legally enacted through passage of an ordinance, on or before December 31st.

Cash and Investments

It is the City's policy to invest all temporary (residual) cash surpluses. These investments are reported on the Statement of Net Position as cash and cash equivalents. Included in cash and cash equivalents are currency on hand, investments with the State Investment Pool and other investments. Residual cash from all funds is pooled and the interest earned on the investments is allocated back to various funds on a pro-rata basis. See Note 5.

The City, by State law, is authorized to purchase Certificates of Deposit issued by Washington State depositories that participate in a State Insurance Pool, U.S. Treasury and Agency Securities and banker's acceptances. All security transactions, entered into by the City of Mercer Island, are conducted on a delivery versus payment

(DVP) basis. Securities are held by a third party custodian designated by the Finance Director. Investments are reported at Fair market value in accordance with GASB Statement 31.

Receivables

The City of Mercer Island recognizes receivables in its financial statements based on the accounting requirements for each statement. Receivables are as follows:

Taxes: The City's property tax collection records show that approximately 98% of the property taxes due are collected in the year of the levy and delinquent taxes are collected in the next few years. Historically, all taxes have been collected; therefore no allowance for uncollectible taxes is recorded.

Sales Tax: Sales Tax collected and remitted by the State within 45 days of the fiscal year end is reported as receivables at year end.

Other Taxes: Utility taxes and franchise fees remitted within 45 days of the fiscal year end are reported as receivables at year end.

Interest: Interest receivable consists of interest earned on investments, notes or contracts at the end of the year.

Accounts Receivable: Customer accounts receivable consists of amounts owed by private individuals or organizations for City goods and services provided. Uncollectible amounts are considered immaterial and the direct write-off method is used when necessary.

Inter-fund Transactions

During the course of normal operations, the City has numerous transactions between City funds. Quasi-external transactions such as buying goods and services are recorded as revenues and expenses. Reimbursements to a fund for expenditures previously paid that are more properly applicable to another fund are recorded as expenditures in the reimbursing fund and a reduction of expenditure in the fund receiving reimbursement.

All other inter-fund transactions are reported as transfers. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated. Indirect expenses are primarily charged to the various functions through the use of internal service funds for fleet maintenance and information technology. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this general rule are charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund loans receivable/payable*. All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as *internal balances*.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed. The reserve for inventory is equal to the

ending amount of inventory to indicate that a portion of the fund balance is not available for future expenditures.

Inventories in proprietary funds are valued by the first in, first out (FIFO) valuation method which approximates market. A periodic inventory is maintained for operating consumables, where the cost is capitalized when the inventory is purchased and expensed when the item is consumed.

Long Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Assets

Capital assets, which include property, plant, equipment, improvements, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. All vehicles, computers, production printers and projection equipment are capitalized regardless of the initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at acquisition price. See also Note 11.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Land, construction in progress, intangible assets with indefinite useful lives, and works of art are not depreciated. Infrastructure acquired subsequent to fiscal years ended after June 30, 1980 is reported. Property, plant, infrastructure, and equipment of the city are depreciated using the straight line method over the following estimated useful lives:

ASSET	YEARS
Buildings\Bldg Improvements	30-50
Infrastructure	10-50
Other Improvements	10-50
Equipment	5-10
Intangibles - Software	4-10

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption

of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The City reports deferred outflow of resources related to pensions and for the difference between the reacquisition price and the net carrying amount of debt that resulted from the advance refunding of general obligation debt.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflow of resources related to pensions and for property taxes levied for the current or prior years that are unavailable at year end.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences - Vacation and Sick Leave

The City records a liability for accumulated unused vacation leave and salary related payments associated with the payment of vacation leave. All vacation leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Vacation leave for permanent full-time employees accumulates monthly at annual rates ranging from 12 to 21 days unless otherwise provided for in a collective bargaining agreement. Permanent part-time employees who work at least 8 hours per week earn vacation leave on a pro-rata basis. Employees with at least 5 years and 10 years of service may convert respectively 3 and 5 days of accrued vacation leave to cash, paid through the regular payroll. At termination of employment, employees with the required length of service may receive cash payment for accumulated vacation leave up to a maximum of 30 days. The payment is based on current wages at termination. In accordance with GASB Statement 16, the City accrues a liability for vacation pay.

Sick leave for permanent full-time employees accumulates monthly at the rate of one day for each full month of service unless otherwise provided in a collective bargaining agreement. Permanent part-time employees who work at least 8 hours per week earn sick leave on a pro-rata basis. Sick leave can be accrued to a maximum of 90 days; however, no compensation for accrued sick leave is paid on termination. Accordingly, no liability is recorded for accrued sick leave.

Unearned Revenue

Unearned revenues are those which are measurable but not yet available under the modified accrual basis of accounting. Accordingly, they are not recorded as revenue in the fund financial statements. The City has recognized three unearned revenue items in 2019:

- Rental charges for future scheduled use of City Community Center and Park facilities.
- Unearned permit and development fee revenues.
- Transportation Benefit District and Multimodal collections subsequent to the passage of I-976.

Net Position

The difference between fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is “net position” on the government-wide, proprietary, and fiduciary fund statements, and is “fund balance” on the governmental statements.

Fund Balance Components

In accordance with GASB Statement 54 the fund balance amounts for governmental funds have been classified as either non-spendable, restricted, committed, assigned, or unassigned.

- **Non-spendable** fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as the principal balance in a permanent fund.
- **Restricted** fund balance represents fund balance which has constraints placed on the use of the funds by creditors, grantors, contributors, or laws and regulations of outside governments, or through constitutional provisions or enabling legislation.
- **Committed** fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Mercer Island City Council, the City’s highest level of decision making authority. This formal action is the adoption of an ordinance.
- **Assigned** fund balance includes amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. Assignments of fund balance result from resolution, policy, and budget appropriation and are directed by the City Council, the City Manager, and the Finance Director. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
- **Unassigned** fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

As allowed by the Revised Code of Washington (RCW 35.34.250) the City of Mercer Island maintains a contingency reserve. According to Washington State law, the balance of the Contingency reserve is limited to 37.5 cents per \$1,000 of assessed valuation. The funding goal is to maintain a target balance of twelve percent (12%) of budgeted expenditures in the General Fund. The Contingency reserve is intended to address significant revenue shortfalls, and unanticipated, non-recurring, or emergency expenditures. These funds may not be used to establish or support costs that are recurring in nature. Any usage of Contingency Fund reserves must be appropriated by ordinance by the City Council. In the event the Contingency Fund reserves are used, the city shall strive to restore the fund to the twelve percent (12%) level within three years. Replenishment of the reserve will be a high priority of the City Council. The balance of the contingency reserve at December 31, 2019 is \$4,129,165 and is included in the un-assigned fund balance of the General Fund.

NOTE 2 – RECONCILIATION OF GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

Explanation of aggregated differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between total fund balance and total net position as reported in the government-wide statement of net position. The details of the aggregated differences are presented below:

Other long-term assets, and deferred outflows of resources, are not available to pay for current period expenditures and therefore are not reported in the funds:

Net Pension Asset (NPA)	\$	6,400,897
Deferred Outflow of Resources - pensions		2,329,286
Municipal Court receivable		248,284
Deferred Outflow of Resources -refunding		11,983
Deferred Outflow of Resources -refunding		17,147
Net adjustment	\$	<u>9,007,597</u>

Capital Assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value:

Capital assets not subject to depreciation		
Land	\$	92,407,073
Land infrastructure ROW		16,382,750
Construction in progress		181,737
Depreciable infrastructure (net)		17,957,158
Other depreciable assets (net)		29,779,337
Net adjustment	\$	<u>156,708,055</u>

Some liabilities are not due and payable in the current period and therefore are not reported in the funds:

Net Pension Liability (NPL)	\$	(4,604,016)
G.O. bonds payable		(1,980,000)
Total OPEB liability		(12,097,772)
Deferred Inflow of Resources - Pension		(4,213,663)
Compensated absences		(1,391,869)
Un-amortized premium/discount (net)		(94,198)
Interest payable on long term debt		(3,725)
Net adjustment	\$	<u>(24,385,243)</u>

Explanation of aggregated differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government wide statement of activities. The details of the aggregated differences are presented below:

Governmental funds report capital outlays as expenditures. The Statement of Activities allocates the cost of capital outlay over the asset useful life as depreciation.

Capital outlays	\$ 4,091,552
Depreciation Expense	(3,035,101)
Net adjustment	<u>\$ 1,056,451</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Municipal Court receivable	\$ (29,174)
Special Funding for LEOFF	282,842
Net adjustment	<u>\$ 253,668</u>

The proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. Repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. Neither the receipt of debt proceeds nor the payment of debt principal effect the Statement of Activities, but are reported as increases and decreases in non-current liabilities in the Statement of Net Position:

Principal payment G.O. bonds	\$ 780,000
Net change in interest payable on long term debt	1,425
Amortization of premium/discounts (net)	38,731
Amortization of deferred inflow of resources (net)	(9,710)
Net adjustment	<u>\$ 810,445</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in total OPEB liability	\$ (2,029,385)
Change in compensated absence payable	9,539
Adjustment to Pension Expense	1,485,116
Net adjustment	<u>\$ (534,730)</u>

NOTE 3 – BUDGETARY INFORMATION**Final Budget**

The City Council biennially adopts a budget by ordinance establishing appropriations for City funds and may during the year authorize supplemental appropriations. Amounts shown in the accompanying financial statements represent the original budgeted amounts plus all supplemental appropriations. Revisions made to the original budget are shown below:

Fund	Original Biennial Budget	Biennium Adjustments	Final Biennial Budget
<i>General Government</i>			
General	\$ 65,266,223	\$ (2,607,136)	\$ 62,659,087
Contingency	1,035,704	1,683,416	2,719,120
1% Arts Fund	30,000	13,521	43,521
YFS Endowment	7,000	-	7,000
Total General Government	\$ 66,338,927	\$ (910,199)	\$ 65,428,728
<i>Special Revenue Funds</i>			
Street	\$ 6,777,685	\$ 406,315	\$ 7,184,000
YFS Fund	5,714,419	829,708	6,544,127
Total Special Revenue	\$ 12,492,104	\$ 1,236,023	\$ 13,728,127
Total General & Special Revenue	\$ 78,831,031	\$ 325,824	\$ 79,156,855

NOTE 4 – GOVERNMENTAL FUND BALANCES**Composition of Fund Balance**

It is the policy of the City that expenditures for which more than one category of fund balance could be used, that the order of use is: Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance.

The following shows the composition of the fund balance of the governmental funds, by major fund, for the fiscal year ended December 31, 2019:

	General	Street	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Permanent fund principle	\$ -	\$ -	\$ -	\$ 285,856	\$ 285,856
Supplies inventory	120,857			-	120,857
Total Nonspendable	120,857	-	-	285,856	406,713
Restricted					
Capital investment in parks, buildings and open space			2,774,691	302,196	3,076,887
Criminal justice				23,336	23,336
Drug enforcement & education				41,345	41,345
Human services				104,713	104,713
Jails	79,437			-	79,437
Municipal Court Trust	17,660			-	17,660
KC parks expansion levy funds			72,531	-	72,531
Streets, paths and trails		3,399,501	329,891	-	3,729,392
Total Restricted	97,097	3,399,501	3,177,113	471,590	7,145,301
Committed					
Art in public places	177,581			-	177,581
Parks, streets, paths and trails		250,748	150,306	-	401,054
Human services				506,478	506,478
LEOFF 1 long term care	520,640			-	520,640
Self insurance	40,000			-	40,000
Total Committed	738,221	250,748	150,306	506,478	1,645,753
Assigned					
Appropriated fund balance					-
Athletic turf field replacement			1,158,546	-	1,158,546
Capital improvements				718,415	718,415
Compensated absence	1,051,055			-	1,051,055
Debt service				23,981	23,981
LEOFF 1 long term care	1,114,763			-	1,114,763
Petty cash	2,550			-	2,550
Self insurance	69,750			-	69,750
Streets, paths and trails		99,684		-	99,684
Technology and equipment	90,333			537,203	627,536
Total Assigned	2,328,451	99,684	1,158,546	1,279,599	4,866,280
Unassigned					
	7,556,857	-	-	-	7,556,857
Total Fund Balance	\$ 10,841,483	\$ 3,749,933	\$ 4,485,965	\$ 2,543,523	\$ 21,620,903

NOTE 5 - DEPOSITS AND INVESTMENTS**Deposits**

The City of Mercer Island's bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All deposits not covered by the FDIC are covered by the PDPC.

Cash and Deposits

Cash on hand	2,550
FDIC or PDPC Insured Bank Deposits	\$ 1,171,738
Total	\$ 1,174,288

Investments

All surplus cash is invested in accordance with an investment policy approved by the Mercer Island City Council (January 2012). State law defines eligible investments to only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.250, and 43.84.080). Eligible investments which the City held at year end include Government Sponsored Enterprises, Washington State Local Government Investment Pool, obligations of state and local government agencies, and FDIC and PDPC Insured Bank Deposits. Investments are carried at fair market value in accordance with GASB 31.

Investments Measured at Amortized Cost

Cash held in the Washington State Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). This pool represents an interest in a group of securities and has no specific security subject to custodial risk. The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP. The LGIP is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP has no limitations or restrictions on withdrawals.

Investments Measured at Amortized Cost

Washington State Local Government Investment Pool	\$ 36,374,489
Total	\$ 36,374,489

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City of Mercer Island would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City's Investment Policy requires that all security transactions entered into by the City of Mercer Island will be conducted on a delivery-versus-payment (DVP) basis and will be held in safekeeping by a third-party custodian. All of the City's securities at year end were held in safekeeping by a third-party custodian and are not exposed to custodial credit risk.

Credit Risk

Credit risk is the chance that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. The

City's investment policy applies the prudent person standard; investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The Washington State Local Government Investment Pool is a 2a7-like pool and is unrated. The credit ratings on securities held by the City of Mercer Island on December 31, 2019, are listed below:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
Government Sponsored Enterprises			
Federal Farm Credit Bank	AAA	AA+	\$ 2,997,407
Federal Home Loan Bank	AAA	AA+	5,024,137
Federal Home Loan Mortgage Corporation	AAA	AA+	1,999,460
Federal National Mortgage Assn	AAA	AA+	1,993,781
U.S. Treasury Notes	AAA	AA+	2,017,656
Total			\$ 14,032,441

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issues. It is the City's policy to diversify its investments by security type and institution. The City's policy is to assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury securities and authorized pools, no more than 30% of the entity's total investment portfolio will be invested in a single security type, issuer or financial institution, and no more than 5% invested with State or political subdivision securities. Detail information on concentration risk is covered in the City of Mercer Island's Investment Policy.

Investment Type	Fair Value	Cost Based Measure	Percent of Total
Government Sponsored Enterprises			
Federal Farm Credit Bank	\$ 2,997,407		5.8%
Federal Home Loan Bank	5,024,137		9.7%
Federal Home Loan Mortgage Corporation	1,999,460		3.9%
Federal National Mortgage Assn	1,993,781		3.9%
U.S. Treasury Notes	2,017,656		3.9%
Municipal Security			
Port of Seattle	-		0.0%
Cash on hand		2,550	0.0%
FDIC or PDPC Insured Bank Deposits		1,171,738	2.3%
Washington State LGIP		\$ 36,374,489	70.5%
Total	\$ 14,032,441	\$ 37,548,777	
Total Cash, Deposits and Investments		\$ 51,581,218	

* Of the total, \$918,506.50 is cash and investments of Fiduciary Funds.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's policy limits investments in securities to those maturing no more than five years from the date of purchase.

The Washington State Local Government Investment Pool is an unrated 2a-7 like pool as defined by GASB 31, accordingly participants balances are not subject to interest rate risk as the weighted average maturity of the portfolio will not exceed 90 days. The Average Days to Maturity on December 31, 2019, was 37 days.

The following schedule presents the investments and related maturities as of December 31, 2019.

Investment Type	Fair Value	Maturity (in Years)	
		Less Than 1	1-5
Government Sponsored Enterprises	\$ 14,032,441	\$ 7,998,603	\$ 6,033,838
Municipal Security	-	-	-
Total	\$ 14,032,441	\$ 7,998,603	\$ 6,033,838

Fair Value Hierarchy

Securities classified as Level 1 in the fair value hierarchy are valued using prices quoted in active markets for identical securities, Level 2 securities are valued using observable, and Level 3 securities are valued using unobservable inputs. U.S. Government Sponsored Enterprise securities classified in Level 2 are valued using quoted prices for similar securities and interest rates. The level of fair value measurement is based on the lowest level of significant input for the security type in its entirety. There are no Level 1 or Level 3 security classifications to report. Cash on hand, bank deposits, cash held by other entities and the Local Government Investment Pool (LGIP) are valued using a cost based measure. The following schedule presents the investments and method of fair value measurement as of December 31, 2019:

Investment Type	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Government Sponsored Enterprises	\$ 14,032,441		\$ 14,032,441	
Municipal Security	-		-	
Total	\$ 14,032,441	\$ -	\$ 14,032,441	\$ -

NOTE 6 – PROPERTY TAXES

The King County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property value listed as of the prior May 31. Assessed values are established by the County Assessor at 100 percent of fair market value. A reevaluation of all property is required every two years. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed on a daily basis. The amount of taxes receivable at year end are recorded as receivables and offset by deferred revenue. No allowance for uncollectable taxes is established because delinquent taxes are considered fully collectable.

The City is permitted by law to levy up to \$3.10000 per \$1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following three reasons:

1. The Washington State Constitution limits the total regular property taxes to 1 percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts (except for ports and utility districts) exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit.
2. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to the lesser of inflation (as measured by the Implicit Price Deflator) or 101%, after adjustments. Inflation can be expected to exceed one percent; consequently, the levy lid will normally be 101%.
3. The City is allowed by law in RCW 84.55.050 to ask the voters to approve increases in excess of the 101% limit. A simple majority of voters can approve a “levy lid lift” that would increase the base for the following year. That base can be increased either forever, for a limited period of time, or for a particular purpose

Special levies approved by the voters are not subject to the above limitations.

For 2019 the City's tax levy was \$0.93340 per \$1,000 on a total assessed valuation of \$15,137,121,033 for a total levy of \$13,677,689. The total property tax levy includes the regular statutory levy and special levies as detailed below:

General Levy

Regular Statutory Levy	\$ 12,040,551
------------------------	---------------

LID Lifts

Lid Lift - 2008	955,079
-----------------	---------

Lid Lift - 2012	682,059
-----------------	---------

Total Property Tax Levy 2019	\$ <u>13,677,689</u>
-------------------------------------	-----------------------------

NOTE 7 - INTERFUND TRANSFERS

Transfers In and Transfers Out

During the course of normal operations, the City has numerous transactions between City funds. Reimbursements to a fund for expenditures previously paid that are more properly applicable to another fund are recorded as expenditures in the reimbursing fund and a reduction of expenditure in the fund receiving reimbursement. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund		\$ 1,517,587
Street Fund		44,479
Capital Improvement Fund	50,085	138,100
Non-Major Governmental Funds		
Transportation Benefit District		
Criminal Justice Fund		
Beautification Fund		
Youth & Family Services Fund	354,000	
Non-Voted Bond Fund	226,300	
Technology and Equipment Fund	414,479	
Town Center Parking	648,416	
Internal Service Fund		
Equipment Rental (Fleet) Fund	388,282	
Computer Replacement Fund	6,043	
Proprietary Funds		
Water Fund		37,865
Sewer Fund		265,213
Stormwater Fund		84,361
Total Transfers In/Out	\$ 2,087,606	\$ 2,087,606

Transfers out of the General fund include the ongoing support of Youth and Family Services programs at \$354,000 and funding for future technology and equipment purchases of \$250,000. Transfers out of the business type funds were to cover the utility portion of capital reinvestment costs.

NOTE 8 - LONG-TERM DEBT

The City of Mercer Island issues general obligation bonds (G.O.) to finance large capital improvement projects. General obligation bonds are a direct obligation of the City, which pledges its full faith and credit for repayment. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. There are two kinds of G.O. bonds: (1) non-voted or councilmanic, which the City can issue up to a specified limit without a vote of the people; and (2) voter-approved bonds, which require a vote of the people because a special (excess) property tax levy is needed for bond repayment.

At the close of 2019 the City has five Councilmanic bond issues outstanding. The City periodically reviews existing debt outstanding to determine if more favorable long term financing terms exist that would indicate savings to be gained by refunding.

General Obligation Bonds, Issuances, Redemptions, and Balances Outstanding

	Date of Issue	Date of Final Maturity	Interest Rates	Amount Originally Issued	Beginning Unmatured Debt 1/1/19	Amount Issued	Current Period Reductions	Ending Unmatured Debt 12/31/19
2011 LTGO	3/23/11	12/1/30	2.5/4.25	1,500,000	1,025,000		70,000	955,000
2013 LTGO	2/6/13	12/1/21	1.0/2.0%	4,940,000	1,775,000		580,000	1,195,000
2013 LTGO	2/6/13	12/1/23	1.0/2.0%	1,140,000	655,000		125,000	530,000
2017 LTGO	8/17/17	12/1/22	2.0 / 4.0%	335,000	330,000		75,000	255,000
2017 LTGO	8/17/17	12/1/29	1.95 / 4.0%	5,870,000	5,825,000		440,000	5,385,000
Total GO Bonds				\$ 13,785,000	\$ 9,610,000	\$ -	\$ 1,290,000	\$ 8,320,000

*Councilmanic Bonds

The 2013 LTGO Bond issuance for financing the constructing and equipping of Fire Station 92 and additional Fire apparatus is presented in the Statement of Net Position net of the related premium. The total bonds payable plus premiums net of amortization are as follows:

Bonds outstanding	\$ 1,195,000
Plus un-amortized bond premium	54,147
Bonds outstanding net	<u>\$ 1,249,147</u>

Proceeds from the 2013 LTGO Refunding Bonds were used to advance refund the 2004 CCMV construction bonds. The Refunding bonds are presented in the Statement of Net Position net of the related premium. The total bonds payable plus premiums net of amortization are as follows:

	\$ 530,000
Plus un-amortized bond premium	20,318
Bonds outstanding net	<u>\$ 550,318</u>

The 2011 LTGO bond issuance for capital improvements to the First Hill neighborhood water system is presented in the business type Statement of Net Position net of the related premium. The total bonds payable plus the unamortized bond premium is as follows:

Bonds outstanding	\$ 955,000
Plus un-amortized bond premium	<u>11,446</u>
Bonds outstanding net	<u>\$ 966,446</u>

Proceeds from the 2017 LTGO Refunding Bonds were used to advance refund a portion of the 2013 South Mercer Playfields bonds. The refunding bonds are presented in the Statement of Net Position net of the related premium. The total bonds payable plus premiums net of amortization are as follows:

Bonds outstanding	\$ 255,000
Plus un-amortized bond premium	<u>19,734</u>
Bonds outstanding net	<u>\$ 274,734</u>

Proceeds from the 2017 LTGO Refunding Bonds were used to advance refund a portion of the 2013 Sewer Lake Line bonds. The refunding bonds are presented in the business type Statement of Net Position net of the related premium. The total bonds payable plus premiums net of amortization are as:

Bonds outstanding	\$ 5,385,000
Plus un-amortized bond premium	<u>359,502</u>
Bonds outstanding net	<u>\$ 5,744,502</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2020	795,000	44,700	525,000	207,580
2021	820,000	27,200	555,000	187,105
2022	225,000	9,100	565,000	165,280
2023	140,000	2,800	590,000	142,961
2024-2028	-	-	3,290,000	379,564
2029-2030	-	-	815,000	26,900
TOTAL	\$ 1,980,000	\$ 83,800	\$ 6,340,000	\$ 1,109,390

Advance Refunding

In 2013 the City advance refunded a portion (\$1.135 million) of the 2004 LTGO Bonds to reduce its total combined debt service payments over the next ten years by \$180 thousand and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$170.3 thousand. The advance refunding also resulted in a difference between the net reacquisition price (funds deposited in escrow to refund old bonds) and the net carrying amount of the old debt of \$51,441. This amount, reported in the statement of net position as a deferred outflow of resources, will be charged to operations through the year 2023 using the effective interest method.

In 2017 the City advance refunded a portion (\$6.28 million) of the 2009 LTGO Bonds to reduce its total combined debt service payments over the next twelve years by \$659.4 thousand and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$585.5 thousand. The advance refunding also resulted in a difference between the net reacquisition price (funds deposited in escrow to

refund old bonds) and the net carrying amount of the old debt of \$356,748. This amount, reported in the statement of net position as a deferred outflow of resources, will be charged to operations through the year 2029 using the effective interest method.

Public Works Trust Fund Debt, Issuances, Redemptions and Balances Outstanding

	Date of Issue	Date of Final Maturity	Interest Rate	Amount Originally Issued	Beginning Unmatured Debt 1/1/2019	Amount Issued	Current Period Reductions	Ending Unmatured 12/31/2019
Sewer Lake Line	1/31/05	7/1/26	1.5%	7,000,000	3,222,058		402,757	2,819,302
Total PWTF Debt				\$ 7,000,000	\$ 3,222,058	\$ -	\$ 402,757	\$ 2,819,302

The annual debt service requirements to maturity for public works trust fund loans are as follows:

PWTF - Business Type Activities			
Year	Principal	Interest	Total
2020	402,757	14,097	416,854
2021	402,757	12,083	414,840
2022	402,757	10,069	412,826
2023	402,757	8,055	410,812
2024	402,757	6,041	408,799
2025-2026	805,515	6,041	811,556
Total	\$ 2,819,302	\$ 56,386	\$ 2,875,687

There are a number of other limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

NOTE 9 - LEASES**Capital Leases**

In 2012 the Mercer Island City Council authorized a contract with Pierce Manufacturing to purchase one Velocity Pumper Truck through a Lease Purchase financing agreement with Municipal Asset Management Inc. in the amount of \$619,546.50. The lease agreement qualifies as capital lease for accounting purposes.

In 2015 the Mercer Island City Council authorized a contract with Pierce Manufacturing to purchase one Midi Pumper Truck through a Lease Purchase financing agreement with Municipal Asset Management Inc. in the amount of \$341,295. The lease agreement qualifies as capital lease for accounting purposes.

In 2019 the Mercer Island City Council authorized a contract with Pierce Manufacturing to purchase one Velocity Pumper Truck through a Lease Purchase financing agreement with Municipal Asset Management Inc. in the amount of \$732,778. The lease agreement qualifies as capital lease for accounting purposes.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Pierce Velocity Fire Pumper	\$ 517,513
Pierce Velocity Fire Pumper	517,513
Pierce Midi Fire Pumper	251,982
Pierce Velocity Fire Pumper	619,547
Pierce Midi Fire Pumper	333,286
Pierce Velocity Fire Pumper	732,778
Less Accumulated Depreciation	(1,493,498)
Total	\$ 1,479,120

The future minimum lease obligation payments as of December 31, 2019 are as follows:

Year	Principal	Interest	Total
2020	176,497	33,574	210,071
2021	181,674	28,397	210,071
2022	187,008	23,063	210,071
2023	121,788	17,567	139,355
2024	125,696	13,659	139,355
2025-2027	270,293	19,468	289,761
Total	\$ 1,062,957	\$ 135,727	\$ 1,198,684

NOTE 10 - CHANGES IN LONG TERM LIABILITIES

Long term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 2,760,000	\$ -	\$ (780,000)	\$ 1,980,000	\$ 795,000
Capital lease	1,234,429	-	(171,472)	1,062,957	176,497
Deferred amounts:					
Issuance discounts	-	-	-	-	
For issuance premiums	132,928	-	(38,731)	94,197	
Total Bonds Payable	4,127,357	-	(990,203)	3,137,154	971,497
Net Pension Liability	6,270,151	-	(1,510,250)	4,759,901	
Total OPEB liability	10,068,387	2,029,385	-	12,097,772	
Compensated absences	1,425,321	-	(9,373)	1,415,948	
Total governmental activity long term liabilities	<u>\$ 21,891,215</u>	<u>\$ 2,029,385</u>	<u>\$ (2,509,826)</u>	<u>\$ 21,410,774</u>	<u>\$ 971,497</u>
Business Type Activities					
Bonds payable	\$ 6,850,000	\$ -	\$ (510,000)	\$ 6,339,999	\$ 525,000
Issuance discounts	-	-	-	-	
For issuance premiums	407,941	-	(36,990)	370,951	
PWTF Loans	3,222,059	-	(402,757)	2,819,301	402,757
Net Pension Liability	1,269,168	-	(387,876)	881,292	
Compensated absences	150,853	6,949	-	157,802	
Total business type activity long term liabilities	<u>\$ 11,900,019</u>	<u>\$ 6,949</u>	<u>\$ (1,337,624)</u>	<u>\$ 10,569,343</u>	<u>\$ 927,757</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$24,079 of internal service funds compensated absences Liability are included in the above amounts. Compensated absences for governmental activities are liquidated in the governmental fund from which the employee's salary is paid.

NOTE 11 – CAPITAL ASSETS**Changes in Capital Assets – Governmental Activities**

Asset Class	Balance 12/31/2018	Reclass	Additions	Deletions	Balance 12/31/2019
Capital assets not being depreciated					
Land	\$ 90,407,073		\$ 2,000,000		\$ 92,407,073
Land infrastructure	16,382,750				16,382,750
Construction in progress	3,984,985		150,777	(3,954,026)	181,737
Construction in progress - infrastructure	1,363,929		-	(1,363,929)	0
Total capital assets not being depreciated	\$ 112,138,738	\$ -	2,150,777	(5,317,955)	\$ 108,971,560
Capital assets being depreciated					
Buildings	\$ 30,141,306				\$ 30,141,306
Infrastructure	36,506,254		3,130,464		39,636,718
Improvements	14,082,633		3,201,881		17,284,514
Machinery & Equipment	2,345,748		193,608		2,539,355
Machinery & Equipment - IS	10,267,843		1,208,368	(349,172)	11,127,038
Intangibles	3,101,427				3,101,427
Total capital assets being depreciated	\$ 96,445,210	\$ -	7,734,320	(349,172)	\$ 103,830,358
Less accum depreciation For:					
Buildings	\$ (10,405,712)		\$ (797,721)		\$ (11,203,433)
Infrastructure	(20,466,420)		(1,213,140)		(21,679,560)
Improvements	(7,423,891)		(776,875)		(8,200,765)
Machinery & Equipment	(1,964,807)		(113,229)		(2,078,037)
Machinery & Equipment - IS	(6,173,423)		(800,635)	349,172	(6,624,887)
Intangibles	(1,670,893)		(134,136)		(1,805,030)
Total accum depreciation	\$ (48,105,147)	\$ -	\$ (3,835,737)	\$ 349,172	\$ (51,591,711)
Total net depreciable capital assets	\$ 48,340,064	\$ -	\$ 3,898,584	\$ -	\$ 52,238,647
Total governmental capital assets (net)	\$ 160,478,801	\$ -	\$ 6,049,361	\$ (5,317,955)	\$ 161,210,207

Asset Useful Lives

	Estimated Service Life
Buildings	30-50 years
Infrastructure	10-50 years
Improvements Other Than Buildings	10-50 years
Equipment	5-10 years

Changes in Capital Assets - Business Type Activities

Asset Class	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019
Capital asset not being depreciated				
Land	\$ 203,992	\$ -	\$ -	\$ 203,992
Construction in progress	261,071	345,228	-	606,299
Total capital asset not being depreciated	465,063	345,228	-	810,290
Capital assets being depreciated				
Intangibles	\$ 18,129	\$ -	\$ -	\$ 18,129
Buildings	430,048	-	-	430,048
Improvements (other than buildings)	88,806,118	1,606,302	-	90,412,420
Machinery & Equipment	1,582,705	33,750	-	1,616,455
Accumulated depreciation	(41,268,418)	(1,924,922)	-	(43,193,339)
Total net depreciable capital assets	\$ 49,568,582	\$ (284,870)	\$ -	49,283,713
Total business type capital assets - net	\$ 50,033,645	\$ 60,358	\$ -	\$ 50,094,003

Depreciation Expense

Depreciation was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 181,205
Public safety	341,159
Physical environment	87,212
Transportation	1,213,140
Economic environment	19,390
Mental health	31,536
Culture and recreation	1,161,459
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	800,635
Total depreciation expense - governmental activities	<u>\$ 3,835,737</u>

Business Type Activities

Water	\$ 705,347
Sewer	1,001,531
Stormwater	218,043
Total depreciation expense - business type activities	<u>\$ 1,924,922</u>

Construction Obligations

The City has active capital improvement projects as of December 31, 2019. There are no material commitments associated with these projects.

NOTE 12 - RISK MANAGEMENT

The City of Mercer Island is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 163 members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

NOTE 13 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans which are subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2019:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(5,641,194)
Pension assets	6,400,897
Deferred outflows of resources	2,681,359
Deferred inflows of resources	(4,889,445)
Pension expense/expenditures	161,260

State Sponsored Pension Plans

Substantially all of the City of Mercer Island's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January – June 2019:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
July – December 2019:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.0%

* For employees participating in JBM, the contribution rate was 12.26%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January – June 2019:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Variable
Total	12.83%	7.41%
July – December 2019:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Variable
Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

The City of Mercer Islands' actual contributions to the plan were \$1,648,492 for the year ended December 31, 2019.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2019 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
January – June 2019:		
PSERS Plan 2	7.07%	7.07%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.38%	7.07%
July - December 2019:		
PSERS Plan 2	7.20%	7.20%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.14%	7.20%

The City of Mercer Islands' actual contributions to the plan were \$9,576 for the year ended December 31, 2019.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the

choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% as of July 1, 2019.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
January – June 2019		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%
July – December 2019		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%

The City of Mercer Islands' actual contributions to the plan were \$446,852 for the year ended December 31, 2019.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2019, the state contributed \$72,959,897 to LEOFF Plan 2. The amount recognized by the City of Mercer Island as its proportionate share of this amount is \$3,275,773.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation

- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.2%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of NPL

The table below presents the City of Mercer Island's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City of Mercer Island's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$4,264,896	\$3,405,600	\$2,660,048
PERS 2/3	8,464,752	1,103,675	(4,936,574)
PSERS 2	21,260	(2,059)	(20,379)
LEOFF 1	(1,142,521)	(1,396,634)	(1,616,036)
LEOFF 2	(930,121)	(5,002,204)	(8,325,955)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the City of Mercer Island reported a total pension liability of \$4,509,275 and a total pension asset of \$6,400,897 for its proportionate share of the net pension asset and liabilities of State sponsored plans as follows:

	Liability (or Asset)
PERS 1	\$3,405,600
PERS 2/3	1,103,675
PSERS 2	(2,059)
LEOFF 1	(1,396,634)
LEOFF 2	(5,002,204)

The amount of the liability/ (asset) reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City of Mercer Island. The amount recognized by the City as its proportionate share of

the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	(1,396,634)	(5,002,204)
State's proportionate share of the net pension (asset) associated with the employer	(9,446,796)	(3,275,773)
TOTAL	(10,843,430)	(8,277,977)

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2018	Proportionate Share 6/30/2019	Change in Proportion
PERS 1	0.000000%	0.000000%	0.000000%
PERS 1 UAAL	0.099970%	0.088564%	-0.011406%
PERS 2/3	0.127078%	0.113624%	-0.013454%
PSERS 2	0.019719%	0.015836%	-0.003883%
LEOFF 1	0.070688%	0.070658%	-0.000030%
LEOFF 2	0.249477%	0.215920%	-0.033557%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2019, the state of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.43 percent of employer contributions. The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the City of Mercer Island recognized pension expense as follows:

	Pension Expense
PERS 1	(\$380,274)
PERS 2/3	185,601
PSERS 2	3,289
LEOFF 1	(70,206)
LEOFF 2	164,853
Firefighter Pension Fund	\$257,997
TOTAL	\$161,260

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		\$227,523
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	326,252	
TOTAL	\$326,252	\$227,523

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$316,206	\$237,284
Net difference between projected and actual investment earnings on pension plan investments		1,606,502
Changes of assumptions	28,262	463,065
Changes in proportion and differences between contributions and proportionate share of contributions	330,847	403,681
Contributions subsequent to the measurement date	529,120	
TOTAL	\$1,204,434	\$2,710,532

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,739	\$182
Net difference between projected and actual investment earnings on pension plan investments		3,576
Changes of assumptions	17	1,107
Changes in proportion and differences between contributions and proportionate share of contributions	86	742
Contributions subsequent to the measurement date	3,099	
TOTAL	\$4,941	\$5,607

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		\$144,789
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL		\$144,789

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$359,953	\$89,953
Net difference between projected and actual investment earnings on pension plan investments		1,025,608
Changes of assumptions	8,241	562,908
Changes in proportion and differences between contributions and proportionate share of contributions	511,889	122,525
Contributions subsequent to the measurement date	237,328	
TOTAL	\$1,117,410	\$1,800,994

State Sponsored Plans & Firefighters Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$677,898	\$327,419
Net difference between projected and actual investment earnings on pension plan investments	28,322	3,007,998
Changes of assumptions	36,519	1,027,080
Changes in proportion and differences between contributions and proportionate share of contributions	842,822	526,948
Contributions subsequent to the measurement date	1,095,798	
TOTAL	\$2,681,359	\$4,889,445

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended December 31, 2019

Changes in proportion and difference between contributions and proportionate share of contributions								
	PERS 1	PERS 2/3		PSERS 2		LEOFF 1	LEOFF 2	
Recognition Period (Years)	N/A	Inflows	Outflows	Inflows	Outflows	N/A	Inflows	Outflows
Year								
2020	-	(83,725)	68,820	(104)	19	-	(30,267)	83,278
2021	-	(62,736)	68,820	(104)	19	-	(16,439)	83,278
2022	-	(62,736)	68,820	(94)	6	-	(12,982)	46,667
2023	-	(62,736)	68,820	(54)	6	-	(12,982)	46,667
2024	-	(62,736)	47,807	(54)	6	-	(12,982)	46,667
Thereafter	-	(69,010)	7,760	(333)	31	-	(36,872)	205,333
Total Deferred (Inflows)/Outflows	\$ -	\$ (403,681)	\$ 330,847	\$ (742)	\$ 86	\$ -	\$ (122,525)	\$ 511,889

The recognition period for each plan is equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan, which was determined at the beginning of the measurement period.

For the fiscal year ended June 30, 2019

Differences between expected and actual experience								
	PERS 1	PERS 2/3		PSERS 2		LEOFF 1	LEOFF 2	
Recognition Period (Years)		Inflows	Outflows	Inflows	Outflows		Inflows	Outflows
Year								
2020	-	(55,165)	62,250	(19)	532	-	(11,836)	74,722
2021	-	(43,362)	62,250	(19)	532	-	(11,836)	44,825
2022	-	(43,362)	62,250	(19)	79	-	(11,836)	34,325
2023	-	(43,362)	62,250	(19)	74	-	(11,836)	34,325
2024	-	(43,362)	37,548	(19)	74	-	(11,836)	34,325
Thereafter	-	(8,672)	29,658	(86)	448	-	(30,773)	137,432
Total Deferred (Inflows)/Outflows	\$ -	\$ (237,284)	\$ 316,206	\$ (182)	\$ 1,739	\$ -	\$ (89,953)	\$ 359,953

The recognition period for each plan is equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan, which was determined at the beginning of the measurement period.

For the fiscal year ended June 30, 2019

Net differences between projected and actual earnings on plan investments						
	PERS 1	PERS 2/3	PSERS	LEOFF 1	LEOFF 2	
Year						
2020	(50,227)	(418,401)	(1,005)	(33,630)	(268,638)	
2021	(118,973)	(758,588)	(1,567)	(74,125)	(483,847)	
2022	(42,457)	(299,737)	(674)	(26,898)	(190,945)	
2023	(15,866)	(129,775)	(330)	(10,136)	(82,178)	
2024	-	-	-	-	-	
2025	-	-	-	-	-	
Total Deferred (Inflows)/Outflows	\$ (227,523)	\$ (1,606,502)	\$ (3,576)	\$ (144,789)	\$ (1,025,608)	

The recognition period is a closed, five-year period for all plans.

For the fiscal year ended June 30, 2019

Changes in assumptions								
	PERS 1	PERS 2/3		PSERS 2		LEOFF 1	LEOFF 2	
Recognition Period (Years)		Inflows	Outflows	Inflows	Outflows		Inflows	Outflows
Year								
2020	-	(89,051)	7,564	(107)	5	-	(66,224)	1,860
2021	-	(89,051)	4,157	(107)	5	-	(66,224)	959
2022	-	(89,051)	4,157	(107)	2	-	(66,224)	733
2023	-	(89,051)	4,157	(107)	1	-	(66,224)	733
2024	-	(89,051)	3,961	(107)	1	-	(66,224)	733
Thereafter	-	(17,810)	4,265	(569)	3	-	(231,786)	3,224
Total Deferred (Inflows)/Outflows	\$ -	\$ (463,065)	\$ 28,262	\$ (1,107)	\$ 17	\$ -	\$ (562,908)	\$ 8,241

The recognition period for each plan is equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan, which was determined at the beginning of the measurement period.

Local Government Pension Trust Funds - Firefighters Pension Fund

Plan Description

In addition to the two statewide retirement systems, the City is the administrator of a Firemen's Pension Plan, which is shown as a pension trust fund in the financial reports of the City. The Firemen's Pension Plan (FPP) is a

closed, single-employer defined benefit pension plan established in conformance with Revised Code of Washington (RCW) 41.18. The Plan provided retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. Retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Membership is limited to firefighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF1 and those provided by the FPP for covered firefighters who retire after March 1, 1970. At December 31, 2017, there were a total of six individuals covered by this system, six of whom are retired and all of whom qualified to receive benefits during 2017.

Under State law, the FPP is provided an allocation of 25% of all moneys received by the State from taxes on fire insurance premiums. Other funding sources include interest earnings, member contributions made prior to the inception of LEOFF, property taxes committed by action of the City Council, and City contributions required to meet projected future pensions obligations.

Actuarial Assumptions

The total pension liability (TPL) for the plan was determined using the most recent actuarial valuation completed in 2018 with a valuation date of January 1, 2018.

- **Inflation:** 2.25% total economic inflation; 3.25% salary inflation
- **Investment rate of return (Discount Rate):** 2.75%

Mortality assumptions are based on the 2007-2012 Experience Study for the LEOFF Retirement System prepared by the Office of the State Actuary. Mortality rates are expected to continue to decrease in the future, and the resulting longevity should be anticipated in a valuation.

There were minor changes in methods and assumptions since the last valuation.

- The Discount Rate changed from 4.0% to 2.75%.
- The excise tax for high cost, or "Cadillac", health plans was repealed in 2019 and its impacts have been removed from the measurement.

Plan Investments

All surplus cash is invested in accordance with an investment policy approved by the Mercer Island City Council (January 2012). State law defines eligible investments as only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.250, and 43.84.080). Eligible investments which the City held at year end include Government owned and Government-sponsored agencies, Washington State Local Government Investment Pool, and FDIC and PDPC Insured Bank Deposits. Investments are carried at fair market value in accordance with GASB 31.

Investment in the Washington State Local Government Investment Pool is not evidenced by securities that exist in physical or book entry form in the name of the City. Therefore, this investment is treated as a type of investment with a market value equal to net realizable value of the City's share of the pool based on the pool's valuation method. Year-end investments in the pool are included in Cash and Investments on the Statement of Net Position and the Statement of Fiduciary Net Position.

The money weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the

beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.¹

Discount Rate Sensitivity Analysis

The following table presents the net pension liability calculated using the discount rate of 2.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total pension liability	\$ 2,237,861	\$ 2,008,356	\$ 1,812,899
Fiduciary net position	876,437	876,437	876,437
Net Pension liability	<u>\$ 1,361,424</u>	<u>\$ 1,131,919</u>	<u>\$ 936,462</u>

Calculation of Money-Weighted Rate of Return

Firefighters' Pension Fund	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows with Interest
Beginning Value - January 1, 2019	\$878,983	12.00	1.00	\$ 901,553
Monthly net external cash flows:				
January	(6,730)	12.00	1.00	(6,903)
February	(6,730)	11.00	0.92	(6,889)
March	(6,730)	10.00	0.83	(6,874)
April	39,701	9.00	0.75	40,466
May	(5,280)	8.00	0.67	(5,370)
June	(5,280)	7.00	0.58	(5,359)
July	(5,280)	6.00	0.50	(5,348)
August	-	5.00	0.42	-
September	(5,280)	4.00	0.33	(5,325)
October	2,644	3.00	0.25	2,661
November	(23,248)	2.00	0.17	(23,348)
December	(2,822)	1.00	0.08	(2,828)
Ending Value - December 31, 2019				\$ 876,437

Money Weighted Rate of Return **2.57%**

Net Pension Liability

The Net Pension Liability (NPL) is defined by the Total Pension Liability minus the plans' Fiduciary Net Position. Where the total pension liability is the portion of actuarial present value of projected benefit payments that is

¹ Milliman Financial Reporting Valuation

attributable to past periods of member services using the Entry Age Normal cost method based on the requirements of GASB 67.

The total pension liability was determined by using the most recent actuarial valuation completed in 2018 with a valuation date of January 1, 2018. Total pension liability was calculated as of the measurement date of December 31, 2019. The reporting date is December 31, 2019 which is the same as the Plans fiscal year ending date.

The City believes an assumed discount rate of 2.75% is an appropriate long-term rate of return on investments for its Firefighters' pension fund. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years is 2.74% as of December 26, 2019. Rounding this rate to the nearest quarter percent gives a discount rate of 2.75%. Using 2.75% for both the long term expected rate of return and the bond index means that 2.75% can be used as the single discount rate.

Net Pension Liability Schedule

	December 31, 2018	December 31, 2019
Total pension liability	\$ 1,783,620	\$ 2,008,356
Fiduciary net position	878,983	876,437
Net pension liability	<u>\$ 904,637</u>	<u>\$ 1,131,919</u>

Plan Fiduciary net position as a % of total pension liability	49.28%	43.64%
Covered Payroll	0	0
Net pension liability as a % of covered payroll	N/A	N/A

Key Actuarial Assumptions

	December 31, 2018	December 31, 2019
Discount Rate	4.00%	2.75%
Long-term rate of return, net	4.00%	2.75%
Municipal bond rate	4.00%	2.75%
Valuation Date	January 1, 2018	January 1, 2018
Measurement Date	December 31, 2018	December 31, 2019
Inflation	2.25%	2.25%
Salary increases-including inflation	3.25%	3.25%

Actuarial cost method	Entry Age Normal	Entry Age Normal
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2018	\$ 1,783,620	\$ 878,983	\$ 904,637
Changes for the Year:			
Service Cost	-	-	-
Interest on total pension liability	69,669	-	69,669
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	-	-	-
Effect of assumptions changes or inputs	239,738	-	239,738
Benefit payments	(84,671)	(84,671)	-
Medical payments from fund	-	-	-
Employer contributions		26,410	(26,410)
Contributions from state fire insurance premium tax		33,226	(33,226)
Net investment income		22,489	(22,489)
Administrative expenses	-	-	-
Balances as of December 31, 2019	\$ 2,008,356	\$ 876,437	\$ 1,131,919

Investment gains/losses are recognized in pension expense over a period of five years. Economic and demographic gains/losses, assumption changes or inputs are recognized over the average remaining service life for all active and inactive members. For the firefighters pension fund immediate recognition is used as the average remaining services life is less than one.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the Firefighter pension fund from the following sources:

Firefighter Pension Fund	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments	\$28,322	
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL	\$28,322	\$0

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to the pension fund will be recognized in pension expense as follows:

Year ended December 31:	Amount
2020	\$10,158
2021	10,159
2022	5,570
Thereafter	2,435
Total	\$28,322

Schedules of required supplementary information that include a 10 year schedule of changes in the net pension liability and related ratios and a 10 year schedule of the money-weighted rate of return, immediately following the Notes, are provided to present multi-year trend information.

The information presented in the preceding required schedules was determined as part of the actuarial valuations at the dates indicated.

Actuarial cost method:	Entry Age Normal Cost Method
Amortization Period:	UAAL Amortized over a closed 30 year period
Asset Valuation Method:	Market Value

Actuarial economic assumptions:	
Investment Rate of Return	2.75%
Projected salary increases	3.25%

NOTE 14- OTHER POST EMPLOYMENT BENEFITS

The following represents the total Defined Benefit Other Post Employment Benefit (OPEB) Liability for the City of Mercer Island subject to the requirements of GASB Statement 75 for the year ending December 31, 2019:

Total OPEB Liability Schedule

	December 31, 2018		December 31, 2019	
Total OPEB liability	\$	10,068,387	\$	12,097,772
Covered Payroll		0		0
Total OPEB liability as a % of covered employee payroll		N/A		N/A

Plan Description

In accordance with RCW 41.26, which establishes the Washington Law Enforcement Officers' and Firefighters Retirement System, the city provides lifetime medical care for law enforcement officers and fire fighters employed prior to October 1, 1977. Under this requirement, most coverage for eligible retirees is provided in one of the city's medical insurance programs. However, under authorization of the Disability Board, direct payment is also made for some retiree medical expenses not covered by standard benefit plan provisions. The retiree does not contribute towards the cost of medical care.

The City of Mercer Island's LEOFF Plan 1 (the Health Plan) is a single employer defined benefit healthcare plan administered by the city. The Health Plan provides medical, prescription drug, Medicare premiums, long-term care, and other eligible medical expenses for LEOFF Plan 1 retirees. The Health Plan is closed to new entrants, and dependent spouses and children are not covered. The Plan does not issue a separate standalone financial report.

The Health Plan is funded on a pay-as-you go basis and there are no assets accumulated in a qualifying trust. For the year ending December 31, 2019 the City's cost for providing these benefits was \$339,737.

At December 31, 2019 the following plan participants were covered by the benefit terms:

Description	Number of Participants
Inactive Employees or beneficiaries currently receiving benefits	29
Inactive Employees entitled to but not yet receiving benefits	0
Active Employees	0
Total	29

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rates stated below, and then projected to the measurement date. There have been no significant changes between the valuation date and the fiscal year end.

- **Valuation Date:** January 1, 2018
- **Measurement Date:** December 31, 2019
- **Discount Rate:** 2.75%; **Long Term Care Inflation Rate:** 4.5%

Medical Trends. Actuarial modeling based on a report published by the Society of Actuaries on long term medical trends. The trend rates assume that deductibles and out of pocket maximums will increase over time as medical trends increase. Medical trends were adjusted to capture the projected impact of the Excise Tax on high cost or “Cadillac” health plans beginning in 2022. The following is a summary of medical trend assumptions:

Medical Trend			Adjusted for Excise Tax Medical Trend		Medicare Part B Trend	
Year	Pre-65	Post-65	Year	Post-65	Year	Pre-65
2018-2019	3.4%	0.9%	2018-2019	0.9%	2018-2019	16.3%
2019-2020	8.0%	7.2%	2019-2020	7.2%	2019-2020	3.8%
2020-2022	4.9%	4.9%	2020-2022	4.9%	2020-2021	4.8%
2022-2025		4.8%	2022-2025	4.8%	2021-2022	4.0%
2025-2032		4.7%	2025-2032	4.7%	2022-2023	5.8%
2032-2040		4.8%	2032-2040	4.8%	2023-2024	5.6%
<i>grading down to 3.8% by 2074</i>			2040-2056	4.8%	2024-2025	4.8%
			2056-2057	5.1%	2025-2026	7.3%
			2057-2058	5.5%	2026-2030	5.3%
			2058-2059	5.6%	<i>grading down to 3.85% by 203.</i>	
			2059-2060	5.5%		
			2060-2063	5.4%		
			<i>grading down to 4.1% by 2091</i>			

Long Term Care. Assumptions include probability of benefits commencing, length of stay, inflation and type of covered care (institutional or custodial). Annual increase in Long term care costs assumed at 4.5% per year.

Actuarial Cost Method. The liabilities are calculated according to the Individual Entry Age Normal Cost (level percentage of pay) funding Method.

Mortality. For *service-retired members* assumptions are based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and set forward one year for females. For *disabled members* assumptions are based on RP-2000 Mortality table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set forward two years.

Discount Rate Sensitivity Analysis

The following table presents the total OPEB liability calculated using the discount rate of 2.75%. as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate:

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB Liability 12/31/2019	\$ 14,001,383	\$ 12,097,772	\$ 10,535,786

Healthcare Cost Trend Rate Sensitivity Analysis

The following table presents the total OPEB liability calculated using the current healthcare cost trend rates as well as what the total OPEB liability would be if it were calculated trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability 12/31/2019	\$ 10,565,506	\$ 12,097,772	\$ 13,910,507

Changes in the Total OPEB Liability

	(Decrease) Total OPEB Liability
Balances as of December 31, 2018	\$ 10,068,387
Changes for the Year:	
Service Cost	-
Interest on total OPEB liability	397,275
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	1,907,799
Expected benefit payments	(275,689)
Balances as of December 31, 2019	<u>\$ 12,097,772</u>

The City believes an assumed discount rate of 2.75% is an appropriate long-term rate of return on investments for its Health plan. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years is 2.74% as of December 27, 2019. Rounding this rate to the nearest quarter percent gives a discount rate of 2.75%. as of the December 31, 2019 measurement date.

Economic and demographic gains/losses, assumption changes or inputs are recognized over the average remaining service life for all active and inactive members. For the health plan immediate recognition is used as the average remaining services life is less than one.

GASB 75 OPEB Expense

Measurement Period	January 1, 2018 to December 31 ,2018	January 1, 2019 to December 31 ,2019
Service Cost	\$ -	\$ -
Interest on total OPEB liability	369,113	397,275
Effect of plan changes	-	-
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of economic/demographic gains or losses	-	-
Recognition of assumptions changes or inputs	(732,499)	1,907,799
OPBE Expense	\$ (363,386)	\$ 2,305,074

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the health plan from the following sources:

Firefighter Pension Fund	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
TOTAL	\$0	\$0

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to the health plan will be recognized in pension expense as follows:

Year ended December 31:	Amount
2020	\$0
2021	0
2022	0
2023	0
Thereafter	0

A schedule of required supplementary information that includes a 10-year schedule of changes in the total OPEB liability and related ratios is available immediately following the Notes and is provided to present multi-year trend information.

NOTE 15 – FUND EQUITIES**Governmental Fund Types**

The City recognizes that some of the assets occasionally carried in governmental funds are not available resources and thus are not legally available for appropriation. Accordingly, the City has reclassified ending fund balance amounts in accordance with GASB Statement No. 54. Amounts previously reported as reserved and unreserved are now reported as non-spendable, restricted, committed, assigned, or unassigned.

Proprietary Fund Type

Contributed capital in proprietary funds (Water Revenue, Sewer Revenue, Storm Water Management, Computer Replacement and Equipment Rental) represents contributed capital assets, or contributions for capital asset acquisition, from other funds, governments, customers and developers. Operating reserves are maintained in each of the utility funds in accordance with the City's Management and Budget Policies

NOTE 16 – BUDGET TO GAAP RECONCILIATION

The City budgets separate managerial funds to account for the resources and expenditures related to 1% for Art in Public Places programming and the contingency reserve. In implementing the new requirements of GASB Statement No. 54 the 1% Arts Fund and the Contingency fund no longer qualify as special revenue funds. The funds have been combined with the General Fund for financial reporting purposes resulting in a perspective difference. The following schedule reconciles revenues and expenditures on the budgetary basis to revenues and expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances.

	General Fund	Biennium
Revenues on the budgetary basis	\$ 31,134,847	\$ 31,134,847
Increase (decrease) due to perspective difference	366,807	366,807
Revenues on the GAAP basis	31,501,654	31,501,654
Expenditure on the budgetary basis	29,701,669	29,701,669
Increase (decrease) due to perspective difference	14,056	14,056
Expenditure on the GAAP basis	29,715,725	29,715,725
Other financing sources (uses) on the budgetary basis	(272,251)	(272,251)
Increase (decrease) due to perspective difference	(1,245,336)	(1,245,336)
Other financing sources (uses) on the GAAP basis	(1,517,587)	(1,517,587)
Fund Balance beginning of year on the budgetary basis	5,373,810	5,373,810
Increase (decrease) due to perspective difference	5,199,330	5,199,330
Fund Balance beginning of year on the GAAP basis	10,573,140	10,573,140
Fund Balance end of year on the budgetary basis	6,534,738	6,534,738
Increase (decrease) due to perspective difference	4,306,745	4,306,745
Fund Balance end of year on the GAAP basis	\$ 10,841,483	\$ 10,841,483

NOTE 17 – ACCOUNTING AND REPORTING CHANGES**GASB Postponement of Effective Dates**

On May 8, 2020 the GASB issued GASB Statement 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* with the intent to provide relief to governments in light of COVID-19 pandemic. The City of Mercer Island has elected to postpone implementation of new GASB statements accordingly.

NOTE 18 - CONTINGENT LIABILITIES AND LITIGATION

There are various contingent liabilities and pending legal actions which City officials consider routine and part of the ordinary course of business. In the opinion of City officials, adequate provision has been made for any losses which may reasonably be foreseen. In the opinion of the City's legal advisor, there are no claims or actions pending against the City whose adverse outcome would pose a threat to continued City operations, or materially alter the financial condition of the City.

NOTE 19 - JOINT VENTURES**Eastside Public Safety Communications Agency**

The Eastside Public Safety Communications Agency (EPSCA), an emergency regional radio access service, was established on May 26, 1992, by an Interlocal Agreement (Agreement 1), pursuant to the Interlocal Cooperation Act, Chapter 39.34 RCW, among the Cities of Bellevue, Redmond, Kirkland and Mercer Island (Principals), municipal corporations organized under the laws of the State of Washington. Agreement 1 was amended June 10, 1993, to include the City of Issaquah as an additional principal in EPSCA's governance. The duration of this agreement was for ten years, and under the terms set forth in Resolution R-18 as approved by majority vote of the Executive Board in regular open meeting on April 11, 2002 it was extended for a subsequent five year period until May 18, 2007. EPSCA began principal operations in December 1995.

EPSCA is governed by an Executive Board (Board), which is composed of the Chief Executive officers of the Principals. The Executive Board is responsible for review and approval of all budgetary, financial and contractual matters.

An Operations Committee (Committee) composed of the Chief of Police and Fire Chief of each principal, reports to the board and oversees budget preparation, rates, revenues, expenditures, policies and other operational issues. The Committee also includes representation from non-principal EPSCA user agencies.

EPSCA has developed an Eastside radio communications system which is integrated with a regional radio communications network. Its capital funding derives from a September 15, 1992, voter-approved King County excess property tax levy of \$57,016,764. EPSCA's portion of the levy was \$10,004,469.

Operating revenues derive from fees charged to the Principals for communications services and from subscriber fees for communications services.

Agreement 1 provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals. These percentages are reviewed and adjusted annually at January 1 based on the number of radios on the system in use by current principals as of December 31 of the preceding year.

Upon dissolution, Agreement 1 provides for distribution of retained earnings among the Principals based on the weighted voting percentages in force at the time of dissolution. Any property contributed without charge would revert to the contributing Principal.

In August of 1993, EPSCA entered into an Interlocal Cooperation Agreement (Agreement 2), pursuant to Chapter 39.34 RCW, with King County, Seattle, and Valley Communications (Sub regions), municipal corporations organized under the laws of the State of Washington. Agreement 2 governs the development, acquisition and installation of the emergency radio communication system (System).

Agreement 2 provides that upon voluntarily termination of any Sub region's participation in the System, it surrenders its radio frequencies, relinquishes its equipment and transfers any unexpended levy proceeds and equipment replacement reserves to another Sub region or a consortium of Sub regions.

Thus, in accordance with Agreement 2, the Principals of EPSCA have no equity interest in EPSCA's contributed capital (\$10,502,938 from King County levy proceeds) as of December 31, 2004. Capital contributed to Mercer Island as of December 31, 2004 amounted to \$344,692.

The City of Mercer Island's share of retained earnings and capital is deemed immaterial and thus is not reflected in the financial statements. Compiled financial statements for EPSCA can be obtained from EPSCA c/o Jessie Morgan, 16100 N.E. 8th Street, Bellevue, Washington 98004.

ARCH – Housing Coalition

In November 1992, the cities of Bellevue, Kirkland, Redmond, and King County joined to establish A Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 to add clarifying language regarding responsibility and disillusionment. Subsequently, the cities of Bothell, Issaquah, and Woodinville joined ARCH. Mercer Island joined ARCH in March, 1994.

The purpose of ARCH is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by combining public funding with private-sector resources. Operating funding is provided by the member cities. ARCH identifies and prioritizes projects which the member cities fund directly through their own grants, Community Development Block Grants, and HUD grants.

ARCH is governed by an Executive Board composed of the chief executive officer from each member agency. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff and a Citizen Advisory Board.

Each member city is responsible for contributing operating revenues as determined from the ARCH annual budget. Contributions from the member cities are based on each member's population.

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement, as amended, provides for distribution of net position among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member. The City's share of net position is deemed immaterial and thus is not reflected in the financial statement.

Budget monitoring information can be obtained from ARCH, c/o Art Sullivan, 16625 NE 87th Street, Redmond, WA 98052.

E-Gov Alliance

In March 2002 the City of Mercer Island joined the Cities of Bellevue, Bothell, Burien, Issaquah, Kenmore, Kirkland, Sammamish and Woodinville in forming the E-Gov Alliance. The Alliance establishes on-line services through a jointly operated internet portal. Additionally, the Alliance has established a partnership with Microsoft to help define the E-Gov architecture, provide consulting services, offer training, and donated software.

The inter-local agreement may be terminated if Principals holding at least sixty percent (60%) of the weighted vote of all of the Principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor, (2) all property purchased after the effective date of the inter-local agreement shall be distributed to the Principals based upon each Principals proportional ownership interest at the time of the sale of the property. The City's share of the net position is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information may be obtained from City of Bellevue, Information Technology Department, PO Box 90012, Bellevue, WA 98009.

NORCOM

In November of 2007, the City of Kirkland, with the cities of Bellevue, Bothell, Clyde Hill, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center. In 2008, the City of Redmond joined as a subscriber. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1, 2009, the separate dispatch operations of the cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (or NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

Operating revenues are provided by user fees charged to each member based on average call volume. For 2019 the City of Mercer Island's share of these fees was \$786,184.

Additional financial information can be obtained from NORCOM, c/o Finance Manager, P.O. Box 50911, Bellevue, WA 98015.

NOTE 20 – POLLUTION REMEDIATION OBLIGATIONS

In 1991 the City's Maintenance Shop found a problem when it tested the "tightness" of its three underground storage tanks for unleaded gasoline and diesel fuel. A subsequent site investigation found minor problems but no failure of the three tanks or connecting piping. Soil samples, test pits and monitoring wells indicated that contamination was not widespread. A consultant's report concluded that "the quantity of the petroleum released was probably quite small and poses little impact to the surrounding environment."

The state Department of Ecology (DOE) recommended quarterly monitoring of three on-site monitoring wells. It is unclear from DOE and City records whether the City followed this recommendation. In June of 1993, the three tanks were removed along with an estimated 100 cubic yards of contaminated soils. Sampling of the excavation site found the soils removal was successful, but groundwater contamination was still present. The City installed an "air sparing/vapor extraction system" to remove groundwater contamination. Use of the system required a permit from the Puget Sound Air Pollution Control Agency. For reasons that are not known, the permit was never granted and the system was not activated.

In early July of 2004, the soils and groundwater of the site occupied by Honeywell International to the west and north of Maintenance Shop were tested as part of due diligence for a prospective sale of the property. The property is jointly owned by the Archdiocese of Seattle and two other out-of-state religious organizations. The consultants performing this testing found evidence of petroleum hydrocarbons and associated contaminants in soil and groundwater samples that exceeded state cleanup standards as defined by the Model Toxics Control Act. When notified of these results, the City hired Golder Associates to investigate. Golder conducted the original site investigation in 1991.

In two phases of work, Golder installed new monitoring wells, did soils borings, and tested the existing monitoring wells. Golder confirmed that the Maintenance Shop tanks were the only possible source of the petroleum contamination on the Honeywell site. Golder found that the contamination extended in groundwater beneath the Honeywell office building. Golder believes that petroleum contamination from the Maintenance Shop tanks may have migrated in groundwater to the Honeywell site along the original path of the stream that

now flows generally east to west at the south end of the property. The course of the stream likely was altered to its present south to north flow prior to construction of the building occupied by Honeywell. The old stream channel is believed to be contained in a sandy layer between two impervious layers of clay and hard silt.

On Feb. 22, 2005, the City authorized Golder to begin a third phase of work that will define the precise extent of the petroleum contamination at the Honeywell site, test the indoor air in the Honeywell building to determine whether the contamination beneath the building is affecting air quality, begin removing petroleum contamination in groundwater, and recommend a plan for the final cleanup and monitoring of the Site.

The 2004-2005 remedial investigation found a gasoline groundwater plume extending north from the former underground tank site, under the former Honeywell building, and turning to the northeast toward City Hall.

Cleanup of the affected groundwater is required under the State Model Toxics Control Act (MTCA). Golder was asked to develop a conceptual remedial approach for cleanup of the groundwater plume. After the conceptual approach was presented to John Bails of the Washington State Department of Ecology (DOE) and verbally approved, work began on a detailed plan for remediation. Following DOE acceptance, the remedial action plan was formalized and engineering design and compliance monitoring plans were completed in the summer of 2006.

The remedial action consisted of four components:

- Highly impacted groundwater was removed from the area north of the stream separating the Maintenance and Honeywell properties via excavation and the installation of an 80-foot-long by 10-foot-deep interceptor trench. The trench extracts impacted groundwater and pumps it to an activated carbon-based treatment system on the Maintenance property. After treatment, the water discharges to a King County/METRO sanitary sewer under discharge authorization number 4125-01.
- Approximately 260 cubic yards of highly contaminated soil were excavated from the south side of the Honeywell building.
- Biodegradation of the volatile organic compounds (VOCs) associated with the groundwater contamination plume has been enhanced by the introduction of ambient air via four buried airlines that intersect the gasoline plume and the application of oxidative chemicals.
- An existing network of monitoring wells to track the progress of the remediation was expanded. Short-term and long-term groundwater, surface water, and indoor air monitoring activities have been instituted.

In general, concentrations of gasoline and its VOC constituents remain above MTCA cleanup levels but appear to be decreasing with time. The property data for both sites showed progress in reducing the size of the plume, although test wells below the original fuel site still exceeded MTCA requirements. At the recommendation of Golder Associates, a pilot in-situ chemical oxidation test was implemented to accelerate the biodegradation of the contaminated groundwater.

In 2014, the City consulted with Farallon Consulting to complete a technical review of the remediation response, including the evaluation of the proposed pilot in-situ chemical oxidation test. Farallon recommended revamping the monitoring reports, including further descriptions of existing site conditions, cleanup activities, the evaluation of data, and moving from quarterly monitoring intervals to annual reports. Due to concerns over the effectiveness of the costly "in-situ" oxidation treatment, the City transitioned away from in-situ chemical applications in 2015 and 2016.

In compliance with the MTCA, the City continues to monitor and report on the remediation efforts annually. Remedial actions including the introduction of air into the subsurface to improve biological degradation

continue. However, no chemical oxidation (Persulfate injections) are currently scoped. Golder also continues to maintain the remediation system and provide administrative support to complete the King County Metro discharge authorization permit and the DOE monitoring reports.

At significant points during this process, the City has consulted with the State Department of Ecology (DOE) and confirmed that the work being undertaken is appropriate and meets regulatory requirements. DOE has informed the City that the cleanup and monitoring process likely won't be completed for three to five years. DOE's Voluntary Compliance Program for underground storage tanks will allow the City to recover 50% of its costs, up to \$200,000, for the contamination investigation, clean-up and monitoring, following the issuance of a "No Further Action" letter at the completion of monitoring of the site.

NOTE 21 – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, and limiting gathering sizes.

Consistent with the Governors instructions the City of Mercer Island made the following changes to its operations:

- Suspended all operations at the Mercer Island Community and Events Center including recreation programming and facility rentals.
- Closed all public buildings to the public and limited operations to essential services only.
- Closed the Mercer Island Thrift Shop, suspending all retail operations.

The City incurred immediate revenue reductions with the closure of the Thrift Shop and Parks and Recreation operations impacting both the General Fund and the Youth and Family Services Fund. The City anticipates a decline in sales tax revenues further impacting the General Fund revenues. Immediate actions are being taken to reduce expenditures in both the General Fund and the Youth and Family Services Fund.

The length of time these measures will be in place, and the full extent of the financial impact on the City of Mercer Island is unknown at this time.

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2019

	Budgeted Amounts			
	Original Budget	Final Budget	Actual for Biennium	Variance From Final Budget
REVENUES				
Taxes:				
Property	\$ 25,171,740	\$ 25,171,740	\$ 12,522,800	\$ (12,648,940)
Sales	10,228,791	10,228,791	5,257,123	(4,971,668)
B&O	9,732,727	9,732,727	4,864,885	(4,867,842)
Licenses & Permits	7,384,749	6,121,684	2,684,589	(3,437,095)
Intergovernmental	2,352,064	2,494,789	573,967	(1,920,822)
Charges for Services	7,460,318	6,030,018	4,212,466	(1,817,552)
Fines & Forfeitures	693,208	693,208	300,893	(392,315)
Investment Earnings	51,208	51,208	266,029	214,821
Other Revenues	473,400	473,400	452,096	(21,304)
Total revenues	63,548,205	60,997,565	31,134,847	(29,862,718)
EXPENDITURES				
Current:				
Judicial	972,158	972,158	437,031	(535,127)
General Government	11,486,610	11,942,509	4,844,020	(7,098,489)
Public Safety	28,374,859	28,616,454	14,555,206	(14,061,248)
Physical Environ	-	-	67,938	67,938
Transportation	3,861,047	3,852,337	938,887	(2,913,450)
Health & Human Services	-	-	12,522	12,522
Economic Environment	7,139,948	7,165,073	3,344,713	(3,820,360)
Culture & Recreation	11,950,202	8,825,229	5,501,352	(3,323,877)
Total expenditures	63,784,824	61,373,760	29,701,669	(31,672,091)
Excess (deficiency) of revenues over (under) expenditures	(236,619)	(376,195)	1,433,178	1,809,373
OTHER FINANCING SOURCES (USES)				
Transfers in	1,035,704	607,920	607,920	-
Transfers out	(1,481,400)	(1,285,328)	(880,171)	405,157
Total other financing sources (uses)	(445,696)	(677,408)	(272,251)	405,157
Net change in fund balances	(682,315)	(1,053,603)	1,160,927	2,214,530
Fund balances - Beginning	790,798	-	5,373,810	5,373,810
Fund balances - Ending	\$ 108,483	\$ (1,053,603)	\$ 6,534,738	\$ 7,588,341

**City of Mercer Island
Street Fund**

Item 1.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2019**

	Budgeted Amounts			
	Original Budget	Final Budget	Actual for Biennium	Variance From Final Budget
REVENUES				
Taxes:				
Other	\$ 3,398,000	\$ 3,398,000	\$ 1,601,198	(1,796,802)
Intergovernmental	2,660,000	2,660,000	1,055,865	(1,604,135)
Charges for Services	-	-	64,242	64,242
Total revenues	6,058,000	6,058,000	2,721,305	(3,336,695)
EXPENDITURES				
Current:				
Transportation	6,692,685	7,099,000	2,946,743	(4,152,257)
Total expenditures	6,692,685	7,099,000	2,946,743	(4,152,257)
Excess (deficiency) of revenues over (under) expenditures	(634,685)	(1,041,000)	(225,437)	815,563
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(85,000)	(85,000)	(44,479)	40,521
Total other financing sources (uses)	(85,000)	(85,000)	(44,479)	40,521
Net change in fund balances	(719,685)	(1,126,000)	(269,916)	856,084
Fund balances - Beginning	2,179,388	2,179,388	4,019,850	1,840,462
Fund balances - Ending	\$ 1,459,703	\$ 1,053,388	\$ 3,749,933	\$ 2,696,545

City of Mercer Island
Schedule of Proportionate Share of the Net Pension Liability
PERS1
As of June 30, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Employer's proportion of the net pension liability (asset)	0.0885640%	0.0999700%	0.0943380%	0.0921020%	0.1014210%	0.090700%	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability/ (asset)	\$ 3,405,600	\$ 4,464,694	\$ 4,476,412	\$ 4,946,311	\$ 5,305,261	4,569,055	N/A	N/A	N/A	N/A
TOTAL	\$ 3,405,600	\$ 4,464,694	\$ 4,476,412	\$ 4,946,311	5,305,261	4,569,055	N/A	N/A	N/A	N/A
Employer's covered employee payroll	12,444,511	13,336,568	11,809,152	10,729,144	11,405,710	9,766,732	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	365.4%	298.7%	263.8%	216.9%	215.0%	213.8%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%	N/A	N/A	N/A	N/A

Key Actuarial Assumptions	2019	2018	2017	2016	2015	2014
Discount Rate	7.40%	7.40%	7.50%	7.50%	7.50%	7.50%
Long-term rate of return, net	7.40%	7.40%	7.50%	7.50%	7.50%	7.50%
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Inflation	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%
Salary increases-including inflation	3.50%	3.50%	3.75%	3.75%	3.75%	3.75%
Actuarial cost method	Entry Age Cost	Entry Age Cost	Entry Age Cost	Entry Age Normal	Entry Age Normal	Entry Age Normal
Mortality	RP-2000 Mortality Table (combined healthy and combined disabled) using 100% of Projection Scale BB					

City of Mercer Island
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Employer's proportion of the net pension liability	0.113624%	0.127078%	0.120307%	0.115169%	0.125812%	0.112022%	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability	\$ 1,103,675	\$ 2,169,744	\$ 4,180,093	\$ 5,798,668	\$ 4,495,334	2,264,369	N/A	N/A	N/A	N/A
TOTAL	\$ 1,103,675	\$ 2,169,744	\$ 4,180,093	\$ 5,798,668	\$ 4,495,334	2,264,369	N/A	N/A	N/A	N/A
Employer's covered employee payroll	\$ 12,372,797	\$ 13,259,166	\$ 11,809,152	\$ 10,729,144	\$ 11,164,401	9,553,259	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	8.92%	16.36%	35.40%	54.05%	40.26%	23.70%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%	N/A	N/A	N/A	N/A

Key Actuarial Assumptions	2019	2018	2017	2016	2015	2014
Discount Rate	7.40%	7.40%	7.50%	7.50%	7.50%	7.50%
Long-term rate of return, net	7.40%	7.40%	7.50%	7.50%	7.50%	7.50%
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Inflation	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%
Salary increases-including inflation	3.50%	3.50%	3.75%	3.75%	3.75%	3.75%
Actuarial cost method	Entry Age Cost	Entry Age Cost	Entry Age Cost	Entry Age Normal	Entry Age Normal	Entry Age Normal
Mortality	RP-2000 Mortality Table (combined healthy and combined disabled) using 100% of Projection Scale BB					

City of Mercer Island
Schedule of Proportionate Share of the Net Pension Liability
PSERS
As of June 30, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Employer's proportion of the net pension liability (asset)	0.015836%	0.019719%	0.019410%	0.019563%	0.022901%	0.021583%	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability/ (asset)	\$ (2,059)	\$ 244	\$ 3,803	\$ 8,314	\$ 4,180	(3,125)	N/A	N/A	N/A	N/A
TOTAL	\$ (2,059)	\$ 244	\$ 3,803	\$ 8,314	\$ 4,180	(3,125)	N/A	N/A	N/A	N/A
Employer's covered employee payroll	\$ 72,996	\$ 77,401	\$ 68,723	\$ 63,388	\$ 67,051	57,659	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-2.82%	0.32%	5.53%	13.12%	6.23%	5.42%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	101.85%	99.79%	96.26%	90.41%	95.08%	105.01%	N/A	N/A	N/A	N/A

Key Actuarial Assumptions	2019	2018	2017	2016	2015	2014
Discount Rate	7.40%	7.40%	7.50%	7.50%	7.50%	7.50%
Long-term rate of return, net	7.40%	7.40%	7.50%	7.50%	7.50%	7.50%
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Inflation	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%
Salary increases-including inflation	3.50%	3.50%	3.75%	3.75%	3.75%	3.75%
Actuarial cost method	Entry Age Cost	Entry Age Cost	Entry Age Cost	Entry Age Normal	Entry Age Normal	Entry Age Normal
Mortality	RP-2000 Mortality Table (combined healthy and combined disabled) using 100% of Projection Scale BB					

City of Mercer Island
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Employer's proportion of the net pension liability (asset)	0.070658%	0.070837%	0.070386%	0.070876%	0.071143%	0.071676%	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability/ (asset)	\$ (1,396,634)	\$ (1,286,047)	\$ (1,067,910)	\$ (730,226)	\$ (857,430)	(869,280)	N/A	N/A	N/A	N/A
TOTAL	\$ (1,396,634)	\$ (1,286,047)	\$ (1,067,910)	\$ (730,226)	\$ (857,430)	(869,280)	N/A	N/A	N/A	N/A
Employer's covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	148.78%	144.42%	135.96%	123.74%	127.36%	126.91%	N/A	N/A	N/A	N/A

Key Actuarial Assumptions	2019	2018	2017	2016	2015	2014
Discount Rate	7.40%	7.40%	7.50%	7.50%	7.50%	7.50%
Long-term rate of return, net	7.40%	7.40%	7.50%	7.50%	7.50%	7.50%
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Inflation	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%
Salary increases-including inflation	3.50%	3.50%	3.75%	3.75%	3.75%	3.75%
Actuarial cost method	Entry Age Cost	Entry Age Cost	Entry Age Cost	Entry Age Normal	Entry Age Normal	Entry Age Normal
Mortality	RP-2000 Mortality Table (combined healthy and combined disabled) using 100% of Projection Scale BB					

City of Mercer Island
Schedule of Proportionate Share of the Net Pension Liability
LEOFF 2
As of June 30, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Employer's proportion of the net pension liability (asset)	0.215920%	0.249477%	0.246128%	0.234565%	0.261715%	0.244566%	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability/ (asset)	\$ (5,002,204)	\$ (5,064,927)	\$ (3,415,459)	\$ (1,364,300)	\$ (2,689,907)	(3,245,496)	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (3,275,773)	\$ (3,279,445)	\$ (2,215,545)	\$ (889,424)	\$ (1,757,534)	(2,137,986)	N/A	N/A	N/A	N/A
TOTAL	\$ (8,277,977)	\$ (8,344,372)	\$ (5,631,004)	\$ (2,253,724)	\$ (4,447,441)	(5,383,482)	N/A	N/A	N/A	N/A

Employer's covered employee payroll	\$ 7,582,771	\$ 8,263,780	\$ 7,699,330	\$ 7,105,964	\$ 7,596,018	6,806,464	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	65.97%	61.29%	44.36%	19.20%	35.41%	47.68%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%	N/A	N/A	N/A	N/A

Key Actuarial Assumptions	2019	2018	2017	2016	2015	2014
Discount Rate	7.40%	7.40%	7.50%	7.50%	7.50%	7.50%
Long-term rate of return, net	7.40%	7.40%	7.50%	7.50%	7.50%	7.50%
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Inflation	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%
Salary increases-including inflation	3.50%	3.50%	3.75%	3.75%	3.75%	3.75%
Actuarial cost method	Entry Age Cost	Entry Age Cost	Entry Age Cost	Entry Age Normal	Entry Age Normal	Entry Age Normal
Mortality	RP-2000 Mortality Table (combined healthy and combined disabled) using 100% of Projection Scale BB					

City of Mercer Island
Schedule of Employer Contributions
PERS Plan 1
As of December 31, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily or contractually required contributions	\$ 641,359	\$ 647,639	\$ 610,706	\$ 545,652	\$ 504,636	\$ 437,069	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	\$ (641,359)	\$ (647,639)	\$ (610,706)	\$ (545,652)	\$ (504,636)	\$ (437,069)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Covered employer payroll	\$ 12,934,104	\$ 12,802,735	\$ 12,485,882	\$ 11,333,362	\$ 11,112,882	\$ 10,325,037	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	5.0%	5.1%	4.9%	4.8%	4.5%	4.2%	N/A	N/A	N/A	N/A

City of Mercer Island
Schedule of Employer Contributions
PERS Plan 2 / 3
As of December 31, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily or contractually required contributions	\$ 1,648,492	\$ 1,620,939	\$ 1,475,731	\$ 1,259,585	\$ 1,123,738	\$ 941,919	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	\$ (1,648,492)	\$ (1,620,939)	\$ (1,475,731)	\$ (1,259,585)	\$ (1,123,738)	\$ (941,919)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Covered employer payroll	\$ 12,856,033	\$ 12,726,557	\$ 12,413,233	\$ 11,266,419	\$ 11,048,090	\$ 10,261,952	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	12.8%	12.7%	11.9%	11.2%	10.2%	9.2%	N/A	N/A	N/A	N/A

City of Mercer Island
Schedule of Employer Contributions
PSERS
As of December 31, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily or contractually required contributions	\$ 9,576	\$ 9,194	\$ 8,521	\$ 7,725	\$ 7,147	\$ 6,649	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	\$ (9,576)	\$ (9,194)	\$ (8,521)	\$ (7,725)	\$ (7,147)	\$ (6,649)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Covered employer payroll	\$ 78,071	\$ 76,178	\$ 72,649	\$ 66,943	\$ 64,792	\$ 63,085	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	12.3%	12.1%	11.7%	11.5%	11.0%	10.5%	N/A	N/A	N/A	N/A

City of Mercer Island
Schedule of Employer Contributions
LEOFF 1
As of December 31, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Covered employer payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A	N/A	N/A	N/A

City of Mercer Island
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily or contractually required contributions	\$ 446,852	\$ 426,194	\$ 419,206	\$ 390,720	\$ 393,006	\$ 375,430	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	\$ (446,852)	\$ (426,194)	\$ (419,206)	\$ (390,720)	\$ (393,006)	\$ (375,430)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
Covered employer payroll	\$ 8,302,343	\$ 7,848,878	\$ 7,874,867	\$ 7,470,757	\$ 7,481,851	\$ 7,178,393	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	5.4%	5.4%	5.3%	5.2%	5.3%	5.2%	N/A	N/A	N/A	N/A

Firefighters Pension Fund
GASB 67 Schedule of Changes in Net Pension Liability and Related Ratios

\$ Thousands	Fiscal Year Ending December 31:										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability											
Service Cost	\$0	\$0	\$0	\$0	\$0	\$0	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	70	65	75	67	67	68	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	0	0	-278	17	17	0	N/A	N/A	N/A	N/A	N/A
Effect of assumptions changes or inputs	240	-96	0	217	217	52	N/A	N/A	N/A	N/A	N/A
Benefit payments	-85	-81	-83	-91	-91	-77	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	\$225	-\$111	-\$286	\$210	\$210	\$43	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	1784	1895	2181	1971	1971	1927	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$2,008	\$1,784	\$1,895	\$2,181	2181	1970	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position							N/A	N/A	N/A	N/A	N/A
Employer contributions	\$26	\$26	\$26	\$26	\$26	\$26	N/A	N/A	N/A	N/A	N/A
Contributions from state fire insurance premium	33	33	32	30	31	31	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	22	15	8	5	1	3	N/A	N/A	N/A	N/A	N/A
Benefit payments	-85	-81	-83	-83	-91	-77	N/A	N/A	N/A	N/A	N/A
Medical payments from fund	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A
Administrative expenses	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	-3	-6	-16	-22	-32	-16	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	879	885	901	922.95	955	971	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	876	879	885	901	922.95	955	N/A	N/A	N/A	N/A	N/A
Net pension liability, ending = (a)-(b)	\$1,132	\$905	\$1,010	\$1,279	\$1,258	\$1,015	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liab	43.6%	49.3%	46.7%	41.3%	42.3%	48.5%	N/A	N/A	N/A	N/A	N/A
Covered Payroll	\$0	\$0	\$0	\$0	\$0	\$0	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Firefighters Pension Fund
GASB 67 Money-Weighted Rate of Return

Fiscal Year Ending December 31	Net Money- Weighted Rate of Return
2010	N/A
2011	N/A
2012	N/A
2013	N/A
2014	0.35%
2015	0.13%
2016	0.55%
2017	0.92%
2018	1.70%
2019	2.57%

LEOFF 1 Retiree Medical and Long-Term Care Benefits
GASB 75 Schedule of Changes in Total OPEB Liability and Related Ratios

\$ Thousands	Fiscal Year Ending December 31:									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Service Cost	\$0	\$0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	397	369	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumptions changes or inputs	1,908	(732)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Expected benefit payments	(276)	(227)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	2,029	(590)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	10,068	10,658	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	12,098	10,068	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered employee payroll	\$0	\$0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered employee p	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

NOTES TO RSI

Local Government Pension Trust Fund - Firefighters Pension Fund

In addition to the two statewide retirement systems, the City is itself the administrator of a Firemen's Pension System, which is shown as a pension trust fund in the financial reports of the City.

Schedules of required supplementary information including a 10 year schedule of changes in the net pension liability and related ratios and a 10 year schedule of the money-weighted rate of return are provided to present multi-year trend information.

Employer contributions for pensions are total contributions to the fund net of disbursements from the fund for medical expenses under RCW 41.26.150. It includes revenues from fire insurance premium taxes. Prior to 2014, administrative expenses were also subtracted from employer contributions. GASB Statement 67 has separated funding from financial reporting. Paragraph 32c of GASB 67 provides guidance for a schedule of an actuarially determined contribution, if such contribution is calculated. The actuarial determined contributions is not calculated due to the fact that benefits are being funded on a pay-as-you-go basis

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and key actuarial assumptions detailed below, and projected forward to the measurement date.

<i>Key Actuarial Assumptions</i>	December 31, 2018	December 31, 2019
Discount Rate	4.00%	2.75%
Long-term rate of return, net	4.00%	2.75%
Municipal bond rate	4.00%	2.75%
Valuation Date	January 1, 2018	January 1, 2018
Measurement Date	December 31, 2018	December 31, 2019
Inflation	2.25%	2.25%
Salary increases-including inflation	3.25%	3.25%
Actuarial cost method	Entry Age Normal	Entry Age Normal
Mortality	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for

Total OPEB Liability

In accordance with RCW 41.26, which establishes the Washington Law Enforcement Officers' and Firefighters Retirement System, the city provides lifetime medical care for law enforcement officers and fire fighters employed prior to October 1, 1977. The City of Mercer Island's LEOFF Plan 1 (the Health Plan) is a single employer defined benefit healthcare plan administered by the city. The Health Plan provides medical, prescription drug, Medicare premiums, long-term care, and other eligible medical expenses for LEOFF Plan 1 retirees. The Health Plan is closed to new entrants, and dependent spouses and children are not covered. The retiree does not contribute towards the cost of medical care. The Plan does not issue a separate standalone financial report.

The Health Plan is funded on a pay-as-you go basis and there are no assets accumulated in a qualifying trust.

The actuarial assumptions are intended to estimate the future experience of members. Valuation assumptions include:

<i>OPEB - Key Actuarial Assumptions</i>	December 31, 2018	December 31, 2019
Discount Rate	4.00%	2.75%
Long-term care inflation rate	4.50%	4.50%
Valuation Date	January 1, 2018	January 1, 2018
Measurement Date	December 31, 2018	December 31, 2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Mortality	For service-retired members assumptions are based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and set forward one year for females. For disabled members assumptions are based on RP-2000 Mortality table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set forward two years	For service-retired members assumptions are based on the RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and set forward one year for females. For disabled members assumptions are based on RP-2000 Mortality table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set forward two years

Summary of Uncorrected Items

Description	Statement / Schedule	Opinion Unit
Cash & Investments is understated by \$228,033. This amount represents the City's contribution to ARCH that is held in the ARCH trust fund account	Statement of Net Position	Governmental Activities
General Fund payroll expenditures are understated by \$46,189 due to the City not performing a year-end accrual for payroll	Statement of Revenues, Expenditures, and Change in Fund Balance	General Fund
Street Fund payroll expenditures are understated by \$2,093 due to the City not performing a year-end accrual for payroll	Statement of Revenues, Expenditures, and Change in Fund Balance	Street Fund
Capital Improvement Fund payroll expenditures are overstated by \$10,868 due to the City not performing a year-end accrual for payroll	Statement of Revenues, Expenditures, and Change in Fund Balance	Capital Improvement Fund
Water Fund payroll expenses are understated by \$6,666 due to the City not performing a year-end accrual for payroll	Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position	Water Fund
Sewer Fund payroll expenses are understated by \$7,799 due to the City not performing a year-end accrual for payroll	Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position	Sewer Fund
Storm Drain Fund payroll expenditures are understated by \$2,994 due to the City not performing a year-end accrual for payroll	Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position	Storm Drain Fund
Aggregate Remaining Fund payroll expenditures/expenses are understated by \$5,410 due to the City not performing a year-end accrual for payroll	Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position Statement of Revenues, Expenditures, and Change in Fund Balance	Aggregate Remaining Funds
Governmental Activities payroll expenses are understated by \$42,825 due to the City not performing a year-end accrual for payroll	Statement of Activities	Governmental Activities
Capital assets net of depreciation: buildings, improvements, machinery & equipment understated by \$43,053 (noted an asset's accumulated depreciation was overstated by \$43,053 and therefore the asset's reported value is lower than it should be, causing the understatement)	Statement of Net Position	Governmental Activities



Exit Recommendations
City of Mercer Island
Audit Period Ending: 12/31/2019

We are providing the following exit recommendations for management's consideration. They are not referenced in the audit report. We may review the status of the following exit items in our next audit.

Accountability:

Performance Awards (Bonus & Incentive Payments)

We reviewed the City's Pay-for-Performance and Employee Recognition program. We determined payments for Performance and Other Awards are allowable. However, we noted the following:

- One employee received an additional performance award to "true up" a prior award, based on an oral agreement between the employee and former City Manager. The City did not have any written documentation to support the decision and the City did not comply with its own policies when awarding the additional performance award.
- City policy requires the City Manager, Human Resources, Department Director, and Finance Director to approve a monetary award of \$250 or more. We noted one instance where an award was given to an employee who is one of the required approving signatories for the award, but the City did not obtain an approving signature from another designated signor in place of the employee who received the award.

We recommend the City:

- Ensures supporting documentation for Pay for Performance awards is retained and the City abides by its policies when awarding these awards.
- Addresses signatory controls for situations when the award is given to one of the required approvers as a best practice.

Financial Statements:

Payroll Accrual

The City does not accrue payroll at year-end to ensure it is reported in the correct fiscal period. We calculated the amount of payroll expenditures that were posted to FY2019 that should have been accrued back to 12/31/2018 (2018 expenditures posted to 2019). We also calculated the amount of payroll expenditures that were posted to FY2020 that should have been accrued back to 12/31/2019 (2019 expenditures posted to 2020). Based on our calculation, we determined FY2019 payroll is overstated by \$71,532.

We recommend the City establish policies and procedures to accrue payroll to the proper reporting period in accordance with GAAP.



Exit Recommendations
City of Mercer Island
Audit Period Ending: 12/31/2019

Item 1.

Journal Entry Review

Based on our review of journal entries and confirmation of controls over the financial statement preparation, we noted the City's journal entry coversheets does not contain a signature or name of the preparer and reviewer.

We recommend the preparer and reviewer of journal entries sign journal entry coversheets to ensure accountability of duties and roles assigned to individuals.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov


- [Find your audit team](#)
- [Request public records](#)
- Search BARS manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

Other ways to stay in touch

- Main telephone:
(564) 999-0950
- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov

CERTIFICATION OF CLAIMS

I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered, or the labor performed as described herein, that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the City of Mercer Island, and that I am authorized to authenticate and certify to said claim.



Finance Director

I, the undersigned, do hereby certify that the City Council has reviewed the documentation supporting claims paid and approved all checks or warrants issued in payment of claims.

Mayor

Date

<u>Report</u>	<u>Warrants</u>	<u>Date</u>	<u>Amount</u>
Check Register	206353-206453	2/1/2021	\$559,154.11
			\$559,154.11

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
Org Key: 001000 - General Fund-Admin Key				
P0109996	00206445	WA ST TREASURER'S OFFICE	Remit Newcastle Court Transmit	3,590.02
P0109996	00206445	WA ST TREASURER'S OFFICE	Remit Newcastle Court Transmit	2,085.08
P0109996	00206445	WA ST TREASURER'S OFFICE	Remit Newcastle Court Transmit	2,038.45
P0109995	00206445	WA ST TREASURER'S OFFICE	Remit MI Court Transmittal	1,620.79
P0109996	00206445	WA ST TREASURER'S OFFICE	Remit Newcastle Court Transmit	886.55
P0109995	00206445	WA ST TREASURER'S OFFICE	Remit MI Court Transmittal	658.64
P0109995	00206445	WA ST TREASURER'S OFFICE	Remit MI Court Transmittal	504.35
P0109996	00206445	WA ST TREASURER'S OFFICE	Remit Newcastle Court Transmit	442.87
P0109996	00206445	WA ST TREASURER'S OFFICE	Remit Newcastle Court Transmit	430.79
P0109994	00206415	MI SCHOOL DISTRICT #400	Remit 2020 Bus Paddle Fees	375.00
P0109995	00206445	WA ST TREASURER'S OFFICE	Remit MI Court Transmittal	191.91
P0109995	00206445	WA ST TREASURER'S OFFICE	Remit MI Court Transmittal	161.21
P0109995	00206445	WA ST TREASURER'S OFFICE	Remit MI Court Transmittal	156.06
P0109996	00206445	WA ST TREASURER'S OFFICE	Remit Newcastle Court Transmit	99.99
P0109996	00206445	WA ST TREASURER'S OFFICE	Remit Newcastle Court Transmit	99.99
P0109995	00206445	WA ST TREASURER'S OFFICE	Remit MI Court Transmittal	77.80
P0109995	00206445	WA ST TREASURER'S OFFICE	Remit MI Court Transmittal	68.74
P0109995	00206445	WA ST TREASURER'S OFFICE	Remit MI Court Transmittal	55.96
P0109995	00206445	WA ST TREASURER'S OFFICE	Remit MI Court Transmittal	33.85
Org Key: 402000 - Water Fund-Admin Key				
P0109794	00206434	SEATTLE PUBLIC UTILITIES	REVISED JAN 2020 SPU CHARGE FO	1,081.00
P0109794	00206434	SEATTLE PUBLIC UTILITIES	REVISED JULY 2020 SPU CHARGE F	1,081.00
P0109873	00206375	DUNN LUMBER COMPANY	INVENTORY PURCHASES	756.39
P0109962	00206384	GRAINGER	INVENTORY PURCHASES	590.77
	00206396	KAYLA & MARK JERZ	REFUND OVERPAY 00201640002	433.62
	00206386	GURCAN, AHMET	REFUND OVERPAY 00747684301	336.91
	00206440	TANG, JUNBIAO	REFUND OVERPAY 0041316161	293.77
Org Key: 814074 - Garnishments				
	00206444	UNITED STATES TREASURY	PAYROLL EARLY WARRANTS	864.30
Org Key: 814075 - Mercer Island Emp Association				
	00206414	MI EMPLOYEES ASSOC	PAYROLL EARLY WARRANTS	245.00
Org Key: 814076 - City & Counties Local 21M				
	00206452	WSCCCE AFSCME AFL-CIO	PAYROLL EARLY WARRANTS	2,330.00
Org Key: 814077 - Police Association				
	00206428	POLICE ASSOCIATION	PAYROLL EARLY WARRANTS	2,498.06
Org Key: CA1100 - Administration (CA)				
P0109982	00206410	Madrona Law Group, PLLC	Invoice #10539 Professional	13,135.00
P0109976	00206422	OGDEN MURPHY WALLACE PLLC	Invoice #847041 Professional	3,180.00
P0109974	00206430	RELX INC DBA LEXISNEXIS	Invoice #3093020532 Library	348.70
P0109977	00206412	MARTEN LAW	Invoice #44091187 Professional	41.50
Org Key: CA1150 - Attorney-Litigation				
P0109981	00206413	McNaul Ebel Nawrot	Invoice #98144 Professional	38,605.28
P0109978	00206410	Madrona Law Group, PLLC	Invoice #10540 Professional	3,690.00
Org Key: CA1200 - Prosecution & Criminal Mngmnt				

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
P0109973	00206416	MOBERLY AND ROBERTS	Invoice #939 Professional Serv	6,800.00
P0109973	00206416	MOBERLY AND ROBERTS	Invoice #942 Professional Serv	2,040.00
P0109975	00206391	HONEYWELL, MATTHEW V	Invoice #1193 Professional Ser	1,300.00
P0109975	00206391	HONEYWELL, MATTHEW V	Invoice #1191 Professional Ser	700.00
<i>Org Key: CM1200 - City Clerk</i>				
P0109989	00206393	IIMC	2021 IIMC Membership Renewal -	230.00
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2548052 Ord. 20C-27 12/9	59.88
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2548054 Ord. 20-28 12/9	59.88
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2548055 Ord. 20-29 12/9	57.30
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2547873 Mtg Cancellation	46.93
<i>Org Key: CO6100 - City Council</i>				
P0109980	00206427	PIRZIO-BIROLI, LUCIA	Legal Fee Reimbursement Per MI	5,000.00
<i>Org Key: CR1100 - Human Resources</i>				
P0109943	00206377	EVERETT POLYGRAPH SERVICES LLC	PD Candidate polygraph exams	800.00
P0110025	00206377	EVERETT POLYGRAPH SERVICES LLC	PD new hire polygraph exam	250.00
<i>Org Key: DS0000 - Development Services-Revenue</i>				
P0110015	00206397	KC RECORDS	Recording fees escrow account	2,211.50
<i>Org Key: DS4550 - Utility Inspection (Clearing)</i>				
P0109926	00206451	WHISTLE WORKWEAR	MISC. WORK CLOTHES	363.57
<i>Org Key: FR1100 - Administration (FR)</i>				
P0110039	00206439	STREAMLINE AUTOMATION SYSTEMS	2021 Fees	3,814.84
P0110026	00206367	CRAWFORD DOOR COMPANY	Station 92 Door Repair	403.71
<i>Org Key: FR1200 - Fire Marshal</i>				
P0110027	00206420	NFPA	2021 Online Subscription Renew	1,345.50
<i>Org Key: FR2100 - Fire Operations</i>				
P0110042	00206407	LN CURTIS & SONS	Bunker Gear	1,670.88
P0110047	00206401	KROESENS UNIFORM COMPANY	Duty Uniforms Campbell	248.72
P0110047	00206401	KROESENS UNIFORM COMPANY	Duty Uniforms Novak	246.40
P0110047	00206401	KROESENS UNIFORM COMPANY	Duty Uniforms McCoy	208.69
P0110033	00206356	AT&T MOBILITY	December 2020 Charges	194.88
P0110045	00206365	COMCAST	Internet Charges/Fire	134.80
P0110043	00206365	COMCAST	Internet Charges/Fire	110.22
P0110044	00206365	COMCAST	Internet Charges/Fire	90.27
P0110046	00206365	COMCAST	Internet Charges/Fire	11.33
<i>Org Key: FR2500 - Fire Emergency Medical Svcs</i>				
P0109410	00206405	LIFE ASSIST INC	BLS Core - Stair Chair	3,036.69
P0110040	00206405	LIFE ASSIST INC	Aid Supplies	857.24
P0110040	00206405	LIFE ASSIST INC	Aid Supplies	583.53
P0110040	00206405	LIFE ASSIST INC	Aid Supplies	21.58
<i>Org Key: GGM004 - Gen Govt-Office Support</i>				
P0109983	00206453	XEROX CORPORATION	LB Admin Copier Rental Fee 12/	285.94
P0109983	00206453	XEROX CORPORATION	MICCI Copier Rental Fee 12/202	267.20
P0109968	00206398	KELLEY IMAGING SYSTEMS	CANON MATTE BLACK INK	158.96

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
<i>Org Key: GGM005 - Genera Govt-LI Retiree Costs</i>				
	00206404	LEOFF HEALTH & WELFARE TRUST	POLICE RETIREES	6,446.20
P0110048	00206446	WALLACE, THOMAS	LEOFF1 Retiree LTC Expenses	6,000.00
	00206403	LEOFF HEALTH & WELFARE TRUST	FIRE RETIREES	3,223.11
P0110034	00206354	ADAMS, RONALD E	LEOFF1 Retiree Medical Expense	591.91
	00206388	HAGSTROM, JAMES	LEOFF1 Medicare Reimb	361.30
	00206433	SCHOENTRUP, WILLIAM	LEOFF1 Medicare Reimb	258.80
	00206436	SMITH, RICHARD	LEOFF1 Medicare Reimb	249.70
	00206381	FORSMAN, LOWELL	LEOFF1 Medicare Reimb	240.70
	00206370	DEEDS, EDWARD G	LEOFF1 Medicare Reimb	240.60
	00206383	GOODMAN, J C	LEOFF1 Medicare Reimb	228.90
	00206358	BARNES, WILLIAM	LEOFF1 Medicare Reimb	222.40
	00206409	LYONS, STEVEN	LEOFF1 Medicare Reimb	199.90
	00206441	THOMPSON, JAMES	LEOFF1 Medicare Reimb	196.40
	00206446	WALLACE, THOMAS	LEOFF1 Medicare Reimb	196.10
	00206402	KUHN, DAVID	LEOFF1 Medicare Reimb	186.80
	00206359	BOOTH, GLENDON D	LEOFF1 Medicare Reimb	184.90
	00206357	AUGUSTSON, THOR	LEOFF1 Medicare Reimb	183.70
	00206417	MYERS, JAMES S	LEOFF1 Medicare Reimb	183.70
	00206376	ELSOE, RONALD	LEOFF1 Medicare Reimb	182.50
	00206373	DEVENY, JAN P	LEOFF1 Medicare Reimb	182.00
	00206450	WHEELER, DENNIS	LEOFF1 Medicare Reimb	181.70
	00206354	ADAMS, RONALD E	LEOFF1 Medicare Reimb	180.70
	00206361	CALLAGHAN, MICHAEL	LEOFF1 Medicare Reimb	175.90
	00206374	DOWD, PAUL	LEOFF1 Medicare Reimb	175.00
	00206432	RUCKER, MANORD J	LEOFF1 Medicare Reimb	167.20
	00206408	LOISEAU, LERI M	LEOFF1 Medicare Reimb	165.70
	00206353	ABBOTT, RICHARD	LEOFF1 Medicare Reimb	165.50
	00206394	JOHNSON, CURTIS	LEOFF1 Medicare Reimb	145.90
	00206448	WEGNER, KEN	LEOFF1 Medicare Reimb	144.60
	00206429	RAMSAY, JON	LEOFF1 Medicare Reimb	136.20
<i>Org Key: GGM160 - King Co CRF Economic Developme</i>				
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2547255 MI Next Ad Campai	1,750.00
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2536931 MI Next Web Ad	351.76
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2536930 MI Next Web Ad 12	351.76
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2536929 MI Next Web Ad	351.75
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2536933 MI Next Web Ad	351.75
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2536900 MI Next Print Ad	327.25
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2536901 MI Next Print Ad	327.25
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2536902 MI Next Print Ad	327.25
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2536904 MI Next Print Ad	327.25
P0109964	00206437	SOUND PUBLISHING INC	Ntc. 2544991 MI Next Print Ad	327.25
<i>Org Key: GGM606 - Excess Retirement-Fire</i>				
	00206358	BARNES, WILLIAM	LEOFF1 Excess Benefit	4,390.43
	00206366	COOPER, ROBERT	LEOFF1 Excess Benefit	4,348.82
	00206394	JOHNSON, CURTIS	LEOFF1 Excess Benefit	3,113.64
	00206433	SCHOENTRUP, WILLIAM	LEOFF1 Excess Benefit	1,458.46
	00206429	RAMSAY, JON	LEOFF1 Excess Benefit	1,034.85

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
Org Key: GX9996 - Employee Benefits-Police				
	00206404	LEOFF HEALTH & WELFARE TRUST	POLICE	48,285.21
	00206404	LEOFF HEALTH & WELFARE TRUST	POLICE SUPPORT	3,995.27
Org Key: GX9997 - Employee Benefits-Fire				
	00206403	LEOFF HEALTH & WELFARE TRUST	FIRE ACTIVE	48,984.55
	00206404	LEOFF HEALTH & WELFARE TRUST	BILLING ADJUSTMENTS	0.03
Org Key: IS2100 - IGS Network Administration				
P0109969	00206406	LIFTOFF LLC	Office 365 Annual Subscription	64,830.00
P0109831	00206392	HYLAND SOFTWARE	Hyland Annual Renewal	18,054.13
P0109840	00206362	CDW GOVERNMENT INC	VMWare vSphere Annual Support	9,880.62
P0109840	00206362	CDW GOVERNMENT INC	VMWare vSphere Annual Support	9,880.62
P0109979	00206435	SEECCLICKFIX	SeeClickFix Annual Renewal	8,400.04
P0109882	00206355	ALIENVAULT INC	SIEM Annual Renewal	6,609.30
P0107116	00206400	KING COUNTY FINANCE	I-NET MONTHLY SERVICES FROM	1,122.00
Org Key: MT2100 - Roadway Maintenance				
P0109991	00206390	HOME DEPOT CREDIT SERVICE	LATE FEES	20.00
Org Key: MT2255 - Urban Forest Management (ROW)				
P0109936	00206431	RON'S STUMP REMOVAL	MI WINTER 2020 TREE WORK	24,480.50
P0109934	00206364	COMBINED CUTTING	MI SUMMER 2020 TREE WORK	20,460.00
Org Key: MT3100 - Water Distribution				
P0109951	00206418	NELSON PETROLEUM	FUEL FOR GENERATOR AT THE RESE	716.18
P0109917	00206387	H D FOWLER	STEM & TRAFFIC REPAIR KIT FOR	549.58
P0109985	00206384	GRAINGER	LED FLASHLIGHTS	152.58
Org Key: MT3400 - Sewer Collection				
P0109929	00206438	SOUND SAFETY PRODUCTS	RAIN PANTS	21.79
Org Key: MT3600 - Sewer Associated Costs				
P0109929	00206438	SOUND SAFETY PRODUCTS	MISC. WORK CLOTHES	172.13
Org Key: MT3800 - Storm Drainage				
P0109536	00206382	FTS	Package Pavement Temp Sensor	6,127.32
Org Key: MT4150 - Support Services - Clearing				
P0109876	00206447	WEATHERNET LLC	WEATHERNET FOR JANUARY	490.00
P0109935	00206421	OCCUPATIONAL HEALTH CTRS OF WA	DOT PHYSICAL RECERTIFICATION	109.00
Org Key: MT4200 - Building Services				
P0109951	00206418	NELSON PETROLEUM	FUEL FOR GENERATORS AT CITY HA	1,505.43
P0109967	00206380	FIRE PROTECTION INC	4TH QTR FIRE ALARM MONITORING	777.84
P0109967	00206380	FIRE PROTECTION INC	4TH QTR FIRE ALARM MONITORING	129.66
Org Key: MT4300 - Fleet Services				
P0106928	00206415	MI SCHOOL DISTRICT #400	2020 MISD SCHOOL DISTRICT FUEL	5,718.79
P0109987	00206419	NELSON TRUCK EQUIPMENT CO INC	PARTS FOR FL-0501	592.88
P0109986	00206419	NELSON TRUCK EQUIPMENT CO INC	PARTS FOR FL-0492	577.50
Org Key: MT4450 - Cust Resp - Clearing Acct				
P0109928	00206438	SOUND SAFETY PRODUCTS	MISC. WORK CLOTHES	505.27

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
P0109927	00206451	WHISTLE WORKWEAR	MISC. WORK CLOTHES	163.28
<i>Org Key: MT6100 - Park Maintenance</i>				
P0109985	00206384	GRAINGER	MULTI-BIT SCREWDRIVER KIT	90.52
P0109872	00206390	HOME DEPOT CREDIT SERVICE	VALVE BOX & LUMBER	68.27
<i>Org Key: MT6900 - Aubrey Davis Park Maint</i>				
P0109874	00206449	WESTERN NURSERY SALES	MISC. TREES FOR ADP REPLANTING	3,731.29
<i>Org Key: PO0000 - Police-Revenue</i>				
P0109993	00206372	DEPT OF LICENSING	Remit Licensing Fees	144.00
<i>Org Key: PO1100 - Administration (PO)</i>				
	00206395	JOKINEN, DAVID R	SUPPLIES FOR SUPERVISOR TEST	88.71
<i>Org Key: PO2100 - Patrol Division</i>				
P0109984	00206401	KROESENS UNIFORM COMPANY	Replacement ballistic vest	1,220.57
P0109965	00206401	KROESENS UNIFORM COMPANY	Patrol uniforms and equipment	1,132.73
P0109965	00206401	KROESENS UNIFORM COMPANY	Patrol uniforms and equipment	148.50
P0107958	00206369	DATEC INC.	MDC Keyboard 505	112.20
P0109965	00206401	KROESENS UNIFORM COMPANY	Patrol uniforms and equipment	58.25
P0109965	00206401	KROESENS UNIFORM COMPANY	Patrol uniforms and equipment	33.00
P0109965	00206401	KROESENS UNIFORM COMPANY	Patrol uniforms and equipment	26.40
<i>Org Key: PR1500 - Urban Forest Management</i>				
P0109941	00206385	Gray Owl Services Inc.	AUBREY DAVIS PARK TREE WORK	15,649.73
P0109934	00206364	COMBINED CUTTING	MI SUMMER 2020 TREE WORK	8,965.00
<i>Org Key: PR4100 - Community Center</i>				
P0109967	00206380	FIRE PROTECTION INC	4TH QTR FIRE ALARM MONITORING	259.27
<i>Org Key: PR6100 - Park Maintenance</i>				
P0109472	00206379	FINANCIAL CONSULTANTS INT'L	Mounting hardware and labor 2	3,081.87
<i>Org Key: PR6500 - Luther Burbank Park Maint.</i>				
P0109992	00206380	FIRE PROTECTION INC	LB NEW KEYPAD & LABOR	512.19
P0109967	00206380	FIRE PROTECTION INC	4TH QTR FIRE ALARM MONITORING	388.96
<i>Org Key: WG110T - Computer Equip Replacements</i>				
P0109795	00206371	DELL MARKETING L.P.	Power Supply 1378W	742.25
<i>Org Key: WP122P - Open Space - Pioneer/Engstrom</i>				
P0109934	00206364	COMBINED CUTTING	MI SUMMER 2020 TREE WORK	3,190.00
<i>Org Key: WS713T - SCADA System Upgrade</i>				
P0109386	00206371	DELL MARKETING L.P.	SAN at MICEC SCADA Infra	40,880.77
P0109660	00206389	HIGH SIERRA ELECTRONICS INC.	Pavement Sensor Standalone	1,763.00
<i>Org Key: WU0102 - SCADA System Replacement-Water</i>				
P0109988	00206360	BUILDERS EXCHANGE OF WA	PUBLISH PROJECTS ONLINE	129.50
<i>Org Key: XP710R - Luther BB Minor Capital LEVY</i>				
P0108027	00206442	Transblue LLC	2020 Luther Burbank Waterfront	29,365.30
<i>Org Key: YF1100 - YFS General Services</i>				
P0110020	00206399	KENT FINANCE, CITY OF	MI share of Human Services Fun	500.00

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
P0109968	00206398	KELLEY IMAGING SYSTEMS	CANON MATTE BLACK INK	158.95
	00206378	FALSGRAF NELSON, LAURA	LICENSE RENEWAL CONF. 2020	106.00
	00206411	MANRIQUEZ, CHERYL R	SCHEDULE PLANNER FOR 2021	16.27
<i>Org Key: YF1200 - Thrift Shop</i>				
P0109967	00206380	FIRE PROTECTION INC	4TH QTR FIRE ALARM MONITORING	259.27
<i>Org Key: YF2600 - Family Assistance</i>				
P0110051	00206443	TSE-LAM LTD PARTNERSHIP	Rental assistance for EA clien	2,000.00
P0110050	00206363	Chea, Rebecca	Rental Assistance for EA clien	1,150.00
P0110028	00206368	CREATIVE LEARNING CENTER	Preschool scholarship for EA c	780.00
P0110029	00206423	PEBBLE @ MIPC, THE	Preschool scholarship for EA c	760.66
P0110032	00206426	PEBBLE @ MIPC, THE	Preschool scholarship for EA c	448.72
P0110030	00206424	PEBBLE @ MIPC, THE	Preschool scholarship for EA c	406.38
P0110031	00206425	PEBBLE @ MIPC, THE	Preschool scholarship for EA c	236.80
Total				<u>559,154.11</u>

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00206353	02/01/2021	ABBOTT, RICHARD LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	165.50
00206354	02/01/2021	ADAMS, RONALD E LEOFF1 Retiree Medical Expense		FEB2021B	02/01/2021	772.61
00206355	02/01/2021	ALIENVAULT INC SIEM Annual Renewal	P0109882	11-21148693	01/19/2021	6,609.30
00206356	02/01/2021	AT&T MOBILITY December 2020 Charges	P0110033	70X12132020	12/05/2020	194.88
00206357	02/01/2021	AUGUSTSON, THOR LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	183.70
00206358	02/01/2021	BARNES, WILLIAM LEOFF1 Medicare Reimb		FEB2021A	02/01/2021	4,612.83
00206359	02/01/2021	BOOTH, GLENDON D LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	184.90
00206360	02/01/2021	BUILDERS EXCHANGE OF WA PUBLISH PROJECTS ONLINE	P0109988	1067886	01/06/2021	129.50
00206361	02/01/2021	CALLAGHAN, MICHAEL LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	175.90
00206362	02/01/2021	CDW GOVERNMENT INC VMWare vSphere Annual Support	P0109840	6488898	01/12/2021	19,761.24
00206363	02/01/2021	Chea, Rebecca Rental Assistance for EA clien	P0110050	OH014198	01/19/2021	1,150.00
00206364	02/01/2021	COMBINED CUTTING MI SUMMER 2020 TREE WORK	P0109934	6608	12/15/2020	32,615.00
00206365	02/01/2021	COMCAST Internet Charges/Fire	P0110043	0460112-JAN21	01/18/2021	346.62
00206366	02/01/2021	COOPER, ROBERT LEOFF1 Excess Benefit		FEB2021A	02/01/2021	4,348.82
00206367	02/01/2021	CRAWFORD DOOR COMPANY Station 92 Door Repair	P0110026	3931	12/31/2020	403.71
00206368	02/01/2021	CREATIVE LEARNING CENTER Preschool scholarship for EA c	P0110028	8615/8568	01/01/2021	780.00
00206369	02/01/2021	DATEC INC. MDC Keyboard 505	P0107958	34686	06/24/2020	112.20
00206370	02/01/2021	DEEDS, EDWARD G LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	240.60
00206371	02/01/2021	DELL MARKETING L.P. SAN at MICEC SCADA Infra	P0109795	10454789797	01/07/2021	41,623.02
00206372	02/01/2021	DEPT OF LICENSING Remit Licensing Fees	P0109993	OH014178	12/31/2020	144.00
00206373	02/01/2021	DEVENY, JAN P LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	182.00
00206374	02/01/2021	DOWD, PAUL LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	175.00
00206375	02/01/2021	DUNN LUMBER COMPANY INVENTORY PURCHASES	P0109873	7708850	01/08/2021	756.39
00206376	02/01/2021	ELSOE, RONALD LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	182.50
00206377	02/01/2021	EVERETT POLYGRAPH SERVICES LLC PD Candidate polygraph exams	P0110025	2021-0126	01/26/2021	1,050.00
00206378	02/01/2021	FALSGRAF NELSON, LAURA LICENSE RENEWAL CONF. 2020		OH014194	12/31/2020	106.00

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00206379	02/01/2021	FINANCIAL CONSULTANTS INT'L Mounting hardware and labor 2	P0109472	17072	12/30/2020	3,081.87
00206380	02/01/2021	FIRE PROTECTION INC 4TH QTR FIRE ALARM MONITORING	P0109992	60110	01/10/2021	2,327.19
00206381	02/01/2021	FORSMAN, LOWELL LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	240.70
00206382	02/01/2021	FTS Package Pavement Temp Sensor	P0109536	69370	12/31/2020	6,127.32
00206383	02/01/2021	GOODMAN, J C LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	228.90
00206384	02/01/2021	GRAINGER INVENTORY PURCHASES	P0109985	9779439695	01/20/2021	833.87
00206385	02/01/2021	Gray Owl Services Inc. AUBREY DAVIS PARK TREE WORK	P0109941	1-2020	12/29/2020	15,649.73
00206386	02/01/2021	GURCAN, AHMET REFUND OVERPAY 00747684301		OH014184	01/22/2021	336.91
00206387	02/01/2021	H D FOWLER STEM & TRAFFIC REPAIR KIT FOR	P0109917	I5672333/5672133	01/05/2021	549.58
00206388	02/01/2021	HAGSTROM, JAMES LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	361.30
00206389	02/01/2021	HIGH SIERRA ELECTRONICS INC. Pavement Sensor Standalone	P0109660	S185297	12/18/2020	1,763.00
00206390	02/01/2021	HOME DEPOT CREDIT SERVICE LATE FEES	P0109872	5014635	01/07/2021	88.27
00206391	02/01/2021	HONEYWELL, MATTHEW V Invoice #1191 Professional Ser	P0109975	1193	01/20/2021	2,000.00
00206392	02/01/2021	HYLAND SOFTWARE Hyland Annual Renewal	P0109831	LE01-172665	01/01/2021	18,054.13
00206393	02/01/2021	IIMC 2021 IIMC Membership Renewal -	P0109989	20371-2021	01/01/2021	230.00
00206394	02/01/2021	JOHNSON, CURTIS LEOFF1 Medicare Reimb		FEB2021A	02/01/2021	3,259.54
00206395	02/01/2021	JOKINEN, DAVID R SUPPLIES FOR SUPERVISOR TEST		OH014185	01/13/2021	88.71
00206396	02/01/2021	KAYLA & MARK JERZ REFUND OVERPAY 00201640002		OH014181	12/31/2020	433.62
00206397	02/01/2021	KC RECORDS Recording fees escrow account	P0110015	742-012521	12/31/2020	2,211.50
00206398	02/01/2021	KELLEY IMAGING SYSTEMS CANON MATTE BLACK INK	P0109968	IN748192	11/10/2020	317.91
00206399	02/01/2021	KENT FINANCE, CITY OF MI share of Human Services Fun	P0110020	RI61242	01/21/2021	500.00
00206400	02/01/2021	KING COUNTY FINANCE I-NET MONTLY SERVICES FROM	P0107116	11009726	12/31/2020	1,122.00
00206401	02/01/2021	KROESENS UNIFORM COMPANY Replacement ballistic vest	P0110047	62467	01/22/2021	3,323.26
00206402	02/01/2021	KUHN, DAVID LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	186.80
00206403	02/01/2021	LEOFF HEALTH & WELFARE TRUST FIRE RETIREES		OH014195	02/01/2021	52,207.66
00206404	02/01/2021	LEOFF HEALTH & WELFARE TRUST POLICE RETIREES		OH014196	02/01/2021	58,726.71

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00206405	02/01/2021	LIFE ASSIST INC BLS Core - Stair Chair	P0110040	1068780	01/20/2021	4,499.04
00206406	02/01/2021	LIFTOFF LLC Office 365 Annual Subscription	P0109969	5555REN2021	01/01/2021	64,830.00
00206407	02/01/2021	LN CURTIS & SONS Bunker Gear	P0110042	INV454128	01/07/2021	1,670.88
00206408	02/01/2021	LOISEAU, LERI M LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	165.70
00206409	02/01/2021	LYONS, STEVEN LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	199.90
00206410	02/01/2021	Madrona Law Group, PLLC Invoice #10539 Professional	P0109978	10540	12/30/2020	16,825.00
00206411	02/01/2021	MANRIQUEZ, CHERYL R SCHEDULE PLANNER FOR 2021		OH014193	01/01/2021	16.27
00206412	02/01/2021	MARTEN LAW Invoice #44091187 Professional	P0109977	44091187	12/31/2020	41.50
00206413	02/01/2021	McNaul Ebel Nawrot Invoice #98144 Professional	P0109981	98144	12/30/2020	38,605.28
00206414	02/01/2021	MI EMPLOYEES ASSOC PAYROLL EARLY WARRANTS		OH014188	01/29/2021	245.00
00206415	02/01/2021	MI SCHOOL DISTRICT #400 Remit 2020 Bus Paddle Fees	P0106928	2020-12.30FUEL	12/31/2020	6,093.79
00206416	02/01/2021	MOBERLY AND ROBERTS Invoice #939 Professional Serv	P0109973	942	12/31/2020	8,840.00
00206417	02/01/2021	MYERS, JAMES S LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	183.70
00206418	02/01/2021	NELSON PETROLEUM FUEL FOR GENERATOR AT THE RESE	P0109951	6INVOICES	01/14/2021	2,221.61
00206419	02/01/2021	NELSON TRUCK EQUIPMENT CO INC PARTS FOR FL-0492	P0109987	716537	01/15/2021	1,170.38
00206420	02/01/2021	NFPA 2021 Online Subscription Renew	P0110027	2880751-2021	01/08/2021	1,345.50
00206421	02/01/2021	OCCUPATIONAL HEALTH CTRS OF WA DOT PHYSICAL RECERTIFICATION	P0109935	69883783	12/16/2020	109.00
00206422	02/01/2021	OGDEN MURPHY WALLACE PLLC Invoice #847041 Professional	P0109976	847041	12/31/2020	3,180.00
00206423	02/01/2021	PEBBLE @ MIPC, THE Preschool scholarship for EA c	P0110029	JAN/FEB	01/01/2021	760.66
00206424	02/01/2021	PEBBLE @ MIPC, THE Preschool scholarship for EA c	P0110030	JAN/FEB21	01/01/2021	406.38
00206425	02/01/2021	PEBBLE @ MIPC, THE Preschool scholarship for EA c	P0110031	JAN/FEB21B	01/01/2021	236.80
00206426	02/01/2021	PEBBLE @ MIPC, THE Preschool scholarship for EA c	P0110032	JAN/FEB21C	01/01/2021	448.72
00206427	02/01/2021	PIRZIO-BIROLI, LUCIA Legal Fee Reimbursement Per MI	P0109980	1090508	10/31/2020	5,000.00
00206428	02/01/2021	POLICE ASSOCIATION PAYROLL EARLY WARRANTS		OH014189	01/29/2021	2,498.06
00206429	02/01/2021	RAMSAY, JON LEOFF1 Medicare Reimb		FEB2021A	02/01/2021	1,171.05
00206430	02/01/2021	RELX INC DBA LEXISNEXIS Invoice #3093020532 Library	P0109974	3093020532	12/13/2020	348.70

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00206431	02/01/2021	RON'S STUMP REMOVAL MI WINTER 2020 TREE WORK	P0109936	10223	12/17/2020	24,480.50
00206432	02/01/2021	RUCKER, MANORD J LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	167.20
00206433	02/01/2021	SCHOENTRUP, WILLIAM LEOFF1 Medicare Reimb		FEB2021A	02/01/2021	1,717.26
00206434	02/01/2021	SEATTLE PUBLIC UTILITIES REVISED JAN 2020 SPU CHARGE FO	P0109794	OH014179	12/31/2020	2,162.00
00206435	02/01/2021	SEELCLICKFIX SeeClickFix Annual Renewal	P0109979	208560	03/09/2021	8,400.04
00206436	02/01/2021	SMITH, RICHARD LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	249.70
00206437	02/01/2021	SOUND PUBLISHING INC Ntc. 2547873 Mtg Cancellation	P0109964	8009788	12/31/2020	5,017.26
00206438	02/01/2021	SOUND SAFETY PRODUCTS RAIN PANTS	P0109928	180293/3	01/13/2021	699.19
00206439	02/01/2021	STREAMLINE AUTOMATION SYSTEMS 2021 Fees	P0110039	2021-3	01/04/2021	3,814.84
00206440	02/01/2021	TANG, JUNBIAO REFUND OVERPAY 0041316161		OH014186	01/22/2021	293.77
00206441	02/01/2021	THOMPSON, JAMES LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	196.40
00206442	02/01/2021	Transblue LLC 2020 Luther Burbank Waterfront	P0108027	445819R	12/31/2020	29,365.30
00206443	02/01/2021	TSE-LAM LTD PARTNERSHIP Rental assistance for EA clien	P0110051	OH014197	01/19/2021	2,000.00
00206444	02/01/2021	UNITED STATES TREASURY PAYROLL EARLY WARRANTS		OH014190	01/29/2021	864.30
00206445	02/01/2021	WA ST TREASURER'S OFFICE Remit MI Court Transmittal	P0109996	OH014183	01/01/2021	13,203.05
00206446	02/01/2021	WALLACE, THOMAS LEOFF1 Retiree LTC Expenses		FEB2021B	02/01/2021	6,196.10
00206447	02/01/2021	WEATHERNET LLC WEATHERNET FOR JANUARY	P0109876	2020-17672	01/01/2021	490.00
00206448	02/01/2021	WEGNER, KEN LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	144.60
00206449	02/01/2021	WESTERN NURSERY SALES MISC. TREES FOR ADP REPLANTING	P0109874	21-36038	01/04/2021	3,731.29
00206450	02/01/2021	WHEELER, DENNIS LEOFF1 Medicare Reimb		FEB2021B	02/01/2021	181.70
00206451	02/01/2021	WHISTLE WORKWEAR MISC. WORK CLOTHES	P0109927	191162	11/28/2020	526.85
00206452	02/01/2021	WSCCCE AFSCME AFL-CIO PAYROLL EARLY WARRANTS		OH014187	01/29/2021	2,330.00
00206453	02/01/2021	XEROX CORPORATION MICCI Copier Rental Fee 12/202	P0109983	012185663	12/31/2020	553.14
					Total	559,154.11

CERTIFICATION OF CLAIMS

I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered, or the labor performed as described herein, that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the City of Mercer Island, and that I am authorized to authenticate and certify to said claim.



Finance Director

I, the undersigned, do hereby certify that the City Council has reviewed the documentation supporting claims paid and approved all checks or warrants issued in payment of claims.

Mayor

Date

<u>Report</u>	<u>Warrants</u>	<u>Date</u>	<u>Amount</u>
Check Register	206454-206545	2/5/2021	\$249,322.80
			\$249,322.80

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
<i>Org Key: 402000 - Water Fund-Admin Key</i>				
P0110003	00206527	PERLA, MICHAEL	REFUND WATER SERVICE DEPOSIT	14,059.61
P0110009	00206520	MILES, JEAN	REFUND WATER SERVICE DEPOSIT	9,729.83
P0110004	00206506	GOODRICH, ELIZABETH	REFUND WATER SERVICE DEPOSIT	7,928.89
P0109955	00206509	H D FOWLER	INVENTORY PURCHASES	7,951.69
P0110007	00206521	MIPC	REFUND WATER SERVICE DEPOSIT	6,058.35
P0109954	00206509	H D FOWLER	INVENTORY PURCHASES	4,401.25
P0110008	00206525	OTTER, DALLAS	REFUND WATER SERVICE DEPOSIT	2,886.10
P0110001	00206504	GEMPLER'S INC	INVENTORY PURCHASES	891.48
P0109954	00206509	H D FOWLER	INVENTORY PURCHASES	645.43
P0109958	00206509	H D FOWLER	INVENTORY PURCHASES	566.91
P0110057	00206500	EXCEL SUPPLY COMPANY	INVENTORY PURCHASES	501.90
P0109956	00206486	CESSCO INC	INVENTORY PURCHASES	418.46
P0110005	00206505	GHAZVINIAN, FARZAD	REFUND WATER SERVICE DEPOSIT	298.34
P0110006	00206456	AUYONG, DAVID	REFUND WATER SERVICE DEPOSIT	259.17
P0110016	00206507	GRAINGER	INVENTORY PURCHASES	80.35
P0109997	00206507	GRAINGER	INVENTORY PURCHASES	65.95
<i>Org Key: CR1100 - Human Resources</i>				
P0110059	00206499	EVERETT POLYGRAPH SERVICES LLC	PD new hire Polygraph exam	200.00
<i>Org Key: CT1100 - Municipal Court</i>				
P0110010	00206496	DIRECT MATTERS	Direct Matters invoice #56515	315.61
<i>Org Key: DS0000 - Development Services-Revenue</i>				
	00206534	STROUM JEWISH COMMUNITY CTR	CODE AMENDMENT/SEPA	22,873.03
	00206534	STROUM JEWISH COMMUNITY CTR	CODE AMENDMENT/SEPA	686.19
<i>Org Key: FN2100 - Data Processing</i>				
P0110054	00206518	METROPRESORT	DECEMBER 2020 CHANGE OF ADDRES	94.97
<i>Org Key: FN4501 - Utility Billing (Water)</i>				
P0110000	00206501	FERGUSON ENTERPRISES LLC	SENSUS SOFTWARE FLEXNET SUPPOR	1,449.29
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	159.11
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	145.76
P0110056	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	92.51
P0110056	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	84.52
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	7.37
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	7.37
<i>Org Key: FN4502 - Utility Billing (Sewer)</i>				
P0110000	00206501	FERGUSON ENTERPRISES LLC	SENSUS SOFTWARE FLEXNET SUPPOR	1,449.27
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	159.11
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	145.81
P0110056	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	92.51
P0110056	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	84.52
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	7.37
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	7.37
<i>Org Key: FN4503 - Utility Billing (Storm)</i>				
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	159.10
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	145.81

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
P0110056	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	92.51
P0110056	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	84.54
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	7.38
P0110055	00206518	METROPRESORT	JAN 2021 PRINTING & MAILING OF	7.37
<i>Org Key: FR1100 - Administration (FR)</i>				
P0108290	00206539	WALTER E NELSON CO	Household Supplies	1,598.89
	00206470	CENTURYLINK	CENTURY LINK JAN 2021	184.21
<i>Org Key: FR1200 - Fire Marshal</i>				
P0110069	00206544	WSAFM	2021 Department Membership	990.00
<i>Org Key: FR2100 - Fire Operations</i>				
P0109899	00206498	EPSCA	44 RADIOS FOR FIRE 2021	1,111.00
P0110071	00206512	KROESENS UNIFORM COMPANY	Uniforms - Austin	492.81
P0110071	00206512	KROESENS UNIFORM COMPANY	Uniforms - Horschman	264.57
P0110071	00206512	KROESENS UNIFORM COMPANY	Uniforms - McCoy	246.40
P0110071	00206512	KROESENS UNIFORM COMPANY	Uniforms - Guttu	246.40
P0110075	00206537	VERIZON WIRELESS	FIRE CELL SERVICE	16.53
P0109899	00206498	EPSCA	ACCESS FEE REBATE FIRE	-194.04
<i>Org Key: FR2400 - Fire Suppression</i>				
P0110070	00206516	LN CURTIS & SONS	Desktop Chargerbase	192.29
<i>Org Key: FR4100 - Training</i>				
P0110052	00206503	FIRETECH ACADEMY	ISO/Cook	350.00
<i>Org Key: GGM001 - General Government-Misc</i>				
P0110078	00206489	COMCAST	INTERNET JAN 22 - FEB 21	121.46
<i>Org Key: GGM004 - Gen Govt-Office Support</i>				
P0110077	00206493	DEPT OF ENTERPRISE SERVICES	#10 WINDOW ENVELOPES 10,000	452.67
P0110076	00206493	DEPT OF ENTERPRISE SERVICES	#10 REGULAR ENVELOPES	210.86
<i>Org Key: GGM005 - Genera Govt-L1 Retiree Costs</i>				
P0110038	00206536	THOMPSON, JAMES	FRLEOFF1 Retiree Medical Expen	313.42
P0110131	00206458	BOOTH, GLENDON D	LEOFF1 Retiree Medical Expense	303.08
	00206461	CARLSON, LARRY	QUARTERLY FIRE LEOFF RETIREES	289.20
P0110037	00206538	WALLACE, THOMAS	LEOFF1 Retiree Medical Expense	182.48
	00206461	CARLSON, LARRY	QUARTERLY FIRE LEOFF RETIREES	144.60
P0110036	00206495	DEVENY, JAN P	LEOFF1 Retiree Medical Expense	93.02
P0110035	00206495	DEVENY, JAN P	LEOFF1 Retiree Medical Expense	65.12
P0110130	00206455	AUGUSTSON, THOR	LEOFF1 Retiree Medical Expense	53.06
P0110133	00206513	KUHN, DAVID	LEOFF1 Retiree Medical Expense	35.32
P0110132	00206495	DEVENY, JAN P	LEOFF1 Retiree Medical Expense	14.19
<i>Org Key: IS2100 - IGS Network Administration</i>				
P0110002	00206523	MUNICODE	Municode Annual Renewal / Supp	12,784.80
P0109879	00206463	CDW GOVERNMENT INC	Meraki MDM Renewal	7,413.78
P0109880	00206463	CDW GOVERNMENT INC	RSA Auth Renewal	966.46
	00206483	CENTURYLINK	CENTURY LINK JAN 2021	648.99
P0109884	00206497	DLT SOLUTIONS	Spotlight on SQL Annual	460.00
	00206477	CENTURYLINK	CENTURY LINK JAN 2021	206.44

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
	00206480	CENTURYLINK	CENTURY LINK JAN 2021	108.10
	00206469	CENTURYLINK	CENTURY LINK JANUARY 2021	72.90
	00206473	CENTURYLINK	CENTURY LINK JAN 2021	72.40
	00206472	CENTURYLINK	CENTURY LINK JAN 2021	69.75
	00206478	CENTURYLINK	CENTURY LINK JAN 2021	68.68
	00206476	CENTURYLINK	CENTURY LINK JAN 2021	66.41
	00206475	CENTURYLINK	CENTURY LINK JAN 2021	62.28
	00206481	CENTURYLINK	CENTURY LINK JAN 2021	5.60
	00206480	CENTURYLINK	CENTURY LINK JAN 2021	0.00
Org Key: MT2100 - Roadway Maintenance				
	00206530	PUGET SOUND ENERGY	PSE DECEMBER 2020	1,487.39
Org Key: MT3000 - Water Service Upsizes and New				
P0110018	00206460	CADMAN INC	5/8"-MINUS ROCK (64.22 TONS)	879.50
Org Key: MT3100 - Water Distribution				
P0110018	00206460	CADMAN INC	5/8"-MINUS ROCK (64.22 TONS)	879.49
P0110019	00206543	WORKWEAR PLACE, THE	RAINGEAR & MISC. WORK CLOTHES	50.00
Org Key: MT3200 - Water Pumps				
	00206530	PUGET SOUND ENERGY	PSE DECEMBER 2020	3,279.70
	00206465	CENTURYLINK	CENTURY LINK JAN 21	59.74
	00206466	CENTURYLINK	CENTURY LINK JAN 2021	59.74
	00206485	CENTURYLINK	CENTURY LINK JAN 2021	59.74
	00206471	CENTURYLINK	CENTURY LINK JAN 2021	49.27
Org Key: MT3300 - Water Associated Costs				
P0110019	00206543	WORKWEAR PLACE, THE	RAINGEAR & MISC. WORK CLOTHES	235.98
Org Key: MT3500 - Sewer Pumps				
P0110012	00206510	HOME DEPOT CREDIT SERVICE	MISC. TOOLS	375.69
	00206530	PUGET SOUND ENERGY	PSE DECEMBER 2020	151.56
P0110016	00206507	GRAINGER	FULL BRIM HARD HATS	129.64
P0110001	00206504	GEMPLER'S INC	RUBBER BOOTS	121.06
Org Key: MT3800 - Storm Drainage				
P0109932	00206529	PRO-VAC	STORM CLEANING 11-16 TO 11-19	11,382.00
P0110014	00206514	LAKESIDE INDUSTRIES	EZ STREET ASPHALT (2 TONS)	237.82
Org Key: MT4150 - Support Services - Clearing				
P0110017	00206540	WEATHERNET LLC	WEATHERNET FOR FEBRUARY 2021	490.00
P0110013	00206545	XEROX CORPORATION	DEC 2020 COPIER CHARGES	458.80
P0110073	00206490	COMCAST	2021 PW WIFI SERVICE	86.41
P0110129	00206542	WORKSAFE SERVICE INC, A	Pre-employment drug test	55.00
P0109899	00206498	EPSCA	1 RADIO FOR MAINTENANCE	25.25
P0109899	00206498	EPSCA	ACCESS FEE REBATE MAINT	-4.41
Org Key: MT4200 - Building Services				
P0109998	00206517	LONG BUILDING TECHNOLOGIES INC	2020 MAINTENANCE AT FIRE STATI	1,057.29
Org Key: MT4300 - Fleet Services				
P0109959	00206526	OWEN EQUIPMENT COMPANY	FAN SYSTEM FOR VEC. FL-0388	8,717.76
P0109999	00206524	NELSON PETROLEUM	2021 DIESEL DELIVERY	2,012.26

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
P0110058	00206524	NELSON PETROLEUM	2021 DIESEL DELIVERY	442.31
<i>Org Key: MT4501 - Water Administration</i>				
P0107187	00206528	Power Engineers Inc.	PW ASSET MGMT UPDATE	4,090.00
	00206464	CENTURYLINK	CENTURY LINK JAN 2021	64.75
<i>Org Key: MT4502 - Sewer Administration</i>				
P0107187	00206528	Power Engineers Inc.	PW ASSET MGMT UPDATE	750.00
<i>Org Key: MT4503 - Storm Water Administration</i>				
P0107187	00206528	Power Engineers Inc.	PW ASSET MGMT UPDATE	750.00
<i>Org Key: MT6100 - Park Maintenance</i>				
P0110061	00206519	MI UTILITY BILLS	PAYMENT OF UTILITY BILLS FOR W	1,817.37
P0110062	00206510	HOME DEPOT CREDIT SERVICE	BARRIER FENCE & SAW BLADES	304.81
<i>Org Key: MT6200 - Athletic Field Maintenance</i>				
P0110061	00206519	MI UTILITY BILLS	PAYMENT OF UTILITY BILLS FOR W	984.16
P0110024	00206533	SOUND SAFETY PRODUCTS	SAFETY BOOTS & MISC. WORK CLOT	375.31
<i>Org Key: MT6500 - Luther Burbank Park Maint</i>				
P0110011	00206494	DEPT OF NATURAL RESOURCES	AQUATIC LAND LEASE 2021	4,307.05
P0110061	00206519	MI UTILITY BILLS	PAYMENT OF UTILITY BILLS FOR W	2,196.69
<i>Org Key: MT6900 - Aubrey Davis Park Maint</i>				
P0110061	00206519	MI UTILITY BILLS	PAYMENT OF UTILITY BILLS FOR W	706.73
<i>Org Key: PO1350 - Police Emergency Management</i>				
P0109899	00206498	EPSCA	13 RADIOS FOR EMERGENCY MGMT	328.25
P0110064	00206532	SKYLINE COMMUNICATIONS INC	FEB 2021 EOC INTERNET SERVICE	206.55
P0109899	00206498	EPSCA	ACCESS FEE REBATE EMERGENCY	-57.33
<i>Org Key: PO1650 - Regional Radio Operations</i>				
P0109899	00206498	EPSCA	60 RADIOS FOR POLICE DEPARTMEN	1,515.00
P0109899	00206498	EPSCA	ACCESS FEE REBATE POLICE	-264.60
<i>Org Key: PO2100 - Patrol Division</i>				
P0110022	00206492	DELL MARKETING L.P.	MDC Keyboards	712.32
<i>Org Key: PO4100 - Firearms Training</i>				
P0110053	00206457	BELLEVUE GUN CLUB INC	Range Use	110.10
<i>Org Key: PR4100 - Community Center</i>				
P0110023	00206502	FIRE PROTECTION INC	FIRE ALARM LABOR	148.64
	00206474	CENTURYLINK	CENTURY LINK JAN 2021	62.28
P0110023	00206502	FIRE PROTECTION INC	3V BATTERY CCMV	30.83
<i>Org Key: PR6100 - Park Maintenance</i>				
	00206515	LAZO, FRANKY	REIMB. TRAVEL EXP	625.55
<i>Org Key: PR6200 - Athletic Field Maintenance</i>				
	00206484	CENTURYLINK	CENTURY LINK JAN 2021	87.82
	00206467	CENTURYLINK	CENTURY LINK JAN 2021	84.36
<i>Org Key: PR6500 - Luther Burbank Park Maint.</i>				
	00206479	CENTURYLINK	CENTURY LINK JAN 2021	131.84

Accounts Payable Report by GL Key

PO #	Check #	Vendor:	Transaction Description	Check Amount
	00206482	CENTURYLINK	CENTURY LINK JAN 2021	65.90
<i>Org Key: PR6900 - Aubrey Davis Park Maintenance</i>				
P0110066	00206535	T-MOBILE	TMobile statement for February	40.00
<i>Org Key: WD130R - Street Related Storm Projects</i>				
P0106568	00206488	CM DESIGN GROUP	2020 ARTERIAL & RESIDENTIAL	11,591.50
<i>Org Key: WD723R - Sub Basin 6 Madrona Crest W</i>				
P0106568	00206488	CM DESIGN GROUP	2020 ARTERIAL & RESIDENTIAL	13,060.14
<i>Org Key: WG934E - City Hall Security Cameras</i>				
P0109708	00206508	GUARDIAN SECURITY	Camera Licenses - Additional	4,349.84
<i>Org Key: WP122P - Open Space - Pioneer/Engstrom</i>				
P0108847	00206454	APPLIED ECOLOGY LLC	Pioneer Park NE: Erosion Contr	6,539.45
P0108738	00206454	APPLIED ECOLOGY LLC	Engstrom & Upper Luther 2020	200.00
<i>Org Key: WP122R - Vegetation Management</i>				
P0108932	00206522	MONARCH LANDSCAPING WA LLC	Hollerbach OS Contract and	9,600.00
P0108928	00206522	MONARCH LANDSCAPING WA LLC	Luther Burbank Park North	7,520.00
P0108848	00206454	APPLIED ECOLOGY LLC	SE 53RD OS: Erosion Control &	6,050.60
P0108933	00206522	MONARCH LANDSCAPING WA LLC	Mercerdale Hillside Contract a	4,400.00
P0108738	00206454	APPLIED ECOLOGY LLC	Engstrom & Upper Luther 2020	600.00
P0108931	00206522	MONARCH LANDSCAPING WA LLC	Groveland Beach Contract and	90.00
P0108931	00206522	MONARCH LANDSCAPING WA LLC	Groveland Beach Contract Retai	10.00
<i>Org Key: WR916R - SE 68th and 70th Place ICW EMW</i>				
P0106568	00206488	CM DESIGN GROUP	2020 ARTERIAL & RESIDENTIAL	4,000.00
<i>Org Key: WS713T - SCADA System Upgrade</i>				
P0108955	00206459	Cabling & Technology Services	Fiber Tray Repatch CH - RES	6,756.46
<i>Org Key: WW535D - Booster Chlorination Station</i>				
P0108114	00206462	CAROLLO ENGINEERS INC	BOOSTER CHLORINATION SYSTEM	2,142.50
<i>Org Key: YF1200 - Thrift Shop</i>				
	00206468	CENTURYLINK	CENTURY LINK JAN 2021	193.70
<i>Org Key: YF2500 - Family Counseling</i>				
P0110021	00206541	WOOD, JULIE D	MIYFS Professional counseling	595.00
<i>Org Key: YF2600 - Family Assistance</i>				
P0110126	00206491	CREST APARTMENT LLC	Rental assistance for EA clien	1,000.00
P0110107	00206487	Chea, Rebecca	Rental Assistance for EA clien	800.00
P0109895	00206531	SHOREWOOD #14885	Rental assistance for Emergenc	611.00
P0109894	00206511	KC HOUSING AUTHORITY	Rental Assistance for Emergenc	173.00
Total				249,322.80

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00206454	02/05/2021	APPLIED ECOLOGY LLC Pioneer Park NE: Erosion Contr	P0108738	1163-RET	12/02/2020	13,390.05
00206455	02/05/2021	AUGUSTSON, THOR LEOFF1 Retiree Medical Expense	P0110130	OH014213	02/04/2021	53.06
00206456	02/05/2021	AUYONG, DAVID REFUND WATER SERVICE DEPOSIT	P0110006	1907-271	01/20/2021	259.17
00206457	02/05/2021	BELLEVUE GUN CLUB INC Range Use	P0110053	MIPD012021	02/01/2021	110.10
00206458	02/05/2021	BOOTH, GLENDON D LEOFF1 Retiree Medical Expense	P0110131	OH014214	02/04/2021	303.08
00206459	02/05/2021	Cabling & Technology Services Fiber Tray Repatch CH - RES	P0108955	10746	12/31/2020	6,756.46
00206460	02/05/2021	CADMAN INC 5/8"-MINUS ROCK (64.22 TONS)	P0110018	5737955	01/21/2021	1,758.99
00206461	02/05/2021	CARLSON, LARRY QUARTERLY FIRE LEOFF RETIREES		OH014217-2020	12/01/2020	433.80
00206462	02/05/2021	CAROLLO ENGINEERS INC BOOSTER CHLORINATION SYSTEM	P0108114	0194154-REMAIN	12/31/2020	2,142.50
00206463	02/05/2021	CDW GOVERNMENT INC Meraki MDM Renewal	P0109880	6816033	01/19/2021	8,380.24
00206464	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		8462-249B-JAN21	01/01/2021	64.75
00206465	02/05/2021	CENTURYLINK CENTURY LINK JAN 21		T61-4129-JAN21	01/01/2021	59.74
00206466	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		T61-4130-JAN21	01/01/2021	59.74
00206467	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		0689-886B-JAN21	01/01/2021	84.36
00206468	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		4207-082B-JAN21	01/01/2021	193.70
00206469	02/05/2021	CENTURYLINK CENTURY LINK JANUARY 2021		3249-454B-JAN21	01/01/2021	72.90
00206470	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		0834-052B-JAN21	01/01/2021	184.21
00206471	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		4212-756B-JAN21	01/01/2021	49.27
00206472	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		9598-413B-JAN21	01/01/2021	69.75
00206473	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		8350-530B-JAN21	01/01/2021	72.40
00206474	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		8035-828B-JAN21	01/01/2021	62.28
00206475	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		3500-165B-JAN21	01/01/2021	62.28
00206476	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		2988-159B-JAN21	01/01/2021	66.41
00206477	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		2782-931B-JAN21	01/01/2021	206.44
00206478	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		2017-582B-JAN21	01/01/2021	68.68
00206479	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		1366-398B-JAN21	01/01/2021	131.84

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00206480	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		0994-021B-JAN21	01/01/2021	108.10
00206481	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		0818-164B-JAN21	01/01/2021	5.60
00206482	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		0920-397B-JAN21	01/01/2021	65.90
00206483	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		2071-715B-JAN21	01/01/2021	648.99
00206484	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		2368-216B-JAN21	01/01/2021	87.82
00206485	02/05/2021	CENTURYLINK CENTURY LINK JAN 2021		2633-598B-JAN21	01/01/2021	59.74
00206486	02/05/2021	CESSCO INC INVENTORY PURCHASES	P0109956	14400	01/11/2021	418.46
00206487	02/05/2021	Chea, Rebecca Rental Assistance for EA clien	P0110107	OH014201	02/01/2021	800.00
00206488	02/05/2021	CM DESIGN GROUP 2020 ARTERIAL & RESIDENTIAL	P0106568	20050	12/31/2020	28,651.64
00206489	02/05/2021	COMCAST INTERNET JAN 22 - FEB 21	P0110078	0060573-JAN21	01/22/2021	121.46
00206490	02/05/2021	COMCAST 2021 PW WIFI SERVICE	P0110073	0365550-JAN21	01/12/2021	86.41
00206491	02/05/2021	CREST APARTMENT LLC Rental assistance for EA clien	P0110126	OH014210	01/01/2021	1,000.00
00206492	02/05/2021	DELL MARKETING L.P. MDC Keyboards	P0110022	10459553403	01/27/2021	712.32
00206493	02/05/2021	DEPT OF ENTERPRISE SERVICES #10 REGULAR ENVELOPES	P0110077	731103798	12/31/2020	663.53
00206494	02/05/2021	DEPT OF NATURAL RESOURCES AQUATIC LAND LEASE 2021	P0110011	010014869012021	01/04/2021	4,307.05
00206495	02/05/2021	DEVENY, JAN P LEOFF1 Retiree Medical Expense	P0110132	OH014215	02/04/2021	172.33
00206496	02/05/2021	DIRECT MATTERS Direct Matters invoice #56515	P0110010	56515	01/25/2021	315.61
00206497	02/05/2021	DLT SOLUTIONS Spotlight on SQL Annual	P0109884	S1507035	01/27/2021	460.00
00206498	02/05/2021	EPSCA 44 RADIOS FOR FIRE 2021	P0109899	10291	01/02/2021	2,459.12
00206499	02/05/2021	EVERETT POLYGRAPH SERVICES LLC PD new hire Polygraph exam	P0110059	2021-0129	01/29/2021	200.00
00206500	02/05/2021	EXCEL SUPPLY COMPANY INVENTORY PURCHASES	P0110057	131150	01/22/2021	501.90
00206501	02/05/2021	FERGUSON ENTERPRISES LLC SENSUS SOFTWARE FLEXNET SUPPOR	P0110000	0935210	11/16/2020	2,898.56
00206502	02/05/2021	FIRE PROTECTION INC 3V BATTERY CCMV	P0110023	60234	01/17/2021	179.47
00206503	02/05/2021	FIRETECH ACADEMY ISO/Cook	P0110052	233	01/11/2021	350.00
00206504	02/05/2021	GEMPLER'S INC INVENTORY PURCHASES	P0110001	INV0004459503	01/20/2021	1,012.54
00206505	02/05/2021	GHAZVINIAN, FARZAD REFUND WATER SERVICE DEPOSIT	P0110005	1811-148	01/20/2021	298.34

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00206506	02/05/2021	GOODRICH, ELIZABETH REFUND WATER SERVICE DEPOSIT	P0110004	1907-232	01/20/2021	7,928.89
00206507	02/05/2021	GRAINGER INVENTORY PURCHASES	P0110016	9784715477	01/25/2021	275.94
00206508	02/05/2021	GUARDIAN SECURITY Camera Licenses - Additional	P0109708	1087142	12/23/2020	4,349.84
00206509	02/05/2021	H D FOWLER INVENTORY PURCHASES	P0109954	I5665007	12/17/2020	13,565.28
00206510	02/05/2021	HOME DEPOT CREDIT SERVICE MISC. TOOLS	P0110062	3081270	01/29/2021	680.50
00206511	02/05/2021	KC HOUSING AUTHORITY Rental Assistance for Emergenc	P0109894	OH014203	02/01/2021	173.00
00206512	02/05/2021	KROESENS UNIFORM COMPANY Uniforms - McCoy	P0110071	62520	01/28/2021	1,250.18
00206513	02/05/2021	KUHN, DAVID LEOFF1 Retiree Medical Expense	P0110133	OH014211	02/04/2021	35.32
00206514	02/05/2021	LAKESIDE INDUSTRIES EZ STREET ASPHALT (2 TONS)	P0110014	148416	01/16/2021	237.82
00206515	02/05/2021	LAZO, FRANKY REIMB. TRAVEL EXP		OH014205	02/03/2021	625.55
00206516	02/05/2021	LN CURTIS & SONS Desktop Chargerbase	P0110070	INV457353	01/21/2021	192.29
00206517	02/05/2021	LONG BUILDING TECHNOLOGIES INC 2020 MAINTENANCE AT FIRE STATI	P0109998	SCPAY0050719	12/10/2020	1,057.29
00206518	02/05/2021	METROPRESORT DECEMBER 2020 CHANGE OF ADDRES	P0110055	IN630459	01/21/2021	1,585.01
00206519	02/05/2021	MI UTILITY BILLS PAYMENT OF UTILITY BILLS FOR W	P0110061	OH014199	01/31/2021	5,704.95
00206520	02/05/2021	MILES, JEAN REFUND WATER SERVICE DEPOSIT	P0110009	1912-051	01/25/2021	9,729.83
00206521	02/05/2021	MIPC REFUND WATER SERVICE DEPOSIT	P0110007	1701-234	01/25/2021	6,058.35
00206522	02/05/2021	MONARCH LANDSCAPING WA LLC Groveland Beach Contract Retai	P0108931	CD50111129-RET	10/31/2020	21,620.00
00206523	02/05/2021	MUNICODE Municode Annual Renewal / Supp	P0110002	00353690	01/20/2021	12,784.80
00206524	02/05/2021	NELSON PETROLEUM 2021 DIESEL DELIVERY	P0110058	0753260-IN	01/27/2021	2,454.57
00206525	02/05/2021	OTTER, DALLAS REFUND WATER SERVICE DEPOSIT	P0110008	1911-202	01/25/2021	2,886.10
00206526	02/05/2021	OWEN EQUIPMENT COMPANY FAN SYSTEM FOR VEC. FL-0388	P0109959	00100421	01/12/2021	8,717.76
00206527	02/05/2021	PERLA, MICHAEL REFUND WATER SERVICE DEPOSIT	P0110003	1902-073	01/20/2021	14,059.61
00206528	02/05/2021	Power Engineers Inc. PW ASSET MGMT UPDATE	P0107187	388063	12/31/2020	5,590.00
00206529	02/05/2021	PRO-VAC STORM CLEANING 11-16 TO 11-19	P0109932	45767210	11/19/2020	11,382.00
00206530	02/05/2021	PUGET SOUND ENERGY PSE DECEMBER 2020		OH014200	12/31/2020	4,918.65
00206531	02/05/2021	SHOREWOOD #14885 Rental assistance for Emergenc	P0109895	OH014202	02/01/2021	611.00

Accounts Payable Report by Check Number

Check No	Check Date	Vendor Name/Description	PO #	Invoice #	Invoice Date	Check Amount
00206532	02/05/2021	SKYLINE COMMUNICATIONS INC FEB 2021 EOC INTERNET SERVICE	P0110064	IN45971	02/01/2021	206.55
00206533	02/05/2021	SOUND SAFETY PRODUCTS SAFETY BOOTS & MISC. WORK CLOT	P0110024	180621/231/804	01/13/2021	375.31
00206534	02/05/2021	STROUM JEWISH COMMUNITY CTR CODE AMENDMENT/SEPA		OH014204	02/01/2021	23,559.22
00206535	02/05/2021	T-MOBILE TMobile statement for February	P0110066	519850018-JANFEB	02/01/2021	40.00
00206536	02/05/2021	THOMPSON, JAMES FRLEOFF1 Retiree Medical Expen	P0110038	OH014206	01/21/2021	313.42
00206537	02/05/2021	VERIZON WIRELESS FIRE CELL SERVICE	P0110075	9870687855	12/07/2020	16.53
00206538	02/05/2021	WALLACE, THOMAS LEOFF1 Retiree Medical Expense	P0110037	OH014207	01/28/2021	182.48
00206539	02/05/2021	WALTER E NELSON CO Household Supplies	P0108290	793022	01/25/2021	1,598.89
00206540	02/05/2021	WEATHERNET LLC WEATHERNET FOR FEBRUARY 2021	P0110017	2021-17879	01/26/2021	490.00
00206541	02/05/2021	WOOD, JULIE D MIYFS Professional counseling	P0110021	COUN123120	12/31/2020	595.00
00206542	02/05/2021	WORKSAFE SERVICE INC, A Pre-employment drug test	P0110129	301026	02/04/2021	55.00
00206543	02/05/2021	WORKWEAR PLACE, THE RAINGEAR & MISC. WORK CLOTHES	P0110019	1305	01/19/2021	285.98
00206544	02/05/2021	WSAFM 2021 Department Membership	P0110069	00041	01/01/2021	990.00
00206545	02/05/2021	XEROX CORPORATION DEC 2020 COPIER CHARGES	P0110013	012384520/84519	12/31/2020	458.80
					Total	249,322.80



CITY OF MERCER ISLAND CERTIFICATION OF PAYROLL

Item 3.

PAYROLL PERIOD ENDING 2.5.2021
PAYROLL DATED 2.12.2021

Net Cash	\$	491,855.24
Net Voids/Manuals		
Net Total	\$	491,855.24
Federal Tax Deposit - Key Bank	\$	80,596.71
Social Security and Medicare Taxes	\$	41,771.58
Medicare Taxes Only (Fire Fighter Employees)	\$	2,805.07
State Tax (Massachusetts)	\$	20.16
Public Employees Retirement System 2 (PERS 2)	\$	25,915.12
Public Employees Retirement System 3 (PERS 3)	\$	5,821.66
Public Employees Retirement System (PERSJM)	\$	885.68
Public Safety Employees Retirement System (PSERS)	\$	218.00
Law Enforc. & Fire fighters System 2 (LEOFF 2)	\$	25,942.89
Regence & LEOFF Trust - Medical Insurance	\$	11,016.42
Domestic Partner/Overage Dependant - Insurance	\$	263.02
Group Health Medical Insurance	\$	722.60
Health Care - Flexible Spending Accounts	\$	1,619.62
Dependent Care - Flexible Spending Accounts	\$	430.76
ROTH - IRA	\$	525.00
ICMA Deferred Compensation	\$	37,098.80
Fire 457 Nationwide	\$	18,004.74
Roth - Nationwide	\$	1,050.00
Tax Levy	\$	864.32
Child Support	\$	599.99
Mercer Island Employee Association	\$	245.00
Cities & Towns/AFSCME Union Dues	\$	-
Police Union Dues	\$	-
Fire Union Dues	\$	2,172.89
Fire Union - Supplemental Dues	\$	160.00
Standard - Supplemental Life Insurance	\$	-
Unum - Long Term Care Insurance	\$	196.45
AFLAC - Supplemental Insurance Plans	\$	388.71
Coffee Fund	\$	120.00
Transportation	\$	62.50
HRA - VEBA	\$	5,930.04
Tax & Benefit Obligations Total	\$	265,447.73

TOTAL GROSS PAYROLL	\$ 757,302.97
----------------------------	----------------------

I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein, that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the City of Mercer Island, and that I am authorized to authenticate and certify to said claim.



Finance Director

I, the undersigned, do hereby certify that the City Council has reviewed the documentation supporting claims paid and approved all checks or warrants issued in payment of claims.

Mayor

Date



CITY COUNCIL MINUTES SPECIAL VIDEO MEETING (EXECUTIVE SESSION) JANUARY 27, 2021

CALL TO ORDER & ROLL CALL

Mayor Benson Wong called the Special Meeting to order at 5:00 pm from a remote location.

Mayor Benson Wong, Deputy Mayor Wendy Weiker and Councilmembers Lisa Anderl, Jake Jacobson, Salim Nice, Craig Reynolds, and David Rosenbaum participated remotely using the teleconferencing platform Microsoft Teams.

City Manager Jessi Bon and City Attorney Bio Park participated in the executive session from a remote location using Microsoft Teams.

EXECUTIVE SESSION

At 5:00 pm, Mayor Wong convened an Executive Session for approximately 90 minutes to discuss with legal counsel litigation or potential litigation pursuant to RCW 42.30.110(1)(i).

At 6:32 pm, Mayor Wong adjourned the Executive Session. No action was taken.

ADJOURNMENT

The Special Meeting adjourned at 6:33 pm.

Benson Wong, Mayor

Attest:

Deborah Estrada, City Clerk



CITY COUNCIL MINUTES REGULAR VIDEO MEETING FEBRUARY 2, 2021

Item 4.

CALL TO ORDER & ROLL CALL

Mayor Wong called the meeting to order at 5:00 pm from a remote location.

Mayor Wong, Deputy Mayor Wendy Weiker, and Councilmembers Lisa Anderl, Jake Jacobson, Salim Nice, Craig Reynolds, and David Rosenbaum participated remotely using a video teleconferencing platform by Zoom.

City Manager Bon participated remotely from City Hall, 9611 SE 36th Street, Mercer Island, Washington. The City Attorney and Mercer Island City Leadership Team participated from remote locations.

PLEDGE OF ALLEGIANCE

Councilmember Anderl delivered the Pledge of Allegiance.

AGENDA APPROVAL

It was moved by Nice; seconded by Weiker to:

Approve the agenda.

Passed 7-0

FOR: 7 (Anderl, Jacobson, Nice, Reynolds, Rosenbaum, Weiker, and Wong)

STUDY SESSION

AB 5809: YFS Levy Discussion

Deanna Gregory, with Pacific Law Group, discussed considerations for funding Youth and Family Services and outlined the following for City Council consideration:

- Determine programs to be funded and amount of funding gap (Scenarios 1-4)
- Voter Considerations
- Annual Increase Limitations
 - Lifting the 101% Levy Lid
 - Single Year Lift
 - Multiple Year Lift
- Levy Lid Lift Process and Election Dates
- Ballot Measure Requirements

City Council asked several questions to which City Manager Bon suggested that staff would do additional research and return in early April with more information. There was **Council Consensus** to research and/or provide additional information regarding the following:

- Single Year Levy Lift Option for consideration on the November ballot
- Modeling related to Levy Term
- YFS's current capacity
- Update on Geriatric Counselor and caseload
- School Counselors' caseload

SPECIAL BUSINESS

King County Council Chair Claudia Balducci addressed the City Council and responded to questions regarding the following 2020 Accomplishments:

- COVID Response and Recovery (Childcare, Shelters, Arts, culture, and science organizations, Small businesses, and Community organizations)
- King County Budget (Criminal legal system reform, Transit, Behavioral health, Eastrail, Kokanee, and Housing stability)
- Puget Sound Taxpayer Accountability Account
- Climate Action Toolkit

Looking ahead to 2021, Council Chair Balducci provided an update on the following:

- Vaccine Distribution and COVID-19 Recovery
- Best Starts for Kids Levy Renewal
- Strategic Climate Action Plan
- Health through Housing
- Affordable Housing
- Redistricting
- Law Enforcement Reform
- Transportation

CITY MANAGER REPORT

City Manager Jessi Bon reported on the following items:

- COVID-19 Update:
 - Puget Sound Region Moves into Phase 2
 - New COVID-19 Strain in King County
 - Vaccine Rollout
 - How to Make a Vaccine Appointment
- Council and Boards & Commissions Schedule Updates
- City Service Updates:
- City Reports Sculpture Theft – ‘Counterpoint’
- Interim Fire Chief Services
- January Storm Debris Hand-off
- Updating Boat Launch Fee Structure
- Thrift Shop Operations & Thank you Thrift Shop Volunteers
- MICEC and Recreation Restart
- Development Application for Code Amendment Request Withdrawn

APPEARANCES

David Beatty, Mercer Island – addressed Ordinance No. 21C-02 and expressed concern that it would exasperate the homeless situation. He expressed concern that the ordinance does not address available housing options.

Ashley Hay, Mercer Island – speaking on behalf of the Mercer Island Preschool Association, Hay advocated for preschoolers, requesting that the Mercerdale Park be fully accessible to all children of all ages and capabilities.

John Hamer, Mercer Island – spoke in support of making Mercerdale Park accessible to all children.

Bonnie Godfred, Mercer Island – encouraged Council to leave Mercerdale Park the way it is, without adding more buildings.

Frank Schott, Mercer Island – addressed the Thrift Shop expansion and his passion for the YFS services. Believes that the funding provided by the Thrift Shop is important, but that the current facility is limited. Offered to serve on a committee that looked at all available options for the Thrift Shop.

Jill Hawkins, Mercer Island – addressed the need to recognize individuals with rare diseases and encouraged Council to recognize Rare Disease Day to raise awareness around this issue. She also encouraged individuals to “wear their stripes” in recognition of Rare Disease Day on February 28.

Tom Acker, Mercer Island (7:25) – thanked Council for their work and service and thanked Jill Hawkins for her efforts on Rare Disease Day. He also addressed the Code of Ethics and the changes that he believes need to be made, specifically the complaint process. He further noted that public officials should not get involved until the investigation is completed and suggested that a corrective action review board be created.

Meg Lippert, Mercer Island – encouraged the City Council to save a small northwest corner of the Town Center Park from a non-parkland use. Furthermore, she emphasized the importance of protecting Mercer Island's parkland heritage and requested that Council find a different place to construct the Thrift Shop.

Robin Russell, Mercer Island – encouraged City Council to protect Mercerdale Park and not expand the Thrift Shop in such a way that it would impact the park.

Victor Raisys, Mercer Island – urged Council to direct staff not to accept additional growth capacity from King County and the High-Capacity Transit regional geography caucus. He also encouraged Council to focus on mitigating the impacts of the growth on the community's infrastructure, businesses, and quality of life.

There being no additional public comments, Mayor Wong closed Appearances.

CONSENT CALENDAR

Approve Accounts Payable Report for the periods ending January 15, 2021 (\$865,312.94) and January 22, 2021 (\$1,070,765.42)

Recommended Action: Certify that the materials or services hereinbefore specified have been received and that all warrant numbers listed are approved for payment.

Certification of Payroll dated January 29, 2021 in the amount of \$761,757.23.

Recommended Action: Certify that the materials or services specified have been received and that all fund warrants are approved for payment.

Approve Minutes of the January 19, 2021 Regular Video Meeting.

Recommended Action: Approve the minutes as written.

AB 5803: Black History Month Proclamation No. 260

Recommended Action: Award the SCADA-Water Equipment Replacement project to Bainbridge Island Electric in the amount of \$367,609 and direct the City Manager to execute the construction contract.

AB 5804: MIYFS Foundation Day Proclamation No. 261

Recommended Action: Mayor Wong proclaims February 2, 2021 as MIYFS Foundation Day in the City of Mercer Island.

AB 5805: Bid Acceptance: SCADA-Water Equipment Replacement Project

Recommended Action: Award the SCADA-Water Equipment Replacement project to Bainbridge Island Electric in the amount of \$367,609 and direct the City Manager to execute the construction contract.

AB 5796: Public Sewer Easement Extinguishments and Replacement

Recommended Action: Authorize the City Manager to terminate sewer easements AFN 4635647, 4655749, and 4709245 as depicted in Exhibit 3 in exchange for a new 15-foot-wide realigned easement by executing instruments to be approved by the City Attorney.

It was moved by Jacobson; seconded by Nice to:

Approve the Consent Calendar and the recommendations contained therein as presented and amended.

PASSED: 7-0

FOR: 7 (Anderl, Jacobson, Nice, Reynolds, Rosenbaum, Weiker, and Wong)

REGULAR BUSINESS

AB 5808: Healthy Youth Initiative Program Update

YFS staff provided a detailed overview of the Health Youth Initiative:

- History of Prevention on Mercer Island (Funding, Strategy, and Accomplishments)
- Healthy Youth Initiative Task Force
- Prevention Science & Mercer Island Data (Smoking/Vaping, Alcohol Use & Binge Drinking, Riding with a Drinking Driver, Marijuana Use, Depression, and Suicide)
- Strategic Prevention Framework - Partnerships for Success and Sober Truth on Prevention Underage Drinking Act (STOP) Grants
- Prevention & Health Promotion Strategies
- COVID-19 – Prevention in a Pandemic and Expanding the YFS Virtual Reach
- Current Healthy Youth Initiative Projects & Partnerships:
 - “Attentive Parenting” in Partnership with University of Washington’s (UW) School of Social Work
 - “Mental Health First Aid” in Partnership with Jewish Family Service in Seattle
 - “COVID-19 Check-In with Yourself” Partnership with UW Department of Psychiatry and Behavioral Sciences
 - “S.A.F.E. Club & Minds Matter” in Partnership with Mercer Island School District

AB 5807: King County Planning Policies Growth Targets.

Jeff Thomas, Community Planning and Development Interim Director, reviewed the background for the King County Planning Policies Growth Targets and provided City Council with an update since the January 19 meeting:

- County-Wide Planning Policies and Growth Targets Schedule:
 - Urban Growth Capacity Study: March 2021
 - Regional Geography Caucus Meetings: March 2021
 - Growth Management Planning Council: June 2021
 - King County Council: Summer 2021
 - Cities Ratification: Fall 2021

It was moved by Nice; seconded by Jacobson to:

Authorize the City Manager to direct staff to continue advocating with King County and the High-Capacity Transit regional geography caucus for the lowest possible growth targets related to employment and housing, with housing units not to exceed 1,204, and for the County-Wide Planning Policies Growth Target Update Process and to bring the matter back to the City Council for further consideration and direction once the results of the Urban Growth Capacity Study are available.

PASSED: 7-0

FOR: 7 (Anderl, Jacobson, Nice, Reynolds, Rosenbaum, Weiker, and Wong)

AB 5806: Thrift Shop Operations Update

Jason Kintner, Chief of Operations/Public Works Director, reviewed the project's background and its public engagement results with City Council.

- Background:
 - June 2020 - Early concept was developed with the goal of increasing retail floor space.
 - September 2020 – Staff presented two conceptual options that achieved the project goals
 - November 2020 – Staff presented Return-on-Investment analysis for both options
 - November 2020 – Council requested a public process to solicit ideas from the community
- Public Engagement
 - December 2020 thru January (7 comments, 26 contributions to location ideas)

Kintner explained that operations due to the Pandemic continue to be challenging and current operations will need to be modified as the Recreation Reset process is underway.

It was moved by Jacobson; seconded by Weiker to:

Suspend the Thrift Shop and Recycling Center Project and direct the City Manager to begin a Thrift Shop Restart Plan, which includes identifying short-term solution for successful and sustainable donation processing during the Pandemic.

PASSED: 7-0

FOR: 7 (Anderl, Jacobson, Nice, Reynolds, Rosenbaum, Weiker, and Wong)

AB 5810: City Council Sustainability Committee Discussion

Mayor Wong introduced the Sustainability Committee, noting that the Committee was originally form in 2008. He further reported that as part of the 2021-2022 Biennial Budget process, the City Council funded a full time Sustainability Program Analyst to design and oversee on-the-ground implementation of sustainability programs, measure, and outreach.

City Manager Bon explained that Sustainability Analyst would continue serving as Communications Manager until such time that the position is filled.

There was **Council Consensus** that Mayor Wong and Councilmembers Reynolds and Nice would serve on the Committee.

The Committee's suggested role was outlined as follows:

- Providing recommendations on the Sustainability Work Plan with final approval by the full City Council.
- Reviewing King County – Cities Climate Collaboration (K4C) Outreach activities and that of similar groups and deciding collectively the political advocacy (if any) that should be considered by the full City Council.
- Reviewing and making recommendations regarding the signing of support letters that are circulated for signature by mayors of K4C member cities, or by mayors of SCA member cities, involving issues or positions that are consistent with K4C's Updated Joint Climate Commitments that Mercer Island signed in 2019.
- Staying informed of pending legislation that might be of particular interest to Mercer Island and providing reports to the full City Council so it can determine in a timely manner whether it wants to take a particular position relative to certain legislation.

It was moved by Nice; seconded by Reynolds to:

Reinstate the City Council Sustainability Committee and adopt the Sustainability Committee's suggested role that is described in the four bullets of the agenda bill. (see above)

PASSED: 7-0

FOR: 7 (Anderl, Jacobson, Nice, Reynolds, Rosenbaum, Weiker, and Wong)

OTHER BUSINESS

Councilmember Absences

There were no absences reported.

Planning Schedule

City Manager Bon briefly outlined the February 16 meeting:

- The Rich Hill Code Amendment was removed because the application was withdrawn.
- The emergency ordinance adopted last summer allowing for outdoor commerce has ended and will need to be renewed at the next meeting.
- There will be an update on the Recreation Restart Plan and a request for a recreation position to assist with administration.
- March agendas are already very full.

Councilmember Reports

Councilmember Weiker

- February 10 is the YFS Breakfast
- Sound Cities Association is having a forum on February 5

Councilmember Reynolds – K4C Outreach Committee is very busy with the legislature

Councilmember Jacobson:

- Snake Hill Park improvements were removed to minimize injury by users. There will be a community meeting on February 6.
- Mercedale Park Zoom meeting on February 8

Councilmember Nice

- Provided an update on the Arts Council meeting. There was Council Consensus to support efforts by the Arts Council as the Recreation Restart plan progresses.

Mayor Wong

- SCA met on January 27 with several key speakers that discussed 2020 activities and upcoming 2021 activities.

EXECUTIVE SESSION

No executive session was held.

ADJOURNMENT

The regular Council Meeting adjourned at 10:00 pm.

Benson Wong, Mayor

Attest:

Deborah A. Estrada, City Clerk



CITY COUNCIL MINUTES SPECIAL VIDEO MEETING (EXECUTIVE SESSION) FEBRUARY 9, 2021

CALL TO ORDER & ROLL CALL

Mayor Benson Wong called the Special Meeting to order at 5:07 pm from a remote location.

Mayor Benson Wong, Deputy Mayor Wendy Weiker and Councilmembers Lisa Anderl, Jake Jacobson, Salim Nice, Craig Reynolds, and David Rosenbaum participated remotely using the teleconferencing platform Microsoft Teams.

City Manager Jessi Bon and City Attorney Bio Park participated in the executive session from a remote location using Microsoft Teams.

EXECUTIVE SESSION

At 5:07 pm, Mayor Wong convened an Executive Session for approximately 60 minutes to discuss with legal counsel litigation or potential litigation pursuant to RCW 42.30.110(1)(i).

At 6:09 pm, Mayor Wong extended the Executive Session for 20 Minutes.

At 6:29 pm, Mayor Wong adjourned the Executive Session. No action was taken.

ADJOURNMENT

The Special Meeting adjourned at 6:29 pm.

Benson Wong, Mayor

Attest:

Deborah Estrada, City Clerk



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5815
February 16, 2021
Consent Calendar

AGENDA BILL INFORMATION

TITLE:	AB 5815: Rare Disease Day Proclamation No. 262	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Mayor Wong proclaims February 28, 2021 Rare Disease Day in Mercer Island.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	City Council
STAFF:	Deborah Estrada, City Clerk Sarah Bluvus, Economic Development Coordinator
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Proclamation No. 262
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

BACKGROUND

Currently, more than 25 million Americans are affected by rare disease. The first Rare Disease Day was celebrated in 2008 on February 29, a “rare” date that happens only once every four years. Ever since, Rare Disease Day has taken place on the last day of February each year to raise awareness among the general public and decision-makers about rare diseases and the impact on patients’ lives.

RARE DISEASE DAY ON MERCER ISLAND

To commemorate Rare Disease Day, local community members, businesses, and the Mercer Island Chamber of Commerce are spearheading a “Show Your Stripes” campaign. Starting February 15, community members can pick up a zebra-striped mask (the zebra is the symbol for rare disease awareness) at about 15 Island businesses. On February 28, community members are asked to wear their masks and “show their stripes” on social media using #ShowYourStripes and #RareDiseaseDay.

RECOMMENDATION

Mayor Wong proclaims February 28, 2021 Rare Disease Day in Mercer Island.



City of Mercer Island, Washington

Proclamation

WHEREAS, as many as 1 in 5 Americans are living with various disabilities, whether from diseases, injuries, aging, or other causes; and

WHEREAS, disability IS diversity, and the disabled deserve the same opportunities for accessibility as do other citizens, as a matter of fairness, equity and inclusion; and

WHEREAS, 1 in 10 people suffer from more than 7,000 rare diseases -- 90 percent of them without any cure or effective therapies, according to the National Institutes of Health (NIH); and

WHEREAS, Rare Disease Day is observed annually on the last day of February – the rarest date on the calendar – to underscore the nature of rare diseases and their effects on all of us; and

WHEREAS, the National Organization for Rare Diseases (NORD) is sponsoring Rare Disease Day on Feb. 28, 2021, with a “Show Your Stripes” campaign -- because the Zebra is the symbol that has been chosen to represent the effort; and

WHEREAS, a growing coalition of Mercer Island citizens and organizations are promoting the “Show Your Stripes” campaign by encouraging citizens to pick up “Zebra Masks” at various Mercer Island businesses; and

WHEREAS, this coalition is urging Mercer Island citizens to wear their Zebra Masks that day as they “roll and stroll” with disabled children or others on foot or in wheelchairs wherever they go on the Island.

NOW, THEREFORE, I, Mayor Benson Wong, do hereby proclaim February 28, 2021 as

RARE DISEASE DAY

in Mercer Island and I encourage all residents to join me our continuing commitment to be an accessible and inclusive community that rejects discrimination against individuals with disabilities of any kind, and urge all members and residents of our community to work together to overcome any unequal treatment, because equity and inclusion are the hallmarks of a truly compassionate society.

APPROVED, this 16th day of February 2021.

Benson Wong, Mayor





BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5811
February 16, 2021
Consent Calendar

AGENDA BILL INFORMATION

TITLE:	AB 5811: Mayors United Against Antisemitism	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Authorize Mayor Wong to sign the Mayors United Against Antisemitism letter.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	City Council
STAFF:	Benson Wong, Mayor
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Mayors United Against Antisemitism Letter
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

The American Jewish Committee (AJC) and the U.S. Conference of Mayors are requesting that elected officials in the United States, and around the world, commit to sign the Mayors United Against Antisemitism Letter (see Exhibit 1) and work within and across communities to advance the values of respectful coexistence.

BACKGROUND

In October 2018, eleven Jews were killed in an attack against the Jewish community at the Tree of Life Synagogue in Pittsburgh, Pennsylvania. According to the FBI 2019 Hate Crimes Statistics, American Jews, who make up less than 2% of the American population, were the victims of 60.2% of anti-religious hate crimes. Locally, in March 2019, two swastikas were found in a parking lot on the north end of Mercer Island next to several local businesses. In September 2020, antisemitic posts on social media and a school-wide communications platform were made by a Mercer Island High School student.

RECOMMENDATION

Authorize Mayor Wong to sign the Mayors United Against Antisemitism letter.



MAYORS UNITED AGAINST ANTISEMITISM

Five years ago, U.S. mayors from all fifty states issued a call to action to combat antisemitism in Europe. Not alone in their concern, mayors from across Europe joined in the fight and signed onto the pledge.

Since then, vicious attacks on American soil have demonstrated that antisemitism must be confronted with the same urgency in the United States. In October 2018, eleven Jews were killed in the deadliest attack against the Jewish community in U.S. history at the Tree of Life Synagogue in Pittsburgh, Pennsylvania. Jews have also been murdered in Poway, California; Jersey City, New Jersey; and Monsey, New York simply for being Jews. We witnessed chants of “Jews will not replace us” in Charlottesville and “Camp Auschwitz” and other antisemitic messages displayed during the assault on the U.S. Capitol.

According to the FBI 2019 Hate Crimes Statistics, American Jews—who make up less than 2% of the American population—were the victims of 60.2% of anti-religious hate crimes.

And so we gather again, as leaders of our cities and communities, to jointly say:

“Enough.”

We, the undersigned Mayors, express our deep conviction that antisemitism is not only an attack on Jews but an assault on the core values of any democratic and pluralistic society.

In a world of global communications, where antisemitic ideas spread rapidly, a concerted and principled response is required to raise awareness, to educate, and to ensure decency prevails. As Mayors and municipal leaders, we have a unique responsibility to speak out against the growing menace of antisemitism by affirming the following:

We, the undersigned,

- Condemn antisemitism in all its forms, including hatred and prejudice directed toward Jews, stereotypes or conspiracy theories about Jews, Holocaust denial or distortion, and denying the Jewish people’s right to self-determination and/or the Jewish state’s right to exist;



- Support national, state, and local government efforts directed at eradicating antisemitism and preventing extremist indoctrination and recruitment; and support expanded education programs, including Holocaust programs, to counter intolerance and discrimination;
- Reject the notion that opinions about the policies, actions, or existence of the State of Israel can ever justify or excuse antisemitic acts;
- Recognize the ever-present need to be vigilant about efforts to prevent and report acts of antisemitism and other hate crimes; and
- Affirm that a climate of mutual understanding and respect among all citizens is the bedrock of pluralistic communities.

We therefore commit to working within and across our communities to advance the values of respectful coexistence. We call upon mayors, municipal leaders, and other elected officials in the United States and around the world—and all people of good faith—to join us in declaring unequivocally that antisemitism is incompatible with fundamental democratic values.

THIS IS AN INITIATIVE OF AMERICAN JEWISH COMMITTEE (AJC) AND THE U.S. CONFERENCE OF MAYORS (USCM).



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5814
February 16, 2021
Consent Calendar

AGENDA BILL INFORMATION

TITLE:	AB 5814: Authorizing a Limited-Term Recreation Specialist Position	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Authorize up to \$72,000 of the approved 2021 Recreation Recovery Plan Startup Funding to hire a limited-term Recreation Specialist.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Parks and Recreation
STAFF:	Ryan Daly, Operations & Transition Team Manager Merrill Thomas-Schadt, Recreation & Operations Coordinator Emily Moon (Consultant)
COUNCIL LIAISON:	Jake Jacobson
EXHIBITS:	n/a
CITY COUNCIL PRIORITY:	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.

AMOUNT OF EXPENDITURE	\$ 72,000
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

This agenda bill authorizes the use of up to \$72,000 of the 2021 Recreation Recovery Plan Startup funding to hire a limited-term Recreation Specialist. This position will support the phased reinstatement of recreation programs and services. The near-term priority is restarting summer camp programs, which are anticipated to begin at the end of June, and an additional staff position is needed to support this work. This authorization will fund this position through the end of 2021. The long-term programming and staffing plan for the Recreation Division is still under development and will come to the City Council for review and approval later this year.

BACKGROUND

The COVID-19 Pandemic (Pandemic) significantly impacted the Parks & Recreation Department. The Mercer Island Community and Event Center (MICEC) was closed in March 2020 and all recreation programs were suspended. As a result, nearly all of the positions within the Recreation Division were laid off. The three remaining Recreation Division staff are supporting limited recreation services and also performing duties associated with the City's emergency response to the Pandemic.

During the 2021-2022 biennial budget process, the City Council allocated \$400,000 in 2021 to facilitate the restart of recreation services and programs. This funding was tied to the completion of a Recreation Restart Plan (Restart Plan), which is currently in development in collaboration with the Parks and Recreation Commission. An update on this planning work was scheduled for this City Council meeting but was postponed due to other agenda priorities.

RECREATION SPECIALIST POSITION REQUEST

City staff recommend that the City Council authorize the use of up to \$72,000 (includes salary and benefits) from the 2021 Recreation Recovery Plan Startup funding to hire a limited-term Recreation Specialist. The Recreation Specialist will immediately begin work on coordinating and planning for the reinstatement of summer camp programming. This position will also assist with field scheduling, which is currently in high demand and expected to remain so through the fall. It is anticipated that additional recreation programs and MICEC facility rentals will resume this year, pending the completion of the Restart Plan. The duties of this position will expand and adapt as additional services are restored.

Although the update on the Recreation Reset Plan was delayed to March, the authorization to fund this limited-term position is needed now to meet the timeline to resume summer camp programs.

UPDATE ON RECREATION, MICEC, AND ARTS RESET/RECOVERY PLANNING

City Leadership recognizes the importance of recreation programs and services to the Mercer Island community's quality of life. In late October 2020, a staff team, facilitated by consultant Emily Moon, began work on the Reset Plan for the City's recreational and art programs, the MICEC, and other suspended departmental services. This work includes reviewing past offerings and policies, evaluating community needs and investments, and creating a strategy to phase-in prioritized services.

This Reset Plan strategy focuses on implementing a cost recovery model and resource allocation philosophy to guide future service decisions, enhance financial sustainability, and return on investment of limited public funds. This Reset Plan gives the City an opportunity to apply a "zero-based" approach to its programming, services, and recreation budget. The Reset Plan also allows the City to align organizational and programmatic design with strategic priorities and available resources.

The Reset Team spent November and December gathering and analyzing program expenditures and revenues, participation levels, current resources and constraints, input from previous community surveys, State of Washington public health guidance and regulations, and more. Staff developed a Pandemic framework to guide near-term program delivery, outlining the feasibility of offering one or more services this summer, gathering additional input on community priorities, and creating a cost recovery and resource allocation philosophy with the Parks and Recreation Commission. The Reset Team also spent time reviewing the Arts Council's governance policies, strategy plans, and discussing an appropriate approach to restarting the Arts Council's work.

The Reset Team is working with the Parks and Recreation Commission and the Arts Council to craft an Immediate Action Plan, which can be implemented now and will apply for the remainder of 2021. A Long-Term Reset Plan is in the works, which will guide the focus, actions, and services for the next two plus years. The Reset Team plans to present periodic progress updates to the City Council and to convey recommendations for the City Council's consideration in April.

The Recreation and MICEC Immediate Action Plan and the process for the Long-Term Reset Plan were presented during the January 7 Parks & Recreation Commission (PRC) [Regular Meeting](#). The focus of the Immediate Action Plan is to implement contractor-led summer camp programming and prepare for limited MICEC rentals beginning this summer. Any resumption of programs and services will require allocating an additional percentage of the existing Recreation staff's work time. Staff is working diligently to manage this increased workload, consider how contractors or limited term employees may assist, and contemplate how staff can devote time to the long-term efforts and the possibility of expanding services in the fall.

The Parks and Recreation Commission held a [Special Meeting](#) on January 21 that included a presentation by consultant Emily Moon. During the meeting, Commissioners sorted past and potential categories of services and programs into cost recovery target tiers. Services were sorted principally according to (1) who benefits from the service and (2) who should bear the cost of providing the service. Additional factors that influenced the categorization included whether:

- The service was required,
- It was reasonable to assume that taxpayers should subsidize the service (in part or whole),
- Other providers of the service exist on Mercer Island,
- There was equal access to the service, and
- The perceived value to residents of the service were being provided by the City of Mercer Island.

The Commission was also introduced to recommended cost recovery targets for recreation and MICEC programs and services based on tier placements. For future planning, staff will establish a process that will enable periodic report outs about performance and make recommendations on adjustments to tier placements and targets. Cost recovery targets and the placement of each service can be altered as the City sets fees, receives expenditure and revenue data, or as community priorities change. Commissioners displayed a strong understanding of both the range of programs and services offered by the Recreation division and the need to act strategically in the provision of future services and programs.

In early January, the Arts Council received materials related to the reset project and a recorded presentation from the consultant that introduced the project and the Arts Council's related objectives. On January 28, the Arts Council held its first [reset project workshop](#). Members were asked to discuss the prioritization of Arts Council programs and services, related resource needs, and what was desired in the Arts Council's Immediate Action Plan. These discussions will continue at the Arts Council's next regular meeting on February 10 and during a second workshop on February 23. The Reset Team anticipates that the Arts Council will be able to deliver an Immediate Action Plan to the City Council later this spring, but that long-term planning work will extend throughout 2021.

Running concurrently with the Reset Plan in 2021, is the re-start of the Parks, Recreation, and Open Space (PROS) Plan process, which was suspended in April 2020 due to the Pandemic. Staff is closely tracking work of the Parks and Recreation Commission, consultants, and community engagement components on both projects to ensure complimentary efforts. Outcomes from the Recreation Reset work, including the policy framework for the restart of services, will be integrated into the PROS Plan recommendations.

NEXT STEPS

The Recreation and MICEC Reset Team and the Parks and Recreation Commission will hold a second workshop on February 25, 2021. The anticipated agenda for that meeting includes:

- Sharing the Let's Talk survey results,
- Introducing fee study data and resource allocation recommendations,

- Discussing ideas for program and service offerings that may begin in the fall of 2021,
- Identifying resource needs for those offerings, and
- Reviewing a list of policies and procedures that require attention in order to successfully implement the new strategy.

The Reset Team will return to City Council to report on progress and anticipates discussing the recommendations from the Parks & Recreation Commission and Arts Council with City Council later this spring.

RECOMMENDATION

Authorize up to \$72,000 of the 2021 Recreation Recovery Plan Startup funding to hire a limited-term Recreation Specialist through the end of 2021.



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5816
February 16, 2021
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5816: An emergency ordinance establishing interim development regulations to allow more outdoor seating for eating and drinking establishments and setting a Public Hearing date.	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed:
RECOMMENDED ACTION:	Adopt Ordinance No. 21C-03.	<input checked="" type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Interim Director Sarah Bluvus, Economic Development Coordinator
COUNCIL LIAISON:	Jake Jacobson Craig Reynolds
EXHIBITS:	1. Ordinance No. 20C-17 2. Ordinance No. 21C-03
CITY COUNCIL PRIORITY:	4. Provide emergency response services related to the COVID-19 Pandemic.

AMOUNT OF EXPENDITURE	\$ N/A
AMOUNT BUDGETED	\$ N/A
APPROPRIATION REQUIRED	\$ N/A

SUMMARY

Ordinance No. [20C-17](#) (see Exhibit 1) was adopted on August 4, 2020 and established interim development regulations to allow more outdoor seating for eating and drinking establishments. The ordinance expired on February 4, 2021. To reinstate these interim development regulations for another 6-month period, the City Council is asked to adopt Ordinance No. 21C-03 (see Exhibit 2) as an emergency ordinance (approval by a majority plus one of the whole membership of the City Council will be needed). Ordinance No. 21C-03 will also set a Public Hearing date of April 6, 2021 as required by statute for an interim ordinance. Finally, instead of referencing a specific Governor's plan by name (which has and may again change), the ordinance updates references to any Governor's plan related to a declared COVID-19 emergency under which drinking and eating establishments are limited to less than 75% indoor "sit-down" service capacity.

BACKGROUND

Ordinance 20C-17 allowed existing eating and drinking establishments temporary use of public Right-of-Way and private parking space to expand their outdoor footprint. This Ordinance was adopted in response to reopening guidelines placed on these businesses under the Governor's "Safe Start" plan. One local establishment took advantage of the opportunity to use public Right-of-Way to create outdoor seating and at least three businesses expanded outdoor seating areas into private parking space.

On January 11, 2021, Governor Inslee’s “Healthy Washington – Roadmap to Recovery” plan went into effect and required businesses to return to stricter measures. On February 1, 2021, King County entered Phase 2 of the Healthy Washington plan and eating and drinking establishments can now operate indoor dining at 25% capacity.

EMERGENCY ORDINANCE TO FACILITATE OUTDOOR SEATING

Governor Inslee has not announced additional phases or a new plan to follow the Healthy Washington – Roadmap to Recovery plan. Because the plan limits indoor dining, staff believe it is still necessary to provide measures that allow additional outdoor space for local eating and drinking establishments. Like its predecessor, Ordinance No. 21C-03 enables the following:

1. Temporarily allows existing eating and drinking establishments to obtain a permit to operate on public property with the approval of the Code Official (interim amendment to [MICC 19.06.050](#) Commerce on public property); and
2. Temporarily adjusts parking requirements in commercial areas, enabling existing eating and drinking establishments to work with landlords/property owners to repurpose private, off-street parking for temporary outdoor seating.

The estimated cost for review of the commerce on public property permit is \$347.63. This one-time permit fee is based on a standard hourly rate for Right-of-Way permit review. The fee amount also aligns with fees identified by other neighboring communities (e.g. Bothell, Redmond, Renton, and Tukwila) offering similar solutions to assist small businesses.

Ordinance 21C-03 will remain in effect for six months following adoption. It also sets a Public Hearing date for April 6, 2021, at which time the City Council will receive public testimony and make amendments to the Ordinance if desired. Based on continued need, the City Council may also consider future renewal of these interim development regulations in up to 6-month intervals.

NEXT STEPS

Upon adoption of this Ordinance, staff will alert the business community that the temporary permit is available through a variety of channels, including the City’s business outreach list (900+ e-mail contacts) and the Chamber of Commerce channels (400+ e-mail contacts). Community Planning and Development staff will alert previous permit-holders of the need to renew their permit and are prepared to facilitate this process as quickly as possible. In addition to the commerce on public property permit, businesses will also be required to provide a certificate of insurance and indemnification (hold harmless).

RECOMMENDATION

1. Suspend the City Council Rules of Procedure 6.3, requiring a second reading of an ordinance.
2. Adopt Ordinance No. 21C-03 establishing interim development regulations to allow more outdoor seating for eating and drinking establishments and setting a Public Hearing date of April 6, 2021.

**CITY OF MERCER ISLAND
ORDINANCE NO. 20C-17**

**AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON,
PROVIDING TEMPORARY MEASURES TO ALLOW MORE OUTDOOR
SEATING FOR EATING AND DRINKING ESTABLISHMENTS; CALLING A
PUBLIC HEARING; DECLARING AN EMERGENCY; AND ESTABLISHING AN
IMMEDIATE EFFECTIVE DATE.**

WHEREAS, a state of emergency has been declared by the federal, state, county, and municipal governments, including the City of Mercer Island, in response to the COVID-19 pandemic; and

WHEREAS, since February 29, 2020, Governor Jay Inslee has issued several proclamations, including Emergency Proclamation 20-25 ("Stay Home, Stay Healthy order"), placing numerous restrictions on individuals and businesses in response to the state-wide threat of the spread of the COVID-19 virus; and

WHEREAS, Governor Inslee has developed a phased reopening approach, known as the "Safe Start Washington" phased reopening plan, for resuming recreational, social, and business activities; and

WHEREAS, outdoor restaurant seating has been determined to be safer and less likely to lead to the spread of COVID-19 than indoor restaurant seating, which has been significantly restricted; and

WHEREAS, the City Council wishes to promote local economic recovery by encouraging business activity in Mercer Island consistent with the Safe Start requirements and to make eating and drinking establishments safer to operate by leveraging available private and public space to be used as additional outdoor areas for eating and drinking while maintaining social distancing requirements; and

WHEREAS, it is necessary and appropriate during the state of local emergency to utilize an interim ordinance, which is intended to be only temporary until public health and economic conditions improve, to facilitate and encourage outdoor seating areas to make eating and drinking establishments safer to operate and to promote needed economic and business recovery in the City; and

WHEREAS, the City Council finds that significant restrictions on indoor seating on eating and drinking establishments may cause said establishments in Mercer Island to close and to go out-of-business; and

WHEREAS, the lack of local eating and drinking establishments would result in harm to public health, safety, property, and welfare in Mercer Island during the current state of emergency; and

WHEREAS, to prevent the potential harm to public health, safety, property, and welfare, the City Council concludes that the City immediately needs interim regulations to ease impacts on local eating and drinking establishments resulting from restrictions on indoor seating; and

WHEREAS, the City is authorized under RCW 35A.63.220, 36.70A.390 to pass an interim zoning and official control ordinance for up to six months, provided it holds a public hearing on the same within sixty days after passage; and

WHEREAS, consistent with the provisions of RCW 35A.63.220 and RCW 36.70A.390, it is appropriate for the City Council to hold a public hearing and adopt additional findings of fact, if necessary, supporting and justifying the interim zoning and official control ordinance within at least sixty days of its passage; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Whereas Clauses Adopted. The “Whereas Clauses” set forth in the recital of this Ordinance are hereby adopted as the preliminary findings and conclusions of the City Council for passing this Ordinance.

Section 2. Declaration of Emergency. As set forth in the “Whereas Clauses” adopted in Section 1 of this Ordinance, the City Council hereby declares that an emergency exists necessitating that this Ordinance take effect immediately upon passage by a majority plus one of the whole membership of the City Council, and that under the law the same is not subject to a referendum and is exempt from SEPA review.

Section 3. Code Amended. Subsections (D)(4) and (E) of MICC 19.06.050 are amended as follows for the duration of this Ordinance:

D. 4. The design for any non-temporary improvements is consistent with the design requirements for the Town Center plan.

E. A permit to operate a private business on public property shall be reviewed and approved by the design commission; provided, that occasional, temporary business operations involving temporary structures and/or temporary right-of-way obstructions may be approved by the code official ~~or referred to the design commission at the code official's discretion.~~ Permit applications from one or a group of existing eating and drinking establishments at Mercer Island to temporarily operate a private business on public property during a phase of what is known as the Governor's “Safe Start Washington” plan that allows “sit-down” services but limits capacity to less than 75% shall be considered to be temporary, and they may be approved by the code official without review or approval by the design commission.

Section 4. Authorization to Use Private Parking Areas for Outdoor Dining. Subject to the provisions of this Ordinance, the City grants temporary permission for existing eating and drinking establishments at Mercer Island to temporarily utilize private parking areas for outdoor dining use, provided the private parking area is immediately adjacent to the eating and drinking establishment, and the following conditions are met:

A. Such outdoor dining use shall be permitted only if it is authorized to operate under the Governor's "Safe Start Washington" phased reopening plan and only during a phase that limits "sit-down" services to less than 75% capacity.

B. An eating and drinking establishment may only operate in a private parking area only while this Ordinance remains in effect.

C. Use of any portion or percentage of private off-street parking areas for outdoor dining use shall require the landlord's / property owner's approval. Nothing in this Ordinance compels a landlord / property owner to permit a tenant to expand its business to the exterior.

D. This Ordinance authorizes only temporary use of private areas otherwise restricted for parking purposes. Nothing in this Ordinance authorizes permanent improvements or interior expansions.

Section 5. Minimum Parking Regulations Waived. In order to effectuate the purpose of Section 4 above, but only to the extent necessary to so effectuate and under the terms and conditions set forth in this Ordinance, minimum parking regulations normally applicable to eating and drinking establishments are waived to enable such uses to serve patrons in adjoining parking spaces for the duration of this Ordinance.

Section 6 Public Hearing. Pursuant to RCW 35A.63.220 and RCW 36.70A.390, a public hearing shall be scheduled within 60 days of this Ordinance passage, in order to hear and consider the comments and testimony of those wishing to speak at such public hearing regarding the interim zoning and official controls approved by this Ordinance, and to consider adopting further findings of fact, if necessary.

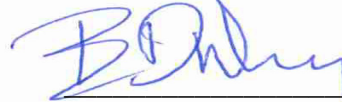
Section 7. Duration of Interim Zoning and Official Controls. The interim zoning and official controls approved by this Ordinance shall become effective immediately, on the date hereof, and shall continue in effect for an initial period of six months, unless repealed, extended or modified by the City Council after subsequent public hearing(s), entry of appropriate findings of fact, and or development of a work plan for related studies pursuant to RCW 35A.63.220 and RCW 36.70A.390.

Section 8. Severability. If any section, sentence, clause, or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, or its application held inapplicable to any person, property, or circumstance, such invalidity or unconstitutionality shall not affect the validity of any other section, sentence, clause, or phrase of this Ordinance or its application to any other person, property or circumstance.

Section 9. Effective Date. This Ordinance, as a public emergency ordinance necessary for the protection of the public health, safety, property, and welfare, shall take effect and be in full force and effect immediately upon passage by a majority plus one of the whole membership of the City Council.

Passed at least by a majority plus one of the City Council of the City of Mercer Island, Washington, at its regular meeting on the 4th day of August 2020 and signed in authentication of its passage.

CITY OF MERCER ISLAND



Benson Wong, Mayor

ATTEST:



Deborah A. Estrada, City Clerk

Approved as to Form:

/s/ Bio Park, 08/04/2020

Bio Park, City Attorney

Date of Publication: August 12, 2020

**CITY OF MERCER ISLAND
ORDINANCE NO. 21C-03**

**AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON,
PROVIDING TEMPORARY MEASURES TO ALLOW MORE OUTDOOR
SEATING FOR EATING AND DRINKING ESTABLISHMENTS; CALLING A
PUBLIC HEARING; DECLARING AN EMERGENCY; AND ESTABLISHING AN
IMMEDIATE EFFECTIVE DATE.**

WHEREAS, a state of emergency has been declared by the federal, state, county, and municipal governments, including the City of Mercer Island, in response to the COVID-19 pandemic; and

WHEREAS, since February 29, 2020, Governor Jay Inslee has issued several proclamations, including Emergency Proclamation 20-25 ("Stay Home, Stay Healthy order"), placing numerous restrictions on individuals and businesses in response to the state-wide threat of the spread of the COVID-19 virus; and

WHEREAS, Governor Inslee has issued multiple subsequent amendments to Emergency Proclamation 20-25 and developed a phased reopening approach, as currently directed in Emergency Proclamation 20-25.12 ("Healthy Washington – Roadmap to Recovery"), a phased reopening plan in effective since January 11, 2021, for resuming recreational, social, and business activities; and

WHEREAS, outdoor restaurant seating has been determined to be safer and less likely to lead to the spread of COVID-19 than indoor restaurant seating, which has been significantly restricted; and

WHEREAS, the City Council wishes to promote local economic recovery by encouraging business activity in Mercer Island consistent with the Healthy Washington – Roadmap to Recovery requirements and to make eating and drinking establishments safer to operate by leveraging available private and public space to be used as additional outdoor areas for eating and drinking while maintaining social distancing requirements; and

WHEREAS, it is necessary and appropriate during the state of local emergency to utilize an interim ordinance, which is intended to be only temporary until public health and economic conditions improve, to facilitate and encourage outdoor seating areas to make eating and drinking establishments safer to operate and to promote needed economic and business recovery in the City; and

WHEREAS, the City Council finds that significant restrictions on indoor seating on eating and drinking establishments may cause said establishments in Mercer Island to close and to go out-of-business; and

WHEREAS, the lack of local eating and drinking establishments would result in harm to public health, safety, property, and welfare in Mercer Island during the current state of emergency; and

WHEREAS, to prevent the potential harm to public health, safety, property, and welfare, the City Council concludes that the City immediately needs interim regulations to ease impacts on local eating and drinking establishments resulting from restrictions on indoor seating; and

WHEREAS, the City is authorized under RCW 35A.63.220, 36.70A.390 to pass an interim zoning and official control ordinance for up to six months, provided it holds a public hearing on the same within sixty days after passage; and

WHEREAS, consistent with the provisions of RCW 35A.63.220 and RCW 36.70A.390, it is appropriate for the City Council to hold a public hearing and adopt additional findings of fact, if necessary, supporting and justifying the interim zoning and official control ordinance within at least sixty days of its passage; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Whereas Clauses Adopted. The “Whereas Clauses” set forth in the recital of this Ordinance are hereby adopted as the preliminary findings and conclusions of the City Council for passing this Ordinance.

Section 2. Declaration of Emergency. As set forth in the “Whereas Clauses” adopted in Section 1 of this Ordinance, the City Council hereby declares that an emergency exists necessitating that this Ordinance take effect immediately upon passage by a majority plus one of the whole membership of the City Council, and that under the law the same is not subject to a referendum and is exempt from SEPA review.

Section 3. Code Amended. Subsections (D)(4) and (E) of MICC 19.06.050 are amended as follows for the duration of this Ordinance:

D. 4. The design for any non-temporary improvements is consistent with the design requirements for the Town Center plan.

E. A permit to operate a private business on public property shall be reviewed and approved by the design commission; provided, that occasional, temporary business operations involving temporary structures and/or temporary right-of-way obstructions may be approved by the code official ~~or referred to the design commission at the code official's discretion.~~ Permit applications from one or a group of existing eating and drinking establishments at Mercer Island to temporarily operate private business on public property while said establishments are under restrictions related to a declared Covid-19 emergency that limit their indoor “sit-down” services to less than 75% capacity shall be considered to be temporary, and they may be approved by the code official without review or approval by the design commission.

Section 4. Authorization to Use Private Parking Areas for Outdoor Dining. Subject to the provisions of this Ordinance, the City grants temporary permission for existing eating and drinking establishments at Mercer Island to temporarily utilize private parking areas for outdoor dining use, provided the private parking area is immediately adjacent to the eating and drinking establishment, and the following conditions are met:

A. Such outdoor dining use shall be permitted only if it is authorized to operate under the Governor's plans related to a declared Covid-19 emergency, and only while restrictions under said plans limit indoor "sit-down" services to less than 75% capacity at eating and drinking establishments.

B. An eating and drinking establishment may only operate in a private parking area only while this Ordinance remains in effect.

C. Use of any portion or percentage of private off-street parking areas for outdoor dining use shall require the landlord's / property owner's approval. Nothing in this Ordinance compels a landlord / property owner to permit a tenant to expand its business to the exterior.

D. This Ordinance authorizes only temporary use of private areas otherwise restricted for parking purposes. Nothing in this Ordinance authorizes permanent improvements or interior expansions.

Section 5. Minimum Parking Regulations Waived. In order to effectuate the purpose of Section 4 above, but only to the extent necessary to so effectuate and under the terms and conditions set forth in this Ordinance, minimum parking regulations normally applicable to eating and drinking establishments are waived to enable such uses to serve patrons in adjoining parking spaces for the duration of this Ordinance.

Section 6 Public Hearing. Pursuant to RCW 35A.63.220 and RCW 36.70A.390, a public hearing shall occur within 60 days of this Ordinance passage on April 6, 2021, in order to hear and consider the comments and testimony of those wishing to speak at such public hearing regarding the interim zoning and official controls approved by this Ordinance, and to consider adopting further findings of fact, if necessary.

Section 7. Duration of Interim Zoning and Official Controls. The interim zoning and official controls approved by this Ordinance shall become effective immediately, on the date hereof, and shall continue in effect for an initial period of six months, unless repealed, extended or modified by the City Council after subsequent public hearing(s), entry of appropriate findings of fact, and or development of a work plan for related studies pursuant to RCW 35A.63.220 and RCW 36.70A.390.

Section 8. Severability. If any section, sentence, clause, or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, or its application held inapplicable to any person, property, or circumstance, such invalidity or unconstitutionality shall not affect the validity of any other section, sentence, clause, or phrase of this Ordinance or its application to any other person, property or circumstance.

Section 9. Effective Date. This Ordinance, as a public emergency ordinance necessary for the protection of the public health, safety, property, and welfare, shall take effect and be in full force and effect immediately upon passage by a majority plus one of the whole membership of the City Council.

Passed at least by a majority plus one of the City Council of the City of Mercer Island, Washington, at its regular meeting on the 16 day of February 2021 and signed in authentication of its passage.

CITY OF MERCER ISLAND

Benson Wong, Mayor

Approved as to Form:

ATTEST:

Bio Park, City Attorney

Deborah A. Estrada, City Clerk

Date of Publication: _____

Ordinance No. 21C-03: Reinstate Interim Development Regulations to Allow Outdoor Seating

AB 5816 | February 16, 2021



Who benefited in 2020?

- Issued one ROW permit to an eating/drinking establishment
- Several other businesses took advantage of the ability to convert private parking spaces
- Likely would've seen stronger participation if interim regulations available earlier in the year



What's in the new ordinance?

Ordinance No. 21C-03 reinstates the previous interim development regulations, including:

- Amends MICC 19.06.050 (Commerce on public property) to allow existing eating and drinking establishments to obtain a ROW permit for outdoor seating
- Authorizes use of private parking areas for outdoor dining
- Waives minimum parking regulations for duration of the ordinance



Who will benefit?

- 85%+ existing eating/drinking establishments adjacent to ROW or private parking in Town Center and South End shopping center
- Collaborating earlier with the Chamber of Commerce and others to promote outdoor seating options and help businesses prepare to implement



Ordinance Duration

- Once adopted, remains in effect for six more months following the adoption
- Prepared to renew current permit(s) beginning February 17
- Permit valid during the duration of the ordinance



Recommended Actions

1. Waive second reading of Ordinance No. 21C-03 pursuant to Council Rules 6.3 and 10.1.
2. Adopt Ordinance No. 21C-03 establishing interim development regulations to allow more outdoor seating for eating and drinking establishments and setting a Public Hearing date of April 6, 2021.





BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5813
February 16, 2021
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5813: Second Reading of Ordinance No. 21C-02 – Use of Mercer Island Public Property	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Adopt Ordinance No. 21C-02, adding Chapter 9.60 – Use of Mercer Island Public Property to Title 9 of the Mercer Island City Code.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Police
STAFF:	Ed Holmes, Police Chief Mike Seifert, Police Sergeant
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Ordinance No. 21C-02 (tracked changes) 2. Ordinance No. 21C-02 (clean) 3. Comparison Matrix
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

The purpose of this Agenda Bill is to adopt Ordinance No. 21C-02. The City Council completed a first reading of this ordinance on January 19, 2021 ([AB 5798](#)) and set it to February 16, 2021 for second reading and adoption.

Ordinance No. 21C-02 creates a new Chapter of the Mercer Island City Code (MICC) relating to the use of public property, which generally prohibits camping on public property, as well as storage of personal property on public property (Exhibit 1). Currently, camping is prohibited in City parks under [MICC 9.30.160](#).

AMENDMENTS

During the January 19 meeting, the City Council directed staff to make the following amendments to the proposed ordinance:

1. **Expand the definition of public property to include all government owned property, not just City-owned property.**
Section 9.60.020(H), definition of Public Property, includes all property in which the City or any other governmental entity has a property interest, including easements.

2. **Potentially add a section on conflicts with other provisions of the MICC.**
Section 9.60.010(C) has been added saying that for purposes of interpreting the new Chapter 9.06 MICC, the new Chapter will apply in the event of a conflict with another provision of the Mercer Island City Code.
3. **Add “boats on trailers” to the definition of vehicle.**
Section 9.60.020(K), definition of Vehicle, includes boats or any other vehicle on trailers.
4. **Fix the typo in the last WHEREAS clause.**
The typo has been corrected.
5. **Ensure consistency in the WHEREAS clauses in the use of the term “public property.”**
the fourth and sixth WHEREAS clauses have been corrected, “public areas” and “public spaces” have been changed to “public property” to ensure consistency.

Given additional research, staff recommends and has included in the ordinance, the following additional amendments for the Council to consider prior to adoption:

1. Section 9.60.020(A): Streamline and simplify the definition of Available Overnight Shelter. The previous definition listed several examples of when overnight shelter may be unavailable; however, the examples listed did not cover all situations in which overnight shelter may be unavailable to a particular individual experiencing homelessness. Staff recommends a simpler definition to better encapsulate all potential scenarios in which overnight shelter may be unavailable to a particular person experiencing homelessness.
2. Section 9.60.020(B): Include an exemption to allow overnight use by the governmental entity that owns or has a property interest in the public property.
3. Section 9.60.060: Clarify that the City must first confirm that shelter space is available for a particular individual experiencing homelessness before taking enforcement action.

A matrix comparing provisions of proposed Ordinance No. 21C-02 to the adopted codes of the cities of Bellevue, Issaquah, Lynnwood, and Redmond is included as Exhibit 3.

NEXT STEPS

The following guiding principles will govern the way in which this new code Chapter will be implemented:

1. A compassionate approach will be taken when the police interact with those experiencing homelessness.
2. When encountering people experiencing homelessness, the priority will be to get people connected to services, over enforcement.
3. The ordinance will be applied in a fair and equitable manner.

Upon Council adoption, Ordinance No. 21C-02 will take effect five days after publication in the Mercer Island Reporter. In addition, staff will collect data on the implementation of this ordinance and will report back to the Council within six months on the experiences.

RECOMMENDATION

1. Adopt Ordinance No. 21C-02, adding Chapter 9.60 – Use of Mercer Island Public Property to Title 9 of the Mercer Island City Code.
2. Direct the City Manager to provide the City Council with a report on the experience the City has had with implementation of this ordinance within six months, and to include this information as part of the Annual Police Report.

**CITY OF MERCER ISLAND
ORDINANCE NO. 21C-02**

**AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON,
ADOPTING NEW MERCER ISLAND CITY CODE CHAPTER 9.60, RELATING
TO USE OF PUBLIC PROPERTY; PROVIDING FOR SEVERABILITY; AND
ESTABLISHING AN EFFECTIVE DATE.**

WHEREAS, pursuant to Article XI, Section 11 of the Washington Constitution and RCW 35A.11.020, the City of Mercer Island (City), a non-charter optional code city, is authorized to regulate public property within the City; and

WHEREAS, camping on public property is a public health and safety concern due to interference with other intended uses, such as daily operations of the City, park recreational activities, pedestrian, bicycle, and vehicular traffic, and other public uses; and

WHEREAS, camping without adequate sanitation services, such as sewer, water, and garbage, presents a public health and safety concern due to increased risk of spread of disease and potential for residents and visitors contracting illness; and

WHEREAS, camping in such public ~~areas~~ property does not allow the public to use those areas for their intended purposes; and

WHEREAS, camping should only occur in designated campgrounds with proper facilities, when possible; and

WHEREAS, the homeless population in the Puget Sound region continues to grow and the City has experienced increasing use of its parks and public ~~spaces~~ property for camping and the storage of personal property; and

WHEREAS, pursuant to *Martin v. City of Boise*, 920 F.3d 584 (9th Cir. 2019), the Ninth Circuit Court of Appeals determined that the United States Constitution prohibits the imposition of penalties for sitting, sleeping, or lying outside on public property, on homeless individuals who could not obtain shelter; and

WHEREAS, the City Council hereby finds that the regulatory requirements established by the proposed ordinance are necessary to preserve the public peace, health, safety, and welfare; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Adoption of MICC Chapter 9.60, Uses of Mercer Island Public Property. New MICC Chapter 9.60, Uses of Mercer Island Public Property, is hereby adopted in the form provided below:

Chapter 9.60 USE OF MERCER ISLAND PUBLIC PROPERTY

Sections:

- 9.60.010 Purposes.
- 9.60.020 Defined Terms.
- 9.60.030 Unauthorized Use Of Public Property.
- 9.60.040 Unauthorized Storage Of Personal Property On Public Property.
- 9.60.050 Penalty For Violations.
- 9.60.060 Enforcement Suspended.
- 9.60.070 Rules.

9.60.010 Purposes.

A. It is the purpose of this Chapter to promote the public health, safety, general welfare, and economic health and well-being of the City, its residents, and its visitors by making Mercer Island Public Property readily accessible to the public, and to prevent the uses of Public Property which interfere with the rights of others to use Public Property for which it is intended and to prevent harm to the health, safety, and welfare of the public.

B. It is also the purpose of this Chapter to provide for and promote the health, safety, and welfare of the general public and not to create, either expressly or implicitly, or otherwise establish or designate any particular class or group of persons or individuals who will or should be especially protected or benefited or discriminated against by the terms of this Chapter.

C. For purposes of interpreting this Chapter, if any definition, requirement, or provision in this Chapter conflicts with those in a different provision or Chapter of the Mercer Island City Code, the definition, requirement, or provision in this Chapter shall apply.

9.60.020 Defined Terms.

As used in this Chapter, the following terms shall have the following definitions:

A. "Available Overnight Shelter" means a public or private ~~shelter~~facility, with available overnight space, open to ~~individuals~~person(s) or family units experiencing homelessness, at no charge. ~~If a person is unable to utilize an Available Overnight Shelter due to voluntary actions of that person including but not limited to intoxication, drug use, unruly and/or assaultive behavior and like behaviors, or violation of the Available Overnight Shelter rules, the Available Overnight Shelter shall be considered available for purposes of this Chapter. If an individual or family unit cannot use available space because of the individual or family member's sex, familial or marital status, religious beliefs, disability, or a shelter's length-of-stay restrictions, the space is not considered to be available. The space is also not considered to be available if an individual has attempted to secure a bed at the shelter by lining up in advance of the shelter opening for the day and has been denied entry due to lack of available space.~~

B. "Camp" means to pitch, erect, or occupy Camp Facilities, or to use Camp Paraphernalia, or both, for the purpose of, or in such a way as will facilitate

remaining overnight or parking a Vehicle for the purpose of occupying the Vehicle overnight. The term shall not include overnight use of Public Property by the City or the governmental entity that owns or has a property interest in such Public Property.

C. “Camp Facilities” means, without limitation, tents, huts, and temporary shelters.

D. “Camp Paraphernalia” means, without limitation, blankets, pillows, tarpaulins, cots, beds or bedding, sleeping bags, hammocks, non-City designated cooking facilities, and/or other similar equipment.

E. “City” means the city of Mercer Island, Washington, the area within the territorial limits of the City, and such territory outside of the City over which the City has jurisdiction or control by virtue of any constitutional, statutory, or regulatory provisions.

F. “Park” means, without limitation, any public area created, established, designated, maintained, provided, or set aside by the City for the purposes of public rest, play, recreation, enjoyment, or assembly, and all buildings, facilities, and structures located thereon or therein, as well as all associated areas, including but not limited to parking lots.

G. “Pier” means any pier, wharf, dock, float, gridiron, or other structure where watercraft may anchor or moor.

H. “Public Property” means all property in which the City or any other governmental entity has a property interest, including easements. The term ~~and~~ includes, without limitation, all Parks, Piers, Streets, trails, forests, park museums, pools, beaches, open spaces, public squares, public schools and associated athletic facilities, grounds around City or other publicly owned or leased buildings, including but not limited to parking lots, ~~or and~~ any other property in which the City or any other governmental entity has a property interest of any type, including the purchase, construction, maintenance, landscaping or ownership thereof by or on behalf of the City, or for the use of the City.

I. “Store” means to put aside, accumulate, or leave on Public Property for later use, or for safekeeping.

J. “Street” means, without limitation, any easements, highway, lane, road, street, right-of-way, boulevard, alley, and all Public Property open as a matter of right to public vehicle travel or parking.

K. “Vehicle” means any device capable of being moved or parked upon Public Property and in, upon, or by which any person(s) or property is or may be moved, parked, transported, or drawn, including, without limitation, all forms of automotive vehicles, buses, trucks, cars, vans, campers, trailers, boats or any other vehicle on trailers, recreational vehicles, and mobile homes of any size, whether capable of supplying their own motor power or not. The term vehicle includes all such devices even if immobilized in any way and/or for any period of time.

9.60.030 Unauthorized Use Of Public Property.

Unless otherwise permitted by the Mercer Island City Code, it shall be unlawful for any person to Camp within any Public Property.

9.60.040 Unauthorized Storage Of Personal Property On Public Property.

It shall be unlawful for any person to Store personal property, including, without limitation, Camp Facilities and Camp Paraphernalia, on any Public Property. This section shall not apply to Vehicles, including trailers, recreational vehicles, and campers, which are unoccupied and parked in rights-of-way, unless otherwise prohibited by law.

9.60.050 Penalty For Violations.

Violation of Section 9.60.030 or Section 9.60.040 of this Chapter is a misdemeanor offense and shall be punished upon conviction of such violation by a fine of not more than one thousand dollars, or by imprisonment not to exceed ninety days, or by both such fine and imprisonment.

9.60.060 Enforcement Suspended.

The City shall not enforce the provisions of Section 9.60.030 or Section 9.60.040 of this Chapter as to any Camping and/or Storing of personal property within outdoor portions of Parks or Streets against persons experiencing homelessness unless the City first confirms that ~~when~~ there is ~~no~~ Available Overnight Shelter that can be utilized by the particular person(s) experiencing homelessness. ~~Further, this section 9.60.060 is not applicable to individuals who are not experiencing homelessness.~~

9.60.070 Rules.

The Chief of Police is hereby authorized to adopt rules, regulations, administrative policies, and procedures for implementing this Chapter.

Section 2. Severability. If any section, sentence, clause, or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, or its application held inapplicable to any person, property, or circumstance, such invalidity or unconstitutionality shall not affect the validity of any other section, sentence, clause, or phrase of this Ordinance or its application to any other person, property, or circumstance.

Section 3. Publication and Effective Date. A summary of this Ordinance consisting of its title shall be published in the official newspaper of the City. This Ordinance shall take effect and be in full force five days after the date of publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT ITS REGULAR MEETING ON FEBRUARY 16, 2021.

CITY OF MERCER ISLAND

Benson Wong, Mayor

ATTEST:

APPROVED AS TO FORM

Deborah A. Estrada, City Clerk

Bio Park, City Attorney

Date of publication:

**CITY OF MERCER ISLAND
ORDINANCE NO. 21C-02**

**AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON,
ADOPTING NEW MERCER ISLAND CITY CODE CHAPTER 9.60, RELATING
TO USE OF PUBLIC PROPERTY; PROVIDING FOR SEVERABILITY; AND
ESTABLISHING AN EFFECTIVE DATE.**

WHEREAS, pursuant to Article XI, Section 11 of the Washington Constitution and RCW 35A.11.020, the City of Mercer Island (City), a non-charter optional code city, is authorized to regulate public property within the City; and

WHEREAS, camping on public property is a public health and safety concern due to interference with other intended uses, such as daily operations of the City, park recreational activities, pedestrian, bicycle, and vehicular traffic, and other public uses; and

WHEREAS, camping without adequate sanitation services, such as sewer, water, and garbage, presents a public health and safety concern due to increased risk of spread of disease and potential for residents and visitors contracting illness; and

WHEREAS, camping in such public property does not allow the public to use those areas for their intended purposes; and

WHEREAS, camping should only occur in designated campgrounds with proper facilities, when possible; and

WHEREAS, the homeless population in the Puget Sound region continues to grow and the City has experienced increasing use of its parks and public property for camping and the storage of personal property; and

WHEREAS, pursuant to *Martin v. City of Boise*, 920 F.3d 584 (9th Cir. 2019), the Ninth Circuit Court of Appeals determined that the United States Constitution prohibits the imposition of penalties for sitting, sleeping, or lying outside on public property, on homeless individuals who could not obtain shelter; and

WHEREAS, the City Council hereby finds that the regulatory requirements established by the proposed ordinance are necessary to preserve the public peace, health, safety, and welfare; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Adoption of MICC Chapter 9.60, Uses of Mercer Island Public Property. New MICC Chapter 9.60, Uses of Mercer Island Public Property, is hereby adopted in the form provided below:

Chapter 9.60
USE OF MERCER ISLAND PUBLIC PROPERTY

Sections:

- 9.60.010 Purposes.
- 9.60.020 Defined Terms.
- 9.60.030 Unauthorized Use Of Public Property.
- 9.60.040 Unauthorized Storage Of Personal Property On Public Property.
- 9.60.050 Penalty For Violations.
- 9.60.060 Enforcement Suspended.
- 9.60.070 Rules.

9.60.010 Purposes.

A. It is the purpose of this Chapter to promote the public health, safety, general welfare, and economic health and well-being of the City, its residents, and its visitors by making Mercer Island Public Property readily accessible to the public, and to prevent the uses of Public Property which interfere with the rights of others to use Public Property for which it is intended and to prevent harm to the health, safety, and welfare of the public.

B. It is also the purpose of this Chapter to provide for and promote the health, safety, and welfare of the general public and not to create, either expressly or implicitly, or otherwise establish or designate any particular class or group of persons or individuals who will or should be especially protected or benefited or discriminated against by the terms of this Chapter.

C. For purposes of interpreting this Chapter, if any definition, requirement, or provision in this Chapter conflicts with those in a different provision or Chapter of the Mercer Island City Code, the definition, requirement, or provision in this Chapter shall apply.

9.60.020 Defined Terms.

As used in this Chapter, the following terms shall have the following definitions:

A. "Available Overnight Shelter" means a public or private facility, with available overnight space, open to person(s) or family units experiencing homelessness at no charge.

B. "Camp" means to pitch, erect, or occupy Camp Facilities, or to use Camp Paraphernalia, or both, for the purpose of, or in such a way as will facilitate remaining overnight or parking a Vehicle for the purpose of occupying the Vehicle overnight. The term shall not include overnight use of Public Property by the City or the governmental entity that owns or has a property interest in such Public Property.

C. "Camp Facilities" means, without limitation, tents, huts, and temporary shelters.

D. “Camp Paraphernalia” means, without limitation, blankets, pillows, tarpaulins, cots, beds or bedding, sleeping bags, hammocks, non-City designated cooking facilities, and/or other similar equipment.

E. “City” means the city of Mercer Island, Washington, the area within the territorial limits of the City, and such territory outside of the City over which the City has jurisdiction or control by virtue of any constitutional, statutory, or regulatory provisions.

F. “Park” means, without limitation, any public area created, established, designated, maintained, provided, or set aside by the City for the purposes of public rest, play, recreation, enjoyment, or assembly, and all buildings, facilities, and structures located thereon or therein, as well as all associated areas, including but not limited to parking lots.

G. “Pier” means any pier, wharf, dock, float, gridiron, or other structure where watercraft may anchor or moor.

H. “Public Property” means all property in which the City or any other governmental entity has a property interest, including easements. The term includes, without limitation, all Parks, Piers, Streets, trails, forests, park museums, pools, beaches, open spaces, public squares, public schools and associated athletic facilities, grounds around City or other publicly owned or leased buildings, including but not limited to parking lots, and any other property in which the City or any other governmental entity has a property interest of any type.

I. “Store” means to put aside, accumulate, or leave on Public Property for later use, or for safekeeping.

J. “Street” means, without limitation, any easements, highway, lane, road, street, right-of-way, boulevard, alley, and all Public Property open as a matter of right to public vehicle travel or parking.

K. “Vehicle” means any device capable of being moved or parked upon Public Property and in, upon, or by which any person(s) or property is or may be moved, parked, transported, or drawn, including, without limitation, all forms of automotive vehicles, buses, trucks, cars, vans, campers, trailers, boats or any other vehicle on trailers, recreational vehicles, and mobile homes of any size, whether capable of supplying their own motor power or not. The term vehicle includes all such devices even if immobilized in any way and/or for any period of time.

9.60.030 Unauthorized Use Of Public Property.

Unless otherwise permitted by the Mercer Island City Code, it shall be unlawful for any person to Camp within any Public Property.

9.60.040 Unauthorized Storage Of Personal Property On Public Property.

It shall be unlawful for any person to Store personal property, including, without limitation, Camp Facilities and Camp Paraphernalia, on any Public Property. This section shall not apply to Vehicles, including trailers, recreational vehicles, and campers, which are unoccupied and parked in rights-of-way, unless otherwise prohibited by law.

9.60.050 Penalty For Violations.

Violation of Section 9.60.030 or Section 9.60.040 of this Chapter is a misdemeanor offense and shall be punished upon conviction of such violation by a fine of not more than one thousand dollars, or by imprisonment not to exceed ninety days, or by both such fine and imprisonment.

9.60.060 Enforcement Suspended.

The City shall not enforce the provisions of Section 9.60.030 or Section 9.60.040 of this Chapter as to any Camping and/or Storing of personal property within outdoor portions of Parks or Streets against persons experiencing homelessness unless the City first confirms that there is Available Overnight Shelter that can be utilized by the particular person(s) experiencing homelessness.

9.60.070 Rules.

The Chief of Police is hereby authorized to adopt rules, regulations, administrative policies, and procedures for implementing this Chapter.

Section 2. Severability. If any section, sentence, clause, or phrase of this Ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, or its application held inapplicable to any person, property, or circumstance, such invalidity or unconstitutionality shall not affect the validity of any other section, sentence, clause, or phrase of this Ordinance or its application to any other person, property, or circumstance.

Section 3. Publication and Effective Date. A summary of this Ordinance consisting of its title shall be published in the official newspaper of the City. This Ordinance shall take effect and be in full force five days after the date of publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT ITS REGULAR MEETING ON FEBRUARY 16, 2021.

CITY OF MERCER ISLAND

Benson Wong, Mayor

ATTEST:

APPROVED AS TO FORM

Deborah A. Estrada, City Clerk

Bio Park, City Attorney

Date of publication:

ORDINANCE SECTION	PROPOSED MICC PROVISION	BELLEVUE (ADOPTED 2017)	ISSAQUAH (ADOPTED 2000)	LYNNWOOD (ADOPTED 2001)	REDMOND (ADOPTED 2015, AMENDED 2018)
Definition of Available Overnight Shelter	MICC 9.60.020(A) “Available Overnight Shelter” means a public or private facility, with available overnight space, open to person(s) or family units experiencing homelessness, at no charge.	“Available overnight shelter” means a public or private shelter, with available overnight space, open to individuals experiencing homelessness, at no charge. If the person is unable to utilize an available overnight shelter due to voluntary actions such as intoxication, drug use, unruly or assaultive behavior, or violation of shelter rules, the overnight shelter space shall still be considered available for the purposes of this section.	Ordinance enacted in 2000, before <i>Martin v. Boise</i> was decided and does not include a definition of available overnight shelter	Ordinance enacted in 2001, before <i>Martin v. Boise</i> was decided and does not include a definition of available overnight shelter.	“Available overnight shelter” means a public or private shelter, with an available overnight space, open to an individual or family unit experiencing homelessness at no charge. If an individual or family unit cannot use available space because of the individual or family member’s sex, familial or marital status, religious beliefs, disability, or a shelter’s length-of-stay restrictions, the space is not considered to be available. The space is also not considered to be available if an individual has attempted to secure a bed at the shelter by lining up in advance of the shelter opening for the day and has denied entry due to lack of available space. The space is considered available if the individual could not use the space due to voluntary actions such as intoxication, drug use or unruly behavior.
Definition of Camping	MICC 9.60.020(B) “Camp” means to pitch, erect, or occupy Camp Facilities, or to use Camp Paraphernalia, or both, for the purpose of, or in such a way as will facilitate remaining overnight or parking a Vehicle for the purpose of occupying the Vehicle overnight. The term shall not include overnight use of Public Property by the City or the governmental entity that owns or has a property interest in such Public Property.	Bellevue A person is guilty of unlawful public camping if he or she uses non-residential public property...as a temporary or permanent place of dwelling, lodging, residence, or living accommodation, at any time between sunset and sunrise, except at places set aside and posted for such purposes by the city manager or his or her designee, or by permit issued by the city manager or his or her designee. Indicia of camping include, but are not limited to: tents or other temporary shelters, bedding, storage of personal belongings, and use or storage of cooking equipment.	Issaquah “Camping” means the use of park land or other publicly owned property for living accommodation purposes including but not limited to any of the following: <ol style="list-style-type: none">1. Sleeping activities;2. Making preparations to sleep;3. Laying down of bedding for the purpose of sleeping;4. Storing personal belongings;5. Erecting any tent, tarpaulin, shelter, or other structure that would permit one to sleep overnight;6. Using a motor vehicle for purposes of sleeping. “Camping” shall not include sleeping in a public park during the daylight hours as long as no tent, tarpaulin, shelter, or other structure has been erected.	Lynnwood “Camp” means to pitch, erect or occupy camp facilities, or to use camp paraphernalia or both for the purpose of, or in such a way as will permit remaining overnight, or parking a trailer, camper, or other vehicle for the purpose of remaining overnight.	Redmond “Camp” means to pitch or occupy camp facilities, to use camp paraphernalia.

Definition of Public Property	MICC 9.60.020(H) “Public Property” means all property in which the City or any other governmental entity has a property interest, including easements. The term includes, without limitation, all Parks, Piers, Streets, trails, forests, park museums, pools, beaches, open spaces, public squares, public schools and associated athletic facilities, grounds around City or other publicly owned or leased buildings, including but not limited to parking lots, and any other property in which the City or any other governmental entity has a property interest of any type.	Bellevue For the purposes of this section, “non-residential public property” means any street, sidewalk, city park, public park, or any other open area where the city or other governmental agency has a property interest, to include easements. “Non-residential public property” does not include houses, apartments, or other fixed residential living quarters owned or leased by the city.	Issaquah No separate definition of public property, but camping prohibited in “any park or playfield owned by the City, or on any sidewalk, street, alley, lane, public right-of-way, or under any bridge or viaduct, or in any other public place to which the general public has access.”	Lynnwood No separate definition of public property, but camping prohibited in any park, any street, or any publicly owned parking lot or publicly owned area, improved or unimproved.	Redmond No separate definition of public property, but camping prohibited upon “any publicly-owned property to which the public is not ordinarily allowed access, including but not limited to, public buildings, water storage tank sites, well sites, stormwater ponds and facilities, and other secured properties;” as well as “any portion of a street or sidewalk expressly reserved for vehicular or pedestrian travel;” and “any other publicly-owned parking lot or publicly-owned property, improved or unimproved.”
Camping Prohibition	MICC 9.60.030 Unless otherwise permitted by the Mercer Island City Code, it shall be unlawful for any person to Camp within any Public Property.	Bellevue A person is guilty of unlawful public camping if he or she uses nonresidential public property, as defined in this section, as a temporary or permanent place of dwelling, lodging, residence, or living accommodation, at any time between sunset and sunrise, except at places set aside and posted for such purposes by the city manager or his or her designee, or by permit issued by the city manager or his or her designee.	Issaquah It is unlawful for any person to engage in camping in any park or playfield owned by the City, or on any sidewalk, street, alley, lane, public right-of-way, or under any bridge or viaduct, or in any other public place to which the general public has access.	Lynnwood It shall be unlawful for any person to camp, occupy camp facilities or use camp paraphernalia in the following areas, except as otherwise provided by ordinance: A. Any park; B. Any street; C. Any publicly owned parking lot or publicly owned area, improved or unimproved.	Redmond (A) It shall be unlawful for any person to camp, occupy camp facilities or use camp paraphernalia in the following areas, except as set forth in subsection B below: (1) Any park; (2) Repealed by Ord. 2911. (3) Repealed by Ord. 2911. (4) Any publicly-owned property to which the public is not ordinarily allowed access, including but not limited to, public buildings, water storage tank sites, well sites, storm water ponds and facilities, and other secured properties; (5) That portion of any street or sidewalk that is expressly reserved for vehicular or pedestrian travel; (6) Portions of any street right-of-way that is not expressly reserved for vehicular or pedestrian travel; and (7) Any other publicly-owned parking lot or publicly-owned property, improved or unimproved.

Storage Prohibition	MICC 9.60.040 It shall be unlawful for any person to Store personal property, including, without limitation, Camp Facilities and Camp Paraphernalia, on any Public Property. This section shall not apply to Vehicles, including trailers, recreational vehicles, and campers, which are unoccupied and parked in rights-of-way, unless otherwise prohibited by law.	Bellevue Indicia of camping includes, but are not limited to: ...storage of personal belongings, and use or storage of cooking equipment.	Issaquah “Camping” means the use of park land or other publicly owned property for living accommodation purposes including but not limited to: 4. Storing personal belongings.	Lynnwood It shall be unlawful for any person to store personal property, including camp facilities and camp paraphernalia, in the following areas, except as otherwise provided by ordinance: A. Any park; B. Any street; C. Any publicly owned parking lot or publicly owned area, improved or unimproved.	Redmond It shall be unlawful for any person to store personal property, including camp facilities and camp paraphernalia, in the following areas, except as set forth in subsection B below: (1) Any park; (2) Repealed by Ord. 2911. (3) Repealed by Ord. 2911. (4) Any publicly-owned property to which the public is not ordinarily allowed access, e.g., public buildings, water storage tank sites, well sites, storm water ponds and facilities, and other secured properties; (5) That portion of any street or sidewalk that is expressly reserved for vehicular or pedestrian travel; (6) Portions of the street right-of-way that are not expressly reserved for vehicular or pedestrian travel; and (7) Any other publicly-owned parking lot or publicly-owned property, improved or unimproved.
Penalty Section	MICC 9.60.050 Violation of Section 9.60.030 or Section 9.60.040 of this Chapter is a misdemeanor offense and shall be punished upon conviction of such violation by a fine of not more than one thousand dollars, or by imprisonment not to exceed ninety days, or by both such fine and imprisonment.	Bellevue Unlawful public camping is a misdemeanor.	Issaquah Violation of IMC 9.26.030 shall be a misdemeanor punishable in accordance with IMC 1.06.010(A); and a violation of IMC 9.26.020 shall be an infraction and punishable in accordance with IMC 1.06.010(B).	Lynnwood Violation of any of the provisions of this chapter is a misdemeanor, and shall be punished, upon conviction of such violation, by a fine of not more than \$1,000 or by imprisonment not to exceed 90 days or by both such fine and imprisonment.	Redmond Violation of any of the provisions of this chapter is a misdemeanor, and shall be punished as follows: (1) First Offense. Any person violating any of the provisions of this chapter shall, upon conviction of such violation, be punished by a fine of not more than \$1,000 or by imprisonment not to exceed 90 days, or by both such fine and imprisonment. (2) Second Offense. Every person who violates any of the provisions of this chapter, upon conviction of such violation, a second time within a five-year period shall be guilty of a misdemeanor, punishable by a fine of not more than \$1,000 or by imprisonment not to exceed 90 days, or by both such fine and imprisonment. One hundred dollars of the fine and one day of imprisonment shall not be suspended or deferred. (3) Third or Subsequent Offense. Every person who violates any of the provisions of this chapter, upon conviction of such violation, a third or more times within a five-year period shall be guilty of a misdemeanor, punishable by a fine of not more than \$1,000 or by imprisonment not to exceed 90 days, or by both such fine and imprisonment. Five hundred dollars of the fine and five days imprisonment shall not be suspended or deferred. (4) If a person is unable to pay the monetary penalty set forth in subsections (1), (2) or (3) of this section, the court may order performance of a number of hours of community service or work crew in lieu of a monetary penalty.

Enforcement Provision <i>(Martin v. Boise acknowledgment)</i>	MICC 9.60.060 Enforcement Suspended. The City shall not enforce the provisions of Section 9.60.030 or Section 9.60.040 of this Chapter as to any Camping and/or Storing of personal property within outdoor portions of Parks or Streets against persons experiencing homelessness unless the City first confirms that there is Available Overnight Shelter that can be utilized by the particular person(s) experiencing homelessness.	Bellevue A person is not guilty of unlawful public camping if, at the time the person is on public property, there is no available overnight shelter.	Issaquah Ordinance enacted in 2000, before <i>Martin v. Boise</i> was decided and does not include a provision suspending enforcement when overnight shelter is not available.	Lynnwood Ordinance enacted in 2001, before <i>Martin v. Boise</i> was decided and does not include a provision suspending enforcement when overnight shelter is not available.	Redmond The prohibitions contained in subsections (A)(1), (A)(4), (A)(5), and (A)(7) above shall be enforced at all times. Law enforcement officers shall not enforce the prohibitions in subsection (A)(6) above when there is no available overnight shelter for individuals or family units experiencing homelessness on the date that camping occurs. “Available overnight shelter” means a public or private shelter, with an available overnight space, open to an individual or family unit experiencing homelessness at no charge. If an individual or family unit cannot use available space because of the individual or family member’s sex, familial or marital status, religious beliefs, disability, or a shelter’s length-of-stay restrictions, the space is not considered to be available. The space is also not considered to be available if an individual has attempted to secure a bed at the shelter by lining up in advance of the shelter opening for the day and has denied entry due to lack of available space. The space is considered available if the individual could not use the space due to voluntary actions such as intoxication, drug use or unruly behavior.
---	---	---	--	--	--

Use of Public Property Ordinance

(Ord. No. 21C-02 | Second Reading)

AB 5813 | February 16, 2021



Proposed Ordinance Relating to the Use of Public Property

Item 9.

Current Ordinance

- Prohibits camping on park property.
- Misdemeanor Penalty (lowest level of crime)
- Enforcement complies with case law

Proposed Ordinance

- Prohibits camping and storage of personal property on all public property.
- Misdemeanor Penalty (lowest level of crime)
- Language of Ordinance complies with case law

What this Proposed Ordinance Does

Item 9.

It preserves public spaces for their intended purposes.

- Camping without adequate sanitation services presents public health and safety concerns.
- Camping and storage of personal property on public property can prevent access to and use of public property for its intended purposes.

What this Proposed Ordinance Does Not Do

Item 9.

It does not criminalize homelessness.

- Experiencing homelessness is not a crime.
- This ordinance cannot be enforced when shelter space is not available.

Typical Steps Taken by the Police

1. Officers assess the situation and needs of the person contacted.
2. Options for assistance are offered:
 - King County's Mobile Crisis Team (most common for those experiencing homelessness).
 - Transport to area shelter.
 - Other resources: food bank, clothing resources, Youth & Family Services, mental health provider.

Guiding Principles

1. A compassionate approach will be taken when police officers interact with those experiencing homelessness.
2. Priority will continue to be on getting people connected to resources (rather than enforcement).
3. The ordinance will be applied in a fair and equitable manner.

Follow Up

- Within six months, staff will provide a report to the Council on the experience the City has had with the implementation of this ordinance.
 - Number of contacts
 - Reason for contact
 - Outcome
 - *Voluntary compliance*
 - *Transport to area shelter*
 - *Use of the Mobile Crisis Team*
 - *Other*
- The Police Department's Annual Report will include this information.



2021 PLANNING SCHEDULE

Item 10.

Please email the City Manager & City Clerk when an agenda item is added, moved, or removed.

NOTE - Regular Meetings begin at 5:00 pm from June 16, 2020 through December 31, 2021.
Items are not listed in any particular order. Agenda items & meeting dates are subject to change.

MARCH 2		DD	FN	CA	Clerk	CM
ABSENCES:						
ITEM TYPE TIME TOPIC				STAFF		
STUDY SESSION						
60	AB xxxx: Code of Ethics Discussion (tentative)			Jessi Bon/Bio Park		
SPECIAL BUSINESS						
CONSENT CALENDAR						
--	AB xxxx: Hopelink Day Proclamation			Deb Estrada		
REGULAR BUSINESS						
30	AB 5817: Potentially Dangerous Dog Ordinance (Ord. No. 21C-04 First Reading)			Bio Park (Absent) Kim Pratt		
30	AB xxxx: Approve Aubrey Davis Park Trail Improvement Scope of Work/P&R Commission Recommendation			Paul West/Jason Kintner		
30	AB xxxx: ARCH Housing Trust Fund Project Approval			Alison Van Gorp		
30	AB xxxx: Sustainability Report & Sustainability Work Plan Discussion			Ross Freeman Jason Kintner		
30	AB xxxx: Approve 2021 Chamber of Commerce Partnership Agreement			Sarah Bluvus		
EXECUTIVE SESSION						

MARCH 16		DD	FN	CA	Clerk	CM
ABSENCES:						
ITEM TYPE TIME TOPIC				STAFF		
STUDY SESSION						
90	Joint Council/UB Session – Risk & Resiliency/EFP Plan Update and SCADA Project Update			Jason Kintner		
SPECIAL BUSINESS						
CONSENT CALENDAR						
	AB xxxx: Open Space Conservancy Trust Board Annual Report			Alaine Sommargren		
REGULAR BUSINESS						
30	AB xxxx: Update on MICEC/Recreation Restart Plan			Ryan Daly/Merrill Thomas-Schadt		
60	AB xxxx: Scoping Session on Town Center Parking Study (tentative)			Jason Kintner/Sarah Bluvas		
60	AB xxxx: Town Center Discussion (tentative)			Jeff Thomas		
30	AB xxxx: Amending Chapter 2.60 of the MICC to revise the Code of Ethics for Officials (ORD No. 21C-xx; First Reading) (tentative)			Jessi Bon/Bio Park		

EXECUTIVE SESSION**APRIL 6**

ABSENCES:

DD

FN

CA

Clerk

CM

ITEM TYPE | TIME | TOPIC**STAFF****STUDY SESSION**

60 AB xxxx: GIS 101

Ali Spietz/Leah Llamas

SPECIAL BUSINESS

AB xxxx: Sexual Assault Awareness Month Proclamation No. XXX

CONSENT CALENDAR

AB xxxx: 2020 Budget Carryover Requests

REGULAR BUSINESS

30 AB xxxx: Public Hearing on Ordinance No. 21C-03 Commerce on Public Property

Sarah Bluvas/Jeff Thomas

60 AB xxxx: Review Financial Policies (tentative)

Matt Mornick

30 AB xxxx: Financial Report: 2020 Year-End

Matt Mornick

30 AB xxxx: Youth & Family Services Emergency Assistance Update

Tambi Cork

30 AB xxxx: King County Sewer North Mercer Enatai Interceptor Interagency Agreement

Jason Kintner

30 AB xxxx: Amending Chapter 2.60 of the MICC to revise the Code of Ethics for Officials (ORD No. 21C-xx; Second Reading and adoption) (tentative)

Jessi Bon/Bio Park

EXECUTIVE SESSION**APRIL 20**

ABSENCES:

DD

FN

CA

Clerk

CM

ITEM TYPE | TIME | TOPIC**STAFF****STUDY SESSION**

60 AB xxxx: Joint Meeting with P&R Commission Regarding the PROS Plan

Jason Kintner/Jessi Bon

SPECIAL BUSINESS**CONSENT CALENDAR****REGULAR BUSINESS**

AB xxxx: Water Replacement Contract

EXECUTIVE SESSION