



CITY OF MERCER ISLAND

CITY COUNCIL REGULAR HYBRID MEETING

Tuesday, February 03, 2026 at 5:00 PM

MERCER ISLAND CITY COUNCIL:

Mayor David Rosenbaum, Deputy Mayor Daniel Becker
Councilmembers Lisa, Anderl, Julie Hsieh,
Craig Reynolds, Wendy Weiker, and Ted Weinberg

LOCATION & CONTACT:

MICEC – Slater Room Council Chambers and via Zoom
8236 SE 24th Street | Mercer Island, WA 98040
206.275.7793 | www.mercerisland.gov

We strive to create an inclusive and accessible experience. Those requiring accommodation for meetings should notify the City Clerk's Office 3 days prior to the meeting at 206.275.7793 or by emailing cityclerk@mercerisland.gov.

The hybrid meeting will be live streamed on the City Council's [YouTube Channel](#).

Individuals wishing to speak live during Appearances (public comment period) must register with the City Clerk at 206.275.7793 or cityclerk@mercerisland.gov before 4 PM on the day of the Council meeting. Each speaker will be allowed to speak for three (3) minutes. A timer will be visible to online speakers, City Council, and meeting participants.

Written comments may be sent to the City Council at council@mercerisland.gov.

Join the meeting at 5:00 PM (Appearances will start sometime after 5:45 PM) by:

- **Telephone:** Call 253.215.8782 and enter Webinar ID 898 5136 5870 and Password 730224
- **Zoom:** Click this [link](#) (Webinar ID 898 5136 5870; Password 730224)
- **In Person:** Mercer Island Community & Event Center – Slater Room Council Chambers (8236 SE 24th Street, Mercer Island, WA 98040)

MEETING AGENDA – AMENDED

CALL TO ORDER & ROLL CALL, 5:00 PM

PLEDGE OF ALLEGIANCE

AGENDA APPROVAL

SPECIAL BUSINESS

1. **AB 6853: Sound Transit Link 2 Line Update**

Recommended Action: Receive report. No action necessary.

2. **AB 6852: 2024 Financial, Accountability and Federal Audit Exit Conference**

Recommended Action: Receive and review the 2024 Audit Exit Conference report from the Washington State Auditor's Office.

CITY MANAGER REPORT

APPEARANCES

(This is the opportunity for anyone to speak to the City Council on any item, except items before the City Council requiring a public hearing, any quasi-judicial matters, or campaign-related matters)

CONSENT AGENDA

3. AB 6854: January 23, 2026 Payroll Certification

Recommended Action: Approve the January 23, 2026 Payroll Certification in the amount of \$1,050,943.25 and authorize the Mayor to sign the certification on behalf of the entire City Council.

4. City Council Planning Session Meeting Minutes of January 16, 2026 and City Council Regular Hybrid Meeting Minutes of January 20, 2026

Recommended Action: Approve the City Council Planning Session Meeting Minutes of January 16, 2026 and City Council Regular Hybrid Meeting Minutes of January 20, 2026.

5. AB 6855: Certification for Claims Paid January 1, 2026 through January 15, 2026

Recommended Action: Approve the January 1, 2026 through January 15, 2026 Accounts Payable Certification of Claims in the amount of \$3,255,765.89 and authorize the Mayor to sign the certification on behalf of the entire City Council.

6. AB 6851: Card Reader Capital Project Closeout

Recommended Action: Receive report. No action necessary.

7. AB 6867: Reservoir Booster Pump Station Upgrades Project Closeout

Recommended Action: Accept the completed Reservoir Booster Pump Station Upgrades project and authorize staff to close out the project.

8. AB 6868: Sewer SCADA System Replacement Project Change Order & Fund Reallocation

Recommended Action: Reallocate \$132,650 in sewer capital project resources in the 2025-2026 Biennial Budget to incorporate the upgrade of Sewer Pump Station 11 into the Sewer SCADA System Replacement Project.

REGULAR BUSINESS

9. AB 6859: ARCH Housing Trust Fund Project Approvals

Recommended Action: Approve the use of \$40,600 from the City's contributions to the ARCH Housing Trust Fund as recommended by the ARCH Executive Board and authorize execution of any related agreements and documents.

10. AB 6857: Forged Fiber 37, LLC Telecommunications Franchise Agreement (Ord. No. 26-01, First Reading)

Recommended Action: Schedule Ordinance No. 26-01 for second reading and adoption at an upcoming City Council Meeting.

11. AB 6839: Capital Improvement Program Overview – *AB Corrected 1/30/2026*

Recommended Action: Receive report and provide initial staff direction.

OTHER BUSINESS

12. Planning Schedule

13. Councilmember Absences & Reports

EXECUTIVE SESSION - Approximately 60 Minutes

14. Collective Bargaining

Executive Session for planning or adopting the strategy or position to be taken by the City Council during the course of any collective bargaining, professional negotiations, or grievance or mediation proceedings, or reviewing the proposals made in the negotiations or proceedings while in progress pursuant to RCW 42.30.140(4)(b)

Pending or Potential Litigation

Executive Session to discuss with legal counsel pending or potential litigation pursuant to RCW 42.30.110(1)(i)

ADJOURNMENT



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6853
February 3, 2026
Study Session

AGENDA BILL INFORMATION

TITLE:	AB 6853: Sound Transit Link 2 Line Update	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Receive report. No action necessary.	

DEPARTMENT:	City Manager
STAFF:	Jessi Bon, City Manager
COUNCIL LIAISON:	n/a
EXHIBITS:	n/a
CITY COUNCIL PRIORITY:	4. Focus efforts and actions to be an environmentally and fiscally sustainable, connected, and diverse community.

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda bill is to provide an update on the status of the Sound Transit Link 2 Line.

- Sound Transit representatives will provide the City Council with an informational briefing on the upcoming opening of the Link 2 Line, which will extend light rail service across Lake Washington to Mercer Island and beyond.
- The presentation will include an overview of project milestones leading up to the opening, anticipated service launch timelines, coordination with Mercer Island and regional partners, and plans for community outreach and communications prior to opening day. Sound Transit will also share details about testing and safety activities currently underway, station access and rider information, and interagency coordination efforts.
- This briefing supports the City's continued collaboration with Sound Transit and regional transportation agencies to ensure a smooth and safe integration of light rail service into the Island's transportation network.

BACKGROUND

The Sound Transit 2 Line, part of the regional ST2 expansion plan approved by voters in 2008, will connect Mercer Island to Seattle, Bellevue, and Redmond via the I-90 corridor. Over the past several years, Sound

Transit has completed significant construction, system testing, and safety certification work in preparation for revenue service.

Mercer Island staff continue to coordinate with Sound Transit and other partner agencies—including WSDOT, King County Metro, and the City of Bellevue—on issues related to station area access, parking, traffic circulation, emergency management, and communications.

The City Manager's Office and Police Department have also participated in interagency planning meetings to ensure preparedness for opening day and related public events.

NEXT STEPS

Following the presentation, staff will continue coordinating with Sound Transit as the agency finalizes its opening timeline and launches regional communication campaigns.

Updates will be shared with Council and the community as additional details become available.

RECOMMENDED ACTION

Receive report. No action necessary.



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6852
January 20, 2026
Special Business

AGENDA BILL INFORMATION

TITLE:	AB 6852: 2024 Financial, Accountability and Federal Audit Exit Conference	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Receive report. No action necessary.	

DEPARTMENT:	Finance
STAFF:	Matt Mornick, Finance Director LaJuan Tuttle, Deputy Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. 2024 Financial & Accountability Audit Engagement Letter 2. 2024 Federal Attestation Engagement Letter
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

Representatives of the Washington State Auditor's Office (SAO) will lead an Exit Conference to report on the results of the Financial, Accountability, and Federal Audits for the fiscal year ending December 31, 2024 (see Exhibits 1 and 2).

- 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.

BACKGROUND

The City of Mercer Island is audited on an annual basis. The SAO regularly performs two types of audits each year: a Financial Audit and an Accountability Audit, resulting in an audit report for each one. Additional information regarding the scope and limitations of each audit type can be found in the audit engagement letter included as Exhibit 1.

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, a financial audit determines 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.

A federal attestation examination is a review of compliance over federally funded programs. Federal guidelines require a Federal Single Audit when expenditures for federal programs exceed \$750,000 in a fiscal year.

With the American Rescue Plan Act (ARPA) of 2021/Coronavirus State and Local Fiscal Recovery Funds (CSLRF) programs, a new option called an "Alternative Compliance Engagement" is permitted if the recipient was both a non-entitlement unit of local government (less than 50,000 residents) and only exceeded the \$750,000 threshold because of ARPA/CSLRF dollars.

The City qualified for the alternative engagement for 2024 federal expenditures, which allowed for a more streamlined and cost-effective federal program audit. Additional information regarding the scope and limitations of the federal review are in the federal attestation engagement letter included as Exhibit 2.

RECOMMENDED ACTION

Receive and review the 2024 Audit Exit Conference report from the Washington State Auditor's Office.



Office of the Washington State Auditor Pat McCarthy

September 5, 2025

City Council and City Manager
City of Mercer Island
9611 SE 36th Street
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.

Office of the Washington State Auditor Responsibilities

Financial Statement Audit

We will perform an audit of the financial statements of the City of Mercer Island as of and for the fiscal year ended December 31, 2024, prepared in accordance with the cash basis *Budgeting, Accounting and Reporting System Manual* (BARS). The objective of our audit will be to express our 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.

A financial statement 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 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.

A financial statement 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 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*.

The City prepares supplementary information that accompanies the financial statements, which is required by the BARS Manual (*for Schedule of Liabilities*). We agree to perform auditing procedures on this information, with the objective of expressing an opinion as to whether it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Accountability Audit

We will perform an accountability audit of compliance with applicable state laws, regulations, and policies, and of controls over the safeguarding of public resources for the fiscal year ended December 31, 2024. The audit will be conducted in accordance with provisions of RCW 43.09.260 and the Office's audit policies, which include policies specific to these types of audits and general audit policies. Our general audit policies apply to all our engagements and incorporate the requirements of *Government Auditing Standards*, as applicable, on topics such as communications with auditees, independence, audit evidence and documentation, and reporting.

An accountability audit involves performing procedures to obtain audit evidence about compliance and controls in areas selected for audit. In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. The areas examined and procedures selected depend on the auditor's judgment, including the assessment of the risks of fraud, loss, abuse, or noncompliance.

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 have entered into a data sharing agreement with the City to ensure compliance with legal requirements and Executive Directives (Executive Order 16-01, RCW 42.56 and OCIO Standard 141.10) in the handling of information considered confidential.

Responsibilities specific to this engagement

Additionally, we will:

- Provide management with advanced notification if we identify issues that require further audit work and increase audit costs.
- Conduct weekly progress meetings to discuss the status of the 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.
- Conduct a formal exit conference to discuss results of the financial and accountability audits on or before November 30, 2025.
- Interact with staff professionally and respectfully and communicate needs and issues in a timely manner. We will notify the City the previous day, if we know that audit staff will not be onsite the subsequent day(s).
- 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 the City seven days to provide a 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 results of the audit, such as 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, misappropriation, 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.
- Adequate workspace and conditions, 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 the cash basis *Budgeting, Accounting and Reporting System Manual (BARS)*.
- Preparing the following supplementary information:
 - Schedule of Liabilities in accordance with the BARS Manual

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 statements and schedules only if agreed to in writing by our Office.
- 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 \$43,650, 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 will be published on our website www.sao.wa.gov and 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	November 30, 2025
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>	November 30, 2025
Independent Auditor's Report on Accountability	November 30, 2025

**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 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 upon request.

Please contact us if 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,



9/5/25

Haji Adams, Audit Manager
Office of the Washington State Auditor

Date

City Response:

This letter correctly sets forth our understanding.



9/10/2025

Jessi Bon
City Manager

Date



9/10/2025

LaJuan Tuttle
Deputy Finance Director

Date



Office of the Washington State Auditor Pat McCarthy

September 5, 2025

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

We are pleased to confirm the compliance examination to be performed by the Office of the Washington State Auditor, in accordance with the provisions of the 2024 OMB Compliance Supplement, Part 8, Appendix VII, for the City of Mercer Island. This letter confirms the nature and limitations of the examination, as well as responsibilities of the parties and other engagement terms.

Office of the Washington State Auditor Responsibilities

We will perform an examination of compliance with allowable activities and cost requirements of Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number 21.027) as described in Title 31 U.S. *Code of Federal Regulations* Part 35 *Pandemic Relief Programs* Subpart A *Coronavirus State and Local Fiscal Recovery Funds* published by the Department of the Treasury. Our examination will be conducted with the objective of expressing an opinion on the City's compliance with these requirements applicable to expenditures of federal financial assistance during the period January 1, 2024 ending December 31, 2024.

We will perform our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our procedures include examining on a test basis, evidence about compliance and performing such other procedures as we consider necessary in the circumstances. Our examination is designed to provide reasonable assurance about whether the City complied in all material respects with the applicable requirements. Our examination does not provide a legal determination on compliance.

An examination involves performing procedures to obtain evidence about compliance with the applicable requirements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material noncompliance, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to compliance in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we will express no such opinion.

Although our examination is not designed to provide an opinion on the effectiveness of internal control over compliance, our responsibility includes communicating any significant deficiencies or material weaknesses in internal controls over compliance, and instances of fraud or noncompliance with laws, regulations, contracts or grant agreements that come to our attention while conducting the examination.

Data Security

Our Office is committed to appropriately safeguarding the information we obtain during the course of this examination. We have entered into a data sharing agreement with the City to ensure compliance with legal requirements and Executive Directives (Executive Order 16-01, Chapter 42.56 RCW and OCIO Standard 141.10) in the handling of information considered confidential.

Reporting levels for audit issues

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

- **Findings** formally address issues in an examination report. Findings report significant deficiencies and material weaknesses in internal controls; misappropriation; and non-compliance with laws, regulations or 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 our report. The Uniform Guidance defines the issues we must report as findings with regard to non-compliance and internal controls over compliance with federal grants.
- **Management letters** communicate control deficiencies or non-compliance with a less-than-material effect on compliance. Management letters are referenced, but not included, in our report.
- **Exit items** address control deficiencies or non-compliance with laws or regulations that have an insignificant or immaterial effect on compliance. These issues are informally communicated to management.

Client's Responsibilities

Management is responsible for compliance with federal requirements related to expenditures of Coronavirus State and Local Fiscal Recovery Funds. Management is also responsible for the accuracy and completeness of information provided to the auditor and will provide the Office of the Washington State Auditor with:

- The City's final written assertions on compliance for examination.
- Unrestricted access to people with whom the auditors wish 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.
- Adequate workspace and conditions, if on-site work is necessary, including interacting with auditors professionally and respectfully and promptly communicating about any issues and concerns.

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

- Preparing the Schedule of Expenditures of Federal Awards in accordance with Uniform Guidance 2 CFR § 200.510 requirements
- Identifying all federal awards received.
- Selecting and applying appropriate policies to administer and report compliance.
- Understanding and complying with the provisions of laws, regulations, contracts, and grant agreements, including applicable program compliance requirements.
- Establishing and maintaining internal control over compliance, including establishing and maintaining effective controls that provide reasonable assurance that the City administers government programs in compliance with the compliance requirements.
- Designing and following effective controls to prevent and detect fraud, theft, and loss.
- Evaluating and monitoring compliance with federal award requirements.
- Ensuring compliance with laws, regulations and provisions of contracts.

- Maintaining documentation supporting its compliance with federal requirements applicable to expenditures of Coronavirus State and Local Fiscal Recovery Funds.
- 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.
- Informing us of the City's relationships with significant vendors who are responsible for program compliance.
- Submitting the reporting package and data collection form through the Federal Audit Clearinghouse.

Client Assertion regarding Compliance

As part of commencing the engagement, the City of Mercer Island asserts that it has complied with all applicable requirements related to allowable activities and costs for expenditures of Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027) for the period January 1, 2024 through December 31, 2024.

Responsibilities at the conclusion of the examination

At the conclusion of our examination, the City will provide us with a letter to confirm in writing certain express and implied representations made during the course of the engagement.

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

Estimated Engagement Cost and Timeline

We estimate the cost of the examination work to be \$5,600. Our estimate is based on timely access to supporting information with no significant examination issues encountered. Invoices for these services will be prepared and presented each month as our work progresses. We plan to perform our examination remotely to limit travel costs, when appropriate. Travel costs will be charged in addition to the examination cost, should travel become necessary. We are providing these preliminary estimates as a budgeting tool and not a guarantee of final cost.

We anticipate our reports will be published on our website www.sao.wa.gov and will 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 Accountant's Report on Compliance	September 30, 2025

**Report Issuance Dates Are Estimates Only*

The examination 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 examination documentation, will be made available upon request and in a timely manner to appropriate auditors and reviewers, the City's management and governing body, and federal agencies, for purposes of a public records request, a quality review of the examination, to resolve examination findings, or to carry out oversight responsibilities.

The examination 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 examination, we will communicate with the City's selected liaison, LaJuan Tuttle, Deputy Finance Director, on the engagement 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 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 upon request.

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

Audit Dispute Process

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


9/5/25
 Haji Adams, Audit Manager Date
 Office of the Washington State Auditor

City Response:

This letter correctly sets forth our understanding.


9/10/2025
 Jessi Bon, City Manager Date


9/10/2025
 LaJuan Tuttle, Deputy Finance Director Date



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6854
February 3, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6854: January 23, 2026 Payroll Certification	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Approve the January 23, 2026 Payroll Certification in the amount of \$1,050,943.25.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Administrative Services
STAFF:	Ali Spietz, Chief of Administration Nicole Vannatter, Human Resources Manager
COUNCIL LIAISON:	n/a
EXHIBITS:	1. January 23, 2026 Payroll Certification 2. FTE/LTE Counts
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

This agenda bill is to approve the City of Mercer Island payroll certification for the period from January 1, 2026 through January 15, 2026 in the amount of \$1,050,943.25 (see Exhibit 1).

BACKGROUND

[RCW 42.24.080](#) requires that all claims presented against the City by performing labor must be certified by the appropriate official to ensure that the labor was performed as described, and that the claims are just, due, and unpaid obligations against the City, before payment can be made. [RCW 42.24.180](#) allows the payment of claims to occur prior to City Council approval to expedite processing of the payment of claims, provided, however, that review and approval of the claims' documentation occurs at the next regularly scheduled public meeting. The Payroll Certification details the total payment to employees for labor performed and benefits payments made for each payroll. The City is on a semi-monthly payroll schedule with payments on the 10th and 25th of each month.

ISSUE/DISCUSSION

Each payroll varies depending on several factors (i.e., number of employees, pay changes, leave cash outs, overtime, etc.). In addition to regular pay for employees, this payroll has variations that are outlined below.

Additional payments:

Description	Amount
Leave cash outs for current employees	\$45,018.82
Leave cash outs for terminated employees	\$0.00
Service and recognition awards	\$0.00
Overtime earnings (see chart for overtime hours by department).	\$20,689.95
Total	\$65,708.77

Overtime hours by department:

Department	Hours
Administrative Services	
City Attorney's Office	
City Manager's Office	
Community Planning & Development	
Finance	
Municipal Court	
Police	170.00
Public Works	42.00
Thrift Shop	
Youth & Family Services	
Total Overtime Hours	212.00

NEXT STEPS

FTE/LTE COUNTS

The table in Exhibit 2 shows the budgeted versus actual counts for Full Time Equivalents (FTEs) and Limited Term Equivalents (LTEs) for the current payroll. Casual labor employees (temporary and seasonal) are not included in the counts.

Casual Labor

In addition to FTE and LTE employees, the City utilizes casual labor to address workload needs that exceed the capacity or expertise of the City's regular staff and that are time limited or seasonal. Casual labor is used primarily to address seasonal workload needs and short-term workload issues created by special projects or position vacancies. Compared to an LTE position, a casual labor position has limited benefits and is filled for a shorter period (1-3 months, 6 months, or 9 months). The departments/divisions that utilize casual labor the most are Parks Maintenance, Recreation, Public Works, and the Thrift Shop.

RECOMMENDED ACTION

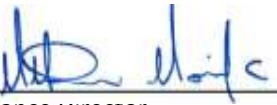
Approve the January 23, 2026 Payroll Certification in the amount of \$1,050,943.25 and authorize the Mayor to sign the certification on behalf of the entire City Council.

CITY OF MERCER ISLAND PAYROLL CERTIFICATION

Item 3.

PAYROLL PERIOD ENDING	01.15.2026
PAYROLL DATED	1.23.2026
Net Cash	\$ 711,881.50
Net Voids/Manuals	\$ 711,881.50
Net Total	\$ 711,881.50
 Federal Tax Deposit	 \$ 121,950.44
Social Security and Medicare Taxes	\$ 78,997.38
State Tax (California & Oregon)	\$ 696.18
State Tax (California)	\$ 12.84
Family/Medical Leave Tax (California & Oregon)	\$ 59.51
Public Employees' Retirement System (PERS Plan 2)	\$ 31,723.32
Public Employees' Retirement System (PERS Plan 3)	\$ 10,984.70
Public Employees' Retirement System (PERSJM)	\$ 421.06
Law Enforcement Officers' & Fire Fighters' Retirement System (LEOFF Plan2)	\$ 20,186.30
Regence & LEOFF Trust Medical Insurance Deductions	\$ 15,573.23
Domestic Partner Medical Insurance Deductions	\$ (3,975.17)
Health Care - Flexible Spending Account Contributions	\$ 3,499.56
Dependent Care - Flexible Spending Account Contributions	\$ 1,500.83
MS Roth IRA Contributions	\$ 1,590.55
MS 457 Deferred Compensation Contributions	\$ 42,899.17
Garnishments (Chapter 13)	\$ 1,072.03
Child Support Wage Garnishment	\$ 867.50
Mercer Island Employee Association Dues	\$ 267.50
AFSCME Union Dues	\$ 3,524.10
Police Union Dues	\$ 3,272.51
Standard - Supplemental Life Insurance	\$ 218.75
Unum - Long Term Care Insurance	\$ 176.90
AFLAC - Supplemental Insurance Plans	\$ 238.52
Transportation - Flexible Spending Account Contributions	\$ 106.50
Miscellaneous	\$ 107.51
Oregon Transit Tax and Oregon Benefit Tax	\$ 8.71
Washington Long Term Care	\$ 3,081.32
Tax & Benefit Obligations Total	\$ 339,061.75
 TOTAL GROSS PAYROLL	 \$ 1,050,943.25

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.

FTE AND LTE COUNTS AS OF 1/15/2026

Full Time Equivalents (FTEs)	2025	2025
	Budgeted	Actual
Administrative Services	14.50	14.50
City Attorney's Office	2.00	2.00
City Manager's Office	3.00	3.00
Community Planning & Development	17.00	16.00
Finance	9.00	9.00
Municipal Court	3.10	3.10
Police	37.50	36.50
Public Works	64.00	63.00
Recreation	10.25	9.25
Youth & Family Services	11.93	11.93
Thrift Shop	3.00	3.00
Total FTEs	175.28	171.28
Limited Term Equivalents (LTEs)	2025	2025
	Budgeted	Actual
Administrative Services	1.00	1.00
City Manager's Office	1.00	1.00
Community Planning & Development	2.00	2.00
Public Works	4.75	3.75
Youth & Family Services	2.83	1.83
Thrift Shop	6.50	7.20
Total LTEs	18.08	16.78
Total FTEs & LTEs	193.36	188.07

FTE Vacancies:

- 1.0 Planner
- 1.0 Police Officer
- 1.0 Recreation Facility Supervisor
- 1.0 Utilities Team Member



CITY COUNCIL MINUTES

SPECIAL HYBRID MEETING – 2026 PLANNING SESSION

JANUARY 16, 2026

Item 4.

CALL TO ORDER & ROLL CALL

Mayor Dave Rosenbaum called the Special Hybrid Meeting (2026 City Council Planning Session) to order at 9:30 am in the Slater Room Council Chambers at the Mercer Island Community & Event Center, 8236 SE 24th Street, Mercer Island, Washington.

Mayor Dave Rosenbaum, Deputy Mayor Daniel Becker, and Councilmembers Lisa Anderl, Julie Hsieh, Craig Reynolds, Wendy Weiker, and Ted Weinberg (arrived at 9:32 am) attended in person.

PLEDGE OF ALLEGIANCE

The City Council delivered the Pledge of Allegiance.

AGENDA APPROVAL

It was moved by Anderl; seconded by Reynolds to:

Approve the agenda as presented.

PASSED: 6-0

FOR: 6 (Anderl, Becker, Hsieh, Rosenbaum, Reynolds, and Weiker)

ABSENT: 1 (Weinberg)

City Council was in recess from 9:31 am – 9:35 am.

EXECUTIVE SESSION

At 9:35 am, Mayor Rosenbaum convened an Executive Session in Room 104 at the Mercer Island Community & Event Center, 8236 SE 24th Street, Mercer Island, WA and via Microsoft Teams for 30 minutes until 10:05 am.

Executive Session to discuss with legal counsel pending or potential litigation pursuant to RCW 42.30.110(1)(i).

Mayor David Rosenbaum, Deputy Mayor Daniel Becker, and Councilmember Lisa Anderl, Julie Hsieh, Craig Reynolds, Wendy Weiker, and Ted Weinberg participated in person.

Mayor Rosenbaum adjourned the Executive Session at 10:06 am.

City Council reconvened at 10:06 am.

PLANNING SESSION BUSINESS

AB 6838: Compliance with Growth Management Hearings Board Decision

City Manager Jessi Bon and provided an overview of the agenda for the presentation. CPD Director Jeff Thomas discussed the Growth Management Act (GMA) and the requirement for most counties and cities in Washington to adopt Comprehensive Plans, the 10-year cycle for the periodic review and update of the Comprehensive Plan which was last completed in November 2024, and how comprehensive plans can be appealed to the Growth Management Hearings Board to determine if the GMA requirements have been met.

CPD Director Thomas provided an overview of how the GMA works, what a comprehensive plan is and how it is implemented, and defined key terms that would be used throughout the presentation.

Principal Planner Adam Zack spoke about the Futurewise appeal of the 2024-2044 Comprehensive Plan related to affordable housing in 2025 and the five issues identified in the appeal that was heard by the Growth Management Hearings Board (GMHB):

1. Did the City identify sufficient land capacity for affordable housing?
2. Did the City make adequate provisions for affordable housing?
3. Was the City required to include a transit station subarea plan in its Comprehensive Plan?
4. Did the City fail to complete a required housing-focused review with King County's Affordable Housing Committee?
5. Did the City comply with the King County Countywide Planning Policies related to housing?

Principal Planner Zack spoke about the GMHB Order noting that Items 1, 2, and 3 were remanded to the City for further amendments to gain compliance with the GMA, Item 4 in the appeal was denied and no further action is needed by the City, and Item 5 was partially denied with anti-displacement policies remanded to the City to be addressed when the City adds zoning capacity. He spoke about the four items that were remanded to the City, what actions will need to be taken by the City to achieve compliance, and the deadline for completion.

City Council asked questions about the GMA and Comprehensive Plan.

Principal Planner Zack presented Mercer Island's affordable housing requirements as set by King County in 2023 and discussed how these housing units need to be addressed in the Comprehensive Plan.

City Council asked questions about the affordable housing levels and provided feedback.

Principal Planner Zach discussed the land capacity analysis that is required documentation to comply with the GMHB Order, how the land capacity analysis must document the work on how the City plans to address land capacity and adequate provisions, and the direction staff is seeking related to land capacity analysis.

City Council asked questions about the land capacity analysis and provided feedback.

Principal Planner Zack presented HB 1491 that requires cities to allow transit-oriented development (TOD) near transit noting that cities must designate the area within one-half mile walking distance of a light rail station as station area, and the compliance overlap with the TOD bill and the Growth Management Hearings Board Order. He spoke about how compliance with the GMHB Order is required by July 31, 2026 and compliance with the TOD bill is required by 2029. Principal Planner Zack spoke about Floor Area Ratio (FAR) in the station area and ways FAR could be applied to help achieve compliance

City Council asked questions about transit-oriented development and floor area ratio and provided feedback.

Principal Planner Zack discussed the steps in designating a modified station area and that approval of the modified station area would require approval by the Department of Commerce.

City Manager Jessi Bon spoke about the modified station area methodology, and the feedback staff is seeking from the City Council.

City Council asked questions about designating a modified station area and provided feedback.

Principal Planner Zack spoke about the requirements to make adequate provisions to address affordable housing that are addressed in the GMHB Order, and the policies will need to be updated to show adequate provisions have been made.

City Council asked questions about adequate provisions and provided feedback.

Principal Planner Zack discussed the requirement to implement anti-displacement measures in the Housing Element.

City Council asked questions about anti-displacement measures and provided feedback

Principal Planner Zack presented the options the City can use to assist in direct delivery of affordable housing projects.

City Council asked questions about direct delivery of affordable housing projects and provided feedback.

CPD Director Thomas spoke about the tentative project schedule to gain compliance with the GMHB Order.

City Manager Bon discussed how the work plan for completion of this work will be developed after the feedback that is being received today.

City Council asked questions about the timeline for compliance and provided feedback.

It was moved by Reynolds; seconded by Becker to:

Direct staff to prepare a revised land capacity analysis to evaluate residential land capacity at each housing affordability range and return to the City Council in February 2026 with the analysis.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

It was moved by Weinberg; seconded by Reynolds to:

Direct staff to evaluate aligning compliance with the GMHB Order and HB 1491 (2021 TOD bill) and establish the first follow-up with City Council for February 2026.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

It was moved by Reynolds; seconded by Becker to:

Confirm the guidelines for developing the station area boundary Guidelines Nos. 1-4 and direct staff to return to the City Council in February 2026 with a draft station area map.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

It was moved by Reynolds; seconded by Becker to:

Direct the staff to finalize a work plan and schedule to implement the policies from the Housing Element of the Comprehensive Plan to address the “adequate provisions” requirements to increase the supply of affordable housing and “anti-displacement policies” to reduce displacement risk. Bring the work plan and schedule to the City Council for review and approval in February 2026.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

It was moved by Weinberg; seconded by Reynolds to:

Direct the staff to evaluate opportunities for direct delivery of affordable housing through a combination of partnerships, fee-in-lieu programs, direct investment, the creation of a Housing Fund, and/or other mechanisms and return to the City Council in March 2026 with a preliminary report.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

It was moved by Rosenbaum; seconded by Anderl to:

Direct the staff to return to the City Council with a public engagement plan in February 2026.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

It was moved by Weiker; seconded by Reynolds to:

Direct staff to provide the City Council with legislative review procedural options to help the City comply with the GMHB order compliance deadline.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

City Council was in recess from 12:30 pm – 12:45 pm.

AB 6840: Next Steps for City Facilities

City Manager Jessi Bon introduced the project team and spoke about the guidance that is being sought today related to next steps for City facilities. She presented the status of the various City facilities that the City has stewarded since 2023 including:

- Luther Burbank Administration Building and Caretaker House
- Mercer Island Community & Event Center & Annex Facility
- City Hall (closed)
- Public Works Building
- Thrift Shop
- Tully's Building (decommissioned)
- Fire Station 91
- Fire Station 92
- Police Modular Buildings
- 9655 Building

City Manager Bon provided an overview of the long-range facility planning that was planned in 2022 and started in 2023, the modified scope of work for the long range facility planning that occurred in 2023 and 2024 after the closure of City Hall, and a recap of the key findings of the long range facility planning.

City Manager Bon spoke about the closure of City Hall in 2023, the interim police facilities, and the relocation of the Municipal Court to Newcastle City Hall. She discussed the other interim strategies for housing what was displaced with the closure of City Hall including:

- Relocation of Council Chambers to the Slater Room at the Mercer Island Community & Event Center
- Utility Billing Team relocated to the Public Works Building
- Modified and shared workspaces have been established at the Luther Burbank Administration Building, the Public Works Building, and the Community Center.

She noted that approximately 80% of City staff work in person on Mercer Island each day and that the remaining staff operate through a combination of home offices and shared or rotating workspaces with meetings held at the Community Center or other City facilities.

City Manager Bon discussed the direction that was provided by the City Council in March 2024 that directed staff to begin planning for a new Public Safety and Maintenance Facility and the work that was done through the November 2025 bond measure that did not pass.

City Council reflected on the failed bond measure and facility work and provided feedback to staff.

City Manager Bon spoke about the next steps to address essential municipal facility needs including reassessing facility replacement strategies, space planning in City facilities, the acquisition of the 9655 Building and the evaluation of this building in the space planning reassessment. She discussed maximizing existing City-owned buildings, a strategic redistribution across City facilities, and right-sizing a new building to reduce the scale and cost of a new facility.

City Manager Bon spoke about the community engagement and internal stakeholder engagement plans, setting a new project framework for municipal facilities with community centered service delivery, and next steps and the path forward for City facilities.

City Council asked questions and provided feedback on community engagement and next steps for City facilities.

City Council moved AB 6839: Budget Basics and Financial Priorities in 2026 to the January 20 City Council Meeting.

AB 6606: 2025 Community Member of the Year

City Clerk Andrea Larson presented the process for selection of the 2025 Community Member of the Year.

Mayor Rosenbaum asked for nominations. Councilmember Hsieh nominated Kimberly Frank. Deputy Mayor Becker nominated Fan Yuan.

City Clerk Larson sent email ballots to the City Council. The ballot results were:

Anderl – Yuan
Becker – Yuan
Hsieh – Frank
Reynolds – Frank
Rosenbaum – Yuan
Weiker – Yuan
Weinberg – Frank

Fan Yuan was selected as the 2025 Community Member of the Year. Staff will invite Ms. Yuan to a future City Council meeting to receive the recognition.

ADJOURNMENT

The Special Hybrid Meeting – Planning Session adjourned at 2:27 pm.

Attest:

Dave Rosenbaum, Mayor

Andrea Larson, City Clerk



CITY COUNCIL MINUTES

REGULAR HYBRID MEETING

JANUARY 20, 2026

Item 4.

CALL TO ORDER & ROLL CALL

Mayor Dave Rosenbaum called the Regular Hybrid Meeting to order at 5:00 pm in the Slater Room Council Chambers at the Mercer Island Community & Event Center, 8236 SE 24th Street, Mercer Island, Washington.

Mayor Dave Rosenbaum, Deputy Mayor Daniel Becker and Councilmembers Julie Hsieh, Craig Reynolds, Wendy Weiker, and Ted Weinberg attended in person. Councilmember Lisa Ander attended via Zoom.

PLEDGE OF ALLEGIANCE

The City Council delivered the Pledge of Allegiance.

AGENDA APPROVAL

It was moved by Weiker; seconded by Weinberg to:

Approve the agenda as presented.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

SPECIAL BUSINESS

AB 6845: Mercer Island Municipal Court

Judge Jeff Gregory gave a State of the Mercer Island Municipal Court Report. He introduced the Municipal Court team, spoke about how the emphasis of the Mercer Island Municipal Court is the administration of justice through accountability, transparency, and reliability. Judge Gregory spoke about the continued home of the Municipal Court on the third floor of the Newcastle City Hall since 2024 and Court is held in the Newcastle City Council Chambers.

Judge Gregory spoke about the impacts of the City Hall closure and how Court staff are managing these impacts including lack of Zoom options, security considerations, travel time for everyone to the Court, in-custody remote hearings, and jury trials/evidentiary hearings. He discussed technology options the Court has been exploring for electronic file conversion and repository, and about the new statewide Case Management System that the State of Washington is rolling out to all courts in Washington. Judge Gregory highlighted the many ways that the Court has been making community connections and discussed how the Court is working with MIPD to increase the services and support for domestic violence victims.

City Council thanked Judge Gregory and asked questions.

CITY MANAGER REPORT

City Manager Jessi Bon reported on the following items:

- **Council, Boards & Commission Meetings:**
 - City Council Meeting on Tuesday, February 3 at 5:00 pm
 - City Council/ MISD School Board Joint Meeting on Thursday, February 5 at 6:00 pm.
 - Arts Council Meeting on Wednesday, January 21 at 5:30 pm
 - Planning Commission Meeting on Wednesday, January 28 at 6:00 pm
- **City Updates:**

- Board and Commission Recruitment – Open through February 20 with appointments scheduled for the March 3 City Council Meeting.
- Sewer Lift Station 11 Improvements – Station 11 was reconstructed by King County as part of their North Mercer Sewer Interceptor Project and is now operational after the completion of reliability testing. Permanent paving and landscaping restoration will occur later this year.
- City's E-moto Bill gets a Hearing – the 2026 State Legislative Session is underway and the City's e-moto bill (HB 2374 is scheduled for a public hearing in the House Committee on Transportation, Mayor Rosenbaum is scheduled to testify in committee in support of the bill.
- **Upcoming Events:**
 - MICEC Art Reception on January 21 from 5:30–7:30 pm
 - YFS Healthy Youth Community Forum on February 2 at MICEC from 7–9:00 pm
- **News:**
 - MIPD Sergeant Chad Schumacher was honored with the 2025 Washington State Recreational Boating Safety Marine Law Enforcement Officer of the Year. Congratulations Sgt. Schumacher!

APPEARANCES

Addie Smith spoke about being a hate crime survivor.

CONSENT AGENDA

Deputy Mayor Becker requested to remove AB 6850: Facilities Planning Appropriation Request from the Consent Agenda. Mayor Rosenbaum moved it to the first item of Regular Business.

AB 6846: January 9, 2026 Payroll Certification

Recommended Action: Approve the January 9, 2026 Payroll Certification in the amount of \$1,014,146.81 and authorize the Mayor to sign the certification on behalf of the entire City Council.

City Council Regular Hybrid Meeting Minutes of January 6, 2025.

Recommended Action: Approve the City Council Regular Hybrid Meeting Minutes of January 6, 2026.

AB 6847: Certification for Claims Paid December 16, 2025 through December 31, 2025

Recommended Actions: Approve the December 16, 2025 through December 31, 2025 Accounts Payable Certification of Claims in the amount of \$990,777.75 and authorize the Mayor to sign the certification on behalf of the City Council.

AB 6837: Water Supply Pipeline – Phase 2 Design Contract Approval

Recommended Action: Approve the December 1, 2025 through December 15, 2025 Accounts Payable Certification of Claims in the amount of \$1,626,756.35 and authorize the Mayor to sign the certification on behalf of the entire City Council.

AB 6848: Approve Stormwater Capacity Grant Budget

Recommended Action: Authorize the City Manager to accept the Department of Ecology 2025-2027 Biennial Stormwater Capacity Grant and appropriate \$120,000 to the stormwater maintenance operation budget.

It was moved by Becker; seconded by Weiker to:

Approve the Consent Agenda as amended, and the recommendations contained therein.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

REGULAR BUSINESS

AB 6850: Facilities Planning Appropriation Request

City Manager Jessi Bon spoke about the next steps in facility planning through Spring 2026 and the funding needed to proceed with this work.

City Council asked staff questions.

It was moved by Becker; seconded by Reynolds to:

Carryforward the funds remaining from the 2025 Public Safety & Maintenance Facility Project (approximately \$130,000) and appropriate the funds for completion of the site work and geotechnical assessment on the City Hall and Public Works Campus.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

It was moved by Becker; seconded by Reynolds to:

Transfer \$587,594 from the Street Fund to the Capital Improvement Fund and appropriate \$150,000 to complete the space planning analysis at the 9655 Building and the Luther Burbank Admin Building; revisit the City Hall and Public Works Building renovation cost estimate; complete the PSM Project Review; and return to the City Council in March 2026 with findings and preliminary project alternatives.

PASSED: 7-0

FOR: 7 (Anderl, Becker, Hsieh, Reynolds, Rosenbaum, Weiker, and Weinberg)

AB 6849: 2026-2027 City Council Liaison Assignments

Mayor Rosenbaum spoke about the City Council liaison assignments for 2026-2027.

AB 6839: 2027-2028 Budget Planning Overview

Finance Director Matt Mornick provided an overview of the adoption of the 2025-2026 Biennial Budget and the framework that is used by code cities in Washington state to develop a biennial budget. He spoke about the state law requirement that code cities use fund accounting to manage public funds, the ten different funds that are used by the City, and the difference between restricted and unrestricted funds. Finance Director Mornick discussed emerging needs at the halfway point of the 2025-2026 budget and the process and tentative timeline for the preparation of the 2027-2028 Biennial Budget.

City Council asked staff questions.

OTHER BUSINESS

Planning Schedule

City Manager Jessi Bon spoke about the February 3 and 17 meetings and the joint meeting with the MISD School Board on February 5.

Councilmember Absences and Reports

Councilmember Weiker will be absent on February 3 and 5, 2026.

Deputy Mayor Becker noted he attended the King County Solid Waste Municipal Advisory Committee meeting and spoke about the Open Space Conservancy Trust joint meeting with the Parks & Recreation Commission.

Councilmember Weiker noted there was a Utility Board meeting and there is a new water meter dashboard available to all residents.

Councilmember Weinberg noted he has spent two days in Olympia this legislative session, he attended the Eastside transportation Partnership meeting, next open lunch on Feb 21 at Sushi Joa.

Councilmember Reynolds noted he attended the joint meeting with the Parks & Recreation Commission and Open Space Conservancy Trust, the Parks & Recreation Commission meeting, and the new website his wife is doing talkontherock.com.

Councilmember Anderl congratulated Councilmember Hsieh on her appointment to the WRIA 8 Salmon Recovery Council.

Councilmember Hsieh thanked the Public Works department for the tour of public works facilities, noted she is looking forward to attending AWC Action Days, and her next monthly open coffee is on February 25 at

Asa.

City Council was in recess from 6:55 pm – 7:00 pm.

EXECUTIVE SESSION

At 7:00 pm, Mayor Rosenbaum convened an Executive Session in Room 104 at the Mercer Island Community & Event Center, 8236 SE 24th Street, Mercer Island, WA and via Microsoft Teams for 30 minutes until 7:30 pm.

Executive Session to discuss with legal counsel pending or potential litigation pursuant to RCW 42.30.110(1)(i).

Mayor David Rosenbaum, Deputy Mayor Daniel Becker, and Councilmember Julie Hsieh, Craig Reynolds, Wendy Weiker, and Ted Weinberg participated in person. Councilmember Anderl participated via Microsoft Teams.

Mayor Rosenbaum adjourned the Executive Session at 7:30 pm.

ADJOURNMENT

The Regular Hybrid Council Meeting adjourned at 7:31 pm.

Attest:

Dave Rosenbaum, Mayor

Andrea Larson, City Clerk



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6855
February 3, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6855: Certification for Claims Paid January 1, 2026 through January 15, 2026	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Approve the Accounts Payable Certification for Claims paid January 1, 2026 through January 15, 2026 in the amount of \$3,255,765.89.	

DEPARTMENT:	Finance
STAFF:	Matt Mornick, Finance Director LaJuan Tuttle, Deputy Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Certification for Claims Paid January 1 - 15, 2026
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda bill is to approve the January 1, 2026 through January 15, 2026 Accounts Payable Certification of Claims in the amount of \$3,255,765.89 (see Exhibit 1).

BACKGROUND

Claims refer to all external payments that are made to satisfy the obligations of the City, regardless of how payments are processed (e.g., through warrants, checks, electronic funds transfers, etc.). [RCW 42.24.080](#) requires that all claims presented against the City must be certified by the appropriate official to ensure that the claims are just, true, and unpaid obligations against the City, before payment can be made.

[RCW 42.24.180](#) allows the payment of claims to occur prior to City Council approval to expedite processing of the payment of claims, provided, however, that review and approval of the claims' documentation occurs at the next regularly scheduled public meeting.

ISSUE/DISCUSSION

The Accounts Payable Certification of Claims (see Exhibit 1) includes a table that summarizes the claims paid January 1, 2026 through January 15, 2026:

The table combines printed checks and electronic payments. The disbursement method is identified by the Method code in the first column of the table:

- **Check Register** includes printed accounts payable checks.
- **Direct Disbursement** includes wire transfers. Note that “check” numbers are two digits to easily identify them as distinct from printed checks.
- **Electronic Funds Transfer** includes EFT/ACH payments. “Check” numbers started at 5000 for this payment type.

RECOMMENDED ACTION

Approve the January 1, 2026 through January 15, 2026 Accounts Payable Certification of Claims in the amount of \$3,255,765.89 and authorize the Mayor to sign the certification on behalf of the entire City Council.

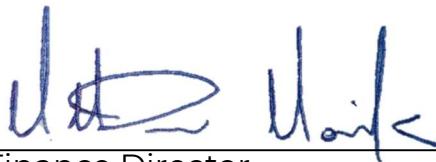


City of Mercer Island

Certification of Claims

Item 5.

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.



Heather Monk
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

Date	Method	Checks	Warrant	Total Amount
12/31/25	Direct Disbursement	206-217	WT 12-25	\$660,371.89
01/02/26	Check Register	225889-225939	01022026	\$535,862.72
01/02/26	Electronic Funds Transfer	5071-5073	EFT 0102	\$12,804.69
01/08/26	Check Register	225940-226003	01082026	\$742,090.21
01/08/26	Electronic Funds Transfer	5074-5076	EFT01082	\$50,113.22
01/15/26	Check Register	226004-226085	011526	\$1,106,232.44
01/15/26	Electronic Funds Transfer	5077-5088	EFT 0115	\$145,846.86
01/15/26	Electronic Funds Transfer	5089	EFT0115B	\$2,443.86
GRAND TOTAL:				\$3,255,765.89



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6851
February 3, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6851: Card Reader Capital Project Closeout	<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:	Public Works
STAFF:	Jason Kintner, Chief of Operations Jaime Page, Support Services Manager Merrill Thomas-Schadt, Sr. Management Analyst
COUNCIL LIAISON:	n/a
EXHIBITS:	n/a
CITY COUNCIL PRIORITY:	3. Make once-in-a-generation investments to update and modernize aging infrastructure, capital facilities, and parks.

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda bill is to update the City Council on the completion of the Card Reader/Facility Access capital project.

- The Card Reader project included adding automatic keycard readers and accompanying hardware to approximately 45 doors at four City facilities.
- The Card Reader project was originally budgeted in 2024 and was intended to be funded through the City's American Rescue Plan Act (ARPA) allocation. When ARPA funds were reprioritized and fully spent by the US Treasury Department's December 2024 deadline, project managers shifted resources within the Capital Improvement Fund to complete the project.
- Funds from several facilities projects were used to cover the additional work added to the original project scope.
- The work has been completed. The card reader technology is functional at all facilities. As a result, these spaces, equipment and staff that they house are more secure and better monitored. The new system monitors controls and reduces risk by eliminating physical keys that can be lost or shared.

BACKGROUND

Prior to the COVID-19 Pandemic, City facilities were accessed and secured by antiquated building controls that relied on issuing and tracking keys among personnel and contract workers. City facilities have utilized a keycard access system for many, but not all, access points since 2020. Since then, facilities staff have prioritized expanding and completing this critical safety measure across multiple sites. In 2024, the Card Reader Project launched a multi-year effort to do so.

Areas identified as needing this enhanced security and more efficient access controls included staff-only office spaces, locations with sensitive technology equipment and tools, event and meeting rental rooms, and utility access areas. The key card system means enhanced security, precise operational control, and reliable data on how and when City facilities are accessed.

ISSUE/DISCUSSION

Keycard access has increased security, efficiency, accountability, and removed barriers to improve ADA access. As the new security system was implemented, additional locations were identified, specifically for the Mercer Island Community and Event Center. The need to provide different access for multiple users and specific functions resulted in adding additional access points to better secure equipment, workstations, and critical City equipment.

Forty-five access points were identified in the project scope of work, and as the installation progressed, many were found to require additional work to become operational. This included wiring and specialized hardware for the readers to work at auxiliary areas, and door replacement to ensure long-term compatibility with the new card reader technology.

The Card Reader Project was originally intended to be funded through the City's American Rescue Plan Act (ARPA) allocation. When ARPA funds were reprioritized to ensure they would be fully spent before the US Treasury Departments December 2024 deadline, it became necessary to shift resources within the Capital Improvement Fund to complete this project.

Staff identified budget resources from several capital facilities projects to be reallocated to the Card Reader Project to cover the additional work required. Many of these resources included unspent funds or remaining contingencies from smaller facility projects. This is detailed in the table below:

PROJECT ID	DESCRIPTION	BUDGET BEFORE AMENDMENT		INCREASE/ (DECREASE) REQUEST		BUDGET AFTER AMENDMENT	
		2025	2026	2025	2026	2025	2026
90.05.0004	City Hall Contingency	\$57,000	\$34,200	\$(30,881)	-	\$26,118	\$34,200
90.05.0006	MICEC Facility Repairs	230,280	76,380	(61,000)	-	169,280	76,380
90.05.0007	MICEC Annex Repairs	114,000	44,460	(60,000)	-	54,000	44,460
90.05.0008	Luther Burbank Facility Repairs	156,800	119,700	(10,000)	-	146,800	119,700
90.05.0009	LB Caretakers Building Repairs	37,620	43,890	(25,000)	-	12,620	43,890
90.05.0015	Facility Access Security	171,434	-	186,881	-	358,315	-
TOTAL		\$767,134	\$318,630	-		\$767,134	\$318,630

Overall, impacts to the projects with reduced budget were minimal.

NEXT STEPS

The work has been completed and is currently operational. No appropriation is needed as staff have reallocated existing funds within the adopted Capital Improvement Fund for this project. Staff anticipate expansion of these system improvements to the 9655 building and plan to incorporate that scope of work with the planning facility enhancements.

RECOMMENDED ACTION

Receive report. No action necessary.



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6867
February 3, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6867: Reservoir Booster Pump Station Upgrades Project Closeout	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Accept the completed project and authorize staff to close out the project.	

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations Kellye Hilde, Deputy Director Clint Morris, Capital Division Manager Christopher Marks, Utilities Engineer
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Pre- and Post-Construction Photos
CITY COUNCIL PRIORITY:	3. Make once-in-a-generation investments to update and modernize aging infrastructure, capital facilities, and parks.

AMOUNT OF EXPENDITURE	\$ 2,329,160
AMOUNT BUDGETED	\$ 2,330,000
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda item is to accept the completed Reservoir Booster Pump Station Upgrades Project (WU0128/90.40.0034) and authorize staff to close out the project.

- The reservoir booster pump station utilizes five submersible pumps and is responsible for supplying water service and fire flow to the largest pressure zone on the Island, as well as a number of smaller pressure zones along the Island's perimeter.
- The Reservoir Booster Pump Station Upgrades Project:
 - Replaced the five existing vertical turbine pumps (Pumps 1 through 5) with new 100 HP vertical split case pumps;
 - Installed two 25-HP vertical multistage pumps (Pumps 6 and 7); and
 - Completed change order work including repair of a leak in an existing 24-inch fitting outside the original project limits, replaced the City's overhead crane hoist, and procured two spare 100-HP motors used temporarily to maintain operations at the City's Reservoir site.
- The project was included in the 2023-2024 Water Capital Improvement Program with an initial budget of \$1,080,000.

- On March 19, 2024, [AB6430](#) appropriated an additional \$1,075,000 from the Water Fund to bring the project budget to \$2,155,000, and authorized award of the construction contract to Strider Construction Co.
- On April 15, 2025, [AB6655](#) appropriated an additional \$175,000 from the Water fund to cover unforeseen construction expenses, bringing the total approved project budget to \$2,330,000.
- Construction began November 21, 2024, and reached completion on June 17, 2025 (see Exhibit 1).
- Upon project closeout, \$840 in project savings will be returned to the Water Fund.

BACKGROUND

The City's water distribution system consists of two 4-million-gallon water storage tanks, two booster pump stations, approximately 120 miles of water mains, and 85 pressure-reducing valve stations.

The Reservoir Booster Pump Station serves the City's largest pressure zone (the 492 Pumped Zone) and several smaller perimeter pressure zones. The station provides domestic water service and fire flow using five original 1970s-era Byron Jackson submersible turbine pumps (see Exhibit 1). This pump configuration is considered legacy equipment and is no longer a standard design for new municipal booster station installations. Manufacturer support is limited, and the pump motors contain mercury seals, which present a potential contamination risk during pump failure or disassembly.

On July 16, 2021, the City retained RH2 Engineering to design replacement of all five pumps. To properly size the replacement pumps, RH2 evaluated both current and projected system demands. The analysis identified significant seasonal and daily flow variations that lead to inefficient operation and increased hydraulic and mechanical stress under the existing pump configuration. As a result, the final design incorporated smaller-capacity jockey pumps for low-demand conditions and larger-capacity pumps for peak demands, with redundancy to maintain system reliability.

Final design was completed in December 2023, and the project was advertised on January 29, 2024. Five construction bids were received and opened on February 29, 2024. The lowest responsive bid was received from Strider Construction Co. in the amount of \$1,726,011. On April 10, 2024, following City Council's approval of [AB6430](#), the Reservoir Booster Pump Station Upgrades Project (90.40.0034) budget was set at \$2,155,000, and a notice to proceed was issued to Strider Construction Co.

ISSUE/DISCUSSION

PROJECT DESCRIPTION

The purpose of this project was to modernize the Reservoir Booster Pump Station and improve system reliability and efficiency by replacing all five existing vertical turbine pumps with new 100-horsepower vertical split-case pumps manufactured by Peerless (Pumps 1 through 5) and adding two smaller 25-horsepower vertical multistage pumps manufactured by Grundfos (Pumps 6 and 7) to better accommodate variable system demand and rising energy costs.

Construction was initially scheduled to begin on January 6, 2025, based on manufacturer delivery estimates for the new pumps. Because the station must continuously meet domestic water demand and fire flow requirements for Mercer Island, the project was planned to use a phased construction approach to ensure that no more than two pumps were taken out of service at any one time.

PROJECT EXPENDITURES

On April 15, 2025, City Council approved [AB 6655](#) which authorized an additional \$175,000 be appropriated from the Water Fund to cover unforeseen construction expenses, bringing the approved project budget to \$2,330,000. A summary of the unforeseen construction expenses is below:

- **Unforeseen Pump Failures.** Existing Pumps 2 and 3 failed irreparably on September 6, 2024, prior to the planned start of construction, leaving limited pumping capacity. Pump 5 had already been out of service prior to the planned construction start. This required expedited procurement and the purchase of two temporary motors to maintain system operations.
- **Accelerated Construction Impacts.** Expedited pump replacement work resulted in additional costs and damage to the station's overhead crane hoist, which required replacement to safely complete construction activities.
- **Existing Infrastructure Deficiencies.** A leak was discovered in an existing 24-inch fitting located outside the original project limits, requiring additional engineering and construction work to avoid shutting down water service to the City's largest pressure zone. Once a plan was in place, work to replace the leak was completed in late April 2025, across two 10-hour work shifts.

CONSTRUCTION SEQUENCE

The final construction sequence, as a result of the events described above, was as follows:

- November 21, 2024: Contractor mobilization
- November–December 2024: Pumps 2 and 3 were replaced and placed into service
- December 2024–early January 2025: Pumps 4 and 5 were replaced
- February 2025: Construction began on new Pumps 6 and 7, but was paused after a leak was discovered in adjacent piping
- March 2025: The construction sequence was adjusted, and Pump 1 was replaced and brought online
- Late May 2025: Following repair of the piping leak near Pumps 6 and 7, work resumed on these pumps, and startup, testing, and commissioning were completed
- June 17, 2025: Final completion

RESERVOIR BOOSTER PUMP STATION UPGRADES (WU0128/90.40.0034)			
PROJECT ELEMENTS	ORIGINAL BUDGET (AB 6430)	REVISED BUDGET (AB 6655)	ACTUAL EXPENDITURES
Construction Contract (Strider)	\$1,726,011	\$1,879,844	\$1,924,738
Construction Contingency	\$172,601	\$25,000	
Construction Engineering Support (RH2)	\$79,938	\$192,986	\$187,122
Project Management/Utility Team (City)	\$20,400	\$40,402	\$40,000
Inspection Services (City & Krajan)	\$70,050	\$31,350	\$12,103
SCADA Software Config (Brown & Caldwell)	\$86,000	\$52,191	\$49,398
Expedited Pump Delivery (PumpTech)		\$99,262	\$99,262
Overhead Hoist Replace (Crane Tech)		\$8,965	\$14,884
VFD Integration (S&B)			\$1,653
Total Project Cost	\$2,155,000	\$2,330,000	\$2,329,160
Budget Remaining			\$840

RECOMMENDED ACTION

Accept the completed Reservoir Booster Pump Station Upgrades project and authorize staff to close out the project.

RESERVOIR BOOSTER PUMP STATION UPGRADES PROJECT CLOSE-OUT
PRE CONSTRUCTION PHOTOS - SEPTEMBER 2024

Item 7.



AB6867x1

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RESERVOIR BOOSTER PUMP STATION UPGRADES PROJECT CLOSE-OUT POST CONSTRUCTION PHOTOS - JUNE 2025

Item 7.



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RESERVOIR BOOSTER PUMP STATION UPGRADES PROJECT CLOSE-OUT POST CONSTRUCTION PHOTOS - JUNE 2025

Item 7.



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BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6868
February 3, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6868: Sewer SCADA System Replacement Project Change Order & Fund Reallocation	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Reallocate \$132,650 in sewer capital project resources in the 2025-2026 Biennial Budget to incorporate the upgrade of Sewer Pump Station 11 into the Sewer SCADA System Replacement Project.	

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations Kellye Hilde, Deputy Director Clint Morris, Capital Division Manager Christopher Marks, Utilities Engineer
COUNCIL LIAISON:	n/a
EXHIBITS:	n/a
CITY COUNCIL PRIORITY:	3. Make once-in-a-generation investments to update and modernize aging infrastructure, capital facilities, and parks.

AMOUNT OF EXPENDITURE	\$ 3,666,225
AMOUNT BUDGETED	\$ 3,533,625
APPROPRIATION REQUIRED	\$ 132,650

EXECUTIVE SUMMARY

The purpose of this agenda item is to reallocate \$132,650 from the existing 2025-2026 Sewer Capital Improvement Program biennial budget to upgrade Sewer Pump Station 11 as part of the Sewer SCADA System Replacement Project (90.30.0024), allowing the project to be fully completed and closed out.

- The Sewer SCADA System Replacement Project was initiated to replace aging, unreliable Supervisory Control and Data Acquisition (SCADA) infrastructure across the City's sewer pump stations.
- SCADA upgrades have been completed at sixteen of the City's seventeen sewer pump stations.
- Pump Station 11 was excluded from the original construction scope due to the timing of King County's reconstruction of the station as part of their North Mercer Island/Enatai Interceptor Upgrade Project.
- King County's work at Pump Station 11 was completed in January 2026, allowing the City's SCADA upgrade to proceed.
- Pump Station 11 is now the only remaining sewer pump station operating on the old legacy SCADA system.

- Reallocating \$132,650 will allow the City to upgrade Pump Station 11, standardize the SCADA system citywide, and fully close out the project.

BACKGROUND

In 2017, the City identified that critical components of its 1990s-era SCADA system were nearing the end of their useful life and experiencing frequent alarms, fragmented functionality, and declining reliability. In response, the City initiated a comprehensive SCADA system replacement effort to improve system performance, operational reliability, and cybersecurity for both the water and sewer utilities.

Planning and design for the SCADA replacement program began in 2019. Due to significant construction projects already underway on the water utility side and the increased complexity of sewer pump stations, the sewer SCADA replacement project was advanced separately from the water SCADA upgrades.

In January 2023, as the water SCADA project was nearing completion, City Council authorized staff to award the sewer SCADA construction contract to Valley Electric Co. and established a project budget of \$2,330,000 ([AB 6190](#)). Due to extended material procurement delays affecting the electrical and controls industry, construction did not begin until October 2024. Once mobilized, Valley Electric progressed efficiently and completed upgrades at sixteen sewer pump stations within approximately six months, achieving substantial completion by May 2025.

Pump Station 11 is the only remaining station to be upgraded, due solely to the timing of King County's reconstruction of the facility as part of the North Mercer Island/Enatai Interceptor Upgrade Project. King County's work on the facility was completed on January 8, 2026 clearing the way for the City to proceed with the SCADA upgrade.

ISSUE/DISCUSSION

PROJECT DESCRIPTION

The Sewer SCADA System Replacement Project was designed to upgrade SCADA equipment at the City's sewer pump stations, including replacement of programmable logic controllers (PLCs), control panels, motor controls, communication hardware, and related fire-code improvements necessary to fully integrate each site into the City's modern SCADA platform.

Pump Station 11 was intentionally excluded from the original construction contract to avoid conflicts with King County's reconstruction activities at the site. With King County's work now complete, Pump Station 11 can be safely upgraded and incorporated into the City's current SCADA platform.

Upgrading Pump Station 11 will:

- Eliminate the last remaining legacy SCADA site from the utility network;
- Provide consistent monitoring, alarm management, and operational control across all sewer pump stations,
- Improve system reliability and cybersecurity, and
- Allow the Sewer SCADA System Replacement Project to be fully completed and closed out.

PROJECT EXPENDITURES

There are insufficient funds remaining within the Sewer SCADA System Replacement Project (90.30.0024) to complete the SCADA upgrade at Pump Station 11, as the following project expenditures have nearly fully expended the available \$489,377 in construction contingency funds:

Additional Remote Communication Panels

During upgrades at Sewer Pump Stations 15 and 24, the existing conduit between the pump station equipment and the standby diesel generators was found to be crushed. Site conditions required redesign and installation of new remote communication panels to transmit signals wirelessly rather than through hardwired connections.

Additional Project Costs

Varying equipment types and site conditions across the sewer pump stations, including limited as-built drawings and incomplete product documentation, resulted in higher-than-anticipated project management, construction inspection, and programming and software integration costs.

In addition, the City elected to self-perform installation of cellular telecommunications antennas, a work item that was not fully accounted for in the original construction estimate.

Pump Station 11 – Costs Already Incurred

As previously noted, Pump Station 11 was excluded from the original construction estimates. Permitting, engineering design, and programming and software implementation costs have already been authorized and completed using existing project funds. The remaining funding gap is limited to construction costs for Valley Electric to implement the upgrade.

A summary of project costs and fund reallocation are included in Table 1 on the following page.

Table 1

SEWER SCADA SYSTEM REPLACEMENT – 90.30.0024 ORIGINAL BUDGET		
PROJECT ELEMENTS	ORIGINAL BUDGET	ACTUAL EXPENSES
Construction Contract	\$2,446,883	\$2,552,677
Construction Contingency	\$489,377	
Construction Management	\$224,500	\$276,048
Contract Administration	\$73,406	\$150,100
Permitting & Software Configuration	\$219,703	\$432,650
Permit Materials & Application Fees	\$34,656	\$43,570
Technology – Hardware & Software	\$45,100	\$64,000
TOTAL PROJECT COST	\$3,533,625	\$3,519,045
TOTAL BUDGET REMAINING		\$14,580

CHANGE ORDER 4 EXPENDITURE – PUMP STATION 11 SCADA UPGRADE		
	Construction Contract	\$142,230
	Project Management Reserve	\$5,000
	TOTAL COST	\$147,230
	REVISED TOTAL PROJECT COST	\$3,666,275

FUNDING REALLOCATION		
	90.30.0008-“Sewer Pipe Replacements and Upsizing”	\$87,230
	90.30.0023-“Sewer Pump Station Generator Replacements”	\$60,000
	ADDITIONAL BUDGET NEEDED	\$132,650

Sufficient funding exists within the approved 2025–2026 Sewer CIP budget to accommodate this work:

- The Sewer Pipe Replacements and Upsizing Project (90.30.0008) is planned to address sewer pipe capacity deficiencies within Mercerdale Park. Design of the required sewer improvements is approximately 95 percent complete; however, the project has been deferred to the 2027–2028 biennium pending infrastructure improvements at Mercerdale Park. As a result, \$87,230 of the \$250,000 available project budget will be reallocated to support completion of the Sewer SCADA System Replacement Project.
- The Pump Station Generator Replacement Project (90.30.0023), which provides for replacement of standby diesel generators at Sewer Pump Stations 23 and 25, is currently 57 percent complete, with substantial completion anticipated in April 2026. The project budget includes sufficient contingency and reserve funding to support both completion of the generator replacements and the proposed transfer of funds. Accordingly, \$60,000 in available funds will be reallocated to support completion of the Sewer SCADA System Replacement Project.

Approval of this agenda bill authorizes staff to incorporate Pump Station 11 into the construction contract with Valley Electric as Change Order No. 4 and reallocates funds within the adopted CIP biennial budget to complete the work. This upgrade will align Pump Station 11 with all other sewer sites already upgraded under

the project and completes systemwide SCADA standardization. This approach minimizes administrative costs and remains consistent with the original project intent approved by City Council.

Installation of the Pump Station 11 SCADA improvements is tentatively scheduled to occur in the next three months and should be completed by May 1, 2026.

RECOMMENDED ACTION

Reallocate \$132,650 in sewer capital project resources in the 2025-2026 Biennial Budget to incorporate the upgrade of Sewer Pump Station 11 into the Sewer SCADA System Replacement Project.



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6859
February 3, 2026
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6859: ARCH Housing Trust Fund Project Approvals	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Approve the use of \$40,600 from the City's contributions to the ARCH Housing Trust Fund.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Community Planning and Development Director Alison Van Gorp, Deputy Director Lindsay Masters, ARCH Executive Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Fall 2025 Housing Trust Fund (HTF) Recommendation Memo
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda bill is to appropriate funds from the ARCH Housing Trust Fund (HTF) to seven projects recommended by the ARCH Executive Board.

- Mercer Island is a member of ARCH (A Regional Coalition for Housing) and like the other local government members, Mercer Island contributes annually to ARCH to provide operational support for the organization and capital support for affordable housing projects (via the HTF).
- The ARCH Executive Board recommends that Mercer Island support the seven housing projects listed below, drawing on \$40,600 from the City's contributions to the ARCH HTF:
 - Bellevue - Altaire – Hopelink/SRM (\$4,400)
 - Bellevue – Forest Edge – Imagine Housing (\$4,400)
 - Bellevue – Orchard Gardens – Habitat for Humanity (\$5,900)
 - Kirkland – Kirkland House – Porchlight (\$1,700)
 - Redmond – Family Village Redmond – YWCA (\$6,600)
 - Issaquah – LEO Trailhead – Life Enrichment Options (LEO) (\$700)
 - Bothell – Bothell Urban – BRIDGE (\$16,900)
- City Council approval is required to allocate these funds.
- Should the City choose not to fund some or all these projects, those unallocated funds would remain in the City's HTF account and earn interest until they are allocated to projects in future years.

BACKGROUND

ARCH was established in 1993 by an [Interlocal Agreement](#) to create and preserve affordable housing throughout the greater East King County community. Member jurisdictions include Beaux Arts Village, Bellevue, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, King County, Kirkland, Medina, Mercer Island, Newcastle, Redmond, Sammamish, Woodinville, and Yarrow Point. By participating in ARCH, member cities are part of a joint and cooperative undertaking to collectively plan for and provide affordable housing in East King County communities. ARCH staff serve as additional housing staff to each member city and coordinate with member city staff in various housing-related projects, plans and services.

Like other local government members, Mercer Island contributes annually to ARCH to provide administrative support for the organization's housing activities and capital support for the creation and preservation of affordable housing. The coordinated approach used by ARCH provides for an efficient use of resources in fulfilling each member city's obligations under the Washington State Growth Management Act (GMA) to make adequate provisions for the existing and projected housing needs of all economic segments of the community (RCW 36.70A.070(2)), as well as sharing resources with regional partners in the provision and administration of affordable housing.

ARCH HOUSING TRUST FUND

The ARCH Housing Trust Fund (HTF) was created by ARCH member cities in 1993 to directly assist the development and preservation of affordable housing in East King County. The HTF enables ARCH members to capitalize a joint housing development fund and directly control the use of their housing funds through ARCH's funding recommendation process. The HTF is the primary means by which ARCH members assist in creating and preserving housing opportunities for low- and moderate-income households. The HTF awards loans and grants to Eastside developments that include below-market rate housing. HTF projects primarily create housing that is affordable for households earning 60% of the area median income or less. Over the last three decades, ARCH has supported over 6,000 units of affordable housing and shelter beds.

Merger Island's contributions to the ARCH HTF come from the City's General Fund, designated to ARCH for the purpose of creating affordable housing. The City contributed \$96,000 in 2018, \$50,000 in 2019, \$33,768 in 2020, and \$35,000 in each year since 2021. Funds contributed to the HTF are held in a centralized account at the City of Bellevue and earn interest. Mercer Island's annual contributions, plus loan repayments and interest earned, are held in reserve until allocated to specific projects. The balance of Mercer Island's portion of HTF account was \$42,880.16 at year-end 2025.

Affordable housing projects are identified for HTF funding via a competitive process each fall. ARCH staff, member city liaisons, the ARCH Community Advisory Board, and the ARCH Executive Board review and recommend projects for grants or loans from the HTF. Allocation of funds from Mercer Island's portion of the HTF to specific projects must be approved by the City Council, per the terms of the [ARCH Interlocal Agreement](#).

ISSUE/DISCUSSION

FALL 2025 HTF FUNDING RECOMMENDATIONS

The 2026 ARCH HTF received \$14.8 million in funding requests. While it was not possible to fully fund all these requests, the ARCH Executive Board is recommending funding for seven projects, including full funding for three projects and partial funding for four projects. The \$4.6M in recommended funding includes

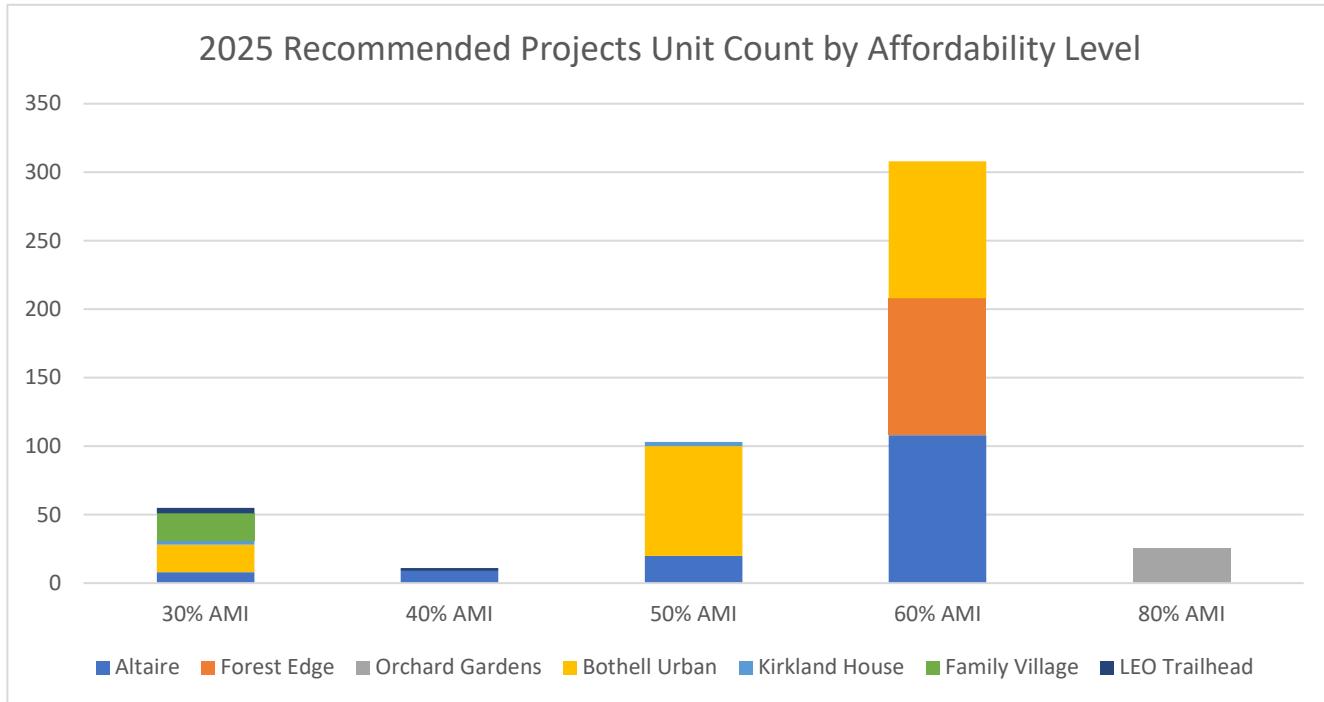
approximately \$4M in local funds and \$616,000 in Community Development Block Grant (CDBG) funds allocated through ARCH. Details of the Executive Board's rationale for recommending each project are included in Exhibit 1.

The ARCH Executive Board recommends that Mercer Island support all seven of the recommended projects drawing on \$40,600 from the City's contributions to the ARCH Housing Trust Fund, as shown in the project summary below:

Project Name	Location	Developer	Affordability Levels and Unit Count	Total Project Cost	2025 ARCH Contribution	Mercer Island Contribution
Altaire	Bellevue	Hopelink/SRM	30% AMI – 8 40% AMI - 9 50% AMI – 20 60% AMI – 108	\$96,232,427	\$500,000	\$4,400
Forest Edge	Bellevue	Imagine Housing	60% AMI – 100	\$71,250,565	\$500,000	\$4,400
Orchard Gardens	Bellevue	Habitat for Humanity	80% AMI – 25 (home ownership units)	\$21,350,272	\$500,000 (+616,00 in CDBG funds)	\$5,900
Bothell Urban	Bothell	BRIDGE	30% AMI – 20 50% AMI – 80 60% AMI – 100	\$102,602,348	\$1,500,000	\$16,900
Kirkland House	Kirkland	Porchlight	30% AMI – 3 50% AMI – 3	\$1,637,541	\$212,600	\$1,700
Family Village Redmond	Redmond	YWCA	30% AMI – 20	\$1,897,052	\$626,700	\$6,600
LEO Trailhead	Issaquah	Life Enrichment Options (LEO)	30% AMI – 4 40% AMI - 2	\$2,698,126	\$191,500	\$700

The seven recommended projects will provide a range of affordable housing options throughout East King County, including extremely low-, very low-, low- and moderate-income units. The recommended projects represent 502 total units of affordable housing; the unit count at each affordability level is shown in the graph below. The recommended projects meet diverse needs throughout the region, including:

- Renovation and expansion of existing permanent supportive housing and housing for low income families;
- Transit-oriented development for families and individuals adjacent to light rail;
- Local partnerships to serve diverse populations, including low-income families, individuals exiting homelessness, persons with intellectual and developmental disabilities, and households with incomes under 50% of median income.



The ARCH contributions to the recommended projects are just a small share of the funding and financing that it takes to construct/acquire these affordable housing units. Each ARCH HTF dollar is leveraged over 60 to 1 with funds from other sources. The proposed projects expect to attract \$292 million in other funding sources, including federal tax credits and tax-exempt bonds as well as State of Washington and King County funding.

Exhibit 1 is the ARCH Fall 2023 Housing Trust Fund Recommendations memo, detailing the projects recommended for funding by the ARCH Executive Board, including the following supporting documents:

1. [Attachment 1: ARCH Award Standard Conditions](#) describes conditions awarded project must contend with during the development of the project (pages 23-26).
2. [Attachment 2: Project Economic Summaries](#) provides economic summaries of the recommended projects showing sources of funding and project expenses (pages 26-32).

NEXT STEPS

If the \$40,600 for the recommended projects listed above is approved by the City Council, the funds will be drawn from Mercer Island's portion of the HTF account. Approval of the Housing Trust Fund project funding will conclude this matter. Later this year, the City Council will need to approve the 2027-2028 ARCH work plan and administrative budget.

RECOMMENDED ACTION

Approve the use of \$40,600 from the City's contributions to the ARCH Housing Trust Fund as recommended by the ARCH Executive Board and authorize execution of any related agreements and documents.



A Regional Coalition for Housing

Together Center Campus
16305 NE 87TH St, Suite 119
Redmond, WA 98052
425-861-3677

Item 9.

Memo

To:

City of Bellevue Council Members
City of Bothell Council Members
City of Clyde Hill Council Members
Town of Hunts Point Council Members
City of Issaquah Council Members
City of Kenmore Council Members
City of Kirkland Council Members
City of Medina Council Members
City of Mercer Island Council Members
City of Newcastle Council Members
City of Redmond Council Members
City of Sammamish Council Members
City of Woodinville Council Members
Town of Yarrow Point Council Members

From: Nathan McCommon, ARCH Executive Board Chair

Date: December 18, 2025

Re: Fall 2025 Housing Trust Fund (HTF) Recommendation

Please find enclosed the ARCH Executive Board's funding recommendations for the 2025 ARCH Housing Trust Fund (HTF) round. ARCH received \$14.8M in funding requests and is advancing \$4.6M in recommended awards. Applications were reviewed and considered based on the priorities adopted by the Executive Board for the 2025 round, which are aligned with ARCH's Strategic Plan to *Build More Affordable Housing Faster*. These recommendations are also closely coordinated with additional local investments made by individual ARCH member jurisdictions.

The Executive Board is recommending funding for seven projects, including full funding for three projects and partial funding for four projects. The \$4.6M in recommended funding includes approximately \$4M in local funds and \$616,000 in CDBG funds allocated through ARCH.

This memo provides a summary of the applications, the Executive Board recommendations and rationales, and proposed contract conditions for the **seven** proposals recommended for funding at this time. Also enclosed is an economic summary of the projects recommended for funding.

Attachments:

1. Proposed Funding Sources
2. ARCH Award Standard Conditions
3. Project Economic Summaries

Note that bold text in proposed special conditions shows unique conditions in otherwise standard

Beaux Arts Village • Bellevue • Bothell • Clyde Hill • Hunts Point

Issaquah • Kenmore • Kirkland • Medina • Mercer Island

Newcastle • Redmond • Sammamish • Woodinville • Yarrow Point • King County

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1. BRIDGE - Bothell Urban (Lot P)

2025 Funding Request:	\$1,500,000 (Contingent Loan) 200 Affordable Rental Units and 1 Common Area Unit
2025 Executive Board Recommendation:	\$1,500,000 (Contingent loan)

Project Summary

BRIDGE Housing has partnered with Bothell United Methodist Church (“BUMC”) to provide an estimated 201 permanently affordable rentals at 30%, 50% and 60% AMI. Over 50% of the proposed homes are family-sized units with two and three bedrooms, and half of the units are planned to be affordable to very low income households earning 30% or 50% AMI. The current proposal does not include any special needs set-asides or rental subsidies. This is the second year ARCH has received a funding application for the project.

The project will be located on a 1.67-acre site known as Lot P in the heart of downtown Bothell. The site is currently owned by the City of Bothell, which has approved transferring the site at no cost to the partnership comprised of BRIDGE Housing and BUMC. BUMC plans to operate a 6,000 sf Community Center on the ground floor of the site which will provide space for community and human services organizations to provide services open to the public. The project plans include 209 parking spaces (1.03 stalls per unit), bike storage, community rooms, a south-facing outdoor terrace, resident services office, EV charging stations, and an outdoor playground. Residents will have access to the local amenities of downtown Bothell and to a new Bus Rapid Transit line that will provide quick access to the Shoreline light rail station and the I-405 corridor.

Funding Rationale

The Executive Board recommends funding the project with conditions listed below for the following reasons:

- The project delivers a significant amount of affordable housing with a proposed construction start by early 2027.
- The proposed financing provides the highest local funding leverage rate of all 2025 applications and is expected to be competitive for bonds/tax credit financing in 2026.
- The development also leverages donated land from the City of Bothell and advances the City’s affordable housing priorities by providing much-needed low-income housing.
- The project is cost effective with a relatively low total development cost per unit.
- The project is well-located in walking distance to a range of amenities and high capacity transit.
- The development team is comprised of an experienced affordable housing developer with a proven track record of success and a local church that will maintain an active community presence in the project throughout the development and operation of the project.
- The project must proceed this year in order to leverage proposed Low Income Housing Tax Credits.

Proposed Conditions

Standard Conditions: See Attachment 2 ARCH Award Standard Conditions

Special Conditions:

Prior to Contracting

- a. The funding commitment shall continue for **twenty-four (24) months** from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. At that time, the applicant will provide a status report on progress to date and expected schedule for start of construction and project completion. ARCH staff will consider subsequent 12-month extensions only based on documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant must demonstrate that all capital funding has been secured or is likely to be secured within a reasonable timeframe.
- b. Funds will be in the form of a **deferred, contingent loan**. Loan terms will account for various factors, including loan terms from other fund sources and available cash flow. Agency shall provide final operating proforma and cashflow waterfall for ARCH staff review. Final loan terms shall be determined prior to release of funds and must be approved by ARCH Staff. It is anticipated that loan payments will be based on a set repayment schedule and begin after the repayment of the Amazon loan and the deferred developer fee with 1% interest. The terms will also include a provision for the Agency to defer payment if certain conditions are met (e.g., low cash flow due to unexpected costs). Any requested deferment of loan payment is subject to approval by ARCH staff, and any deferred payment would be repaid from future cash flow or at the end of the amortization period.
- c. A covenant is recorded ensuring affordability for at least 55 years, with size and affordability distribution per the following table. Changes may be considered based on reasonable justification as approved by ARCH staff (such as changes to accommodate income averaging across the project).

Affordability	1BR	2BR	3BR	Total
30%	10	5	5	20
50%	30	25	25	80
60%	60	19	21	100
Total Low-Income Units	100	49	51	200
CAU/ Manager Units	-	1	-	1
Total Units	100	50	51	201

2. Hopelink/SRM - Altaire at East Main

2025 Funding Request:	\$1,000,000 (Contingent Loan) 145 Affordable Rental Units and 1 Common Area Unit
2025 Executive Board Recommendation:	\$500,000 (Contingent loan)

Project Summary

The Altaire at East Main project aims to provide approximately 145 affordable rental apartments and one on-site manager unit, with a mix of one-bedroom plus den, two-bedroom, and three-bedroom homes affordable to households earning 30%, 40%, 50%, and 60% AMI. The project will include units designated for families exiting homelessness.

This is the second year ARCH has received a funding application for the project. SRM previously explored co-locating a smaller housing project with a local kids museum, but has adjusted the project design to accommodate more housing. The site is adjacent to another residential development constructed by SRM that includes affordable units through the City of Bellevue's Multifamily Tax Exemption (MFTE) program.

The building will include resident amenity spaces and on-site services to support housing stability and foster a strong sense of community. The site is near the Wilburton Park & Ride, Mercer Slough and just over a half mile from the East Main light rail station, south of downtown Bellevue. The project will be developed through a partnership with private developer SRM Development and Hopelink. SRM will bring their multifamily development, construction and property management experience to the partnership, while Hopelink brings the case management and supportive services experience to the ownership structure.

Funding Rationale

The Executive Board recommends funding with conditions listed below for the following reasons:

- The project delivers a significant number of affordable housing units, with roughly half family-sized 2BR and 3BR units, and an anticipated construction start in the 4th quarter of 2026.
- ARCH dollars leverage significant public and private funding, with a proposed \$192 for every \$1 of ARCH funding.
- The project provides permanent housing and supportive services for a significant number of families exiting homelessness through a partnership with an experienced local service provider.
- The project advances the City's affordable housing priorities by providing much needed low-income housing.
- The development team is comprised of an experienced real estate developer/general contractor and a strong, community based supportive service provider.

Proposed Conditions

Standard Conditions: See Attachment 2 ARCH Award Standard Conditions

Special Conditions:

Prior to Contracting

- a. The funding commitment shall continue for **twenty-four (24) months** from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. At that time, the applicant will provide a status report on progress to date and expected schedule for start of construction and project completion. ARCH staff will consider subsequent 12-month extensions only based on documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant must demonstrate that all capital funding has been secured or is likely to be secured within a reasonable timeframe.
- b. Funds will be in the form of a **deferred, contingent loan**. Loan terms will account for various factors, including loan terms from other fund sources and available cash flow. Agency shall provide final operating proforma and cashflow waterfall for ARCH staff review. Final loan terms shall be determined prior to release of funds and must be approved by ARCH Staff. It is anticipated that loan payments will be based on a set repayment schedule and begin after the repayment of the Amazon loan and the deferred developer fee with 1% interest. The terms will also include a provision for the Agency to defer payment if certain conditions are met (e.g., low cash flow due to unexpected costs). Any requested deferment of loan payment is subject to approval by ARCH staff, and any deferred payment would be repaid from future cash flow or at the end of the amortization period.
- c. A covenant is recorded ensuring affordability for at least 55 years, with size and affordability distribution per the following table. Changes may be considered based on reasonable justification as approved by ARCH staff (such as changes to accommodate income averaging across the project).

Affordability	1BR	2BR	3BR	Total
30%	5	3	0	8
40%	5	4	0	9
50%	6	7	7	20
60%	57	43	8	108
Total Low-Income Units	73	57	15	145
CAU/Manager Units	0	1	0	1
Total Units	73	58	15	146

3. Imagine Housing- Forest Edge

2025 Funding Request: \$2,000,000 (Contingent Loan)
100 Affordable Rental Units

2025 Executive Board Recommendation: \$500,000 (Contingent Loan)

Project Summary

The Forest Edge development is a partnership of Imagine Housing and Saint Andrews Lutheran Church, whose members were the original founders of Imagine Housing. The project includes approximately 100 units of new construction affordable rental units to be developed on an underutilized portion of the SALC property in Bellevue. This project will be one of the first to utilize Bellevue's C-1 land use code allowing affordable housing to be expanded on faith-owned property. The project will include studios, one-bedroom, two-bedroom, and three-bedroom homes affordable at 60% AMI.

The development will include onsite parking, an onsite resident service coordinator, and units dedicated for households with disabilities. This project creates workforce housing options in southeast Bellevue with easy access to schools, Bellevue College, grocery stores, and other amenities.

Funding Rationale

The Executive Board recommends funding with conditions listed below for the following reasons:

- The project delivers a significant number of affordable housing units, with an anticipated construction start in the 4th quarter of 2026.
- The project advances Bellevue's first development using their C-1 incentive for increased density on faith-owned land.
- The project includes 25 units for households with disabilities through the use of the City of Bellevue's Housing Stability Program funding.
- The project takes advantage of underutilized land owned by a local church with a long-term commitment to the creation and sustainable operation of affordable housing.

Proposed Conditions:

Standard Conditions: See Attachment 2 ARCH Award Standard Conditions.

Special Conditions:

Prior to Contracting

- a. The funding commitment shall continue for **twenty-four (24) months** from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. At that time, the applicant will provide a status report on progress to date and expected schedule for start of construction and project completion. ARCH staff will consider subsequent 12-month extensions only based on documented,

meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant must demonstrate that all capital funding has been secured or is likely to be secured within a reasonable timeframe.

- b. Funds will be in the form of a **deferred, contingent loan**. Loan terms will account for various factors, including loan terms from other fund sources and available cash flow. Agency shall provide final operating proforma and cashflow waterfall for ARCH staff review. Final loan terms shall be determined prior to release of funds and must be approved by ARCH Staff. It is anticipated that loan payments will be based on a set repayment schedule and begin after the repayment of the proposed Amazon loan and deferred developer fee with 1% interest. The terms will also include a provision for the Agency to defer payment if certain conditions are met (e.g., low cash flow due to unexpected costs). Any requested deferment of loan payment is subject to approval by ARCH staff, and any deferred payment would be repaid from future cash flow or at the end of the amortization period.
- c. A covenant is recorded ensuring affordability for at least 55 years, with size and affordability distribution per the following table. Changes may be considered based on reasonable justification as approved by ARCH staff (such as changes to accommodate income averaging across the project).

Affordability	Studios	1BR	2BR	3BR	Total
60%	20	32	27	21	100
Total Units	20	32	27	21	100

- d. Agency must demonstrate development capacity by 2/28/26 to continue to advance the project including: project design and permitting; construction contract negotiation; securing and negotiating project financing; development accounting; and construction management.

4. Habitat for Humanity - Orchard Gardens

2025 Funding Request:	\$1,125,000 (Secured Grant) 25 Affordable Homeownership Units
2025 Executive Board Recommendation:	\$1,116,000 (\$500,000 from ARCH HTF local funds and \$616,000 in CDBG funds recommended by ARCH and contracted by King County)
2023 ARCH Award:	\$600,000
Total Recommended Award:	\$1,716,000

Project Summary

This Orchard Gardens proposal will create twenty-five (25) new permanently affordable ownership homes for households earning up to 80% of the area median income. Each home will have three-bedrooms with on-site parking. Habitat for Humanity purchased the 3.13 acre property from the Holy Cross Lutheran Church in December 2024 and is finalizing permits with the City of Bellevue. The development includes preservation of an existing community garden, apple orchard and green spaces for the benefit of the community. The property is located in Bellevue's Newport neighborhood near schools, transit, the Factoria shopping center, and employment centers. ARCH provided an initial award to the project in the 2022 funding round. Since then, changes in interest rates and construction costs have led to a need for additional funding.

Ownership Model: Habitat employs a community land trust model to preserve long-term affordability, retaining ownership of the land and selling homes to eligible buyers through ground leases. When homeowners decide to sell, Habitat has a right of first refusal wherein Habitat will purchase the home, perform any necessary rehabilitation, and find an income-qualified buyer before reselling, thus, preserving long term affordability.

Funding Rationale

The Executive Board recommends funding with conditions listed below for the following reasons:

- Creates 25 new permanently affordable homeownership opportunities for households earning up to 80% AMI in Bellevue where median home prices exceed \$1 million. Such opportunities are rare and allow households with modest incomes to achieve stability through homeownership.
- Helps close a funding gap on a project with a previous ARCH award that is ready to start construction in 2026.
- Habitat's sweat equity model allows volunteers and potential buyers to gain valuable skills and experience in homebuilding, while allowing for cost savings when compared to traditional construction.
- Habitat's land trust model ensures perpetual affordability, which is especially important in a high cost, high growth city like Bellevue.

- Habitat's approach to marketing helps to address historic barriers to home ownership and preserve cultural diversity in the community.

Proposed Conditions

The following 2025 Special Conditions and Standard Conditions are intended to supersede all conditions included in the 2023 award.

Standard Conditions: See Attachment 2 ARCH Award Standard Conditions.

Special Conditions:

Prior to Contracting

- a. The funding commitment shall continue for **twelve (12) months** from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. At that time, the applicant will provide a status report on progress to date and expected schedule for start of construction and project completion. ARCH staff will consider subsequent 12-month extensions only based on documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant must demonstrate that all capital funding has been secured or is likely to be secured within a reasonable timeframe.
- b. Funds will be in the form of a **secured grant**. Agency shall provide final operating proforma and cashflow waterfall for ARCH staff review. Final grant terms shall be determined prior to release of funds and must be approved by ARCH Staff.
- c. A covenant is recorded ensuring affordability for at least 55 years, with size and affordability distribution per the following table. Changes may be considered based on reasonable justification as approved by ARCH staff .

Affordability	3BR	Total
80%	25	25
Total Units	25	25

- d. A third-party cost estimate must be reviewed and approved by ARCH staff as a condition of the ARCH funding award.
- e. Construction contracts for work to be performed by outside vendors must be reviewed and approved by ARCH staff.

5. PorchLight – Kirkland House

2025 Funding Request: \$462,600 (Secured Grant)
6 Affordable Rental Units

2025 Executive Board Recommendation: \$212,600
Additional City of Kirkland Investment: \$250,000
Total Recommended Award: \$462,600

Project Summary

The Kirkland House has been providing permanent supportive housing to three formerly homeless individuals in an existing single-family home since 2020 when PorchLight acquired the property. PorchLight is seeking funding to rehabilitate the property and add three additional bedrooms and one additional bathroom to serve a total of six individuals. The home has easy access to public transit, grocery stores and other amenities within walking distance.

The proposed rehabilitation of the existing home includes a new roof, improved landscaping with outdoor seating areas for residents, new fencing around the property, repaving the driveway, installation of a new garage door, new windows, and re-siding the structure with Hardie plank and a weather barrier wrap. The interior rehabilitation includes installing energy saving fixtures and appliances, an all-weather heat pump system, exhaust fans in the bathrooms and kitchen, fire safety system improvements, and the replacement of flooring, cabinets, and countertops.

Funding Rationale

The Executive Board recommends funding with conditions listed below for the following reasons:

- The project preserves and expands an existing permanent supportive housing program serving people exiting homelessness.
- The project complements the applicant's shelter program and will help offer stability to individuals accessing emergency shelter on the Eastside.
- If fully funded this round, the project anticipates construction start in 2026 and occupancy in 2027, providing timely housing opportunities.
- The project team includes an experienced development consultant and service provider with years of experience operating this program model.

Proposed Conditions

Standard Conditions: See Attachment 2 ARCH Award Standard Conditions.

Special Conditions:

Prior to Contracting

- a. The funding commitment shall continue for **twelve (12) months** from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. At that

time, the applicant will provide a status report on progress to date and expected schedule for start of construction and project completion. ARCH staff will consider subsequent 12-month extensions only based on documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant must demonstrate that all capital funding has been secured or is likely to be secured within a reasonable timeframe.

- b. Funds will be in the form of a **secured grant**. Agency shall provide final operating proforma for ARCH staff review. Final grant terms shall be determined prior to release of funds and must be approved by ARCH Staff.
- c. A covenant is recorded ensuring affordability for at least 55 years, with size and affordability distribution per the following table. Changes may be considered based on reasonable justification as approved by ARCH staff (such as changes to accommodate income averaging across the project).

Affordability	Beds	Total
30%	3	3
50%	3	3
Total Units	6	6

Ongoing Requirement through Period of Affordability

- a. The property will establish and fund a 6-month operations reserve account upon ARCH award contracting.

6. YWCA – Family Village Redmond

2025 Funding Request: \$1,897,052 (Contingent Loan)
20 Affordable Rental Units

2025 Executive Board Recommendation: \$626,700
Additional City of Redmond Investment: \$350,000
Total Recommended Award: \$976,700

Project Summary:

YWCA Family Village Redmond (FVR) project was built in 1993 and is a single, four-story building with 20 two-bedroom and three-bedroom units of permanent supportive housing. FVR's target population is homeless and chronically homeless families with children under the age of 18 and income at or below 30% AMI. Residents receive individual case management services and referrals

to a variety of other resources. The property is located in downtown Redmond, near schools, grocery stores, transit including the new light rail line, and employment opportunities.

The proposed funding will help to ensure the long-term preservation of the housing, including addressing existing water intrusion, and enhancing safety and livability through replacement and repair of the exterior and elevator modernization. All work is expected to be completed with residents continuing to occupy their units. ARCH has not previously funded this property.

Funding Rationale

The Executive Board recommends funding with conditions listed below for the following reasons:

- The project supports critical rehabilitation and preservation of existing, family-sized 30% AMI units for families exiting homelessness.
- The project allows units to remain occupied with existing residents.
- A local ARCH award will enable the project to be highly competitive for State and County preservation funding rounds expected to be released in early 2026.

Proposed Conditions

Standard Conditions: See Attachment 2 ARCH Award Standard Conditions.

Special Conditions:

Prior to Contracting

- a. The funding commitment shall continue for **twelve (12) months** from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. At that time, the applicant will provide a status report on progress to date and expected schedule for start of construction and project completion. ARCH staff will consider subsequent 12-month extensions only based on documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant must demonstrate that all capital funding has been secured or is likely to be secured within a reasonable timeframe.
- b. Funds will be in the form of a **secured grant**. Final grant terms shall be determined prior to release of funds and must be approved by ARCH Staff.
- c. A covenant is recorded ensuring affordability for at least 55 years, with size and affordability distribution per the following table. Changes may be considered based on reasonable justification as approved by ARCH staff (such as changes to accommodate income averaging across the project).

Affordability	2BR	3BR	Total
30%	17	3	20
Total Units	17	3	20

- d. Applicant will make Family Village Redmond their top priority to other public funders for upcoming rounds to address the remaining capital needs at the property, including anticipated stabilization and preservation funding rounds later this year.
- e. A licensed architect or envelope consultant will be required to prepare designs for the improvement.
- f. An environmental report including an interior and exterior mold survey is required before contracting. If remediation is required, it will be added to the project scope and budget.

7. LEO Condominiums at Trailhead

2025 Funding Request:	\$191,500 (Contingent Loan) 6 Affordable IDD Rental Units and 1 Common Area Unit
2025 Executive Board Recommendation:	\$191,500
2021 ARCH HTF Award:	\$250,000
Total Award:	\$441,500

Project Summary

Life Enrichment Options (LEO) has partnered with the King County Housing Authority (KCHA) to design and purchase space to serve six individuals with Intellectual or Developmental Disabilities (IDD) within the larger Trailhead Apartments project. These apartments were designed in consultation with LEO to align with their group home model that is used across other single-family homes in their portfolio. The space will be comprised of three apartments will deliver six IDD units and one live-in caregiver unit as outlined below:

Unit 305: A 1-bedroom unit for a live-in caregiver, with a connected door to unit 304. This is identified as a Common Area Unit, and will be considered a reasonable accommodation for purposes of the Section 8 Housing Choice Voucher associated with the neighboring unit 304 that has a shared door between the units.

Unit 304: A 4-bedroom unit for adults with Intellectual or Developmental Disabilities, providing 4 units at 30% AMI.

Unit 303: A neighboring 2-bedroom unit for adults with Intellectual or Developmental Disabilities, providing 2 units for residents that are capable of more independent living, at 40% AMI.

The ground floor will include 10,000 sf of commercial space (Issaquah Opportunity Center) to be owned by the City of Issaquah. This space will be programmed for community services, and the

City of Issaquah will issue an RFP to healthcare providers, mental health service providers, and other community service organizations this fall to select tenants.

ARCH previously funded the LEO at Trailhead project in 2021. After overcoming delays due to site control and relocation of an existing utility, the project is now in the permitting process and expected to start construction in 2026. LEO anticipates purchasing the condo units at the completion of the building in 2028.

Funding Rationale

The Executive Board recommends funding with conditions listed below for the following reasons:

- The project provides much needed housing and services for people with intellectual and developmental disabilities within a larger multifamily setting, establishing a potential model for integration of IDD housing in future projects.
- The project leverages significant State funding dedicated to IDD housing as well as the financing assembled by KCHA for the larger development.
- The project helps fulfill an important and longstanding TOD project within the City of Issaquah that will realize significant affordable housing and economic development goals. The project is part of a larger partnership with King County Housing Authority, a market rate developer and the City of Issaquah which will create significant affordable housing.

Proposed Conditions

The following 2025 Special Conditions and Standard Conditions are intended to supersede all conditions included in the 2021 award.

Standard Conditions: See Attachment 2 ARCH Award Standard Conditions.

Special Conditions:

Prior to Contracting

- a. The funding commitment shall continue for **thirty-six (36) months** from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to ARCH staff no later than sixty (60) days prior to the expiration date. At that time, the applicant will provide a status report on progress to date and expected schedule for start of construction and project completion. ARCH staff will consider subsequent 12-month extensions only based on documented, meaningful progress in bringing the project to readiness or completion. At a minimum, the applicant must demonstrate that all capital funding has been secured or is likely to be secured within a reasonable timeframe.
- b. Funds will be in the form of a **secured grant**. Agency shall provide final operating proforma and cashflow waterfall for ARCH staff review. Final grant terms shall be determined prior to release of funds and must be approved by ARCH Staff.

c. A covenant is recorded ensuring affordability for at least 55 years, with size and affordability distribution per the following table. Changes may be considered based on reasonable justification as approved by ARCH staff (such as changes to accommodate income averaging across the project).

Affordability	Beds	Total
30%	4	4
40%	2	2
Total Low-Income Units	6	6
CAU/Manager Unit	1	1
Total Units	7	7

d. An operating budget, including any shared condominium operating costs will be reviewed and approved by ARCH.

8. Imagine Housing – Peter's Ridge

2025 Funding Request: \$2,000,000 (Contingent Loan)
108 Affordable Rental Units

2025 Executive Board Recommendation: \$0

Project Summary

Peter's Ridge Apartments will be a new construction project providing an estimated 108 units located on the current site of St. Peters Methodist Church. The development will include six separate 3-story buildings with a mix of studio, one-bedroom, two-bedroom, and three-bedroom units with an emphasis on two-bedroom and three-bedroom units or larger families. This project would be one of the first to utilize Bellevue's Action C-1 amendment to the land use code incentivizing affordable housing on faith-owned property.

The project is located in the Northeast Bellevue neighborhood with many amenities located in nearby Crossroads. The development will include onsite parking and an onsite resident service coordinator.

Funding Rationale:

Given limited resources for an award in this year's funding round, the Executive Board supports the intent of the project but does not recommend funding the project in the 2025 round for the following reasons:

- The sponsor indicated that the Forest Edge project is their priority this funding round in its funding applications to ARCH, City of Bellevue and State funding rounds. The project is highly unlikely to leverage other public sources this year for full funding.
- The applicant will be encouraged to apply in future funding rounds.

9. King County Housing Authority – Trailhead Apartments

2025 Funding Request:	\$500,000 (Conditional Loan) 154 Affordable Rental Units and 2 Common Area Units
2025 Executive Board Recommendation:	\$0
2017 ARCH HTF Award:	\$2,000,000
Total 2025 Award:	\$0 (The existing \$2,000,000 remains committed from ARCH for the development)

Project Summary

Trailhead Apartments will be an approximately 156-unit affordable housing building located on the north side of the larger Central Issaquah Transit Oriented Development. The King County Housing Authority (KCHA) is currently in the process of selecting a developer for a second, 200-unit, market rate building that will be located to the south. The Trailhead Apartments will serve 40% and 60% AMI households with a mix of studio, one-bedroom, two-bedroom, and 3-bedroom units.

KCHA will partner with Life Enrichment Options (LEO) to construct space within the project to house six adults living with Intellectual and Developmental Disabilities (IDD). LEO has submitted a funding application to support their purchase of this space, anticipating ARCH, Issaquah IHIP, and Commerce awards.

The ground floor will include 10,000 sf of commercial space (Issaquah Opportunity Center) to be owned by the City of Issaquah. This space will be programmed for community services, and the City of Issaquah will issue an RFP to healthcare providers, mental health service providers, and other community service organizations this fall to select tenants. The project will include 172 parking stalls on three levels of structured parking.

ARCH initially awarded funding to the Trailhead project in 2017 and has remained committed to the project's success since then.

Funding Rationale

Given the limited resources for an award in this year's funding round, the Executive Board supports the intent of the project but does not recommend additional funding for the project in the 2025 ARCH HTF round for the following reasons:

- While the project aligned well with the timely delivery of housing priority, the applicant indicated that if they were not fully funded with all pending funding requests and available financing tools in 2025, they would be able to begin construction as scheduled in June 2026 and apply for additional funds in future rounds.

- Construction costs are relatively high per unit, partially related to the high number of structured parking stalls provided.
- If capital funding gaps persist, the applicant will be encouraged to apply in future funding rounds.
- ARCH will continue to support the project with its existing funding commitment and in its requests for other sources of public funding.

10. LIHI – Aventine Apartments

2025 Funding Request:	\$250,000 (Conditional Loan) 66 Affordable Rental Units
2025 Executive Board Recommendation:	\$0

Project Summary

The Aventine is a 5-story, 66-unit apartment community with 51 underground parking spaces located in Bellevue's Downtown neighborhood. LIHI purchased the Aventine in 2024 with funding from Amazon, WSHFC, and the City of Bellevue to create and preserve housing for households at 30% to 80% AMI. ARCH awarded funding in 2023 and 2024 totaling \$1.5 million, which is intended to repay interim financing and support rehabilitation work. The building had 62 occupied units with market rate and 80% AMI tenants when LIHI took ownership in 2024. Existing tenants were allowed to remain in place, and unit turnover was completed on a voluntary basis.

The 66 units are a mix of studios, one-bedroom, and two-bedroom apartments. There are twelve units at or below 30% AMI, twenty units at 50% AMI, nineteen units at 60% AMI, and fifteen units at 80% AMI. In addition to low income workforce individuals, the building serves homeless families, veterans, and people living with disabilities. Aventine also has a 5-year, \$1,800,020 OMS award from Bellevue's Housing Stability Program to provide case management and behavioral health supports to residents.

LIHI is now seeking additional funding from ARCH, King County, and Commerce to repay a \$3,500,000 bridge loan from the City of Bellevue that was used for acquisition and the planned rehab work. The rehabilitation cost has also increased, creating additional need for their \$4,750,000 request to all public funders this year.

Funding Rationale

Given the limited resources for an award in this year's funding round, the Executive Board supports the intent of the project but does not recommend additional funding from the 2025 ARCH HTF round the project for the following reasons:

- ARCH and other local funders already have committed substantial resources to the project, and current awarded funds have not yet been contracted and expended.
- The project will likely be competitive for other sources of funding.

11. Vintage – Parq by Vintage

2025 Funding Request:	\$2,000,000 (Conditional Loan) 259 Affordable Rental Units and 2 Common Area Units
2025 Executive Board Recommendation:	\$0

Project Summary

Parq by Vintage is a proposed 259-unit affordable multifamily development. The project is located at 21925 South East 51st Street, Issaquah, WA 98029 and will convert existing commercial office space into multifamily affordable residential buildings. The site consists of two elevator buildings, one with five stories and one with six stories. The project proposes to provide 259 parking spaces, which are necessary due to limited transit options from the site. Outdoor amenity space will be created for the residents.

The site was chosen for its adaptive reuse potential and for its proximity to amenities desirable to families, including groceries, pharmacies, retail, and restaurants. The project site is located adjacent to the 531-acre Lake Sammamish State Park, with a direct trail connection to the park. A major landmark in King County, the park receives over two million visitors annually.

Funding Rationale

Given the limited resources for an award in this year's funding round, the Executive Board supports the intent of the project but does not recommend funding the project in the 2025 ARCH HTF Round for the following reasons:

- The project sponsor and property management firm have pending litigation with the State Attorney General's Office; therefore, the project was unlikely to receive an allocation of the other funding needed to complete the project on the proposed schedule.
- The project application provided limited assessment of the existing building and system conditions as well as few details in the office to residential conversion scope of work, leaving more uncertainty on project costs and need for funding.

12. reSpace – Bellevue Sell and Stay Multigenerational Homeowners

2025 Funding Request:	\$500,000 (Secured Grant) 40 Affordable Homeownership Units
2025 Executive Board Recommendation:	\$0

Project Summary

This project aims to provide 8-12 units on four separate properties under a unique co-homeownership model for moderate-income individuals (60–100% AMI) including seniors who wish to age in place. The project will involve the redevelopment of four, to be identified, existing single-family properties into 8–12 private suites at each site within a shared-equity homeownership structure. Properties will be sourced by identifying single family homeowners who want to sell their homes but remain onsite, in a new living suite. Sixteen of the 40 units will be dedicated to seniors eligible at 60% AMI making these units eligible for Bellevue HSP funds.

The rehabilitation will include adding bathrooms to each bedroom in the existing single-family home to create suites consisting of a bathroom and bedroom for each resident owner. New ADUs will be built with additional shared suites in conformance with the new middle housing code adopted by Bellevue. There will be shared kitchens and living areas in each building. The specific properties for the developments have not yet been identified or site control secured.

Ownership Model: The ownership model is structured through an LLC operating agreement. Each homeowner holds a membership interest in the entire property and common areas, and each household has exclusive rights to their designated private suite.

Funding Rationale

Given the limited resources for an award in this year's funding round, the Executive Board supports the intent of the project but does not recommend funding the project in the 2025 ARCH HTF round for the following reasons:

- The developer has not identified the specific sites or started any of the feasibility or design work.
- Project is a new model and has yet to demonstrate feasibility in the current market including demand for co-housing amongst seniors or ability to obtain construction phase financing for the development or lenders to purchase the co-ownership suites.
- Questions remain about the model for service delivery.
- Applicant is encouraged to continue developing their model and consider applying in a future round.

13. SRI – Catalina Apartments

2025 Funding Request: \$1,000,000 (Conditional Loan)
96 Affordable Rental Units

2025 Executive Board Recommendation: \$0

Project Summary

This project aims to acquire and convert an existing market-rate building into an income-restricted development for seniors at 30% to 80% AMI, of which five will be set aside for seniors living with

physical disabilities at 30% AMI. The building is comprised of studio and one-bedroom units. This is the second application ARCH has received for the project.

Originally a nursing home, the building was converted to 96 individual apartments in the early 2000s. The project has several features that align well to serve seniors, such as an elevator and significant common areas for congregation. The rehabilitation component will address outstanding capital needs of the building, including exterior paint and facade repairs, a new roof, elevator upgrades, HVAC replacement, and an interior refresh. The property is in the Woodridge neighborhood of Bellevue with most amenities located in the Factoria neighborhood to the south.

The conversion of this building from market rate to income-restricted will require the relocation of at least some existing residents who do not meet income requirements. SRI intends to hire a relocation consultant (Housing to Home) to support relocation elements. It is estimated that around half of the households will not meet income requirements and need to be relocated.

Funding Rationale

Given the limited resources for an award in this year's funding round, the Executive Board supports the intent of the project but does not recommend funding the project for the following reasons:

- The project is unlikely to secure other public sources this year for full funding.
- The project would potentially result in involuntarily displacing approximately 50% of the existing residents as the project converts to senior housing.

Attachment 1: Proposed Funding Sources

2025 FUNDING RECOMMENDATIONS									
	Altaire	Bothell Urban	Family Village Redmond	Forest Edge	LEO Trailhead	Kirkland House	Orchard Gardens	2025 Funds Recommended	
	500,000	1,500,000	626,700	500,000	191,500	212,600	500,000	4,030,800	
Bellevue	140,400	542,000	211,100	140,400	23,700	54,300	189,300	1,301,200	
Bothell	19,400	22,400	19,900	19,400	18,600	18,800	1,400	119,900	
Clyde Hill	2,500	6,000	3,100	2,500	1,400	1,700	1,700	18,900	
Hunts Point	600	2,300	900	600	100	200	800	5,500	
Issaquah	63,300	14,800	5,800	63,300	60,100	1,500	5,200	214,000	
Kenmore	13,600	45,100	19,100	13,600	4,400	6,800	14,900	117,500	
Kirkland	109,300	421,300	164,100	109,300	18,400	42,100	147,300	1,011,800	
Medina	3,500	13,400	5,200	3,500	600	1,300	4,700	32,200	
Mercer Island	4,400	16,900	6,600	4,400	700	1,700	5,900	40,600	
Newcastle	2,200	8,400	3,300	2,200	400	800	2,900	20,200	
Redmond	110,300	290,000	141,900	110,300	58,000	71,700	84,800	867,000	
Sammamish	17,700	68,200	26,600	17,700	3,000	6,800	23,900	163,900	
Woodinville	11,900	45,800	17,800	11,900	2,000	4,600	16,000	110,000	
Yarrow Point	900	3,400	1,300	900	100	300	1,200	8,100	
HTF	500,000	1,500,000	626,700	500,000	191,500	212,600	500,000	4,030,800	
CDBG							616,000	616,000	
Kirkland Add'l Inv						250,000		250,000	
Redmond Add'l Inv			350,000					350,000	
2021 HTF Award					250,000			250,000	
2023 HTF Award							600,000	600,000	
Grand Total	500,000	1,500,000	976,700	500,000	441,500	462,600	1,716,000	6,096,800	

Attachment 2: ARCH Award Standard Conditions

1. Prior to Contracting:
 - a. Owner shall submit quarterly monitoring reports to ARCH **from the time of award** through completion of the project.
 - b. The Owner shall submit a project implementation timeline, **and development and operating budgets (“Project Budget”)** based upon more complete cost information and actual funding commitments, including proposed uses of ARCH funds, which must be approved by ARCH. If the Owner is unable to adhere to the timeline and/or budgets, ARCH must be immediately notified and a new timeline and/or budgets shall be submitted by the Owner for ARCH’s approval. ARCH shall not unreasonably withhold its approval to a revised timeline and/or budgets, so long as such new timeline and/or budgets does not materially adversely change the Project. This shall be a continuing obligation of the Owner. Failure to adhere to the timeline and/or budgets, either original or as amended, may result in withdrawal of the **Lender’s** commitment of funds.
 - c. The Owner shall submit evidence of commitment of all public and private funds in the Project consistent with the Project Budget. In the event commitment of funds identified in the Project Award Letter cannot be secured in the time frame identified in the application, the Owner shall immediately notify ARCH, and describe the actions it will undertake to secure alternative funding, and the timing of those actions, subject to ARCH’s review and approval. All commitments of financing for the Project must be secured by the Owner prior to the release of funds.
 - d. The Owner shall submit evidence of insurance, as required by ARCH.
 - e. The Owner shall submit evidence of site control, a market study (if applicable), and an appraisal, by a state-certified general real estate appraiser, as that term is defined in RCW 18.140.010(22), which establishes a property value equal to or greater than the acquisition price.
 - f. *[If improvements already exist - The Owner shall submit a property inspection report by a qualified third-party firm. This report shall include an analysis of deferred and other repair or maintenance items upon the Property as well as the presence of any Hazardous Substances, and if present, how it will be addressed. This report shall be accompanied by a budget and plan showing how recommended rehabilitation work will be completed in a timely manner. A budget and timetable for this work may be submitted with the inspection report or be included as an attachment to the Project Budget required in subsection I.2 hereinabove.]*
 - g. The Owner shall submit a Hazardous Substances survey for the site by a qualified third-party firm. This report shall include an analysis of the presence of any Hazardous Substances, and if present,

how the Hazardous Substances will be addressed. This report shall be accompanied by a plan showing how recommended work will be completed in a timely manner. If applicable, a budget and timetable for this work shall be submitted with the inspection report.

- h. Owner shall provide **Lender** with an authorization, execution and enforceability opinion of Owner's counsel in a form reasonably acceptable to the **Lender**.
- i. [If required], Owner shall secure performance and payment bonds in the amount of the value of the construction project.
- j. Owner shall cooperate with ARCH in obtaining an American Land Title Association Lender's Title Policy with extended title insurance insuring the [Loan/Grant] and including those endorsements reasonably required by ARCH. The costs of such policy shall be the responsibility of the Owner.
- k. The Owner shall have in place all applicable construction, land use, environmental (including Hazardous Substances (as defined in the Environmental Indemnity)), and zoning permits, and other approvals necessary for construction, occupation and operation of the Project. Owner shall maintain documentation of any such.
- l. In the event federal funds are used, and to the extent applicable, federal guidelines must be met, including but not limited to: contractor solicitation, bidding and selection; wage rates; property acquisition; and Endangered Species Act (ESA) requirements. Owner shall include in any construction contracts or subcontracts, such requirements as may be required by the federal funds so used.

2. Additional Terms to be included in the Funding Documents

- a. Concurrent with Owner's execution of the Funding Agreement, Owner shall execute and deliver to ARCH (i) the Note, (ii) the Deed of Trust, (iii) the Regulatory Agreement, and (iv) a Certificate and Indemnity Agreement Regarding Hazardous Substances and Building Laws ("Environmental Indemnity"). Together with the Funding Agreement, the Deed of Trust, Note, and Regulatory Agreement, and Environmental Indemnity, shall be considered the "ARCH Funding Documents".
- b. Lender funds allocated to the Project shall not be used for any purposes other than as specified in the award conditions and/or as described in the approved Project Budget unless ARCH has given written authorization for alternative use. Spending of construction contingency must be approved in advance by ARCH. If after the completion of the project there are budget line items with unexpended balances, ARCH shall approve adjustments to the project capital sources, including potential reductions in public fund loan balances.
- c. The Owner shall [acquire/construct/renovate] the Project in compliance with the Project Award Letter as approved by ARCH and substantially in compliance with any plans and/or specifications submitted to and approved by ARCH.

- d. The net developer fee shall follow the ARCH Net Developer Fee Schedule. A net developer fee is defined as that portion of the developer fee paid out of capital funding sources and does not include the deferred portion that is paid out of cash flow from operations after being placed in service.
- e. The Owner shall submit a complete management and services plan and updated operating budget for review and approval by ARCH staff (“Management Plan”). At a minimum the plan shall describe: (1) the physical plan including number and size of units, amenities, and accessibility, (2) the tenant population to be served, (3) description of housing programs and services, (4) management and operation of the premises including description of management entity and staffing, rules for operation of the premises, enforcement procedures, and maintenance and repair program, and (5) coordination of services with outside providers and parking management.
- f. Owner shall submit annual monitoring reports after completion of the project, and shall submit initial tenant information as required by ARCH, if applicable.

3. Other Terms

- a. ARCH, through its Administering Agency, may negotiate, approve, execute, and record amendments or releases of any ARCH loan documents as may be needed for the project; provided the project still provides the anticipated affordable housing and there is sufficient collateral to secure the members' financial investment, all as determined by ARCH staff.
- b. ARCH acknowledges that projects may change from the time of award until signing of the funding agreement as designs are further developed and financing is secured. The following changes may be approved by the party identified below, based on a determination that the change is necessary for the project to proceed and the Owner has made diligent efforts to maximize the affordable housing benefits in the project.

Type of Change	Approver
Change to proposed population (if applicable)	ARCH Executive Board
Change to total number of units or bedrooms of less than 20%	ARCH staff
Change to total number of units or bedrooms greater than 20%	ARCH Executive Board
Change to affordability levels resulting in average AMI increasing 10% AMI or less change	ARCH staff
Change to affordability levels resulting in average AMI increasing over 10% AMI	Executive Board
Change in one or more entities that make up the project sponsor / applicant	Executive Board

Attachment 3: Project Economic Summaries

Applicant: BRIDGE Housing
 Project Name: Bothell Urban (Lot P)
 Location: Bounded by Thorsk St, 98th Ave NE, and Pop Keeney Way, Bothell
 Project Description: Approximately 200 units of affordable rental housing at 30%, 50%, and 60% AMI with 1 Common Area Unit

Development Costs	Amount
Acquisition Costs	\$70,000
Construction	\$66,695,714
Soft Costs	\$3,898,544
Construction Financing	\$8,274,347
Permanent Financing	\$1,463,662
Capitalized Reserves	\$877,517
Other Development Costs	\$8,538,657
Developer Fee	\$12,676,407
Bond Related Costs of Issuance (4%)	\$107,500
Total Development Costs	\$102,602,348

Residential Source Name	Amount
Tax Credit Equity (4%)	\$43,032,308
State (WA HTF)	\$8,000,000
ARCH	\$1,500,000
Perm Loan/Bond	\$24,629,928
Sponsor Loan	\$4,360,740
Amazon	\$16,000,000
Deferred Developer Fee	\$4,379,372
CHIP	\$700,000
Total Capital Sources	\$102,602,348

Applicant: Hopelink and SRM
 Project Name: Altaire at East Main
 Location: 995 118th Ave SE, Bellevue
 Project Description: Approximately 145 units of affordable rental housing at 30%, 40%, 50%, and 60% AMI with 1 Common Area Unit

Development Costs	Amount
Acquisition Costs	\$16,308,241
Construction	\$46,901,103
Soft Costs	\$5,080,296
Pre-Development/Bridge Financing	\$6,112,799
Construction Financing	\$5,996,690
Permanent Financing	\$548,094
Capitalized Reserves	\$1,362,526
Other Development Costs	\$4,520,908
Developer Fee	\$8,793,300
Bond Related Costs of Issuance (4%)	\$608,470
Total Development Costs	\$96,232,427

Residential Source Name	Amount
Tax Credit Equity (4%)	\$30,108,043
State (WA HTF)	\$7,500,000
King County	\$3,000,000
City of Bellevue (HSP)	\$14,460,888
City of Bellevue (AHF)	\$3,483,750
ARCH	\$500,000
Perm Loan/Bond	\$11,325,006
Amazon	\$18,125,000
Deferred Developer Fee	\$6,224,409
Interim Income and Accrued Interest	\$1,505,331
Total Capital Sources	\$96,232,427

Applicant: Imagine Housing
 Project Name: Forest Edge
 Location: 2650 148th Ave SE, Bellevue
 Project Description: Approximately 100 units of affordable rental housing at 60% AMI

Development Costs	Amount
Acquisition Costs	\$3,625,000
Construction	\$49,353,990
Soft Costs	\$3,401,182
Pre-Development/Bridge Financing	\$350,000
Construction Financing	\$4,172,323
Permanent Financing	\$809,968
Capitalized Reserves	\$1,005,687
Other Development Costs	\$2,993,364
Developer Fee	\$4,950,000
Bond Related Costs of Issuance (4%)	\$589,051
Total Development Costs	\$71,250,565

Residential Source Name	Amount
Tax Credit Equity (4%)	\$26,867,375
State (WA HTF)	\$5,000,000
City of Bellevue (HSP)	\$6,903,994
City of Bellevue (AHF)	\$3,784,367
ARCH	\$500,000
Perm Loan/Bond	\$13,223,748
Amazon	\$11,000,000
Deferred Developer Fee	\$2,971,081
CHIP	\$1,000,000
Total Capital Sources	\$71,250,565

Applicant: Habitat for Humanity
 Project Name: Orchard Gardens
 Location: 4315 129th Place SE, Bellevue
 Project Description: Approximately 25 units of affordable homeownership at 80% AMI

Development Costs	Amount
Acquisition Costs	\$1,635,000
Construction	\$15,996,994
Soft Costs	\$1,716,316
Construction Financing	\$776,962
Other Development Costs	\$1,225,000
Total Development Costs	\$21,350,272

Residential Source Name	Amount
State (WA HTF)	\$2,500,000
King County	\$1,800,000
City of Bellevue (AHF)	\$1,715,400
ARCH 2025 Request	\$784,600
Perm Loan/Bond (Home Sales Revenue)	\$6,539,558
National Housing Trust	\$400,000
2023 Commerce HTF & Appropriation	\$3,109,600
2023 ARCH	\$600,000
2023 & 2024 King County	\$2,901,114
2023 CHIP	\$1,000,000
Total Capital Sources	\$21,350,272

Applicant: PorchLight (formerly Congregations for the Homeless)
 Project Name: Kirkland House
 Location: 13205 100th Place NE, Kirkland
 Project Description: Approximately 6 units of affordable rental housing at 30% and 50% AMI

Development Costs	Amount
Construction	\$1,216,612
Soft Costs	\$239,587
Capitalized Reserves	\$28,200
Other Development Costs	\$103,142
Developer Fee	\$50,000
Total Development Costs	\$1,637,541

Residential Source Name	Amount
State (WA HTF)	\$924,941
ARCH	\$462,600
Sponsor Grant	\$250,000
Total Capital Sources	\$1,637,541

Applicant: YWCA
 Project Name: Family Village Redmond
 Location: 16601 NE 80th St, Redmond
 Project Description: 20 units of affordable rental housing at 30% AMI

Development Costs	Amount
Construction	\$1,793,991
Soft Costs	\$28,000
Other Development Costs	\$24,748
Developer Fee	\$50,313
Total Development Costs	\$1,897,052

Residential Source Name	Amount
ARCH	\$976,700
County/State Preservation Funds	\$920,352
Total Capital Sources	\$1,897,052

Applicant: Life Enrichment Options (LEO)
 Project Name: LEO Condominiums at Trailhead
 Location: 1550 Newport Way NW, Issaquah
 Project Description: 6 units of affordable rental housing at 30% and 40% AMI and 1 Common Area Unit

Development Costs	Amount
Acquisition Costs	\$2,420,479
Soft Costs	\$254,485
Capitalized Reserves	\$8,788
Other Development Costs	\$14,374
Total Development Costs	\$2,698,126

Residential Source Name	Amount
State (WA HTF)	\$1,733,626
Issaquah Inclusive Housing Pool (IHIP)	\$383,000
ARCH 2025 Request	\$191,500
Kuni Foundation	\$140,000
2023 ARCH	\$250,000
Total Capital Sources	\$2,698,126



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6857
February 3, 2026
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6857: Forged Fiber 37, LLC Telecommunications Franchise Agreement (Ord. No. 26-01, First Reading)	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Schedule Ordinance No. 26-01 for second reading on March 3, 2026, or later.	

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations Kellye Hilde, Public Works Deputy Director Rebecca Corigliano, Transportation Engineer
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Draft Ordinance No. 26-01 – Franchise Agreement with Forged Fiber 37, LLC
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda item is to provide background information on a proposed telecommunications franchise agreement with Forged Fiber 37, LLC and set an ordinance for second reading likely on March 3, 2026.

- AT&T signed an agreement to purchase a portion of the fiber business of Lumen Technologies, Inc. and its affiliates ("Lumen"), which includes fiber assets and associated facilities that are located within the City's rights-of-way.
- In advance of transfer of any assets, AT&T seeks to obtain all necessary rights to own and construct telecommunications facilities within the City's rights-of-way under the legal entity, Forged Fiber 37, LLC.
- Forged Fiber 37, LLC, a wholly-owned subsidiary of AT&T, is seeking a franchise agreement to access the City's rights-of-way for a telecommunications network.
- Currently, Forged Fiber 37, LLC does not own any facilities within the City's rights-of-way but will take over a portion of the fiber lines it is obtaining from the Lumen deal.
- Daniel Kenny (Ogden Murphy Wallace, PLLC) is negotiating this agreement on behalf of the City, provided as Exhibit 1.

- The ordinance for this franchise agreement requires a second reading as required by [RCW 35A.47.040](#).
- Upon adoption of the ordinance, Forged Fiber 37, LLC would still need to obtain permits and approvals before working within City's rights-of-way.

BACKGROUND

In summer 2025, the City of Mercer Island was approached by Forged Fiber 37, LLC to obtain a franchise agreement. Forged Fiber 37, LLC, a wholly-owned subsidiary of AT&T, does not currently own telecommunications facilities within the City's rights-of-way. Upon completion of the purchase agreement between AT&T and Lumen, Forged Fiber 37, LLC will assume ownership of a portion of Lumen's existing fiber infrastructure located within the City's rights-of-way.

The proposed agreement would generally authorize Forged Fiber 37, LLC to access the City's rights-of-way to construct, maintain, operate, replace, and repair the telecommunications network. This agreement is consistent with other telecommunications franchise agreements previously approved by the City.

Staff worked with Daniel Kenny (Ogden Murphy Wallace, PLLC) to negotiate the proposed agreement on behalf of the City. The draft agreement was prepared by Mr. Kenny, reviewed by Public Works staff and the City Attorney, and approved by Forged Fiber 37, LLC. The draft franchise agreement is provided for City Council consideration as Exhibit 1.

ISSUE/DISCUSSION

This franchise agreement is a general contractual agreement with Forged Fiber 37, LLC which allows entrance and use of the rights-of-way for wireline deployments. Forged Fiber 37, LLC will still need to apply for and receive all necessary permits for all installations. This is a typical practice for franchise agreements with the City.

[RCW 35A.47.040](#) requires a second reading to City Council prior to ordinance adoption. City staff plan to return for a second reading likely on March 3, 2026.

RECOMMENDED ACTION

Schedule Ordinance No. 26-01 for second reading and adoption at an upcoming City Council Meeting.

CITY OF MERCER ISLAND
ORDINANCE NO. 26-01

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, GRANTING TO FORGED FIBER 37, LLC, AND ITS SUCCESSORS AND ASSIGNS, THE RIGHT, PRIVILEGE, AUTHORITY AND NONEXCLUSIVE FRANCHISE FOR TEN (10) YEARS, TO CONSTRUCT, MAINTAIN, OPERATE, REPLACE, AND REPAIR A TELECOMMUNICATIONS NETWORK, IN, ACROSS, OVER, ALONG, UNDER, THROUGH, AND BELOW CERTAIN DESIGNATED PUBLIC RIGHTS-OF-WAY OF THE CITY OF MERCER ISLAND, WASHINGTON.

RECITALS

1. Forged Fiber 37, LLC, a Delaware limited liability company ("Franchisee") has requested that the city council grant it a nonexclusive franchise, and
2. The city council has the authority to grant franchises for the use of its streets and other public properties pursuant to RCW 35A.47.040.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DO HEREBY ORDAIN AS FOLLOWS:

ORDINANCE

Franchise Granted.

1.1 Pursuant to RCW 35A.47.040, the city of Mercer Island, a Washington municipal corporation (the "City"), grants to Franchisee, its successors, legal representatives and assigns, subject to the terms and conditions set forth below, a Franchise for a period of ten (10) years, beginning on the effective date of this ordinance, set forth in Section 40.

1.2 This Franchise grants Franchisee the right, privilege, and authority to construct, operate, maintain, replace, acquire, sell, lease, and use all necessary Facilities for a telecommunications network in, under, on, across, over, through, along or below the public Rights-of-Ways located in the City, including such additional areas

as may be subsequently included in the corporate limits of the City during the term of this Franchise (the "Franchise Area"), as approved pursuant to City permits issued pursuant to Section 8.2. The phrase "Rights-of-Way" (singular "Right-of-Way") as used in this Franchise, means the surface of, and the space above and below, any public street, highway, freeway, bridge, land path, alley, court, boulevard, sidewalk, lane, public way, drive, circle, pathways, spaces, or other public right of way which, under City ordinances or applicable laws, the City has authority to grant franchises, licenses, or leases for use thereof, or has regulatory authority thereover and only to the extent such Rights-of-Way are opened. Rights-of-Way for the purpose of this Franchise do not include buildings, other City-owned physical facilities, parks, poles, conduits, fixtures, real property or property rights owned by the City not reserved for transportation purposes, or similar facilities or property owned by or leased to the City, including, by way of example and not limitation, structures in the Rights-of-Way such as utility poles, light poles and bridges. "Facilities" as used in this Franchise means one or more elements of Franchisee's telecommunications network, with all necessary cables, wires, conduits, ducts, pedestals, electronics, and other necessary appurtenances; provided that new utility poles for overhead wires or cabling are specifically excluded. Equipment enclosures with air conditioning or other noise generating equipment are also excluded from "Facilities," to the extent such equipment is located in zoned residential areas of the City. For the purposes of this franchise the term Facilities excludes "microcell" facilities, "minor facilities," "small cell facilities," all as defined by RCW 80.36.375, and "macrocell" facilities, including towers and new base stations and other similar facilities used for the provision of "personal wireless services" as defined by RCW 80.36.375. Collectively, all such facilities may be referred to herein as "Personal Wireless Facilities."

Authority Limited to Occupation of Public Rights-of-Way.

2.1 The authority granted by this Franchise is a limited, non-exclusive authorization to occupy and use the City's Rights-of-Way. Franchisee represents that it expects to provide the following services within the City: a fiber optic cable network, including wholesale broadband internet access services (the "Services"). No right to

install any facility, infrastructure, wires, lines, cables, or other equipment, on any City property other than a Right-of-Way, or upon private property without the owner's consent, or upon any City, public or privately owned utility poles or conduits is granted herein. Nothing contained within this Franchise shall be construed to grant or convey any right, title, or interest in the Rights-of-Way of the City to Franchisee other than for the purpose of providing the Services, nor to subordinate the primary use of the Right-of-Way as a public thoroughfare. A more detailed description of Franchisee's initial or existing telecommunications system and Services is described in Exhibit A. If Franchisee desires to expand the Services provided within the City, it shall provide written notification of the addition of such services prior to the addition of the service and may only expand services after applying for and receiving all permits required by the City Code; provided, however, that Franchisee may not offer Cable Services as defined in 47 U.S.C. § 522(6) or deploy Personal Wireless Facilities, without obtaining a new franchise or an amendment to this Franchise.

2.2 As described in Section 8, construction is not authorized without the appropriate permits, leases, easements, or approvals. This Franchise does not and shall not convey any right to Franchisee to install its Facilities on, under, over, across, or to otherwise use City owned or leased properties of any kind outside of the incorporated area of the City or to install Facilities on, under, over, across, or otherwise use any City owned or leased property other than the City's Rights-of-Way. This Franchise does not convey any right to Franchisee to install its Facilities on, under, over, or across any facility or structure owned by a third-party without such written approval of the third-party. Further this Franchise does not convey any right to continue in any streets, avenues, alleys, roads or public places which are eliminated from the City limits by reason of subsequent disincorporation or reduction of City limits or which are vacated consistent with Section 31. No substantive expansions, additions to, or modifications or relocation of any of the Facilities shall be permitted without first having received appropriate permits from the City pursuant to Section 8.2. As of the effective date of this Franchise, Franchisee has no owned Facilities located in the City's Rights-of-Way.

2.3 Franchisee shall have the right, without prior City approval, to offer or provide capacity or bandwidth to its customers and/or lessees consistent with this Franchise provided:

- (a) Franchisee at all times retains exclusive control over its telecommunications system, Facilities and Services and remains responsible for constructing, installing, and maintaining its Facilities pursuant to the terms and conditions of this Franchise;
- (b) Franchisee may not grant rights to any customer or lessee that are greater than any rights Franchisee has pursuant to this Franchise;
- (c) Such customer or lessee shall not be construed to be a third-party beneficiary under this Franchise; and
- (d) No such customer or lessee may use the telecommunications system or Services for any purpose not authorized by the City.

Non-Exclusive Franchise Grant. This Franchise is granted upon the express condition that it shall not in any manner prevent the City from granting other or further franchises in, along, over, through, under, below, or across any Rights-of-Way. This Franchise shall in no way prevent or prohibit the City from using any Rights-of-Way or affect its jurisdiction over any Rights-of-Way or any part of Right-of-Way, and the City shall retain power to make all necessary changes, relocations, repairs, maintenance, establishment, improvement, dedication of Right-of-Way as the City may deem fit, including the dedication, establishment, maintenance, and improvement of all new Rights-of-Way, thoroughfares, and other public properties of every type and description.

Location of Telecommunications Facilities.

4.1 Franchisee is maintaining a telecommunications network consisting of Facilities within the City. Franchisee may locate its Facilities anywhere within the Franchise Area consistent with the City's code and adopted standards for design or construction and subject to the City's applicable permit requirements.

Franchisee shall not be required to amend this Franchise to construct or acquire Facilities approved in this Franchise within the Franchise Area.

4.2 To the extent that any Rights-of-Way within the Franchise Area are part of the state highway system ("State Highways") and are governed by the provisions of Chapter 47.24 RCW and applicable Washington State Department of Transportation (WSDOT) regulations, Franchisee shall comply fully with said requirements in addition to local ordinances and other applicable regulations. Without limitation of the foregoing, Franchisee specifically agrees that:

- (a) any pavement trenching and restoration performed by Franchisee within State Highways shall meet or exceed applicable WSDOT requirements;
- (b) any portion of a State Highway damaged or injured by Franchisee shall be restored, repaired and/or replaced by Franchisee to a condition that meets or exceeds applicable WSDOT requirements; and
- (c) without prejudice to any right or privilege of the City, WSDOT is authorized to enforce in an action brought in the name of the State of Washington any condition of this Franchise with respect to any portion of a State Highway.

Section 5. Relocation of Facilities.

5.1 Franchisee agrees and covenants to protect, support, temporarily disconnect, relocate, or remove from any Rights-of-Way any of its Facilities when reasonably required by the City by reason of:

- (a) Traffic conditions or public safety,
- (b) Dedications of new Rights-of-Way and the establishment and improvement thereof,
- (c) Widening and improvement of existing Rights-of-Way,
- (d) Street vacations,
- (e) Freeway construction,
- (f) Change or establishment of street grade, or
- (g) Construction of any public improvement or structure, including municipal utilities, by any governmental agency acting in a

governmental capacity or as otherwise necessary for the operations of the City or other governmental entity.

5.2 Provided that Franchisee shall in all such cases identified in Section 5.1 have the privilege to temporarily bypass in the authorized portion of the same Rights-of-Way upon approval by the City, which approval shall not unreasonably be withheld or delayed, any Facilities required to be temporarily disconnected or removed. If such bypass is approved by the City, it must be completed pursuant to any and all necessary permits.

5.3 Except as otherwise provided by law, the costs and expenses associated with relocations and other such actions ordered pursuant to Section 5.1 shall be borne by Franchisee. Nothing contained within this Franchise shall limit Franchisee's ability to seek reimbursement for relocation costs when permitted by RCW 35.99.060.

5.4 Upon request of the City and in order to facilitate the design of any of the project categories identified in Section 5.1(a) through (g), Franchisee agrees, at its sole cost and expense, to locate, and if reasonably determined necessary by the City, to excavate and expose its Facilities for inspection so that the Facilities' location may be taken into account in the improvement design. The decision as to whether any Facilities need to be relocated in order to accommodate the City's improvements shall be made by the City upon review of the location and construction of Franchisee's Facilities. The City shall provide Franchisee at least fourteen (14) days' written notice prior to any excavation or exposure of Facilities.

5.5 If the City determines that the project necessitates the relocation of Franchisee's existing Facilities, the City shall:

(a) At least ninety (90) days prior to the date on which the City needs the relocation to be complete, provide Franchisee with written notice requiring such relocation; provided, however, that in the event of an emergency situation, defined for purposes of this Franchise as a condition posing an imminent threat to property, life, health,

or safety of any person or entity, the City shall give Franchisee written notice as soon as practicable; and

(b) At least ninety (90) days prior to the date on which the City needs the relocation to be complete, provide Franchisee with copies of pertinent portions of the plans for the improvement project so that Franchisee may relocate its Facilities in other City Rights-of-Way in order to accommodate such improvement project; and

(c) After receipt of such notice and such plans, Franchisee shall complete relocation of its Facilities at least ten (10) days prior to commencement of the City's project construction at no charge or expense to the City, except as otherwise provided by law. Relocation shall be accomplished in such a manner as to accommodate the City's project.

5.6 Franchisee may, after receipt of written notice requesting a relocation of its Facilities, submit to the City written alternatives to such relocation. Such alternatives must be submitted to the City at least thirty (30) days prior to commencement of project construction. The City may evaluate the alternatives and advise Franchisee in writing if one or more of the alternatives are suitable to accommodate the work that would otherwise necessitate relocation of the Facilities. If so requested by the City, Franchisee shall submit at its sole cost and expense additional information to assist the City in making such evaluation. The City is under no obligation to accept any proposed alternative. In the event the City ultimately determines that the proposed alternative is not desirable, Franchisee shall relocate its Facilities as required by this Section 5.

5.7 The provisions of this Section 5 shall in no manner preclude or restrict Franchisee from making any arrangements it may deem appropriate when responding to a request for relocation of its Facilities by any person or entity other than the City, where the facilities to be constructed by said person or entity are not or will not become City-owned, operated, or maintained facilities, provided that such arrangements do not unduly delay a City construction project.

5.8 If Franchisee breaches its obligations under Section 5.1 with respect to relocating its Facilities within the Franchise Area, and to the extent such breach causes a delay in the work being undertaken by the City's third party contractor(s) that results in a claim by the third party contractor(s) for costs, expenses and/or damages that are directly caused by such delay and are legally required to be paid by the City (each, a "Contractor Delay Claim"), the City may at its sole option:

(a) tender the Contractor Delay Claim to Franchisee for defense and indemnification in accordance with Section 5.9 and Section 17; or

(b) require that Franchisee reimburse the City for actual costs, expenses, and/or damages that are legally required to be paid by the City to its third party contractor(s) as a direct result of the Contractor Delay Claim; provided that, if the City requires reimbursement by Franchisee under this Section 5.8(b), the City shall first give Franchisee written notice of the Contractor Delay Claim and give Franchisee the opportunity to work with the third party contractor(s) to resolve the Contractor Delay Claim for a period of not less than sixty (60) days prior to the City's payment of the Contractor Delay Claim.

5.9 Franchisee will indemnify, hold harmless, and pay the costs of defending the City, in accordance with the provisions of Section 17, against any and all claims, suits, actions, damages, or liabilities for delays on City construction projects caused by or arising out of the failure of Franchisee to remove or relocate its Facilities in a timely manner; provided, that Franchisee shall not be responsible for damages due to delays caused by circumstances beyond the control of Franchisee or the negligence, willful misconduct, or unreasonable delay of the City or any unrelated third party.

5.10 Whenever any person shall have obtained permission from the City to use any Right-of-Way for the purpose of moving any building, Franchisee, upon thirty (30) days' written notice from the City, shall raise, remove, or relocate to another part of the Right-of-Way, at the expense of the person desiring to move the building, any of Franchisee's Facilities that may obstruct the removal of such building.

5.11 If Franchisee fails, neglects, or refuses to remove or relocate its Facilities as directed by the City following the procedures outlined in Section 5.1through Section 5.6 and Section 5.9 the City may perform such work or cause it to be done, and the City's costs shall be paid by Franchisee pursuant to Section 15.3 and Section 15.4.

5.12 The provisions of this Section 5 shall survive the expiration or termination of this Franchise during such time as Franchisee continues to have Facilities in the Rights-of-Way.

Section 6. Undergrounding of Facilities.

6.1 Except as specifically authorized by permit of the City, Franchisee shall not be permitted to erect poles or to run or suspend wires, cables, or other facilities thereon, but shall lay wires, cables, or other facilities underground in the manner required by the City. Franchisee acknowledges and agrees that if the City does not require the undergrounding of its Facilities at the time of a permit application, the City may, at any time in the future, require the conversion of Franchisee's aerial facilities to underground installation at Franchisee's expense at such time as the City requires all other utilities, except electrical utilities, with aerial facilities in the area to convert them to underground installation. Unless otherwise permitted by the City, Franchisee shall underground its Facilities in all new developments and subdivisions and any development or subdivision where utilities, except electrical utilities, are currently underground.

6.2 Whenever the City may require the undergrounding of the aerial utilities in any area of the City, Franchisee shall underground its aerial facilities in the manner specified by the City, concurrently with and in the area of the other affected utilities. The location of any relocated and underground utilities shall be approved by the City. Where other utilities are present and involved in the undergrounding project, Franchisee shall work with the other utilities to determine a fair share cost allocation for each individual utilities' facilities as well as common costs in a manner that is agreeable to all involved utilities. "Common costs" shall include necessary costs not

specifically attributable to the undergrounding of any particular facility, such as costs for common trenching and utility vaults. "Fair share" shall be determined for a project on the basis of the number and size of conduits of Franchisee's Facilities being undergrounded in comparison to the total number of conduits of all other utility facilities being undergrounded. Such fair share cost allocation is the sole responsibility of the involved utilities and does not involve the City. This Section 6.2 shall only apply to the extent Franchisee has existing aerial utilities in the City or is specifically authorized to build aerial utilities by the City.

6.3 To the extent Franchisee is providing Services to Personal Wireless Facilities, Franchisee shall adhere to the design standards for such Personal Wireless Facilities, and shall underground its Facilities and/or place its Facilities within the pole as may be required by such design standards. For the purposes of clarity, this Section 6.3 does not require undergrounding or interior placement of Facilities within the pole to the extent that the Personal Wireless Facilities are located on utility poles that have pre-existing aerial telecommunications facilities and provided such construction of Franchisee's Facilities continue to comply with Sections 6.1 or 6.2.

6.4 Within forty-eight (48) hours (excluding weekends and City-recognized holidays) following a request from the City, Franchisee shall locate underground Facilities by marking the location on the ground. The location of the underground Facilities shall be identified using orange spray paint, unless otherwise specified by the City, and within two (2) feet of the actual location.

6.5 Franchisee shall be entitled to reasonable access to open utility trenches, provided that such access does not interfere with the City's placement of utilities or increase the City's costs. Franchisee shall pay to the City the actual cost to the City resulting from providing Franchisee access to an open trench, including without limitation the pro rata share of the costs of access to an open trench and any costs associated with the delay of the completion of a public works project.

6.6 Franchisee shall not remove any underground cable or conduit that is part of its Facilities and requires trenching or other opening of the Rights-of-Way

along the extension of cable to be removed, except as provided in this Section 6.6. Franchisee may remove any underground cable and other related facilities from the Right-of-Way that has been installed in such a manner that it can be removed without trenching or other opening of the Right-of-Way along the extension of cable to be removed, or if otherwise permitted by the City. Franchisee may remove any underground cable from the Rights-of-Way where reasonably necessary to replace, upgrade, or enhance its Facilities, or pursuant to Section 5. When the City determines, in the City's sole discretion, that Franchisee's underground Facilities must be removed in order to eliminate or prevent a potentially hazardous condition, Franchisee shall remove the cable or conduit at Franchisee's sole cost and expense. Franchisee must apply for and receive a permit, pursuant to Section 8.2, prior to any such removal of underground cable, conduit and other related facilities from the Right-of-Way and must provide as-built plans and maps pursuant to Section 7.1.

6.7 The provisions of this Section 6 shall survive the expiration, revocation, or termination of this Franchise during such time as Franchisee continues to have Facilities in the Rights-of-Way. Nothing in this Section 6 shall be construed as requiring the City to pay any costs of undergrounding any of the Franchisee's Facilities.

Section 7. Maps and Records.

7.1 After aerial or underground construction is complete, whether new construction, relocation required by Section 5 or required undergrounding consistent with Section 6, Franchisee shall provide the City with accurate digital as-built plans and maps stamped and signed by a professional land surveyor in a form and content acceptable to the City Manager or his/her designee. These plans and maps shall be provided at no cost to the City. Franchisee shall provide such maps within ten (10) days following a request from the City. Franchisee shall warrant the accuracy of all plans, maps and as-builts provided to the City.

7.2 Within thirty (30) days of a written request from the City, Franchisee shall furnish the City with information sufficient to demonstrate: 1) that Franchisee has complied with all applicable requirements of this Franchise; and 2) that

all taxes, including but not limited to sales, utility and/or telecommunications taxes due the City in connection with Franchisee's Services and Facilities have been properly collected and paid by Franchisee.

7.3 All books, records, maps, and other documents maintained by Franchisee with respect to its Facilities within the Rights-of-Way and compliance with this Franchise shall be made available for inspection by the City at reasonable times and intervals; provided, however, that nothing in this Section 7.3 shall be construed to require Franchisee to violate state or federal law regarding customer privacy, nor shall this Section 7.3 be construed to require Franchisee to disclose proprietary or confidential information without adequate safeguards for its confidential or proprietary nature. Unless otherwise prohibited by State or federal law, nothing in this Section 7.3 shall be construed as permission to withhold relevant customer data from the City that the City requests in conjunction with a tax audit or review; provided, however, Franchisee may redact identifying information such as names, street addresses (excluding City and zip code), Social Security Numbers, or Employer Identification Numbers related to any confidentiality agreements Franchisee has with third parties.

7.4 Franchisee shall not be required to disclose information that it reasonably deems to be proprietary or confidential in nature; provided, however, Franchisee shall disclose such information to comply with a utility tax audit, in the event the City is permitted to charge fees as further described in Section 16.1, or as otherwise required in this Franchise. Franchisee shall be responsible for clearly and conspicuously identifying any records disclosed pursuant to Section 7.3 as confidential or proprietary (if they are), and shall provide a brief written explanation as to why such information is confidential and how it may be treated as such under State or federal law. In the event that the City receives a public records request under Chapter 42.56 RCW or similar law for the disclosure of information Franchisee has designated as confidential, trade secret, or proprietary, the City shall promptly provide written notice of such disclosure so that Franchisee can take appropriate steps to protect its interests. The City agrees to keep confidential any proprietary or confidential books or records to the extent permitted by law. Nothing in this Section 7.4 prohibits the City from

complying with Chapter 42.56 RCW or any other applicable law or court order requiring the release of public records, and the City shall not be liable to Franchisee for compliance with any law or court order requiring the release of public records. The City shall comply with any injunction or court order obtained by Franchisee that prohibits the disclosure of any such confidential records; however, in the event a higher court overturns such injunction or court order and such higher court action is or has become final and non-appealable, Franchisee shall reimburse the City for any fines or penalties imposed for failure to disclose such records as required hereunder within sixty (60) days of a request from the City.

7.5 On an annual basis, upon thirty (30) days prior written notice, the City shall have the right to conduct an independent audit of Franchisee's records reasonably related to the administration or enforcement of this Franchise, in accordance with GAAP. If the audit shows that fee payments or taxes have been underpaid by three percent (3%) or more, Franchisee shall pay the total cost of the audit.

Section 8. Work in the Rights-of-Way.

8.1 During any period of relocation, construction or maintenance, all work performed by Franchisee or its contractors shall be accomplished in a safe and workmanlike manner, so as to minimize interference with the free passage of traffic and the free use of adjoining property, whether public or private. Franchisee shall at all times post and maintain proper barricades, flags, flaggers, lights, flares, and other measures as required for the safety of all members of the general public and comply with all applicable safety regulations during such period of construction as required by the ordinances of the City or the laws of the State of Washington, including RCW 39.04.180 for the construction of trench safety systems. Franchisee shall, at its own expense, maintain its Facilities in a safe condition, in good repair, and in a manner suitable to the City. Additionally, Franchisee shall keep its Facilities free of debris and anything of a dangerous, noxious, or offensive nature or which would create a hazard or undue vibration, heat, noise, or any interference with City services. The provisions

of this Section 8 shall survive the expiration of this Franchise during such time as Franchisee continues to have Facilities in the Rights-of-Way.

8.2 Whenever Franchisee shall commence work in any public Rights-of-Way for the purpose of excavation, installation, construction, repair, maintenance, or relocation of its cable or facilities, it shall apply to the City for a permit to do so and shall comply with the requirements of the Mercer Island City Code 19.09.060 as now enacted or hereafter amended. In addition, the Franchisee shall give the City at least ten (10) working days (except in the case of an emergency) prior notice of its intent to commence work in the Rights-of-Way. In no case shall any work commence within any Rights-of-Way without a permit, except as otherwise provided in this Franchise.

8.3 Whenever Franchisee installs underground cables, conduits, and other linear facilities, trenchless construction methods shall be utilized as much as possible to minimize impacts to surface improvements (roadways, sidewalks, curbs), underground utilities, and tree roots. The use of open-cut construction methods shall be minimized.

8.4 If the Franchisee shall at any time plan to make excavations in any area covered by this Franchise and as described in this Section 8.4, the Franchisee shall afford the other franchisees and the City, upon receipt of a written request to do so, an opportunity to share such excavation, PROVIDED THAT:

(a) Such joint use shall not unreasonably delay the work of Franchisee causing the excavation to be made;

(b) Such joint use shall be arranged and accomplished on terms and conditions satisfactory to both parties; and

(c) Franchisee may deny such request for safety reasons.

8.5 Except for emergency situations, Franchisee shall give at least seven (7) days' prior notice of intended construction to residents in the affected area. Such notice shall contain the dates, contact number, nature and location of the work to

be performed. At least twenty-four (24) hours prior to entering private property or streets or public easements adjacent to or on such private property, Franchisee shall physically post a notice on the property indicating the nature and location of the work to be performed. Door hangers are permissible methods of notifications to residents. These timeframes may be modified in the permit approved for the work. Franchisee shall make a good faith effort to comply with the property owner/resident's preferences, if any, on location or placement of underground installations (excluding aerial cable lines utilizing existing poles and existing cable paths), consistent with sound engineering practices. Following performance of the work, Franchisee shall restore the private property as nearly as possible to its condition prior to construction, except for any change in condition not caused by Franchisee. Any disturbance of landscaping, fencing, or other improvements on private property caused by Franchisee's work shall, at the sole expense of Franchisee, be promptly repaired and restored to the reasonable satisfaction of the property owner/resident. Notwithstanding the above, nothing herein shall give Franchisee the right to enter onto private property without the permission of such private property owner, or as otherwise authorized by applicable law.

8.6 Franchisee shall at all times comply with the safety requirements contained in Section 10 and all applicable federal, State and local safety requirements.

8.7 Tree Trimming.

(a) Trees on Public Property.

(i) Franchisee, its contractors, and agents shall apply for a tree permit to prune or cut any tree in a right-of-way in accordance with chapter 19.10.100 of the Mercer Island City Code as now enacted or hereafter amended. No such pruning or cutting may occur before the permit is properly issued. Tree pruning or cutting shall only be allowed to the extent necessary to resolve a possible hazard or health or safety concern.

(ii) Franchisee shall provide 7 days' advance notice to the adjacent property owners before pruning or cutting a tree on public property.

(iii) Any pruning shall be completed consistent with the approved permit. All pruning or cutting shall at all times minimize damage to the tree and ensure best practices.

(iv) All tree pruning operations shall comply with the Manual on Uniform Traffic Control Devices (MUTCD) on temporary traffic control standards or other standards as may be required by the tree pruning/cutting permit.

(b) Trees on Private Property.

(i) Franchisee shall not prune or cut any trees on private property, unless Franchisee has the express, written permission of the property owner and a tree permit in accordance with chapter 19.10 of the Mercer Island City Code as now enacted or hereafter amended is obtained, if applicable.

(ii) The City shall not be liable for any damages, injuries, or claims arising from Franchisee's actions under this Section 8.7.

8.8 Franchisee shall meet with the City and other franchise holders and users of the Rights-of-Way upon written notice as determined by the City, to schedule and coordinate construction in the Rights-of-Way. All construction locations, activities, and schedules shall be coordinated as ordered by the City to minimize public inconvenience, disruption, or damages.

8.9 Franchisee acknowledges that it, and not the City, shall be responsible for compliance with all marking and lighting requirements of the Federal Aviation Administration ("FAA") and the Federal Communications Commission ("FCC") with respect to Franchisee's Facilities, if applicable. Franchisee shall indemnify and hold the City harmless from any fines or other liabilities caused by Franchisee's failure to comply with such requirements. Should Franchisee or the City be cited by either the FCC or the FAA because the Facilities or Franchisee's equipment is not in compliance and should Franchisee fail to cure the conditions of noncompliance within the timeframe allowed by the citing agency, the City may, upon at least forty-eight (48) hours' prior written notice to Franchisee, either terminate this Franchise immediately if

the equipment is not brought into compliance by the expiration of such notice period or may proceed to cure the conditions of noncompliance at Franchisee's expense, and collect all reasonable costs from Franchisee in accordance with the provisions of Section 15.3 and Section 15.4.

8.10 The granting of this Franchise shall not preclude the City, its accredited agents or its contractors, from demolition, grading or doing other necessary road work contiguous to the Franchisee's improvements.

8.11 The provisions of this Section 8 shall survive the expiration, revocation, or termination of this Franchise during such time as Franchisee continues to have Facilities in the Rights-of-Way.

Section 1. One Call Locator Service. Prior to doing any work in the Rights-of-Way, the Franchisee shall follow established procedures, including contacting the Utility Notification Center in Washington and comply with all applicable State statutes regarding the One Call Locator Service pursuant to Chapter 19.122 RCW. Chapter 19.122 RCW. Further, upon request from a third party or the City, Franchisee shall locate its Facilities consistent with the requirements of Chapter 19.122 RCW. The City shall not be liable for any damages to Franchisee's Facilities or for interruptions in service to Franchisee's customers that are a direct result of Franchisee's failure to locate its Facilities within the prescribed time limits and guidelines established by the One Call Locator Service regardless of whether the City issued a permit.

Section 10. Safety Requirements.

10.1 Franchisee shall, at all times, employ professional care and shall install and maintain and use industry-standard methods for preventing failures and accidents that are likely to cause damage, injuries, or nuisances to the public. All facilities in, over, under, and upon the Rights-of-Ways, wherever situated or located, shall at all times be kept and maintained in a safe condition. Franchisee shall comply with all federal, State, and City safety requirements, rules, regulations, laws, and practices, and employ all necessary devices as required by applicable law during the

construction, operation, maintenance, upgrade, repair, or removal of its Facilities. By way of illustration and not limitation, Franchisee shall also comply with the applicable provisions of the National Electric Code, National Electrical Safety Code, FCC regulations, and Occupational Safety and Health Administration (OSHA) Standards. Upon reasonable notice to Franchisee, the City reserves the general right to inspect the Facilities to evaluate if they are constructed and maintained in a safe condition.

10.2 If an unsafe condition or a violation of Section 10.1 is found to exist, and becomes known to the City, the City agrees to give Franchisee written notice of such condition and afford Franchisee a reasonable opportunity to repair the same. If Franchisee fails to start to make the necessary repairs and alterations within the time frame specified in such notice (and pursue such cure to completion), then the City may make such repairs or contract for them to be made. All costs, including administrative costs, incurred by the City in repairing any unsafe conditions shall be borne by Franchisee and reimbursed to the City pursuant to Section 15.3 and Section 15.4.

10.3 Additional safety standards include:

(a) Franchisee shall endeavor to maintain all facilities in an orderly manner, including, but not limited to, the removal of all bundles of unused cable on any aerial facilities.

(b) All installations of facilities shall be installed in accordance with industry-standard engineering practices and shall comply with all federal, State, and local regulations, ordinances, and laws.

(c) Any opening or obstruction in the Rights-of-Way or other public places made by Franchisee in the course of its operations shall be protected by Franchisee at all times by the placement of adequate barriers, fences, or boarding, the bounds of which, during periods of dusk and darkness, shall be clearly marked and visible.

10.4 Stop Work Order

On notice from the City that any work is being performed contrary to the provisions of this Franchise, or in an unsafe or dangerous manner as determined by the City, or in violation of the terms of any applicable permit, laws, regulations, ordinances, or standards, the work may immediately be stopped by the City. The stop work order shall conform to the requirements of Mercer Island City Code 6.10. Nothing in this Franchise Agreement shall be construed to limit the City's authority to enforce applicable permit conditions, laws, regulations, ordinances, or standards as set forth in Section 24.

10.5 The provisions of this Section 10 shall survive the expiration, revocation, or termination of this Franchise during such time as Franchisee continues to have Facilities in the Rights-of-Way.

Work of Contractors and Subcontractors. Franchisee's contractors and subcontractors shall be licensed and bonded in accordance with State law and the City's ordinances, regulations, and requirements. Work by contractors and subcontractors is subject to the same restrictions, limitations, and conditions as if the work were performed by Franchisee. Franchisee shall be responsible for all work performed by its contractors and subcontractors and others performing work on its behalf as if the work were performed by Franchisee and shall ensure that all such work is performed in compliance with this Franchise, any applicable permits, and applicable law. The provisions of this Section 11 shall survive the expiration, revocation, or termination of this Franchise during such time as Franchisee continues to have Facilities in the Rights-of-Way.

City Conduit. Except in emergency situations, Franchisee shall inform the City Engineer with at least thirty (30) days' advance written notice that it is constructing, relocating, or placing ducts or conduits in the Rights-of-Way and provide the City with an opportunity to request that Franchisee provide the City with additional duct or conduit, and related structures necessary to access the conduit pursuant to and subject to RCW 35.99.070. Such notification shall be in addition to the requirement to apply for and obtain permits pursuant to Section 8.2.

Section 13. Restoration after Construction.

13.1 Franchisee shall, after installation, construction, relocation, maintenance, or repair of its Facilities, or after abandonment approved pursuant to Section 19, promptly remove any obstructions from the Rights-of-Way and restore the surface of the Rights-of-Way to at least the same condition the Rights-of-Way were in immediately prior to any such installation, construction, relocation, maintenance or repair, provided Franchisee shall not be responsible for any changes to the Rights-of-Way not caused by Franchisee or anyone doing work for Franchisee. The City Manager or his/her designee shall have final approval of the condition of such Rights-of-Way after restoration. All concrete encased survey monuments that have been disturbed or displaced by such work shall be restored pursuant to federal, state (Chapter 332-120 WAC), and local standards and specifications.

13.2 Franchisee agrees to promptly complete all restoration work and to promptly repair any damage caused by work to the Franchise Area or other affected area at its sole cost and expense and according to the time and terms specified in the construction permit issued by the City. All work by Franchisee pursuant to this Franchise shall be performed in accordance with applicable City standards and warranted for a period of two (2) years following closeout of the permit, or other time period as may be required by a permit of the City Code, and for undiscovered defects as is standard and customary for this type of work.

13.3 If conditions (e.g. weather) make the complete restoration required under Section 13 impracticable, Franchisee shall temporarily restore the affected Right-of-Way or property. Such temporary restoration shall be at Franchisee's sole cost and expense. Franchisee shall promptly undertake and complete the required permanent restoration when conditions no longer make such permanent restoration impracticable.

13.4 In the event Franchisee does not repair a Right-of-Way or an improvement in or to a Right-of-Way within the time agreed to by the City Manager, or his/her designee, the City may repair the damage and shall be reimbursed its actual

cost within sixty (60) days of submitting an itemized invoice to Franchisee in accordance with the provisions of Section 15.3 and Section 15.4. In addition, and pursuant to Section 15.3 and Section 15.4, the City may bill Franchisee for expenses associated with the inspection of such restoration work. The failure by Franchisee to complete such repairs shall be considered a breach of this Franchise and is subject to remedies by the City including the imposition of damages consistent with Section 21.2.

13.5 The provisions of this Section 13 shall survive the expiration or termination of this Franchise so long as Franchisee continues to have Facilities in the Rights-of-Way and has not completed all restoration to the City's standards.

Section 14. Emergencies.

14.1 In the event of any emergency in which any of Franchisee's Facilities located in or under any street endangers the property, life, health, or safety of any person, entity or the City, or if Franchisee's construction area is otherwise in such a condition as to immediately endanger the property, life, health, or safety of any person, entity or the City, Franchisee shall immediately take the proper emergency measures to repair its Facilities and to cure or remedy the dangerous conditions for the protection of property, life, health, or safety of any person, entity or the City, without first applying for and obtaining a permit as required by this Franchise. However, this shall not relieve Franchisee from the requirement of obtaining any permits necessary for this purpose, and Franchisee shall apply for all such permits not later than the next succeeding day during which the Mercer Island City Hall is open for business. The City retains the right and privilege to cut or move any Facilities located within the Rights-of-Way of the City, as the City may determine to be necessary, appropriate, or useful in response to any public health or safety emergency. The City shall notify Franchisee by telephone promptly upon learning of the emergency and shall exercise reasonable efforts to avoid an interruption of Franchisee's operations.

14.2 Whenever the construction, installation, or excavation of Facilities authorized by this Franchise has caused or contributed to a condition that appears to substantially impair the lateral support of the adjoining street or public place, an

adjoining public place, street utilities, City property, Rights-of-Way, or private property (collectively “Endangered Property”) or endangers the public, the City Manager or his/her designee, may direct Franchisee, at Franchisee’s own expense, to take reasonable action to protect the Endangered Property or the public, and such action may include compliance within a prescribed time. In the event that Franchisee fails or refuses to promptly take the actions directed by the City, or fails to fully comply with such directions, or if an emergency situation exists that requires immediate action before the City can timely contact Franchisee to request Franchisee effect the immediate repair, the City may enter upon the Endangered Property and take such reasonable actions as are necessary to protect the Endangered Property or the public. Franchisee shall be liable to the City for the costs of any such repairs in accordance with the provisions of Sections 15.3 and 15.4.

14.3 The City shall not be liable for any damage to or loss of Facilities within the Rights-of-Way as a result of or in connection with any public works, public improvements, construction, grading, excavation, filling, or work of any kind in the Rights-of-Way by or on behalf of the City, except to the extent directly and proximately caused by the gross negligence or willful acts of the City, its employees, contractors, or agents. The City shall further not be liable to Franchisee for any direct, indirect, or any other such damages suffered by any person or entity of any type as a direct or indirect result of the City’s actions under this Section 14 except to the extent caused by the gross negligence or willful acts of the City, its employees, contractors, or agents.

14.4 The provisions of this Section 14 shall survive the expiration, revocation, or termination of this Franchise during such time as Franchisee continues to have Facilities in the Rights-of-Way.

Section 15. Recovery of Costs.

15.1 Upon receipt of an itemized billing from the City, Franchisee shall pay a fee for the actual administrative expenses incurred by the City that are directly related to the receiving and approving of this Franchise pursuant to RCW 35.21.860, including the costs associated with City’s legal costs incurred in drafting and processing

this Franchise and all work related thereto. No construction permits shall be issued for the installation of Facilities authorized until such time as the City has received payment of the fee; further, this Franchise will not be deemed accepted without the payment of this fee. Franchisee shall further be subject to all permit fees associated with activities undertaken through the authority granted in this Franchise or under the laws of the City. Where the City incurs costs and expenses for review, inspection, or supervision of activities, including but not limited to reasonable fees associated with attorneys, consultants, City Staff and City Attorney time, undertaken through the authority granted in this Franchise or any ordinances relating to the subject for which a permit fee is not established, Franchisee shall pay such costs and expenses directly to the City in accordance with the provisions of Section 15.3.

15.2 In addition to Section 15.1, Franchisee shall promptly reimburse the City in accordance with the provisions of Section 15.3 and Section 15.4 for any and all costs the City reasonably incurs in response to any emergency situation involving Franchisee's Facilities, to the extent said emergency is not the fault of the City. The City agrees to simultaneously seek reimbursement from any franchisee or permit holder who caused or contributed to the emergency situation.

15.3 Franchisee shall reimburse the City within sixty (60) days of submittal by the City of an itemized billing for reasonably incurred costs, itemized by project, for Franchisee's proportionate share of all actual, identified expenses incurred by the City in planning, constructing, installing, repairing, altering, or maintaining any City facility as the result of the presence of Franchisee's Facilities in the Rights-of-Way. Such costs and expenses shall include but not be limited to Franchisee's proportionate cost of City personnel assigned to oversee or engage in any work in the Rights-of-Way as the result of the presence of Franchisee's Facilities in the Rights-of-Way. Such costs and expenses shall also include Franchisee's proportionate share of any time spent reviewing construction plans in order to either accomplish the relocation of Franchisee's Facilities or the routing or rerouting of any utilities so as not to interfere with Franchisee's Facilities.

15.4 The time of City employees shall be charged at their respective rate of salary, including overtime if applicable, plus benefits and reasonable overhead. Any other costs will be billed proportionately on an actual cost basis. All billings will be itemized to specifically identify the costs and expenses for each project for which the City claims reimbursement. A charge for the actual costs incurred in preparing the billing may also be included in said billing. At the City's option, the billing may be on an annual basis, but the City shall provide the Franchisee with the City's itemization of costs, in writing, at the conclusion of each project for information purposes.

Section 16. City's Reservation of Rights.

16.1 Franchisee represents that its Services, as authorized under this Franchise, are a telephone business as defined in RCW 82.16.010, or that it is a service provider as used in RCW 35.21.860 and defined in RCW 35.99.010. As a result, the City will not impose franchise fees under the terms of this Franchise. The City reserves its right to impose a franchise fee on Franchisee if Franchisee's Services as authorized by this Franchise change such that the statutory prohibitions of RCW 35.21.860 no longer apply or if statutory prohibitions on the imposition of such fees are otherwise removed. The City also reserves its right to require that Franchisee obtain a separate franchise for a change in use, which franchise may include provisions intended to regulate Franchisee's operations as allowed under applicable law. Nothing contained within this Franchise shall preclude Franchisee from challenging any such new fee or separate agreement under applicable federal, State, or local laws.

16.2 Franchisee acknowledges that its operation with the City constitutes a telecommunication business subject to the utility tax imposed pursuant to the Mercer Island City Code Chapter 4.12. Franchisee stipulates and agrees that certain of its business activities are subject to taxation as a telecommunication business and that Franchisee shall pay to the City the rate applicable to such taxable services under Mercer Island City Code Chapter 4.12, and consistent with state and federal law. The parties agree however, that nothing in this Franchise shall limit the City's power of taxation as may exist now or as later imposed by the City. This provision

does not limit the City's power to amend Mercer Island City Code Chapter 4.12 as may be permitted by law.

Section 17. Indemnification.

17.1 Franchisee shall defend, indemnify, and hold harmless the City, its officers, officials, employees and volunteers from and against any and all claims, suits, actions, or liabilities for injury or death of any person, or for loss or damage to property, which arises out of Franchisee's acts, errors or omissions, or from the conduct of Franchisee's business, or from any activity, work or thing done, permitted, or suffered by Franchisee arising from or in connection with this Franchise Agreement, except only such injury or damage as shall have been occasioned by the sole negligence or willful misconduct of the City.

17.2 However, should a court of competent jurisdiction determine that this Agreement is subject to RCW 4.24.115, then, in the event of liability for damages arising out of bodily injury to persons or damages to property caused by or resulting from the concurrent negligence of the Franchisee and the City, its officers, officials, employees, and volunteers, the Franchisee's liability hereunder shall be only to the extent of the Franchisee's negligence. It is further specifically and expressly understood that the indemnification provided herein constitutes the Franchisee's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification. This waiver has been mutually negotiated by the parties. The provisions of this Section 17 shall survive the expiration or termination of this Agreement.

17.3 The City shall promptly notify Franchisee of any claim or suit and request in writing that Franchisee indemnify the City. Franchisee may choose counsel to defend the City subject to this Section 16.3. City's failure to so notify and request indemnification shall not relieve Franchisee of any liability that Franchisee might have, except to the extent that such failure prejudices Franchisee's ability to defend such claim or suit.

17.4 If separate representation to fully protect the interests of both parties is necessary, such as a conflict of interest between the City and the counsel selected by Franchisee to represent the City, then upon the prior written approval and consent of Franchisee, which shall not be unreasonably withheld, the City shall have the right to employ separate counsel in any action or proceeding and to participate in the investigation and defense thereof, and Franchisee shall pay the reasonable fees and expenses of such separate counsel, except that Franchisee shall not be required to pay the fees and expenses of separate counsel on behalf of the City for the City to bring or pursue any counterclaims or interpleader action, equitable relief, restraining order or injunction. The City's fees and expenses shall include all out-of-pocket expenses, such as consultants and expert witness fees, and shall also include the reasonable value of any services rendered by the counsel retained by the City but shall not include outside attorneys' fees for services that are unnecessarily duplicative of services provided the City by Franchisee. Each party agrees to cooperate and to cause its employees and agents to cooperate with the other party in the defense of any such claim and the relevant records of each party shall be available to the other party with respect to any such defense.

17.5 In the event that Franchisee refuses the tender of defense in any suit or any claim, as required pursuant to the indemnification provisions within this Franchise, and said refusal is subsequently determined by a court having jurisdiction (or such other tribunal that the parties shall agree to decide the matter), to have been a wrongful refusal on the part of Franchisee, Franchisee shall pay all of the City's reasonable costs for defense of the action, including all expert witness fees, costs, and attorney's fees, and including costs and fees incurred in recovering under this indemnification provision.

17.6 Inspection or acceptance by the City of any work performed by Franchisee at the time of completion of construction shall not be grounds for avoidance by Franchisee of any of its obligations under this Section 17. These indemnification obligations shall extend to claims that are not reduced to a suit and any claims that

may be compromised, with Franchisee's prior written consent, prior to the culmination of any litigation or the institution of any litigation.

17.7 Notwithstanding any other provisions of this Section 17, Franchisee assumes the risk of damage to its Facilities located in the Rights-of-Way and upon City-owned property from activities conducted by the City, its officers, agents, employees, volunteers, elected and appointed officials, and contractors, except to the extent any such damage or destruction is caused by or arises from any grossly negligent, willful, or criminal actions on the part of the City, its officers, agents, employees, volunteers, or elected or appointed officials, or contractors. In no event shall either party be liable to the other for any indirect, incidental, special, consequential, exemplary, or punitive damages, including, by way of example and not limitation, lost profits, lost revenue, loss of goodwill, or loss of business opportunity in connection with such party's performance or failure to perform under this Franchise. Franchisee releases and waives any and all such claims against the City, its officers, agents, employees, volunteers, or elected or appointed officials, or contractors. Franchisee further agrees to indemnify, hold harmless and defend the City against any claims for damages, including, but not limited to, business interruption damages and lost profits and consequential damages, brought by or under users of Franchisee's Facilities as the result of any interruption of service due to damage or destruction of Franchisee's Facilities caused by or arising out of activities conducted by the City, its officers, agents, employees or contractors, except to the extent any such damage or destruction is caused by or arises from the gross negligence or any willful, or criminal actions on the part of the City, its officers, agents, employees, volunteers, or elected or appointed officials, or contractors.

17.8 The provisions of this Section 17 shall survive the expiration, revocation, or termination of this Franchise.

Section 18. Insurance.

18.1 Franchisee shall procure and maintain for the duration of this Franchise Agreement and so long as Franchisee has Facilities in the Rights-of-Way,

insurance against claims for injuries to persons or damages to property which may arise from or in connection with the exercise of rights, privileges and authority granted to Franchisee, its agents representatives or employees. Franchisee shall cause each and every Subcontractor to provide insurance coverage that complies with all applicable requirements of the Franchisee-provided insurance as set forth herein, except the Franchisee shall have sole responsibility for determining the limits of coverage required to be obtained by Subcontractors. The Franchisee shall ensure that the City is an additional insured on each and every Subcontractor's Commercial General liability insurance policy using an endorsement as least as broad as ISO CG 2026.

18.2 No Limitation. Franchisee's maintenance of insurance as required by the agreement shall not be construed to limit the liability of the Franchisee to the coverage provided by such insurance, or otherwise limit the City's recourse to any remedy available at law or in equity.

18.3 Minimum Scope of Insurance. Franchisee shall obtain insurance of the types and coverage described below:

(a) Commercial General Liability insurance shall be at least as broad as Insurance Services Office (ISO) occurrence form CG 00 01 and shall cover liability arising from premises, operations, stop gap liability, independent contractors, products-completed operations, personal injury and advertising injury, and liability assumed under an insured contract. There shall be no exclusion for liability arising from explosion, collapse or underground property damage. The City shall be named as additional an insured on Franchisee's Commercial General Liability insurance policy with respect this Franchise Agreement using ISO Additional Insured-Managers or Lessors of Premises Form CG 20 26 07 04 or a substitute endorsement providing at least as broad coverage.

(b) Property insurance shall be written on an all risk basis.

18.4 Minimum Amounts of Insurance. Franchisee shall maintain the following insurance limits:

(a) Commercial General Liability insurance shall be written with limits no less than \$5,000,000 each occurrence, \$5,000,000 general aggregate;

(b) Property insurance shall be written covering the full value of Franchisee's property and improvements with no coinsurance provisions, but self-insurance shall be allowed for property insurance upon showing of compliance with the requirements of Section 18.11 of this Agreement;

(c) Franchisee's Pollution Liability insurance shall be written in an amount of at least \$2,000,000 per loss, with an annual aggregate of at least \$2,000,000, but self-insurance shall be allowed for Pollution Liability insurance upon showing of compliance with the requirements of Section 18.11 of this Agreement;

(d) Automobile Liability insurance at least as broad as ISO CA 00 01 including coverage for owned, non-owned, leased, or hired vehicles, as applicable, with a minimum limit of \$5,000,000 each accident for bodily injury and property damage; and

(e) Workers' Compensation insurance for Washington State as required by Title 51 RCW Industrial Insurance.

(f) Excess or Umbrella Liability insurance shall be written with limits of not less than \$5,000,000 per occurrence and annual aggregate. The Excess or Umbrella Liability requirement and limits may be satisfied instead through Franchisee's Commercial General Liability and Automobile Liability insurance, or any combination thereof that achieves the overall required limits.

(g) The City may reasonably increase the minimum policy limits and coverage from time to time as the City deems appropriate to adequately protect the City and the public.

18.5 Additional Insured. The Commercial General Liability insurance policy and Excess of Umbrella liability insurance, if any, shall name the City, its elected officials, officers, and employees as additional insureds as respects any covered liability arising out of Franchisee's performance of this Franchise. Coverage shall be in

an occurrence form and in accordance with the limits and provisions specified herein. Claims-made policies are not acceptable. Such insurance shall not be canceled, nor shall the occurrence or aggregate limits set forth above be reduced, until the City has received at least thirty (30) days' advance written notice of such cancellation or change. Franchisee shall be responsible for notifying the City of such change or cancellation.

18.6 Franchisee's Commercial General Liability, Automobile Liability, Excess or Umbrella Liability, Contractors Pollution Liability insurance policy or policies are to contain, or be endorsed to contain that they shall be primary insurance as respect to the City. Any Insurance, self-insurance, or self-insured pool coverage maintained by the City shall be excess of the Franchisee's insurance and shall not contribute with it.

18.7 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best rating of not less than A: VII.

18.8 Verification of Coverage. Franchisee shall furnish the City with certificates and a copy of the amendatory endorsements, including but not necessarily limited to the additional insured endorsement, evidencing the insurance requirements of the Franchisee. Upon request by the City, the Franchisee shall furnish and evidence of all subcontractors' coverage.

18.9 Notice of Cancellation. Franchisee shall provide the City with written notice of any policy cancellation that is not being immediately replaced by a substantially similar policy meeting the requirements of this Franchise within seven (7) business days of their receipt of such notice.

18.10 Failure to Maintain Insurance. Failure on the part of Franchisee to maintain the insurance as required shall constitute a material breach of the Franchise, upon which the City may, after giving 5 business days' notice to Franchisee to correct the breach, terminate the Lease or, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith, with any sums so expended to be repaid to the City on demand.

18.11 As of the effective date of this Franchise, Franchisee is not self-insured for coverage other than property damage and Pollution Liability. Should Franchisee wish to become self-insured at the other levels outlined in this Franchise at a later date, Franchisee must provide the City with thirty (30) days advanced written notice of its intent to self-insure. In order to self-insure, Franchisee shall comply with the following: (i) provide the City, upon request, a copy of Franchisee's or its parent company's most recent audited financial statements, if such financial statements are not otherwise publicly available; (ii) Franchisee or its parent company is responsible for all payments within the self-insured retention; (iii) Franchisee assumes all defense and indemnity obligations as outlined in the indemnification section of this Agreement. (iv) provide a written attestation that Franchisee possesses the necessary amount of unencumbered financial assets to support the financial exposure of self-insurance, as evidenced by an outside auditor's review of Franchisee's financial statements; and (v) the City, upon request, may review Franchisee's financial statements.

Abandonment of Franchisee's Telecommunications Network.

19.1 Upon the expiration, termination, or revocation of the rights granted under this Franchise, Franchisee shall remove all of its Facilities from the Rights-of-Way within sixty (60) days of receiving written notice from the City Manager or his/her designee. The Facilities, in whole or in part, may not be abandoned by Franchisee without written approval by the City. Any plan for abandonment or removal of Franchisee's Facilities must be first approved by the City Manager or his/her designee, and all necessary permits must be obtained prior to such work. Franchisee shall restore the Rights-of-Way to at least the same condition the Rights-of-Way were in immediately prior to any such installation, construction, relocation, maintenance or repair, provided Franchisee shall not be responsible for any changes to the Rights-of-Way not caused by Franchisee or any person doing work for Franchisee. Franchisee shall be solely responsible for all costs associated with removing its Facilities and restoring the Right-of-Way.

19.2 Notwithstanding Section 19.1 above, the City may permit Franchisee's improvements to be abandoned and placed in such a manner as the City may prescribe. Upon permanent abandonment, and Franchisee's agreement to transfer ownership of the Facilities to the City, Franchisee shall submit to the City a proposal and instruments for transferring ownership to the City.

19.3 Any Facilities which are not removed within one hundred (120) days of either the date of termination or revocation or the date the City issued a permit authorizing removal, whichever is later, shall automatically become the property of the City. Any costs incurred by the City in safeguarding such Facilities or removing the Facilities shall be reimbursed by Franchisee. Nothing contained within this Section 19 shall prevent the City from compelling Franchisee to remove any such Facilities through judicial action when the City has not permitted Franchisee to abandon said Facilities in place. The provisions of this Section 19 shall survive the expiration, revocation, or termination of this Franchise.

19.4 If Franchisee leases a structure in the Right-of-Way from a landlord and such landlord later replaces, removes or relocates the structure, for example by building a replacement structure, Franchisee shall remove or relocate its Facilities within the rights-of-way within ninety (90) days of such notification from the landlord at no cost to the City.

19.5 The provisions of this Section 19 shall survive the expiration, revocation, or termination of this Franchise and for so long as Franchisee has Facilities in Rights-of-Way.

Section 20. Security.

20.1 Within 30 days of the execution of this Franchise, Franchisee shall maintain and furnish to the City a Security in favor of the City. "Security" means either an executed performance bond, letter of credit, or a bank or cashier's check made payable to the City, or other form of security acceptable to the City for the purpose of protecting the City from the costs and expenses associated with Franchisee's failure

to comply with its material obligations under and throughout the life of this Franchise, including but not limited to, (a) the City's restoration of its Right-of-Way; (b) the City's removal of any of Franchisee's Facilities that are abandoned without approval or not properly maintained or that need to be removed to protect public health, safety, welfare, or City property; or (c) the City's remediation of environmental and hazardous waste issues caused by Franchisee after Franchisee receives reasonable notice from the City of any of the non-compliance listed above and opportunity to cure.

20.2 The amount of the Security shall be determined by mutual agreement by Franchisee and the City Attorney/City Manager in writing.

20.3 The Bond, if any, must be in a form approved by the City Attorney and issued by a corporate surety authorized and admitted to write surety bonds in Washington state. The surety must be listed on the current list of accepted sureties on federal bonds published by the United States Treasury Department or reinsured for any liability up to \$100,000.00, by a reinsurer listed on the U.S. Treasury list.

20.4 In the event the surety or party issuing the Security cancels or decides not to renew or extend the Security, Franchisee shall obtain, and provide to the City Attorney for approval, a replacement Security with another surety, authorized to do business in Washington, within 30 days of the date the Security has been cancelled or non-renewed. If Franchisee fails to provide the replacement Security within the 30-day period, the City Manager, after consulting with the City Attorney, may immediately suspend Franchisee from any further performance under this Franchise and begin procedures to terminate for default.

20.5 In the event that the City draws upon the Security, Franchisee must replenish the amount of the Security within 30 days. Notwithstanding any provisions of this Franchise to the contrary, the City Manager shall be required to notify Franchisee in writing as a precondition to drawing on, seeking payment under, or executing against the Security.

20.6 In the event that Franchisee shall fully and faithfully comply with all of the terms of this Franchise, the City shall return the Security to Franchisee within 60 days of the Franchise's expiration or termination, to the extent such Security is not otherwise applied consistent with this Franchise.

Section 21. Remedies to Enforce Compliance.

21.1 In addition to any other remedy provided in this Franchise, the City reserves the right to pursue any remedy available at law or in equity to compel or require Franchisee and/or its successors and assigns to comply with the terms of this Franchise and the pursuit of any right or remedy by the City shall not prevent the City from thereafter declaring a revocation for breach of the conditions. In addition to any other remedy provided in this Franchise, Franchisee reserves the right to pursue any remedy available at law or in equity to compel or require the City, its officers, employees, volunteers, contractors and other agents and representatives, to comply with the terms of this Franchise. Further, all rights and remedies provided herein shall be in addition to and cumulative with any and all other rights and remedies available to either the City or Franchisee. Such rights and remedies shall not be exclusive, and the exercise of one or more rights or remedies shall not be deemed a waiver of the right to exercise at the same time or thereafter any other right or remedy. Provided, further, that by entering into this Franchise, it is not the intention of the City or Franchisee to waive any other rights, remedies, or obligations as provided by law, equity or otherwise, and nothing contained in this Franchise shall be deemed or construed to affect any such waiver. The parties reserve the right to seek and obtain injunctive relief with respect to this Franchise to the extent authorized by applicable law and that the execution of this Franchise shall not constitute a waiver or relinquishment of such right. The parties agree that in the event a party obtains injunctive relief, neither party shall be required to post a bond or other security and the parties agree not to seek the imposition of such a requirement.

21.2 If either party violates or fails to comply with any of the provisions of this Franchise, or a permit issued as required by Section 8.2, or should it fail to heed

or comply with any notice given to such party under the provisions of this Franchise (the "Defaulting Party"), the other Party (the "Non-defaulting Party") shall provide the Defaulting Party with written notice specifying with reasonable particularity the nature of any such breach and the Defaulting Party shall undertake all commercially reasonable efforts to cure such breach within thirty (30) days of receipt of notification. If the Non-defaulting Party reasonably determines the breach cannot be cured within thirty (30) days, the Non-defaulting Party may specify a longer cure period, and condition the extension of time on the Defaulting Party's submittal of a plan to cure the breach within the specified period, commencement of work within the original thirty (30) day cure period, and diligent prosecution of the work to completion. If the breach is not cured within the specified time, or the Defaulting Party does not comply with the specified conditions, the Non-defaulting Party may pursue any available remedy at law or in equity as provided in Section 21.1 above, or in the event Franchisee has failed to timely cure the breach, the City, at its sole discretion, may elect to (1) revoke this Franchise pursuant to Section 22, (2) claim damages of Two Hundred Fifty Dollars (\$250.00) per day against Franchisee (and collect from the Franchise Bond if necessary), or (3) extend the time to cure the breach if under the circumstances additional time is reasonably required. Liquidated damages described in this Section 21.2 shall not be offset against any sums due to the City as a tax or reimbursement pursuant to Section 15.

Revocation. If Franchisee willfully violates or fails to comply with any material provisions of this Franchise, then at the election of the Mercer Island City Council after at least sixty (60) days prior written notice to Franchisee specifying the alleged violation or failure, the City may revoke all rights conferred and this Franchise may be revoked by the Council after a hearing held upon such notice to Franchisee. Such hearing shall be open to the public and Franchisee and other interested parties may offer written and/or oral evidence explaining or mitigating such alleged noncompliance. Within thirty (30) days after the hearing, the Mercer Island City Council, on the basis of the record, will make the determination as to whether there is cause for revocation, whether the Franchise will be terminated, or whether lesser sanctions should otherwise be imposed. The Mercer Island City Council may in its sole discretion fix an additional time period to cure violations. If the

deficiency has not been cured at the expiration of any additional time period or if the Mercer Island City Council does not grant any additional period, the Mercer Island City Council may by resolution declare the Franchise to be revoked and forfeited or impose lesser sanctions. If Franchisee appeals revocation and termination, such revocation may be held in abeyance pending judicial review by a court of competent jurisdiction, provided Franchisee is otherwise in compliance with the Franchise.

Non-Waiver. The failure of either party to insist upon strict performance of any of the covenants and agreements of this Franchise or to exercise any option conferred in any one or more instances shall not be construed to be a waiver or relinquishment of any such covenants, agreements, or option or any other covenants, agreements or option.

Police Powers and City Regulations. Nothing within this Franchise shall be deemed to restrict the City's ability to adopt and enforce all necessary and appropriate ordinances regulating the performance of the conditions of this Franchise and the franchises of similarly-situated entities, including any valid ordinance made in the exercise of its police powers in the interest of public safety and for the welfare of the public. The City shall have the authority at all times to reasonably control by appropriate regulations, consistent with 47 U.S.C. § 253, the location, elevation, manner of construction, and maintenance of any Facilities by Franchisee and other similarly-situated franchisees, and Franchisee shall promptly conform with all such regulations, unless compliance would cause Franchisee to violate other requirements of law. The City reserves the right to promulgate any additional regulations of general applicability as it may find necessary in the exercise of its lawful police powers consistent with 47 U.S.C. § 253. In the event of a conflict between the provisions of this Franchise and any other ordinance(s) enacted under the City's police power authority, such other ordinances(s) shall take precedence over this Franchise.

Cost of Publication. The cost of publication of this Franchise shall be borne by Franchisee.

Acceptance. Franchisee shall execute and return to the City its execution and acceptance of this Franchise in the form attached hereto as Exhibit B. The administrative

fee pursuant to Section 15.1 is due within thirty days of receipt of the invoice from the City. In addition, Franchisee shall file the certificate of insurance, self-insurance requirements, and the additional insured endorsements obtained pursuant to Section 18, and the Franchise Bond required pursuant to Section 20.

Survival. All of the provisions, conditions, and requirements of Section 5, Section 6, Section 8, Section 10, Section 11, Section 13, Section 14, Section 15, Section 17, Section 18, Section 19, Section 20, and Section 28 of this Franchise shall be in addition to any and all other obligations and liabilities Franchisee may have to the City at common law, by statute, or by contract, and shall survive this Franchise, and any renewals or extensions, to the extent provided for in those sections. All of the provisions, conditions, regulations, and requirements contained in this Franchise shall further be binding upon the successors, executors, administrators, legal representatives, and assigns of Franchisee and all privileges, as well as all obligations and liabilities of Franchisee shall inure to its successors and assigns equally as if they were specifically mentioned where Franchisee is named.

Section 28. Changes of Ownership or Control.

28.1 This Franchise may not be directly or indirectly assigned, transferred, or disposed of by sale, lease, merger, consolidation or other act of Franchisee, by operation of law or otherwise, unless approved in writing by the City, which approval shall not be unreasonably withheld, conditioned or delayed. The above notwithstanding, Franchisee may freely assign this Franchise in whole or in part to a parent, subsidiary, or affiliated entity, unless there is a change of control as described in Section 28.2 below, or for collateral security purposes. Franchisee shall provide prompt, written notice to the City of any such assignment. In the case of transfer or assignment as security by mortgage or other security instrument in whole or in part to secure indebtedness, such consent shall not be required unless and until the secured party elects to realize upon the collateral. For purposes of this Section 28, no assignment or transfer of this Franchise shall be deemed to occur based on the public trading of Franchisee's stock; provided, however, any tender offer, merger, or similar

transaction resulting in a change of control shall be subject to the provisions of this Franchise.

28.2 Any transactions that singularly or collectively result in a change of more than fifty percent (50%) of the: ultimate ownership or working control of Franchisee, ownership or working control of the Facilities, ownership or working control of affiliated entities having ownership or working control of Franchisee or of the Facilities, or of control of the capacity or bandwidth of Franchisee's Facilities, shall be considered an assignment or transfer requiring City approval. Transactions between affiliated entities are not exempt from City approval if there is a change in control as described in the preceding sentence. Franchisee shall promptly notify the City prior to any proposed change in, or transfer of, or acquisition by any other party of control of Franchisee. Every change, transfer, or acquisition of control of Franchisee shall cause a review of the proposed transfer. The City shall approve or deny such request for an assignment or transfer requiring City's consent within one-hundred twenty (120) days of a completed application from Franchisee, unless a longer period of time is mutually agreed to by the parties or when a delay in the action taken by the City is due to the schedule of the City Council and action cannot reasonably be obtained within the one hundred twenty (120) day period. In the event that the City adopts a resolution denying its consent and such change, transfer, or acquisition of control has been affected, the City may revoke this Franchise, following the revocation procedure described in Section 22 above. The assignee or transferee must have the legal, technical, financial, and other requisite qualifications to own, hold, and operate Franchisee's Services. Franchisee shall reimburse the City for all direct and indirect costs and expenses reasonably incurred by the City in considering a request to transfer or assign this Franchise, in accordance with the provisions of Section 15.3 and Section 15.4, and shall pay the applicable application fee.

28.3 Franchisee may, without prior consent from the City: (i) lease the Facilities, or any portion, to another person; (ii) grant an indefeasible right of user interest in the Facilities, or any portion, to another person; or (iii) offer to provide capacity or bandwidth in its Facilities to another person, provided further, that

Franchisee shall at all times retain exclusive control over its Facilities and remain fully responsible for compliance with the terms of this Franchise, and Franchisee shall furnish, upon request from the City, a copy of any such lease or agreement, provided that Franchisee may redact the name, street address (except for City and zip code), Social Security Numbers, Employer Identification Numbers or similar identifying information, and other information considered confidential under applicable laws provided in such lease or agreement, and the lessee complies, to the extent applicable, with the requirements of this Franchise and applicable City codes. Franchisee's obligation to remain fully responsible for compliance with the terms under this Section 28.3 shall survive the expiration of this Franchise but only if and to the extent and for so long as Franchisee is still the owner or has exclusive control over the Facilities used by a third party.

Entire Agreement. This Franchise constitutes the entire understanding and agreement between the parties as to the subject matter within this Franchise and no other agreements or understandings, written or otherwise, shall be binding upon the parties upon execution of this Franchise.

Eminent Domain. The existence of this Franchise shall not preclude the City from acquiring by condemnation in accordance with applicable law, all or a portion of Franchisee's Facilities for the fair market value. In determining the value of such Facilities, no value shall be attributed to the right to occupy the area conferred by this Franchise.

Vacation. If at any time the City, by ordinance and in accordance with applicable laws, vacates all or any portion of the area affected by this Franchise, the City shall not be liable for any damages or loss to the Franchisee by reason of such vacation. The City shall use reasonable efforts to reserve an appurtenant easement for public utilities within the vacated portion of the Rights-of-Way within which Franchisee may continue to operate existing Facilities under the terms of this Franchise for the remaining period of the term set forth in Section 1.1. Notwithstanding the preceding sentence, the City shall incur no liability for failing to reserve such easement. The City shall notify Franchisee in writing not less than sixty (60) days before vacating all or any portion of any such area. The City may, after

sixty (60) days' written notice to Franchisee, terminate this Franchise with respect to such vacated area.

Notice. Any notice or information required or permitted to be given to the parties under this Franchise shall be sent to the following addresses unless otherwise specified by personal delivery, overnight mail by a nationally recognized courier, or by U.S. certified mail, return receipt requested and shall be effective upon receipt or refusal of delivery:

CITY OF MERCER ISLAND
Attn: City Clerk
9611 SE 36th Street
Mercer Island, WA 98040
Telephone: (206) 275-7600

Forged Fiber 37, LLC c/o AT&T
Attn.: Legal Dept – Network Operations
Re: Mercer Island Franchise Agreement (WA)
208 S Akard Street
Dallas, TX 75202-4206
FF_Right_Of_Way@att.com
Emergencies: (425) 786-8816

Severability. If any section, sentence, clause, or phrase of this Franchise should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause, or phrase of this Franchise unless such invalidity or unconstitutionality materially alters the rights, privileges, duties, or obligations, in which event either party may request renegotiation of those remaining terms of this Franchise materially affected by such court's ruling.

Compliance with all Applicable Laws. Each party agrees to comply with all applicable present and future federal, state, and local laws, ordinances, rules, and regulations. This Franchise is subject to ordinances of general applicability enacted pursuant to the City's police powers. The City reserves the right at any time to amend this Franchise to conform to any enacted, amended, or adopted federal or state statute or regulation relating to the public health, safety, and welfare, or relating to roadway regulation, or a City ordinance enacted pursuant to such federal or state statute or regulation, when such statute, regulation, or ordinance necessitates this Franchise be amended in order to remain in compliance with applicable laws, but only upon providing Franchisee with thirty (30) days' written notice of its action setting forth the full text of the

amendment and identifying the statute, regulation, or ordinance requiring the amendment. Said amendment shall become automatically effective upon expiration of the notice period unless, before expiration of that period, Franchisee makes a written request for negotiations regarding the terms of the amendment. If the parties do not reach agreement as to the terms of the amendment within thirty (30) days of the call for negotiations, either party may pursue any available remedies at law or in equity.

Attorney Fees. If a suit or other action is instituted in connection with any controversy arising out of this Franchise, each party shall pay all its legal costs and attorney fees incurred in defending or bringing such claim or lawsuit, including all appeals, in addition to any other recovery or award provided by law; provided, however, nothing in this section shall be construed to limit the City's right to indemnification under Section 17 of this Franchise.

Hazardous Substances. Franchisee shall not introduce or use any hazardous substances (chemical or waste), in violation of any applicable law or regulation, nor shall Franchisee allow any of its agents, contractors, or any person under its control to do the same. Franchisee will be solely responsible for and will defend, indemnify, and hold the City, its officers, officials, employees, agents, and volunteers harmless from and against any and all claims, costs, and liabilities including reasonable attorney fees and costs, arising out of or in connection with the cleanup or restoration of the property to the extent caused by Franchisee's use, storage, or disposal of hazardous substances, whether or not intentional, and the use, storage, or disposal of such substances by Franchisee's agents, contractors, or other persons acting under Franchisee's control, whether or not intentional.

Licenses, Fees and Taxes. Prior to constructing any Facilities or providing Services within the City, Franchisee shall obtain a business or utility license from the City. Franchisee shall pay all applicable taxes on personal property and Facilities owned or placed by Franchisee in the Rights-of-Way and shall pay all applicable license fees, permit fees, and any applicable tax unless documentation of exemption is provided to the City and shall pay utility taxes and license fees properly imposed by the City under this Franchise.

Section 38. Miscellaneous.

38.1 The City and Franchisee respectively represent that their respective signatories are duly authorized and have full right, power, and authority to execute this Franchise on such party's behalf.

38.2 Any litigation between the City and Franchisee arising under or regarding this Franchise shall occur if in the state courts, in the King County Superior Court, and if in the federal courts, in the United States District Court for the Western District of Washington.

38.3 If this Franchise expires without renewal or is otherwise lawfully terminated or revoked, the City may, subject to applicable law:

(a) Allow Franchisee to maintain and operate its Facilities on a month-to-month basis, provided that Franchisee maintains insurance for such Facilities during such period and continues to comply with all terms contained in this Franchise; or

(b) The City may order the removal of any and all Facilities at Franchisee's sole cost and expense consistent with Section 19.

38.4 Section captions and headings are intended solely to facilitate the reading of this Franchise. Such captions and headings shall not affect the meaning or interpretation of the text within this Franchise.

38.5 Where the context so requires, the singular shall include the plural and the plural includes the singular.

38.6 Franchisee shall be responsible for obtaining all other required approvals, authorizations, and agreements from any party or entity and it is acknowledged and agreed that the City is making no representation, warranty, or covenant whether any of the foregoing approvals, authorizations, or agreements are required or have been obtained by Franchisee.

38.7 This Franchise is subject to all applicable federal, State and local laws, regulations and orders of governmental agencies as amended, including but not limited to the Communications Act of 1934, as amended, the Telecommunications Act

of 1996, as amended and the Rules and Regulations of the FCC. Neither the City nor Franchisee waive any rights they may have under any such laws, rules or regulations.

38.8 There are no third-party beneficiaries to this Franchise.

38.9 This Franchise may be enforced at both law and in equity.

Corrections by City Clerk or Code Reviser. Upon approval of the City Attorney, the City Clerk and the code reviser are authorized to make necessary corrections to this ordinance, including the correction of clerical errors; ordinance, section or subsection numbering; or references to other local, state or federal laws, codes, rules, or regulations.

Effective Date. This ordinance shall take effect and be in force five (5) days from and after its passage and publication as provided by law.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND THIS ____ DAY OF _____, 2026; AND SIGNED IN AUTHENTICATION OF ITS PASSAGE THIS ____ DAY OF _____, 2026.

Mayor

Attest: _____
City Clerk

APPROVED AS TO FORM:

City Attorney

PUBLISHED:

EFFECTIVE:

EXHIBIT A
Description of existing and/or initial facilities and system

As of the effective date of this Franchise, Franchisee has no owned Facilities located in the City's Rights-of-Way.

EXHIBIT B

STATEMENT OF ACCEPTANCE

Forged Fiber 37, LLC, a Delaware limited liability company ("Forged Fiber") for itself, its successors and assigns, accepts and agrees to be bound by all lawful terms, conditions and provisions of the Franchise attached and incorporated by this reference. Forged Fiber declares that it has carefully read the terms and conditions of this Franchise and unconditionally accepts all of the terms and conditions of the Franchise and agrees to abide by such terms and conditions. Forged Fiber has relied upon its own investigation of all relevant facts and it has not been induced to accept this Franchise and it accepts all reasonable risks related to the interpretation of this Franchise.

Forged Fiber 37, LLC,
a Delaware limited liability company

By: _____ Date: _____
Name: _____
Title: _____

ACKNOWLEDGEMENT

STATE OF _____)
)SS.
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the _____ of _____, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED:

Notary Seal	<hr/> <p>(Signature of Notary)</p> <hr/> <p>(Legibly Print or Stamp Name of Notary) Notary Public in and for the State of Washington My appointment expires: _____</p>
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BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6856
February 3, 2026
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6856: Capital Improvement Program Overview	<input checked="" type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Receive report and provide staff direction.	<input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENTS:	Public Works and Finance
STAFF:	Jason Kintner, Chief of Operations Matthew Mornick, Finance Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. 2025-2026 Capital Project List
CITY COUNCIL PRIORITY:	4. Focus efforts and actions to be an environmentally and fiscally sustainable, connected, and diverse community.

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

This agenda item provides information about the current Capital Improvement Program to better understand what projects could be delayed or canceled to free up funds for other projects – specifically facility projects.

- On January 6, 2026, the City Council directed staff to conduct a statistically valid survey of Mercer Island residents to collect community input on the recent Public Safety and Maintenance Facility Bond Measure. Survey results will inform priorities for future City facility planning ([AB 6844](#)).
- At the January 20, 2026 meeting, the City Council received an overview of the City's financial operations, emerging needs, and the schedule to develop the 2027-2028 Biennial Budget ([AB 6839](#)).
- At the same meeting, Council reallocated resources to support facility planning, including initial planning work required for occupancy of the newly acquired building at 9655 SE 36th Street, known as the 9655 Building ([AB 6850](#)).
- Exhibit 1 provides a detailed list of capital projects by category within the 2025-2026 CIP, as amended through Ordinance No. 25-33.
- Given the breadth of infrastructure investments needed to meet current and future demands on Mercer Island, the City has reached the practical limits of what can be accomplished within the 2025-2026 Capital Improvement Program using existing financial resources.
- If the City Council wishes to advance facility projects using current City resources, policy direction will be required to reprioritize capital investments.

- Staff are seeking initial feedback and policy direction from the City Council on how it wishes to proceed. This input will inform the scope, focus, and approach to capital planning discussions later this year.

BACKGROUND

CITY COUNCIL ACTIONS IN 2026

During the January 6, 2026 meeting, the City Council directed staff to conduct a statically valid survey of Mercer Island residents following the failure of Proposition No. 1 related to the Public Safety and Maintenance Facility ([AB 6844](#)). This data-informed approach will help gather community feedback to inform future facility planning work, capital projects, and next steps.

On January 20, 2026 the City Council received an overview of the City's financial operations, emerging priorities, and a look ahead at the schedule to develop the 2027-2028 Biennial Budget ([AB 6839](#)). Staff distinguished between the operating and capital components of the budget, how the City uses fund accounting to ensure the use of public funds is transparent and invested as intended, and the differences between restricted versus unrestricted resources.

At the same meeting, the City Council reallocated \$587,594 to fund facility planning needs, including initial planning work required for occupancy of the newly acquired building at the 9655 Building ([AB 6850](#)).

Together, this work represents the incremental decisions about near- and long-term facility needs during a period of significant capital reinvestment in City of Mercer Island infrastructure.

This agenda item represents the first of many discussions about the City's current financing strategy to complete critical improvements to public infrastructure on Mercer Island. Staff seeks to address City Council questions and receive input to inform policy that will help prioritize immediate facility needs and the use of the City's limited financial resources to develop the 2027-2032 Capital Improvement Program.

LONG-RANGE PLANNING FOR PUBLIC INFRASTRUCTURE

The City of Mercer Island is responsible for providing day-to-day public goods and services as well as making considerable long-term investments to operate, maintain, and improve public infrastructure. The operating component of the City's two-year budget sets the goals and objectives for each of the City's twelve Departments as well as the financial resources required to achieve these investments and service deliverables.

For the preservation, qualified maintenance, and future improvement of public infrastructure, several plans work in tandem to complete near-term infrastructure improvements in line with long-term community need.

The City's Comprehensive Plan is the high-level blueprint that establishes goals and policies affecting changes to land uses, natural resource protection, City facilities and services over a twenty-year period. Within that plan is the Capital Facilities Element, which acts as a master list of all the big-ticket infrastructure – like parks, water distribution and sewer conveyance systems, and transportation systems, among others – required to support that future vision.

The Capital Improvement Program (CIP) is the six-year financial road map that turns this long-term vision into reality. It identifies which projects will be prioritized, when they are constructed, and how the City will pay for

them. Together, these plans ensure the City tactically prepares for and completes infrastructure improvements that keep pace with the community's needs. Figure 1 outlines key differences between the two plans.

Figure 1

Feature	Capital Facilities Element	Capital Improvement Program (CIP)
Purpose	Long-range policy and growth management.	Tactical project scheduling and funding.
Horizon	20 years (visionary)	6 years (action-oriented)
Focus	Levels of service, future needs, and land use consistent with state laws.	Project costs, funding sources, and construction timing.
Legal Basis	Required by the Growth Management Act.	Legally binds spending every two years.
Components	Inventories assets. Forecasts demand for 20-yr.	List of projects, purpose, and financing plan.

Because of the City's biennial budget, the City Council updates the CIP every two years to adjust for inflation, review priorities, and pursue new grant opportunities while maintaining a financial strategy that plans for infrastructure improvements over a six-year horizon. The City organizes capital improvement projects within the CIP into two distinct categories:

- The **Capital Reinvestment Plan (CRP)** focuses on maintenance and rehabilitation of what the City already owns (e.g., repaving a road or replacing old water mains).
- The **Capital Facilities Plan (CFP)** focuses on new facilities (e.g., adding a new building or constructing an entirely new park). This portion of the capital budget is what directly implements the Capital Facilities Element in the Comprehensive Plan.

The CIP and the Capital Facilities Element of the Comprehensive Plan are co-dependent. While they share a common goal – to manage public infrastructure – they operate on different timelines and serve distinct legal purposes under the Washington State Growth Management Act.

CAPITAL FINANCING STRATEGY

Current Capital Funding

The 2025–2026 CIP matches specific infrastructure improvements to dedicated restricted revenues. This strategy ensures residents who use a specific service – like water or sewer – pay for those improvements through their utility rates; growth-related costs for adding capacity to the City's infrastructure is paid for by new development; and broader community assets are funded by taxes.

The 2025-2026 amended capital budget is \$111 million (as amended through Ordinance No. 25-33) as illustrated in Figure 2 on the following page.

Figure 2

FUND (\$ in millions)	AMENDED BUDGET		TOTAL
	2025	2026	
Special Revenue Fund			
110 Street Fund	\$ 6.4	\$ 7.3	\$ 13.7
Enterprise Funds			
410 Water Utilities Fund	24.7	15.1	39.8
420 Sewer Utilities Fund	7.8	5.1	12.9
430 Storm Water Utilities Fund	2.6	2.0	4.7
Internal Service Funds			
510 Equipment Rental Fund	2.2	2.4	4.7
520 Computer Equipment Fund	0.2	0.2	0.5
Capital Project Funds			
320 Capital Improvement Fund	14.2	9.6	23.8
330 Technology and Equipment Fund	0.7	0.4	1.1
350 Municipal Facility Replacement Fund	9.9	-	9.9
TOTAL	\$ 68.9	\$ 42.1	\$ 111.0

The City's Street Fund is a **Special Revenue Fund** that tracks all revenues and expenditures related to transportation. Examples include road overlays, bicycle facilities, and pedestrian accessibility improvements.

Revenues and expenditures for water, sewer, and storm water utilities are each accounted for in separate **Enterprise Funds** because these government activities are financed and operated like a private business. The revenues generated from each utility is restricted to the maintenance, operation, and investment for that respective utility.

Together the Water, Sewer, and Storm Water Funds make up the largest portion of the CIP, largely supported by utility rates and connection charges, along with outside financing in the form of state grants, low-interest public works trust fund (PWTF) loans, and the sale of limited tax general obligation (LTGO) bonds.

The City of Mercer Island has two **Internal Service Funds**: Equipment Rental Fund and Computer Equipment Fund. They account for the financing of vehicles, heavy equipment, public safety radios, and computer-related hardware and equipment. Their primary goal is to centralize common needs – like the vehicle fleet or computer network – and fund their operation, maintenance, and eventual replacement via internal user fees over time. This creates economies of scale and a stable funding mechanism for critical equipment.

Capital Project Funds include financial resources for the acquisition, maintenance, and construction of capital facilities other than those financed by Enterprise or Internal Service Funds. The Capital Improvement Fund accounts for revenues that can be spent on parks, open spaces, and facility-related capital projects. All investments related to technology software, furnishings, and equipment are paid for by the Technology and Equipment Fund. This fund is mostly supported by an annual contribution of general revenues from the General Fund. General revenues are unrestricted revenues – revenues that can be used for any municipal service.

Established in the wake of City Hall's permanent closure, the Municipal Facility Replacement Fund accounts for resources accumulated to address short- and long-term municipal facility needs.

Project Categories in the 2025-2026 CIP

The Capital Improvement Program is further organized into specific functional areas to create a clear "line of sight" between the City's strategic goals, financial accounting, and state legal requirements. Further, these project categories serve as a management tool to organize and prioritize the City's limited resources.

Figure 3 below organizes the City's 142 active capital projects into separate project categories, the kind of revenues that support these investments, and the corresponding Funds. Refer to Exhibit 1 for a detailed list of active capital projects. These figures represent the total resources allocated to capital project budgets in each asset category.

Figure 3

Project Category (\$ in millions)	Active Projects	Amended Budget 2025-2026 ¹	Type of Revenues	Fund(s)
Public Buildings	21	\$15.1	Real Estate Excise Tax (REET-1), grants, and general revenues.	320; 350; 001
Technology	8	\$1.1	General revenue, grants.	330; 001
Equipment	3	\$4.1	General revenue, grants.	330
Streets, Pedestrian, & Bicycle Facilities	24	\$12.3	REET-2, Transportation Benefit District vehicle fees, motor vehicle fuel taxes, grants, state shared revenues, and transportation impact fees.	110
Parks, Recreation, & Open Space	29	\$18.1	REET-1, REET-2, property taxes, 2022 parks levy, King County parks levy, grants, private contributions, parks impact fees, general revenues.	320
Water Utility	27 16	\$38.4 \$12.4	Water utility rates, connection charges, PWTF loans, LTGO debt financing.	410
Sewer Utility	16 14	\$12.4 \$4.2	Sewer utility rates, connection charges, grants, PWTF loan, LTGO debt financing.	420
Storm Water Utility	14 27	\$4.2 \$38.4	Storm water utility rates, connection charges, grants.	430

¹ Excludes administrative overhead for the capital improvement program.

State Laws and Local Policy

The 2025-2026 CIP relies on existing available fund balances, projected state shared revenues, and utility rates, along with the prudent use of outside funding including debt financing, state, and federal grants as outlined in Sections 4 and 5 of the City's [financial management policies](#). The General Fund is the sole source of funding for technology and equipment capital investments.

Even with various funding sources, most resources that fund the CIP are restricted. This means they carry enforceable limitations required by state law. For example, state laws limit how motor vehicle fuel tax revenues can be used (RCW 46.68). Eligible use is limited to maintaining the City's transportation network (e.g., filling potholes, paving streets, and maintaining traffic lights), which is why this revenue is distributed to the City's Street Fund.

The City's capital financing strategy has been to use these restricted revenues on a "pay as you go" basis for needed improvements. This strategy remains unchanged, except for costly utility and public building projects for which debt financing is used to "smooth" utility rate spikes or to match the costs of the project more

equitably to the benefit period. For example, staff secured a competitive low-interest loan from the Washington State Public Works Trust Fund (PWTF) in 2023 and proceeds from the sale of limited-tax general obligation (LTGO) bonds in 2024 to fund major investments in the City's water distribution system.

Use of Restricted Revenues

Within state requirements for the use of restricted revenues, the City Council may prioritize their use for specific capital investments. A good example of a local policy informed by state legal requirements is the City's budget policy for revenues from the Real Estate Excise Tax (REET).

Real Estate Excise Tax

REET is the 0.5% tax paid by the seller in property transactions. This is the largest source of revenue for capital projects in the Street and Capital Improvement Funds. State law restricts the use of REET revenues. REET-1 (the 1st quarter of 1% of the sale price) may be used for streets, parks, utilities, or facilities. REET-2 (the 2nd quarter of 1% of the sale price) may be used for streets, parks, or utilities, but may not be used for facilities. Neither REET-1 nor REET-2 may be used for equipment or technology.

Put differently, 100% of REET can be used for streets, parks, or utilities. Whereas 50% of REET can be used on public facilities.

Per City Council policy established in 2019, the City's financing strategy for the capital budget commits all REET-1 revenues to the Capital Improvement Fund. REET-2 is split – 10% goes to the Capital Improvement Fund (320) and the remaining 90% to the Street Fund (110) for the construction and maintenance of the transportation network. Figure 4 provides REET revenue actuals and their distributions for the past three years.

Figure 4

REET Allocation per Council Policy			Fiscal Year (\$ in millions)		
Fund	Type	%	2023	2024	2025
320 - Capital Improvement	REET-1	100%	\$ 1.7	\$ 2.0	\$ 1.9
110 - Street	REET-2	90%	1.5	1.8	1.7
320 - Capital Improvement	REET-2	10%	0.2	0.2	0.2
320 Subtotal			\$ 1.9	\$ 2.2	\$ 2.1
110 Subtotal			1.5	1.8	1.7
Total REET			\$ 3.4	\$ 3.9	\$ 3.9

It is within the City Council's discretion to modify the REET financing strategy based on near and long-term CIP projects and the available resources to fund these infrastructure needs.

For example, the City Council could revise this current policy so that 50% of REET-2 revenues were allocated to park and open space improvements via the Capital Improvement Fund, and the remaining 50% of REET-2 revenues would be allocated to the Street Fund to invest in the City's transportation system. The result is more resources available for park improvements, and in turn, public facility improvements. Completion of future investments in the City's transportation system would then rely on outside funding sources like state and federal grants or be deferred to a later time.

State law and local policy guide the application of restricted revenues towards eligible uses. In practice, a clear nexus must exist between a project component and the restricted revenue.

Utility Rate Revenues

In Washington state, the relationship between City operations and its water, sewer, and storm water utilities are governed by a strict "nexus" of cost of service (RCW 35.92). Because the City of Mercer Island operates its utilities as Enterprise Funds, there is a legal firewall between the money customers pay in their bill and the money the City uses for general services like parks or public safety. Refer to [AB 6839](#) for additional information regarding Fund Accounting.

Following this example, rates for utilities must be "just and reasonable" and based on the actual cost of providing the service. Eligible uses of revenues collected for utility service include the operation and maintenance, capital improvements, and debt service for the utility. This includes the cost to house City staff who manage the operation, billing, capital maintenance and reinvestment for the water, sewer and storm water utility systems.

Staff rely on state law (RCW 43.09.210) and the City's cost allocation plan (Financial Management Policies – [Appendix B, section 5.8 Facilities](#)) to determine the "proportionate share" of City facility expenses that can be paid for with rate revenues from the utility funds.

The "nexus" requirement is not just a policy preference; it is a legal requirement to ensure that utility ratepayers are not unconstitutionally subsidizing the general functions of the city. In practice, this "true cost mandate" is calculated based on the total square footage by FTE.

For example, if a new City facility houses 100 new staff members – 10 of which oversee the City's water utility operations – than 10% of the new facility can be paid for with rate revenues in the Water Fund. However, if water rate revenues paid for 50% of said facility, the City would be in violation of state law and its own local policies because the utility is "benefitting" the General Fund.

In summary, the use of capital revenues must comply with state laws. The City Council's policy decisions within the state's enforceable limitations is how restricted revenues are prioritized to best serve the Mercer Island community. Not just within two-year budget appropriations or the six-year planning period of the current Capital Improvement program, but also so infrastructure improvements keep pace with the community's needs over a 20-year horizon as outlined in the City's Comprehensive Plan.

ISSUE/DISCUSSION

In January, the City Council requested additional information on the current Capital Improvement Program to better understand which projects could be delayed or deferred to free up funding for other priorities, particularly facility projects.

Exhibit 1 provides a detailed list of capital projects by category within the 2025-2026 CIP, as amended through Ordinance No. 25-33. Included is each project's identification number, title, amended budget for fiscal years 2025 and 2026, and eligible funding sources based on state law and local policy direction. More information about each capital project can be found within [Section E of the Adopted 2025-2026 Biennial Budget](#), specifically detailed project summary pages (E-11 through E-173).

Exhibit 1 includes two columns that indicate which 2026 capital projects are funded with revenues that could potentially be repurposed to support facility projects. For example, the City Council allocated \$77,766 in the 2026 capital budget to improve the pedestrian and passive recreational amenities at Wildwood Park

(90.25.0040). This project is funded with REET-1 revenues, and the project scope includes a new park sign on Island Crest Way, a soft surface perimeter path, and installation of an ADA trail connection from Island Crest Way to 86th Avenue SE. As an example, the City Council could choose to delay this project work and reprioritize the associated REET-1 resources to invest in public facility improvements.

City Council Discussion

Given the breadth of infrastructure investments needed to meet current and future demands on Mercer Island, the City has reached the practical limits of what can be accomplished within the 2025–2026 Capital Improvement Program using existing financial resources. If the City Council wishes to advance facility projects using current City resources, policy direction will be required to reprioritize capital investments.

Potential questions for the City Council to consider in approaching this discussion:

1. What questions does the City Council have regarding current capital projects, including project sequencing, funding, or related considerations?
2. What about the long-term capital project plan?
3. Should capital funding be reprioritized to advance facility projects? If so, to what extent, and what process would the City Council like to use to review and adjust the project list?
4. What guiding principles should inform decisions about reprioritizing capital investments (e.g., life-safety, continuity of operations, regulatory requirements, asset condition, community impact)?
5. How should we engage with the community on these discussions?

Staff are seeking initial feedback and direction from the City Council on how it wishes to proceed. This input will inform the scope, focus, and approach to capital planning discussions later this year.

NEXT STEPS

Staff will receive the feedback and return to the City Council with additional information on the capital program. This work is intended to continue this year and will inform future facility planning as well as development of the 2027-2028 budget.

In March, findings from the community survey will be shared with the City Council.

RECOMMENDED ACTION

Receive report and provide initial staff direction.

Project	Capital Project Title	Amended Budget		Repurpose to Capital Facilities?	Repurpose to Streets/Parks?	Funding Sources
		2025	2026			
Public Buildings						
90.05.0001	City Facility As-Builts	\$ 50,000	\$ 18,145	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0002	MICEC HVAC Replacement	696,000	-	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0003	MICEC Ground Water Intrusion	114,000	236,411	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0004	City Hall Operational Contingency	57,000	34,200	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0005	PW Safety/ Continued Occupancy	118,040	75,240	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0006	MICEC Facility Repairs	230,280	76,380	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0007	MICEC Annex Facility Repairs	114,000	44,460	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0008	Luther Burbank Facility Repairs	156,800	119,700	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0009	Luther Burbank Caretaker Facility Repairs	37,620	43,890	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0010	Thrift Shop Facility Repairs	34,200	145,920	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0011	MICEC Emergency Generator	-	103,405	Yes (REET-1).	Yes (REET-1).	REET-1.
90.05.0012	Public Safety Maintenance Facility	807,064	-			General Fund surplus, REET-1, Interest.
90.05.0013	Honeywell Site Remediation	222,500	222,500			General revenue, water, sewer, storm utility rates.
90.05.0014	Fire Station 91 Fuel Tank Removal	-	250,000			General revenue, water, sewer, storm utility rates.
90.05.0015	Facility Access Security	171,434	-			REET-1.
90.05.0016	PW Building Seismic Retrofits	1,138,420	-			REET-1.
90.05.0017	ADA Improvements	15,000	-			REET-1.
90.05.0018	Thrift Shop Repairs	520,000	-			REET-1.
90.05.0019	Fire Station Facility Repairs	115,000	-			REET-1.
90.05.0020	9655 Building Acquisition	9,117,270	-			General Fund surplus, REET-1, Interest.
90.05.0021	9655 Building Space Planning	-	-			General Fund surplus, REET-1, Interest.
Public Buildings Subtotal		\$ 13,714,628	\$ 1,370,251			
Technology						
90.10.0001	City-Data via Dashboards & WebGIS	\$ 40,000	\$ 41,476	Yes.	Yes.	General revenue.
90.10.0002	Mobile Asset Data Collection	105,000	-			Storm water utility rates and REET-2.
90.10.0003	High Accuracy Aerial Orthophotos	-	41,475	Yes.	Yes.	General revenue.
90.10.0005	Lead Service Line Revision	25,000	25,922			Water utility rates.
90.10.0007	Technology Equipment Replacement	225,400	231,589			Computer replacement reserve.
90.10.0008	Emergency Equipment & Technology	25,000	25,000	Yes.	Yes.	General revenue.
90.10.0009	Recreation and Facility Booking Software	40,000	114,058	Yes.	Yes.	General revenue.
90.10.0010	Financial Software Implementation	202,208	-			General revenue, utility rates from water, sewer, and storm water.
Technology Subtotal		\$ 662,608	\$ 479,520			
Equipment						
90.15.0001	Electric Vehicle Charging Infrastructure Plan	\$ 200,000	\$ 50,000			Grants, General revenue.
90.15.0002	MICEC Technology and Equipment Replacement	58,000	58,000			General revenue (MICEC rental and property tax revenue).
90.15.0003	Fleet Replacements	1,921,445	1,861,254			Vehicle replacement reserve.
Equipment Subtotal		\$ 2,179,445	\$ 1,969,254			
Streets, Pedestrians, and Bicycle Facilities						
90.20.0001	Residential Street Resurfacing	\$ 940,000	\$ 974,677			Yes (REET-2).
90.20.0002	Arterial Preservation Program	78,000	80,877	Yes (REET-2).	Yes (REET-2).	Transportation Benefit District (TBD) Revenue, REET-2.
90.20.0003	ADA Transition Plan Implementation - Phase 2	250,000	259,223			TBD, Impact fees.
90.20.0004	Traffic Safety and Operations Improvements	100,000	103,689	Yes (REET-2).	Yes (REET-2).	State shared revenues, and Impact fees.
90.20.0005	Pedestrian and Bicycle Facility Plan Implementation	50,000	51,845			Yes (REET-2).
90.20.0006	40th Street Sidewalk Improvements	-	1,114,145	Yes (REET-2).	Yes (REET-2).	TBD, Impact fees, and utility rates from water, sewer, and storm water.
90.20.0007	78th Ave Sidewalk Improvements	-	77,000	Yes (REET-2).	Yes (REET-2).	TBD, REET-2, and utility rates.
90.20.0008	Gallagher Hill Rd Overlay Improvements	-	587,549	Yes (REET-2).	Yes (REET-2).	REET-2 (moved to Fund 320 via AB 6850 on 1/20/2026).
90.20.0009	Gallagher Hill Road Sidewalk Improvements	-	601,938	Yes (REET-2).	Yes (REET-2).	TBD, REET-2, Impact fees, utility rates from water, sewer, and storm water.
90.20.0010	SE 40th St Overlay (88th to 93rd) Improvements	-	418,370	Yes (REET-2).	Yes (REET-2).	TBD, REET-2, utility rates from water, sewer, and storm water.
90.20.0012	76th Ave SE Mid-Block Xing Improvements	56,000	285,145			TBD and Impact fees.
90.20.0013	ICW Corridor Improvements	225,000	233,300	Yes (REET-2).	Yes (REET-2).	TBD, REET-2, grants.
90.20.0014	SE 27th St Overlay (76th to 80th)	-	692,643	Yes (REET-2).	Yes (REET-2).	TBD, REET-2, TC Parking Reserve, utility rates from water, sewer, and storm water.
90.20.0016	EMW Roadside Shoulders P11 Improvements	-	75,000	Yes (REET-2).	Yes (REET-2).	TBD, REET-2, utility rates from water, sewer, and storm water.
90.20.0017	76th & NMW Overlay Improvements	-	160,718	Yes (REET-2).	Yes (REET-2).	TBD, REET-2.
90.20.0018	Pedestrian and Bicycle Facility Plan Update	-	200,000			TBD, grants, utility rates from water, sewer, and storm water.
90.20.0023	SE 36th Street Overlay Improvements	-	678,620	Yes (REET-2).	Yes (REET-2).	TBD, REET-2, utility rates from water, sewer, and storm water.
90.20.0024	Town Center Long-Term Regional Transportation	2,550,000	-			TBD, REET-2.
90.20.0034	NMW Sidewalk Improvements	-	-			TBD, Impact fees, utility rates from water, sewer, and storm water.
90.20.0035	80th Ave Pedestrian Improvements	874,727	-			TBD, REET-2.
90.20.0036	ADA Transition Plan Implementation - Phase 1	59,654	-			TBD, REET-2.
90.20.0037	Island Crest Way Corridor Improvements	436,048	-			TBD, REET-2.
90.20.0038	Traffic Signal Safety Improvements	69,877	-			TBD, REET-2.
90.20.0039	4004 ICW Property Landscaping	15,000	-			TBD, REET-2.
Streets, Pedestrians, and Bicycle Facilities Subtotal		\$ 5,704,306	\$ 6,594,739			
Parks, Recreation, and Open Space						
90.25.0001	Open Space Management	\$ 363,600	\$ 380,783	Yes (REET-1).	Yes (REET 1/2).	Mercer Island (MI) parks levy, REET-1 and REET-2.
90.25.0002	Recurring Parks Minor Capital	168,000	174,198	Yes (REET-1).	Yes (REET-1).	REET-1.
90.25.0003	Trail Renovation and Property Management	58,000	60,000	Yes (REET-1).	Yes (REET-1).	REET-1.
90.25.0005	Aubrey David Park Lid A Backstop Replacement	86,976	-			REET-1.
90.25.0006	Aubrey David Park Vegetation Management	125,000	125,000	Yes (REET-1).	Yes (REET-1).	REET-1.
90.25.0009	Aubrey David Park Intx and Crossing Improvements	50,000	50,000	Yes (REET-1).	Yes (REET-1).	REET-1.
90.25.0012	Aubrey David Park Lid A Playground	-	86,067	Yes (REET-1).	Yes (REET-1).	MI parks levy, REET-1.
90.25.0013	Clarke and Groveland Beach Joint Master Plan	200,000	51,845	Yes (REET-1).	Yes (REET-1).	REET-1.
90.25.0014	Clarke Waterfront Improvements	-	150,000	Yes (REET-1).	Yes (REET-1).	REET-1.
90.25.0015	Deane's Play Area Improvements	200,000	1,300,000			MI parks levy, King County (KC) parks levy, donations.
90.25.0017	Hollerbach SE 45th Trail System	103,689	-			Grants, KC parks levy.
90.25.0019	Luther Burbank Park (LBP) Minor Capital	113,333	114,466			KC parks levy.
90.25.0020	LBP Dock & Waterfront Improvements	6,038,636	1,524,229	Yes (REET-1).	Yes (REET-1).	Grants, REET-1.
90.25.0022	LBP Central Lighting and Parking	-	2,727,300	Yes (REET-1).	Yes (REET-1).	Grants.
90.25.0029	MICEC to Luther Burbank Park Stair Replacement	-	53,689	Yes (REET-1).	Yes (REET-1).	REET-1.
90.25.0033	PROS Plan 6-Year Update	-	50,000	Yes (REET-1).	Yes (REET-1).	REET-1.
90.25.0034	Pioneer Park/Engstrom Forest Management	498,493	428,738	Yes (REET-1).	Yes (REET-1).	MI parks levy.
90.25.0037	Sport Courts Improvements	-	50,000	Yes (REET-1).	Yes (REET-1).	Grants, REET-1.
90.25.0038	Spray Park Site Analysis	75,000	-			REET-1.
90.25.0039	System Property Acquisition Reserve	500,000	500,000	Yes (REET-1).	Yes (REET-1).	REET-1.
90.25.0040	Wildwood Park Improvements	-	77,766	Yes (REET-1).	Yes (REET-1).	REET-1.
90.25.0043	First Hill Playground Replacement	650,000	-			MI parks levy and KC parks levy.
90.25.0044	Mercerdale Park Improvements	-	100,000			Grants.
90.25.0045	ICP Backstop Replacements	250,000	-			KC parks levy.
90.25.0046	Luther Burbank Park Sport Courts Renovation	171,365	-			REET-1.
90.25.0047	Luther Burbank Park Boiler Building Phase 1	43,834	-			REET-1.
90.25.0048	ADP Trail Safety Improvements	161,436	-			REET-1.
90.25.0049	Luther Burbank Park South Shoreline Restoration	10,000	-			REET-1.
90.25.0050	Roanoke Park Playground Replacement	191,234	-			REET-1.
Parks, Recreation, and Open Space Subtotal		\$ 10,058,596	\$ 8,004,081			

Project	Capital Project Title	Amended Budget 2025	Amended Budget 2026	Repurpose to Capital Facilities?	Repurpose to Streets/Parks?	Funding Sources
Sewer Utility						
90.30.0001	Emergency Sewer System Repairs	\$ 50,000	\$ 51,850			Sewer utility rates.
90.30.0002	Backyard Sewer System Improvement Program	130,000	124,427			Sewer utility rates.
90.30.0003	Sewer System Components	50,000	51,845			Sewer utility rates.
90.30.0004	Pump Station Access Improvements	30,000	31,110			Sewer utility rates.
90.30.0005	Pump Station Rehabilitation	1,593,799	2,732,206			Sewer utility rates.
90.30.0006	Wet Well Cleaning & Restoration	130,000	133,650			Sewer utility rates.
90.30.0007	Lake Line Reach 1 Capacity Improvements	1,784,311	1,079,513			Sewer utility rates.
90.30.0008	Sewer Pipe Replacements & Upsizing	-	250,000			Sewer utility rates.
90.30.0009	Comp Hydraulic Model Development	250,000	-			Sewer utility rates.
90.30.0010	Comprehensive I / I Evaluation	100,000	103,689			Sewer utility rates.
90.30.0011	74th, 76th, & 77th Sewer Upgrades	90,000	129,611			Sewer utility rates.
90.30.0012	Sewer Easements and Right-Of-Way	6,890	-			Sewer utility rates.
90.30.0013	General Sewer Plan Update	-	134,796			Sewer utility rates.
90.30.0023	Sewer System Generator Replacement	1,069,826	-			Sewer utility rates.
90.30.0024	SCADA System Replacement (Sewer)	1,367,868	-			Sewer utility rates.
90.30.0025	Pump Station Replacement Design	909,964	-			Sewer utility rates.
Sewer Utility Subtotal		\$ 7,562,658	\$ 4,822,697			
Storm Water Utility						
90.35.0001	Emergency Storm Water Conveyance System Repairs	\$ 50,000	\$ 51,845			Storm water utility rates.
90.35.0002	Street Related Storm Drainage Improvements	150,000	155,533			Storm water utility rates.
90.35.0003	Conveyance Condition Assessment	100,000	103,689			Storm water utility rates.
90.35.0004	Stormwater System Improvements	400,000	414,756			Storm water utility rates.
90.35.0005	SW Monitoring Instrumentation	60,000	62,213			Storm water utility rates.
90.35.0006	WMW Culvert Replacements	100,000	466,600			Storm water utility rates.
90.35.0007	Watercourse Condition Update	250,000	-			Storm water utility rates.
90.35.0008	SB 22.1 & 25b.2 Watercourse Improvements	380,000	-			Storm water utility rates.
90.35.0009	SB 46a.3 Watercourse Improvements	-	544,368			Storm water utility rates.
90.35.0014	SB 23.2 Watercourse Improvements	300,000	-			Storm water utility rates.
90.35.0015	SB 25b Neighborhood Drainage Improvements	425,000	-			Storm water utility rates.
90.35.0016	SB 46a.3 Watercourse Stabilization	50,000	-			Storm water utility rates.
90.35.0017	SB 29.3 Watercourse Stabilization	132,405	-			Storm water utility rates.
90.35.0018	SB 18C Drainage Improvement	50,000	-			Storm water utility rates.
Storm Water Utility Subtotal		\$ 2,447,405	\$ 1,799,004			
Water Utility						
90.40.0001	Emergency Water System Repairs	\$ 445,280	\$ 207,379			Water utility rates.
90.40.0002	Water System Components Replacements	50,000	51,845			Water utility rates.
90.40.0003	Modeling & Fire Flow Analysis	40,000	41,476			Water utility rates.
90.40.0004	Street Related Water System Improvements	150,000	155,533			Water utility rates.
90.40.0005	2024 PRV Station Construction	2,500,000	-			Water utility rates.
90.40.0007	2025 WSI: Greenbrier Loop	400,000	-			Water utility rates.
90.40.0008	WS Regulatory Compliance Plans	225,000	233,300			Water utility rates.
90.40.0009	Reservoir Security Improvements	50,000	155,533			Water utility rates.
90.40.0010	Water System Instrumentation	75,000	77,767			Water utility rates.
90.40.0011	First Hill VFD Replacement	50,000	269,591			Water utility rates.
90.40.0012	First Hill Generator Replacement	640,000	570,290			Water utility rates.
90.40.0013	2025 AC Main Replacement	1,067,130	4,633,365			Debt financing, Water utility rates.
90.40.0014	2026 Water System Improvements	117,150	516,371			Water utility rates.
90.40.0015	2026 PRV Station Replacements	395,000	2,099,703			Water utility rates.
90.40.0016	2026 AC Main Replacement	-	595,727			Water utility rates.
90.40.0017	2027 Water System Improvements	-	513,420			Water utility rates.
90.40.0018	2027 PRV Station Replacements	-	409,572			Water utility rates.
90.40.0031	2024 Water System Improvements - Construction	4,820,000	-			Water utility rates.
90.40.0032	City Transmission Line Replacement	1,870,000	3,878,380			Debt financing, Water utility rates.
90.40.0033	Water Reservoir Improvements	2,675,241	-			Debt financing, Water utility rates.
90.40.0034	Water Meter Replacement Program	1,419,326	-			Debt financing, Water utility rates.
90.40.0035	Water Meter Replacement Program	1,432,866	-			Debt financing, Water utility rates.
90.40.0036	PRV Station Replacements	1,099,868	-			Water utility rates.
90.40.0037	2023 Water System Improvement	15,000	-			Water utility rates.
90.40.0038	Reservoir Standby Generator	502,588	-			Water utility rates.
90.40.0039	2024 AC Main Replacement	3,880,720	-			Debt financing, Water utility rates.
90.40.0040	SCADA System Replacement (Water)	75,000	-			Water utility rates.
Water Utility Subtotal		\$ 23,995,169	\$ 14,409,252			
TOTAL		\$ 66,324,815	\$ 39,448,798			



2026 PLANNING SCHEDULE

Item 12.

Please email the City Manager & City Clerk when an agenda item is added, moved, or removed.

Items are not listed in any particular order. Agenda items & meeting dates are subject to change.

FEBRUARY 3, 2026 ABSENCES: Weiker		DD 1/22	FN 1/23	CA 1/23	Clerk 1/26	CM 1/26
ITEM TYPE TIME TOPIC					STAFF	
SPECIAL BUSINESS						
60	AB 6853: Sound Transit Presentation					Jessi Bon
30	AB 6852: 2024 Financial, Accountability & Federal Audit Exit Conference					Matt Mornick/LaJuan Tuttle
CONSENT AGENDA						
--	AB 6854: January 25, 2026 Payroll Certification					Ali Spietz/Nicole Vannatter
--	AB 6855: Certification of Claims January 1-15, 2026					LaJuan Tuttle/Ashley Olson
--	AB 6851: Card Reader Capital Project Closeout					Jason Kitner/Kellye Hilde/Merrill Thomas-Schadt
--	AB 6867: Reservoir Booster Pump Station Upgrades Project Closeout					Jason Kitner/Kellye Hilde/Chris Marks
--	AB 6868: Sewer SCADA System Replacement Project Change Order & Fund Reallocation					Jason Kitner/Kellye Hilde/Chris Marks
REGULAR BUSINESS						
15	AB 6859: ARCH Housing Trust Fund Project Approvals					Jeff Thomas/Alison Van Gorp/Lindsay Masters
30	AB 6857: Forged Fiber 37, LLC Franchise Agreement (Ord. No. 26-01, First Reading)					Jason Kintner/Kellye Hilde/Rebecca Corigliano
30	AB 6856: Capital Improvement Program Overview					Jason Kintner/ Matt Mornick
EXECUTIVE SESSION						
30	Executive Session for planning or adopting the strategy or position to be taken by the City Council during the course of any collective bargaining, professional negotiations, or grievance or mediation proceedings, or reviewing the proposals made in the negotiations or proceedings while in progress pursuant to RCW 42.30.140(4)(b) and to discuss with legal counsel pending or potential litigation pursuant to RCW 42.30.110(1)(i).					

FEBRUARY 5, 2026 SPECIAL MEETING – 6:00 PM		DD	FN	CA	Clerk	CM
ABSENCES:	JOINT MEETING WITH MERCER ISLAND SCHOOL BOARD IN PERSON @ SCHOOL DISTRICT ADMINISTRATION BUILDING BOARD ROOM					

FEBRUARY 17, 2026		DD 2/5	FN 2/6	CA 2/6	Clerk 2/9	CM 2/9
ITEM TYPE TIME TOPIC		STAFF				
STUDY SESSION						
SPECIAL BUSINESS						
CONSENT AGENDA						
--	AB 6860: February 10, 2026 Payroll Certification					Ali Spietz/Nicole Vannatter

--	AB 6861: Certification of Claims January 16-31, 2026	LaJuan Tuttle/Ashley O	Item 12.
--	AB 6862: Rare Disease Day, Proclamation No. 377	Mayor Rosenbaum/Andrea Larson	
--	AB 6863: ARCH Administrative Agency Delegation (Resolution No. 1688)	Jeff Thomas/Madelyn Nelson	
--	AB 6864: ARCH Down Payment Assistance Program Updates (Resolution No. 1689)	Jeff Thomas/Madelyn Nelson	
--	AB 6869: First Hill Booster Pump Station Generator Replacement Bid Award	Jason Kitner/Kellye Hilde/Chris Marks	
--	AB 6870: Parking Enforcement System Appropriation Request	Michelle Bennett/Carson Hornsby	

REGULAR BUSINESS

60	AB 6865: GMA Compliance Strategy	Jeff Thomas/Alison Van Gorp/Michaela Jellicoe
15	AB 6866: GMA Compliance Scope, Schedule and Community Engagement Plan	Jeff Thomas/Alison Van Gorp/Madelyn Nelson

EXECUTIVE SESSION

MARCH 3, 2026 ABSENCES: Larson	DD 2/19	FN 2/20	CA 2/20	Clerk 2/23	CM 2/23
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ITEM TYPE TIME TOPIC	STAFF
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STUDY SESSION

30	AB xxxx: Sustainability Work Program Annual Update	Jason Kintner/Kellye Hilde/Alaine Sommargren/Alanna DeRogatis
30	AB 6836: Electric Vehicle Charging Infrastructure Plan Project Update	Jason Kintner/Kellye Hilde/Alaine Sommargren/Alanna DeRogatis

SPECIAL BUSINESS

CONSENT AGENDA

--	AB xxxx: February 25, 2026 Payroll Certification	Ali Spietz/Nicole Vannatter
--	AB xxxx: Certification of Claims February 1-15, 2026	LaJuan Tuttle/Ashley Olson
--	AB 6858: Modification to the Interlocal Agreement for the Independent Force Investigation Team of King County (IFIT-KC)	Michelle Bennett/Jeff Magnan
--	AB xxxx: Forged Fiber 37, LLC Franchise Agreement (Ord. No. 26-01; Second Reading)	Jason Kintner/Rebecca Corigliano
--	AB xxxx: Island Crest Way Corridor Improvements Trail Easement	Jason Kintner/Rebecca Corigliano
--	AB xxxx: Safe Streets and Roads for All Program Grant Agreement	Jason Kintner/Rebecca Corigliano
--	AB xxxx: Reservoir Standby Generator Replacement Project Closeout	Jason Kitner/Kellye Hilde/Chris Marks

REGULAR BUSINESS

15	AB xxxx: Public Hearing and first Ordinance reading to renew Interim Regulations related to STEP Housing (HB 1220)	Jeff Thomas/Molly McGuire
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15	AB xxxx: Arts Council and Open Space Conservancy Trust Vacancy Appointments	Mayor Rosenbaum/An Larson	Item 12.
120	AB xxxx: Review of City Facility Strategy Community Engagement Results and Council Direction on Facility Strategy Goals & Objectives	Jessi Bon/Jason Kintner/Kellye Hilde/Robbie Cunningham Adams	
	AB 6841: 2025-2026 Work Plan Update	Jessi Bon	
EXECUTIVE SESSION			

MARCH 17, 2026	ABSENCES:	DD 3/5	FN 3/6	CA 3/6	Clerk 3/9	CM 3/9
ITEM TYPE TIME TOPIC				STAFF		
STUDY SESSION						
60	AB xxxx: Deane's Children's Park Site Plan – Preferred Site Plan Review	Jason Kintner/Kellye Hilde/ Shelby Perrault				
SPECIAL BUSINESS						
CONSENT AGENDA						
--	AB xxxx: March 10, 2026 Payroll Certification	Ali Spietz/Nicole Vannatter				
--	AB xxxx: Certification of Claims February 16-28, 2026	LaJuan Tuttle/Ashley Olson				
--	AB xxxx: Vietnam Veteran's Day, Proclamation No. xxx	Mayor Rosenbaum/Andrea Larson				
--	AB xxxx: 76 th Avenue SE Mid-Block Crossing and ADA Improvements Bid Award	Jason Kintner/Clint Morris/Rebecca Corigliano				
--	AB xxxx: Luther Burbank Park Waterfront Improvements – Bid Award	Jason Kintner/Kellye Hilde/ Shelby Perrault/Sarah Bluvas				
--	AB xxxx: Second Ordinance reading to renew Interim Regulations related to STEP Housing (HB 1220)	Jeff Thomas/Molly McGuire				
REGULAR BUSINESS						
60	AB xxxx: GMA Compliance Strategy	Jeff Thomas/Alison Van Gorp				
EXECUTIVE SESSION						

APRIL 7, 2026	ABSENCES:	DD 3/26	FN 3/27	CA 3/27	Clerk 3/30	CM 3/30
ITEM TYPE TIME TOPIC				STAFF		
STUDY SESSION						
60	AB xxxx: Clarke & Groveland Infrastructure Plan – Preferred Infrastructure Plan Review	Jason Kintner/Kellye Hilde/ Shelby Perrault/Sarah Bluvas				
SPECIAL BUSINESS						

CONSENT AGENDA

--	AB xxxx: March 25, 2026 Payroll Certification	Ali Spietz/Nicole Vannatter
--	AB xxxx: Certification of Claims March 1-15, 2026	LaJuan Tuttle/Ashley Olson
--	AB xxxx: Autism Acceptance Month, Proclamation No. xxx	Mayor Rosenbaum/Andrea Larson
--	AB xxxx: Sexual Assault Awareness Month, Proclamation No. xxx	Mayor Rosenbaum/Andrea Larson
--	AB xxxx: Black Wellness Week, Proclamation No. xxx	Mayor Rosenbaum/Andrea Larson

REGULAR BUSINESS

60	AB xxxx: 2027-2032 Six-Year Transportation Improvement Program (TIP) Preview and Public Hearing	Jason Kintner/Clint Morris/Rebecca Corigliano/Ian Powell
90	AB xxxx: HOLD FOR CITY FACILITIES AGENDA ITEM	Jessi Bon/Jason Kintner/Kellye Hilde/Robbie Cunningham Adams

EXECUTIVE SESSION

APRIL 21, 2026	DD 4/9	FN 4/10	CA 4/10	Clerk 4/13	CM 4/13
ABSENCES:					

ITEM TYPE | TIME | TOPIC

STAFF

STUDY SESSION

SPECIAL BUSINESS

CONSENT AGENDA

--	AB xxxx: April 10, 2026 Payroll Certification	Ali Spietz/Nicole Vannatter
--	AB xxxx: Certification of Claims March 16-31, 2026	LaJuan Tuttle/Ashley Olson
--	AB xxxx: Earth Day, Proclamation No. xxx	Mayor Rosenbaum/Alanna DeRogatis
	AB xxxx: Deane's Children's Park Site Plan Adoption	Jason Kintner/Kellye Hilde/ Shelby Perrault

REGULAR BUSINESS

60	AB xxxx: GMA Compliance Strategy	Jeff Thomas/Alison Van Gorp
60	AB xxxx: Capital Project Update	Jason Kintner/Kellye Hilde

EXECUTIVE SESSION