



CITY OF MERCER ISLAND

CITY COUNCIL REGULAR HYBRID MEETING

Tuesday, September 15, 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 three 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 to 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 5:00 PM) by:

- **Telephone:** Call 253.215.8782 and enter Webinar ID 868 1112 6926 and Password 730224
 - **Zoom:** Click this [link](#) (Webinar ID 868 1112 6926; Password 730224)
 - **In Person:** Mercer Island Community & Event Center – Slater Room Council Chambers (8236 SE 24th Street, Mercer Island, WA 98040)
-

MEETING AGENDA

CALL TO ORDER & ROLL CALL. 5:00 PM

PLEDGE OF ALLEGIANCE

AGENDA APPROVAL

EXECUTIVE SESSION - Approximately 30 Minutes

1. Pending or Potential Litigation

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

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

2. AB 6992: Certification for Claims Paid August 16, 2026 through August 31, 2026

Recommended Action: Approve the August 16, 2026 through August 31, 2026 Accounts Payable Certification of Claims in the amount of \$2,049,469.75 and authorize the Mayor to sign the certification on behalf of the entire City Council.

3. City Council Regular Hybrid Meeting Minutes of September 1, 2026

Recommended Action: Approve the City Council Regular Hybrid Meeting Minutes of September 1, 2026.

4. AB 6993: Peace Day on Mercer Island, Proclamation No. 397

Recommended Action: Approve Proclamation No. 397 proclaiming September 21, 2026 as Peace Day on Mercer Island.

5. AB 6995: Fire Apparatus Acquisition and Financing (Ordinance No. 26-12, Second Reading)

Recommended Action: Adopt Ordinance No. 26-12 authorizing the purchase of one Pierce International Pumper and authorizing a purchase agreement between the City and Hughes Fire Equipment, Inc. and Property Schedule 2 to the Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc., substantially in the form of the drafts attached as Exhibits A and B to Ordinance No. 26-12.

6. AB 6996: Resolution Authorizing Submission of a Grant Application for the Land and Water Conservation Fund – Outdoor Recreation Legacy Partnership program for the Deane’s Children’s Park Phase II Improvements (Resolution No. 1699)

Recommended Action:

1. Adopt Resolution No. 1699 authorizing the application for grant funds in the amount of \$1,046,000 from the Land and Water Conservation Fund, subject to conditions described in Resolution No. 1699 for the Deane’s Children’s Park Phase II Improvements project.
2. Authorize the City Manager to execute all necessary documents to apply for the grant and accept the grant and conditions of the grant, if awarded.

7. AB 6986: West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project Bid Award

Recommended Action: Award the West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project to Kamins Construction Inc., a Washington-based corporation, and authorize the City Manager to execute a contract with Kamins Construction Inc., in an amount not to exceed \$473,414.

REGULAR BUSINESS

8. AB 6991: Ezee Fiber Franchise Agreement (Ord. No. 26-14, First Reading)

Recommended Action: Schedule Ordinance No. 26-14 for second reading and adoption at an upcoming City Council Meeting.

9. AB 6997: 2027-2028 Preliminary Biennial Budget Financial Forecast and Budget Amending Ordinance

Recommended Action: Adopt Ordinance No. 26-08, amending the 2025-2026 Biennial Budget.

10. AB 6990: 2028 Parks, Recreation, and Open Space Plan Scope of Work

Recommended Action: Move to designate the Parks and Recreation Commission as the lead commission for the 2028 PROS Plan update process; approve the proposed five-phase scope of work; direct the Parks and Recreation Commission to incorporate input from the Arts Council and Open Space Conservancy Trust throughout the planning process; and deliver its final recommendation and hand-off memo to the City Council by Q1 2028.

11. AB 6985: Updating the City’s Animal Control Code

Recommended Action: Provide feedback to staff on proposed changes to the City’s Animal Control Code.

OTHER BUSINESS

12. Planning Schedule

13. Councilmember Absences & Reports

ADJOURNMENT

City Manager's Report

Tuesday, September 15, 2026





Council Board and Commission Updates



Upcoming Meeting Snapshot

- Upcoming Hybrid City Council Meetings
 - Regular Hybrid Meeting – Tuesday, October 6 at 5:00 p.m.
- Boards and Commissions
 - Parks & Rec Commission – Thursday, October 1 at 5:00 p.m.

Visit www.mercerisland.gov/meetings for more information.

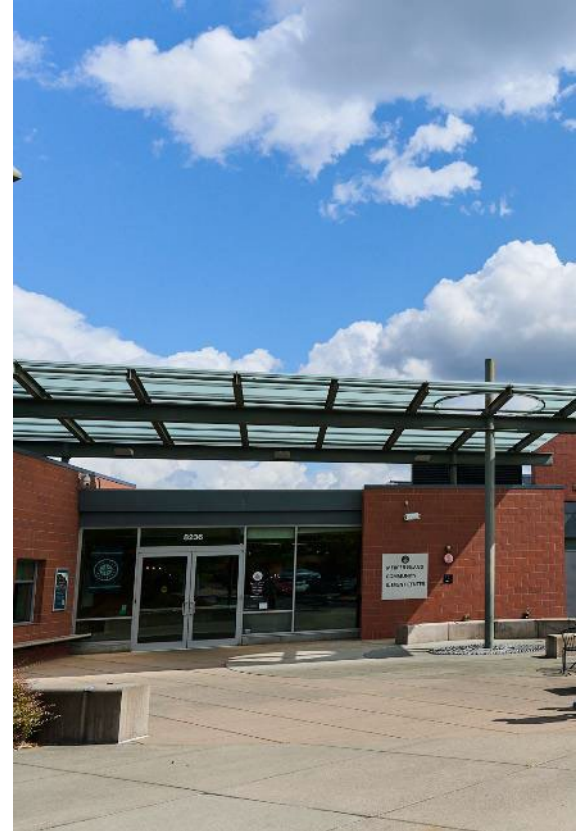


City Updates



Planning Commission Recruitment Underway

- A recruitment for the Planning Commission is now underway through October 9, 2026.
- We are looking for a volunteer to fill a vacant position.
- Learn more and apply at www.mercerisland.gov/bc.



Annual Docket Requests

Item 2.

- The Annual Docket is the yearly process for the public to submit requests to amend the Comprehensive Plan or Development Code.
- The City is now accepting requests for amendments to its Comprehensive Plan and Development Code – requests may be submitted by Oct 1.
- The requests that are received will be placed on a preliminary docket of suggested amendments that are reviewed for initial consideration by the Planning Commission and City Council in the fall of 2026.
- Requests added to the final docket by the City Council will be placed on the Community Planning and Development Department work plan for legislative review.
- Each Comprehensive Plan and Development Code amendment request requires a completed Docket Request Form. That form and more information on how to submit a request is available at letstalk.mercergov.org/annual-docket.



Upcoming Events



Mid-Autumn Festival 2026

- The Mercer Island Chinese Association is excited to bring back their Mid-Autumn Festival celebration, presented in partnership with the City of Mercer Island!
- Activities include games, food trucks, traditional dances, Chinese lacquer fans, and more.
- This is a free community event – all are welcome!
- Come by the Mercer Island Community & Event Center on Sunday, September 20, from 10:00 a.m. to 2:00 p.m.

Item 2.

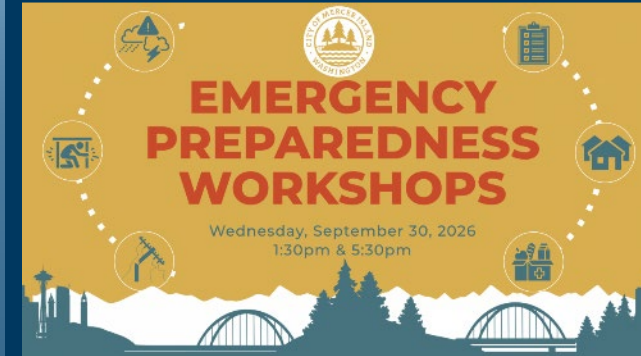


Emergency Preparedness Workshop

Item 2.

- Mercer Island Emergency Management will host a free Emergency Preparedness Workshop on Wednesday, September 30, offering residents, local businesses, and organizations practical guidance for preparing for, responding to, and recovering from disasters.
- Topics will include local hazards, emergency planning, disaster kits, family preparedness, and ways to work together with neighbors to stay safe and resilient.
- Two sessions are available: 1:30–3:00 p.m. and 5:30–7:00 p.m., with registration highly encouraged.

mercerisland.gov/emergency-management



Some Good News



New YFS School Counselor at Islander Middle School

Item 2.

- The new school year brings a new YFS School-based Mental Health Counselor to Islander Middle School, Kayla Bocek, who recently completed her clinical internship with YFS.
- Students who need mental health support are **21 times more likely to receive it when counselors are available in their schools**, making this an important resource for IMS students and families.
- With experience in school settings and training in both individual and family therapy, Kayla has quickly connected with students and is already providing support, developing safety plans, and establishing counseling appointments. Welcome to the team, Kayla!!



IMS Mental Health Counselors
Katie (left) and Kayla (right).



Thank you!



Log #	AB No.	Received From	Question	Staff Response
1	6985	Reynolds	I have always licensed my cat with King County. Am I to understand that this was not required?	Correct. Under Mercer Island code, Mercer Island residents are not required to license cats, although it remains an option if pet owners choose to do so.
2	6985	Weinberg	Does RASKC have employees out “on patrol” at all times like our police, or do they wait at an off-island location to be dispatched when someone reports a problem?	RASKC animal control officers do not have permanent presence or facilities on Mercer Island but are primarily dispatched to service calls or at the request of MIPD. However, RASKC animal control officers occasionally patrol the Island, especially parks.
3	6985	Becker	Does the county provide any data on how our usage (that makes up 80% of our costs) compares to the other jurisdictions, relative to population?	RASKC provides monthly data on incidents, response time, pet licenses, and shelter intake. Additionally, RASKC provides general systemwide data publicly on their website. However, these data do not include comparisons to other jurisdictions weighted by population. Staff will reach out RASKC to see if this data is available ahead of the City Council meeting, otherwise we can share at a later date.
4	6985	Becker	I assume the “King County Pet Licenses” revenue includes people who voluntarily licensed their cats? Is there data on how much of this revenue was dogs (required) vs cats (voluntary)?	Yes, this data includes residents who voluntarily licensed their cats. Data available to staff on pet license revenue does not distinguish between dog vs cat licenses, although we understand the majority of license revenues from Mercer Island is attributed to dogs. Staff will reach out to RASKC to see if the breakdown on license types is available ahead of the CC meeting, otherwise we can share that at a later date.
5	6985	Becker	Can you confirm that in the city’s opinion, the leash laws are materially unchanged between what we have on the books now and what is being proposed?	The proposed changes to the animal control code do not materially affect leash laws in the opinion of staff, even though the two are written differently. Under the ILA with RASKC the City retains exclusive control over the leash law policies. The proposed alignment of City Code with the County Code definition of “under control” is meant to make it easier for RASKC animal control officers to effectively enforce animal conduct rules on Mercer Island.

Log #	AB No.	Received From	Question	Staff Response
6	6990	Becker	Does this include the 12.5% passthrough on the KC Transportation District that goes into effect Jan 1, 2027? Which fund would that go into?	The King County Transportation District (KCTD) Board of Supervisors approved a new 0.1% sales tax for King County. The tax was passed primarily to support King County's unincorporated road and bridge network. The 12.5% pass-through for cities (estimated at \$12.5M/yr.) are restricted to local municipal street, sidewalk, and transportation-related projects. Pass-through revenues to the City will be receipted in the Street Fund, beginning January 1, 2027.
7	6990	Becker	For the MICEC HVEC capital grant, doesn't the state keep 30,000 of the \$1,030,000 to administer the grant? If we are on cash basis why would we record that 30,000 as revenue?	The Department of Commerce retains a 3% fee to "administer the project." Staff included this cost in the project budget. For accounting purposes, both the grantor and grantee (City) account for the full award being disbursed (\$1,030,000) so the City shows the full amount as revenue and the \$30,000 as a program expense when its remitted back to the state as an administrative fee.
8	6991	Becker	I know federal law limits us, but is there anything more we could theoretically restrict/require from franchisees on future franchise agreements? If so, how would we go about looking at our options before the next one comes up and we have to keep it the same again?	As each franchise is renegotiated the City examines the provisions contained in the agreement to determine if changes/updates are needed. Insurance levels, for example, is an area that is reviewed. Another trigger for a potential change would be a change to law – if the franchise covers a topic where the state/federal law has changed, then the City would adjust the corresponding franchise language. Generally speaking, other areas would remain generally consistent.
9	6991	Becker	Do we have any cost recovery from the Franchisee for our expenses (paid to outside counsel etc) for the process of adopting these franchise agreements?	Yes, the franchise application requires payment of a \$7,500 fee deposit which Ezee paid. Under state law, the franchisee is required to pay the actual administrative expenses (including attorney costs) incurred by a city that are directly related to receiving and approving a franchise.

Log #	AB No.	Received From	Question	Staff Response
10	6991	Reynolds	We received a community comment on this asking that: 1. The city oversees installation, and represents the neighbors during installation. 2. The franchisee designates a contact person for the city and neighbors to contact re: poor installation and requires poor or abusive installation to be remedied. 3. The approval be conditioned on the franchisee using the least intrusive installation as possible. I understand the potential discrimination issues in the AB. If we, for discussion purposes, ignored those, what would be the feasibility and practical issues related to incorporating similar ideas into the lease agreement.	1. The city does not “oversee” (if “oversee” means actively engaged in oversight at the construction site) any permitted construction work in the City. However, the City does have code enforcement authority and permit compliance/inspection authority to utilize if anything is not completed per the terms of the issued permit or in violation of the code/public works standards. For example, see general right of way permit requirements and procedures in MICC 19.09.060. See also, right of way permit inspection authority outlined in MICC 19.09.060(Y) as well as restoration requirements in MICC 19.09.0606(Q). 2. All work would be completed per an approved permit, and the permit application would include the information sought here – responsible person and contact information. That would be a point of contact for the City but would not be someone that residents would call because the work is being completed in the ROW. Residents could certainly contact the City and make a complaint, and the City could evaluate the complaint to see whether there is an issue with the permitted work or if there is a code violation. Remedies for poor work, or work in violation of the permit or code, may come from that process. The code already includes an option for the City to require a performance guarantee – The City may “establish an annual assignment of funds under MICC 19.01.060 which shall remain in force for at least one year, and which shall be funded in an amount sufficient to ensure performance of the permitted activity during the term of the assignment.” See MIMC 19.06.060(B)(2). Another example is the code allows the City to complete surface restoration if the permittee does not complete it and the permittee pays cost plus 25% and the City can use the set-aside account to ensure the permittee makes payment. See MIMC 19.09.060(R).

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				3. Installations must be consistent with code. Staff does not recommend adding new/additional requirements beyond what is prescribed in code as those could be viewed as arbitrary. And, as noted, if the City starts to impose new conditions on one entrant, it may be viewed as discriminatory. The code, though, does already include the following which is applicable to right of way permits – “The city engineer may attach conditions to a right-of-way permit, consistent with the provisions of this section, to ensure the public health, safety and welfare.” See MIMC 19.09.060(A)(3). The Telecommunications Act states that "No State or local statute or regulation or other State or local legal requirement, may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate telecommunications service." So, the City Engineer would assess and balance potential needs.
11	6996	Reynolds	What is the rationale for the AMOUNT of the grant application (1.046 million).	The \$1.046 million grant request represents 50% of the \$2.093 million preliminary project cost estimate, consistent with the grant program’s 50% funding limit. Table 2 outlines the preliminary project costs and demonstrates how the total project cost and corresponding grant request were determined. The resulting 50% share of \$1,046,500 is rounded to the nearest \$1,000 (\$1,046,000) in accordance with the grant application requirements.
12	6997	Reynolds	Why does the “Net Operating - Over/(Under)” in Figure 1 not match the change in the unassigned fund balance in Figure 2? Is it because the change in the assigned fund balance fills the rest of that gap?	“Net Operating - Over/(Under)” in Figure 1 of AB 6997x1 shows the difference between revenues and expenditures within each fiscal year. It does not include fund balance. Figure 2 illustrates how available fund balance changes based on: 1. Net operating over/ (under), 2. Projected changes in reserves which include resources that are restricted, non-spendable, and committed per state law and local policy, 3. And the subsequent draw down of available fund balance to keep General Fund operations whole.

Log #	AB No.	Received From	Question	Staff Response
13	6997	Reynolds	I have not checked my utility bills recently, but I would expect if I did it would show material inflationary impacts on electricity and gas rates. Would that not tend to drive up utility tax revenue as well?	Yes, inflation-driven rate increases for Puget Sound Energy (PSE) electricity and natural gas services generally increase utility tax revenues, but this growth is offset by declines in other utility types. The City's local utility tax is a percentage applied to gross billings. Higher PSE rates increase the total dollar amount collected on power and natural gas bills. Because PSE is an investor-owned utility regulated by the Washington Utilities and Transportation Commission (UTC), inflation does not cause automatic price shifts. Per PSE's FAQ page, any rate modification must undergo formal review and approval through the UTC. Over time, inflationary impacts build up across operating and capital costs that drive rate increases PSE requests during formal regulatory filings. However, shrinking demand for other utilities (e.g., landline telephone and cable TV) drag down aggregate utility tax collections. See the response to question #17 for additional information on how different utilities are projected to perform in 2027 and beyond.
14	6997	Reynolds	I seem to recall the last time we discussed the budget that B&O tax revenues were unexplainedly volatile YOY. Can you share B&O tax revenue amounts by quarter on a cash basis for the last 3 years and offer commentary or analysis to explain any volatility and how it informs the revenue forecast?	Staff is unable to provide this level of analysis prior to the September 15 City Council meeting. If the majority of the City Council would like this analysis performed, please provide that direction by motion at the meeting and the staff will return with that information. The current forecast is based on the past 18 months of business and occupation tax revenues, the percent of total revenues (receipted between January through June this year) that tie to taxpayers who file annual (21%) versus quarterly (79%) returns, and the seasonality throughout the year. For additional context, please review the response to question #18 in the matrix.

Log #	AB No.	Received From	Question	Staff Response
15	6997	Reynolds	Your forecast assumes a 0.25% cut in the fed funds rate. When do you assume that rate cut occurs?	The federal funds rate cut is projected in the first half of 2027. Should the rate cut not occur, and the 2026 LGIP earnings rate holds through the first half of 2027, the projected additional interest earnings revenue to the General Fund would amount to \$20,000-\$30,000.
16	6997	Weinberg	Re: General Fund Sales Tax Revenues The chart in figure 3 shows sales tax revenues increasing from \$5.25M to \$7.86M between 2018 and 2026. That amounts to a 5.9% average annual increase over 8 years. I realize that our overall financial forecasting philosophy is to estimate on the fiscally conservative side. So the 3.9% increases predicted from 26 to 27 and again from 27 to 28, which reflect about 2/3 of the historical average growth rate, makes sense. From 2029 onwards, however, the projection drops to 2.75%, which is just under half of the historical growth rate. Is there a reason for this decrease?	The sales tax projection is informed by regional economic activity and an in-depth assessment of the City’s recent sales tax data. Emphasis is placed on projections for 2026 through 2028. For the outyears of 2029-2032, year-over-year growth ties to historical CPI.
17	6997	Weinberg	Re: General Fund Utility Revenues I would expect utility revenue to grow at a steady rate throughout the 6-year forecast. Why does the projection show utility revenue increasing by 3.2%/year through 2028 but then dropping to 2.7%/year 2029 – 2032?	Total utility tax revenue growth slows from 3.2% annually (through 2028) to 2.7%/year in the outyears (2029–2032) because increases in utilities are partially offset by declines in landlines and cable TV. • City utilities (water, sewer, stormwater) are projected to grow 4%/yr. Energy (electricity and natural gas) and solid waste remain steady performers, projected to grow 3%/yr in the outyears. • Landline telephone tax revenues remain static. • Cable TV tax revenues continue to decline, projected to decrease 1.8%/yr in the outyears. Combined, the drop in cable and flat telephone revenues drag down the overall growth rate in the outyears. This is based on the most recent economic activity for the City’s utility tax revenues.

Log #	AB No.	Received From	Question	Staff Response																								
18	6997	Weinberg	Re: General Fund Business & Occupation Tax I would expect B&O revenue to keep pace with inflation. According to Friday’s Seattle Times, core inflation in the Seattle-Bellevue-Tacoma area has been 3.3% in the past 12 months. According to the Bureau of Labor Statistics the 10-year average inflation rate is between 3.1 and 3.2%. The B&O tax projections are appropriately around 3% per year from 2029 through 2032, but they’re projected as zero growth between now and 2029. What is the reasoning behind the projection showing zero B&O revenue increase until 2029?	Historically, B&O tax revenue does not track with regional inflation. See the table below. <table><tr><th>B&O Tax</th><th>Revenue</th><th>YOY% Chg</th><th>Annual CPI-W</th></tr><tr><td>2021</td><td>\$ 766,667</td><td>-3.3%</td><td>3.3%</td></tr><tr><td>2022</td><td>468,826</td><td>-38.8%</td><td>8.6%</td></tr><tr><td>2023</td><td>935,727</td><td>99.6%</td><td>6.5%</td></tr><tr><td>2024</td><td>1,001,829</td><td>7.1%</td><td>4.2%</td></tr><tr><td>2025</td><td>1,388,644</td><td>38.6%</td><td>2.3%</td></tr></table> * 2020 revenue amounted to \$793,117 The past five years have shown significant volatility in the City’s B&O tax revenue, which makes it difficult to project. The revenue is based on top-line gross receipts, making it sensitive to economic shifts, local commercial activity, and changing work patterns. Mercer Island’s business base is compact, meaning collections are concentrated among a small number of top service providers and construction projects, where a single change in corporate activity or a completed construction project can cause significant swings. This volatility is compounded by state multi-city apportionment rules and annual filing thresholds, which create reporting lags and make forecasting less predictable. To remove volatility from the forecast, staff hold the 2026-2028 revenue estimates and increase the revenue 3% annually in 2029-2032.	B&O Tax	Revenue	YOY% Chg	Annual CPI-W	2021	\$ 766,667	-3.3%	3.3%	2022	468,826	-38.8%	8.6%	2023	935,727	99.6%	6.5%	2024	1,001,829	7.1%	4.2%	2025	1,388,644	38.6%	2.3%
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19	6997	Weinberg	Re: General Fund Parks and Rec Programs Revenue I would expect P&R revenue to keep pace with 3.3% inflation. Would you please describe the reasoning behind the projection showing P&R revenue increasing by 3.7% between 2026 and 2027 but then increasing by only 1.2% between 27 & 28 and then 0% between 28 and 29 and showing no change at all after 2030?	Finance and Parks & Recreation staff collaborated on the revenue forecast. Emphasis is placed on 2027 and 2028. Growth of 3.7% in 2027 ties to the rollout of new online booking software and "rental stacking" – a scheduling technique that maximizes facility capacity by booking concurrent rentals within the same room or field. Revenue growth plateaus (1.2% in 2028 and 0.0% thereafter) due to operational capacity limits. Because the City is not adding new fields or community center rental spaces, and staffing levels remain fixed, room inventory and booking availability reach maximum use, capping further revenue growth.
20	6997	Weinberg	Re: General Fund Overhead Allocation Charges I would expect the growth of Overhead Allocation to keep pace with 3.3% inflation. I’m noticing that it’s projected to grow between 4.0 and 4.6% each year. Is there a particular reason you expect it to run a third higher than inflation?	The primary drivers of the cost increase include the anticipated increases in salary and benefit expenses. The salary cost of living adjustment (COLA) is 4.1% in 2027 and 3.6% projected in 2028. Benefit costs are estimated to increase in the range of 3% to 9% in each year of the 2027-2028 biennium.
21	6997	Weinberg	Re: General Fund Interest Income I would expect our interest rate prediction would reflect the general consensus among reputable news organizations about the likely future moves by the Federal Reserve. The Wall Street Journal, CNBC, CBS News, Forbes, and 3 other reputable news organizations are all predicting a quarter-point hike in interest rates before the end of the year. One reputable news organization, Newsweek, is predicting either the fed to either hold or increase the rate. No reputable news organization is predicting a rate decrease. I’m curious as to the basis for our predicting a 0.25% cut in interest rates.	Please see the response to question #15. The contradicting signals, policy announcements, and threats of announcements at the federal level add greater uncertainty regarding future changes to the federal funds rate. The forecast represents a conservative position regarding interest rate revenues to the City’s General Fund.

Log #	AB No.	Received From	Question	Staff Response
22	6997	Weinberg	Re: General Fund Supplies Expenditures I would expect supplies costs to keep pace with 3.3% inflation. Why does the projection show supply costs rising 5% in 27, then rising only 0.5% in 28, and then a near constant 1.8% (just over half the inflation rate) from that point onwards?	Supply costs fluctuate based on specific operational requirements rather than a fixed annual inflation rate. The initial jump in 2027 is tied to specific work plans and one-time operational needs as outlined in the work plan in the preliminary budget. Growth in 2028 slows because one-time purchases in 2027 do not occur in 2028. Projections return to a baseline annual escalation rate of 1.8%. This reflects historical year-over-year cost trends for City supplies, providing a less volatile, more locally informed estimate until work plans are formally updated for the next biennial budget cycle.
23	6997	Weinberg	Re: YFS Fund HYI Grants As we have not yet applied for a continuation of our Healthy Youth Initiative grant beyond 2027, it is appropriate that the forecast show it as sunseting in 2027. That said, how many times have we applied for and received a renewal of this grant? Is there any reasonable chance of us not applying for or not receiving another extension beyond 2027?	This was the City’s first application to the Best Starts for Kids (BSK) grant. Staff plan to reapply for the BSK grant should the opportunity arise. However, whether the City successfully receiving funds beyond 2027 depends on King County voters renewing the BSK property tax levy after 2027, and the City successfully applying. Funding is competitive. There is no indication whether King County will renew the levy. In this instance, staff is not projecting additional BSK funding after 2027 and do not assume this funding will be renewed.
24	6997	Weinberg	Re: YFS Fund Thrift Shop Revenues Why do we expect the thrift shop’s revenue to grow by 10% in 27, then just 5% in 28, 2% in 29 & 30, and then no growth at all in 31 and 32? Shouldn’t the thrift shop growth eventually align to inflation?	Thrift Shop net revenue is driven by operational capacity and retail turnover strategies, not regional inflation. Sales are projected to grow initially and then will plateau due to staffing limitations and physical space restrictions.

Log #	AB No.	Received From	Question	Staff Response																				
25	6997	Weinberg	Re: Capital Improvement Fund: Property Tax Revenue Not sure I understand what all goes into this fund and which parts are slated to grow by how much each year. Figure 7 shows \$1,178,000 of revenue in the “Property Tax” row. The text below it then says there’s a King County Levy which grows 3-4% per year and a 2022 Mercer Island Parks Levy. - At the end of this section is a sentence which says, “These funds increase by a maximum of 1% each year, subject to City Council approval.” Which funds are limited to 1% per year? The MI Parks levy? The KC and MI Parks levies combined? - Isn’t the amount collected each year by the MI Parks levy defined in the language of the levy that the voters approved? About how much of the \$1.178M comes from the KC vs MI levy? - Do the two levies make up 100% of the Property Tax Revenue component of the Capital Improvement Fund, or does some of the property tax revenue come from the General Fund?	- The Mercer Island Parks levy lid lift is statutorily limited to increase 1% per year. - Yes.<table><tr><th>Property Tax</th><th>2026</th><th>2027</th><th>2028</th></tr><tr><td colspan="4"><i>\$ in thousands</i></td></tr><tr><td>King County Parks Levy</td><td>\$ 257</td><td>\$ 265</td><td>\$ 272</td></tr><tr><td>MI Parks Levy</td><td>921</td><td>930</td><td>940</td></tr><tr><td>Total</td><td>\$ 1,178</td><td>\$ 1,195</td><td>\$ 1,212</td></tr></table> - The two levies make up 100% of the Property Tax revenue component of the Capital Improvement Fund.	Property Tax	2026	2027	2028	<i>\$ in thousands</i>				King County Parks Levy	\$ 257	\$ 265	\$ 272	MI Parks Levy	921	930	940	Total	\$ 1,178	\$ 1,195	\$ 1,212
Property Tax	2026	2027	2028																					
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MI Parks Levy	921	930	940																					
Total	\$ 1,178	\$ 1,195	\$ 1,212																					
26	6997	Weinberg	Re: Capital Improvement Fund: Grants Will the city be applying again for grants to install high-speed chargers in the Primavera parking lot?	A project has not been currently identified to install high-speed chargers at this location. Should a project develop, including necessary funding, identifying and applying for applicable grants would be considered.																				



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6992
September 15, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6992: Certification for Claims Paid August 16, 2026 through August 31, 2026	☐ Discussion Only ☒ Action Needed: ☒ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Approve the Accounts Payable Certification for Claims paid August 16, 2026 through August 31, 2026 in the amount of \$2,049,469.75.	

DEPARTMENT:	Finance
STAFF:	Matt Mornick, Finance Director LaJuan Tuttle, Deputy Finance Director Ashley Olson, Accounts Payable Clerk
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Certification for Claims Paid August 16 - August 31, 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 item is to approve the August 16, 2026 through August 31, 2026 Accounts Payable Certification of Claims in the amount of \$2,049,469.75 (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 August 16, 2026 through August 31, 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

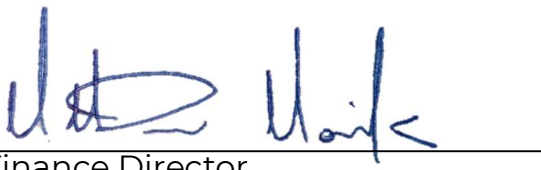
Approve the August 16, 2026 through August 31, 2026 Accounts Payable Certification of Claims in the amount of \$2,049,469.75 and authorize the Mayor to sign the certification on behalf of the entire City Council.



City of Mercer Island

Certification of Claims

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



Finance Director

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

Mayor

Date

Date	Method	Checks	Warrant	Total Amount
08/20/26	Check Register	228157-228214	08202026	\$1,575,587.86
08/20/26	Electronic Funds Transfer	5395 – 5403	EFT 0820	\$98,468.62
08/27/26	Check Register	228215-228284	08272026	\$265,948.73
08/27/26	Electronic Funds Transfer	5404 – 5424	EFT 0827	\$109,464.54
GRAND TOTAL:				\$2,049,469.75



CITY COUNCIL MINUTES REGULAR HYBRID MEETING SEPTEMBER 1, 2026

Item 5.

CALL TO ORDER & ROLL CALL

Mayor Dave Rosenbaum called the Regular Hybrid Meeting to order at 5:01 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 Anderl attended via Zoom.

PLEDGE OF ALLEGIANCE

Mayor Rosenbaum led the Pledge of Allegiance.

AGENDA APPROVAL

It was moved by Weinberg; seconded by Reynolds to:

Approve the agenda as presented.

PASSED: 7-0

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

CITY MANAGER REPORT

City Manager Jessi Bon reported on the following items:

- **Council, Boards & Commission Meetings:**
 - No City Council meetings in August, next City Council Meeting is on Tuesday, September 1 at 5:00 pm
 - Parks & Recreation Commission Meeting on Wednesday, Thursday, September 3 at 5:00 pm
 - Utility Board Meeting on Tuesday, September 8 at 5:00 pm
- **City Updates:**
 - AC Water Main Replacements – The asbestos cement (AC) water main replacement project in the Mercerwood neighborhood continues. The project will replace AV pipe with ductile iron pipe. Bid award is expected in early October and project completion is targeted for Q3 2027.
 - Phase 2 – PRV Station Replacements – This project will replace five pressure reducing valves (PRV) stations that have reached the end of their useful life with four new PRV stations and a new water main. The project is out for bid now with construction expected to begin in October and project completion is targeted for spring 2027.
 - Park Facility Vandalism – Groveland Beach and Deane's Children's Park have both experienced recent restroom closures due to vandalism. Groveland Beach restroom has reopened however; Deane's Children's Park restroom remain closed with repairs expected to be completed next week.
 - Annual Docket Requests – The Annual Docket is the yearly process for the public to submit requests to amend the Comprehensive Plan or Development Code. The City is now accepting requests for amendments to its Comprehensive Plan and Development code between September 1 – October 1, 2026.
- **Upcoming Events:**
 - Community Blood Drive – September 2 from 10:30 am – 4:30 pm at MICEC
 - Mid Autumn Festival 2026 – September 20 from 10:00 am – 2:00 pm at MICEC
- **News:**

- Repair Event Success! Mercer Island hosted a Repair Event this past weekend at MICEC, where skilled volunteer “fixers” helped residents repair small household and personal items rather than discarding them.

APPEARANCES

The following individuals spoke in support of AB 6988: Comprehensive Plan Map Amendment for four properties owned by the Stroum Jewish Community Center (SJCC) (Ordinance No. 26-13):

- | | |
|--------------------|------------------|
| • Denise Joffee | • Margie Starnes |
| • Charlotte Maines | • Jill Handaly |
| • Gina Gonchar | • Mark Clausen |
| • Jane Bouleware | • Steven Linkon |
| • Thomas Jacobs | • Douglas Rosen |
| • Joe Schocken | • Robbie Cape |
| • David Azose | |

The following individuals spoke against AB 6988: Comprehensive Plan Map Amendment for four properties owned by the Stroum Jewish Community Center (SJCC) (Ordinance No. 26-13):

- | | |
|-----------------------|-----------------|
| • Anastasia Mironovia | • Matt Goldbach |
| • Pavel Sterba | • John Hall |

Alex Tsimmerman spoke about antisemitism.

The City Council was in recess from 6:09 pm to 6:18 pm.

EXECUTIVE SESSION

At 6:18 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 approximately 20 minutes until 6:35 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 Councilmembers Julie Hsieh, Craig Reynolds, Wendy Weiker, and Ted Weinberg participated in person. Councilmember Lisa Anderl participated via MS Teams.

City Attorney Bio Park participated via MS Teams and other staff participated in person.

At 6:35 pm, Mayor Rosenbaum extended the Executive Session for 5 minutes to 6:40 pm.

At 6:40 pm, Mayor Rosenbaum extended the Executive Session for 5 minutes to 6:45 pm.

At 6:45 pm, Mayor Rosenbaum extended the Executive Session for 5 minutes to 6:50 pm.

At 6:50 pm, Mayor Rosenbaum extended the Executive Session for 5 minutes to 6:55 pm.

Mayor Rosenbaum adjourned the Executive Session at 6:51 pm.

The City Council was in recess from 6:51 pm to 6:55 pm.

CONSENT AGENDA

AB 6983: July 24 2026 Payroll Certification

Recommended Action: Approve the July 24, 2026 Payroll Certification in the amount of \$1,027,055.87 and authorize the Mayor to sign the certification on behalf of the entire City Council.

AB 6974: August 10, 2026 Payroll Certification

Recommended Actions: Approve the August 10, 2026 Payroll Certification in the amount of \$1,035,631.24 and authorize the Mayor to sign the certification on behalf of the entire City Council.

AB 6975: August 25, 2026 Payroll Certification

Recommended Actions: Approve the August 25, 2026 Payroll Certification in the amount of \$999,414.08 and authorize the Mayor to sign the certification on behalf of the entire City Council.

AB 6976: Certification for Claims Paid June 30, 2026 through July 15, 2026

Recommended Actions: Approve the June 30, 2026 through July 15, 2026 Accounts Payable Certification of Claims in the amount of \$2,833,172.53 and authorize the Mayor to sign the certification on behalf of the entire City Council.

AB 6977: Certification for Claims Paid July 16, 2026 through July 31, 2026

Recommended Actions: Approve the July 16, 2026 through July 31, 2026 Accounts Payable Certification of Claims in the amount of \$2,618,643.54 and authorize the Mayor to sign the certification on behalf of the entire City Council.

AB 6978: Certification for Claims Paid July 31, 2026 through August 15, 2026

Recommended Actions: Approve the July 31, 2026 through August 15, 2026 Accounts Payable Certification of Claims in the amount of \$1,641,184.94 and authorize the Mayor to sign the certification on behalf of the entire City Council.

City Council Regular Hybrid Meeting Minutes of July 21, 2026

Recommended Action: Approve the City Council Regular Hybrid Meeting Minutes of July 21, 2026.

AB 6979: National Recovery Month, Proclamation No. 393

Recommended Action: Approve Proclamation No. 393 proclaiming September 2026 as National Recovery Month on Mercer Island.

AB 6981: Hunger Action Month, Proclamation No. 395

Recommended Action: Approve Proclamation No. 395 proclaiming September 2026 as Hunger Action Month on Mercer Island.

AB 6982: Childhood Cancer Awareness Month, Proclamation No. 396

Recommended Action: Approve Proclamation No. 396 proclaiming September 2026 as Childhood Cancer Awareness Month on Mercer Island.

AB 6984: Amendment to ILA – Rate Increase for 2027 for Jail Services with South Correctional Entity (SCORE)

Recommended Action: Authorize the City Manager to execute the amendment to the interlocal agreement with SCORE.

AB 6987: Interlocal Agreement and Lease Agreement Amendments with the City of Newcastle for Municipal Court Operations**Recommended Action:**

1. Authorize the City Manager to execute the First Amendment to the Interlocal Agreement with the City of Newcastle for use of the Council Chambers for Mercer Island Municipal Court proceedings, substantially in the form attached as Exhibit 1.

2. Authorize the City Manager to execute the First Amendment to the Lease Agreement with the City of Newcastle for Suite 301 in the Newcastle Professional Center located at 12835 Newcastle Way, Newcastle, Washington, for Mercer Island Municipal Court administrative offices, substantially in the form attached as Exhibit 2.

AB 6989: Appropriation for Luther Burbank Park Dock and Waterfront Improvements Project and Bid Award

Recommended Action: Award the Luther Burbank Park Dock and Waterfront Improvements Project construction contract, authorize funding, and set the project budget.

AB 6994: Interlocal Agreement with MISD for Mental Health Counseling Services

Recommended Action: Authorize the City Manager to sign the interlocal agreement with the Mercer Island School District for mental health counseling services during the 2026-2027 school year substantially in the form attached as Exhibit 1 to AB 6994.

It was moved by Becker; seconded by Reynolds to:

Approve the Consent Agenda and the recommendations contained therein.

PASSED: 6-0

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

ABSENT: 1 (Weinberg)

REGULAR BUSINESS

AB 6971: Fire Apparatus Acquisition and Financing (Ordinance No. 26-12, First Reading)

Finance Director Matt Mornick introduced the staff team of Eastside Fire & Rescue Deputy Chief of Support Services Jeromy Hicks and Management Analyst II Carson Hornsby.

Deputy Chief Hicks spoke about the type 2 fire apparatus that is overdue for replacement, the design specifications for a replacement that recommend the purchase of a Piece manufactured engine, and how the proposed apparatus make and model meet the requirements to serve Mercer Island's response area.

Management Analyst II Hornsby presented the purchase agreement with Hughes Fire Equipment, Inc. that was drafted to mirror the terms of the type 1 apparatus purchased by the City in 2025, the financing for the apparatus through Municipal Asset Management, Inc who offered the most competitive terms to the City, and the budgetary impacts.

It was moved by Weinberg; seconded by Becker to:

Schedule the second reading of Ordinance No. 26-12 on September 15, 2026.

PASSED: 7-0

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

AB 6988: Comprehensive Plan Map Amendment for four properties owned by the Stroum Jewish Community Center (SJCC) (Ordinance No. 26-13)

Jessica Clawson spoke on behalf of the Strom Jewish Community Center (SJCC) application for a Comprehensive Plan map amendment for four properties owned by the SJCC changing from Residential to Commercial Office. She spoke about the background of the docket request and application for the Comprehensive Plan map amendment.

Amy Lavin, CEO of the SJCC, spoke about the history of the SJCC on Mercer Island and the mission of the "J". She spoke about the challenges the SJCC faces to maintain the aging facility due to the limits in the City code.

Jessica Clawson discussed the land use approvals that have been issued over the years on the SJCC properties, the challenges the SJCC has faced since the code changes in 2017 in Ordinance No. 17C-15 that have limited the ability to maintain the facility, the inability to make updates to bring the building into ADA compliance, and the nonconforming provisions in MICC 19.01.050.C. She spoke about the Comprehensive

Plan map amendment approval criteria and how the SJCC application meets the approval criteria.

CPD Director Jeff Thomas introduced the staff team of CPD Deputy Director Alison Van Gorp and Senior Planner Molly McGuire who discussed background of the SJCC docket application in 2023 and the 2025 SJCC applications for Comprehensive Plan amendment and Rezone, noting that tonight only the Comprehensive Plan amendment is before the City Council. She spoke about what a Comprehensive Plan amendment is, an overview of the application that was submitted by the SJCC, the project timeline, and the Planning Commission Public Hearing on the Comprehensive Plan amendment on August 5.

Senior Planner McGuire presented the criteria for Comprehensive Plan map amendments, the Planning Commission findings and recommendation, and the staff recommendation to reject the Planning Commission findings and adopt the staff findings originally presented to the Planning Commission. She spoke about the process for the City Council review and discussion of the Comprehensive Plan map amendment.

It was moved by Reynolds; seconded by Weinberg to:

Amend the Planning Commission's recommendation by rejecting both amended findings for MICC 19.15.230(F)(1) and (2) and replace these findings with those originally presented by staff to the Planning Commission as detailed in Exhibit 3 and schedule the second reading of Ordinance No. 26-13 for December 1, 2026.

City Council was in recess from 8:17 pm to 8:22 pm.

It was moved by Anderl; seconded by Becker to amend the main motion to:

Reject amended finding (F)(1), accept finding (F)(2), and replace finding (F)(1) with what was originally presented by staff to the Planning Commission as detailed in Exhibit 3

FAILED: 1-6

FOR: 1 (Anderl)

AGAINST: 6 (Becker, Hsieh, Reynolds, Rosenbaum, Weiker and Weinberg)

MAIN MOTION PASSED: 7-0

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

AB 6963: Water Supply Pipeline Project – Mini-MACC 2 and Near-Term Funding Authorization

Chief of Operations Jason Kintner provided background on the water supply pipeline project, the scope of the project to replace the water supply pipeline with a new City owned 24-inch earthquake resistant water supply pipeline. He noted the new alignment along East Mercer Way, SE 26th Street, Gallagher Hill Road, and SE 40th Street, the work being done to replace aging asbestos cement water main along Gallagher Hill Road, the new water connections and meter meters to serve the Shorewood Apartments, and the coordinated roadway, sidewalk, accessibility, drainage, and lighting improvements that will come in the next phase of work.

Chief of Operations Kintner spoke about the alternative service delivery and how the City is using the Heavy Civil General Contractor/Construction Manager Process (GC/CM) for this project, and the approval being sought for the Maximum Allowable Construction Cost (MACC) for the next phase of work that is contained in Mini-MACC 2 for construction of the 24-inch main. He spoke about next steps and the project timeline noting construction will begin in fall 2026 and will continue through 2027.

It was moved by Anderl; seconded by Reynolds to:

Authorize the City Manager to execute Mini-MACC 2 with Scarsella Brothers, Inc., a Washington-based Corporation, in an amount not to exceed \$10,535,100, for construction of the new 24-inch water supply pipeline and associated water-system improvements; appropriate \$6,142,200 from the Water Fund available fund balance to the Water Supply Pipeline Project (90.40.0032); and authorize the City Manager to execute any related documents necessary to complete this work.

PASSED: 7-0

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

OTHER BUSINESS

Planning Schedule

City Manager Jessi Bon spoke about the September and October meetings.

Councilmember Absences and Reports

Councilmember Weinberg noted his next monthly open lunch is at Anise Thai at 12pm on September 20.

Councilmember Reynolds noted there is a Parks & Recreation Commission meeting on Thursday.

Councilmember Hsieh noted the City Council approved Proclamation No. 396 recognizing Childhood Cancer Awareness Month and her next monthly coffee chat is at ASA at 11am on September 30.

Mayor Rosenbaum thanked the staff for all of the work they did over the summer on all of the events on the Island.

ADJOURNMENT

The Regular Hybrid Council Meeting adjourned at 9:00 pm.

Dave Rosenbaum, Mayor

Attest:

Andrea Larson, City Clerk



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6993
September 15, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6993: Peace Day on Mercer Island, Proclamation No. 397	☐ Discussion Only ☒ Action Needed: ☒ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Approve Proclamation No. 397 proclaiming September 21, 2026 as Peace Day on Mercer Island.	

DEPARTMENT:	City Council
STAFF:	Mayor David Rosenbaum Andrea Larson, City Clerk
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Proclamation No. 397
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 proclaim September 21, 2026 as Peace Day on Mercer Island (Exhibit 1).

ISSUE/DISCUSSION

The International Day of Peace ("Peace Day") is observed around the world each year on September 21. Established in 1981 by a unanimous United Nations resolution, Peace Day provides a globally shared date for all humanity to commit to peace above all differences and to contribute to building a Culture of Peace.

The 2026 theme for International Day of Peace is *Invest in Peace – For Everyone, Everywhere, Every Day*; honors the “everyday architects of peace” who drive local action, lay the foundation for stability, and build a lasting peace from the ground up. Peace is shaped by everyone, everywhere, every day.

Learn more about the International Day of Peace at <https://internationaldayofpeace.org/get-involved/>

RECOMMENDED ACTION

Approve Proclamation No. 397 proclaiming September 21, 2026 as Peace Day on Mercer Island.



City of Mercer Island, Washington

Proclamation

WHEREAS, the International Day of Peace ("Peace Day") is observed around the world each year on September 21.

Established in 1981 by a unanimous United Nations resolution, Peace Day provides a globally shared date for all humanity to commit to peace above all differences and to contribute to building a Culture of Peace.

People in cities, communities, and villages worldwide have engaged in the International Day of Peace in diverse and meaningful ways. Global crises impel all citizens to work toward converting humanity's noblest aspirations for world peace into the practical reality of a culture of peace for future generations.

There is support within our City for the observance of the International Days of Peace, which affirms a vision of our world at peace, and fosters cooperation between individuals, organizations, and nations.

The 2026 theme for the International Day of Peace is **Invest in Peace – For Everyone, Everywhere, Every Day.**

Honors the "everyday architects of peace" who drive local action, lay the foundation for stability, and build a lasting peace from the ground up. Peace is shaped by everyone, everywhere, every day.

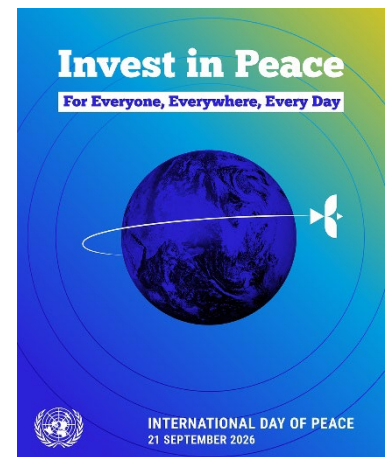
NOW, THEREFORE, I, David Rosenbaum, Mayor of the City of Mercer Island, do hereby proclaim September 21, 2026 as

PEACE DAY ON MERCER ISLAND

APPROVED, this 15th day of September 2026.

Mayor David Rosenbaum

Proclamation No. 397





BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6995
September 15, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6995: Fire Apparatus Acquisition and Financing (Ordinance No. 26-12, Second Reading)	☐ Discussion Only ☒ Action Needed: ☒ Motion ☒ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Adopt Ordinance No. 26-12 authorizing the acquisition and lease purchase financing of one Pierce International Pumper.	

DEPARTMENT:	Fire
STAFF:	Matt Mornick, Finance Director Jeromy Hicks, Deputy Chief, Eastside Fire & Rescue Carson Hornsby, Management Analyst II
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Ordinance No. 26-12 including Exhibit A – Purchase Agreement with Hughes Fire Equipment, Inc. and Exhibit B – Property Schedule No. 2 to the Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. 2. Executed Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc.
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 item is to authorize the purchase and financing of a replacement fire apparatus.

- One of the City's type 2 fire apparatus (FL-403) purchased in 2008 is overdue for replacement. This mid-size apparatus is a cost-effective alternative for joint emergency medical service (EMS) and rescue responses, with a compact design well suited for navigating the narrow and steeply graded streets throughout Mercer Island.
- Eastside Fire and Rescue (EF&R) is the City's fire and emergency medical services provider. EF&R's Technical Advisory Group began the design specifications process to replace the apparatus in late 2025 and provided a recommendation to the City in Spring 2026.
- Hughes Fire Equipment ("Hughes"), the Pierce Manufacturing dealer for Washington State, provided a quote for one type 2 fire apparatus in May 2026. The purchase price of the apparatus is \$774,266.47 including discounts and sales tax. The quote is valid until October 16, 2026.

- Ordinance No. 26-12 (Exhibit 1) authorizes the City Manager to purchase a new Pierce International Pumper (type 2 apparatus) via a purchase agreement with Hughes.
- In June 2026, the City, EF&R, and Hughes drafted a purchase agreement for the acquisition of one Pierce International Pumper. The City and Hughes agree to the terms outlined in the purchase agreement (Exhibit 1A).
- To secure financing for the apparatus, staff requested financing proposals from two banks and applied for pooled financing via the Washington State Treasurer's Office LOCAL Program. Municipal Asset Management, Inc. offered the most competitive terms with a 4.97% interest rate and 9-year term outlined in the proposed Property Schedule No. 2 (Exhibit 1B) to the previously executed Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. (Exhibit 2).
- The City Council conducted the first reading of Ordinance No. 26-12 on September 1, 2026.

BACKGROUND

Eastside Fire and Rescue (EF&R) is the City of Mercer Island's fire and emergency medical services provider. The current interlocal agreement between EF&R and the City was executed on January 1, 2024. Per the interlocal agreement, the City will finance and own its fleet while EF&R will manage the fleet's operation and maintenance.

In February 2025, the City Council approved [Ordinance No. 25-04 \(AB 6624\)](#), authorizing the purchase of one type 1 apparatus and one type 2 apparatus from Hughes Fire Equipment ("Hughes"), the exclusive dealer of Pierce Manufacturing in Washington State. The City and Hughes were unable to agree to the price escalator clause in the agreement and the City Manager placed the acquisition on hold.

In September 2025, EF&R's Technical Advisory Group resumed work on the design specifications to replace the City's type 1 apparatus alongside three EF&R-owned type 1 apparatus. To maintain fleet standardization, EF&R recommended a Pierce Manufacturing engine, which optimizes first responder training, certifications, and maintenance efficiencies. In November 2025, the City Council approved [Ordinance No. 25-34 \(AB 6819\)](#), authorizing a joint purchase agreement with Hughes for all four apparatus – including a capped manufacturer price escalator clause – and a lease purchase financing agreement with Municipal Asset Management, Inc.

Following this framework, EF&R resumed plans in late 2025 to replace the City's type 2 apparatus. In May 2026, Hughes provided a quote for the type 2 apparatus (also known as an "International Pumper," which is the formal name of the model by Pierce Manufacturing). City staff, EF&R, and Hughes drafted a purchase agreement that mirrors the November 2025 joint purchase agreement, successfully securing the same cap on the manufacturer's price escalator clause.

ISSUE/DISCUSSION

Type 2 Fire Apparatus

The City currently owns two type 2 fire apparatus, one at each fire station. One of the City's type 2 apparatus (FL-403) is overdue for replacement. Purchased in 2008, the type 2 apparatus has an expected useful life of 16 years and was due for replacement in 2024. Fire apparatus expected useful life is evaluated in conjunction with recommendations from the National Fire Protection Association (NFPA).

For type 2 apparatus, NFPA recommends a useful life of 15 years as a "first out" response vehicle with a subsequent back-up/ reserve life span of an additional 5 to 10 years. Older equipment is maintained to serve as a back-up/reserve pending vehicle condition and maintenance costs. Using "first out" vehicles past their

useful life span results in increased maintenance and repair costs, and outdated technology and safety features. Staggering the replacement of “first out” vehicles with back-up/reserve vehicles helps to maintain the condition and reliability of the City’s fire fleet.

Pierce International Pumper

A new Pierce International Pumper is recommended to replace FL-403. The Pierce International Pumper is a type 2 apparatus also known as a “midi pumper,” or mid-size engine that is larger than a type 3 mini pumper and smaller than a full-size type 1 pumper. This apparatus is more fuel efficient compared to full-size pumps and is designed as a cost-effective measure for departments responding to both fire and EMS calls. The mid-size apparatus is ideal for the unique geography of Mercer Island due to its ability to effectively maneuver on narrow and steeply graded streets in neighborhoods throughout the island.

Purchase Agreement

In May 2026, Hughes provided a quote for the Pierce International Pumper with a total purchase price of \$774,266.47 including discounts and sales tax. The quote is valid until October 16, 2026.

The City, EF&R, and Hughes drafted a purchase agreement (Exhibit 1A) adapted from the 2025 joint purchase agreement with EF&R. The agreement permits Hughes to adjust the purchase price if component costs rise, subject to two specific caps. First, if the Producer Price Index (PPI) for Components of Manufacturing increases at a compounded annual growth rate of 5.0% or more between the order date and 14 months prior to estimated delivery, the price may increase by the amount over 5.0%, pro-rated over that timeframe. Second, cost increases for major third-party manufactured components (e.g. engine, transmission, and fire pump) are capped at a maximum of 10% of the original purchase price.

The manufacturing lead time for the Pierce International Pumper is estimated at 14 to 19 months after the purchase agreement is finalized.

Financing

Staff evaluated financing proposals from Municipal Asset Management, Inc., Holman Capital, and the Washington State Treasurer’s Office LOCAL (Local Option Capital Asset Lending) Program, which pools municipal financing to reduce issuance costs and secure lower interest rates.

The LOCAL program approved the City’s application to finance the purchase of the international pumper in July. However, the LOCAL Program disperses funds once the fire apparatus is delivered, meaning the City would not be able to secure \$29,000 in pre-payment discounts offered by Hughes.

Property Schedule No. 2 to the Master Tax-Exempt Installment Purchase Agreement

In contrast, Municipal Asset Management, Inc. offered the most competitive overall package with up-front funding. This immediate financing allows the City to capture the \$29,000 pre-payment discount – a net savings that exceeds the long-term interest cost advantages of waiting for LOCAL program funding.

Staff recommend moving forward with Property Schedule No. 2 (Exhibit 1B) under the existing Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. (Exhibit 2), securing a 4.97% interest rate and a 9-year term. Upon delivery of the International Pumper, staff will re-evaluate the LOCAL Program’s latest pooled market offerings to determine whether refinancing the lease-purchase agreement is in the City’s best financial interest.

If Property Schedule No. 2 is executed beginning September 29, 2026, the City will make annual installment payments of \$108,786 through September 2035 for a total payment of \$979,075 over a 9-year term. After the final lease payment in 2035, ownership of the apparatus transfers to the City.

The City has previously financed several fire apparatus acquisitions with Municipal Asset Management, Inc., including the City's most recent acquisition in January 2026. All new fire apparatus purchased by the City since 2007 have been financed through installment purchase (also known as lease purchase) agreements except for one fire rescue truck which was financed by a LTGO bond issue in 2013.

Budgetary Impact

The City's Equipment Rental Fund (510) will pay the debt service for the acquisition of the Pierce International Pumper as outlined in the "Financing" section above. Similar to what the City is experiencing with the acquisition of other specialized vehicles and equipment, the funding mechanisms in place to cover the debt service for fire apparatus are not keeping pace with the cost increases seen in recent years. FL-403 was acquired in 2008 for \$251,982. In 2026, the cost to replace the apparatus has risen to \$774,266.47 including discounts and sales tax, which represents a 307% increase. This degree of price escalation is commonplace in today's market for fire and EMS vehicles.

Debt service payments for the Pierce International Pumper are made from the Equipment Rental Fund. Staff recently completed a cash flow analysis on the Equipment Rental Fund. A new financing strategy to sustainably operate, maintain, and replace the City's fleet – including fire apparatus – is included in the 2027-2028 Preliminary Biennial Budget that will be presented to the City Council later this month.

The City Council conducted the first reading of Ordinance No. 26-12 on September 1, 2026.

NEXT STEPS

Following adoption of Ordinance No. 26-12, the City Manager will finalize and sign the Purchase Agreement with Hughes Fire Equipment and Property Schedule No. 2 to the existing Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc. Staff will submit the up-front payment for the International Pumper prior to the October 16, 2026 purchase deadline.

RECOMMENDED ACTION

Adopt Ordinance No. 26-12 authorizing the purchase of one Pierce International Pumper and authorizing a purchase agreement between the City and Hughes Fire Equipment, Inc. and Property Schedule 2 to the Master Tax-Exempt Installment Purchase Agreement with Municipal Asset Management, Inc., substantially in the form of the drafts attached as Exhibits A and B to Ordinance No. 26-12.

**CITY OF MERCER ISLAND
ORDINANCE NO. 26-12**

**AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON,
RELATING TO THE PURCHASE AND FINANCING OF A FIRE APPARATUS;
PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE
DATE.**

WHEREAS, the City of Mercer Island, Washington (“City”) has determined that it is advisable to purchase one Pierce Manufacturing, Inc. International Pumper fire apparatus to replace a City fire apparatus that is beyond its useful life; and

WHEREAS, the City’s contracted fire and emergency medical services provider, Eastside Fire and Rescue, completed the specifications process, provided a recommendation to the City, and obtained a final bid at the lowest available price from Hughes Fire Equipment, Inc., the exclusive dealer for Pierce Manufacturing, Inc. in Washington State; and

WHEREAS, the City finds it in the best interest of the public to enter into a purchase agreement with Hughes Fire Equipment, Inc.; and

WHEREAS, pursuant to Ordinance No. 25-34 passed by the City Council on December 2, 2025, the City executed a Master Tax-Exempt Installment Purchase Agreement (the “Master Agreement”) with Municipal Asset Management, Inc. to finance the acquisition of property from time to time subject to the terms of a related schedule; and

WHEREAS, the City now desires to execute and deliver a new Property Schedule to the Master Agreement to evidence financing under the terms of the Master Agreement, proceeds of which will be used to acquire a Pierce International Pumper fire apparatus;

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

Section 1. Authorization of Documents Required to Purchase Fire Apparatus. The City Manager or designee is hereby authorized to execute the following documents, substantially in the form of the drafts attached as Exhibits A and B to this ordinance, relating to the acquisition and financing of one Pierce International Pumper fire apparatus on behalf of the City: (1) Purchase Agreement with Hughes Fire Equipment, Inc. and associated exhibits; and (2) Property Schedule No. 2 to the Master Agreement with Municipal Asset Management, Inc. and associated exhibits, including but not limited to the associated Addendum. The City Manager or designee is hereby authorized and directed to take such steps, to do such other acts and things, and to execute such documents, letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable, in order to carry out the terms and provisions of, and complete the transactions contemplated by this ordinance, including changes in the documents attached as Exhibits A and B that are determined to be in the best interest of the City of Mercer Island.

Section 2. General Obligation. The City’s payment obligation under the documents referenced in Section 1 of this ordinance shall be a general obligation of the City payable from its regular property tax levy and other available funds of the City.

The City hereby irrevocably covenants and agrees for as long as such obligations are outstanding and unpaid that each year it will include in its budget and levy a regular property tax upon all the property within the City subject to taxation in an amount that will be sufficient, together with other revenues and money of the City legally available for such purposes, to pay the principal of and interest on such obligations when due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of said regular taxes and for the prompt payment of the principal of and interest on the obligations when due.

Section 3. Prior Acts. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 4. Severability. If any section, sentence, clause or phrase of this ordinance or any municipal code section amended hereby should be held to be invalid or unconstitutional by a court of competent jurisdiction, or its application held inapplicable to any person, property, or circumstance, such invalidity or unconstitutionality shall not affect the validity of any other section, sentence, clause, or phrase of this ordinance or its application to any other person, property, or circumstance.

Section 5. Effective Date. This ordinance shall take effect five days after its passage, approval and publication as required by law.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT ITS MEETING ON SEPTEMBER 15, 2026.

CITY OF MERCER ISLAND

Dave Rosenbaum, Mayor

APPROVED AS TO FORM:

ATTEST:

Bio Park, City Attorney

Andrea Larson, City Clerk

Date of Publication:

**AGREEMENT BETWEEN CITY OF MERCER ISLAND, AND
HUGHES FIRE EQUIPMENT, Inc.
FOR THE PURCHASE OF ONE (1) PIERCE INTERNATIONAL PUMPER MC1180**

THIS AGREEMENT is made and entered into by City of Mercer Island, a Washington Municipal corporation, with its principal offices at 3030 78th Ave SE, Mercer Island, Washington 98040, hereinafter "Customer"; Hughes Fire Equipment, Inc., with its principal offices at 910 Shelley St, Springfield, OR 97477. For the purposes of this Agreement, Hughes Fire Equipment, Inc. shall be referred to as "Vendor."

WITNESSETH: That in consideration of the payments, covenants, and agreements hereinafter mentioned, to be made or performed by the parties hereto, the parties covenant and agree to the following:

1. Term – Agreement

The term "Agreement" as used herein, shall constitute this document entitled "Agreement between City of Mercer Island, and Hughes Fire Equipment, Inc. for the Purchase of the One (1) Pierce International Pumper MC1180, and the following attachments which are incorporated by this reference:

- a. Attachment A, entitled "Apparatus Specifications the Product," and
- b. Attachment B, entitled "Preliminary Drawing", and
- c. Attachment C, entitled "Hughes Fire Equipment Proposal," and
- d. Attachment D, entitled "Pierce's Build Sheet."

2. Term – Product

This Agreement is for the purchase of One (1) Pierce International Pumper MC1180 (hereinafter referred to as the "Product"), which shall conform to the terms and conditions of this Agreement. All references to the purchased apparatus in this Agreement and its attachments shall be understood to mean the Product unless otherwise specified.

3. Scope of Work

Vendor agrees to build and deliver to the Customer Product that meets the specifications set forth in this Agreement and its various attachments.

The Customer promises and agrees with Vendor to engage Vendor to provide the Product as described in this Agreement and for Vendor to complete and

finish the same according to the plans and specifications set forth in this Agreement and Attachments A, B, C, and D.

The parties agree that the Product will conform to all Federal Department of Transportation rules and regulations in effect at the time of signing of the Agreement, with all National Fire Protection Association guidelines for Automotive Fire Apparatus as published at the time of signing of this Agreement in effect at the time of signing of the Agreement.

4. Delivery and Risk of Loss

Vendor agrees the unit proposed will be ready for pick up from the factory in 14 to 19 months after contract execution. This does not include the time it will take to transport the unit to the local dealer, complete the pre-delivery inspection and other items to satisfy contract requirements, and transport it to the Customer location. The vendor further agrees to deliver to the Customer Product, free of defects, that conform to the specifications set forth in this Agreement within 420 to 570 calendar days from the date of signing of this Agreement, F.O.B. Mercer Island, Washington; provided, the risk of loss for any defect or damage to the Product shall remain with Vendor until the Product is accepted by the Customer.

Delivery Address:
Eastside Fire & Rescue Station 85
3600 Tolt Ave, Carnation, WA 98014

5. Time is of the Essence

The Customer and Vendor agree that time is of the essence in the performance of this Agreement.

6. Payment and Options

The total purchase price for the Product is \$774,266.47, which includes \$707,739.00 for the Product and \$66,527.47 in applicable Washington state and motor vehicle taxes.

A 100% prepayment in the amount of \$774,266.47 is due within 30 days of contract execution, an invoice will be provided. If payment is not made at this time \$28,608.00, or a portion thereof, will be added to the final invoice. Final payment, including any changes made during the manufacturing process, will be due upon completion of the apparatus at the factory and prior to the apparatus leaving the factory for delivery.

Any price increase enacted by the suppliers of major components of the Product (including but not limited to engine, transmission, and fire pump as referenced in Attachment A) after the execution of the contract or purchase order shall be paid by the customer up to maximum of a 10% increase on the agreed purchase price. Any price increase on major components of the product will be documented on a Change Order and provided to the customer for approval prior to proceeding. The customer will have the option to cancel the order due to any price increase on major components of the product.

7. Preconstruction

Vendor shall provide and pay the expenses for travel by air, meals, and accommodations for five (5) representatives of the Customer to sit down with the Vendor's representatives at its facility to go over the specifications, so all parties have a clear understanding of the Customer's specifications.

8. Inspection

The Customer is entitled to inspect the Product at two (2) different stages. The inspections shall include:

- (i) a final construction inspection prior to leaving the factory; and
- (ii) a post-delivery final inspection.

With the exception of the post-delivery final inspection, the inspections shall occur at the Vendor's manufacturing site.

Vendor shall provide and pay the expenses for travel by air, meals, and accommodations for five (5) representatives of the Customer for the final construction inspection prior to leaving the factory. All deficiencies shall be corrected prior to the apparatus leaving the Vendor's facility.

There shall be a post-delivery final inspection conducted at the Customer's premises to ensure that the Product conforms to the terms of this Agreement and pass all inspections and tests as required by the Customer or other laws or regulations. The initial post-delivery inspection and testing shall be completed within thirty (30) days of delivery of the Product. In the event the Product fails to meet the tests as required by the Customer on first trials, second trials may be conducted by the Customer, at the sole option of the Customer, within thirty (30) days from the date of the first trials. Such trials shall be final and conclusive.

Vendor specifically agrees that its failure to afford the Customer the opportunity to inspect the Product pursuant to the terms of this Agreement shall be enough cause, in and of itself, for the rejection of the Product.

Notwithstanding any right of inspection, Vendor shall notify the Customer of any known or discoverable defects in the Product that exist on the date the Product is delivered or are later discovered by Vendor.

9. Acceptance

Acceptance of the Product shall occur after the Product pass post-delivery inspections and tests, which shall be completed within thirty (30) days after the Product is delivered to the Customer. The fact that the Customer uses the Product for the inspection and tests shall not constitute acceptance.

10. Rejection

The Customer reserves the right to inspect the Product for any defects, irregularities, non-conformities, and defects in workmanship and appearance, and to reject the nonconforming or defective Product. The Customer will notify Vendor of the rejection of the Product in writing. The Customer will also provide Vendor with a written description of the reason(s) for rejection. The Customer will hold the Product in its possession with reasonable care at Vendor's disposition for a time enough to permit Vendor to remove the Product. If Vendor gives no instructions within a reasonable time after notification of the rejection, the Customer will store the Product at Vendor's expense and such expense shall become a security interest in favor of the Customer. The parties understand that in the case of rejection, the Customer is not required to store the Product in an enclosed area.

11. Cure

If the Customer rejects the Product for a defect or non-conformity, Vendor shall have thirty (30) days to cure the defect; provided, Vendor provides the Customer written notice of Vendor's intent to cure the defect and assures the Customer that it is capable of curing such defect. The Customer shall notify Vendor in writing of its discovery of any defect within thirty (30) days of the actual discovery of the defect. The cure of the defect shall be at the sole expense of the Vendor, and Vendor shall cover all costs of such cure. In the event the cure requires that the Product to be transported beyond the limits of the State of Washington, Vendor shall, in addition to covering all costs of such cure, pay to the Customer \$0.725 per mile that the Product is driven to cover the wear and tear on the Product.

Unless otherwise agreed to in a separate writing signed by the parties, Vendor shall have one opportunity to cure each defect for which it has been placed on notice or which Vendor discovers. Any agreement to cure defects of the Product shall not constitute a settlement of claims brought pursuant to the terms of this Agreement.

If, at any time after acceptance, Vendor discovers a defect, Vendor shall, within four (4) days of discovery, notify the Customer of such defects in writing and shall cure such defects pursuant to the Warranties provided and Section 12 herein.

12. Warranty

Vendor warrants and guarantees that the Product will be manufactured in accordance with the specifications set forth in this Agreement. Unless a longer warranty is provided by Pierce or per the specifications, Pierce Manufacturing ("Pierce") warrants to the Buyer that the portions of its Fire and Rescue Apparatus vehicle that are manufactured by Pierce shall be free from all defects in material and workmanship for a warranty period of one (1) year after the date of acceptance of the vehicle to the Buyer, unless a longer warranty is mutually agreed upon by both parties, which shall commence when the vehicle is either placed into service, or sixty (60) days from the date of delivery, whichever shall occur first. The warranty certificates provided will become part of this contract.

The implied warranties of merchantability and fitness for a particular purpose, as set forth in sections 62A.2-314 and -315 of the Revised Code of Washington, shall apply to the Product. These implied warranties shall apply even though they may be disclaimed in an attachment to this Agreement or other documents supplied by the Vendor, such that this section shall prevail over such disclaimer, and such disclaimer shall not apply. The inspection of or failure to inspect the Product shall not constitute a waiver or cancellation of the implied warranties.

All additional or separate warranties associated with any part, component, attachment, or accessory that is incorporated into or attached to the Product shall, regardless of length of said warranty, be for the benefit of the Customer and passed on to the Customer, and vendor shall take all steps necessary to ensure that all such warranties are activated and in effect when the vehicle is delivered. If the Product or any component, unit, or subsystem is repaired, rebuilt, or replaced pursuant to this Agreement, such warranty work, component, unit, or subsystem shall have the remaining unexpired warranty of the Product, the original component, unit, or subsystem.

Vendor shall provide all paperwork relating to warranty coverage of the Product or their components to the Customer upon delivery of the Product.

The warranty period will begin sixty (60) days after the Product leaves the factory for delivery or when the Product is placed in service, whichever is sooner.

In the event a component manufacturer requires that the purchaser register its purchase with the manufacturer to make effective a component manufacturer's warranty, Vendor shall take all steps necessary to register such purchase with the component manufacturer. In the event Vendor fails to properly register the Customer's purchase with the component manufacturer, then Vendor shall assume the status of warrantor of such component as if such registration had occurred. The Customer's failure to discover any defect during any inspection or at any other time shall not constitute a waiver of the warranty applicable to such defect.

13. Performance Bond

Vendor shall provide and execute a performance bond for the full contract amount.

This performance bond shall:

- (1) Be signed by an approved surety (or sureties) that:
 - a. Is registered with the Washington State Insurance Commissioner, and
 - b. Appears on the current authorized Insurance List for the State of Washington published by the Office of the Washington Insurance Commissioner.
- (2) Be conditioned on and guarantee the faithful performance of the contract by Vendor within the prescribed time.
- (3) Guarantee that the surety shall indemnify, defend, and protect the Customer against any claim of direct or indirect loss resulting from the failure:
 - a. Of Vendor (or any of the employees, sub-contractors, volunteer sub-contractors of Vendor) to faithfully perform the contract, and

- b. Of Vendor (or the sub-contractors) to pay all laborers, mechanics, subcontractors, volunteers, material person, or any other person who provides supplies or provisions for carrying out the work.
- (4) The Customer may require the surety companies on the Performance Bond to appear and qualify themselves. When the Customer deems the surety or sureties to be inadequate, it may, upon written demand, require Vendor to furnish additional surety to cover any remaining work. Until the added surety is furnished, payments on the contract will stop.
- (5) The parties agree that no liability shall attach to the Customer by reason of entering into this Agreement except as expressly provided herein.
- (6) Notwithstanding any document or assertion to the contrary, any surety bond related to the sale of a vehicle will apply only to the Basic Limited Warranty for such Vehicle. Any surety bond related to the sale of a vehicle will not apply to any other warranties that are included with this bid (OEM or otherwise) or to the warranties (if any) of any third party of any part, component, attachment, or accessory that is incorporated into or attached to the vehicle. In the event of any contradiction or inconsistency between this provision and any other document or assertion, this provision will prevail.
- (7) Due to global supply chain constraints, any delivery date contained herein is a good faith estimate as of the date of this order/contract, and merely an approximation based on current information. Delivery updates will be made available, and a final firm delivery date will be provided as soon as possible.
- (8) If the Producer Price Index of Components for Manufacturing [www.bls.gov Series ID: WPUID6112] ("PPI") has increased at a compounded annual growth rate of 5.0% or more between the month Pierce accepts our order ("Order Month") and a month 14 months prior to the then predicted Ready For Pickup date ("Evaluation Month"), then pricing may be updated in an amount equal to the increase in PPI over 5.0% for each year or fractional year between the Order Month and the Evaluation Month. The seller will document any such updated price for the customer's approval before proceeding and provide an option to cancel the order.

14. Independent Contractor

The parties intend that an Independent Contractor-Employer Relationship will be created by this Agreement. By their execution of this Agreement, and in

accordance with Ch. 51.08 RCW, the parties make the following representations:

- A. The Vendor has the ability to control and direct the performance and details of its work, the Customer being interested only in the results obtained under this Agreement.
- B. The Vendor maintains and pays for its own place of business from which Vendor's services under this Agreement will be performed.
- C. The Vendor has an established and independent business that is eligible for a business deduction for federal income tax purposes that existed before the Customer retained Vendor's services, or the Vendor is engaged in an independently established trade, occupation, profession, or business of the same nature as that involved under this Agreement.
- D. The Vendor is responsible for filing as they become due all necessary tax documents with appropriate federal and state agencies, including the Internal Revenue Service and the state Department of Revenue.
- E. The Vendor has registered its business and established an account with the state Department of Revenue and other state agencies as may be required by Vendor's business, and has obtained a Unified Business Identifier (UBI) number from the State of Washington.
- F. The Vendor maintains a set of books dedicated to the expenses and earnings of its business.

15. Non-Assignment

Vendor shall not assign this Agreement nor any part thereof, nor any monies due or to become due thereunder, without the prior written approval of the Customer. Vendor shall not sublet any part of this Agreement without first having obtained the written consent of the Customer to do so. In case such consent to sublet any part of this agreement is given by the customer, it shall in no way release vendor from any responsibility under this agreement, and vendor shall be held in all respects accountable as if no consent has been given. Vendor will be required to give personal attention to the work that is sublet.

16. Indemnification

Vendor shall defend, indemnify, and hold the Customer, it's officers, officials, employees, agents and volunteers harmless from injury and all claims,

injuries, damages, losses, and suits including all legal costs and attorney fees arising out of or in connection with the Vendor's negligent performance of this Agreement except for injuries and damages resulting from the sole negligence of the Customer. The Customer's inspection or acceptance of the Product when completed will not be grounds to avoid any of these covenants of indemnification. The provisions of this section shall survive the expiration or termination of this Agreement. The Customer shall: (1) promptly notify Vendor of any claim for which indemnification may be sought; (2) cooperate fully in the defense of such claim; and (3) permit Vendor to settle or compromise such claim on terms and conditions which, in good faith, it determines are appropriate.

17. Insurance

INSURANCE PROVIDED BY Vendor

COMMERCIAL GENERAL LIABILITY INSURANCE

The Vendor will, during the performance of the contract and for three (3) years following acceptance of the product, keep in force at least the following minimum limits of commercial general liability insurance:

Each Occurrence: \$1,000,000

Products/Completed Operations Aggregate: \$1,000,000

Personal and Advertising Injury: \$1,000,000

General Aggregate: \$2,000,000

Coverage will be written on a Commercial General Liability form. The policy will be written on an occurrence form and will include Contractual Liability coverage for bodily injury and property damage subject to the terms and conditions of the policy. The policy will include Owner as an additional insured when required by written contract.

COMMERCIAL AUTOMOBILE LIABILITY INSURANCE

The Vendor will, during the performance of the contract, keep in force at least the following minimum limits of commercial automobile liability insurance and coverage will be written on a Commercial Automobile liability form:

Each Accident Combined Single Limit: \$1,000,000

UMBRELLA/EXCESS LIABILITY INSURANCE

The Vendor will, during the performance of the contract and for three (3) years following acceptance of the product, keep in force at least the following minimum limits of umbrella liability insurance:

Aggregate: \$3,000,000

Each Occurrence: \$3,000,000

The umbrella policy will be written on an occurrence basis and at a minimum provide excess to the Vendor's General Liability and Automobile Liability policies.

The required limits can be provided by one (1) or more policies provided all other insurance requirements are met.

Coverage will be provided by a carrier(s) rated A- or better by A.M. Best.

All policies will provide a 30-day notice of cancellation to the named insured. The Certificate of Insurance will provide the following cancellation clause: Should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions.

Vendor agrees to furnish owner with a current Certificate of Insurance with the coverages listed above along with the bid. The certificate will show the purchaser as certificate holder.

INSURANCE PROVIDED BY MANUFACTURER

PRODUCT LIABILITY INSURANCE

The manufacturer will, during the performance of the contract and for three (3) years following acceptance of the product, keep in force at least the following minimum limits of Product Liability insurance:

Each Occurrence: \$1,000,000

Products/Completed Operations Aggregate: \$1,000,000

Coverage will be written on a Commercial General Liability form. The policy will be written on an occurrence form. The manufacturer's policy will include the owner as additional insured when required by written contract between the Owner and a Pierce authorized dealer.

UMBRELLA/EXCESS LIABILITY INSURANCE

The manufacturer will, during the performance of the contract and for three (3) years following acceptance of the product, keep in force at least the following minimum limits of umbrella liability insurance:

Each Occurrence: \$25,000,000

Aggregate: \$25,000,000

The umbrella policy will be written on an occurrence basis and provide excess to the manufacturer's General Liability/Products policies.

The required limits can be provided by one (1) or more policies provided all other insurance requirements are met.

Coverage will be provided by a carrier(s) rated A- or better by A.M. Best.

All policies will provide a 30-day notice of cancellation to the named insured. The Certificate of Insurance will provide the following cancellation clause: Should any of the above described policies be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions.

Manufacturer agrees to furnish owner with a current Certificate of Insurance with the coverages listed above along with the bid. The certificate will show the purchaser as the certificate holder.

18. Discrimination

In the hiring of employees for the performance of work under this Agreement or any sub-contract hereunder, Vendor, its sub-contractors, or any person acting on behalf of Vendor or its sub-contractor shall not, by reason of race, religion, color, sex, national origin, or the presence of any sensory, mental, or physical disability, discriminate against any person who is qualified and available to perform the work to which the employment relates.

19. Severability

If any term, provision, condition, or other portion of this Agreement, or its application to any person is held to be inoperative, invalid, or void, then the same shall not affect any other term, provision, condition, or any other portion of this Agreement or its application to any person.

20. Cumulation of Remedies

All remedies available to either party for breach of this Agreement are cumulative and may be exercised concurrently or separately, and the exercise of any one remedy shall not be deemed an election of such remedy to the exclusion of other remedies.

21. Non-Waiver of Breach

No term or provision hereof shall be deemed waived and no breach consented to unless such waiver or consent shall be in writing and signed by the party claimed to have waived or consented. Any consent by any party, or waiver of, the breach of the other whether expressed or implied shall not constitute a continuing waiver of or consent to, nor excuse a different or subsequent breach. The failure of the Customer to enforce one portion of this Agreement

shall not constitute a waiver, or excuse the breach, of another portion of this Agreement.

22. Authority

Each party has full power and authority to enter into and perform this Agreement, and the person signing this Agreement on behalf of each party has been properly authorized and empowered to enter into this Agreement. Each party further acknowledges that it has read this Agreement and understands and agrees to be bound by its terms.

23. Choice of Law

This Agreement shall be exclusively governed and controlled by the laws of the State of Washington, including, but not limited to, the State's Uniform Commercial Code as contained in Chapter 62A.2 RCW. To the extent that this Agreement conflicts with the provisions of Chapter 62A.2 RCW, the terms of this Agreement shall control. Jurisdiction and venue for any action relating to this Agreement shall exclusively be in the Superior Court for King County, Washington.

24. Termination

This Agreement may be terminated in whole or in part:

- (a) By the Customer if Vendor fails to deliver the Product within thirty (30) days after the time for delivery specified in this Agreement or after thirty (30) days for a cure of any defect or non-conformity. The Customer shall notify Vendor of the termination, the reasons thereof, and the effective date. The Customer will receive a full refund.
- (b) (b) By the mutual written agreement between Customer and Vendor. The Agreement to terminate shall include the conditions of termination, the effective date, and in the case of termination in part, the portion to be terminated.
- (c) In the event this Agreement is cancelled or terminated by the Customer before completion, Vendor may charge a cancellation fee. The following charge schedule based on costs incurred may be applied:
 - (a) 10% of the Purchase Price after order is accepted and entered by Vendor;
 - (b) 20% of the Purchase Price after completion of approval drawings, and;
 - (c) 30% of the Purchase Price upon any material requisition.

The cancellation fee will increase accordingly as costs are incurred as the order progresses through engineering and into manufacturing. Vendor endeavors to mitigate any such costs through the sale of such Product to another purchaser; however, Customer shall remain liable for the difference between the Purchase Price and, if applicable, the sale price obtained by Vendor upon sale of the Product to another purchaser, plus any costs incurred by Vendor to conduct any such sale.

After the effective date of termination, no charges incurred under this Agreement, or terminated portions thereof, are allowable.

25. Force Majeure

Neither Party shall be responsible nor deemed to be in default on account of delays in performance due to causes which are beyond the Party's control which make the Party's performance impracticable, including but not limited to civil wars, insurrections, strikes, riots, fires, storms, floods, other acts of nature, explosions, earthquakes, accidents, any act of government, delays in transportation, inability to obtain necessary labor supplies or manufacturing facilities, allocation regulations or orders affecting materials, equipment, facilities or completed products, failure to obtain any required license or certificates, acts of God or the public enemy or terrorism, failure of transportation, epidemics, pandemics, quarantine restrictions, failure of vendors (due to causes similar to those within the scope of this clause) to perform their contracts or labor troubles causing cessation, slowdown, or interruption of work.

26. Notice to Proceed

Vendor shall commence all work immediately upon execution of the Agreement and shall provide a performance bond, a copy of an insurance certificate(s), and a copy of the Equal Employment Opportunity Policy Declaration.

27. Sales Tax

The Customer shall be responsible for paying Washington State Sales Tax and motor vehicle tax on the contract amount at a rate that is current when and where the unit is purchased. Sales tax collected by Vendor will be subject to WAC 458-20-145, Special Rule No. I. The sales tax rate is calculated at 9.4% based on the delivery location of Carnation, WA.

28. Ownership and Title

Upon acceptance of the Product and payment by the Customer pursuant to this Agreement, ownership, and title of the Product shall pass to the Customer.

29. Modification

This Agreement may only be amended or modified by the mutual written agreement of the parties. All amendments or modifications shall be signed by both parties and be attached to this Agreement.

30. Standard of Performance

All work to be performed by Vendor shall be performed in a workman-like manner in accordance with generally accepted professional practices in effect at the time such work is performed.

31. Notices

Any notices to be delivered shall be directed to the attention of the following:

NOTICES TO BE SENT TO:**HUGHES FIRE EQUIPMENT:**

Attn: Matt Chambers, Sales Rep.
 Sheri Taylor, Sales Manager
 Dani Turrubiates, Contract Admin.
 Hughes Fire Equipment
 910 Shelley Street
 Springfield, Oregon 97477

(541) 747-0072 (telephone)
 (541) 747-0073 (facsimile)
 (206) 953-9505 (Matt's Cell)

NOTICES TO BE SENT TO:**CITY OF MERCER ISLAND:**

Attn: Jessi Bon, City Manager

CITY OF MERCER ISLAND
 9611 SE 36th St
 Mercer Island, WA, 98040
 (206) 275-7600 (telephone)

NOTICES TO BE SENT TO:**PIERCE MANUFACTURING Inc:**

Attn: _____
 Pierce Manufacturing
 2600 American Drive
 Appleton, Wisconsin 54914

(920) 832-3000 (telephone)
 (920) 832-3080 (facsimile)

32. Entire Agreement

This Agreement constitutes the entire agreement between the Customer and Vendor. With the exception of properly executed written modifications,

representations, either written or oral, that do not conform to the "modification" section of this Agreement, shall not be considered part of this Agreement.

33. Conflict of Terms

The terms of this Agreement, including the Attachments, shall be read together. Unless otherwise specified in this Agreement, in the event that any of the terms of the Agreement including the Attachments conflict with each other, the following shall be the order of precedence:

- (a) The terms of this Document entitled "Agreement between City of Mercer Island, and Hughes Fire Equipment, Inc., for the Purchase of One (1) Pierce International Pumper MC1180 ," shall take precedence over the terms of any other portion of this Agreement.
- (b) Attachment A entitled "Apparatus Specifications the Product," shall take precedence over Attachments B, C, & D.
- (c) Attachment B entitled "Drawings," shall take precedence over Attachment C entitled "Hughes Fire Equipment, Inc. specifications for the Product," and Attachment D entitled "Pierce Manufacturing Build Sheet".

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year written below. If the dates written below do not coincide, the latest written date shall act as the effective date of this Agreement.

Hughes Fire Equipment Inc

CITY OF MERCER ISLAND:

By: _____
(signature)

By: _____
(signature)

Print Name: Rex Hughes
Its President
(title)

Print Name: Jessi Bon
Its City Manager
(title)

DATE: _____

DATE: _____

MUNICIPAL ASSET MANAGEMENT, INC.

August 17, 2026

Mr. Matthew Mornick
City of Mercer Island
9611 SE 36th Street
Mercer Island, WA 98040-3732

Re: Property Schedule 02 to Master Tax-Exempt Installment Purchase Agreement

Dear Matthew:

Enclosed you will find the lease financing documents for your review and execution. Please complete the documents and have a duly authorized officer sign the documents where indicated. **PLEASE HAVE THE DOCUMENTS EXECUTED WITH BLUE INK.**

Once executed, please e-mail a copy of the documents to me at jtiemeyer@mamgt.com. Please return the original documents to me at Municipal Asset Management, Inc., 25288 Foothills Drive North, Golden, CO 80401. Please contact me at 303-273-9496 or via e-mail with any questions.

Sincerely,

Jamie Tiemeyer
Vice President

ADDENDUM (WASHINGTON)

Master Tax-Exempt Installment Purchase Agreement

THIS ADDENDUM, which is entered into as of September 29, 2026 between Municipal Asset Management, Inc. ("Seller") and City of Mercer Island ("Purchaser"), is intended to modify and supplement Property Schedule No. 2 (the "Property Schedule") to the Master Tax-Exempt Installment Purchase Agreement between Seller and Purchaser dated as of January 9, 2026 (the "Master Agreement"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Agreement.

In addition to the representations, warranties and covenants of Purchaser set forth in the Master Agreement, Purchaser, as of the Commencement Date for the Property Schedule, represents, warrants and covenants for the benefit of Seller that Purchaser is not in violation of, and the execution and delivery of the Property Schedule will not cause Purchaser to violate, any debt limitations applicable to Purchaser or the Property Schedule, and without limiting the foregoing:

(i) if Purchaser is a county, city or town, Purchaser is not in violation of, and the execution and delivery of the Property Schedule will not cause Purchaser to violate, the provisions of Section 39.30.010 of the Revised Code of Washington *[attach computation of test]*;

(ii) if Purchaser is a school district, Purchaser is not in violation of, and the execution and delivery of the Property Schedule will not cause Purchaser to violate, the provisions of Section 28A.335.200 or Section 39.36.020 of the Revised Code of Washington *[attach computation of test]*;

(iii) if Purchaser is a fire district, Purchaser is not in violation of, and the execution and delivery of the Property Schedule will not cause Purchaser to violate, the provisions of Section 52.12.061 of the Revised Code of Washington *[attach computation of test]*;

(iv) if Purchaser is a hospital district, Purchaser is not in violation of, and the execution and delivery of the Property Schedule will not cause Purchaser to violate, the provisions of Section 70.44.260 of the Revised Code of Washington *[attach computation of test]*.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Addendum to be executed in their names by their duly authorized representatives as of the date first above written.

Seller: Municipal Asset Management, Inc.
By:
Name:
Title:

Purchaser: City of Mercer Island
By:
Name:
Title:

Attest:
By
Name:
Title:

Property Schedule No. 2

Master Tax-Exempt Installment Purchase Agreement

This **Property Schedule No. 2** is entered into as of the Commencement Date set forth below, pursuant to that certain Master Tax-Exempt Installment Purchase Agreement (the "Master Agreement"), dated as of January 9, 2026, between Municipal Asset Management, Inc., and City of Mercer Island.

1. Entire Agreement; Interpretation. The terms and conditions of the Master Agreement are incorporated herein by reference as if fully set forth herein. The Master Agreement, this Property Schedule and the associated documents hereto constitute the entire agreement between Purchaser and Seller with respect to the Property and supersede any purchase order, invoice, request for proposal, response or other related document. Reference is made to the Master Agreement for all representations, covenants and warranties made by Purchaser in the execution of this Property Schedule, unless specifically set forth herein. In the event of a conflict between the provisions of the Master Agreement and the provisions of this Property Schedule, the provisions of this Property Schedule shall control. All capitalized terms not otherwise defined herein shall have the meanings provided in the Master Agreement.
2. Commencement Date. The Commencement Date for this Property Schedule is September 29, 2026.
3. Property Description and Payment Schedule. The Property subject to this Property Schedule is described in Exhibit 1 hereto. Purchaser shall not remove such property from the locations set forth therein without giving prior written notice to Seller. The Installment Payment Schedule for this Property Schedule is set forth in Exhibit 1. It includes all replacements, parts, repairs, additions, accessions and accessories incorporated therein or affixed or attached thereto and any and all proceeds of the foregoing, including, without limitation, insurance recoveries.
4. Opinion. The Opinion of Purchaser's Counsel is attached as Exhibit 2.
5. Purchaser's Certificate. The Purchaser's Certificate is attached as Exhibit 3.
6. Proceeds. Seller shall disburse the proceeds of this Property Schedule in accordance with the instructions attached hereto as Exhibit 4.
7. Acceptance Certificate. The form of Acceptance Certificate is attached as Exhibit 5.
8. Additional Purchase Option Provisions. In addition to the Purchase Option provisions set forth in the Master Agreement, Installment Payments payable under this Property Schedule shall be subject to prepayment in whole at any time by payment of the applicable Termination Amount set forth in Exhibit 1 (Payment Schedule) and payment of all accrued and unpaid interest through the date of prepayment.
9. Private Activity Issue. Purchaser understands that among other things, in order to maintain the exclusion of the interest component of Installment Payments from gross income for federal income tax purposes, it must limit and restrict the rights private businesses (including, for this purpose, the federal government and its agencies and organizations described in the Code § 501(c)(3)) have to use the Property. Each of these requirements will be applied beginning on the later of the Commencement Date or date each portion of the Property is placed in service and will continue to apply until earlier of the end of the economic useful life of the property or the date the Agreement or any tax-exempt obligation issued to refund the Property Schedule is retired (the "Measurement Period"). Purchaser will comply with the requirements of Section 141 of the Code and the regulations thereunder which provide restrictions on special legal rights that users other than Purchaser or a state or local government or an agency or instrumentality of a state or a local government (an "Eligible User") may have to use the Property. For this purpose, special legal rights may arise from a management or service agreement, Installment, research agreement or other arrangement providing any entity except an Eligible User the right to use the Property. Any use of the Property by a user other than an Eligible User is referred to herein as "Non-Qualified Use". Throughout the Measurement Period, all of the Property is expected to be owned by Purchaser. Throughout the Measurement Period, Purchaser will not permit the Non-Qualified Use of the Property to exceed 10%.
10. Bank Qualification and Arbitrage Rebate. Attached as Exhibit 6.
11. Expiration. Seller, at its sole determination, may choose not to accept this Property Schedule if the fully executed, original Master Agreement (including this Property Schedule and all ancillary documents) is not received by Seller at its place of business by October 15, 2026.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Property Schedule to be executed in their names by their duly authorized representatives as of the Commencement Date above.

Seller: Municipal Asset Management, Inc.
By:
Name:
Title:

Purchaser: City of Mercer Island
By:
Name:
Title:

Attest:
By
Name:
Title:

EXHIBIT 1**Property Description and Payment Schedule**

Re: **Property Schedule No. 2** to Master Tax-Exempt Installment Purchase Agreement between Municipal Asset Management, Inc. and City of Mercer Island.

The Property is as follows: The Property as more fully described in Exhibit A incorporated herein by reference and attached hereto.

PROPERTY LOCATION:

Address

City, State Zip Code

USE: Fire Truck - This use is essential to the proper, efficient and economic functioning of Purchaser or to the services that Purchaser provides; and Purchaser has immediate need for and expects to make immediate use of substantially all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

Installment Payment Schedule

Total Principal Amount: \$774,266.47

Payment No.	Due Date	Installment Payment	Principal Portion	Interest Portion	Termination Amount (After Making Payment for said Due Date)
1	9/29/2027	108,786.13	70,305.09	38,481.04	NA
2	9/29/2028	108,786.13	73,799.25	34,986.88	649,066.99
3	9/29/2029	108,786.13	77,467.08	31,319.05	569,275.90
4	9/29/2030	108,786.13	81,317.19	27,468.94	485,519.20
5	9/29/2031	108,786.13	85,358.65	23,427.48	397,599.78
6	9/29/2032	108,786.13	89,600.98	19,185.15	302,346.60
7	9/29/2033	108,786.13	94,054.15	14,731.98	206,411.37
8	9/29/2034	108,786.13	98,728.64	10,057.49	105,708.16
9	9/29/2035	108,786.13	103,635.44	5,150.69	0.00
TOTAL		979,075.17	774,266.47	204,808.70	

Interest Rate: 4.97%

Purchaser: City of Mercer Island

By:

Name:

Title:

EXHIBIT A

Property Description

Fire Truck

VIN # To Be Determined

EXHIBIT 2**Purchaser's Counsel's Opinion**

[To be provided on letterhead of Purchaser's counsel.]

September 29, 2026

Municipal Asset Management, Inc.
25288 Foothills Drive North
Golden, CO 80401

City of Mercer Island
9611 SE 36th St
Mercer Island, WA 98040
Attention: Matthew Mornick

RE: Property Schedule No. 2 dated as of September 29, 2026 to Master Tax-Exempt Installment Purchase Agreement dated as of January 9, 2026 between Municipal Asset Management, Inc. and City of Mercer Island.

Ladies and Gentlemen:

We have acted as special counsel to City of Mercer Island ("Purchaser"), in connection with the Master Tax-Exempt Installment Purchase Agreement, dated as of January 9, 2026 (the "Master Agreement"), between City of Mercer Island, as Purchaser, and Municipal Asset Management, Inc. as Seller ("Seller"), and the execution of Property Schedule No. 2 (the "Property Schedule") dated as of September 29, 2026, pursuant to the Master Agreement. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

All capitalized terms not otherwise defined herein shall have the meanings provided in the Master Agreement and Property Schedule.

As to questions of fact material to our opinion, we have relied upon the representations of Purchaser in the Master Agreement and the Property Schedule and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. Purchaser is a public body corporate and politic, duly organized and existing under the laws of the State, and has a substantial amount of one or more of the following sovereign powers: (a) the power to tax, (b) the power of eminent domain, and (c) the police power.
2. Purchaser has all requisite power and authority to enter into the Master Agreement and the Property Schedule and to perform its obligations thereunder.
3. The execution, delivery and performance of the Master Agreement and the Property Schedule by Purchaser has been duly authorized by all necessary action on the part of Purchaser.
4. All proceedings of Purchaser and its governing body relating to the authorization and approval of the Master Agreement and the Property Schedule, the execution thereof and the transactions contemplated thereby have been conducted in accordance with all applicable open meeting laws and all other applicable state and federal laws.
5. Purchaser has acquired or has arranged for the acquisition of the Property subject to the Property Schedule, and has entered into the Master Agreement and the Property Schedule, in compliance with all applicable public bidding laws.
6. Purchaser has obtained all consents and approvals of other governmental authorities or agencies which may be required for the execution, delivery and performance by Purchaser of the Master Agreement and the Property Schedule.

7. The Master Agreement and the Property Schedule have been duly executed and delivered by Purchaser and constitute legal, valid and binding obligations of Purchaser, enforceable against Purchaser in accordance with the terms thereof, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other laws of equitable principles of general application, or of application to municipalities or political subdivisions such as the Purchaser, affecting remedies or creditors' rights generally, and to the exercise of judicial discretion in appropriate cases.

8. As of the date hereof, based on such inquiry and investigation as we have deemed sufficient, no litigation is pending, (or, to our knowledge, threatened) against Purchaser in any court (a) seeking to restrain or enjoin the delivery of the Master Agreement or the Property Schedule or of other agreements similar to the Master Agreement; (b) questioning the authority of Purchaser to execute the Master Agreement or the Property Schedule, or the validity of the Master Agreement or the Property Schedule, or the payment of principal of or interest on, the Property Schedule; (c) questioning the constitutionality of any statute, or the validity of any proceedings, authorizing the execution of the Master Agreement and the Property Schedule; or (d) affecting the provisions made for the payment of or security for the Master Agreement and the Property Schedule.

This opinion may be relied upon by Seller, its successors and assigns, and any other legal counsel who provides an opinion with respect to the Property Schedule.

Very truly yours,

By: _____

Name: _____

Title: _____

Dated: _____

Purchaser's General and Incumbency Certificate**GENERAL CERTIFICATE**

Re: **Property Schedule No. 2** dated as of September 29, 2026 to the Master Tax-Exempt Installment Purchase Agreement dated January 9, 2026 between Municipal Asset Management, Inc. and City of Mercer Island.

The undersigned, being the duly elected, qualified and acting _____
(Title of Person to Execute Installment Purchase Agreement)
of the City of Mercer Island ("Purchaser") does hereby certify, as of September 29, 2026, as follows:

1. Purchaser did, at a meeting of the governing body of the Purchaser, by resolution or ordinance duly enacted, in accordance with all requirements of law, approve and authorize the execution and delivery of the above-referenced Property Schedule (the "Property Schedule") and the Master Tax-Exempt Installment Purchase Agreement (the "Master Agreement") by the undersigned.

2. The meeting(s) of the governing body of the Purchaser at which the Master Agreement and the Property Schedule were approved and authorized to be executed was duly called, regularly convened and attended throughout by the requisite quorum of the members thereof, and the enactment approving the Master Agreement and the Property Schedule and authorizing the execution thereof has not been altered or rescinded. All meetings of the governing body of Purchaser relating to the authorization and delivery of Master Agreement and the Property Schedule have been: (a) held within the geographic boundaries of the Purchaser; (b) open to the public, allowing all people to attend; (c) conducted in accordance with internal procedures of the governing body; and (d) conducted in accordance with the charter of the Purchaser, if any, and the laws of the State.

3. No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default (as such term defined in the Master Agreement) exists at the date hereof with respect to this Property Schedule or any other Property Schedules under the Master Agreement.

4. The acquisition of all of the Property under the Property Schedule has been duly authorized by the governing body of Purchaser.

5. Purchaser has, in accordance with the requirements of law, fully budgeted and appropriated sufficient funds for the current budget year to make the Lease Payments scheduled to come due during the current budget year under the Property Schedule and to meet its other obligations for the current budget year and such funds have not been expended for other purposes.

6. As of the date hereof, no litigation is pending, (or, to my knowledge, threatened) against Purchaser in any court (a) seeking to restrain or enjoin the delivery of the Master Agreement or the Property Schedule or of other agreements similar to the Master Agreement; (b) questioning the authority of Purchaser to execute the Master Agreement or the Property Schedule, or the validity of the Master Agreement or the Property Schedule, or the payment of principal of or interest on, the Property Schedule; (c) questioning the constitutionality of any statute, or the validity of any proceedings, authorizing the execution of the Master Agreement and the Property Schedule; or (d) affecting the provisions made for the payment of or security for the Master Agreement and the Property Schedule.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of September 29, 2026.

City of Mercer Island

By _____
Signature of Person to Execute Installment Purchase Agreement

Print Name and Title of Person to Execute Installment Purchase Agreement

INCUMBENCY CERTIFICATE

Item 7.

Re: **Property Schedule No. 2** dated as of September 29, 2026 to the Master Tax-Exempt Installment Purchase Agreement dated as of January 9, 2026 between Municipal Asset Management, Inc. and City of Mercer Island.

The undersigned, being the duly elected, qualified and acting Secretary or Clerk of the City of Mercer Island ("Purchaser") does hereby certify, as of September 29, 2026, as follows:

As of the date of the meeting(s) of the governing body of the Purchaser at which the above-referenced Master Agreement and the Property Schedule were approved and authorized to be executed, and as of the date hereof, the below-named representative of the Purchaser held and holds the office set forth below, and the signature set forth below is his/her true and correct signature.

(Signature of Person to Execute Installment Purchase Agreement)

(Print Name and Title)

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of September 29, 2026.

Secretary/Clerk

Print Name
and Title: _____

EXHIBIT 4**Payment of Proceeds Instructions**

Municipal Asset Management, Inc.
25288 Foothills Drive North
Golden, CO 80401

Re: Property Schedule No. 2 (the "Property Schedule") to Master Tax-Exempt Installment Purchase Agreement between Municipal Asset Management, Inc. ("Seller") and City of Mercer Island ("Purchaser").

Ladies and Gentlemen:

The undersigned, an Authorized Representative of the Purchaser hereby requests and authorizes Seller to disburse the net proceeds of the Property Schedule as follows:

Name of Payee:

By Check: _____

If by check, Payee's Address:

By Wire Transfer: _____

If by wire transfer, instructions as follows:

Pay to Bank Name:

Bank Address:

Bank Phone #:

For Account of:

Account No:

ABA No.:

Purchaser: City of Mercer Island

By:

Name:

Title:

EXHIBIT 5**Acceptance Certificate**

Municipal Asset Management, Inc.
25288 Foothills Drive North
Golden, CO 80401

Re: **Property Schedule No. 2** to Master Tax-Exempt Installment Purchase Agreement between Municipal Asset Management, Inc. and City of Mercer Island

Ladies and Gentlemen:

In accordance with the above-referenced Master Tax-Exempt Installment Purchase Agreement (the "Master Agreement"), the undersigned ("Purchaser") hereby certifies and represents to, and agrees with, Municipal Asset Management, Inc. ("Seller"), as follows:

- (1) The Property, as such terms are defined in the above-referenced Property Schedule, has been acquired, made, delivered, installed and accepted on the date indicated below.
- (2) Purchaser has conducted such inspection and/or testing of the Property as it deems necessary and appropriate and hereby acknowledges that it accepts the Property for all purposes.
- (3) No event or condition that constitutes, or with notice or lapse of time, or both, would constitute, an Event of Default (as such term is defined in the Master Agreement) exists at the date hereof.

Acceptance Date: _____

Purchaser: City of Mercer Island
By:
Name:
Title:

EXHIBIT 6**Bank Qualification And Arbitrage Rebate**

Municipal Asset Management, Inc.
25288 Foothills Drive North
Golden, CO 80401

Re: **Property Schedule No. 2** to Master Tax-Exempt Installment Purchase Agreement between Municipal Asset Management, Inc. and City of Mercer Island

PLEASE CHECK EITHER:**Bank Qualified Tax-Exempt Obligation under Section 265**

_____ Purchaser hereby designates this Property Schedule as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Code. Purchaser reasonably anticipates issuing tax-exempt obligations (excluding private activity bonds other than qualified 501(c)(3) bonds and including all tax-exempt obligations of subordinate entities of the Purchaser) during the calendar year in which the Commencement Date of this Property Schedule falls, in an amount not exceeding \$10,000,000.

or

_____ Not applicable.

Arbitrage Rebate

Eighteen Month Exception:

Pursuant to Treasury Regulations Section 1.148-7(d), the gross proceeds of this Property Schedule will be expended for the governmental purposes for which this Property Schedule was entered into, as follows: at least 15% within six months after the Commencement Date, at least 60% within 12 months after the Commencement Date, and 100% within 18 months after the Commencement Date. If Purchaser is unable to comply with Section 1.148-7(d) of the Treasury Regulations, Purchaser shall compute rebatable arbitrage on this Agreement and pay rebatable arbitrage to the United States at least once every five years, and within 60 days after payment of the final Lease Payment due under this Agreement.

Consult tax counsel if there is any chance that the Eighteen Month Exception will not be met.

Purchaser: City of Mercer Island
By:
Name:
Title:

*Please be sure to select **ONE** option above.

Notification of Tax Treatment to Master Tax-Exempt Installment Purchase Agreement

Item 7.

This **Notification of Tax Treatment** is pursuant to Property Schedule No. 2 to the Master Tax-Exempt Installment Purchase Agreement dated as of January 9, 2026 and the related Property Schedule, between Seller and Purchaser (the "Agreement").

- _____ Purchaser agrees that this Property Schedule SHOULD be subject to sales/use taxes
- _____ Purchaser agrees that this Property Schedule should NOT be subject to sales/use taxes and Purchaser has included our tax-exemption certificate with this document package
- _____ Purchaser agrees that this Property Schedule should NOT be subject to sales/use taxes and no tax-exemption certificate is issued to us by the State
- _____ Purchaser agrees that this Property Schedule is a taxable transaction and subject to any/all taxes
- _____ Purchaser agrees that this Property Schedule is subject to sales/use taxes and will pay those taxes directly to the State or Vendor

IN WITNESS WHEREOF, Purchaser has caused this Notification of Tax Treatment to be executed by their duly authorized representative.

Purchaser: City of Mercer Island
By:
Name:
Title:

Form **8038-G**

(Rev. October 2021)

Department of the Treasury
Internal Revenue Service

Ord. No. 26-12 Exhibit B

Information Return for Tax-Exempt Governmental Bonds

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.► Go to www.irs.gov/F8038G for instructions and the latest information.

Item 7.

OMB No. 1545-0047

Part I Reporting AuthorityCheck box if Amended Return ☐

1 Issuer's name		2 Issuer's employer identification number (EIN)
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code		7 Date of issue
8 Name of issue		9 CUSIP number
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information		10b Telephone number of officer or other employee shown on 10a

Part II Type of Issue (Enter the issue price.) See the instructions and attach schedule.

11 Education	11
12 Health and hospital	12
13 Transportation	13
14 Public safety	14
15 Environment (including sewage bonds)	15
16 Housing	16
17 Utilities	17
18 Other. Describe ►	18
19a If bonds are TANs or RANs, check only box 19a	☐
b If bonds are BANs, check only box 19b	☐
20 If bonds are in the form of a lease or installment sale, check box	☐

Part III Description of Bonds. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21		\$	\$	years	%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22
23 Issue price of entire issue (enter amount from line 21, column (b))	23
24 Proceeds used for bond issuance costs (including underwriters' discount)	24
25 Proceeds used for credit enhancement	25
26 Proceeds allocated to reasonably required reserve or replacement fund	26
27 Proceeds used to refund prior tax-exempt bonds. Complete Part V	27
28 Proceeds used to refund prior taxable bonds. Complete Part V	28
29 Total (add lines 24 through 28)	29
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31 Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded	►	years
32 Enter the remaining weighted average maturity of the taxable bonds to be refunded	►	years
33 Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY)	►	
34 Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)		

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 63773S

Form **8038-G** (Rev. 10-2021)

Part VI Miscellaneous

- 35** Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) **35**
- 36a** Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC). See instructions **36a**
- b** Enter the final maturity date of the GIC ► (MM/DD/YYYY) _____
- c** Enter the name of the GIC provider ► _____
- 37** Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units **37**
- 38a** If this issue is a loan made from the proceeds of another tax-exempt issue, check box ► ☐ and enter the following information:
- b** Enter the date of the master pool bond ► (MM/DD/YYYY) _____
- c** Enter the EIN of the issuer of the master pool bond ► _____
- d** Enter the name of the issuer of the master pool bond ► _____
- 39** If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ► ☐
- 40** If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ► ☐
- 41a** If the issuer has identified a hedge, check here ► ☐ and enter the following information:
- b** Name of hedge provider ► _____
- c** Type of hedge ► _____
- d** Term of hedge ► _____
- 42** If the issuer has superintegrated the hedge, check box ► ☐
- 43** If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ► ☐
- 44** If the issuer has established written procedures to monitor the requirements of section 148, check box ► ☐
- 45a** If some portion of the proceeds was used to reimburse expenditures, check here ► ☐ and enter the amount of reimbursement ► _____
- b** Enter the date the official intent was adopted ► (MM/DD/YYYY) _____

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

► _____ Date _____ Type or print name and title _____

Signature of issuer's authorized representative

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ►		Firm's EIN ►		
Firm's address ►		Phone no. _____		

Form **8038-G** (Rev. 10-2021)

Ord. No. 26-12 Exhibit B
INSURANCE AUTHORIZATION AND VERIFICATION

Item 7.

Date: September 29, 2026

Property Schedule No. 2

To: City of Mercer Island (the "Purchaser")

From: Municipal Asset Management, Inc. (the "Seller")
25288 Foothills Drive North
Golden, CO 80401

TO THE PURCHASER: In connection with the above-referenced Property Schedule, Seller requires proof in the form of this document, executed by both Purchaser* and Purchaser's agent, that Purchaser's insurable interest in the financed property (the "Property") meets Seller's requirements as follows, with coverage including, but not limited to, fire, extended coverage, vandalism, and theft:

Seller, AND ITS SUCCESSORS AND ASSIGNS, shall be covered as both ADDITIONAL INSURED and LENDER'S LOSS PAYEE with regard to all equipment financed or leased by policy holder through or from Seller. All such insurance shall contain a provision to the effect that such insurance shall not be canceled or modified without first giving written notice thereof to Seller and Purchaser at least thirty (30) days in advance of such cancellation or modification.

Purchaser must carry GENERAL LIABILITY (and/or, for vehicles, Automobile Liability) in the amount of no less than \$1,000,000.00 (one million dollars).

Purchaser must carry PROPERTY Insurance (or, for vehicles, Physical Damage Insurance) in an amount no less than the 'Insurable Value' \$774,266.47, with deductibles no more than \$25,000.00.

**Purchaser: Please execute this form and return with your document package. Please fax this form to your insurance agency for endorsement. In lieu of agent endorsement, Purchaser's agency may submit insurance certificates demonstrating compliance with all requirements.*

By signing, Purchaser authorizes the Agent named below: 1) to complete and return this form as indicated; and 2) to endorse the policy and subsequent renewals to reflect the required coverage as outlined above.

Agency/Agent:		
Address:		
Phone/Fax:		
Email:		

Purchaser: City of Mercer Island
By:
Name:
Title:

TO THE AGENT: *In lieu of providing a certificate, please execute this form in the space below and promptly send a PDF scan to Seller at: EFGLFDOCS@usbank.com - This fully endorsed form shall serve as proof that Purchaser's insurance meets the above requirements.*

Agent hereby verifies that the above requirements have been met in regard to the Property listed below.

Print Name Of Agency: **X**_____

By: **X**_____
(Agent's Signature)

Print Name: **X**_____

Date: **X**_____

Insurable Value: \$774,266.47

ATTACHED: PROPERTY DESCRIPTION FOR PROPERTY SCHEDULE NO. 2

Master Tax-Exempt Installment Purchase Agreement

Between: Municipal Asset Management, Inc. (the "Seller")
25288 Foothills Drive North
Golden, CO 80401

And: City of Mercer Island (the "Purchaser")
9611 SE 36th St.
Mercer Island, WA 98040
Attention: Matthew Mornick
Telephone: 206-516-9468

Dated: January 9, 2026

ARTICLE I DEFINITIONS

The following terms will have the meanings indicated below unless the context clearly requires otherwise:

"**Agreement**" means this Master Tax-Exempt Installment Purchase Agreement, including all exhibits and schedules attached hereto.

"**Code**" is defined in Section 3.01(f).

"**Commencement Date**" is the date when the term of a Property Schedule and Purchaser's obligation to pay Installment Payments thereunder commences, which date shall be set forth in such Property Schedule.

"**Event of Default**" is defined in Section 13.01.

"**Installment Payments**" means the installment payments payable by Purchaser under Article VI of this Agreement and each Property Schedule, as set forth in each Property Schedule.

"**Installment Payment Dates**" means the Installment Payment dates for the Installment Payments as set forth in each Property Schedule.

"**Property**" means, collectively, the property purchased pursuant to this Agreement, and with respect to each Property Schedule, the property described in such Property Schedule, and all replacements, repairs, restorations, modifications and improvements thereof or thereto made pursuant to Section 8.01 or Article IX.

"**Property Schedule**" means a Property Schedule in the form attached hereto for Property Schedule 1. Subsequent Property Schedules pursuant to this Agreement shall be numbered consecutively, beginning with Property Schedule 2.

"**Purchaser**" means the entity identified as such in the first paragraph hereof, and its permitted successors and assigns.

"**Seller**" means the entity identified as such in the first paragraph hereof, and its successors and assigns.

"**State**" means the state where Purchaser is located.

"**Term**" means, with respect to a Property Schedule, the Term set forth in such Property Schedule.

"**Vendor**" means the manufacturer or contractor of the Property as well as the agents or dealers of the manufacturer or contractor from whom Seller or Purchaser arranged for the purchase of all or any portion of the Property.

ARTICLE II

2.01 Property Schedules Separate Financings. Each Property Schedule executed and delivered under this Agreement shall be a separate financing, distinct from other Property Schedules. Without limiting the foregoing, upon the occurrence of an Event of Default with respect to a Property Schedule, Seller shall have the rights and remedies specified herein with respect to the Property financed and the Installment Payments payable under such Property Schedule, and except as expressly provided in Section 12.02 below, Seller shall have no rights or remedies with respect to Property financed or Installment Payments payable under any other Property Schedules unless an Event of Default has also occurred under such other Property Schedules.

ARTICLE III

3.01 Covenants of Purchaser. As of the Commencement Date for each Property Schedule executed and delivered hereunder, Purchaser shall be deemed to represent, covenant and warrant for the benefit of Seller as follows:

- (a) Purchaser is a public body corporate and politic duly organized and existing under the constitution and laws of the State with full power and authority to enter into this Agreement and the Property Schedule and the transactions contemplated thereby and to perform all of its obligations thereunder.
- (b) Purchaser will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic. To the extent Purchaser should merge with another entity under the laws of the State, Purchaser agrees that as a condition to such merger it will require that the remaining or resulting entity shall be assigned Purchaser's rights and shall assume Purchaser's obligations hereunder.
- (c) Purchaser has been duly authorized to execute and deliver this Agreement and the Property Schedule by proper action by its governing body, or by other appropriate official approval, and all requirements have been met and procedures have occurred in order to ensure the validity and enforceability of this Agreement and the Property Schedule, and Purchaser has complied with such public bidding requirements as may be applicable to this Agreement and the Property Schedule and the acquisition by Purchaser of the Property thereunder. On or before the Commencement Date for the Property Schedule, Purchaser shall cause to be delivered an opinion of counsel in substantially the form attached to the form of the Property Schedule as Exhibit 2.
- (d) During the Term for the Property Schedule, the Property thereunder will perform and will be used by Purchaser only for the purpose of performing essential governmental uses and public functions within the permissible scope of Purchaser's authority.
- (e) Purchaser will provide Seller with current financial statements, budgets and proof of appropriation for the ensuing budget year and other financial information relating to the ability of Purchaser to continue this Agreement and the Property Schedule in such form and containing such information as may be requested by Seller.

- (f) Purchaser will comply with all applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), including Sections 103 and 148 thereof, and the regulations of the Treasury Department thereunder, from time to time proposed or in effect, in order to maintain the excludability from gross income for federal income tax purposes of the interest component of Installment Payments under the Property Schedule and will not use or permit the use of the Property in such a manner as to cause a Property Schedule to be a "private activity bond" under Section 141(a) of the Code. Purchaser covenants and agrees that it will use the proceeds of the Property Schedule as soon as practicable and with all reasonable dispatch for the purpose for which the Property Schedule has been entered into, and that no part of the proceeds of the Property Schedule shall be invested in any securities, obligations or other investments except for the temporary period pending such use nor used, at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of the Agreement, would have caused any portion of the Property Schedule to be or become "arbitrage bonds" within the meaning of Section 103(b)(2) or Section 148 of the Code and the regulations of the Treasury Department thereunder proposed or in effect at the time of such use and applicable to obligations issued on the date of issuance of the Property Schedule.
- (g) The execution, delivery and performance of this Agreement and the Property Schedule and compliance with the provisions hereof and thereof by Purchaser does not conflict with or result in a violation or breach or constitute a default under, any resolution, bond, agreement, indenture, mortgage, note, lease or other instrument to which Purchaser is a party or by which it is bound by any law or any rule, regulation, order or decree of any court, governmental agency or body having jurisdiction over Purchaser or any of its activities or properties resulting in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any property or assets of Purchaser or to which it is subject.
- (h) Purchaser's exact legal name is as set forth on the first page of this Agreement. Purchaser will not change its legal name in any respect without giving thirty (30) days prior notice to Seller.

ARTICLE IV

- 4.01 Sale of Property.** On the Commencement Date of each Property Schedule executed hereunder, Seller will be deemed to sell, transfer and convey to Purchaser, and Purchaser will be deemed to purchase and accept from Seller, the Property described in such Property Schedule, in accordance with this Agreement and such Property Schedule, for the Term set forth in such Property Schedule.
- 4.02 Term.** The term of each Property Schedule shall commence on the Commencement Date set forth therein and shall terminate upon payment of the final Installment Payment set forth in such Property Schedule, unless terminated sooner pursuant to this Agreement or the Property Schedule.
- 4.03 Delivery, Installation and Acceptance of Property.** Purchaser shall order the Property, shall cause the Property to be delivered and installed at the locations specified in the applicable Property Schedule and shall pay all taxes, delivery costs and installation costs, if any, in connection therewith. To the extent funds are deposited under an escrow agreement or trust agreement for the acquisition of the Property, such funds shall be disbursed as provided therein. When the Property described in such Property Schedule is delivered, installed and accepted as to Purchaser's specifications, Purchaser shall immediately accept the Property and evidence said acceptance by executing and delivering to Seller the Acceptance Certificate substantially in the form attached to the Property Schedule.

ARTICLE V

- 5.01 Location; Inspection.** The Property will be initially located or based at the location specified in the applicable Property Schedule. Seller shall have the right at all reasonable times during business hours to enter into and upon the property of Purchaser for the purpose of inspecting the Property.

ARTICLE VI

- 6.01 Payment of Installment Payments.** Purchaser shall promptly pay Installment Payments under each Property Schedule, exclusively from legally available funds, in lawful money of the United States of America, to Seller in such amounts and on such dates as described in the applicable Property Schedule, at Seller's address set forth on the first page of this Agreement, unless Seller instructs Purchaser otherwise. Purchaser shall pay Seller a charge on any delinquent Installment Payments under a Property Schedule in an amount sufficient to cover all additional costs and expenses incurred by Seller from such delinquent Installment Payment. In addition, Purchaser shall pay a late charge of five cents per dollar or the highest amount permitted by applicable law, whichever is lower, on all delinquent Installment Payments and interest on said delinquent amounts from the date such amounts were due until paid at the rate of 12% per annum or the maximum amount permitted by law, whichever is less.
- 6.02 Installment Payments to Constitute Binding Contractual Obligation.** Seller and Purchaser understand and intend that the obligation of Purchaser to pay Installment Payments under this Agreement and each Property Schedule executed and delivered hereunder shall constitute a binding contractual obligation of Purchaser for the full Term of each such Property Schedule. Purchaser covenants to include all such Installment Payments due under the Property Schedules in its annual budget and to make the necessary annual appropriation for all such Installment Payments. Neither this Agreement nor any Property Schedule shall be subject to termination by Purchaser in the event that Purchaser fails to appropriate any Installment Payments.
- 6.03 Interest Component.** A portion of each Installment Payment due under each Property Schedule is paid as, and represents payment of, interest, and each Property Schedule hereunder shall set forth the interest component (or method of computation thereof) of each Installment Payment thereunder during the Term.
- 6.04 Installment Payments to be Unconditional.** THE OBLIGATIONS OF PURCHASER TO PAY THE INSTALLMENT PAYMENTS DUE UNDER THE PROPERTY SCHEDULES AND TO PERFORM AND OBSERVE THE OTHER COVENANTS AND AGREEMENTS CONTAINED HEREIN SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SET-OFF OR DEFENSE, FOR ANY REASON, INCLUDING WITHOUT LIMITATION, ANY DEFECTS, MALFUNCTIONS, BREAKDOWNS OR INFIRMITIES IN THE PROPERTY OR ANY ACCIDENT, CONDEMNATION OR UNFORESEEN CIRCUMSTANCES. THIS PROVISION SHALL NOT LIMIT PURCHASER'S RIGHTS OR ACTIONS AGAINST ANY VENDOR AS PROVIDED IN SECTION 10.02.
- 6.05 Defeasance of Installment Payments.** Purchaser may at any time irrevocably deposit in escrow with a defeasance escrow agent for the purpose of paying all of the principal component and interest component accruing under a Property Schedule, a sum of cash and non-callable securities consisting of direct obligations of, or obligations the principal of an interest on which are unconditionally guaranteed by, the United States of America or any agency or instrumentality thereof, in such aggregate amount, bearing interest at such rates and maturing on such dates as shall be required to provide funds sufficient for this purpose. Upon such defeasance, all right, title and interest of Seller in the Property under said Property Schedule shall terminate. Purchaser shall cause such investment to comply with the requirements of federal tax law so that the exclusion from gross income of the interest component of Installment Payments on said Property Schedule is not adversely affected.
- 6.06 Gross-Up.** If an Event of Taxability occurs with respect to a Property Schedule, the interest component of Installment Payments on the Property Schedule shall thereafter be payable at the Taxable Rate, and Purchaser shall pay to Seller promptly following demand an amount sufficient to supplement prior Installment Payments on such Property Schedule so that Seller receives the interest component of such Installment Payments, retroactive to the date as of which the interest component is determined to be includible in the gross income of Seller for federal income tax purposes, calculated at the Taxable Rate, together with any penalties and interest actually imposed on Seller as a result of the Event of Taxability. For purposes of this Section, "Event of Taxability" means, with respect to a Property Schedule, (a) a final determination by the Internal Revenue Service or a court of competent jurisdiction that the interest component of Installment Payments on the Property Schedule is includible for federal income tax purposes in the gross income of Seller, or (b) receipt by Seller of a written opinion of a nationally recognized public finance lawyer or law firm to the effect that there exists substantial doubt whether the interest component of Installment Payments on the Property Schedule is excludible for federal income tax purposes from the gross income of Seller, in each case due to any action or failure to take action by Purchaser. "Taxable Rate" means an interest rate calculated to provide Purchaser with an after-tax yield equivalent to the yield provided to Purchaser by the interest rate at which the interest component of Installment Payments on a Property Schedule was originally calculated.

ARTICLE VII

- 7.01 Title to the Property.** Upon acceptance of the Property by Purchaser and unless otherwise required by the laws of the State, title to the Property shall vest in Purchaser, subject to Seller's interests under the applicable Property Schedule and this Agreement.
- 7.02 Personal Property.** The Property is and will remain personal property and will not be deemed to be affixed to or a part of the real estate on which it may be situated, notwithstanding that the Property or any part thereof may be or hereafter become in any manner physically affixed or attached to real estate or any building thereon. If requested by Seller, Purchaser will, at Purchaser's expense, furnish a waiver of any interest in the Property from any party having an interest in any such real estate or building.

7.03 Security Interest. To secure the performance of all of Purchaser's obligations under this Agreement with respect to a Property Schedule, including without limitation all Property Schedules now existing are hereafter executed, Purchaser grants to Seller, for the benefit of Seller and its successors and assigns, a security interest constituting a first lien on Purchaser's interest in all of the Property under the Property Schedule, whether now owned or hereafter acquired, all additions, attachments, alterations and accessions to the Property, all substitutions and replacements for the Property, and on any proceeds of any of the foregoing, including insurance proceeds. Purchaser shall execute any additional documents, including financing statements, affidavits, notices and similar instruments, in form and substance satisfactory to Seller, which Seller deems necessary or appropriate to establish, maintain and perfect a security interest in the Property in favor of Seller and its successors and assigns. Purchaser hereby authorizes Seller to file all financing statements which Seller deems necessary or appropriate to establish, maintain and perfect such security interest.

ARTICLE VIII

8.01 Maintenance of Property by Purchaser. Purchaser shall keep and maintain the Property in good condition and working order and in compliance with the manufacturer's specifications, shall use, operate and maintain the Property in conformity with all laws and regulations concerning the Property's ownership, possession, use and maintenance, and shall keep the Property free and clear of all liens and claims, other than those created by this Agreement. Purchaser shall have sole responsibility to maintain and repair the Property. Should Purchaser fail to maintain, preserve and keep the Property in good repair and working order and in accordance with manufacturer's specifications, and if requested by Seller, Purchaser will enter into maintenance contracts for the Property in form approved by Seller and with approved providers.

8.02 Liens, Taxes, Other Governmental Charges and Utility Charges. Purchaser shall keep the Property free of all levies, liens and encumbrances, except for the interest of Seller under this Agreement. The parties to this Agreement contemplate that the Property will be used for a governmental or proprietary purpose of Purchaser and, therefore, that the Property will be exempt from all property taxes. The Installment Payments payable by Purchaser under this Agreement and the Property Schedules hereunder have been established to reflect the savings resulting from this exemption from taxation. Purchaser will take such actions necessary under applicable law to obtain said exemption. Nevertheless, if the use, possession or acquisition of the Property is determined to be subject to taxation or later becomes subject to such taxes, Purchaser shall pay when due all taxes and governmental charges lawfully assessed or levied against or with respect to the Property. Purchaser shall pay all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Property. Purchaser shall pay such taxes or charges as the same may become due; provided that, with respect to any such taxes or charges that may lawfully be paid in installments over a period of years, Purchaser shall be obligated to pay only such installments as accrue during the then current fiscal year of the Term for such Property.

8.03 Insurance. At its own expense, Purchaser shall maintain (a) casualty insurance insuring the Property against loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State and any other risks reasonably required by Seller in an amount equal to at least the outstanding principal component of Installment Payments, and (b) liability insurance that protects Seller from liability in all events in an amount reasonably acceptable to Seller, and (c) worker's compensation insurance covering all employees working on, in, near or about the Property; provided that Purchaser may self-insure against all such risks (other than rental interruption). All insurance proceeds from casualty losses shall be payable as hereinafter provided in this Agreement. All such insurance shall be with insurers that are authorized to issue such insurance in the State. All such liability insurance shall name Seller as an additional insured. All such casualty insurance shall contain a provision making any losses payable to Seller and Purchaser as their respective interests may appear. All such insurance shall contain a provision to the effect that such insurance shall not be canceled or modified without first giving written notice thereof to Seller and Purchaser at least thirty (30) days in advance of such cancellation or modification. Such changes shall not become effective without Seller's prior written consent. Purchaser shall furnish to Seller, on or before the Commencement Date for each Property Schedule, and thereafter at Seller's request, certificates evidencing such coverage, or, if Purchaser self-insures, a written description of its self-insurance program together with a certification from Purchaser's risk manager or insurance agent or consultant to the effect that Purchaser's self-insurance program provides adequate coverage against the risks listed above.

8.04 Advances. In the event Purchaser shall fail to either maintain the insurance required by this Agreement or keep the Property in good repair and working order, Seller may, but shall be under no obligation to, purchase the required insurance and pay the cost of the premiums thereof or maintain and repair the Property and pay the cost thereof. All amounts so advanced by Seller shall constitute additional rent for the Term for the applicable Property Schedule and shall be due and payable on the next Installment Payment Date and Purchaser covenants and agrees to pay such amounts so advanced by Seller with interest thereon from the date such amounts are advanced until paid at the rate of 12% per annum or the maximum amount permitted by law, whichever is less.

ARTICLE IX

9.01 Damage or Destruction. If (a) the Property under a Property Schedule or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty, or (b) title to, or the temporary use of, the Property under a Property Schedule or any part thereof shall be taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, Seller and Purchaser will cause the Net Proceeds (as hereinafter defined) of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Property, unless Purchaser shall have exercised its right to defease the Property Schedule as provided herein, or unless Purchaser shall have exercised its option to prepay the Installment Payments if the Property Schedule so provides. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to Purchaser. For purposes of Section 8.03 and this Article IX, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all expenses, including attorneys' fees, incurred in the collection thereof.

9.02 Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in Section 9.01, Purchaser shall (a) complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds and, if Purchaser shall make any payments pursuant to this Section, Purchaser shall not be entitled to any reimbursement therefor from Seller nor shall Purchaser be entitled to any diminution of the amounts payable under Section 6.01, or (b) defease the Property Schedule pursuant to Section 6.05, or (c) exercise its option to prepay the Installment Payments pursuant to the optional prepayment provisions of the Property Schedule, if any. The amount of the Net Proceeds, if any, remaining after completing such repair, restoration, modification or improvement or after such defeasance or purchase may be retained by Purchaser.

ARTICLE X

10.01 Disclaimer of Warranties. SELLER MAKES NO (AND SHALL NOT BE DEEMED TO HAVE MADE ANY) WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN, OPERATION OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE PROPERTY, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE STATE OF TITLE THERETO OR ANY COMPONENT THEREOF, THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), AND SELLER HEREBY DISCLAIMS THE SAME; IT BEING UNDERSTOOD THAT THE PROPERTY IS SOLD TO PURCHASER "AS IS" ON THE DATE OF THIS AGREEMENT OR THE DATE OF DELIVERY, WHICHEVER IS LATER, AND ALL SUCH RISKS, IF ANY, ARE TO BE BORNE BY PURCHASER. Purchaser acknowledges that it has made (or will make) the selection of the Property from the Vendor based on its own judgment and expressly disclaims any reliance upon any statements or representations made by Seller. Purchaser understands and agrees that (a) neither the Vendor nor any sales representative or other agent of Vendor, is (i) an agent of Seller, or (ii) authorized to make or alter any term or condition of this Agreement, and (b) no such waiver or alteration shall vary the terms of this Agreement unless expressly set forth herein. In no event shall Seller be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Agreement, the Property Schedules, or the existence, furnishing, functioning or use of any item, product or service provided for in this Agreement or the Property Schedules.

10.02 Vendor's Warranties. Seller hereby irrevocably assigns to Purchaser all rights that Seller may have to assert from time to time whatever claims and rights (including without limitation warranties) related to the Property against the Vendor. Purchaser's sole remedy for the breach of such warranty, indemnification or representation shall be against the Vendor of the Property, and not against Seller, nor shall such matter have any effect whatsoever on the rights and obligations of Seller with respect to this Agreement, including the right to receive full and timely payments hereunder. Purchaser expressly acknowledges that Seller makes, and has made, no representations or warranties whatsoever as to the existence or the availability of such warranties of the Vendor of the Property.

10.03 Use of the Property. Purchaser will not install, use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement and the applicable Property Schedule. Purchaser shall provide all permits and licenses, if any, necessary for the installation and operation of the Property. In addition, Purchaser agrees to comply in all respects with all laws of the jurisdiction in which its operations involving any item of Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the items of the Property; provided that Purchaser may contest in good faith the validity or application of any such law or rule in any reasonable manner that does not, in the opinion of Seller, adversely affect the interest of Seller in and to the Property or its interest or rights under this Agreement. Purchaser shall promptly notify Seller in writing of any pending or threatened investigation, inquiry, claim or action by any governmental authority which could adversely affect this Agreement, any Property Schedule or the Property thereunder.

10.04 Modifications. Subject to the provisions of this Section, Purchaser shall have the right, at its own expense, to make alterations, additions, modifications or improvements to the Property. All such alterations, additions, modifications and improvements shall thereafter comprise part of the Property and shall be subject to the provisions of this Agreement. Such alterations, additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, on completion of any alterations, additions, modifications or improvements made pursuant to this Section, shall be of a value which is equal to or greater than the value of the Property immediately prior to the making of such alterations, additions, modifications and improvements. Purchaser shall, at its own expense, make such alterations, additions, modifications and improvements to the Property as may be required from time to time by applicable law or by any governmental authority.

ARTICLE XI

11.01 Option to Purchase. Purchaser shall have the option to purchase Seller's entire interest in all of the Property subject to a Property Schedule and to terminate any restrictions herein on the Property under such Property Schedule on the last day of the Term for a Property Schedule, if the Property Schedule is still in effect on such day, upon payment in full of the Installment Payments due thereunder plus payment of One (1) Dollar to Seller. Upon exercise of the purchase option as set forth in this Section 11.01 and payment of the purchase price under the applicable Property Schedule, and performance by Purchaser of all other terms, conditions and provisions hereof, Seller shall deliver to Purchaser all such documents and instruments as Purchaser may reasonably require to evidence the transfer, without warranty by or recourse to Seller, of all of Seller's right, title and interest in and to the Property subject to such Property Schedule to Purchaser.

11.02 Option to Prepay. Purchaser shall have the option to prepay in whole the Installment Payments due under a Property Schedule, but only if the Property Schedule so provides, and on the terms set forth in the Property Schedule. Purchaser shall give written notice to Seller of its intent to purchase Seller's interest in the Property at least sixty (60) days prior to the last day of the Installment Term for applicable Property Schedule.

ARTICLE XII

12.01 Assignment by Seller. Seller's right, title and interest in, to and under each Property Schedule and the Property under such Property Schedule may be assigned and reassigned in whole or in part to one or more assignees or subassignees by Seller without the necessity of obtaining the consent of Purchaser; provided that any assignment shall not be effective until Purchaser has received written notice, signed by the assignor, of the name, address and tax identification number of the assignee. Purchaser shall retain all such notices as a register of all assignees and shall make all payments to the assignee or assignees designated in such register. Purchaser agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements that may be reasonably requested by Seller or any assignee to protect its interests in this Agreement and the Property Schedules.

12.02 Property Schedules Separate Financings. Assignees of the Seller's rights in one Property Schedule shall have no rights in any other Property Schedule unless such rights have been separately assigned.

12.03 Assignment and Subleasing by Purchaser. NONE OF PURCHASER'S RIGHTS, TITLE AND INTEREST IN, TO AND UNDER THIS AGREEMENT AND IN THE PROPERTY MAY BE ASSIGNED, TRANSFERRED, CONVEYED, LEASED OR ENCUMBERED BY PURCHASER FOR ANY REASON, WITHOUT THE PRIOR WRITTEN CONSENT OF SELLER.

12.04 Release and Indemnification Covenants. To the extent permitted by applicable law, Purchaser shall indemnify, protect, hold harmless, save and keep harmless Seller from and against any and all liability, obligation, loss, claim and damage whatsoever, regardless of cause thereof, and all expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest (collectively, "Losses") arising out of or resulting from the entering into this Agreement, any Property Schedules hereunder, the ownership of any item of the Property, the loss of federal tax exemption of the interest on any of the Property Schedules, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any item of the Property or any accident in connection with the operation, use, condition, possession, storage or return of any item of the Property resulting in damage to property or injury to or death to any person; provided, however, that Purchaser shall not be required to indemnify Seller for Losses arising out of or resulting from Seller's own willful or negligent conduct, or for Losses arising out of or resulting from Seller's preparation of disclosure material relating to certificates of participation in this Agreement and any Property Schedule (other than disclosure material provided to Seller by Purchaser). The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Agreement, or the applicable Property Schedule, or the termination of the Term for such Property Schedule for any reason.

ARTICLE XIII

13.01 Events of Default Defined. Any of the following shall constitute an "Event of Default" under a Property Schedule:

- (a) Failure by Purchaser to pay any Installment Payment under the Property Schedule or other payment required to be paid with respect thereto at the time specified therein;
- (b) Failure by Purchaser to observe and perform any covenant, condition or agreement on its part to be observed or performed with respect to the Property Schedule, other than as referred to in subparagraph (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to Purchaser by Seller, unless Seller shall agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, Seller will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Purchaser within the applicable period and diligently pursued until the default is corrected;
- (c) Any statement, representation or warranty made by Purchaser in or pursuant to the Property Schedule or its execution, delivery or performance shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made;
- (d) Purchaser shall (i) apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of Purchaser, or of all or a substantial part of the assets of Purchaser, (ii) be unable, fail or admit in writing its inability generally to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) have an order for relief entered against it under applicable federal bankruptcy law, or (v) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or taking advantage of any insolvency law or any answer admitting the material allegations of a petition filed against Purchaser in any bankruptcy, reorganization or insolvency proceeding; or
- (e) An order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition or appointing a receiver, trustee, custodian or liquidator of Purchaser or of all or a substantial part of the assets of Purchaser, in each case without its application, approval or consent, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 consecutive days.

The foregoing provisions of Section 13.01 are subject to the following limitation: if by reason of *force majeure* Purchaser is unable in whole or in part to perform its agreements under this Agreement and the Property Schedule (other than any obligations on the part of Seller to make any payments hereunder) Purchaser shall not be in default during the continuance of such inability. The term "*force majeure*" as used herein shall mean the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections, riots, landslides, earthquakes, fires, storms, droughts, floods, explosions, breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Purchaser.

13.02 Remedies on Default. Whenever any Event of Default exists with respect to a Property Schedule, Seller shall have the right, at its sole option without any further demand or notice, to take one or any combination of the following remedial steps:

- (a) To the extent allowed by Washington law, without terminating the Property Schedule, and by written notice to Purchaser, Seller may declare all Installment Payments and other amounts payable by Purchaser thereunder to the end of the then-current budget year of Purchaser to be due, including without limitation delinquent Installment Payments under the Property Schedule from prior budget years, and such amounts shall thereafter bear interest at the rate of 12% per annum or the maximum rate permitted by applicable law, whichever is less;
- (b) To the extent allowed by Washington law, Seller may terminate the Property Schedule, and by written notice to Purchaser, Seller may accelerate the principal component of all outstanding Installment Payments, in which case Purchaser shall pay to Seller a sum sufficient to defease the Property Schedule under Section 6.05, together with interest on such sum from the date of acceleration until so paid at the rate of 12% per annum or the maximum rate permitted by applicable law, whichever is less, and to pay all other sums due under the Property Schedule;

- (c) Seller may terminate the Property Schedule, may enter the premises where the Property subject to the Property Schedule is located and retake possession of the Property, or require Purchaser, at Purchaser's expense, to promptly return any or all of the Property to the possession of Seller at such place within the United States as Seller shall specify, and Seller may thereafter dispose of the Property in accordance with Article 9 of the Uniform Commercial Code in effect in the State, continuing to hold Purchaser liable for any deficiency and all costs and expenses incurred by Seller in exercising its remedies hereunder, including, without limitation, all costs and expenses of taking possession, removing, storing and reconditioning the Property, and including, without limitation, all brokerage and attorneys fees;
- (d) By written notice to any escrow agent who is holding proceeds of the Property Schedule, Seller may instruct such escrow agent to release all such proceeds and any earnings thereon to Seller, such sums to be credited to payment of Purchaser's obligations under the Property Schedule;
- (e) Seller may take any action, at law or in equity, that is permitted by applicable law and that may appear necessary or desirable to enforce or to protect any of its rights under the Property Schedule and this Agreement.

13.03 No Remedy Exclusive. No remedy herein conferred upon or reserved to Seller is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Seller to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article.

13.04 Costs and Attorney Fees. Upon the occurrence of an Event of Default by Purchaser in the performance of any term of this Agreement, Purchaser agrees to pay to Seller or reimburse Seller for, in addition to all other amounts due hereunder, all of Seller's costs of collection, including reasonable attorney fees, whether or not suit or action is filed thereon. Any such costs shall be immediately due and payable upon written notice and demand given to Purchaser, shall be secured by this Agreement until paid and shall bear interest at the rate of 12% per annum or the maximum amount permitted by law, whichever is less. In the event suit or action is instituted to enforce any of the terms of this Agreement, the prevailing party shall be entitled to recover from the other party such sum as the court may adjudge reasonable as attorneys' fees at trial or on appeal of such suit or action or in any bankruptcy proceeding, in addition to all other sums provided by law.

ARTICLE XIV

14.01 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid, to the parties hereto at the addresses specified on the first page of this Agreement (or at such other address as either party hereto shall designate in writing to the other for notices to such party), to any assignee at its address as it appears on the registration books maintained by Purchaser.

14.02 Arbitration Certificates. Unless a separate Arbitration Certificate is delivered on the Commencement Date, Purchaser shall be deemed to make the following representations and covenants as of the Commencement Date for each Property Schedule:

- (a) The estimated total costs, including taxes, freight, installation, cost of issuance, of the Property under the Property Schedule will not be less than the total principal amount of the Installment Payments.
- (b) The Property under the Property Schedule has been ordered or is expected to be ordered within six months after the Commencement Date and the Property is expected to be delivered and installed, and the Vendor fully paid, within eighteen months from the Commencement Date. Purchaser will pursue the completion of the Property and the expenditure of the net proceeds of the Property Schedule with due diligence.
- (c) Purchaser has not created or established, and does not expect to create or establish, any sinking fund or other similar fund (i) that is reasonably expected to be used to pay the Installment Payments under the Property Schedule, or (ii) that may be used solely to prevent a default in the payment of the Installment Payments under the Property Schedule.
- (d) The Property under the Property Schedule has not been and is not expected to be sold or otherwise disposed of by Purchaser, either in whole or in major part, prior to the last maturity of the Installment Payments under the Property Schedule.
- (e) There are no other obligations of Purchaser which (i) are being sold within 15 days of the Commencement Date of the Property Schedule; (ii) are being sold pursuant to the same plan of financing as the Property Schedule; and (iii) are expected to be paid from substantially the same source of funds.
- (f) The officer or official who has executed the Property Schedule on Purchaser's behalf is familiar with Purchaser's expectations regarding the use and expenditure of the proceeds of the Property Schedule. To the best of Purchaser's knowledge, information and belief, the facts and estimates set forth in herein are accurate and the expectations of Purchaser set forth herein are reasonable.

14.03 Further Assurances. Purchaser agrees to execute such other and further documents, including, without limitation, confirmatory financing statements, continuation statements, certificates of title and the like, and to take all such action as may be necessary or appropriate, from time to time, in the reasonable opinion of Seller, to perfect, confirm, establish, reestablish, continue, or complete the interests of Seller in this Agreement and the Property Schedules, to consummate the transactions contemplated hereby and thereby, and to carry out the purposes and intentions of this Agreement and the Property Schedules.

14.04 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Seller and Purchaser and their respective successors and assigns.

14.05 Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

14.06 Waiver of Jury Trials. Purchaser and Seller hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the actions of Seller or Purchaser in the negotiation, administration, performance or enforcement hereof.

14.07 Amendments, Changes and Modifications. This Agreement may be amended in writing by Seller and Purchaser to the extent the amendment or modification does not apply to outstanding Property Schedules at the time of such amendment or modification. The consent of all assignees shall be required to any amendment or modification before such amendment or modification shall be applicable to any outstanding Property Schedule.

14.08 Execution in Counterparts. This Agreement and the Property Schedules hereunder may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

14.09 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

14.10 Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

14.11 Continuing Disclosure. Seller acknowledges that, in connection with Purchaser's compliance with any continuing disclosure undertakings (each, a "Continuing Disclosure Agreement") entered into by Purchaser pursuant to SEC Rule 15c2-12 promulgated pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), Purchaser may be required to file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, or its successor ("EMMA"), notice of its incurrence of its obligations under this Agreement and notice of any accommodation, waiver, amendment, modification of terms or other similar events reflecting financial difficulties in connection with this Agreement, in each case including a description of the material terms thereof (each such notice, an "EMMA Notice"). Purchaser shall not file or submit or permit the filing or submission of any EMMA Notice that includes any of the following unredacted information regarding Seller or the Escrow Agent: physical or mailing addresses, account information, e-mail addresses, telephone numbers, fax numbers, tax identification numbers, or titles or signatures of officers, employees or other signatories. Purchaser acknowledges and agrees that Seller is not responsible in connection with any EMMA Notice relating to this Agreement for Purchaser's compliance or noncompliance (or any claims, losses or liabilities arising therefrom) with the Rule, any Continuing Disclosure Agreement or any applicable securities laws, including but not limited to those relating to the Rule.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Agreement to be executed in their names by their duly authorized representatives as of the date first above written.

Seller: Municipal Asset Management, Inc.

By:



Name:

Paul E Collings

Title:

President

Purchaser: City of Mercer Island

By:



Name:

Jessi Bon

Title:

City Manager

Attest:

By:



Name:

Andrea Larson

Title:

City Clerk

ADDENDUM (WASHINGTON)

Master Tax-Exempt Installment Purchase Agreement

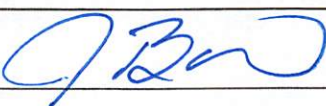
THIS ADDENDUM, which is entered into as of January 9, 2026 between Municipal Asset Management, Inc. ("Seller") and City of Mercer Island ("Purchaser"), is intended to modify and supplement Property Schedule No. 1 (the "Property Schedule") to the Master Tax-Exempt Installment Purchase Agreement between Seller and Purchaser dated as of January 9, 2026 (the "Master Agreement"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Agreement.

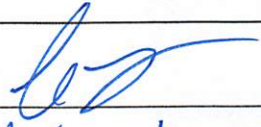
In addition to the representations, warranties and covenants of Purchaser set forth in the Master Agreement, Purchaser, as of the Commencement Date for the Property Schedule, represents, warrants and covenants for the benefit of Seller that Purchaser is not in violation of, and the execution and delivery of the Property Schedule will not cause Purchaser to violate, any debt limitations applicable to Purchaser or the Property Schedule, and without limiting the foregoing:

- (i) if Purchaser is a county, city or town, Purchaser is not in violation of, and the execution and delivery of the Property Schedule will not cause Purchaser to violate, the provisions of Section 39.30.010 of the Revised Code of Washington *[attach computation of test]*;
- (ii) if Purchaser is a school district, Purchaser is not in violation of, and the execution and delivery of the Property Schedule will not cause Purchaser to violate, the provisions of Section 28A.335.200 or Section 39.36.020 of the Revised Code of Washington *[attach computation of test]*;
- (iii) if Purchaser is a fire district, Purchaser is not in violation of, and the execution and delivery of the Property Schedule will not cause Purchaser to violate, the provisions of Section 52.12.061 of the Revised Code of Washington *[attach computation of test]*;
- (iv) if Purchaser is a hospital district, Purchaser is not in violation of, and the execution and delivery of the Property Schedule will not cause Purchaser to violate, the provisions of Section 70.44.260 of the Revised Code of Washington *[attach computation of test]*.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Addendum to be executed in their names by their duly authorized representatives as of the date first above written.

Seller: Municipal Asset Management, Inc.	
By:	
Name:	Paul E Collings
Title:	President

Purchaser: City of Mercer Island	
By:	
Name:	Jessi Bon
Title:	City Manager

Attest:	
By	
Name:	Andrea Larson
Title:	City Clerk

ADDENDUM No. 2

Master Tax-Exempt Installment Purchase Agreement

THIS ADDENDUM, which is entered into as of January 9, 2026 between Municipal Asset Management, Inc. ("Seller") and City of Mercer Island ("Purchaser"), is intended to modify and supplement the Master Tax-Exempt Installment Purchase Agreement between Seller and Purchaser dated as of January 9, 2026 (the "Master Agreement"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Master Agreement.

Section 5.01 Location; Inspection is hereby deleted and restated as follows:

The Property will be initially located or based at the location specified in the applicable Property Schedule. With prior notice to the Purchaser, Seller shall have the right at all reasonable times during business hours to enter into and upon the property of Purchaser for the purpose of inspecting the Property. The Property shall be used in the operations and within the jurisdictional boundaries of the Purchaser, Eastside Fire & Rescue, and/or the members of Eastside Fire & Rescue in accordance with the policies and procedures of Eastside Fire & Rescue. Purchaser shall not remove such property from the locations set forth therein without giving prior written notice to Seller.

Section 6.02 Installment Payments to Constitute Binding Contractual Obligation is hereby deleted and restated as follows:

Seller and Purchaser understand and intend that the obligation of Purchaser to pay Installment Payments under this Agreement and each Property Schedule executed and delivered hereunder shall constitute a binding contractual obligation of Purchaser for the full Term of each such Property Schedule. Purchaser covenants to include all such Installment Payments due under the Property Schedules in its annual budget and to make the necessary annual appropriation for all such Installment Payments. Neither this Agreement nor any Property Schedule shall be subject to termination by Purchaser in the event that Purchaser fails to appropriate any Installment Payments. The covenants on the part of Purchaser contained in this Agreement as incorporated into each Property Schedule, including the covenant to budget and appropriate amounts necessary to make Installment Payments, shall be deemed to be duties imposed by law, and it shall be the duty of each and every public official of Purchaser to take such action and do such things as are required by law in the performance of the official duty of such officials to enable Purchaser to carry out and perform the covenants and agreements in this Agreement and each Property Schedule agreed to be carried out and performed by Purchaser.

Section 7.03 Security Interest is hereby deleted and restated as follows:

To secure the performance of all of Purchaser's obligations under this Agreement with respect to a Property Schedule, including without limitation all Property Schedules now existing are hereafter executed, to the extent permitted by law Purchaser grants to Seller, for the benefit of Seller and its successors and assigns, a security interest constituting a first lien on Purchaser's interest in all of the Property under the Property Schedule, whether now owned or hereafter acquired, all additions, attachments, alterations and accessions to the Property, all substitutions and replacements for the Property, and on any proceeds of any of the foregoing, including insurance proceeds. Purchaser shall execute any additional documents, including financing statements, affidavits, notices and similar instruments, in form and substance satisfactory to Seller, which Seller deems necessary or appropriate to establish, maintain and perfect a security interest in the Property in favor of Seller and its successors and assigns. Purchaser hereby authorizes Seller to file all financing statements which Seller deems necessary or appropriate to establish, maintain and perfect such security interest.

Section 8.01 Maintenance of Property by Purchaser is hereby deleted and restated as follows:

Purchaser shall keep and maintain, or cause to be kept and maintained, the Property in good condition and working order and in compliance with the manufacturer's specifications, shall use, operate and maintain, or cause to be used, operated, and maintained, the Property in conformity with all applicable laws and regulations, and shall keep the Property free and clear of all liens and claims, other than those created by this Agreement. Purchaser shall have sole responsibility to maintain and repair the Property. Should Purchaser or other authorized user of the Property fail to maintain, preserve and keep the Property in good repair and working order and in accordance with manufacturer's specifications, and if requested by Seller, Purchaser will enter into, or cause to be entered into, maintenance contracts for the Property in form approved by Seller and with approved providers.

Section 8.03 Insurance is hereby deleted and restated as follows:

Purchaser shall maintain, or cause to be maintained, (a) casualty insurance insuring the Property against loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State and any other risks reasonably required by Seller in an amount equal to at least the outstanding principal component of Installment Payments, (b) liability insurance that protects Seller from liability in all events in an amount reasonably acceptable to Seller, and (c) worker's compensation insurance covering all employees working on, in, near or about the Property; provided that Purchaser may self-insure against all such risks (other than rental interruption). All insurance proceeds from casualty losses shall be payable as hereinafter provided in this Agreement. All such insurance shall be with insurers that are authorized to issue such insurance in the State. All such liability insurance shall name Seller as an additional insured. All such casualty insurance shall contain a provision making any losses payable to Seller and Purchaser as their respective interests may appear. All such insurance shall contain a provision to the effect that such insurance shall not be canceled or modified without first giving written notice thereof to Seller and Purchaser at least thirty (30) days in advance of such cancellation or modification. Such changes shall not become effective without Seller's prior written consent. Purchaser shall furnish to Seller, on or before the Commencement Date for each Property Schedule, and thereafter at Seller's request, certificates evidencing such coverage, or, if Purchaser self-insures, a written description of its self-insurance program together with a certification from Purchaser's risk manager or insurance agent or consultant to the effect that Purchaser's self-insurance program provides adequate coverage against the risks listed above.

Section 8.04 Advances is hereby deleted and restated as follows:

In the event Purchaser shall fail to either maintain, or cause to be maintained, the insurance required by this Agreement or keep, or cause to be kept, the Property in good repair and working order, Seller may, but shall be under no obligation to, purchase the required insurance

and pay the cost of the premiums thereof or maintain and repair the Property and pay the cost thereof. All amounts so advanced by Seller shall constitute additional rent for the Term for the applicable Property Schedule and shall be due and payable on the next Installment Payment Date and Purchaser covenants and agrees to pay such amounts so advanced by Seller with interest thereon from the date such amounts are advanced until paid at the rate of 12% per annum or the maximum amount permitted by law, whichever is less.

Section 11.02 Option to Prepay is hereby deleted and restated as follows:

Purchaser shall have the option to prepay in whole the Installment Payments due under a Property Schedule, but only if the Property Schedule so provides, and on the terms set forth in the Property Schedule. Purchaser shall give written notice to Seller of its intent to purchase Seller's interest in the Property at least thirty (30) days prior to the last day of the Installment Term for applicable Property Schedule.

Section 13.02 Remedies on Default is hereby deleted and restated as follows:

Whenever any Event of Default exists with respect to a Property Schedule, Seller shall have the right, at its sole option without any further demand or notice, to take one or any combination of the following remedial steps:

- (a) Without terminating the Property Schedule, and by written notice to Purchaser, Seller may add interest at the rate of 12% per annum or the maximum rate permitted by applicable law, whichever is less, until the time the Event of Default is cured.
- (b) Seller may terminate the Property Schedule, and by written notice to the Purchaser, may enter the premises where the Property subject to the Property Schedule is located and retake possession of the Property, or require Purchaser, at Purchaser's expense, to promptly return any or all of the Property to the possession of Seller at such place within the United States as Seller shall specify, and Seller may thereafter dispose of the Property in accordance with Article 9 of the Uniform Commercial Code in effect in the State, continuing to hold Purchaser liable for any deficiency and all costs and expenses incurred by Seller in exercising its remedies hereunder, including, without limitation, all costs and expenses of taking possession, removing, storing and reconditioning the Property, and including, without limitation, all brokerage and attorneys fees;
- (c) By written notice to any escrow agent who is holding proceeds of the Property Schedule, Seller may instruct such escrow agent to release all such proceeds and any earnings thereon to Seller, such sums to be credited to payment of Purchaser's obligations under the Property Schedule;
- (d) Obtain the issuance of a writ of mandamus enforcing, for the entire balance of the term of each Property Schedule, the duty of Purchaser to appropriate and take all other administrative steps necessary for the making of Installment Payments; and
- (e) Seller may take any action, at law or in equity, that is permitted by applicable law and that may appear necessary or desirable to enforce or to protect any of its rights under the Property Schedule and this Agreement.

Section 13.03 No Remedy Exclusive is hereby deleted and restated as follows:

No remedy herein conferred upon or reserved to Seller is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Seller to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article. Notwithstanding anything herein to the contrary, acceleration shall not be a remedy upon the occurrence and continuation of an Event of Default.

Section 13.04 Costs and Attorney Fees is hereby deleted and restated as follows:

Upon the occurrence of an Event of Default by Purchaser in the performance of any term of this Agreement, Purchaser agrees to pay to Seller or reimburse Seller for, in addition to all other amounts due hereunder, all of Seller's reasonable costs of collection, including reasonable attorney fees, whether or not suit or action is filed thereon. Any such costs shall be immediately due and payable upon written notice and demand given to Purchaser, shall be secured by this Agreement until paid and shall bear interest at the rate of 12% per annum or the maximum amount permitted by law, whichever is less. In the event suit or action is instituted to enforce any of the terms of this Agreement, the prevailing party shall be entitled to recover from the other party such sum as the court may adjudge reasonable as attorneys' fees at trial or on appeal of such suit or action or in any bankruptcy proceeding, in addition to all other sums provided by law.

Section 14.12 Electronic Transactions is hereby added as follows:

Seller and Purchaser hereby agree that this Agreement, any Property Schedule entered into hereunder, and any other document or instrument entered into in connection herewith or therewith may be authenticated by electronic means, and expressly consent to the use of the electronic version of this Agreement, any Property Schedule and such other documents or instruments to embody the entire agreement and the understanding between Seller and Purchaser. Purchaser agrees not to raise as a defense to the enforcement of this Agreement, any Property Schedule or any other document or instrument that it was executed or authenticated by electronic or digital means or that Purchaser used facsimile or other electronic means to transmit Purchaser's signature thereon. To the extent that Seller accepts, in its sole discretion, any Property Schedule bearing Purchaser's electronic signature, Seller shall have the sole right and discretion to mark a tangible counterpart hereof bearing Seller's manual or electronic signature as the "Original" and, to the extent the Property Schedule constitutes chattel paper (as defined by the UCC), perfection of a security interest in the Property Schedule by possession can only be accomplished by possession of the counterpart marked "Original". To the extent that any Property Schedule has been authenticated by Seller and Purchaser in accordance with applicable law and exists as an electronic record that is controlled by Seller (or any assignee of Seller), such electronic record shall (pursuant to the rules and regulations of eOriginal, Inc.) constitute the original authoritative version of such Property Schedule; provided that if the "Paper Out" process shall have occurred pursuant to the eOriginal Product Reference Guide, then the "Paper Out" printed version of such Property Schedule as identified in the eOriginal audit record and corresponding affidavit shall constitute the sole authoritative version. Notwithstanding anything to the contrary herein, Seller reserves the right to require Purchaser to sign any document or instrument manually and to deliver to Seller an original of this Agreement, any Property Schedule or other document or instrument. Purchaser agrees to provide Seller with such certificates of incumbency, certificates of completion, and metadata or other information from the electronic signature platform used by Purchaser as Seller shall request in order to confirm the due execution of this Agreement, any Property Schedule or other document or instrument, and shall cooperate with Seller in obtaining any information or evidence from the provider of such electronic signature platform as Seller may reasonably request.

IN WITNESS WHEREOF, Seller and Purchaser have caused this Addendum to be executed in their names by their duly authorized representatives as of the date first above written.

Seller: Municipal Asset Management, Inc.

By:



Name:

Paul E Collings

Title:

President

Purchaser: City of Mercer Island

By:



Name:

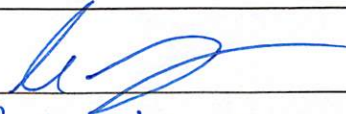
Jessi Bon

Title:

City Manager

Attest:

By:



Name:

Andrea Larson

Title:

City Clerk



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6996
September 15, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6996: Resolution Authorizing Submission of a Grant Application for the Land and Water Conservation Fund – Outdoor Recreation Legacy Partnership program for the Deane’s Children’s Park Phase II Improvements (Resolution No. 1699)	☐ Discussion Only ☒ Action Needed: ☒ Motion ☐ Ordinance ☒ Resolution
RECOMMENDED ACTION:	Adopt Resolution No. 1699.	

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations Kellye Hilde, Public Works Deputy Director Shelby Perrault, Interim Capital Division Manager
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Resolution No. 1699 2. Deane’s Children’s Park Location Map 3. Phase II Improvements Overview
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 item is to authorize submission of a grant application to the Land and Water Conservation Fund – Outdoor Recreation Legacy Partnership program via the Washington State Recreation and Conservation Office for the Deane’s Children’s Park Phase II Improvements project.

- The Recreation and Conservation Office requires a City Council resolution (Exhibit 1) authorizing staff to submit grant applications for the Deane’s Children’s Park Phase II Improvements project. Upon authorization, staff will finalize the grant application and submit it by the October 1, 2026, deadline.
- On March 18, 2025, the City Council authorized staff to proceed with developing a Site Plan for Deane’s Children’s Park ([AB 6641](#)). Deane’s Children’s Park is located next to Island Crest Park (see Exhibit 2).
- The Site Plan provides a long-term vision to address improvements at the park over the next 10 to 20 years. The Site Plan includes a new layout, inclusive play area design, a recommended phasing schedule, preliminary cost estimates, and a targeted funding strategy. It prioritizes ADA accessibility through inclusive design and focuses on serving all ages and abilities.

- On April 7, 2026, the City Council approved [Resolution No. 1692](#) adopting the Deane’s Children’s Park Site Plan ([AB 6902](#)).
- The adopted Site Plan identifies improvements to Deane’s Children’s Park that will be implemented in multiple phases, allowing construction to occur over time as funding becomes available. Phase I focuses on foundational accessibility, safety, and infrastructure improvements, and 5-12 play zone area while Phase II builds on this work with improvements to the central play area, parking, picnic shelter, and trail connections.
- On July 7, 2026, the City Council approved [Resolution No. 1697](#), authorizing staff to apply for funding from the Washington State Recreation and Conservation Office Washington Wildlife and Recreation Program to support Phase I Improvements. Project rankings for this grant program will be made public by October 2026 ([AB 6958](#)).
- The Deane’s Children’s Park Phase II Improvements project will create a new central play area and picnic shelter, provide ADA-accessible routes, expand and reconfigure the parking area, remove invasive vegetation, add native plantings, and install new site furnishings (see Exhibit 3). The proposed Phase II improvements are described in greater detail in the Background section.
- The Land and Water Conservation Fund – Outdoor Recreation Legacy Partnership is a competitive federal grant program that provides funding for the acquisition, development, and renovation of outdoor recreation projects in urban communities. If awarded, the project would be subject to the following requirements:
 - A 50% funding match.
 - A notice would be placed on the deed for Island Crest Park requiring the property to remain available for public outdoor recreation in perpetuity.
 - Procurement, construction, and documentation would be subject to the Build America, Buy America Act and applicable federal requirements.

BACKGROUND

PARK FORMATION

In 1962, the Mercer Island Preschool Association (MIPA) proposed a children’s park at Island Crest Park, which was owned and operated by King County. After the plan was approved, MIPA solicited support from local organizations to purchase equipment and enlisted community volunteers to build the children’s play area. In 1968, the City acquired Island Crest Park and in 1985 renamed the play area Deane’s Children’s Park in honor of Lola and Phil Deane, Mercer Island residents who were instrumental in the park’s creation. MIPA has continued to partner with the City to improve Deane’s, including park upgrades in 2005.

SITE PLAN OVERVIEW

In 2025, the City initiated development of a Site Plan for Deane’s Children’s Park ([AB 6641](#)). The Site Plan establishes a long-term vision and strategic planning framework for park improvements over the next 10 to 20 years. Informed by existing site conditions and community input, the Site Plan identifies desired park amenities, the general layout and spatial relationships between features, an inclusive play area, a recommended phasing schedule, preliminary cost estimates, and a targeted funding strategy. The Site Plan prioritizes inclusive design and is intended to serve people of all ages and abilities.

The Site Plan was developed through a public engagement process and was adopted by the City Council on April 7, 2026 ([AB 6902](#), see [Resolution No. 1692](#)). As a planning-level document, it serves as the guiding framework for future project development, sequencing, and financial planning.

PREVIOUS GRANT APPLICATIONS

The adopted Site Plan identifies improvements to be implemented in multiple phases. The City has pursued grant funding for Phase I Improvements, which address foundational accessibility, safety, and infrastructure needs and advance the long-term vision for an inclusive play environment (see Exhibit 3).

On July 7, 2026, the City Council approved [Resolution No. 1697](#), authorizing staff to apply for funding through the Washington Wildlife and Recreation Program to support Phase I Improvements ([AB 6958](#)). The Phase I project includes an ADA-compliant pathway connecting the parking lot to Island Park Elementary, new play equipment, utility infrastructure to support a future restroom connection, invasive plant removal and native plant restoration, perimeter fencing replacement, ADA parking expansion, and new site furnishings. The Phase I grant application has been submitted, and project rankings will be released by October 2026.

GRANT OVERVIEW

The Deane's Children's Park Phase II Improvements project qualifies for funding through the Land and Water Conservation Fund – Outdoor Recreation Legacy Partnership, a competitive federal grant program administered by the National Park Service, in partnership with state led agencies. In Washington, the Recreation and Conservation Office assists with administration of this grant program.

The Land and Water Conservation Fund – Outdoor Recreation Legacy Partnership program provides federal funding for the acquisition, development, and renovation of outdoor recreation facilities in urban areas and is intended to improve access to high-quality outdoor recreation opportunities in communities. The program is highly competitive and is funded through annual Congressional appropriations. If awarded, the grant requires a 50% local match.

The grant selection process includes state-level review and prioritization, followed by federal review and competition. State applications advanced by the Recreation and Conservation Office's Director are submitted to the National Park Service for consideration in the national competition. Applications accepted by the National Park Service regional office are then forwarded for federal review and ranking, with final funding decisions made by the Director of the National Park Service.

The 2026 application timeline was compressed due to the recent federal announcement of program funding in July. Despite the shortened application period, the City pursued this opportunity given the availability of federal funding. The program is anticipated to be offered annually over the next four years.

The table below summarizes key information related to the grant opportunity.

Table 1: Grant Overview				
Grant Program	Source of Funds	Grant Limit	Request	Match
Land and Water Conservation Fund – Outdoor Recreation Legacy Partnership	Federal	\$15,000,000	\$1,046,000	50%*

** To meet the 50% match requirement, several options are available, including City labor, equipment, materials, budget appropriations, King County Parks Levy funds, 2022 Mercer Island Parks Levy funds, donations, and other public or private grants.*

COMPETITION

The Land and Water Conservation Fund – Outdoor Recreation Legacy Partnership program is highly competitive, with applications evaluated and ranked at the national level. For the 2026 grant cycle, a total of

five applications from Washington were submitted, requesting a combined \$15.3M in grant funding. The Recreation and Conservation Office does not have access to the total number of applications submitted nationally or the total amount of funding requested. Based on the current federal funding estimates, approximately 20 to 45 projects are anticipated to receive awards nationwide.

Congress may appropriate an estimated \$50M - \$120M annually nationwide for the program. However, actual funding levels are subject to Congressional appropriations and federal program priorities. Given the number of applications and the limited amount of funding available, not all eligible projects will receive funding.

The program places an emphasis on supporting projects that benefit low-income communities, and several of the merit review criteria consider how projects address the needs of low-income areas. Based on the grant criteria and available demographic data, the Deane's Children's Park project is located outside the program's defined low-income community threshold. While this does not make the project ineligible for funding, it limits the project's ability to receive points associated with the program's low-income community priorities and may make it less competitive than projects located within qualifying low-income communities.

Despite this consideration, the City's application demonstrates strong alignment with other program objectives. The project will be evaluated alongside applications from communities nationwide, and an award is not guaranteed. If awarded, funding would provide an important source of financial support to implement Phase II Improvements.

GRANT PROGRAM TENURE REQUIREMENTS

The Land and Water Conservation Fund program requires properties acquired or developed with their assistance to be preserved and maintained for public outdoor recreation use in perpetuity. Under the [EXPLORE Act](#) (16 U.S.C. § 8464), property receiving Land and Water Conservation Fund assistance may not be converted to a use other than public outdoor recreation without written approval from the Secretary of the Interior. Any approved conversion must be replaced with property of at least equal fair market value and reasonably equivalent recreational usefulness and location and must be consistent with the State's comprehensive outdoor recreation plan.

As a condition of the grant, the National Park Service requires a notice to be recorded against the deed of the property identifying the property as having been acquired and/or developed with Land and Water Conservation Fund assistance and that it be preserved for public outdoor recreation in perpetuity. For this project, the perpetuity requirement would apply to Island Crest Park as a whole, rather than solely to the area occupied by Deane's Children's Park. Deane's Children's Park is not a separate parcel; it is located within Island Crest Park and relies on the larger park for access, utilities, and support facilities.

FEDERAL PROCUREMENT AND PROJECT COMPLIANCE REQUIREMENTS

As a condition of the Land and Water Conservation Fund program, the City will be required to comply with applicable federal procurement and project requirements, including the Build America, Buy America (BABA) Act and Code of Federal Regulations [Part 184 – Buy America Preferences for Infrastructure Requirements](#). These requirements apply to the procurement, bidding, and construction of federally funded project components.

ISSUE/DISCUSSION

PRELIMINARY SCOPE OF WORK

The Deane's Children's Park Phase II Improvements project represents the second phase of implementation of the Deane's Children's Park Site Plan. The Site Plan provides a long-term framework for implementing improvements in phases as funding becomes available; pursuit of Phase II funding does not require Phase I constructed to be completed first.

As illustrated in Exhibit 3, Phase II focuses on completing the central play zone, providing a new gathering space, expanding parking capacity, and enhancing the park's landscape and site amenities. The preliminary scope of work includes the following key elements:

- Construct the central play zone, including an ages 2-12 climbing structure, an inclusive seesaw, balancing elements, musical play features, and other associated play components. Integrated play berms will provide sensory experiences and informal seating while helping slow cyclists as they exit the Bike Skills Area.
- Improve accessibility by constructing ADA-compliant pathways connecting the expanded play areas and other park amenities.
- Construct a new picnic shelter to provide a gathering space for park users and community activities.
- Expand and reconfigure the parking area to increase parking capacity and improve circulation and access to the park.
- Remove invasive vegetation and restore disturbed areas with native plantings.
- Reconstruct surfacing to provide additional ADA-compliant parking stalls within the existing parking lot footprint.
- Install site furnishings, including benches, picnic tables, and other amenities to support park users and improve site functionality.

Staff completed the preliminary grant application in early August. Once the resolution is approved, staff will submit the final application prior to the October 1, 2026 deadline.

PROJECT DELIVERY AND FUNDING STRATEGY

The City intends to advance the design for Phase I and Phase II Improvements in tandem to establish a cohesive approach for implementing the adopted Site Plan. This joint effort allows the City to address critical site-wide considerations – such as grading, stormwater, accessibility, circulation, and utility infrastructure – ensuring early construction directly supports future improvements without costly redesigns. This approach will also help the City to capitalize on upcoming grant opportunities as they become available.

The Site Plan establishes Phase I and Phase II as distinct construction phases of the overall park improvement project. Phase I is intended to be the initial construction phase, while Phase II represents subsequent improvements identified in the adopted Site Plan. The City may construct the phases separately as funding becomes available; however, the improvements will continue to be designed as a coordinated project to ensure that each phase supports the long-term Site Plan. If sufficient funding and project timing align, the two phases could be bid and constructed together as a single coordinated project.

The City is pursuing this grant opportunity now to navigate the lengthy federal application review process well ahead of the anticipated Phase II implementation. If shortlisted, the grant timeline provides the City with sufficient time to finalize the project design, secure local matching funds, and include the project into upcoming budget cycles, including the 2027-2028 mid-biennial budget update or the 2029-2030 Biennial

Budget. Pursuing this grant does not commit the City to Phase II construction before Phase I or establish funding for Phase II at this time.

BUDGET

The total preliminary planning level cost estimate for the Deane's Children's Park Phase II Improvements project is \$2,093,000. This is a conceptual level estimate, based on the adopted Site Plan. Costs may vary as the project details are further defined. The estimate includes construction of Phase II Improvements, as well as design, engineering, and permitting costs.

If awarded the Land and Water Conservation Fund grant, the City could receive up to \$1,046,000, in reimbursable funding, although the actual award may be lower. The City anticipates meeting the required local match through a combination of eligible funding sources, which may include the Washington Wildlife Recreation Program grant if awarded for Phase I Improvements, King County Parks Levy funds, City of Mercer Island 2022 Parks Levy funds, and private donations. The availability and timing of these funding sources will be coordinated with the project schedule and future budget processes.

Phase II Improvements are not currently programmed in the first two years of the preliminary 2027-2032 Capital Improvement Program; implementation is contingent on securing sufficient grants, private donations, and other outside funding. If secured, staff will recommend adding Phase II Improvements, its grant revenue, and the required local match to the adopted Capital Improvement Program, either during the 2027-2028 mid-biennial budget update or as part of the 2029-2030 Biennial Budget. Securing and programming this funding would allow the City to bid and construct Phase I and II together as a single coordinated project.

The table below outlines the conceptual level cost estimate associated with the development of Phase II Improvements.

Table 2: Deane's Children's Park Phase II Improvements Preliminary Project Costs	
Description	Planning Level Cost Estimate
Site Studies, Design and Engineering, Project Administration, and Permitting	\$300,000
General Site Preparation (Demolition, Mobilization, Surveying, Traffic Control)	\$52,000
Pedestrian Circulation	\$14,000
Play Equipment and Safety Surfacing	\$948,000
Picnic Shelter	\$553,000
Parking Lot Improvements	\$88,000
Stormwater Improvements	\$50,000
Landscaping and Restoration	\$63,000
Site Furnishings	\$25,000
Total	\$2,093,000

The City anticipates pursuing multiple grant opportunities over the next two to three years, in addition to other outside funding sources, to support implementation of the Site Plan. If the grant is not awarded, staff will pursue alternative funding opportunities, including additional grants and philanthropic contributions, and will evaluate adjustments to project phasing, scope, and schedule as needed to align with available funding.

RESOLUTION

The Recreation and Conservation Office requires City Council authorization by resolution (Exhibit 1) to accompany the grant application. The language in the body of the resolution is verbatim as requested by the Recreation and Conservation Office and includes the following provisions:

- Authorize City staff to serve in specific roles on behalf of the City for this grant application.
- Acknowledge the conditions included in a future grant agreement between the City of Mercer Island and the Recreation and Conservation Office.
- Acknowledge the timing for certifying the availability of matching funds.

NEXT STEPS

The total amount of grant funds requested from the Land and Water Conservation Fund – Outdoor Recreation Legacy Partnership program is \$1,046,000. If awarded, the grants require a 50% percent local match, which is contingent on future City Council budget approval.

The grant application deadline is October 1, 2026. The application materials will be submitted after receiving City Council approval for this resolution. The Recreation and Conservation Office's Director is anticipated to approve which proposals will advance to the National Park Service for the national competition by November 1, 2026.

Selected projects are anticipated to be notified by May 2027, with grant awards anticipated in May 2028. If the project is awarded, staff will return to City Council as necessary to accept and appropriate the grant funds.

RECOMMENDED ACTION

1. Adopt Resolution No. 1699 authorizing the application for grant funds in the amount of \$1,046,000 from the Land and Water Conservation Fund, subject to conditions described in Resolution No. 1699 for the Deane's Children's Park Phase II Improvements project.
2. Authorize the City Manager to execute all necessary documents to apply for the grant and accept the grant and conditions of the grant, if awarded.

**CITY OF MERCER ISLAND, WASHINGTON
RESOLUTION NO. 1699**

**A RESOLUTION OF THE CITY OF MERCER ISLAND, AUTHORIZING
APPLICATION TO THE WASHINGTON STATE RECREATION AND
CONSERVATION OFFICE FOR THE DEANE'S CHILDREN'S PLAYGROUND
AT ISLAND CREST PARK PROJECT**

GRANT PROJECT # 26-2026D

WHEREAS, the City of Mercer Island seeks grant funding from the Washington State Recreation and Conservation Office for the Deane's Children's Playground at Island Crest Park Project, Grant Project #26-2026D (the 'Project'); and

WHEREAS, this resolution/authorization authorizes the person(s) identified below (in Section 2) to act as the authorized representative/agent on behalf of our organization and to legally bind our organization with respect to the above Project(s) for which we seek grant funding assistance managed through the Recreation and Conservation Office (Office); and

WHEREAS, grant assistance is requested by our organization to aid in financing the cost of the Project(s) referenced above;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AS FOLLOWS:

1. Our organization has applied for or intends to apply for funding assistance managed by the Office for the above "Project(s)."
2. Our organization authorizes the following persons or persons holding specified titles/positions (and subsequent holders of those titles/positions) to execute the following documents binding our organization on the above projects:

Grant Document	Name of Signatory or Title of Person Authorized to Sign
Grant application (submission thereof)	Chief of Operations
Project contact (day-to-day administering of the grant and communicating with the RCO)	CIP Project Manager / Capital Division Manager
RCO Grant Agreement (Agreement)	City Manager
Agreement amendments	City Manager

Authorizing property and real estate documents (Notice of Grant, Deed of Right or Assignment of Rights if applicable). These are items that are typically recorded on the property with the county.	City Manager (upon approval of documents by City Council)
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The above persons are considered an “authorized representative(s)/agent(s)” for purposes of the documents indicated. Our organization shall comply with a request from the RCO to provide documentation of persons who may be authorized to execute documents related to the grant.

3. Our organization has reviewed the sample RCO Grant Agreement on the Recreation and Conservation Office’s WEB SITE at: <https://rco.wa.gov/wp-content/uploads/2019/06/SampleProjAgreement.pdf>. We understand and acknowledge that if offered an agreement to sign in the future, it will contain an indemnification and legal venue stipulation and other terms and conditions substantially in the form contained in the sample Agreement and that such terms and conditions of any signed Agreement shall be legally binding on the sponsor if our representative/agent enters into an Agreement on our behalf. The Office reserves the right to revise the Agreement prior to execution.
4. Our organization acknowledges and warrants, after conferring with its legal counsel, that its authorized representative(s)/agent(s) have full legal authority to act and sign on behalf of the organization for their assigned role/document.
5. Grant assistance is contingent on a signed Agreement. Entering into any Agreement with the Office is purely voluntary on our part.
6. Our organization understands that grant policies and requirements vary depending on the grant program applied to, the grant program and source of funding in the Agreement, the characteristics of the project, and the characteristics of our organization.
7. Our organization further understands that prior to our authorized representative(s)/agent(s) executing any of the documents listed above, the RCO may make revisions to its sample Agreement and that such revisions could include the indemnification and the legal venue stipulation. Our organization accepts the legal obligation that we shall, prior to execution of the Agreement(s), confer with our authorized representative(s)/agent(s) as to any revisions to the project Agreement from that of the sample Agreement. We also acknowledge and accept that if our authorized representative(s)/agent(s) executes the Agreement(s) with any such revisions, all terms and conditions of the executed Agreement shall be conclusively deemed to be executed with our authorization.
8. Any grant assistance received will be used for only direct eligible and allowable costs that are reasonable and necessary to implement the project(s) referenced above.

9. [for Recreation and Conservation Funding Board Grant Programs Only] If match is required for the grant, we understand our organization must certify the availability of match at least one month before funding approval. In addition, our organization understands it is responsible for supporting all non-cash matching share commitments to this project should they not materialize.
10. Our organization acknowledges that if it receives grant funds managed by the Office, the Office will pay us on only a reimbursement basis. We understand reimbursement basis means that we will only request payment from the Office after we incur grant eligible and allowable costs and pay them. The Office may also determine an amount of retainage and hold that amount until all project deliverables, grant reports, or other responsibilities are complete.
11. **[for Acquisition Projects Only]** Our organization acknowledges that any property acquired with grant assistance must be dedicated for the purposes of the grant in perpetuity unless otherwise agreed to in writing by our organization and the Office. We agree to dedicate the property in a signed “Deed of Right” for fee acquisitions, or an “Assignment of Rights” for other than fee acquisitions (which documents will be based upon the Office’s standard versions of those documents), to be recorded on the title of the property with the county auditor. Our organization acknowledges that any property acquired in fee title must be immediately made available to the public unless otherwise provided for in policy, the Agreement, or authorized in writing by the Office Director.
12. **[for Development, Renovation, Enhancement, and Restoration Projects Only–If our organization owns the project property]** Our organization acknowledges that any property owned by our organization that is developed, renovated, enhanced, or restored with grant assistance must be dedicated for the purpose of the grant in perpetuity unless otherwise allowed by grant program policy, or Office in writing and per the Agreement or an amendment thereto.
13. **[for Development, Renovation, Enhancement, and Restoration Projects Only–If your organization DOES NOT own the property]** Our organization acknowledges that any property not owned by our organization that is developed, renovated, enhanced, or restored with grant assistance must be dedicated for the purpose of the grant as required by grant program policies unless otherwise provided for per the Agreement or an amendment thereto.
14. **[Only for Projects located in Water Resources Inventory Areas 1-19 that are applying for funds from the Critical Habitat, Natural Areas, State Lands Restoration and Enhancement, Riparian Protection, or Urban Wildlife Habitat grant categories; Aquatic Lands Enhancement Account; or the Puget Sound Acquisition and Restoration program, or a Salmon Recovery Funding Board approved grant]** Our organization certifies the following: the Project does not conflict with the Puget Sound Action Agenda developed by the Puget Sound Partnership under RCW 90.71.310.
15. This resolution/authorization is deemed to be part of the formal grant application to the Office.

16. Our organization warrants and certifies that this resolution/authorization was properly and lawfully adopted following the requirements of our organization and applicable laws and policies and that our organization has full legal authority to commit our organization to the warranties, certifications, promises and obligations set forth herein.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT ITS MEETING ON SEPTEMBER 15, 2026.

CITY OF MERCER ISLAND

David Rosenbaum, Mayor

ATTEST:

Andrea Larson, City Clerk



DEANE'S CHILDREN'S PARK

Item 8.



Deane's Children's Park Boundary



Property Line



Map Date: 3/11/2025
Island Crest Park
CIPProjectMaps2024_3.3.aprx

Disclaimer: No warranties of any sort including accuracy, fitness or merchantability accompany this map. Aerial Photo: May 2023

DEANE'S CHILDREN'S PARK - Phase 2

Phase 2 Overview

- 2A** Parking lot expansion
- 2B** New picnic shelter
- 2C** Central play area 2-12 climbing structure and adjacent play components
- 2D** Mixing zone berms and seating





BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6986
September 15, 2026
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6986: West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project Bid Award	☐ Discussion Only ☒ Action Needed: ☐ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Award the West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvement Project construction contract to Kamins Construction Inc.	

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations Chris Marks, Interim Assistant City Engineer Zechariah Rodino, Utilities Engineer
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Project Locations Map
CITY COUNCIL PRIORITY:	3. Make once-in-a-generation investments to update and modernize aging infrastructure, capital facilities, and parks.

AMOUNT OF EXPENDITURE	\$ 550,224
AMOUNT BUDGETED	\$ 551,699
APPROPRIATION REQUIRED	\$ 0

EXECUTIVE SUMMARY

The purpose of this agenda item is to award a public works construction contract to Kamins Construction Inc., a Washington-based corporation, to construct the West Mercer Way Culvert Replacements (90.35.0006) and Sub-Basin 18C Drainage Improvements (90.35.0018) Project.

- Mercer Island is divided into approximately 85 sub-basins that collect and convey stormwater through drains, streets, gutters, ditches, watercourses, and culverts to Lake Washington.
- The City identifies and prioritizes stormwater capital projects based on system assessments, maintenance records, flooding concerns, infrastructure condition, capacity, and risks to public and private property.
- The *2021-2022 Mercer Island Basin Study and CIP Prioritization Final Report* identified undersized pipes in Sub-Basin 18C, leading the City to develop and prioritize the West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project.
- This construction contract combines the work associated with both capital projects. Project locations are shown in Exhibit 1.

- The project was advertised on August 4, 2026, with bids due on August 24, 2026. The City received seven bids. Kamins Construction, Inc. submitted the lowest responsive and responsible bid in the amount of \$473,414.
- Including construction, contingency, engineering and City support, the total project budget is \$550,224, which is fully funded within the adopted 2025-2026 budget, with no additional appropriation required. Sales tax is not charged separately for this storm project because Public Road Construction Rule 171 requires contractors to include applicable use tax in their individual bid items.
- Construction is anticipated to begin in September 2026 and be completed in Q1 2027.

BACKGROUND

Mercer Island is divided into approximately 85 sub-basins. Within each sub-basin, storm water runoff is collected in some combination of public and/or private lateral and trunk storm drains, streets, gutters, and ditches and then conveyed to the Island's watercourses. The watercourses flow toward Lake Washington and are conveyed through culverts where they pass beneath roads, driveways, and other developed areas.

The City identifies potential stormwater capital projects through system inspections, condition assessments, hydraulic analyses, maintenance records, and reports of flooding or drainage problems. Projects are prioritized based on factors such as infrastructure conditions, capacity deficiencies, risk of failure, potential impacts to public safety and private property, environmental considerations, and opportunities to coordinate improvements with other capital projects.

In 2022, Osborn Consulting Inc. completed the *2021-2022 Mercer Island Basin Study and CIP Prioritization Final Report*, which evaluated four sub-basins with known deficiencies, including undersized storm drains and localized flooding during large storm events. The assessment concluded that there was an opportunity in Sub-Basin 18C to redirect stormwater to an area with greater capacity, thereby reducing localized flooding on West Mercer Way. Based on this recommendation, the City developed the Sub-Basin 18C Drainage Improvements Project.

SUB-BASIN 18C DRAINAGE IMPROVEMENTS (90.35.00018)

The 3300 block of West Mercer Way experiences recurring flooding during large storm events. To eliminate this hazard, the City will divert a portion of the stormwater flow from Sub-basin 18C to Sub-basin 18B at the intersection of West Mercer Way and SE 32nd Street (Exhibit 1). This will require the installation of a new manhole at the intersection of West Mercer Way and SE 32nd Street and a new storm drainpipe at the intersection of SE 32nd Street and 65th Place SE.

WEST MERCER WAY CULVERT REPLACEMENTS (90.35.0006)

As part of the City's annual preventative maintenance program, staff utilize Closed Circuit Television (CCTV) to assess stormwater infrastructure. Through this program, four culverts on West Mercer Way were identified that have reached the end of their useful lives and need replacement. This project will replace three concrete culverts with ductile iron pipe and rehabilitate the fourth using a cured-in-place pipe liner. These improvements will reduce the risk of failure and protect the roadway, utilities, and adjacent properties.

Design for the Sub-Basin 18C Drainage Improvements Project began in 2022 and was subsequently paused while the City evaluated project timing and implementation. In March 2026, the City resumed design and combined the project with the nearby West Mercer Way Culvert Replacements Project. Combining the projects created efficiencies in design, procurement, and construction while allowing the City to coordinate

work and minimize impacts along the West Mercer Way corridor. Final plans, specifications, and cost estimate for the combined project were completed in July 2026.

ISSUE/DISCUSSION

PROJECT DESCRIPTION

The West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project combines two CIP projects into a single public works construction contract scheduled for this fall.

Work to be performed under this contract is shown in Exhibit 1 and includes improvements at five sites across the City as follows:

- Site 1, West Mercer Way and SE 32nd Street: Install a new manhole with a flow splitter and roughly 290 linear feet of polypropylene storm pipe to redirect stormwater to an area with higher capacity.
- Site 2, 4848 West Mercer Way: Replace the existing concrete culvert underneath West Mercer Way with 40 linear feet of new ductile iron pipe
- Site 3, 5020 West Mercer Way: Replace the existing concrete culvert underneath West Mercer Way with 52 linear feet of new ductile iron pipe, pipe the ditch directly in front of 5020 West Mercer Way, and stabilize the watercourses leading to this stormwater system on 5004 and 5030 West Mercer Way.
- Site 4, 5080 West Mercer Way: Replace the existing concrete culvert underneath West Mercer Way with 36 linear feet of new ductile iron pipe.
- Site 5, 8404 SE 53rd Place: Use a cured-in-place pipe liner to rehabilitate the existing concrete culvert underneath West Mercer Way and replace the frame and grate on existing catch basin 27A-42. Cured-in-place was selected as the preferred method due to minor structural damage in the pipe which does not necessitate a complete replacement and extends the remaining useful life approximately 50 or more years.

The engineer's construction cost estimate is approximately \$476,669.

BID RESULTS

Seven construction bids were received on August 24, 2026. The lowest bid was from Kamins Construction Inc. for \$473,414. Table 1 shows the bid results. Public Road Construction Rule 171 requires road & street drainage systems projects to include applicable use tax in the contract bid price.

Table 1. West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project - Construction Bid Results	
COMPANY NAME	TOTAL BID AMOUNT
Kamins Construction Inc.	\$473,414
Kar-Vel Construction	\$490,845
RW Scott Construction Co.	\$521,112
OMA Construction Inc.	\$539,175
SCI Infrastructure, LLC	\$569,665
Road Construction Northwest, Inc.	\$583,581
Calli Denney Construction LLC	\$589,220
Engineer's Estimate	\$476,669

A review of the Labor and Industries (L&I) website confirms Kamins Construction Inc., is a contractor in good standing with no license violations, outstanding lawsuits, or L&I tax debt. Based on review of Kamins Construction Inc.'s bid submittal and reference checks, staff determined that Kamins Construction Inc. is the lowest responsive and responsible bidder for this project and staff recommend awarding the West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project to Kamins Construction Inc.

PROJECT COSTS

The total estimated project cost for the West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project is \$550,224. This includes the construction contract and other costs necessary to complete the project, including construction contingency, design, construction inspection, and project management. The estimated project costs are summarized in Table 2.

Table 2: West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project Costs	
Description	Cost Estimate
Construction Contract	
Construction Contract	\$473,414
Construction Contingency @ 12%	\$56,810
Construction Contract Subtotal	\$530,224
Additional Project Costs	
Project Design and Construction Support	\$10,000
Staff Project Management/Construction Inspection	\$10,000
Additional Project Costs Subtotal	\$20,000
Total Project Costs	\$550,224

The combined 2025–2026 remaining available budget for the West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project is \$551,699. The available project budgets are summarized in Table 3.

Table 3: West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project Budget	
Project Budget	
West Mercer Way Culvert Replacements (90.35.0006)	\$522,563
Sub-Basin 18C Drainage Improvements (90.35.0018)	\$29,136
Total Budget Available for Project	\$551,699
Budget Remaining	\$1,475

Staff recommend awarding the bid to Kamins Construction Inc., and authorizing the City Manager to execute a contractor with Kamins Construction Inc., for construction of the West Mercer Way Culvert Replacements and SB 18C Drainage Improvements Project.

NEXT STEPS

Construction activities on the West Mercer Way Culvert Replacements and SB 18C Drainage Improvements Project is scheduled to begin in late September 2026. The entire construction contract is anticipated to be completed by the end of Q1 2027. Staff will notify businesses and residents affected by the project prior to the start of construction and work will be scheduled to avoid any federal holidays or events.

RECOMMENDED ACTION

Award the West Mercer Way Culvert Replacements and Sub-Basin 18C Drainage Improvements Project to Kamins Construction Inc., a Washington-based corporation, and authorize the City Manager to execute a contract with Kamins Construction Inc., in an amount not to exceed \$473,414.



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6991
September 15, 2026
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6991: Ezee Fiber Franchise Agreement (Ord. No. 26-14, First Reading)	☐ Discussion Only ☒ Action Needed: ☒ Motion ☒ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Schedule Ordinance No. 26-14 for second reading on October 6, 2026 or later.	

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations Christopher Marks, Interim Assistant City Engineer Rebecca Corigliano, Transportation Engineer
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Draft Ordinance No. 26-14 – Franchise Agreement with Ezee Fiber
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 Ezee Fiber and set an ordinance for second reading, likely on October 6, 2026.

- Ezee Fiber is seeking a franchise agreement to access the City's rights-of-way for a telecommunications network.
- Currently, Ezee Fiber does not own any facilities within the City's rights-of-way.
- 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, Ezee Fiber would still need to obtain permits and approvals before working within City's rights-of-way.

BACKGROUND

Ezee Fiber is a telecommunications provider that offers fiber-optic internet service with symmetrical speeds up to 8 Gbps for residential, business, and enterprise customers. The company currently provides service in Illinois, Michigan, New Mexico, Oregon, Texas, and Washington. In Washington, their service area includes

Clark County and the cities of Kent, Steilacoom, Tacoma, and Vancouver, with additional locations planned as their network continues to expand.

In February 2026, Ezee Fiber approached the City of Mercer Island seeking a telecommunications franchise agreement. Ezee Fiber does not currently own or operate telecommunications facilities within the City's rights-of-way.

ISSUE/DISCUSSION

The proposed agreement (see Exhibit 1) would authorize Ezee Fiber to access the City's rights-of-way to construct, maintain, operate, replace, and repair its telecommunications network. This franchise agreement is a general contractual agreement with Ezee Fiber which allows entrance and use of the rights-of-way for wireline deployments. Ezee Fiber 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.

To ensure competitive equity between similarly situated entities, this franchise agreement is identical to the franchise that the City Council granted to Forged Fiber. This ensures fair competition by treating comparable providers equally. Because the City recently approved the same agreement for Forged Fiber, denying this application without a legitimate, fact-based distinction could be viewed as arbitrary or unlawfully discriminatory. Accordingly, it is staff's recommendation to schedule this for a second reading and adoption at an upcoming council meeting.

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

[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 October 6, 2026.

RECOMMENDED ACTION

Schedule Ordinance No. 26-14 for second reading and adoption at an upcoming City Council Meeting.

CITY OF MERCER ISLAND
ORDINANCE NO. 26-14

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, GRANTING TO EZEE FIBER WASHINGTON ASSETS, 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. Ezee Fiber Washington Assets a 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, DOES HEREBY ORDAIN AS FOLLOWS:

ORDINANCE

Section 1. 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.”

Section 2. 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.

Section 3. 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.

Section 4. 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 5.1 through 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 9. 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.

Section 11. 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.

Section 12. 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.

Section 19. 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.

Section 22. 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.

Section 23. 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.

Section 24. 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.

Section 25. Cost of Publication. The cost of publication of this Franchise shall be borne by Franchisee.

Section 26. 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.

Section 27. 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.

Section 29. 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.

Section 30. 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.

Section 31. 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.

Section 32. 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

Ezee Fiber
ATTN: Garner Duncan
5959 Corporate Dr., Suite 2000
Houston, TX 77036
Telephone: (972) 898-5487

Section 33. 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.

Section 34. 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.

Section 35. 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.

Section 36. 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.

Section 37. 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.

Section 39. 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.

Section 40. 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

Ezee Fiber Washington Assets, a Limited Liability Company (“Franchisee”) 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. Franchisee 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. Franchisee 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.

Ezee Fiber Washington Assets,
a Limited Liability Company

By: _____
Name: _____
Title: _____

Date: _____

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

(Signature of Notary)

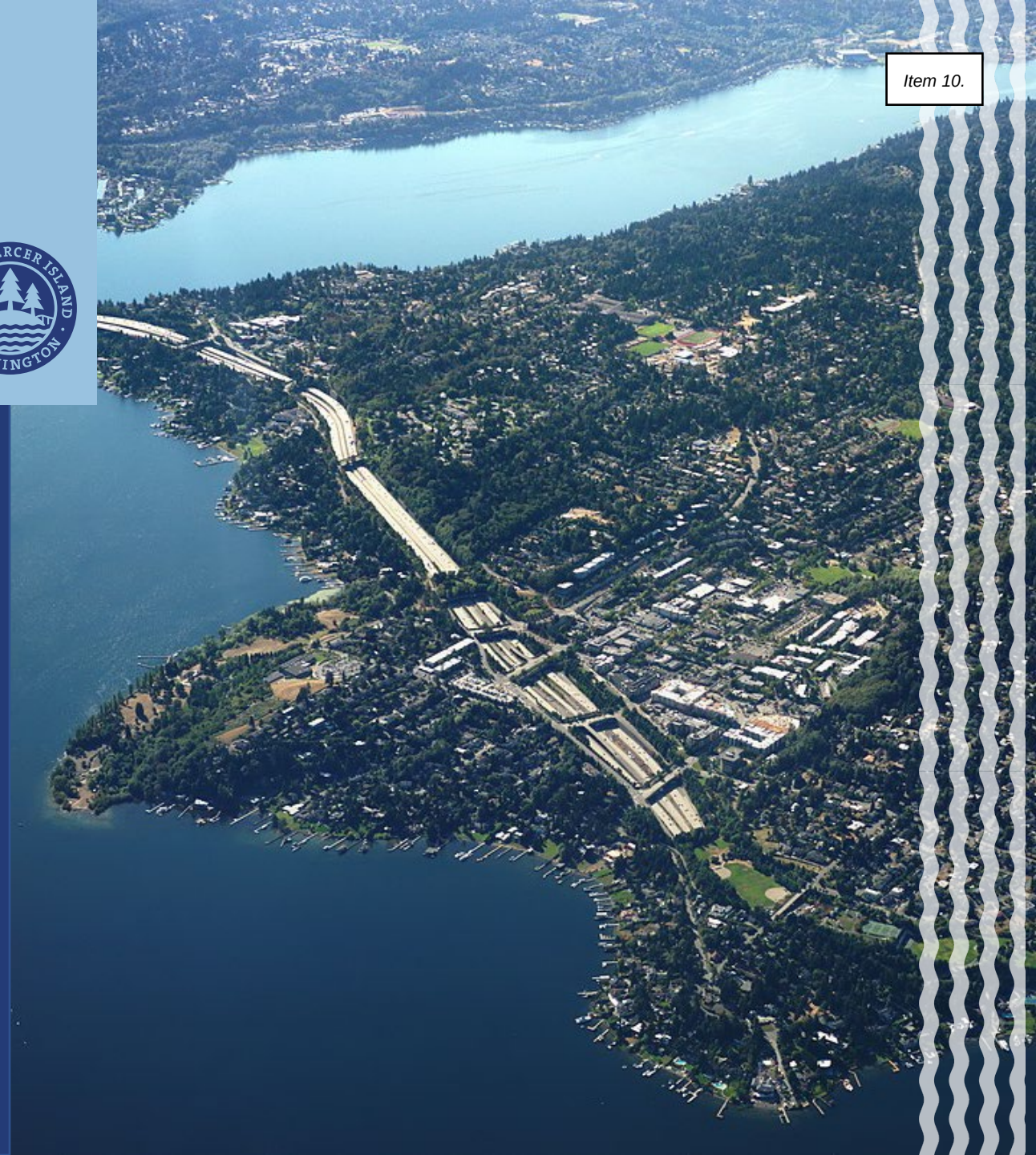
(Legibly Print or Stamp Name of Notary)
Notary Public in and for the State of
Washington
My appointment expires: _____



Ezee Fiber Telecommunications Franchise Agreement (Ord. No. 26-14)

September 15, 2026

Daniel Kenny



Background

- In February 2026, Ezee Fiber approached the City of Mercer Island seeking a telecommunications franchise agreement.
- Ezee Fiber does not currently own or operate telecommunications facilities within the City's rights-of-way.

Refresher re: Franchises

- Pursuant to RCW 35A.47.040, the City has the authority to issue franchise agreements that allow the franchisee general access to the City's rights-of-way. Most franchises cover all the City's rights-of-way.
- Franchisee will still need to apply for and receive all necessary permits for any and all installations; the franchise is only the first step.
- The City has franchises with a range of companies and utilities.
 - Forged Fiber; Zayo; Comcast –Cable; Centurylink –Broadband

Procedure

- A company seeking a franchise must apply to the City and pay a fee deposit.
- The City prepares the franchise agreement and the applicant is able to review and provide input.
- The draft franchise is reviewed by relevant city staff as well as by legal.
- City Council is required to consider the franchise at two council meetings prior to taking action.
- If approved, the applicant signs the franchise.



Ezee Franchise

- This franchise is the exact same as the franchise recently approved by the City Council for Forged Fiber.
- Competitive equity is required. Using the same, approved franchise, ensures fair competition by treating comparable providers equally.



Questions

How could Council go about looking at options to change franchise provisions before the next one comes up?

As each franchise is renegotiated the City can examine the provisions contained in the agreement to determine whether changes are needed.

Potential areas where changes might be needed and might be appropriate might include things like insurance or areas with changes in federal or state law.

Questions

Does the City have any cost recovery from the Franchisee for City expenses (paid to outside counsel, etc.) for the process of adopting these franchise agreements?

Yes – the franchise application requires payment of a \$7,500 fee deposit which Ezee paid. Under state law, the franchisee is required to pay the actual administrative expenses (including attorney costs) incurred by a city that are directly related to receiving and approving a franchise.

Questions

A resident asked that the city oversees installation and represents the neighbors during installation.

The city does not “oversee” (if I interpret “oversee” to mean actively engaged in oversight at the construction site) any permitted construction work in the City.

The City does have code enforcement authority and permit compliance/inspection authority to utilize if anything is not completed per the terms of the issued permit or in violation of the code/public works standards.

For example, see general right of way permit requirements and procedures in MIMC 19.09.060. See also, right of way permit inspection authority outlined in MIMC 19.09.060(Y) as well as restoration requirements in MIMC 19.09.0606(Q).

Questions

Request that the franchisee designate a contact person for the city and neighbors to contact re: poor installation and requires poor or abusive installation to be remedied.

All permits include the names and contact information for those doing the work. The City would work with the entity to address issues.

The code already includes an option for the City to require a performance guarantee. See MIMC 19.06.060(B)(2).

The code also allows the City to complete surface restoration if the permittee does not complete it and the permittee pays cost plus 25% and the City can use the set-aside account to ensure the permittee makes payment. See MIMC 19.09.060(R).

Questions

Request that the approval be conditioned on the franchisee using the least intrusive installation as possible.

Installations must be consistent with code. I would not recommend adding new/additional requirements beyond what is prescribed in code as those could be viewed as arbitrary. And, as noted, if the City starts to impose new conditions on one entrant, it may be viewed as discriminatory.

The code, though, does already allow the city engineer to attach conditions to a right-of-way permit to ensure the public health, safety and welfare. *See* MIMC 19.09.060(A)(3).

The Telecommunications Act states that "No State or local statute or regulation or other State or local legal requirement, may prohibit or have the effect of prohibiting the ability of any entity to provide any interstate telecommunications service." So, the City Engineer would assess and balance potential needs.

Additional Questions?

Recommended Action: Schedule Ordinance No. 26-14 for second reading on October 6, 2026 or later.

Thank you !

Daniel Kenny
Ogden Murphy Wallace, PLLC
dpkenny@omwlaw.com



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6997
September 15, 2026
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6997: 2027-2028 Preliminary Biennial Budget Financial Forecast and Budget Amending Ordinance	☐ Discussion Only ☒ Action Needed:
RECOMMENDED ACTION:	Adopt Ordinance No. 26-08, amending the 2025-2026 Biennial Budget.	☐ Motion ☒ Ordinance ☐ Resolution

DEPARTMENT:	Finance
STAFF:	Matthew Mornick, Finance Director LaJuan Tuttle, Deputy Finance Director Ben Schumacher, Financial Analyst II
COUNCIL LIAISON:	n/a
EXHIBITS:	1. 2027-2028 Preliminary Biennial Budget Financial Forecast 2. Budget Amending Ordinance No. 26-08
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 an updated financial forecast for the City's primary operating funds – the General Fund and Youth and Family Services (YFS) Fund – and the Capital Improvement and Contingency Funds from Q2 2026 through 2032 (Exhibit 1).

- Each year, an updated revenue forecast is presented to the City Council to establish baseline revenues to inform City Council policy decisions for the next two years and beyond.
- Although financial projections extend through 2032, revenue estimates for 2027 and 2028 establish spending limits for the 2027–2028 Preliminary Biennial Budget, scheduled for City Council and community review later this month.
- As projected in May 2025 ([AB 6680](#)), the City will enter a period of deficit spending in its primary operating funds in 2027. Expenditures in the General and YFS Funds are projected to outpace revenues in both 2027 and 2028. While prior-year savings are proposed to temporarily bridge operations through the upcoming biennium, a permanent funding solution will be required by 2028 to maintain current municipal service levels.
- This financial forecast coincides with a broader regional slowdown and growing state budget pressures. According to the Washington State Economic and Revenue Forecast Council June 2026 Forecast, statewide economic growth has moderated. Slow job creation statewide, low personal

income growth, and persistent inflation have reduced revenue estimates in the 2025-2027 state budget.

- Regional data from the King County Office of Economic and Financial Analysis July 2026 economic and revenue forecast reflects similar headwinds, marked by rising inflation and slow real estate activity.
- Local real estate excise tax (REET) collections remain low in Mercer Island and the neighboring region following a prolonged period of high interest rates and relatively low property transactions.
- To help balance competing priorities, safeguard the City's long-term financial position, and guide strategic investments for Mercer Island, the 2027-2028 Preliminary Biennial Budget Financial Forecast ("forecast") provides the City Council with an up-to-date outlook of the City's long-term financial position (Exhibit 1). Staff will release the 2027-2028 Preliminary Biennial Budget later this month.
- Although the General Fund remains balanced through 2026, the forecast projects a \$700,000 deficit in 2027 and a \$1.7 million deficit in 2028. Maintaining current service levels will require drawing down the unassigned fund balance in the General Fund – from \$5.1 million at year-end 2025 to \$2.3 million by 2028.
- Outside of Thrift Shop revenues and funding from the Mercer Island Youth and Family Service (MIYFS) Foundation, the YFS Fund relies on operating fund balance and the General Fund. With the YFS operating fund balance anticipated to be fully exhausted in 2028, the General Fund annual contribution is proposed to steadily increase from \$350,000 in 2026 to \$1.07 million in 2028. Utilizing one-time General Fund unassigned fund balance maintains service levels in 2027-2028 while the City Council evaluates long-term funding options.
- Following a 15-year \$7.7 million peak in 2021, the Capital Improvement Fund's primary revenue – Real Estate Excise Tax (REET) revenues – experienced a sharp downward swing in 2022, leading to a sustained reduction in resources for streets, parks, open space, and facilities that has persisted through the second quarter of 2026. The City Council reconvened the Finance Ad Hoc Committee ([AB 6856](#)) in February 2026 to assess the competing needs between parks, open space, and facilities funded by the Capital Improvement Fund and prioritize limited resources for critical project work in 2027 and 2028. More information will be shared on the capital fund recommendations later this year.
- Ordinance No. 26-08 (Exhibit 2) formalizes all previously approved City Council adjustments to the 2025-2026 Biennial Budget made through September 1, 2026.

BACKGROUND

The past six years mark one of the most uncharacteristic periods in the City's financial history. During the onset of the COVID-19 pandemic, the City instituted immediate cost-saving measures to stabilize government operations. Facing significant economic uncertainty in 2021, the City Council unanimously adopted new financial management policies to establish clear direction for the prudent use of finite public resources, with a shared focus on the City's long-term financial goals.

These policies successfully guided the City out of the pandemic, reshaped municipal operations, and resulted in many accomplishments; a few are summarized below:

- **Voter-Approved Investments:** Voters approved a Parks Levy lid lift in 2022 to fund ongoing playground replacements, park maintenance, Luther Burbank Park maintenance, and open space management.
- **Infrastructure Upgrades:** The City Council directed use of one-time federal funding (e.g., American Rescue Plan Act) towards completing major capital investments across City streets and parks, while advancing once-in-a-generation upgrades to critical underground utilities.

- **Modernized Technology:** Replaced antiquated software with streamlined, modern financial and human resource systems.
- **Resilient Drinking Water Access:** Replaced aging infrastructure in the water distribution system while advancing a new locally controlled seismically resilient water supply line for the island.
- **Luther Burbank Waterfront Improvements:** Moving construction forward on a massive multiyear project to replace aging docks, improve shoreline habitat, and improve public ADA access along Lake Washington.

The City Council also set aside year-over-year savings in the Municipal Facility Replacement Fund – a dedicated reserve created following the closure of City Hall. By September 2025, these savings enabled the strategic purchase of a 22,000 square-foot office building at 9655 SE 36th Street, adjacent to the City Hall campus. The new facility will provide workspace for City staff and will improve community access to services. Planning work is underway on the necessary retrofits for the facility.

Throughout this period fiscal pressures remained. As part of the 2025-2026 biennial budget process, staff presented an early long-term financial outlook ([AB 6680](#)) alerting the City Council to emerging structural challenges with the City's financial position. Driven by persistent inflation, rising labor and operational costs, and limited growth in the City's tax revenues, annual operating expenditures were projected to outpace revenues in 2027.

ISSUE/DISCUSSION

FINANCIAL FORECAST

The 2027-2028 Preliminary Biennial Budget Financial Forecast presents the City's projected financial position through 2032 (Exhibit 1).

Within the General Fund, revenues are projected to increase by 4.4% annually between 2026 and 2028, whereas baseline expenditures are projected to increase 6.1% annually over the same timeframe. While the General Fund is structurally sound through 2026, an operating deficit emerges in 2027 and widens in 2028.

The General Fund's unassigned fund balance – estimated at \$4.8 million at year-end 2026 – is proposed to bridge operations across the 2027–2028 biennium. By the end of 2028, the unassigned fund balance is projected to be \$2.3 million in the General Fund.

A similar structural deficit is projected in the YFS Fund. The forecast for the YFS Fund projects a \$915,000 operating deficit in 2027 that grows to \$1.13 million in 2028. To stabilize youth and family services programs through the upcoming biennium, the forecast assumes the operating fund balance for the YFS fund will bridge operations until fully spent in next two years. This requires an increased annual interfund contribution from the General Fund, rising from \$350,000 in 2026 to \$477,000 in 2027, and growing to \$1.07 million in 2028.

Meanwhile, the Capital Improvement Fund has struggled with competing infrastructure demands when Real Estate Excise Tax (REET) revenues – the City's primary resource for capital improvements – remains sluggish due the passive real estate market. To balance the Capital Improvement Fund, investments in 2027 and 2028 have been sequenced and scaled back to focus on active priority projects, essential facility maintenance, and grant-matched initiatives.

Although financial projections extend through 2032, projections establish baseline spending limits for the 2027–2028 Preliminary Biennial Budget, scheduled for City Council and community review later this month. To that end, the financial forecast lays the foundation for the next biennial budget. It provides the City Council with the information needed to make policy decisions and establish budget priorities for 2027 and 2028.

ORDINANCE NO. 26-08

In addition to beginning the policy discussion on the 2027-2028 Preliminary Biennial Budget, Exhibit 2 outlines budget adjustments approved by the City Council and the resulting financial impacts. Budget amending ordinances are presented quarterly to account for adjustments throughout the year. Many of the adjustments in Exhibit 2 tie to recent City Council decisions at the September 1, 2026 Council meeting.

NEXT STEPS

At the end of September, the City Council will receive the 2027-2028 Preliminary Biennial Budget. October kicks off the budget workshops where the City Council will review the capital budget, two-year work plan, and operating budgets. The preliminary budget development schedule is summarized below.

Date	Topic
October 6, 2026	Introduction to the Preliminary Budget and Overview of the Six-Year Capital Improvement Program
October 20, 2026	Public Hearing: Overview of the 2027-2028 Work Plan and Operating Budget
November 17, 2026	Public Hearing: 2027-2028 Biennial Budget Review, Receive Q3 2026 Financial Status Update and Budget Amending Ordinance, Adopt 2027 Property Tax Ordinances, and Adopt 2027 NORCOM Budget
December 1, 2026	Public Hearing: 2027-2028 Biennial Budget Adoption

The public is encouraged to provide feedback on the Preliminary Budget and Capital Improvement Program at three scheduled Public Hearings on October 20, November 17, and December 1. Public comment is also invited at all City Council meetings.

Looking ahead, the City Council will establish the 2027–2028 work plan as part of the adoption of the biennial budget. That work plan will include a focused effort to evaluate and develop long-term strategies to address the City’s ongoing structural deficit and strengthen the City’s financial position. This work will provide the Council with the information and options necessary to make thoughtful, deliberate decisions about how best to align available resources with community priorities and service expectations over the long term.

RECOMMENDED ACTION

Adopt Ordinance No. 26-08, amending the 2025-2026 Biennial Budget.

INTRODUCTION

The financial forecast (“forecast”) provides an overview of the City’s current financial position and long-term outlook, drawing on historical financial data through the second quarter of 2026 and relevant regional economic trends.

The forecast focuses on the following funds:

- **Operating Funds:** General Fund (001) and the Youth and Family Services (YFS) Fund (160).
- **Capital & Reserve Funds:** Capital Improvement Fund (320) and Contingency Fund (130).

Although financial projections extend through 2032 for long-term planning, revenue forecasts for 2027–2028 set baseline spending levels for the Preliminary 2027–2028 Biennial Budget, scheduled for City Council review this fall.

As projected in May 2025 ([AB 6680](#)), the General and YFS Funds are entering a structural deficit, with expenditures exceeding revenues in both 2027 and 2028. While accumulated prior year savings will temporarily bridge operations for the upcoming biennium, a permanent funding solution is required by 2028 to maintain current service levels.



2027-2028 PRELIMINARY BIENNIAL BUDGET Financial Forecast Sept 15, 2026

GENERAL FUND REVENUES

Fiscal Year 2026

Adopted Budget

\$38.7 million

Sept Forecast

\$39.2 million

Fiscal Year 2027

\$39.9 million

Fiscal Year 2028

\$40.9 million

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GENERAL FUND – 001

Figure 1 includes General Fund revenue projections for fiscal year 2026 through 2032. A summary of each revenue category is in the left column.

Figure 1 - General Fund Financial Forecast

RESOURCES (\$ in thousands)	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Beginning Fund Balance (Includes Reserves)	\$9,442	\$9,447	\$8,727	\$7,030	\$5,690	\$3,844	\$1,562
REVENUES							
Appropriated Fund Balance	972	0	0	0	0	0	0
Property Tax	14,469	14,614	14,800	14,975	15,153	15,324	15,497
General Sales Tax	8,041	8,353	8,677	8,917	9,163	9,417	9,678
Utility Taxes	5,852	6,043	6,240	6,407	6,580	6,760	6,945
Business & Occupation Tax	1,052	1,052	1,052	1,083	1,116	1,149	1,184
Parks & Recreation Programs	1,556	1,615	1,635	1,635	1,656	1,656	1,656
Overhead Allocation Charges	2,527	2,630	2,736	2,861	2,992	3,129	3,272
Licenses & Permits	305	301	304	307	310	314	317
State Shared Revenues	1,285	1,238	1,256	1,211	1,232	1,254	1,277
Miscellaneous Revenues	2,543	2,580	2,650	2,716	2,783	2,850	2,918
Interest Earnings	1,321	1,209	1,290	1,090	927	881	854
Municipal Court	209	220	231	235	240	245	250
Total Revenues	40,132	39,853	40,870	41,438	42,153	42,978	43,848
Total Fund Resources	\$49,573	\$49,300	\$49,596	\$48,468	\$47,843	\$46,821	\$45,410
EXPENDITURES							
Personnel	18,255	18,551	19,300	19,857	20,430	21,020	21,627
Supplies	724	756	760	773	787	801	815
Contractual Services	9,731	10,430	10,751	11,083	11,433	11,795	12,169
Other Services & Charges	7,653	7,602	7,904	7,885	8,123	8,369	8,624
Interfund Transfers	3,763	3,235	3,851	3,180	3,227	3,275	3,325
Total Expenditures	\$40,127	\$40,573	\$42,566	\$42,779	\$43,999	\$45,259	\$46,560
<i>Net Operating - Over/(Under)</i>	<i>5</i>	<i>(720)</i>	<i>(1,697)</i>	<i>(1,340)</i>	<i>(1,846)</i>	<i>(2,282)</i>	<i>(2,713)</i>
Ending Fund Balance (Includes Reserves)	\$9,447	\$8,727	\$7,030	\$5,690	\$3,844	\$1,562	(\$1,151)

Note: Slight differences occur due to rounding.

Figure 1 illustrates projected General Fund revenues and expenditures through 2032. From 2026 to 2028, revenues are projected to grow by 4.4%, while expenditures are expected to outpace revenue growth at 6.1% over the same two-year period.

The General Fund is structurally sound through 2026, meaning overall revenues exceed expenditures. An operating deficit emerges in 2027 – with annual expenditures consistently outpacing revenues – as indicated in the “Net Operating – Over/(Under)” row at the bottom of Figure 1.

To maintain current service levels, the City will need to draw on its unassigned (available) fund balance in the General Fund beginning in 2027, as indicated in Figure 2. Unassigned fund balance is the portion of the City’s financial resources available to be spent or “appropriated” in the next budget cycle. It comprises funds remaining after state statutes and City Council policies set aside resources that are restricted, committed, and assigned per the City’s financial management policies.

Figure 2 - Estimated Fund Balance

Fund Balance - General Fund (001) <i>(\$ in thousands)</i>	2026F	2027F	2028F
Beginning Fund Balance	\$ 9,442	\$ 9,447	\$ 8,727
Revenue	40,132	39,853	40,870
Expense	(40,127)	(40,573)	(42,566)
Reserves ¹	(4,610)	(4,695)	(4,780)
Ending Available Fund Balance	\$ 4,836	\$ 4,031	\$ 2,250

¹ Includes resources that are "restricted," "non-spendable," and "committed" per state law and local policy.

The General Fund closed 2025 with \$5.1M in available fund balance. Accounting for City Council appropriations through September 2026, the estimated year-end 2026 available fund balance is \$4.8M, projected to decline to \$2.3M by the end of 2028.

By 2029, cumulative operating deficits will fully deplete unassigned resources, pushing the available fund balance in the General Fund into a negative position.

GENERAL FUND REVENUES

PROPERTY TAX

The 2026 Adopted Budget assumed \$14.2M in property tax revenue, representing 38% of total General Fund revenues. This is a stable revenue source with payments received in April and October of each calendar year.

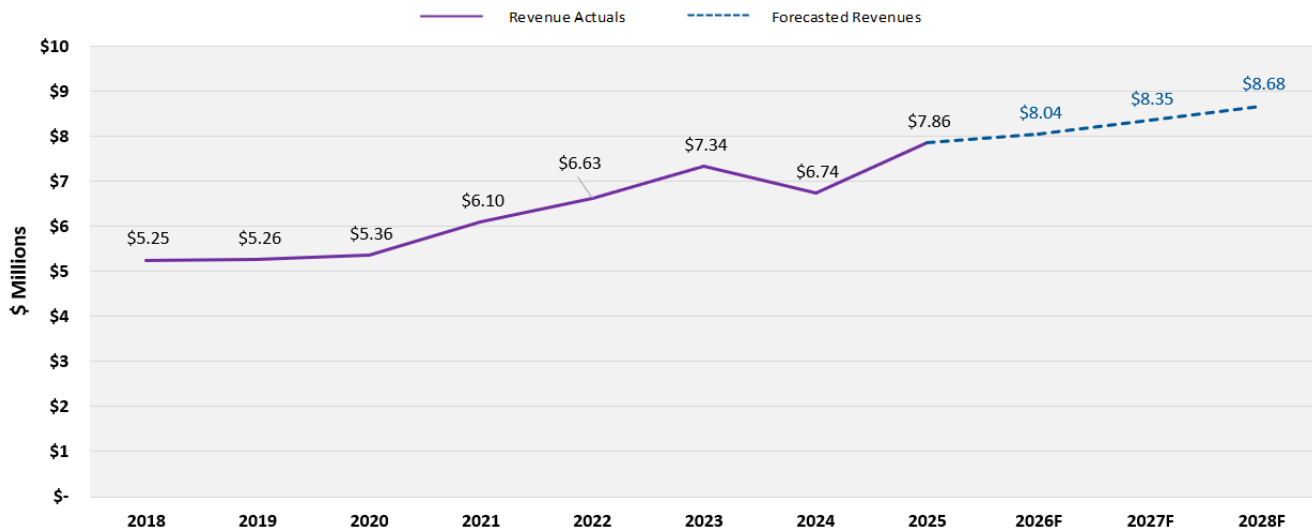
Revenues through June are on track to meet 2026 budget assumptions. For 2027 and 2028, the forecast assumes the City will assess a property tax increase of the statutorily allowed 1% of the previously levied amount (e.g., 2026 actual regular levy) plus new construction each year.

SALES TAX

The 2026 Adopted Budget assumed \$7.9M in total sales tax revenues (general and local criminal justice sales tax revenues), representing 21% of total General Fund revenues. Total sales tax earnings in 2025 were \$7.86M, notably more than 2024 revenues primarily due to an accounting change to cash basis reporting beginning January 1, 2024.

Overall, sales tax revenues are up 3% during the first half of 2026 compared to the same period of the prior year. While this trend is positive, underlying consumer spending shows mixed signals with an 8% decline in July 2026 sales tax revenues relative to July 2025.

For a long-term view of general sales tax activity, Figures 3 illustrates historical revenues and year-over-year trends for the City from 2018 through 2025, with 2026-2028 projections included for reference.

Figure 3: Total General Sales Tax Revenues

The historical data from the Department of Revenue in Figure 3 highlights the sensitivity of the sales tax revenues. The dip in 2024 reflects the City's change to cash-basis accounting, not a lull in sales tax activity. Distributions of sales tax revenues received in January 2024 were accounted as revenue earned and reported in December 2023. That aside, Figure 3 illustrates consistent year-over-year (YOY) sales tax revenue growth since 2018, with forecasted figures from 2026 through 2028.

During the 2025-2026 legislative sessions, Washington State enacted structural adjustments to its tax code that broadened the underlying definition of a taxable retail sale. Most notably, engrossed substitute Senate Bill 5814 (effective October 1, 2025) expanded retail sales tax to cover previously exempt business and professional services – such as IT support, custom software and web development, temporary staffing, live training presentations, and security monitoring.

Because local sales taxes in Washington rely on the state's retail tax definitions, expanded definitions at the state level were thought to increase municipal tax bases. From October 2025 through June 2026, there has not been a material change in the general sales tax revenues.

Based on trends through the end of 2025 and the first half of 2026, the forecast projects a 2.3% increase in sales tax revenues in 2026 compared to 2025, with a 4% annual increase projected in 2027 and 2028. These projections are also informed by the King County Office of Economic and Financial Analysis and the Washington State Economic and Revenue Forecast Council.

UTILITY TAXES

The 2026 Adopted Budget assumed \$5.5M in utility tax revenues, representing 15% of total General Fund revenues. A utility user tax is imposed on utility services provided on Mercer Island, such as cellular phone service, natural gas, electricity, along with City utilities (water, sewer, and stormwater).

This revenue is, for the most part, not subject to economic volatility. The forecast assumes utility tax revenues will finish the year on track meeting the \$5.8M budget estimate. Utility tax revenues are projected to increase 3.3% annually in 2027 and 2028, mostly tied to anticipated electricity and gas year-over-year growth.

BUSINESS AND OCCUPATION (B&O) TAXES

The 2026 Adopted Budget assumed \$755,000 in B&O tax revenue, representing 2% of total General Fund revenues. B&O tax is paid annually before April 15 unless a business earns greater than \$1M annually in gross receipts, in which case the tax is paid quarterly.

B&O tax revenues have trended upward since 2019, when the City transitioned to Washington State's Business Licensing Service. This has resulted in better tracking of businesses eligible to pay B&O tax revenues.

Revenues for the first half of 2026 exceeded budget expectations. Annual filings are typically received in the first four months of the calendar year (April 15 filing deadline). For the first six months of the year, the City received \$676,000 in revenues, of which 21% resulted from annual filings.

The forecast projects B&O tax revenues will exceed budget expectations by \$296,000 by 2026 year-end. This projection is based on payment data from 2023 through Q2 2026. Revenues are expected to hold at \$1.05M in both 2027 and 2028.

PARKS & RECREATION PROGRAM REVENUES

The 2026 Adopted Budget assumed \$1.25M in Parks and Recreation revenues, representing 3% of total General Fund revenues. Revenues include field and community center rental fees, boat launch fees, program fees, and rent payments from the annex building located behind the Community Center.

Recreation program revenues through the first half of the year are 6% higher than in 2025. This is largely due to improvements made with the online platform for managing field and MICEC room rentals.

Revenues are forecasted to finish 2026 at \$1.55M, 24% above budget expectations, based on hourly rentals and community center bookings secured through the end of the year. Revenues are projected to increase 3.8% in 2027 and 3.3% 2028.

OVERHEAD ALLOCATION CHARGES

On May 21, 2024, the City Council adopted a new Cost Allocation Policy ([appendix B of the City's financial management policies](#)). The policy was based on established best practices from the Government Finance Officers Association (GFOA), Washington State Auditor's Office, and the Municipal Research and Services Center (MRSC). A cost allocation policy establishes a consistent and transparent methodology for distributing shared costs across City funds and programs based on their use of services and resources paid for by the General Fund.

The overhead allocation revenue category accounts for overhead costs charged to the Utility and Capital Funds through internal transfers. The 2026 Adopted Budget assumed roughly \$2.5M in cost allocation transfers, representing 7% of total General Fund revenues. These revenues are forecasted to meet budget expectations by the end of 2026. Administrative overhead in the General Fund will increase 4% annually in the 2027-2028 preliminary budget.

LICENSE & PERMITS

The 2026 Adopted Budget assumed \$245,000 in license and permit revenues, representing 0.7% of total General Fund revenues. Beginning in 2025, all revenues unique to development services transitioned out of the General Fund and into a newly established Development Services Fund (180).

The remaining revenues include business license fees and fees related to fire inspection services. Revenues in 2025 amounted to \$301,000, while revenues through the first half of 2026 are tracking 2% higher than the same period the prior year. Collectively, the forecast projects \$305,000 in 2026, \$301,000 in 2027, and \$304,000 in annual revenues in 2028.

STATE SHARED REVENUES

The 2025 Adopted Budget assumed \$1.2M in shared/intergovernmental revenues, representing 3% of total General Fund revenues. This category combines a variety of revenues and includes State shared tax revenues, grants, and the Department of Transportation (WSDOT) funds collected for landscape services agreement for Aubrey Davis Park, among others.

Revenues in 2026 are projected to end the year 8% or \$98,500 above budget estimates. This is mainly due to increased grant funding (e.g., the King County 4Culture Arts program) through 2028.

Revenues in 2027 and 2028 are projected to stabilize and remain relatively flat at \$1.2M year over year.

MISCELLANEOUS REVENUES

The 2026 Adopted Budget assumed \$2.6M in miscellaneous revenues, representing 7% of General Fund revenues. This category includes the emergency medical service (EMS) utility, the King County EMS levy, judgment settlements, cell tower leases, and disability reimbursements received from the Washington State Department of Labor and Industries, among others.

The forecast assumes miscellaneous revenues will end 2026 in line with budget estimates. Overall, this revenue category is projected to incrementally increase through 2028 and beyond.

INTEREST EARNINGS

The 2026 Adopted Budget assumed \$1.1M in General Fund revenue from interest earned on the City's holdings in the Local Government Investment Pool (LGIP). Interest earnings in the General Fund amounted to \$2.1M in 2024 – a historic high – that continued through 2025, resulting in \$1.7M in General Fund revenues.

The forecast considers the projected principal balance, the annual LGIP 30-day yield, and the General Fund portion of the City's principal investments. In 2025, the LGIP's average 30-day yield was 4.30%. Through the first six months of 2026, the average 30-day yield dropped to 3.70%. The forecast projects an average 30-day yield on the City's principal investments of 3.60% in 2026, shifting to 3.50% in 2027 and 2028. Interest earnings in the outyears are projected to stabilize and return to historical averages.

Interest earnings are distributed quarterly to various funds based on their relative cash balances at quarter end. The Contingency Fund (130) achieved its funding target (12.5% of budgeted General Fund expenditures) in the first half of 2026. With the Contingency fully funded (see [Contingency Fund](#) section of this Exhibit), interest earnings tied to Fund 130 revert to the General Fund, unless Fund 130 falls below its funding target. The target funding level is revisited each new fiscal year, according to the City Council's adopted financial management policies.

Background Information on Interest Earnings

Through 2025, LGIP experienced a minor decrease in the 30-day interest rate, beginning the year at 4.45% and ending at 3.87% in December 2025. The net earnings rate for the month of June 2026 was 3.69%.

Increased earnings in the City's investments correspond with changes to the Federal Reserve's federal funds target rates, as illustrated in Figure 4. Between June 2022 and June 2024, the Federal Reserve raised the funds target rate by more than five percentage points. Changes in the federal funds target rates are the Federal Reserve's primary tool to implement monetary policy. While increases in the federal funds target rates helped slow the pace of inflation, it also increased the LGIP's earnings rate.

Figure 4: WA State Treasurer Local Government Investment Pool

June 2022 - June 2026

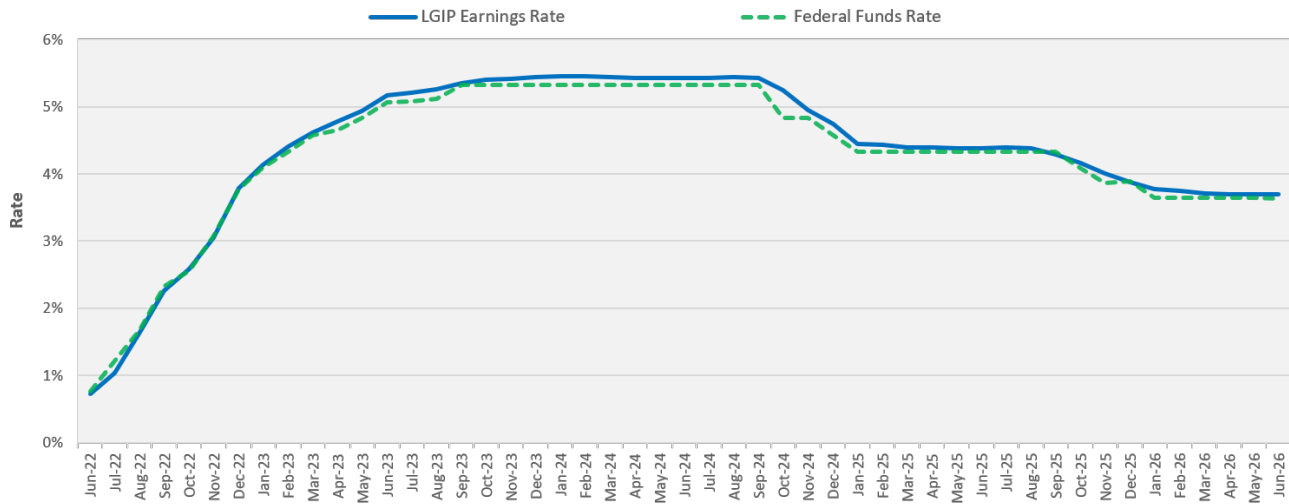
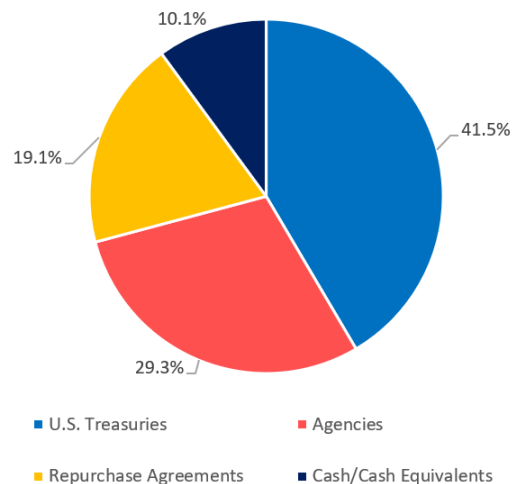


Figure 5 illustrates the average balance of holdings in the LGIP as of July 2026. These include:

1. **US Treasuries** are backed by the full faith and credit of the US government and considered to be low risk.
2. **US Government Agencies** are bonds of government-sponsored enterprises or U.S. government agencies. They are independent organizations sponsored by the federal government that are established with a public purpose. Examples include Fannie May, Freddie Mac, and the Federal Deposit Insurance Corporation (FDIC).
3. **Cash/Cash Equivalents** refers to highly liquid investments that can be easily converted into cash within a short period of time, usually 7 days or less. These investments are generally considered to have minimal risk.
4. **Repurchase Agreements** (AKA repo) is the agreement by an authorized dealer to sell to a public fund investor (buyer) authorized investment securities (referred to as collateral) with the agreement to purchase the securities back on an agreed to date and rate of interest (simple interest on a 360-day basis), to be paid to the buyer.

Figure 5: WA State LGIP Holdings by Issuer Type
July 31 2026

Economic projections from the Federal Reserve are being closely monitored. The Federal Open Market Committee (FOMC) is the policy-making body of the Federal Reserve System, the central bank of the United States. Based on indications from FOMC economic projections, the forecast assumes one 0.25% cut in the federal funds rate before the end of 2028.

MUNICIPAL COURT REVENUES

The 2026 Adopted Budget assumed \$185,000 in General Fund revenue collected from fines, forfeitures, fees, costs, and penalties associated with the enforcement of local and State law. In 2025, total revenues amounted to \$199,000.

Relative to the first half of 2025, municipal court revenues were 30% greater during the same period in 2026 due to an increase in the case load. The forecast projects \$209,000 in municipal court revenues in 2026, increasing on average 5% per year in 2027 and 2028. In the outyears, revenues are projected to stabilize, increasing 2% year over year pending further analysis.

YOUTH & FAMILY SERVICES (YFS) FUND – 160

Outside of Thrift Shop revenues and Mercer Island Youth and Family Service (MIYFS) Foundation funding, the YFS Fund relies on operating fund balance and the General Fund. The operating fund balance was established by the City Council in 2021 to address temporary revenue losses due to economic cycles or other time-limited causes.

With YFS operating fund balance anticipated to be fully exhausted in 2028, the anticipated General Fund annual contribution is proposed to increase from \$350,000 in 2026 to \$1.07M by 2028. Utilizing one-time General Fund available fund balance maintains service levels in 2027-2028 while the City Council evaluates long-term funding options.

Figure 6 outlines the 2026-2032 forecast for the YFS Fund. It also includes the Fund's designated reserves and how they change over time. The forecast assumes a General Fund interfund transfer of \$477,000 in 2027 and \$1.07M in 2028. The interfund transfer from the General Fund reverts to \$350,000 per year from 2029 through 2032 to illustrate the growing operating deficit.

Figure 6 - YFS Fund Financial Forecast

RESOURCES (\$ in thousands)	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Beginning Fund Balance (Includes Reserves)	\$1,209	\$571	\$133	\$70	(\$790)	(\$1,738)	(\$2,825)
REVENUES							
Federal, State & Local Grants	96	58	46	46	46	46	46
Healthy Youth Initiative Grants	93	110	0	0	0	0	0
School Counselor Program Support	60	60	60	60	60	60	60
Thrift Shop	1,903	2,094	2,198	2,242	2,287	2,287	2,287
Emergency Assistance Program Support	15	15	15	15	15	15	15
MIYFS Foundation Support	610	580	580	580	580	580	580
Opioid Settlements	44	34	52	52	48	44	44
Affordable and Supplemental Housing	35	35	35	35	35	35	35
Program Fees & Donations	298	163	163	163	163	163	163
Interfund Transfer	350	477	1,067	350	350	350	350
Total Revenues	3,504	3,626	4,216	3,543	3,584	3,580	3,580
Total Fund Resources	4,713	4,196	4,348	3,614	2,794	1,842	756
EXPENDITURES							
YFS Administration	520	549	601	617	634	651	668
Thrift Shop	1,373	1,470	1,592	1,638	1,684	1,732	1,782
School Counselor Program	977	991	1,069	1,102	1,136	1,171	1,207
Family Counseling & Outreach	633	454	474	489	504	519	535
Emergency Assistance & Food Pantry	341	317	325	336	346	357	368
Senior Programs & Services	101	101	103	106	109	113	116
Healthy Youth Initiative Grants	199	181	113	117	120	124	127
Interfund Transfers	0	0	0	0	0	0	0
Total Expenditures	4,142	4,064	4,278	4,403	4,533	4,666	4,804
<i>Net Operating - Over/(Under)</i>	<i>(638)</i>	<i>(438)</i>	<i>(62)</i>	<i>(860)</i>	<i>(949)</i>	<i>(1,086)</i>	<i>(1,224)</i>
Ending Fund Balance (Includes Reserves)	\$571	\$133	\$70	(\$790)	(\$1,738)	(\$2,825)	(\$4,048)
FUND RESERVES							
Operating Fund Balance	383	1	0	(860)	(1,809)	(2,895)	(4,119)
Emergency Assistance & Food Pantry	12	12	12	12	12	12	12
Opioid Settlement Funds	175	120	58	58	58	58	58
Ending Fund Balance (Gross)	\$571	\$133	\$70	(\$790)	(\$1,738)	(\$2,825)	(\$4,048)

YFS FUND REVENUES

FEDERAL, STATE, AND LOCAL GRANTS

The 2026 Adopted Budget included \$46,000 in ongoing grant funding from King County to support YFS school-based programs as well as an agreement with the King County Children, Youth, and Young Adults

Division (CYAD) for YFS to host clinical classroom presentations through December 2027. The forecast assumes the grant resources supporting YFS school-based programs will continue through 2027 and 2032, respectively.

HEALTHY YOUTH INITIATIVE GRANTS

The 2026 Adopted Budget included \$92,500 in grant funding to support the YFS Department Healthy Youth Initiative. In Fall 2024, King County's Best Start for Kids (BSK) Positive Family Connections Program awarded the YFS department a \$288,000 grant, spread across 2025–2027. The grant will fund a portion of various YFS positions and result in establishing stronger parent support groups, parent-focused Town Hall events, and connections between healthy parenting and healthy youth.

The forecast projects these programmatic grants funds will continue through the end of the grant period (December 2027) and sunset thereafter.

SCHOOL COUNSELOR PROGRAM SUPPORT

The 2026 Adopted Budget included \$60,000 in revenues from additional YFS services, representing the annual contribution from the Mercer Island School District (MISD) to support YFS school counseling services.

The May forecast anticipates MISD's annual contribution will continue through the upcoming biennium and through the remainder of the forecast period.

MERCER ISLAND THRIFT SHOP

The 2026 Adopted Budget included \$2.08M in Thrift Shop revenues, representing 63% of YFS Fund revenues.

In Q1 2025, the Thrift Shop was closed for six weeks while the building was renovated. This hindered sales activity in the first part of that year. By the second half of 2025, monthly sales significantly increased relative to prior years. That positive trend continued through the first half of 2026.

The forecast projects the Thrift Shop gross revenues will come slightly below the 2026 budget expectations, but finish the year 9% above 2025 gross revenues, generating \$1.9M. Gross revenues are projected to increase 10% in 2027 compared to 2026. A 5% annual rate of growth is projected in 2028.

YFS EMERGENCY ASSISTANCE PROGRAM SUPPORT

This revenue category includes revenues from pass-through fundraising generated at the Thrift Shop and direct donations that are restricted for emergency assistance. At the end of 2025, \$12,000 remained in the Emergency & Rental Assistance Reserve within the YFS restricted fund balance. This ongoing revenue is projected to meet budget expectations in 2026 and continue through the forecast period.

MIYFS FOUNDATION

The Mercer Island Youth and Family Services Foundation (Foundation) provides critical funding to support human services provided through the Youth & Family Services Department. In 2023, the City and the Foundation entered a new four-year funding agreement that formalized the Foundation's annual contribution to the Youth and Family Services Department at \$515,000. This support extended the middle school's second Mental Health Counselor position. It also supports Emergency Assistance rental and food security programs, alongside funding for YFS school- and community-based services.

The funding agreement was updated in 2025, increasing the MIYFS annual contribution by \$65,000 for YFS staff salaries because of the Compensation Plan for Non-Represented employees adopted by the City Council in July 2024. In the spring of 2026, MIYFS contributed an additional \$30,000 in 2026 to support senior programming.

The forecast assumes \$610,000 in 2026 annual funding and reverts to \$580,000 for 2027 through 2032.

OPIOID SETTLEMENTS

On December 21, 2022, Washington state joined in multistate resolutions with several companies resulting in potentially over \$430M in settlements from a nationwide legal action against pharmaceutical companies and distributors who were found to have contributed to the opioid epidemic.

The Opioid Abatement Council (OAC) is the oversight body responsible for ensuring appropriate documentation and reporting of opioid settlement funds used by cities within King County that receive funds from opioid lawsuits, Mercer Island among them. This revenue is restricted to services that focus on harm reduction, prevention efforts, and treatment services tied to the opioid epidemic.

As of 2025, Mercer Island has received \$268,000 of a total projected payment of \$805,000 from opioid settlement funds. Funds are distributed annually based on population and opioid impacts within each jurisdiction, among other factors. The forecast projects the City will receive \$44,500 in 2026, \$34,000 in 2027, and \$52,000 in 2028 based on the OAC's projected allocations through 2038.

AFFORDABLE AND SUPPLEMENTAL HOUSING

In 2023, [HB 1406](#) was passed to address the housing crisis by providing local jurisdictions with additional funding for affordable and supportive housing. The bill allows cities to impose a local state-shared sales and use tax, which is not directly paid by consumers. Instead, the 0.0146% of sales tax is credited against the state sales tax based on population and other factors.

Mercer Island collects this credit to support rental assistance through the City's YFS Department, specifically for emergency rental assistance. The forecast assumes the City will receive \$35,000 from HB 1406 funding in 2026, and this revenue will continue through 2032.

YFS PROGRAM FEES & DONATIONS

The 2026 Adopted Budget included \$170,000 in this revenue category, representing 5% of the YFS Fund revenues. These revenues include fees from counseling, pass-through food pantry donations, and related services.

In 2025, family counseling service fees generated \$139,000 in revenues, 7% below budget expectations. Revenues through the first half of 2026 are 5% less compared to the same period the year prior. Between food pantry donations and family counseling services, the forecast projects \$150,000 will be received by 2026 year-end. The forecast projects \$130,000/year in family counseling service fees and \$33,000/year for food pantry donations in both 2027 and 2028.

CAPITAL IMPROVEMENT FUND – 320

Figure 7 outlines the 2026-2032 forecast for the Capital Improvement Fund (320). It also includes the Fund's designated reserves and how they change over time.

Figure 7 - Capital Improvement Fund (320) Financial Forecast

RESOURCES (\$ in thousands)	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Beginning Fund Balance (Includes Reserves)	\$6,782	\$805	\$4,177	\$1,889	\$2,267	\$1,837	\$2,787
REVENUES							
Property Tax	1,178	1,195	1,212	1,232	1,253	1,274	1,284
Real Estate Excise Tax	2,642	2,179	2,230	2,345	2,466	2,595	2,731
Grants	251	5,645	841	0	0	0	0
Impact Fees	21	25	25	25	25	25	25
Shared Revenues	1,271	632	290	290	290	290	290
Miscellaneous Revenues	306	210	250	250	250	250	250
Interfund Transfers	1,311	155	0	0	1,700	0	0
Total Revenues	6,979	10,040	4,848	4,142	5,984	4,434	4,580
Total Fund Resources	13,761	10,845	9,025	6,031	8,251	6,271	7,368
EXPENDITURES							
Bonds and Reserves	137	140	137	139	142	145	148
Project Management Expenses	2,372	1,086	1,119	1,149	1,181	1,213	1,246
Public Buildings	1,061	4,083	3,618	1,523	3,133	1,308	3,084
Parks and Natural Resources	9,386	1,359	2,263	952	1,959	818	1,929
Total Expenditures	12,956	6,668	7,136	3,763	6,415	3,484	6,407
Ending Fund Balance (Includes Reserves)	\$805	\$4,177	\$1,889	\$2,267	\$1,837	\$2,787	\$961
FUND RESERVES							
Operating Fund Balance minimum	114	114	114	114	114	114	114
King County Parks Levy	0	0	0	283	578	884	1,191
Turf Fields Replacement Sinking Fund	955	1,155	1,355	1,555	55	255	455
Impact Fees	29	54	79	104	129	154	179
Reserve - Freeman Landing	330	330	330	330	330	330	330
Reserve - RCO property	28	28	28	28	28	28	28
Unreserved	(652)	2,495	(18)	(148)	602	1,021	(1,337)
Ending Fund Balance (Gross)	\$805	\$4,177	\$1,889	\$2,267	\$1,837	\$2,787	\$961

Note: Slight differences may occur due to rounding.

CAPITAL IMPROVEMENT FUND REVENUES

The following details additional revenue streams and underlying assumptions through 2026 and beyond.

PROPERTY TAX

King County 2026-2031 Parks Levy

Approved by King County voters as Proposition 1 on August 5, 2025, the 2026–2031 King County Parks Levy is a six-year property tax levy lid lift that replaces the previous levy which expired at the end of 2025. The local pass-through portion of the levy lid lift for cities supports the maintenance, operation, and investment in parks and open spaces.

Based on the latest County projections, parks levy funds are projected to increase 3% each year through 2028, and 4% annually thereafter through 2031. The forecast assumes the levy will be renewed in 2031, subject to voter approval, and includes the associated revenues.

2022 City of Mercer Island Parks Levy

This revenue accounts for the portion of the 2022 Mercer Island Parks Levy tied to:

- Luther Burbank Park capital investments
- Pioneer Park capital investments
- Open space vegetation management
- Playground replacement funding

- Forest management plan funding

These funds increase by a maximum of 1% each year, subject to City Council approval.

REAL ESTATE EXCISE TAX (REET)

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

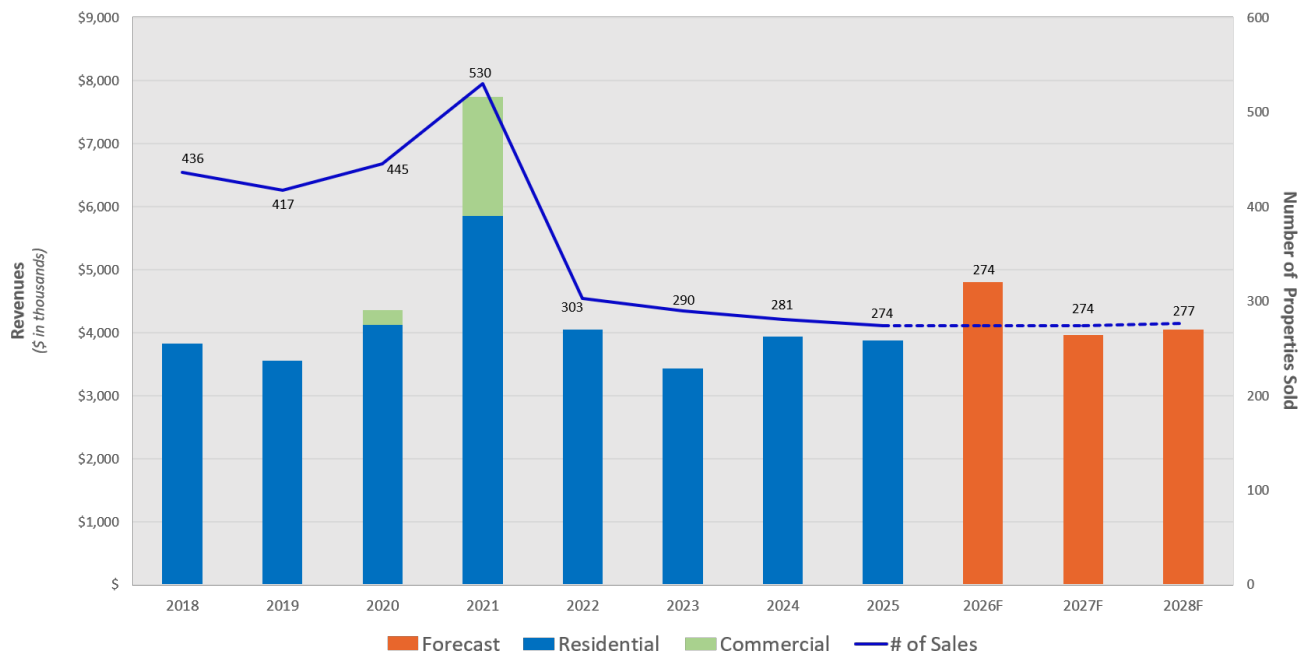
- REET-1 is the first 0.25% tax levied on the property sale price.
- REET-2 is the second 0.25% tax levied on the property sale price.

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

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

Figure 8 illustrates the number of property sales each year and the resulting REET revenues from 2018 through 2025, with revenue projections in 2026 – 2028. Because REET revenue is tied to real estate transaction volumes, it is inherently volatile and fluctuates significantly from year to year. Following a 15-year revenue peak of \$7.7M in 2021, REET revenues experienced a sharp downward swing, leading to a sustained, sluggish market that persisted from 2022 through the second quarter of 2026. This slowdown mirrored the Federal Reserve's aggressive increases to the federal funds rate, which simultaneously cooled inflation and raised borrowing rates.

Figure 8: Mercer Island Property Sales and Total Revenues
2018-2028



In 2025, the average property sale price on Mercer Island dropped 2% relative to the previous year. This trend continued into the first quarter of 2026. Combined with a low overall volume of property sales, indicators point to real estate market activity remaining flat.

REET revenues are projected to remain low in 2026, with minimal growth through 2028, as presented in Figure 9. This projection is informed by year-to-date 2026 average home prices, local sales data over the past 18 months, and historical seasonal sales trends.

Figure 9 – REET Revenue Forecast 2026 – 2028

Fund (\$ in thousands)	Description	Allocation	2025A	2026F	2027F	2028F
110 - Street	REET-2	90%	1,738	2,161	1,783	1,825
320 - Capital Improvement	REET-1	100%	1,943	2,401	1,981	2,028
320 - Capital Improvement	REET-2	10%	193	240	198	203
Total			\$ 3,875	\$ 4,803	\$ 3,962	\$ 4,055

* 2026 forecast includes \$900,000 in revenues that resulted from two extraordinary sales in July.

GRANTS

State Grants

Two state grants are accounted for in the six-year forecast as outlined in Figure 10.

Figure 10 – State Grants

Grant	Description	FY 2027
Washington State Capital Grant (secured)	Awarded in 2025, this state grant offsets costs to replace the HVAC system at the MICEC.	\$1,030,000
To Be Determined	Staff are pursuing local, state, and nationally competitive grant opportunities to secure outside funding for the MICEC generator replacement construction project. Project design is funded by the Capital Improvement Fund. Staff will re-evaluate the project should no outside grant be secured.	1,768,000
Total		\$ 2,798,000

WA Recreation & Conservation Grant

The City secured \$3.5M in Washington State Recreation and Conservation (RCO) grant funding for the Luther Burbank Park Waterfront and Boiler Building projects. The City will seek reimbursement for the remaining \$2,521,000 in grant funds in 2027.

At the July 7, 2026 meeting, the City Council approved [Resolution No. 1697](#), authorizing staff to submit an RCO grant application seeking \$250,000 in both 2027 and 2028 for Deane's Play Area Improvement project. Of the grant programs currently accepting applications, the Washington Wildlife and Recreation Program (WWRP) for local parks is the funding opportunity for which the Deane's Play Area project qualifies.

WA St Dept of Transportation Grant

The City is pursuing \$665,600 in competitive grant funding through the Washington State Department of Transportation to complete lighting improvements along Aubrey Davis Park's Mountain to Sound Trail. The project would be fully grant funded. Pending the outcome of the grant application, it is slated to be designed in 2027 and constructed in 2028.

King County Conservation District

The King Conservation District (KCD) member jurisdiction grant program provides dedicated, non-competitive funding to partner cities. The program focuses on enhancing local green infrastructure, restoring local ecosystems, and supporting sustainable urban agriculture. The City anticipates applying for and receiving \$70,000 each year and that revenue is reflected in the six-year financial forecast.

KC Flood Control District

The King County Flood Control District (FCD) offers grant funding to help cities manage stormwater, prevent flooding, and protect critical municipal infrastructure. The Flood Reduction Grant Program targets small-to-medium local flood reduction and infrastructure resiliency projects. A second non-competitive grant program – the Subregional Opportunity Fund – is designed to ensure a steady, equitable return of funds to local jurisdictions for localized stormwater control.

The City will apply for and is anticipated to receive \$342,000 in FCD grant funding to support the Luther Burbank Waterfront Improvement project in 2027. This funding is projected to continue annually and will be used to support eligible capital projects.

PARK IMPACT FEES

The City collects impact fees per MICC [Chapter 19.18](#). Per state law (RCW 82.02.050 through 82.02.110), fees are levied on new development projects that create additional user demands on the park system. They are not assessed on remodeling projects or replacing an existing legal residence. In turn, the fees result in revenue that is restricted to funding proportionate "park system improvements" resulting from new development.

Park impact fee revenues can vary significantly from year to year. The financial forecast assumes \$25,000 in annual park impact fee revenue. Revenues are held within a reserve and committed to a proportionate share of eligible projects annually.

SHARED REVENUES

King County Conservation District

The King Conservation District (KCD) member jurisdiction grant program provides dedicated, non-competitive funding to partner cities. The program focuses on enhancing local green infrastructure, restoring local ecosystems, and supporting sustainable urban agriculture. The City anticipates applying for and receiving \$70,000 each year in 2027 and 2028 and that revenue is reflected in the financial forecast.

KC Flood Control District

The King County Flood Control District (FCD) offers grant funding to help cities manage stormwater, prevent flooding, and protect critical municipal infrastructure. The Flood Reduction Grant Program targets small-to-medium local flood reduction and infrastructure resiliency projects. The City anticipates receiving \$220,000 each year in 2027 and 2028 and that revenue is reflected in the financial forecast.

A second non-competitive grant program – the Subregional Opportunity Fund – is designed to ensure a steady, equitable return of funds to local jurisdictions for localized stormwater control. In 2027, the City will apply for and is anticipated to receive \$342,000 in FCD grant funding to support the Luther Burbank Waterfront Improvement project. This funding is projected to continue annually and support eligible projects through the financial forecast.

MISCELLANEOUS REVENUES

Field Use

Each year, a portion of turf field facility rental revenues are set aside for the turf field replacement sinking fund, a reserve dedicated to paying for future turf field replacements in city parks. The six-year forecast assumes the annual contribution of \$200,000 will continue through 2032.

In 2030, an estimated \$1.7M from the turf field replacement reserve will pay for turf field replacement as part of the Island Crest Park athletic field turf and backstop replacement project. The 2027-2028 Work Plan will include a review and update of the Turf Replacement Sinking Fund.

INTERFUND TRANSFERS

In 2027, nearly \$155,000 in improvements will be completed to the City's water, sewer, and storm water utilities as part of the work underway for specific park-related capital projects.

The City's utility funds may pay for system improvements associated with a parks capital project when there is a sufficient and demonstrable nexus between the expenditure and the proprietary purpose of the utility (e.g., collecting, treating, and supplying safe drinking water). When this condition is met, the result is an interfund transfer to pay for the exact costs of the utility-related improvements.

CONTINGENCY FUND

At the end of 2025, the Contingency Fund balance was \$4.9M, meeting the target per the City's financial policies. The balance remains \$4.9M, representing 12.8% of the 2026 adopted expenditure budget. The Contingency Fund's target funding level will be revisited following the adoption of the 2027–2028 biennial budget.

**CITY OF MERCER ISLAND
ORDINANCE NO. 26-08**

**AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON,
INCORPORATING CERTAIN BUDGET REVISIONS TO THE 2025-2026
BIENNIAL BUDGET AND AMENDING ORDINANCE NO 24-21, 25-10, 25-25, 25-
33 and 26-04.**

(BUDGET AMENDMENT NO. 5)

WHEREAS, the City Council adopted the 2025-2026 Budget by Ordinance No. 24-21 on December 3, 2024, representing the total for the biennium of estimated resources and expenditures for each of the separate funds of the City; and

WHEREAS, budget adjustments are needed that have been previously approved by the City Council, as noted in the following table;

Fund	Department	Description	Agenda Bill	Budget Year	Expenditure Adjustment	Revenue Adj / Funding Source
General Fund	Public Works	Transfer to CIP Fund	AB 6989	2026	\$ 1,010,000	Available Fund Balance
1% Art in Public Places Fund	Public Works	Fire Flower installment	AB 6970	2026	\$ 30,836	Available Fund Balance
Capital Improvement Fund	Public Works	Reduce project 90.05.0003	AB 6989	2026	\$ (46,000)	Grant, project savings, transfer in
		Luther Burbank Park Dock & Waterfront Improvements Project			\$ 2,192,000	
Water Fund	Public Works	Water supply pipeline project	AB 6963	2026	\$ 6,142,000	Available Fund Balance
Sewer Fund	Public Works	Reduce project 90.30.0008	AB 6989	2026	\$ (90,000)	Project savings
		Transfer to CIP Fund		2026	\$ 90,000	
Storm Water	Public Works	Transfer to CIP Fund	AB 6989	2026	\$ 146,000	Available Fund Balance

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

Section 1. Amending the 2025-2026 Budget

The 2025-2026 Budget for the City of Mercer Island, as adopted in Ordinance No. 24-21 and amended by Ordinances 25-10, 25-25, 25-33 and 26-04, is hereby amended to incorporate increases in resources and expenditures in the following funds for the 2025-2026 biennium:

Fund	Fund Name	Resources	Expenditures
001	General Fund	\$ 1,010,000	\$ 1,010,000
140	1% Art in Public Places	\$ 30,836	\$ 30,836
320	Capital Improvement Fund	\$ 2,146,000	\$ 2,146,000
410	Water Fund	\$ 6,142,000	\$ 6,142,000
420	Sewer Fund	\$ -	\$ -
430	Storm Water Fund	\$ 146,000	\$ 146,000
Total		\$ 9,474,836	\$ 9,474,836

Section 2. Amending Previously Adopted Budget Ordinances

City Ordinance 24-21, 25-10, 25-25, 25-33 and 26-04, as previously adopted and as hereby amended, is hereby ratified, confirmed, and continued in full force and effect.

Section 3. Effective Date

This Ordinance shall take effect and be in force 5 days after passage and publication.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT ITS MEETING ON THE 15th DAY OF SEPTEMBER 2026.

CITY OF MERCER ISLAND

David Rosenbaum, Mayor

ATTEST:

Andrea Larson, City Clerk

APPROVED AS TO FORM:

Bio Park, City Attorney

Date of Publication: September 23, 2026

AB 6997

2027-2028 Preliminary Biennial Budget

Financial Forecast & Budget Amending Ordinance

Sept 15, 2026

Item 11.



Agenda

- 1. Financial Forecast and the 2027-2028 Biennium**
- 2. Budget Amending Ordinance**
- 3. Biennial Budget Next Steps**
- 4. Questions**

Tonight's Purpose

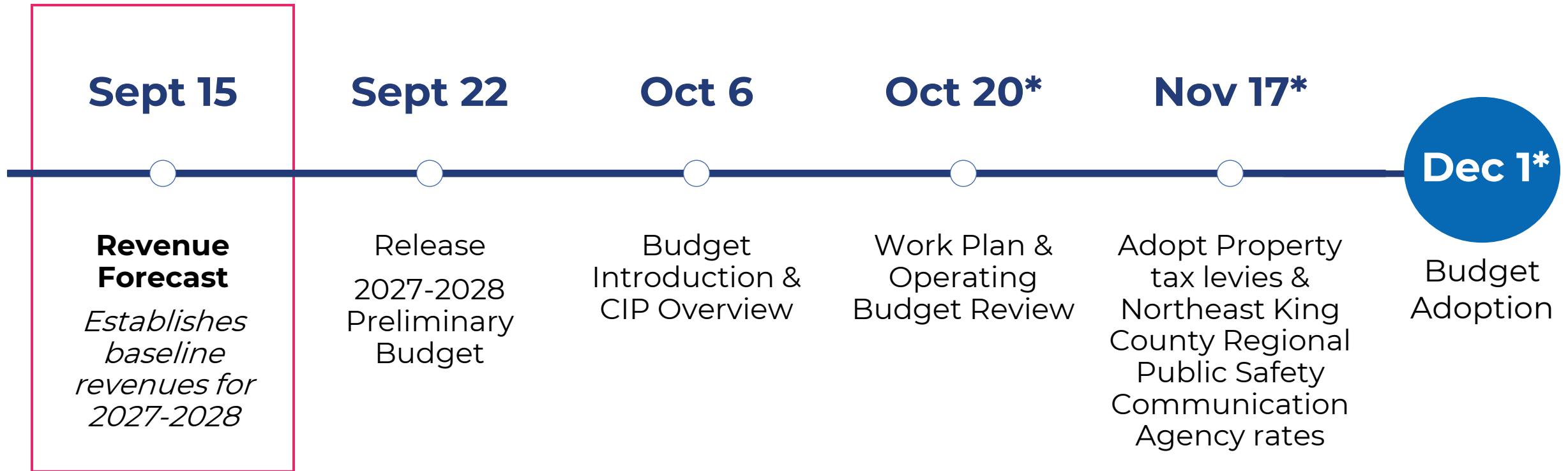
Present the Financial Forecast.

In October, Council turns to the policy decisions in the 2027-2028 Preliminary Budget.

Financial Forecast

- ❑ Each year, Council receives an updated forecast on the City's financial position. Helps inform Council policy decisions.
- ❑ Although forecast span 2026-2032, projections in next two years establishes spending limits in the Preliminary Budget, scheduled for release next week.
 - ❑ Analysis based on regional trends & City financials through Q2 2026.

2027-2028 Biennial Budget Schedule



* Public hearings

Economic Landscape

State & Regional Revisions

Washington state and King County reduced revenue projections this summer driven by a complex mix of budgetary pressures, slowed job growth, and persistent inflation.

First Half CPI-W

2026	4.1%
2025	2.3%
2024	4.2%
2023	6.5%
2022	8.6%
2021	3.3%

Federal Policy Signals

Contradicting signals, policy changes, and threat of additional policy changes at the federal level create greater uncertainty.

Forecasting Methodology

While federal, state, and regional activity informs projections, the forecast is largely built based on local financial data. Economic trends in 2025 persisted through Q2 2026, with activity projected to remain consistent through 2028.

Forecast Take-Aways

Item 11.

Operating Deficit in 2027

Expenditures exceed revenues in YFS and General Funds in 2027.
The gap widens over time.

Operating Deficit <i>(\$ in millions)</i>	2027	2028	Total	Percent of Expenditures
YFS Fund	\$ 0.9	\$ 1.1	\$ 2.0	25%
General Fund	0.7	1.7	2.4	3%
Total	\$ 1.6	\$ 2.8	\$ 4.5	

Forecast Take-Aways

Item 11.

Near-term Strategy

City Manager proposes using one-time funds to sustain operations through 2028. Provides time to make deliberate, community-informed decisions about City's long-term financial plan.

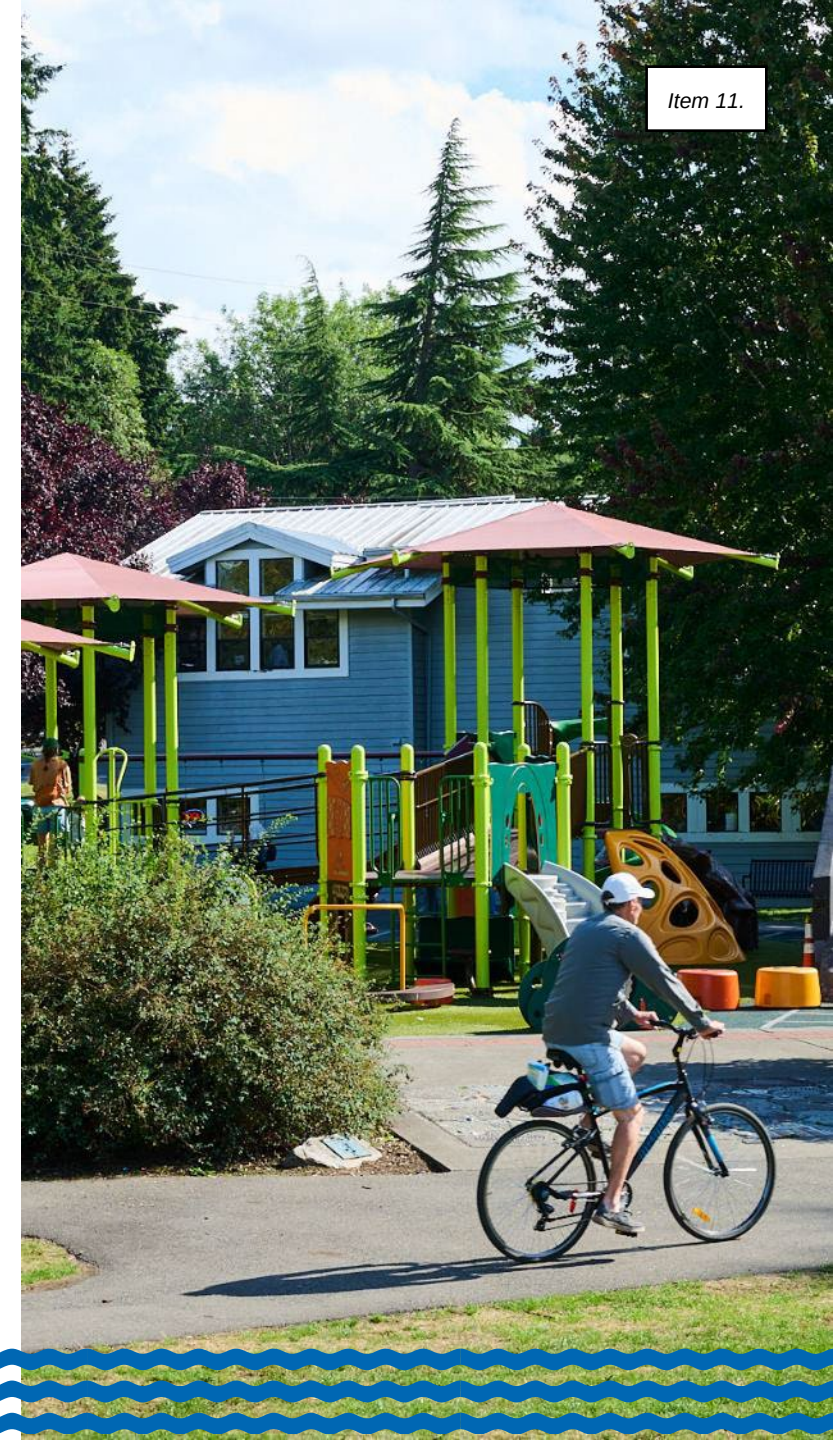
Available Fund Balance Origins

Item 11.

- ❑ Financial policies adopted in 2021 helped reshape municipal operations and align citywide efforts around long-term financial goals:
 - ❑ Delivered a positive available balance in General Fund every year since 2021.
 - ❑ Enabled the purchase of a 22,000-square-foot building adjacent to City Hall.
 - ❑ Built a shared culture of fiscal prudence and resourcefulness among staff and policymakers.
- ❑ **The near-term strategy is the result.** Projected to close 2026 with a \$4.8M available fund balance in the General Fund.

Financial Forecast

Item 11.



YFS Fund

- ❑ Accounts for revenues and expenditures related to the Youth & Family Services.
- ❑ Apart from the Thrift Shop and MIYFS Foundation, the YFS Fund relies on the General Fund and its operating balance.
- ❑ Operating fund balance addresses temporary shortfalls & time-limited needs.
- ❑ With operating fund balance depleted in 2028, General Fund's annual support increases from \$350K in 2026 to \$1.07M in 2028.

YFS Fund Forecast

Item 11.

RESOURCES (\$ in thousands)	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Beginning Fund Balance (Includes Reserves)	\$1,209	\$571	\$133	\$70	(\$790)	(\$1,738)	(\$2,825)

REVENUES							
Federal, State & Local Grants	96	58	46	46	46	46	46
Healthy Youth Initiative Grants	93	110	0	0	0	0	0
School Counselor Program Support	60	60	60	60	60	60	60
Thrift Shop	1,903	2,094	2,198	2,242	2,287	2,287	2,287
Emergency Assistance Program Support	15	15	15	15	15	15	15
MIYFS Foundation Support	610	580	580	580	580	580	580
Opioid Settlements	44	34	52	52	48	44	44
Affordable and Supplemental Housing	35	35	35	35	35	35	35
Program Fees & Donations	298	163	163	163	163	163	163
General Fund Support	350	477	1,067	350	350	350	350
Total Revenues	3,504	3,626	4,216	3,543	3,584	3,580	3,580
Total Fund Resources	4,713	4,196	4,348	3,614	2,794	1,842	756

EXPENDITURES							
YFS Administration	520	549	601	617	634	651	668
Thrift Shop	1,373	1,470	1,592	1,638	1,684	1,732	1,782
School Counselor Program	977	991	1,069	1,102	1,136	1,171	1,207
Family Counseling & Outreach	633	454	474	489	504	519	535
Emergency Assistance & Food Pantry	341	317	325	336	346	357	368
Senior Programs & Services	101	101	103	106	109	113	116
Healthy Youth Initiative Grants	199	181	113	117	120	124	127
Total Expenditures	4,142	4,064	4,278	4,403	4,533	4,666	4,804
<i>Net Operating - Over/(Under)</i>	<i>(638)</i>	<i>(438)</i>	<i>(62)</i>	<i>(860)</i>	<i>(949)</i>	<i>(1,086)</i>	<i>(1,224)</i>

Ending Fund Balance (Includes Reserves)	\$571	\$133	\$70	(\$790)	(\$1,738)	(\$2,825)	(\$4,048)
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Note: Slight differences occur due to rounding.

General Fund Forecast

Baseline Assumptions

- ❑ Expenditures as presented in the Forecast and Preliminary Budget increase 6.1% between 2026 and 2028.
- ❑ Revenues increase by 4.4% over the same timeframe.

General Fund		2026		2027		2028		% Chg.
\$ in millions								
Projected Revenues	\$	39.2	\$	39.9	\$	40.9		4.4%

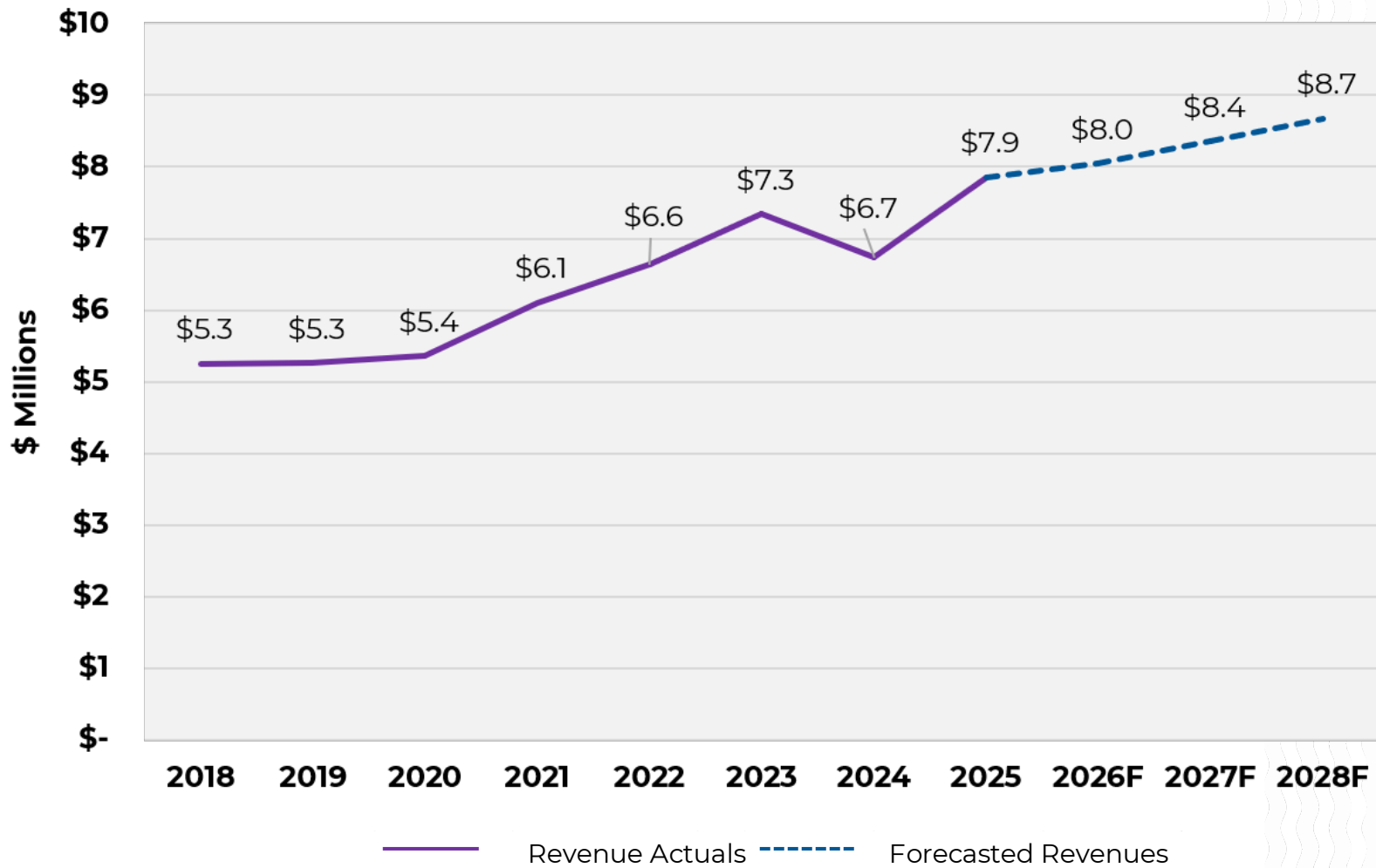
Property Tax

Property Tax	2026	2027	Item 11.
\$ in millions			
Projected Revenues	\$ 14.5	\$ 14.6	\$ 14.8

- ❑ Accounts for 38% of General Fund revenues.
- ❑ Stable revenue source with annual payments in April & October.
- ❑ Revenues thru Q2 2026 are on track. Forecast assumes statutorily allowed 1% of levied amount from prior year plus new construction.

General Sales Tax

- ❑ Includes City portion (0.85%) of sales tax in Mercer Island and King County criminal justice sales tax (0.1%).
- ❑ Year-over-year growth since 2018. 2024 dip due to change to cash basis reporting.
- ❑ Forecast 2.3% increase in 2026 compared to 2025, with a 4% annual growth in 2027 and 2028.



Utility Tax

Utility Tax	2026	2027	Item 11.
\$ in millions			
Projected Revenues	\$ 5.9	\$ 6.0	\$ 6.2

- ❑ Utility user tax on gross revenues earned by utilities, such as natural gas, electricity, and City utilities (e.g., water and sewer).
- ❑ Accounts for 15% of General Fund revenues.
- ❑ Forecast assumes 2026 revenues meet budget expectations, increase 3.3% annually in 2027 & 2028.

Utility	Rate
Cable	7.0%
Telephone	6.0%
Cellular Phone	6.0%
Natural Gas	6.0%
Electric	6.0%
Solid Waste	7.0%
Stormwater	5.3%
Water	5.3%
Sewer	5.3%

**Effective since Jan 1, 2020.*

Parks & Recreation

Parks & Recreation	2026	2027	Item 11.
\$ in millions			
Projected Revenues	\$ 1.56	\$ 1.61	\$ 1.63

- ❑ Accounts for 3% of General Fund Revenues.
- ❑ Revenue from field and community center rentals, boat launch use, recreation programs, and rental payments.
- ❑ Revenues through Q2 2026 are 6% higher than same period last year. Tied to online booking platform for managing rentals.
- ❑ Forecast projects 2026 revenues finish \$300K above expectations, increase 3.8% in 2027, and 1.25% in 2028.

Business & Occupation Tax

Item 11.

- ❑ Accounts for 2% of General Fund revenues.
- ❑ Applies 0.10% tax on annual gross revenues exceeding \$150K.
- ❑ Paid annually by April 15; businesses earning +\$1.0M file quarterly.
- ❑ Past five years indicate revenue volatility, makes it difficult to project.

B&O Tax	Revenue <i>\$ in thousands</i>	YOY <i>% Chg</i>
2028F	\$ 1,052	0%
2027F	1,052	0%
2026F	1,052	-24%
2025	1,389	39%
2024	1,002	7%
2023	936	100%
2022	469	-39%
2021	767	-3%

** 2020 revenue amounted to \$793,117*

- ❑ **YTD Performance:** Generated \$676,000 through Q2 2026, down 33% relative to the same period last year.
- ❑ Revenue projected to exceed budget by \$296,000 in 2026, then stabilize at \$1.05M annually for 2027 and 2028.

Interest Earnings

Item 11.

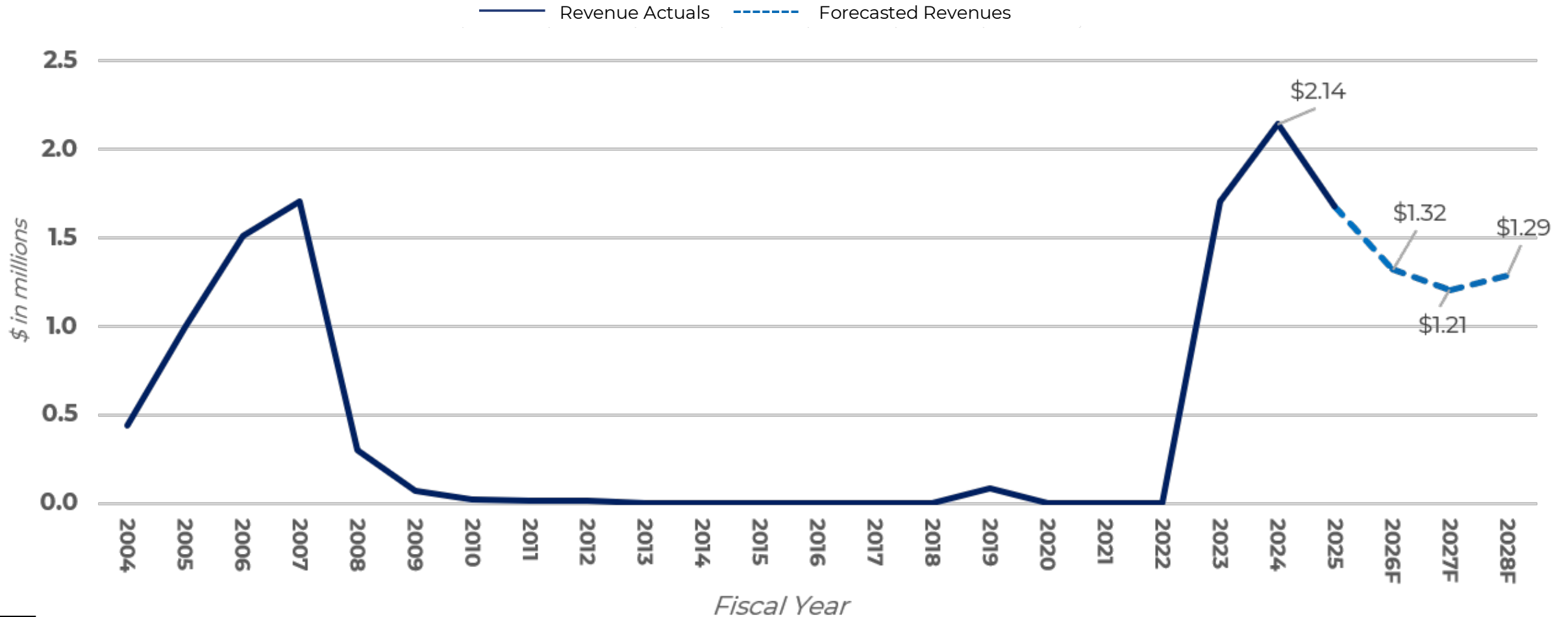
- ❑ Interest earned on City's holdings in the Local Government Investment Pool accounts for 3% of General Fund revenues.
- ❑ Forecast based on projected principal balance, earnings rate, and portion of principal balance tied to General Fund.
- ❑ Forecast revenues exceed 2026 budget by \$160,000, decrease slightly in 2027, and are projected to rebound \$80,000 in 2028.

Key Factors	2025	2026	2027	2028
<i>\$ in millions</i>	Actuals	Forecast	Forecast	Forecast
Principal Balance (AVG)	\$ 89.9	\$ 85.0	\$ 80.8	\$ 90.5
Earnings Rate (AVG)	4.3%	3.6%	3.5%	3.5%
General Fund Portion	43%	43%	43%	41%
Interest Earnings	\$ 1.68	\$ 1.32	\$ 1.21	\$ 1.29

Annual Interest Earnings

Item 11.

General Fund



General Fund Forecast

Item 11.

RESOURCES (\$ in thousands)	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Beginning Fund Balance (Includes Reserves)	\$9,442	\$9,447	\$8,727	\$7,030	\$5,690	\$3,844	\$1,562
REVENUES							
Appropriated Fund Balance	972	0	0	0	0	0	0
Property Tax	14,469	14,614	14,800	14,975	15,153	15,324	15,497
General Sales Tax	8,041	8,353	8,677	8,917	9,163	9,417	9,678
Utility Taxes	5,852	6,043	6,240	6,407	6,580	6,760	6,945
Business & Occupation Tax	1,052	1,052	1,052	1,083	1,116	1,149	1,184
Parks & Recreation Programs	1,556	1,615	1,635	1,635	1,656	1,656	1,656
Overhead Allocation Charges	2,527	2,630	2,736	2,861	2,992	3,129	3,272
Licenses & Permits	305	301	304	307	310	314	317
State Shared Revenues	1,285	1,238	1,256	1,211	1,232	1,254	1,277
Miscellaneous Revenues	2,543	2,580	2,650	2,716	2,783	2,850	2,918
Interest Earnings	1,321	1,209	1,290	1,090	927	881	854
Municipal Court	209	220	231	235	240	245	250
Total Revenues	40,132	39,853	40,870	41,438	42,153	42,978	43,848
Total Fund Resources	\$49,573	\$49,300	\$49,596	\$48,468	\$47,843	\$46,821	\$45,410
EXPENDITURES							
Personnel	18,255	18,551	19,300	19,857	20,430	21,020	21,627
Supplies	724	756	760	773	787	801	815
Contractual Services	9,731	10,430	10,751	11,083	11,433	11,795	12,169
Other Services & Charges	7,653	7,602	7,904	7,885	8,123	8,369	8,624
Interfund Transfers	3,763	3,235	3,851	3,180	3,227	3,275	3,325
Total Expenditures	\$40,127	\$40,573	\$42,566	\$42,779	\$43,999	\$45,259	\$46,560
<i>Net Operating - Over/(Under)</i>	<i>5</i>	<i>(720)</i>	<i>(1,697)</i>	<i>(1,340)</i>	<i>(1,846)</i>	<i>(2,282)</i>	<i>(2,713)</i>
Ending Fund Balance (Includes Reserves)	\$9,447	\$8,727	\$7,030	\$5,690	\$3,844	\$1,562	(\$1,151)

Note: Slight differences occur due to rounding.

Key Take-Away

Fund Balance - General Fund	2026F	2027F	2028F
(\$ in millions)			
Beginning Fund Balance	\$ 9.4	\$ 9.4	\$ 8.7
Revenue	40.1	39.9	40.9
Expense	(40.1)	(40.6)	(42.6)
Reserves ¹	(4.6)	(4.7)	(4.8)
Ending Available Fund Balance	\$ 4.8	\$ 4.0	\$ 2.2

¹ Includes resources that are "restricted," "non-spendable," and "committed" per state law and local policy. Slight differences occur due to rounding.

Use of one-time funds from prior year savings is proposed to bridge operations thru 2028.

By 2029, \$2.2M available fund balance is projected in the General Fund.

Questions?

Item 11.



Capital Improvement Fund

Item 11.

- ❑ Accounts for revenues that can be spent on capital projects including parks, open spaces, and buildings.
- ❑ Includes funding from taxes, levy lid lifts, grants, utility and impact fees, each with unique restrictions on eligible uses.
- ❑ Largest revenue source is Real Estate Excise Tax (REET).

Real Estate Excise Tax

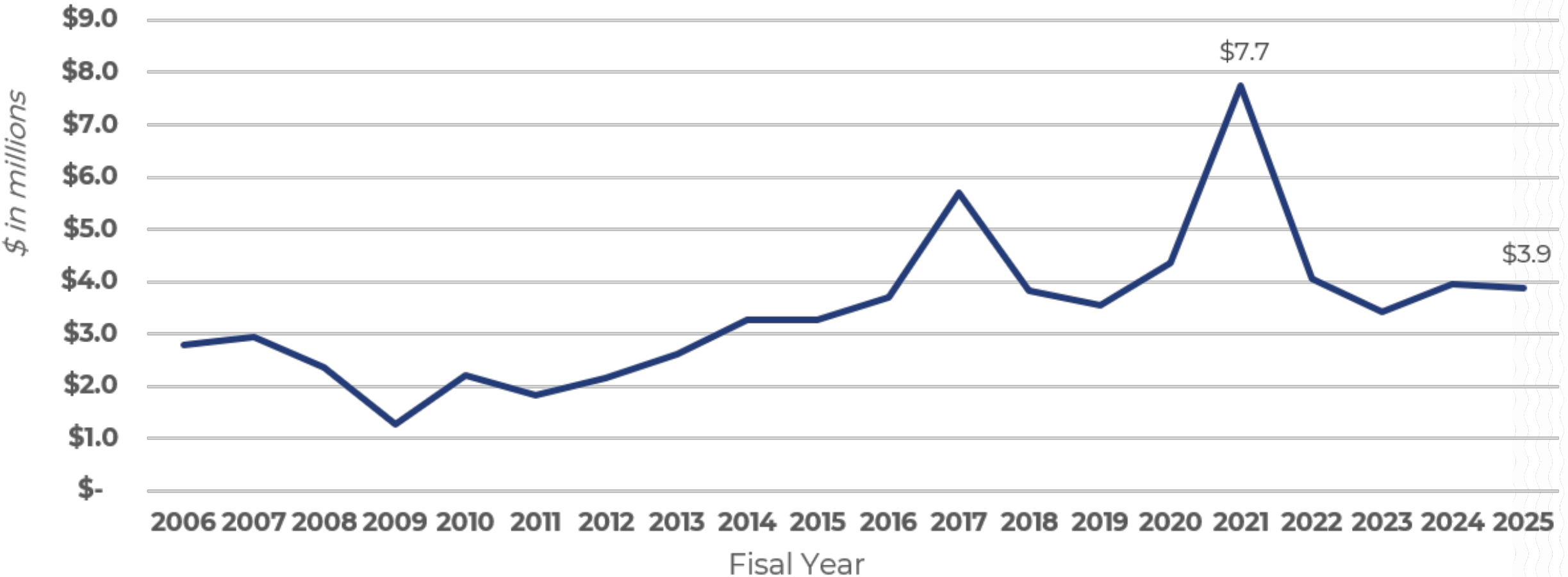
Item 11.

- ❑ A 0.5% seller-paid tax on property transactions.
- ❑ Restricted by state law to streets, parks, and facilities as well as utilities and housing, not equipment or technology.
 - ❑ **REET-1:** 100% to Capital Improvement Fund for parks, open space, facility maintenance, and debt service for 9655-building acquisition.
 - ❑ **REET-2 (Split):** 10% to Capital Improvement Fund, 90% to Street Fund.
- ❑ Following a \$7.7M peak in 2021, revenues are consistently low due to sluggish real estate market since 2022 through Q2 2026.

Mercer Island REET Revenues

Item 11.

20-Year Lookback
2006 - 2025



Real Estate Excise Tax

Item 11.

- ❑ REET revenues are projected to remain low in 2026, with minimal growth through 2028.
- ❑ Forecast is based on year-to-date average home prices, local sales data since 2025, and historical seasonal sales trends.

Fund <i>(\$ in millions)</i>	Description	Allocation	2025 Actuals	2026 Forecast	2027 Forecast	2028 Forecast
Capital Improvement	REET-1	100%	\$ 1.94	\$ 2.40	\$ 1.98	\$ 2.03
Capital Improvement	REET-2	10%	0.19	0.24	0.20	0.20
Street	REET-2	90%	1.74	2.16	1.78	1.82
Total			\$ 3.87	\$ 4.80	\$ 3.96	\$ 4.06

* 2026 forecast includes \$900,000 in revenues that resulted from two extraordinary sales in July.

Capital Improvement Fund

Item 11.

RESOURCES (\$ in thousands)	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Beginning Fund Balance (Includes Reserves)	\$6,782	\$805	\$4,177	\$1,889	\$2,267	\$1,837	\$2,787

REVENUES							
Property Tax	1,178	1,195	1,212	1,232	1,253	1,274	1,284
Real Estate Excise Tax	2,642	2,179	2,230	2,345	2,466	2,595	2,731
Grants	251	5,645	841	0	0	0	0
Impact Fees	21	25	25	25	25	25	25
Shared Revenues	1,271	632	290	290	290	290	290
Miscellaneous Revenues	306	210	250	250	250	250	250
Interfund Transfers	1,311	155	0	0	1,700	0	0
Total Revenues	6,979	10,040	4,848	4,142	5,984	4,434	4,580
Total Fund Resources	13,761	10,845	9,025	6,031	8,251	6,271	7,368

EXPENDITURES							
Bonds and Reserves	137	140	137	139	142	145	148
Project Management Expenses	2,372	1,086	1,119	1,149	1,181	1,213	1,246
Public Buildings	1,061	4,083	3,618	1,523	3,133	1,308	3,084
Parks and Natural Resources	9,386	1,359	2,263	952	1,959	818	1,929
Total Expenditures	12,956	6,668	7,136	3,763	6,415	3,484	6,407

Ending Fund Balance (Includes Reserves)	\$805	\$4,177	\$1,889	\$2,267	\$1,837	\$2,787	\$961
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Note: Slight differences may occur due to rounding.

Questions?

Item 11.



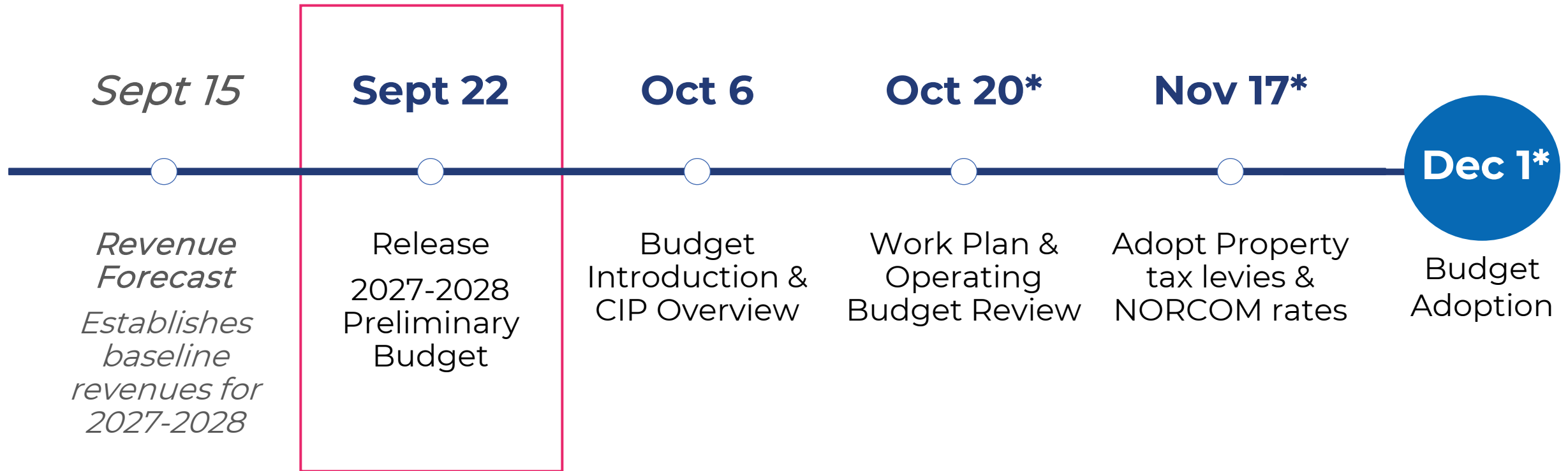
Summary

- ❑ Revenue trends in 2026 are consistent with 2025 activity. These trends are projected to continue through 2028.
- ❑ As of 2027, expenditures exceed revenues in the City's operating funds.
- ❑ Use of one-time funds from prior year savings sustains operations through 2028. Relying on unassigned fund balances is a short-term strategy.
- ❑ Affords time for staff and policymakers to make community-informed decisions about the City's long-term financial path.

Budget Appropriations

- ❑ Ordinance No. 26-08 outlines budget adjustments previously approved by the City Council.
- ❑ Budget amending ordinances are presented quarterly to account for adjustments throughout the year.
- ❑ Most adjustments in Exhibit 2 tie to recent City Council decisions at the September 1, 2026 Council meeting.

2027-2028 Biennial Budget Schedule



** Public hearings*

Staff Recommendation

Item 11.

1. Adopt Ordinance No. 26-08, amending the 2025-2026 Biennial Budget.

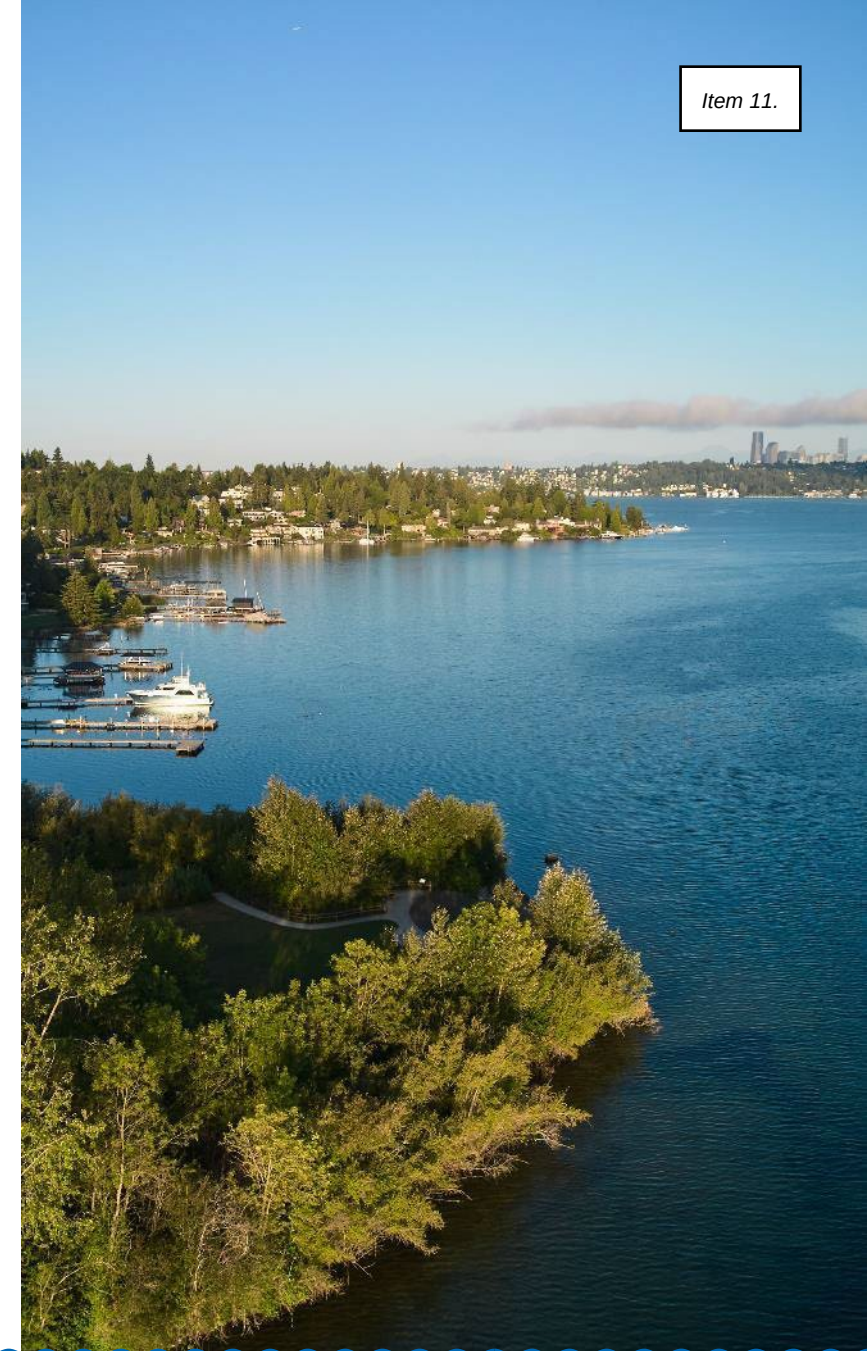
Questions

Prepared By

Matt Mornick, Finance Director

LaJuan Tuttle, Deputy Finance Director

Ben Schumacher, Financial Analyst II





BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6990
September 1, 2026
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6990: 2028 Parks, Recreation, and Open Space Plan Scope of Work	☐ Discussion Only ☒ Action Needed: ☒ Motion ☐ Ordinance ☐ Resolution
RECOMMENDED ACTION:	Approve the proposed scope of work and planning process for the 2028 Parks, Recreation, and Open Space Plan Update (90.25.0033).	

DEPARTMENT:	Public Works
STAFF:	Jason Kintner, Chief of Operations Ryan Daly, Interim Director of Parks & Recreation Kellye Hilde, Deputy Public Works Director Shelby Perrault, Interim Capital Division Manager
COUNCIL LIAISON:	n/a
EXHIBITS:	n/a
CITY COUNCIL PRIORITY:	2. Sustain and enhance our natural environment, especially parks and open spaces, to benefit this generation and others that follow.

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ 10,000
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda item is to provide an overview of the proposed scope of work and planning process for the 2028 Parks, Recreation, and Open Space (PROS) Plan update (project 90.25.0033) and to seek City Council authorization to proceed as proposed.

- The PROS Plan is a six-year plan that identifies the programs and capital improvements needed to meet the community's needs for parks, recreation, open space, trails, arts, and cultural events.
- The City is required to adopt a PROS Plan every six years to maintain eligibility for grants through the Washington State Recreation and Conservation Office (RCO).
- On March 1, 2022, the City Council approved [Resolution No. 1618](#) adopting the 2022 PROS Plan ([AB 6023](#)).
- Since adoption of the 2022 PROS Plan, the City has made substantial progress on projects and initiatives identified in the Plan.
- The 2028 PROS Plan update will be limited in scope and will build on this 2020 planning work by evaluating changes since 2022, assessing progress on existing priorities, and establishing priorities for the next six-year planning period. City staff have developed a proposed scope of work and planning

process to guide the planning work. Staff are seeking City Council approval to proceed with this approach before finalizing the scope of work and executing a consultant services contract.

- The planning work will begin this year and is expected to conclude with City Council adoption by March 1, 2028.
- The current budget includes \$10,000 for the PROS Plan update, and an additional \$70,000 is proposed in the 2027–2028 biennial budget, for a total project budget of \$80,000. This is less than the \$125,000 originally identified in the 2025–2030 Capital Improvement Program and reflects the limited scope of the planning work.

BACKGROUND

WHAT IS A PARKS, RECREATION, AND OPEN SPACE (PROS) PLAN?

The Parks, Recreation, and Open Space (PROS) Plan is a six-year plan that identifies the programs, services, and capital improvements necessary to meet the community's needs for parks, recreation, open space, trails, arts, and cultural events. The PROS Plan guides the development of annual work plans, policies, biennial budgets, and capital projects.

WASHINGTON STATE RECREATION AND CONSERVATION OFFICE (RCO) REQUIREMENTS

The City is required to update its PROS Plan every six years to maintain eligibility for grants through the Washington State Recreation and Conservation Office (RCO). RCO requires that the PROS Plan be approved by City Council resolution and include the following elements:

- **Goals and Objectives:** Establish goals and objectives for the City's parks, recreation, and open space system.
- **Inventory:** Identify and assess the City's parks, recreation facilities, open spaces, trails, and related assets.
- **Public Involvement:** Engage the community in developing the PROS Plan and identifying parks and recreation needs.
- **Demand and Need Analysis:** Evaluate current and future community needs for parks, recreation, and open space.
- **Capital Improvement Program (CIP):** Identify priority capital projects and anticipated funding needs.
- **Plan Adoption:** Adopt the PROS Plan by City Council resolution and submit it to RCO for approval.

The City must adopt an updated PROS Plan by March 1, 2028, to maintain eligibility for RCO grants. Following City Council adoption, staff will submit the 2028 PROS Plan to RCO for review and approval.

2022 PROS PLAN OVERVIEW

On March 1, 2022, City Council adopted the [2022 PROS Plan](#) through [Resolution No. 1618 \(AB 6023\)](#), following an extensive planning and community engagement process that evaluated the condition of the City's parks and recreation system, assessed community needs, and identified priorities for future investment.

The 2022 PROS Plan established eight strategic goals to guide the City's work:

- **Planning, Acquisition & Access:** Provide a high-quality, welcoming, and inclusive parks and recreation system that meets community needs now and in the future.
- **Maintenance & Operations:** Provide the Mercer Island community with safe, well-maintained parks and recreation facilities.

- **Environment & Sustainability:** Provide a high-quality, diversified open space system that preserves and enhances urban forests, critical habitat, and other environmental resources. Incorporate sustainability practices into operations, maintenance, and planning.
- **Trails:** Develop and promote an interconnected community through safe, accessible, and attractive trails and pathways easily accessed by a variety of trail users.
- **Recreation Facilities & Programming:** Provide a variety of recreation programs, services, and facilities that promote the health and well-being of residents of all ages and abilities.
- **Arts & Culture:** Facilitate and promote comprehensive and engaging arts and culture experiences.
- **Community Engagement & Partnerships:** Encourage and support community engagement and pursue collaborative partnerships to strengthen and grow parks and recreation programs and services.
- **Administration & Fiscal Sustainability:** Provide leadership and sufficient resources to maintain and operate a welcoming, efficient, safe, and sustainable parks and recreation system.

The 2022 PROS Plan also identified significant capital investment needs and included a recommended \$41.7 million Parks CIP for 2023 to 2028.

Since adoption of the 2022 PROS Plan, the City has advanced projects and initiatives identified in the 2022 PROS Plan, while also responding to changing community needs, facility conditions, funding constraints and opportunities, and other emerging priorities. The 2028 PROS Plan will build on this work by evaluating changes since 2022, assessing progress on existing priorities, and establishing priorities for the next six-year planning period.

2022 PROS PLAN IMPLEMENTATION

Since adoption of the 2022 PROS Plan, the City has completed or advanced several projects identified in the 6-year CIP. The following summarizes progress by CIP category (see page 113, Figure 11.1 of the [2022 PROS Plan](#)).

Athletic Field Projects

- Island Crest Park North Infield Turf Replacement – Completed 2024
- South Mercer Turf Replacement and Ballfield Backstop Upgrade – Completed 2023

Beaches and Shoreline Projects

- Luther Burbank Park Dock and Waterfront Improvements – Underway

Open Space and Trail Projects

- Luther Burbank Park South Shoreline Trail – Completed 2023
- Open Space Management – Ongoing
- Pioneer Park / Engstrom Open Space Forest Management – Ongoing
- Trail Renovation and Property Management – Ongoing

Parks Projects

- Aubrey Davis Park Vegetation Management – Ongoing
- Deane's Children's Park Playground Replacement – Underway
- First Hill Park Playground Replacement – Completed 2026
- Lake Water Irrigation Development - Underway
- Luther Burbank Park Sport Court Renovation – Completed 2025
- Roanoke Park Playground Replacement – Completed 2025

- South Point Landing Improvements – Underway (part of the Pump Station 20 Replacement Project)

Recreation Facilities Projects

- Boiler Building Phase I Improvements – Completed 2024
- Mercer Island Community and Event Center (MICEC) Building Repairs – Ongoing
- MICEC HVAC Replacement - Underway

Park Planning Projects

- Clarke and Groveland Beach Parks Joint Infrastructure Plan – Underway
- Deane’s Children’s Park Site Plan – Completed 2026

Other Projects

- Art in Public Places 6-Year Work Plan – Completed 2025
- Aubrey Davis Park Trail Safety Improvements – Completed 2025
- Aubrey Davis Park Intersections and Crossing Improvements – Underway

This work represents substantial progress toward the capital priorities identified in the 2022 PROS Plan, while several projects and ongoing initiatives remain to be completed or further advanced. The 2028 PROS Plan will evaluate remaining priorities, along with changes in community needs, facility conditions, and other relevant factors, to guide priorities for the next six-year planning period.

ISSUE/DISCUSSION

PROPOSED SCOPE OF WORK AND PLANNING PROCESS

The 2028 PROS Plan planning process (project 90.25.0033) will be limited in scope and will build on the substantial planning, community engagement, and system analysis completed through the 2022 planning process. Rather than repeat that work, the update will focus on changes since 2022, evaluate progress on existing goals and priorities, identify current and emerging community needs, and ensure consistency with the City’s Comprehensive Plan.

The RCO requires the City to maintain a current, City Council-adopted PROS Plan that addresses required planning elements, but it does not require each update to repeat work that remains relevant and accurate from the previous plan. The City may therefore carry forward information from the 2022 PROS Plan while updating information that has materially changed. The updated Plan will include public engagement, meet RCO requirements, and align with the City’s comprehensive planning requirements under the Growth Management Act.

Board and Commission Advisory Roles

The Parks and Recreation Commission will serve as the lead commission for the 2028 PROS Plan update. The Commission will receive community feedback, advise on the development of the draft plan, and prepare a final recommendation and hand-off memo for City Council consideration, anticipated in early Q1 2028. As part of this work, the Parks and Recreation Commission will host joint meetings and facilitate input from the Arts Council and Open Space Conservancy Trust throughout the planning process.

Scope of Work for 2028 Pros Plan

The 2028 PROS Plan update will be completed in five phases, with each phase building on the work completed in the previous phase. The anticipated timeline and key activities for each phase are outlined below.

Phase 1 – Existing Conditions (Q4 2026)

The project team will review the 2022 PROS Plan and update information that has changed since 2022. This phase will establish the baseline information for the 2028 PROS Plan process.

Key activities include:

- Review of the 2022 PROS Plan and implementation progress.
- Review of current City plans, policies, codes, and planning documents.
- Update of community, facility, recreation, natural resource, and mapping information.
- Review current recreation levels of service and community needs.
- Review of the Capital Facilities Plan and 6-year Parks Capital Improvement Plan (Parks CIP).

Board and Commission Touchpoint – Project Kickoff: Joint meeting with the Parks and Recreation Commission, Arts Council, and Open Space Conservancy Trust.

Input Requested: No formal input requested. The touchpoint is intended to provide an overview of the project and establish a shared understanding of the scope, schedule, objectives, and expectations of the planning project.

Phase 2 – Community Engagement & Needs Assessment (Q1 2027)

The project team will use the existing conditions review and focused community engagement to identify current and future parks, recreation, open space, trails, arts, and cultural needs.

Key activities include:

- Conduct one statistically valid survey and one online community survey.
- Conduct one virtual open house.
- Evaluate community input, recreation trends, facility use, level of service, and other relevant information.

Community Engagement Purpose: Identify needs, gaps, opportunities, and emerging priorities.

Ongoing Engagement: Project awareness and outreach will continue through City communication channels and community events.

Phase 3 – Capital Project Prioritization (Q2–Q3 2027)

The project team will use the needs assessment, community input, and updated capital planning information to develop and evaluate project and investment priorities.

Key activities include:

- Identify and evaluate potential projects and investment priorities.
- Update the Capital Facilities Plan and Parks CIP.
- Review and refine goals and objectives.
- Conduct one online community survey focused on project prioritization.
- Conduct one community engagement opportunity in coordination with an existing community event.

Community Engagement Purpose: Gather community input to inform the prioritization of potential projects and investments.

Ongoing Engagement: Project awareness and outreach will continue through City communication channels and community events.

Board and Commission Touchpoint – Project Prioritization: Joint meeting with the Parks and Recreation Commission, Arts Council, and Open Space Conservancy Trust.

Input Requested: Receive an update on community engagement results; review and refine relevant goals and objectives; and provide input on the prioritization of potential projects and investments.

Phase 4 – Draft 2028 PROS Plan Review (Q3–Q4 2027)

The project team will prepare the Draft 2028 PROS Plan based on the findings and direction from the first three phases.

Key activities include:

- Develop the Draft 2028 PROS Plan.
- Incorporate updated goals, policies, priorities, Capital Facilities Plan, Parks CIP, mapping, and community engagement findings.
- Develop recommended implementation strategies.

Community Engagement: Ongoing project awareness and outreach will continue through City communication channels and community events.

Board and Commission Touchpoint – Draft Plan Review: Joint meeting with the Parks and Recreation Commission, Arts Council, and Open Space Conservancy Trust to review the draft 2028 PROS Plan.

City Council Touchpoint – Progress Check-in: A City Council progress check-in may be scheduled to provide a preliminary review of the Draft 2028 PROS Plan and receive initial direction.

Input Requested: Review the Draft PROS Plan and obtain feedback and direction regarding refined goals, policies, priorities, and implementation strategies.

Phase 5 – Final 2028 PROS Plan Review and Adoption (Q4 2027–Q1 2028)

The project team will revise the Draft 2028 PROS Plan based on feedback received and prepare the final 2028 PROS Plan for City Council review and adoption.

Key activities include:

- Complete final Plan revisions and supporting materials.
- Complete the non-project SEPA review process.
- Prepare the final, adoption-ready 2028 PROS Plan.

Community Engagement: Ongoing project awareness and outreach will continue through City communication channels.

Board and Commission Touchpoint – Final Plan Recommendation: Parks and Recreation Commission review and recommendation of the 2028 PROS Plan to City Council. Continued collaboration and input from the Arts Council and the Open Space Conservancy Trust in preparing the final recommendation. Host a joint meeting, if needed.

City Council Touchpoint – Plan Adoption: City Council consideration of the final 2028 PROS Plan.

Input Requested: Consider and adopt the final 2028 PROS Plan.

PROJECT BUDGET

The current budget includes \$10,000 for the PROS Plan update, and an additional \$70,000 is proposed in the 2027–2028 biennial budget, for a total project budget of \$80,000. This is less than the \$125,000 identified in the 2025–2030 Capital Improvement Program and reflects the limited scope of the planning work.

The estimated budget will fund consultant services associated with the five phases of work, including existing conditions and needs assessment, community engagement, community surveys, project prioritization, preparation of the draft 2028 PROS Plan, final revisions, and support through City Council adoption.

CITY COUNCIL APPROVAL

Staff are seeking City Council approval of the proposed five-phase scope of work and planning process for the 2028 PROS Plan update.

NEXT STEPS

Following City Council approval of the 2028 PROS Plan scope of work, staff will finalize the solicitation documents and issue a Request for Qualifications for consultant services. After selecting a consultant and completing the contracting process, staff will work with the consultant to refine specific work methods, engagement activities, meeting dates, and other project details consistent with the authorized scope, budget, and planning framework.

Staff will begin collaborative outreach with City boards and commissions, to align on project roles and share the timeline for their work and engagement. Concurrently, staff will stand up a Let's Talk project page, to ensure transparent communication and provide residents with ongoing opportunities to help shape the PROS Plan update.

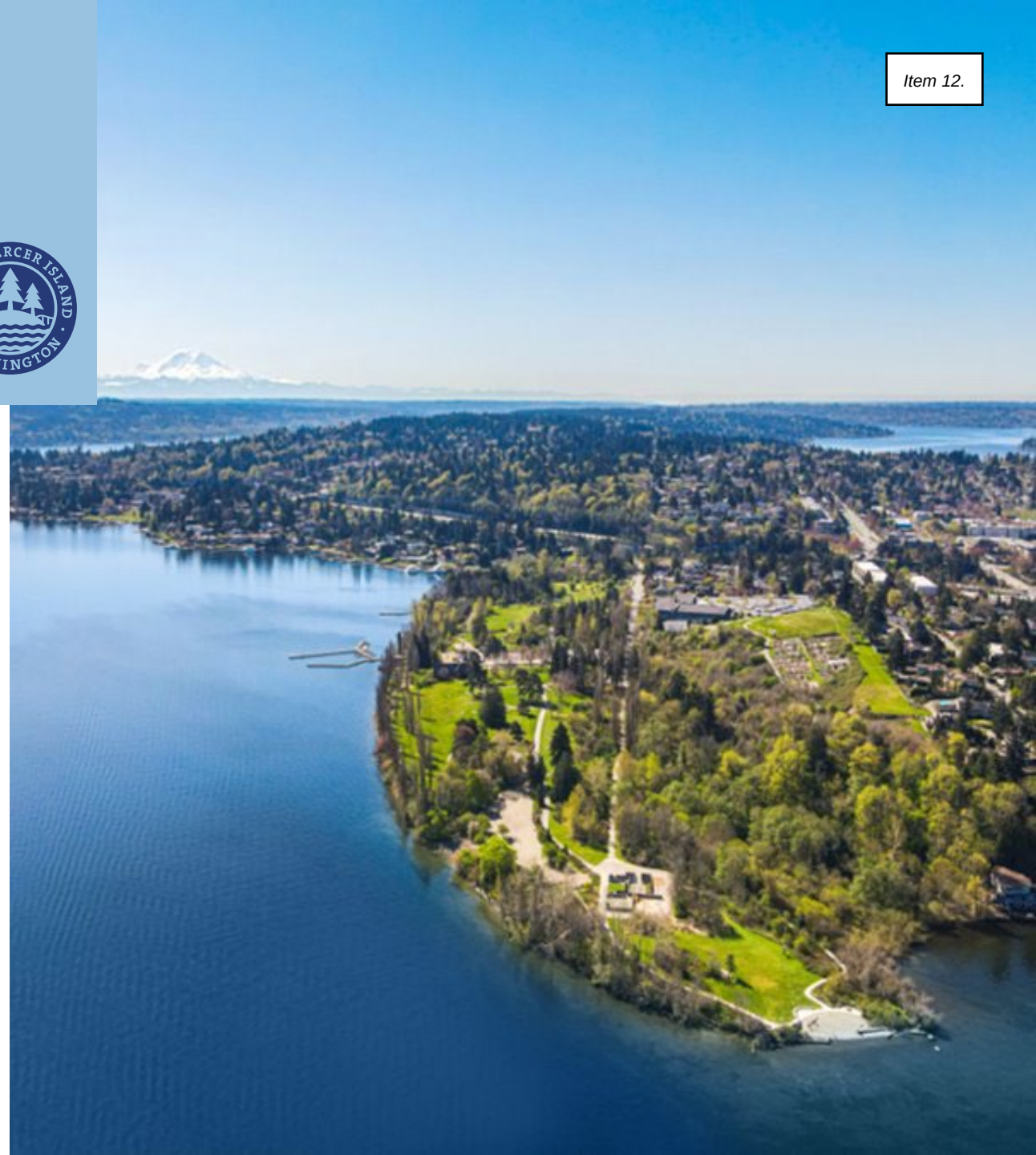
RECOMMENDED ACTION

Move to designate the Parks and Recreation Commission as the lead commission for the 2028 PROS Plan update process; approve the proposed five-phase scope of work; direct the Parks and Recreation Commission to incorporate input from the Arts Council and Open Space Conservancy Trust throughout the planning process; and deliver its final recommendation and hand-off memo to the City Council by Q1 2028.



2028 Parks, Recreation, and Open Space (PROS) Plan

City Council Regular Meeting
September 15, 2026 | AB6990



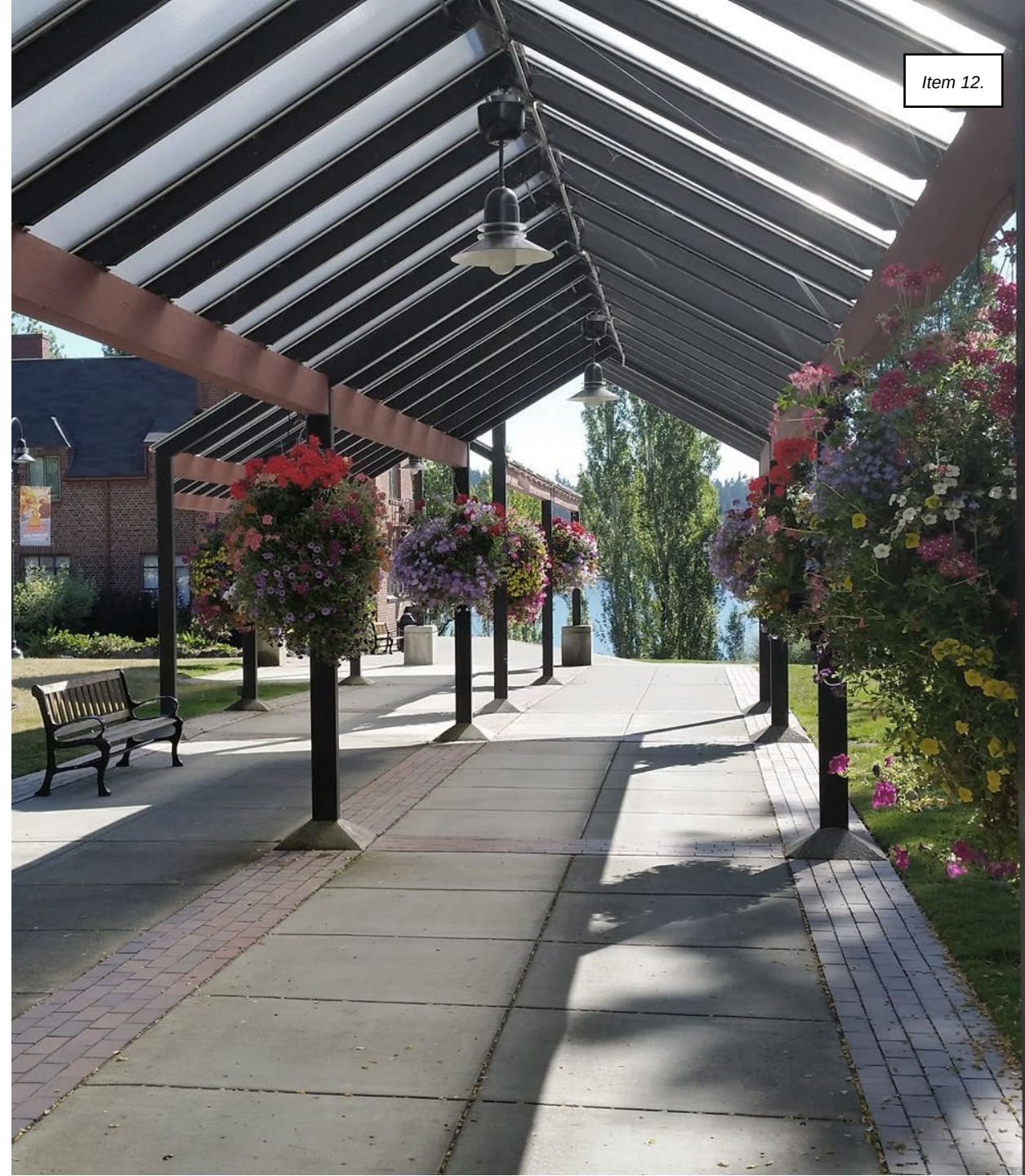
Purpose

The purpose of this agenda item is to provide an overview of the proposed scope of work and planning process for the 2028 Parks, Recreation, and Open Space (PROS) Plan Update and seek City Council authorization on the following:

1. Designate the Parks and Recreation Commission as the lead commission for the 2028 PROS Plan update process.
2. Approve the proposed five-phase scope of work.
3. Direct the Parks and Recreation Commission to:
 - Incorporate input from the Arts Council and Open Space Conservancy Trust throughout the planning process.
 - Deliver its final recommendation and hand-off memo to the City Council by Q1 2028.

Agenda

- Background
- 2022 PROS Plan – Recap
- 2028 PROS Plan
 - Proposed Scope of Work
 - Anticipated Project Timeline
- Discussion



Background

What is a PROS Plan?

Item 12.

The Parks, Recreation & Open Space (PROS) Plan is a 6-year guide and strategic plan* for managing and enhancing parks, open space, trails, and recreation opportunities for the Mercer Island community.

- Policy and Strategy Guide
- Capital Planning Tool
- Communications Tool

**The last plan was adopted in 2022*



Background

What is a PROS Plan?

A PROS Plan:

- Is based on community input
- Includes goals and objectives to guide future decisions
- Includes facility-specific evaluations and assessments
- Includes recommendations on future capital funding, programming, and other potential initiatives
- Is the foundation for pursuing capital funding, particularly State grants and other sources of revenue



CITY OF MERCER ISLAND

PARKS, RECREATION & OPEN SPACE PLAN

March 2022



2022 PROS Plan Planning Process

Overview

- Project began in fall 2019
- Paused due to COVID-19
- Project re-started in January 2021
- PROS Plan adopted on March 1, 2022

Community Engagement

- Two community-wide surveys and statistically valid surveys
- Two virtual public meetings
- Let's Talk project page for duration of project
- Nine Parks and Recreation Commission (PRC) Meetings
- Arts Council and Open Space Conservancy Trust (OSCT) Meetings
- City Council Meetings



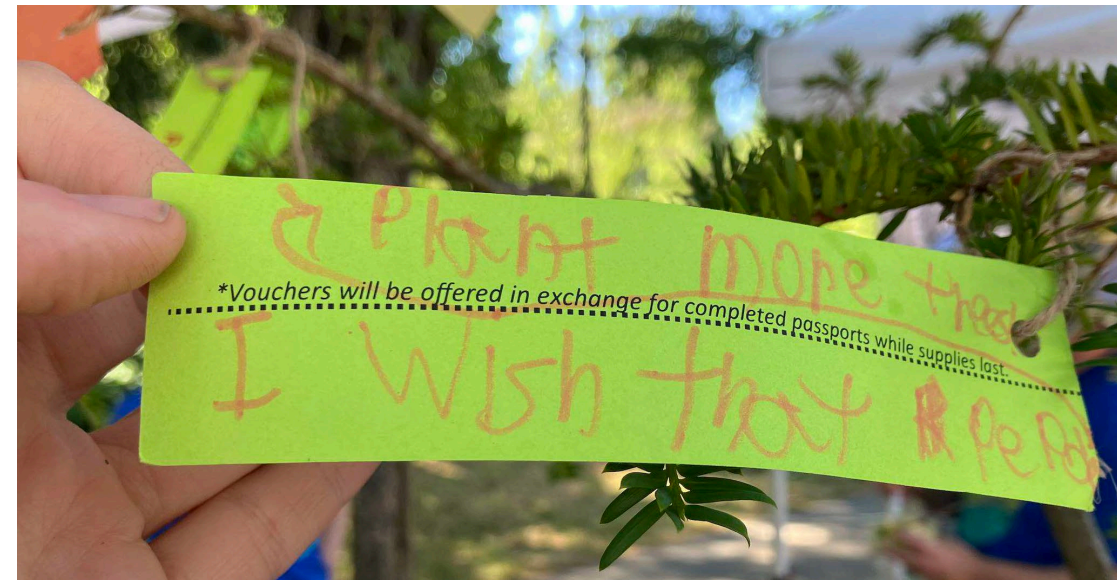
2022 PROS Plan

Goals & Objectives

- Provide strategic direction for managing, enhancing, and investing in the parks and recreation system
- Developed, reviewed, and refined with input from Boards, Commissions, and City Council

Eight Strategic Goals

1. Planning, Acquisition, and Access
2. Maintenance and Operations
3. Environment and Sustainability
4. Trails
5. Recreation Facilities and Programming
6. Arts and Culture
7. Community Engagement and Partnerships
8. Administration and Fiscal Sustainability



2022 PROS Plan

What We've Completed

2023

- South Mercer Turf Replacement
- Luther Burbank Park South Shoreline Trail

2024

- Island Crest Park Infield Turf Replacement
- Luther Burbank Park Boiler Building Phase 1

2025

- Roanoke Park Playground Replacement
- Luther Burbank Park Sport Court Renovation
- Art in Public Places Work Plan
- Aubrey Davis Park Trail Safety Improvements

2026

- First Hill Park Playground Replacement
- Deane's Children's Park Site Plan



2022 PROS Plan

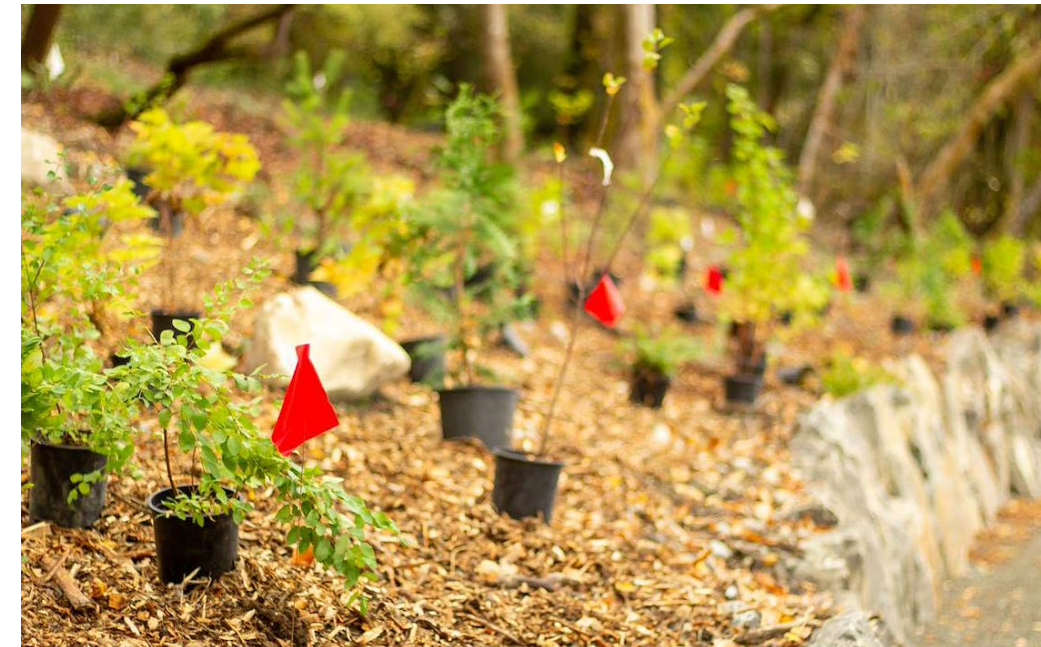
What's Still Underway

Underway

- Aubrey Davis Park Intersection and Crossing Improvements
- Clarke and Groveland Beach Parks Joint Infrastructure Plan
- Deane's Children's Park Playground Replacement
- Lake Water Irrigation Development
- Luther Burbank Park Dock and Waterfront Improvements
- Mercer Island Community and Event Center (MICEC) HVAC Replacement

Ongoing

- Aubrey Davis Park Vegetation Management
- Open Space Management
- Pioneer Park / Engstrom Open Space Forest Management
- Trail Renovation and Property Management
- MICEC Building Repairs



2028 PROS Plan

A Focused Update

Overview

- Build on comprehensive planning and analysis from 2022 PROS Plan
- Evaluate what's changed – progress, community needs, priorities, and available funding
- Targeted community engagement and advisory input to validate needs and priorities
- Prioritize capital investments to reflect current needs and a more constrained funding environment
- Parks and Recreation Commission will serve as lead advisory commission
- Update will be completed in five phases



2028 PROS Plan

Proposed Scope of Work

Item 12.

Phase	Key Activities	Board & Commission Touchpoint	City Council Touchpoint
1. Existing Conditions	- Review 2022 PROS Plan & progress - Update conditions, needs & level of service	Joint meeting* to kickoff project	
2. Needs Assessment	- One statistically valid survey & one online community survey - One virtual open house - Assess needs, gaps & opportunities	No formal touchpoint	
3. Project Prioritization	- Identify & evaluate projects - Update Capital Facilities Plan & Parks Capital Improvement Program (Parks CIP) - One online community survey - Engagement at one community event	Joint meeting* to: - Review/refine relevant goals & objectives - Provide input on prioritization of potential projects & investments	
4. Draft 2028 PROS Plan Review	- Develop draft PROS Plan - Refine goals, policies & priorities - Develop implementation strategies	Joint meeting* to: - Review draft PROS Plan - Obtain feedback & direction on refined goals, policies, priorities	Progress check-in to review draft & receive direction, if needed
5. Final 2028 PROS Plan Review & Adoption	- Incorporate feedback and finalize Plan - Complete SEPA review	PRC** review & recommendation to City Council. PRC host a joint meeting, if needed	Consider & adopt final 2028 Pros Plan

*Joint meeting: Parks and Recreation Commission, Arts Council, and Open Space Conservancy Trust

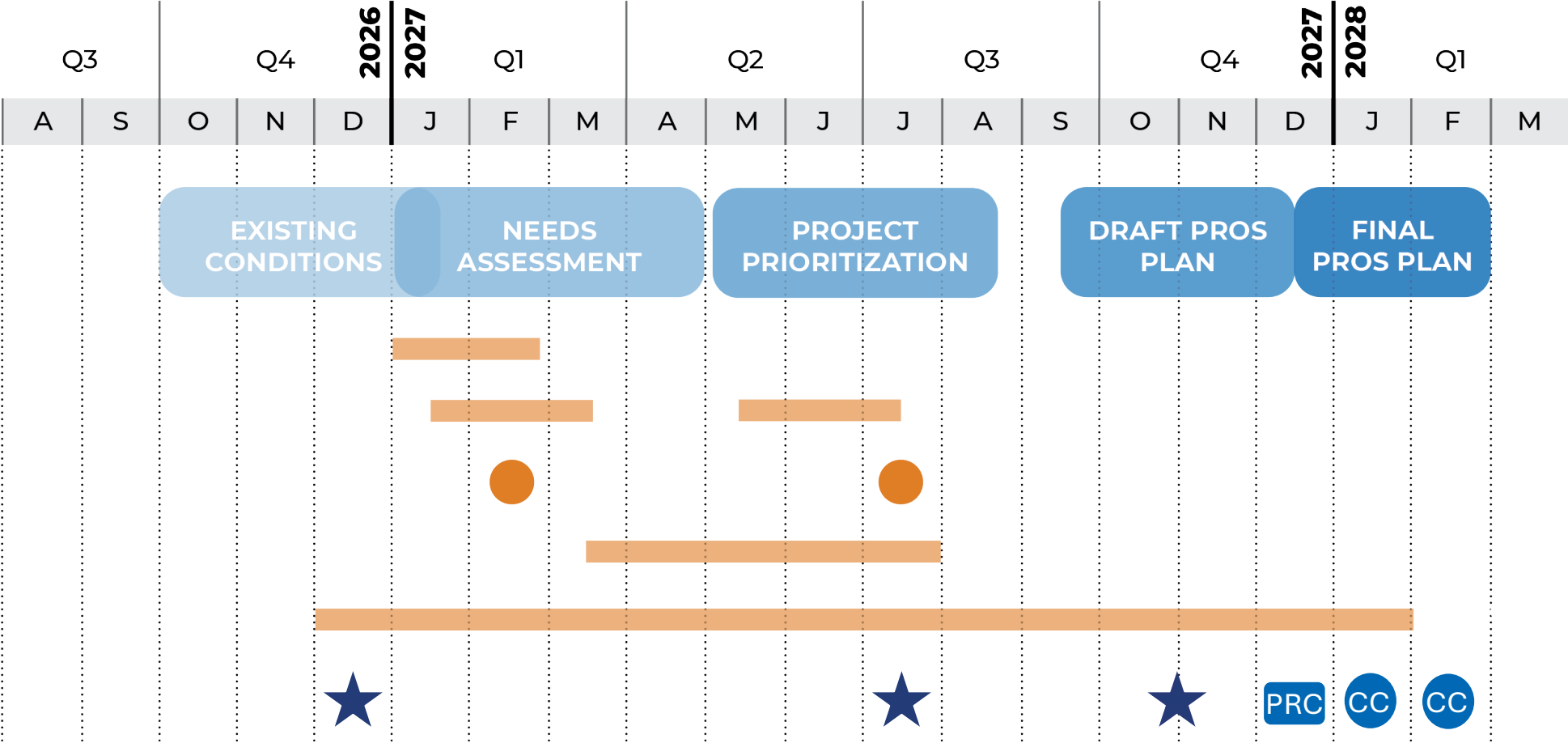
**PRC Parks and Recreation Commission

2028 PROS Plan

Anticipated Project Timeline

Public Involvement

- Statistically Valid Survey
- Online Community Survey
- Community Meetings
- Community Event Tabling
- Online Engagement
- Boards, Commission, and City Council Touchpoints*



★ Joint meeting with Parks and Recreation Commission, Arts Council, and Open Space Conservancy Trust

PRC Parks and Recreation Commission

CC City Council

The purpose of this agenda item is to provide an overview of the proposed scope of work and planning process for the 2028 Parks, Recreation, and Open Space (PROS) Plan Update and seek City Council authorization on the following:

1. Designate the Parks and Recreation Commission as the lead commission for the 2028 PROS Plan update process.
2. Approve the proposed five-phase scope of work.
3. Direct the Parks and Recreation Commission to:
 - Incorporate input from the Arts Council and Open Space Conservancy Trust throughout the planning process.
 - Deliver its final recommendation and hand-off memo to the City Council by Q1 2028.



Thank You!





BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6985
September 15, 2026
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6985: Updating the City's Animal Control Code	☒ Discussion Only
RECOMMENDED ACTION:	Provide feedback to staff on proposed changes to the Animal Control Code.	☐ Action Needed: ☐ Motion ☐ Ordinance ☐ Resolution

DEPARTMENT:	City Manager
STAFF:	Robbie Cunningham Adams, Senior Management Analyst Mike Seifert, Police Commander Bio Park, City Attorney
COUNCIL LIAISON:	n/a
EXHIBITS:	1. 2018 Regional Animal Services Interlocal Agreement 2. Draft Animal Control Code Ordinance
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 receive feedback from the City Council on proposed changes to the City's Animal Control Code, which are required to comply with the City's interlocal agreement with the Regional Animal Services of King County (RASKC) for animal licensing and control services.

- The City of Mercer Island receives animal licensing and control services from King County through the Regional Animal Services of King County (RASKC) interlocal agreement (ILA). The current ILA with RASKC is attached as Exhibit 1 and is in effect until December 31, 2027.
- Per the adopted ILA with RASKC, the City is obligated to "enact an ordinance or resolution that includes license, fee, penalty, enforcement, appeal, impound/redemption and sheltering provisions that are substantially the same as those of Title 11 King County Code as now in effect or hereafter amended."
- In 2023, the [King County Council adopted, updated, and reorganized their animal control code](#). See [Title 11 of King County Code](#).
- Regulations pertaining to animals within Mercer Island is governed by [MICC Chapter 7.04 – Animal Code](#).
- Mercer Island's animal code needs to be amended to align with King County's 2023 update to KCC Title 11, per the requirements of the ILA.

- The proposed revisions to the City Code are included in Exhibit 2 and address minor inconsistencies in phrasing of definitions and policies. The more substantive updates include changes to dangerous animal appeal hearings, pet licensing requirements, and additional animal protection requirements. City Council feedback will be used to finalize the ordinance and present it for a first reading later this year.

BACKGROUND

Interlocal Agreement with Regional Animal Services of King County

The City of Mercer Island receives animal licensing and control services from King County through the Regional Animal Services of King County (RASKC) interlocal agreement (ILA) that was last updated and adopted by the City in 2018 ([AB 5238](#)). The current ILA with RASKC is attached as Exhibit 1 and is in effect until December 31, 2027.

Mercer Island and 24 other cities contract with King County for regional animal services, which include animal control, shelter care, adoption, and pet licensing services. Under the terms of the ILA the City assists the County by informing residents about animal code requirements and provides pet license applications at the Community Center front desk.

Revenues and Costs Related to Animal Control and RASKC ILA

King County's Regional Animal Services provide a cost-effective solution for cities that would otherwise need to operate their own animal services programs. Costs are allocated among participating RASKC cities and unincorporated King County based on usage (80 percent) and population (20 percent). Costs to the City of Mercer Island are offset by pet licensing revenue collected from Mercer Island residents. The City pays the remaining costs for animal control services.

Additionally, while the services provided under the RASKC ILA include administering appeals of dangerous dog designations under the King County Hearing Examiner, Mercer Island code currently requires that the City is responsible for administering dangerous dog appeals with the City's own hearing examiner rather than the King County hearing examiner. This means costs related to these appeals are currently borne by the City. This is one area that is recommended to be changed.

Table 1 shows revenue and expenses related to pet licensing revenue, costs of the RASKC ILA, Mercer Island Hearing Examiner costs, and costs related to outside legal support services for dangerous dog appeal cases. Pet license revenue goes directly to King County. Costs net of the pet license revenue is paid for by the City General Fund. Pet license revenue does not cover all of the City's costs related to the ILA and hearing examiner costs.

Table 1.

Description	2024 Actuals	2025 Actuals
Revenues		
King County Pet Licenses	\$ 66,800	\$ 63,500
Expenses		
RASKC Interlocal Agreement	73,000	77,100
Hearing Examiner (<i>dangerous dog appeals</i>)	600	9,600
Outside Legal	14,400	61,500
Expenses Subtotal	\$ 88,000	\$ 148,200
Net Cost to City General Fund	\$ 21,200	\$ 84,700

ISSUE/DISCUSSION

Regulations pertaining to animals within Mercer Island is governed by [MICC Chapter 7.04 – Animal Code](#). This chapter covers pet dog licensing and tag/collar requirements, unlawful conduct of pets, designation of off-leash areas, and policies and procedures related to regulating dangerous and potentially dangerous dogs. The chapter additionally adopts several state codes related to animals and livestock.

Per the adopted ILA with RASKC, the City is obligated to “enact an ordinance or resolution that includes license, fee, penalty, enforcement, appeal, impound/redemption and sheltering provisions that are substantially the same as those of [Title 11 King County Code](#) as now in effect or hereafter amended”.

In 2023, the [King County Council adopted and updated and reorganized animal control code](#). The changes updated the code to reflect current state law and included a substantial update of the process and procedures for declaring dogs to be “potentially dangerous” and the due process appeal protections. Mercer Island’s code needs to be updated to align with King County’s 2023 update to KCC Title 11, per the requirements of the ILA, and to address discrepancies between the County’s and City’s codes that make it more difficult for the County to enforce animal care and control laws in the City of Mercer Island.

Impact of Updating City Animal Control Code to Align with King County Animal Control Code

Staff recommend adopting the King County animal control code by reference. This is the approach most commonly used by cities that contract with RASKC. RASKC will continue to be the primary body enforcing animal control on Mercer Island, with assistance from the Mercer Island Police Department as appropriate. Additionally, staff recommend several changes and additions to modernize and clarify areas of the City animal code.

King County requires that City’s animal control code be “substantially the same” on the policies related to licensing, fees, penalties, enforcement, appeals, impound/redemption and sheltering provisions. The City may continue to establish local policies on matters outside these areas, including off-leash areas and Mercer Island-specific conduct requirements.

The code sections requiring substantive change are summarized below and reflected in the draft ordinance (Exhibit 2). Additional minor revisions are proposed to address inconsistencies in phrasing of definitions and policies.

Dangerous and Potentially Dangerous Animal Framework

Chapter 7.04 MICC was last updated in 2021 to include provisions for determining and declaring an animal to be a potentially dangerous dog and establishing a method for appeals of decisions by the City relating to potentially dangerous dogs and dangerous dogs ([AB 5939](#)). City code currently requires that these appeals be heard by the City's Hearing Examiner, and this cost is paid by the City. This practice is not in alignment with the King County code.

The processing of dangerous and potentially dangerous animals is a core function of RASKC; therefore it is recommended that the City Code be amended to align with the King County Code. Proposed changes include clarifying the process and procedures on enforcement powers, including all species (not just dogs as is in current City code), requiring the registration of potentially dangerous animals, requiring liability insurance for dangerous dogs, and requiring dangerous animals to be spayed or neutered. Consistency with County code will improve the effectiveness and efficiency of RASKC administering dangerous and potentially dangerous animals.

Transferring Appeal Process from City Hearing Examiner to RASKC

The City Manager is recommending transferring the appeals for dangerous or potentially dangerous animals from the City Hearing Examiner to RASKC. Under the current ILA with RASKC, the County is authorized to administer the appeals at no additional cost to the City. This change would eliminate Hearing Examiner costs and reduce the administrative resources associated with processing appeals. The City handling appeals on our own also requires significant staff time that would not be necessary when using the County process. Finally, using the countywide process likely improves efficiency for RASKC staff, who are more familiar with the County Hearing Examiner process than the City's.

Pet Licensing Provisions

Mercer Island is the only RASKC contract city that requires the licensing of dogs and not cats. Staff are seeking policy direction from the City Council on whether to add a requirement for pet cats to be licensed.

Requiring the licensing of cats may bring in additional pet license revenue, which may reduce or eliminate the gap between RASKC ILA expenses and pet license revenue. This would potentially reduce or eliminate the need for general fund dollars to be used to fully fund animal control services. However, requiring the licensing of cats would increase annual license fees required of Mercer Island cat owners. Annual licensing for cats ranges from \$15 - \$60 depending on the age and condition of the animal and any eligibility for discounts of the human applicant. Requiring the licensing of cats would require a joint City/RASKC communication campaign to update Islanders of the new requirements.

Additionally, a pet license identifies and helps reunite lost cats with their owners. Licensed cats gain access to additional services and benefits from RASKC (e.g. first free ride home if lost, longer care period when found, vacation pet alert, etc.). There is also a fine for an animal control found unlicensed pet, \$125 for an altered cat or dog or \$250 for an unaltered pet. Additional information about pet licensing costs and benefits is on the [RASKC website](#).

Adequate Care

The 2023 King County Code update added a new definition for "adequate care" for animals. To ensure alignment with the County, this change is proposed in the draft ordinance (Exhibit 2). This new definition addresses the basic requirements of caring for an animal such as providing access to species appropriate and

sufficient food, reasonable weather resistant housing structure(s) with proper bedding, and regular or emergency care from a veterinarian. Aligning City code with this is required under the RASKC ILA, in addition to promoting the welfare of animals.

Exotic Animal Definition and Possession

The 2023 King County Code update added a new definition for “exotic animal” that includes species capable of inflicting serious harm or death to human beings, primates, bears, non-domesticated feline or canine species, and species within the order Crocodylia (e.g., alligators, crocodiles, caimans, etc.). Possession of exotic animals as pets would be prohibited. The updated definition is included in the draft ordinance. Aligning City code with this is required under the RASKC ILA, in addition to promoting public safety and the protection of these animal species.

Required Quarantine of Biting Animal

MICC 7.04.210 contains a requirement for the owner of any animal that is found to have bitten any person that causes an abrasion of the skin, to both contain and keep possession of said animal for ten days to test for potential rabies exposure. This provision does not exist in the King County Code. The proposed ordinance retains this provision in City Code with minor revisions that improve clarity.

Definition of “Under Control”

The City Manager recommends updating the City Code with the King County definition of “under control”. The County code addresses the original intent of the City definitions, and alignment with County code makes it easier for RASKC animal control officers to effectively enforce animal conduct rules on Mercer Island.

Current Mercer Island City Code “under control” and “under voice and/or signal control” definitions:

“Under Control” means the animal is on a leash or under voice and/or signal control so as to be thereby restrained from approaching any bystander or other animal or from causing or being the cause of physical or property damage when off a leash or off the premises of the owner. The animal is not under control if it charges, chases, jumps on, or displays aggression toward other people or animals, or behaves in a way that any reasonable person would find disturbing.

“Under voice and/or signal control” means the immediate recall of an animal to the person in control of the animal when signaled or called. To be under effective voice and/or signal control, the animal must be within the sight of the person in control.

King County Title 11 “under control” definition:

“Under control” means a domesticated animal is restrained, by a human using a leash or competent and effective voice or signal control, from approaching any bystander or other domesticated animal and from causing property damage.

Staff are seeking feedback from the City Council on the proposed changes to the animal control code and will use that to inform revisions to the ordinance.

NEXT STEPS

Staff will make necessary revisions to the draft ordinance and return for a first reading. This work is intended to be completed by the end of the year.

RECOMMENDED ACTION

Provide feedback to staff on proposed changes to the City's Animal Control Code.

2018 Regional Animal Services **Interlocal Agreement**

This AGREEMENT is made and entered into effective as of this 1st day of January, 2018, by and between KING COUNTY, a Washington municipal corporation and legal subdivision of the State of Washington (the "County") and the City of Mercer Island, a Washington municipal corporation (the "City").

WHEREAS, the provision of animal control, sheltering and licensing services protects public health and safety and promotes animal welfare; and

WHEREAS, providing such services on a regional basis allows for enhanced coordination and tracking of regional public and animal health issues, consistency of regulatory approach across jurisdictional boundaries, economies of scale, and ease of access for the public; and

WHEREAS, the Contracting Cities are partners in making regional animal services work effectively, and are customers of the Animal Services Program provided by the County; and

WHEREAS, the City and the County are parties to an Animal Services Interlocal Agreement for 2013 through 2015 which, as extended, will terminate on December 31, 2017 (the "2013 Agreement"); and

WHEREAS, nothing in this Agreement is intended to alter the provision of service or manner and timing of compensation and reconciliation specified in the 2013 Agreement for services provided through December 31, 2017; and

WHEREAS, the City pursuant to the Interlocal Cooperation Act (RCW Chapter 39.34), is authorized and desires to contract with the County for the performance of Animal Services; and

WHEREAS, the County is authorized by the Interlocal Cooperation Act, Section 120 of the King County Charter and King County Code 11.02.030 to render such services and is willing to render such services on the terms and conditions hereinafter set forth; and

NOW THEREFORE, in consideration of the promises, covenants and agreements contained in this Agreement, the parties agree as follows:

1. **Definitions.** Unless the context clearly shows another usage is intended, the following terms shall have these meanings in this Agreement:

- a. **"Agreement"** means this 2018 Animal Services Interlocal Agreement, including any and all Exhibits hereto. Unless the context clearly indicates otherwise, the term "Agreement" is intended to reference all 2018 Animal Services Interlocal Agreements by and between the County and other Contracting Cities.
- b. **"Animal Services"** means Control Services, Shelter Services and Licensing Services combined, as these services are described in **Exhibit A**. Collectively, "Animal Services" are sometimes referred to herein as the **"Program."**
- c. **"Contracting Cities"** means all cities, including Latecomer Cities, that are parties to an Agreement.
- d. **"Contracting Parties"** means all Contracting Cities and the County.
- e. **"Control District"** means one of the three geographic areas delineated in **Exhibit B** for the provision of Animal Control Services.
- f. **"Enhanced Control Services"** are additional Control Services that the City may purchase under certain terms and conditions as described in **Exhibit E** (the "Enhanced Control Services Contract").
- g. **"Enhanced Licensing Support Services"** are additional Licensing Support Services that the City may purchase under certain terms and conditions as described in **Exhibit F ("Enhanced Licensing Support Services – Terms of Service")**
- h. **"Latecomer City"** means a city receiving animal services under an agreement with the County executed after January, 2018, per the conditions of Section 5.
- i. **"Parties"** means the City and the County.

- j. **“Service Year”** means the calendar year in which Animal Services are or were provided pursuant to this Agreement.

2. **Services Provided.** Beginning January 1, 2018, the County will provide the City with Animal Services described in **Exhibit A**. The County will perform these services on behalf of the City, consistent with governing City ordinances adopted in accordance with Section 3. In providing such Animal Services consistent with **Exhibit A**, the County will engage in good faith with the Joint City-County Collaboration Committee to develop potential adjustments to field protocols; provided that, the County shall have sole discretion as to the staffing assigned to receive and dispatch calls and the manner of handling and responding to calls for Animal Service. Except as set forth in Section 10 (Indemnification and Hold Harmless), services to be provided by the County pursuant to this Agreement do not include services of legal counsel, which shall be provided by the City at its own expense.

- a. **Enhanced Control Services.** The City may request Enhanced Control Services by completing and submitting **Exhibit E** to the County. Enhanced Services will be provided subject to the terms and conditions described in **Exhibit E**, including but not limited to a determination by the County that it has the capacity to provide such services.

3. **City Obligations.**

- a. **Animal Regulatory Codes Adopted.** To the extent it has not already done so, the City shall promptly enact an ordinance or resolution that includes license, fee, penalty, enforcement, appeal, impound/ redemption and sheltering provisions that are substantially the same as those of Title 11 King County Code as now in effect or hereafter amended (hereinafter "the City Ordinance"). The City shall advise the County of any City animal care and control provisions that differ from those of the County and of any amendments to the City Ordinance adopted subsequent to the effective date of this Agreement.
- b. **Authorization to Act on Behalf of City.** Beginning January 1, 2018, the City authorizes the County to act on its behalf in undertaking the following:
 - i. Determining eligibility for and issuing licenses under the terms of the City Ordinance, subject to the conditions set forth in such laws.

- ii. Enforcing the terms of the City Ordinance, including the power to issue enforcement notices and orders and to deny, suspend or revoke licenses issued thereunder.
 - iii. Conducting administrative appeals of those County licensing determinations made and enforcement actions taken on behalf of the City. Such appeals shall be conducted by the King County Hearing Examiner or the County's successor administrative appeals body or officer on behalf of the City unless either the City or the County determines that the particular matter should be heard by the City.
 - iv. Nothing in this Agreement is intended to divest the City of authority to independently undertake such enforcement actions as it deems appropriate to respond to violations of any City ordinances.
- c. Cooperation and Licensing Support. The City will assist the County in its efforts to inform City residents regarding animal codes and regulations and licensing requirements and will promote the licensing of pets by City residents through various means as the City shall reasonably determine, including but not limited to offering the sale of pet licenses at City Hall, mailing information to residents (using existing City communication mechanisms such as bill inserts or community newsletters) and posting a weblink to the County's animal licensing program on the City's official website. The City will provide to the County accurate and timely records regarding all pet license sales processed by the City. All proceeds of such sales shall be remitted to the County by the City on a monthly basis (no later than fifteen (15) calendar days from the end of each calendar month) or more frequently.
4. **Term.** This Agreement will take effect on January 1, 2018 and, unless extended pursuant to subparagraphs 4a or 4b, shall remain in effect until December 31, 2022.
- a. **Automatic Extension.** The Agreement shall automatically continue for a second five year term, until December 31, 2027, unless one or more of the Contracting Parties provide written notice by June 30, 2021, of their intent to opt out of a second term. Notice from contracting cities is to be provided in writing to the County, who will subsequently inform the other city partners, in writing, within 14 days of the County receiving the written notification.

- b. **Contingent Extension.** If one or more Contracting Cities provides written notice to the County of its intent to opt out of a second term, the Agreement shall continue for a second five-year term, until December 31, 2027, if:
- (i) the cost to any remaining party is not estimated to increase by more than ten percent, based on the Estimated Animal Services Cost Allocation to the City (the cost allocation before revenue and credit off-sets) as noted in the Estimated Payment Calculation that includes the non-renewing party, compared to the Estimated Animal Services Cost Allocation to the City in the Estimated Payment Calculation that excludes the non-renewing City; and
 - (ii) no later than March 1, 2022, the remaining Parties agree in writing upon terms that substantially carry forward the cost and service levels in the initial term. If the Parties do not reach agreement on such revised terms by March 1, 2022, the automatic extension is not effective, and this Agreement shall terminate at the end of the initial term.
- c. **Date References.** For purposes of construing date specific rights and responsibilities of the Parties upon extension of this Agreement for a second term, references in this Agreement to an initial term date shall mean a date that is five years later. This subsection is not intended to authorize more than one five-year extension period.
- d. **Termination.** Any Contracting Party may, without cause and in its sole discretion, determine not to renew this Agreement for a second term by providing written notice of its decision to the other parties no later June 30, 2021. The Agreement may not be terminated for convenience during either the first or second term. Notice from contracting cities is to be provided in writing to the County, who will subsequently inform the other city partners, in writing, within 14 days of the County receiving the written notification.
5. **Latecomers.** The County may sign an agreement with additional cities for provision of animal services prior to the termination or expiration of this Agreement, but only if the later agreement will not cause either a decrease in the level of services provided to the Cities by the County or an increase in the costs payable by the Cities to the County under this Agreement. Cities that are party to such agreements are referred to herein as "Latecomer Cities."

6. **Compensation.** The County will develop an Estimated Payment calculation for each Service Year using the formulas described in Exhibit C, and shall transmit the payment information to the City according to the schedule described below. The County will also calculate and inform the City as to the Reconciliation Adjustment Amount on or before June 30 of each year, as described in Section 7 below and Exhibit D, in order to reconcile the Estimated Payments made by the City in the prior Service Year. The City will pay the Estimated Payment, and any applicable Reconciliation Adjustment Amounts as follows (a list of payment-related notices and dates is included at Exhibit C-7):

- a. **Service Year 2018:** The County will provide the City with a calculation of the Estimated Payment amounts for Service Year 2018 on or before December 15, 2017, which shall be derived from the Estimated 2018 Payment Amount set forth on **Exhibit C-1**, adjusted if necessary based on the Contracting Cities and other updates to Calendar Year data in **Exhibit C-2**. The City will pay the County the Estimated Payment Amounts for Service Year 2018 on or before August 15, 2018. The Reconciliation Adjustment Amount for Service Year 2018 shall be paid by the City, or by the County if the calculation shows the City is entitled to receive a payment from the County, on or before August 15, 2019, as described in this section.
- b. **Service Years after 2018.**
 - i. **Estimated Payment Determined by December 15.** The Estimated Payment amounts for the upcoming Service Year will be determined by the County following adoption of the County's budget and applying the formulas in **Exhibit C**.
 - ii. **Estimated Payments Due August 15.** The City will pay the County the Estimated Payment Amount on or before each August 15.
 - iii. The Reconciliation Adjustment Amount for the prior Service Year shall be paid on or before August 15 of the following calendar year, as described in Section 7.
 - iv. If a Party fails to pay an Estimated Payment or Reconciliation Adjustment Amount within 15 days of the date owed, the Party owed shall notify the owing Party that they have ten (10) days to cure non-

payment. If the Party fails to cure its nonpayment within this time period following notice, the amount owed shall accrue interest thereon at the rate of 1% per month from and after the original due date and, if the nonpaying Party is the City, the County at its sole discretion may withhold provision of Animal Services to the City until all outstanding amounts are paid. If the nonpaying Party is the County, the City may withhold future Estimated Payments until all outstanding amounts are paid. Each Party may examine the other's books and records to verify charges.

- v. Unless the Parties otherwise direct, payments shall be submitted to the addresses noted at Section 15.g.

c. **Payment Obligation Survives Expiration or Termination of Agreement.**

The obligation of the City (or as applicable, the County), to pay an Estimated Payment Amount or Reconciliation Adjustment Amount for a Service Year included in the term of this Agreement shall survive the Expiration or Termination of this Agreement. For example, if this Agreement terminates on December 31, 2022, the Estimated 2022 Payment is nevertheless due on or before August 15, 2022, and the Reconciliation Adjustment Amount shall be payable on or before August 15, 2023.

- d. The Parties agree the payment and reconciliation formulas in this Agreement (including all Exhibits) are fair and reasonable.

7. Reconciliation of Estimated Payments and Revenues.

- a. In order that the Contracting Parties share costs of the regional Animal Services Program based on their actual, rather than estimated, licensing revenues, there will be an annual reconciliation. Specifically, on or before June 30 of each year, the County will reconcile amounts owed under this Agreement for the prior Service Year by comparing each Contracting Party's Estimated Payments to the amount derived in **Exhibit C** using actual revenue data for such Service Period as detailed in **Exhibit D**. There will also be an adjustment if necessary to account for annexations of areas with a population of 2,500 or more and for changes in relative population shares of Contracting Parties' attributable to Latecomer Cities. The County will provide the results of the reconciliation to all Contracting Parties in writing on or before June 30. The Reconciliation Adjustment Amount will be paid on

or before August 15 of the then current year, regardless of the prior termination of the Agreement as per Section 5.c.

- b. The Parties intend that the provision of Animal Services becomes more financially sustainable over the term of this Agreement.. The County will develop proposals designed to support this goal. The County will consult with the Joint City-County Collaboration Committee on any proposals to generate new revenue.
- c. The Parties do not intend for the provision of Animal Services or receipt of such Services under this Agreement to be a profit-making enterprise. Where a Contracting Party receives revenues in excess of its costs under this Agreement (including costs of PAWS (or other animal services provider,) shelter service, Enhanced Control Service, and Enhanced Licensing Support Services, if applicable), they will be reinvested in the Program to reduce the County's costs of the system that are not included in the allocation to cities and to improve service delivery.

8. Enhanced Licensing Support Services

- a. A City may request Enhanced Licensing Support Services from the County during the term of this Agreement by executing **Attachment A to Exhibit F**. The terms and conditions under which such Enhanced Licensing Support Services will be provided are further described at **Exhibit F**. Provision of Enhanced Licensing Support Services during the term of this agreement is *subject to* the County determining it has capacity to provide such services. Provision of Enhanced Licensing Support Services is further subject to the Parties executing an Enhanced Licensing Support Services Agreement and Acknowledgement Form (**Exhibit F, Attachment A**).
- b. In addition to other terms described in **Exhibit F**, receipt of Enhanced Licensing Support Services is subject to the recipient City providing in-kind services, including but not limited to: assisting in communication with City residents; publicizing any canvassing efforts the Parties have agreed should be implemented; assisting in the recruitment of canvassing staff, if applicable; and providing information to the County to assist in targeting its canvassing activities, if applicable.

- c. The County has the option to implement Enhanced Licensing Support Services for cities receiving transition and shelter credits.
9. **Mutual Covenants/Independent Contractor.** The Parties understand and agree that the County is acting hereunder as an independent contractor and that:
- a. Control of County personnel, standards of performance, discipline, and all other aspects of performance shall be governed entirely by the County;
 - b. All County persons rendering service hereunder shall be for all purposes employees of the County, although they may from time to time act as commissioned officers of the City;
 - c. The County contact person for the City regarding all issues arising under this Agreement, including but not limited to citizen complaints, service requests and general information on animal control services is the Manager of Regional Animal Services.

10. Indemnification and Hold Harmless.

- a. City Held Harmless. The County shall indemnify and hold harmless the City and its officers, agents, and employees, or any of them from any and all claims, actions, suits, liability, loss, costs, expenses, and damages of any nature whatsoever, by any reason of or arising out of any negligent act or omission of the County, its officers, agents, and employees, or any of them relating to or arising out of performing services pursuant to this Agreement. In the event that any such suit based upon such a claim, action, loss, or damages is brought against the City, the County shall defend the same at its sole cost and expense; provided that the City reserves the right to participate in said suit if any principle of governmental or public law is involved; and if final judgment in said suit be rendered against the City, and its officers, agents, and employees, or any of them, or jointly against the City and the County and their respective officers, agents, and employees, or any of them, the County shall satisfy the same.
- b. County Held Harmless. The City shall indemnify and hold harmless the County and its officers, agents, and employees, or any of them from any and all claims, actions, suits, liability, loss, costs, expenses, and damages of any nature whatsoever, by any reason of or arising out of any negligent act or omission of the City, its officers, agents, and employees, or any of them relating to or arising out of performing services pursuant to this Agreement. In the event that any suit based upon such a claim, action, loss, or damages

is brought against the County, the City shall defend the same at its sole cost and expense; provided that the County reserves the right to participate in said suit if any principle of governmental or public law is involved; and if final judgment be rendered against the County, and its officers, agents, and employees, or any of them, or jointly against the County and the City and their respective officers, agents, and employees, or any of them, the City shall satisfy the same.

- c. Liability Related to City Ordinances, Policies, Rules and Regulations. In executing this Agreement, the County does not assume liability or responsibility for or in any way release the City from any liability or responsibility that arises in whole or in part as a result of the application of City ordinances, policies, rules or regulations that are either in place at the time this Agreement takes effect or differ from those of the County; or that arise in whole or in part based upon any failure of the City to comply with applicable adoption requirements or procedures. If any cause, claim, suit, action or administrative proceeding is commenced in which the enforceability and/or validity of any such City ordinance, policy, rule or regulation is at issue, the City shall defend the same at its sole expense and, if judgment is entered or damages are awarded against the City, the County, or both, the City shall satisfy the same, including all chargeable costs and reasonable attorney's fees.
- d. Waiver Under Washington Industrial Insurance Act. The foregoing indemnity is specifically intended to constitute a waiver of each party's immunity under Washington's Industrial Insurance Act, Chapter 51 RCW, as respects the other party only, and only to the extent necessary to provide the indemnified party with a full and complete indemnity of claims made by the indemnitor's employees. The parties acknowledge that these provisions were specifically negotiated and agreed upon by them.

11. Dispute Resolution. Whenever any dispute arising among any of the Parties to this Agreement is not resolved by routine meetings or communications, the disputing Parties agree to seek resolution of such dispute in good faith by meeting, as soon as feasible. The meeting shall include the Chief Executive Officer (or his/her designee) of each party involved in the dispute and the Manager of the Regional Animal Services Program. If the parties do not come to an agreement on the dispute, any party may pursue mediation through a process to be mutually agreed to in good faith by the parties within 30 days, which may include binding or nonbinding decisions or recommendations. The mediator(s) shall be individuals skilled in the legal and business aspects of the subject matter of this Agreement.

The parties to the dispute shall share equally the costs of mediation and assume their own costs.

12. Joint City-County Collaboration Committee. A committee composed of 3 county representatives (appointed by the County) and one representative from each Contracting City that chooses to appoint a representative shall meet upon reasonable request of a Contracting City or the County, but in no event shall the Committee meet less than twice each year. Committee members may not be elected officials. The Committee shall review service, revenue and cost issues and make recommendations regarding efficiencies and improvements to services and revenues, and shall review and make recommendations regarding the conduct and findings of the collaborative initiatives. Subcommittees to focus on individual initiatives may be formed, each of which shall include membership from both County and City members of the Joint City-County Collaboration Committee. Recommendations of the Joint City-County Collaboration Committee are non-binding. The collaborative initiatives to be explored include, but are not necessarily limited to:

- a. Services provided (as described in Section 2 of this agreement); Control Services; Shelter Services and Licensing Services;
- b. RASKC Revenues and Costs, including any future proposals for significant revenues to support RASKC.

13. Reporting. The County will provide the City with an electronic report not less than monthly summarizing call response and Program usage data for each of the Contracting Cities and the County and the Animal Services Program. The formatting, content and details of the report will be developed in consultation with the Joint City-County Collaboration Committee.

14. Amendments. Any amendments to this Agreement must be in writing. This Agreement shall be deemed to incorporate amendments to Agreements between the Contracting Parties that are approved by the County and at least two thirds (66%) of all other Contracting Parties (in both number and in the percentage of the prior total Estimated Payments owing from such Contracting Parties in the then current Service Year), evidenced by the authorized signatures of such approving Parties as of the effective date of the amendment; *provided that* this provision shall not apply to any amendment to this Agreement affecting the Party contribution responsibilities, hold harmless and indemnification requirements, provisions regarding duration, termination or withdrawal, or the conditions of this Section.

15. General Provisions.

- a. Other Facilities. The County reserves the right to contract with other shelter service providers for housing animals received from within the City or from City residents, whose levels of service meet or exceed those at the County shelter for purposes of addressing shelter overcrowding or developing other means to enhance the effectiveness, efficiency or capacity of animal care and sheltering within King County.
- b. Survivability. Notwithstanding any provision in this Agreement to the contrary, the provisions of Section 10 (Indemnification and Hold Harmless) shall remain operative and in full force and effect, regardless of the withdrawal or termination of this Agreement.
- c. Waiver and Remedies. No term or provision of this Agreement shall be deemed waived and no breach excused unless such waiver or consent shall be in writing and signed by the Party claimed to have waived or consented. Failure to insist upon full performance of any one or several occasions does not constitute consent to or waiver of any later non-performance nor does payment of a billing or continued performance after notice of a deficiency in performance constitute an acquiescence thereto. The Parties are entitled to all remedies in law or equity.
- d. Grants. Both Parties shall cooperate and assist each other in procuring grants or financial assistance from governmental agencies or private benefactors for reduction of costs of operating and maintaining the Animal Services Program and the care and treatment of animals in the Program.
- e. Force Majeure. In the event either Party's performance of any of the provisions of this Agreement becomes impossible due to war, civil unrest, and any natural event outside of the Party's reasonable control, including fire, storm, flood, earthquake or other act of nature, that Party will be excused from performing such obligations until such time as the Force Majeure event has ended and all facilities and operations have been repaired and/or restored.
- f. Entire Agreement. This Agreement represents the entire understanding of the Parties and supersedes any oral representations that are inconsistent with or modify its terms and conditions.

- g. Notices. Except as otherwise provided in this Agreement, any notice required to be provided under the terms of this Agreement shall be delivered by E-mail (deemed delivered upon E-mail confirmation of receipt by the intended recipient), certified U.S. mail, return receipt requested or by personal service to the following person (or to any other person that the Party designates in writing to receive notice under this Agreement):

For the City: City of Mercer Island
Attn: City Clerk
9611 SE 36th Street
Mercer Island, WA 98040

For the County: Caroline Whalen, Director
Caroline.whelen@kingcounty.gov
King County Dept. of Executive Services
401 Fifth Avenue, Suite 135
Seattle WA. 98104

- h. Assignment. No Party may sell, transfer or assign any of its rights or benefits under this Agreement without the approval of the other Party.
- i. Venue. The Venue for any action related to this Agreement shall be in Superior Court in and for King County, Washington.
- j. Records. The records and documents with respect to all matters covered by this Agreement shall be subject to inspection and review by the County or City for such period as is required by state law (Records Retention Act, Ch. 40.14 RCW) but in any event for not less than 1 year following the expiration or termination of this Agreement.
- k. No Third Party Beneficiaries. This Agreement is for the benefit of the Parties only, and no third party shall have any rights hereunder.
- l. Counterparts. This Agreement and any amendments thereto, shall be executed on behalf of each Party by its duly authorized representative and pursuant to an appropriate motion, resolution or ordinance. The Agreement may be executed in any number of counterparts, each of which shall be an original, but those counterparts will constitute one and the same instrument.

16. **Administration.** This Agreement shall be administered by the County Administrative Officer or his/her designee, and by the City Manager, or his/her designee.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed effective as of January 1, 2018.

King County

City of Mercer Island



Dow Constantine
King County Executive

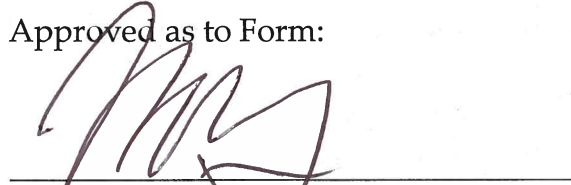
8/29/17
Date



JULIE UNDERWOOD
City Manager

7/7/17
Date

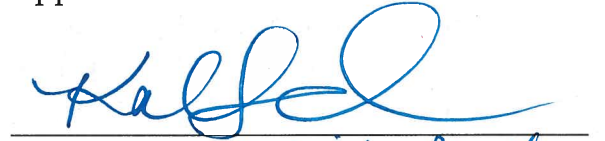
Approved as to Form:



King County
Deputy Prosecuting Attorney

8/10/17
Date

Approved as to Form:



City Attorney Kari L. Sand

7/7/17
Date

List of Exhibits

Exhibit A: Animal Services Description

Exhibit B: Control Service District Map Description

Exhibit B-1: Map of Control Service District

Exhibit C: Calculation of Estimated Payments

Exhibit C-1: Pre-Commitment Estimated 2018 Payment (*showing participation only by jurisdictions that have expressed interest in contracting for an additional 3 year term*)

Exhibit C-2: Estimated Population, Calls for Service, Shelter Use and Licensing Data for Jurisdictions, Used to Derive the Pre-Commitment Estimated 2018 Payment

Exhibit C-3: Calculation of Budgeted Total Allocable Animal Services Costs, Budgeted Total Non-Licensing Revenue and Budget Net Allocable Animal Services Costs for 2018

Exhibit C-4: Calculation and Allocation of Transition Credit, Shelter Credit

Exhibit C-5: [Intentionally Omitted]

Exhibit C-6: Summary of Calculation Periods for Use and Population Components

Exhibit C-7: Payment and Calculation Schedule

Exhibit D: Reconciliation

Exhibit E: Enhanced Control Services Contract (Optional)

Exhibit F: Enhanced Licensing Support Services – Terms of Service (Optional)

Exhibit A

Animal Service Description

Part I: Control Services

Control Services include the operation of a public call center, the dispatch of animal control officers in response to calls, and the handling of calls in the field by animal control officers, including the collection and delivery of animals to the Kent Shelter (or such other shelters as the County may utilize in accordance with this Agreement).

1. Call Center

- a. The County will operate an animal control call center five days every week (excluding holidays and County-designated furlough days, if applicable) for a minimum of eight hours per day (normal business hours). The County will negotiate with applicable unions with the purpose of obtaining a commitment for the five day call center operation to include at least one weekend day. The County may adjust the days of the week the call center operates to match the final choice of Control District service days.
- b. The animal control call center will provide callers with guidance, education, options and alternative resources as possible/appropriate.
- c. When the call center is not in operation, callers will hear a recorded message referring them to 911 in case of emergency, or if the event is not an emergency, to either leave a message or call back during regular business hours.

2. Animal Control Officers

- a. The County will divide the area receiving Control Services into three Control Districts as shown on **Exhibit B**. Subject to the limitations provided in this Section 2, Control Districts 200 and 220 each will be staffed with one Animal Control Officer during Regular ACO Service Hours and District 500 will be staffed with two Animal Control Officers (ACOs) during Regular ACO Service Hours. Regular ACO Service Hours is defined to include not less than 40 hours per week. The County will negotiate with applicable unions with the intention of obtaining a commitment for Regular ACO Service Hours to include service on at least one weekend day. Regular ACO Service Hours may change from time to time.
 - i. Except as the County may in its sole discretion determine is necessary to protect officer safety, ACOs shall be available for responding to calls within their assigned Control District and will not be generally available to respond to calls in other Control Districts. **Exhibit B-1** shows the map of Control Districts.

- ii. Countywide, the County will have a total of not less than 6 ACOs (Full-Time Equivalent employees) on staff to maximize the ability of the County to staff all Control Districts notwithstanding vacation, sick-leave, and other absences, and to respond to high workload areas on a day-to-day basis. While the Parties recognize that the County may at times not be able to staff all Control Districts as proposed given unscheduled sick leave or vacancies, the County will make its best efforts to establish regular hourly schedules and vacations for ACOs in order to minimize any such gaps in coverage. In the event of extended absences among the 6 ACOs, the County will re-allocate remaining ACOs as practicable in order to balance the hours of service available in each Control District. In the event of ACO absences (for any causes and whether or not such absences are extended as a result of vacancies or other issues), the first priority in allocating ACOs shall be to ensure there is an ACO assigned in each Control District during Regular ACO Service Hours.
- b. Control District boundaries are designed to balance work load, correspond to jurisdictional boundaries and facilitate expedient transportation access across each district. The County will arrange a location for an Animal Control vehicle to be stationed overnight in Control Districts ("host sites") in order to facilitate service and travel time improvements or efficiencies.
- c. The County will use its best efforts to ensure that High Priority Calls are responded to by an ACO during Regular ACO Service Hours on the day such call is received. The County shall retain full discretion as to the order in which High Priority calls are responded. High Priority Calls include those calls that pose an emergent danger to the community, including:
 - 1. Emergent animal bite,
 - 2. Emergent vicious dog,
 - 3. Emergent injured animal,
 - 4. Police assist calls—(police officer on scene requesting assistance from an ACO),
 - 5. Emergent loose livestock or other loose or deceased animal that poses a potential danger to the community, and
 - 6. Emergent animal cruelty.
- d. Lower priority calls include all calls that are not High Priority Calls. These calls will be responded to by the call center staff over the telephone, referral to other resources, or by dispatching of an ACO as necessary or available, all as determined necessary and appropriate in the sole discretion of the County. Particularly in the busier seasons of the year (spring through fall),

lower priority calls may only receive a telephone response from the Call Center. Lower Priority calls are non-emergent requests for service, including but not limited to:

1. Non-emergent high priority events,
 2. Patrol request – (ACO requested to patrol a specific area due to possible code violations),
 3. Trespass,
 4. Stray Dog/Cat/other animal confined,
 5. Barking Dog,
 6. Leash Law Violation,
 7. Deceased Animal,
 8. Trap Request,
 9. Female animal in season, and
 10. Owner's Dog/Cat/other animal confined.
- e. The Joint-City County Collaboration Committee is tasked with reviewing response protocols and recommending potential changes to further the goal of supporting the most appropriate use of scarce Control Service resources countywide. The County will in good faith consider such recommendations but reserves the right to make final decisions on response protocols. The County will make no changes to its procedures that are inconsistent with the terms of this **Exhibit A**, *except that* upon the recommendation of the Joint City-County Collaboration Committee, the County may agree to modify response with respect to calls involving animals other than horses, livestock, dogs and cats.
- f. In addition to the ACOs serving specific districts, the following Control Service resources will be available on a shared basis for all Parties and shall be dispatched as deemed necessary and appropriate by the County.
1. An animal control sergeant will provide oversight of and back-up for ACOs five days per week at least 8 hours/day (subject to vacation/sick leave/training/etc.).
 2. Staff will be available to perform animal cruelty investigations, to respond to animal cruelty cases, and to prepare related reports (subject to vacation/sick leave/training/etc.).
 3. Not less than 1 ACO will be on call every day at times that are not Regular ACO Service Hours (including the days per week that are not included within Regular ACO Service Hours), to respond to High Priority Calls posing an extreme life and safety danger, as determined by the County.
- g. The Parties understand that rural areas of the County will generally receive a less rapid response time from ACOs than urban areas.

- h. Contracting Cities may contract with King County for “Enhanced Control Services” through separate agreement (as set forth in **Exhibit E**); *provided that* a City may not purchase Enhanced Control Services under Option 1 as described in **Exhibit E** if such City is receiving a Transition Funding Credit and/or Shelter Credit.

Part II: Shelter Services

Shelter services include the general care, cleaning and nourishment of owner-released, lost or stray dogs, cats and other animals. Such services shall be provided 7-days per week, 365 days per year at the County’s animal shelter in Kent (the “Shelter”) or other shelter locations utilized by the County, including related services described in this section.

Major maintenance of the Shelter will continue to be included in the Program costs allocated under this Agreement (as part of the central County overhead charges allocated to the Program). No major renovation, upgrades or replacements of the Shelter established as a capital project within the County Budget are anticipated. Nor will any such capital project costs be allocated to the Contracting Cities during the term of this Agreement without prior agreement of the Contracting Cities.

1. Shelter Services

- a. Services provided to animals will include enrichment, exercise, care and feeding, and reasonable medical attention.
- b. The Public Service Counter at the Shelter will be open to the public not less than 30 hours per week and not less than 5 days per week, excluding holidays and County designated furlough days, for purposes of pet redemption, adoption, license sales services and (as may be offered from time to time) pet surrenders. The Public Service Counter at the shelter may be open for additional hours if practicable within available resources.
- c. The County will maintain a volunteer/foster care function at the Shelter to encourage use of volunteers working at the shelter and use of foster families to provide fostering/transitional care between shelter and permanent homes for adoptable animals.
- d. The County will maintain an animal placement function at the Shelter to provide for and manage adoption events and other activities leading to the placement of animals in appropriate homes.
- e. Veterinary services will be provided and will include animal exams, treatment and minor procedures, spay/neuter and other surgeries. Limited emergency veterinary services will be available in non-business hours, through third-party contracts, and engaged if and when the County determines necessary.

- f. The County will take steps through its operating policies, codes, public fee structures and partnerships to reduce the number of animals and their length of stay in the Shelter, and may at times limit owner-surrenders and field pick-ups, adjust fees and incentivize community-based solutions.
2. **Other Shelter services**
 - a. Dangerous animals will be confined as appropriate/necessary.
 - b. Disaster/emergency preparedness for animals will be coordinated regionally through efforts of King County staff.
3. **Shelter for Contracting Cities contracting with PAWS (Potentially including Woodinville, Shoreline, Lake Forest Park, Kenmore ("Northern Cities"))**. For so long as a Northern City has a contract in effect for sheltering dogs and cats with the Progressive Animal Welfare Society in Lynnwood (PAWS), or other animal service providers the County will not shelter dogs and cats picked up within the boundaries of such City(s), except in emergent circumstances and when the PAWS Lynnwood (or other animal service providers), shelter is not available. Dogs and cats picked up by the County within such City(s) will be transferred by the County to the PAWS (shelter in Lynnwood (or other animal service providers) for shelter care, which will be provided and funded solely through separate contracts between each Northern City and PAWS, (or other animal service providers) and the County will refer residents of that City to PAWS (or other animal service providers) for sheltering services. The County will provide shelter services for animals other than dogs and cats that are picked up within the boundaries of Northern Cities contracting with PAWS (or other animal service providers) on the same terms and conditions that such shelter services are provided to other Contracting Parties. Except as provided in this Section, the County is under no obligation to drop animals picked up in any Contracting City at any shelter other than the County shelter in Kent.
4. **County Contract with PAWS, or other animal service providers**. Nothing in this Agreement is intended to preclude the County from contracting with other entities to care for animals taken in by the County.
5. **Service to Persons who are not Residents of Contracting Cities**. The County will not provide routine shelter services for animals brought in by persons who are not residents of Contracting Cities, but may provide emergency medical care to such animals, and may seek to recover the cost of such services from the pet owner and/or the City in which the resident lives.

Part III: Licensing Services

Licensing services include the operation and maintenance of a unified system to license pets in Contracting Cities.

1. The public will be able to purchase pet licenses in person at the County Licensing Division public service counter in downtown Seattle (500 4th Avenue), King County Community Service Centers and the Kent Animal Shelter during regular business hours. The County will maintain on its website the capacity for residents to purchase pet licenses on-line.
2. The County may seek to engage and maintain a variety of private sector partners (e.g. veterinary clinics, pet stores, grocery stores, city halls, apartment complexes) as hosts for locations where licenses can be sold or promoted in addition to County facilities.
3. The County will furnish licenses and application forms and other materials to the City for its use in selling licenses to the public at City facilities and at public events.
4. The County will publicize reminders and information about pet licensing from time to time through inserts in County mailings to residents and on the County's public television channel.
5. The County will annually mail or E-mail at least one renewal form, reminder and late notice (as applicable) to the last known addresses of all City residents who purchased a pet license from the County within the previous year (using a rolling 12-month calendar).
6. The County may make telephone reminder calls in an effort to encourage pet license renewals.
7. The County shall mail pet license tags or renewal notices as appropriate to individuals who purchase new or renew their pet licenses.
8. The County will maintain a database of pets owned, owners, addresses and violations.
9. The County will provide limited sales and marketing support in an effort to maintain the existing licensing base and increase future license sales. The County reserves the right to determine the level of sales and marketing support provided from year to year in consultation with the Joint City-County Collaboration Committee. The County will work with any City in which door-to-door canvassing takes place to reach agreement with the City as to the hours and locations of such canvassing.
10. The County will provide current pet license data files (database extractions) to a Contracting City promptly upon request. Data files will include pets owned, owners, addresses, phone numbers, E-mail addresses, violations, license renewal status, and any other relevant or useful data maintained in the County's database on pets licensed within the City's limits. A City's database extraction will be provided in electronic format agreed to by both parties in a timely fashion and in a standard data release format that is easily usable by the City.

Exhibit B: Control Service District Map

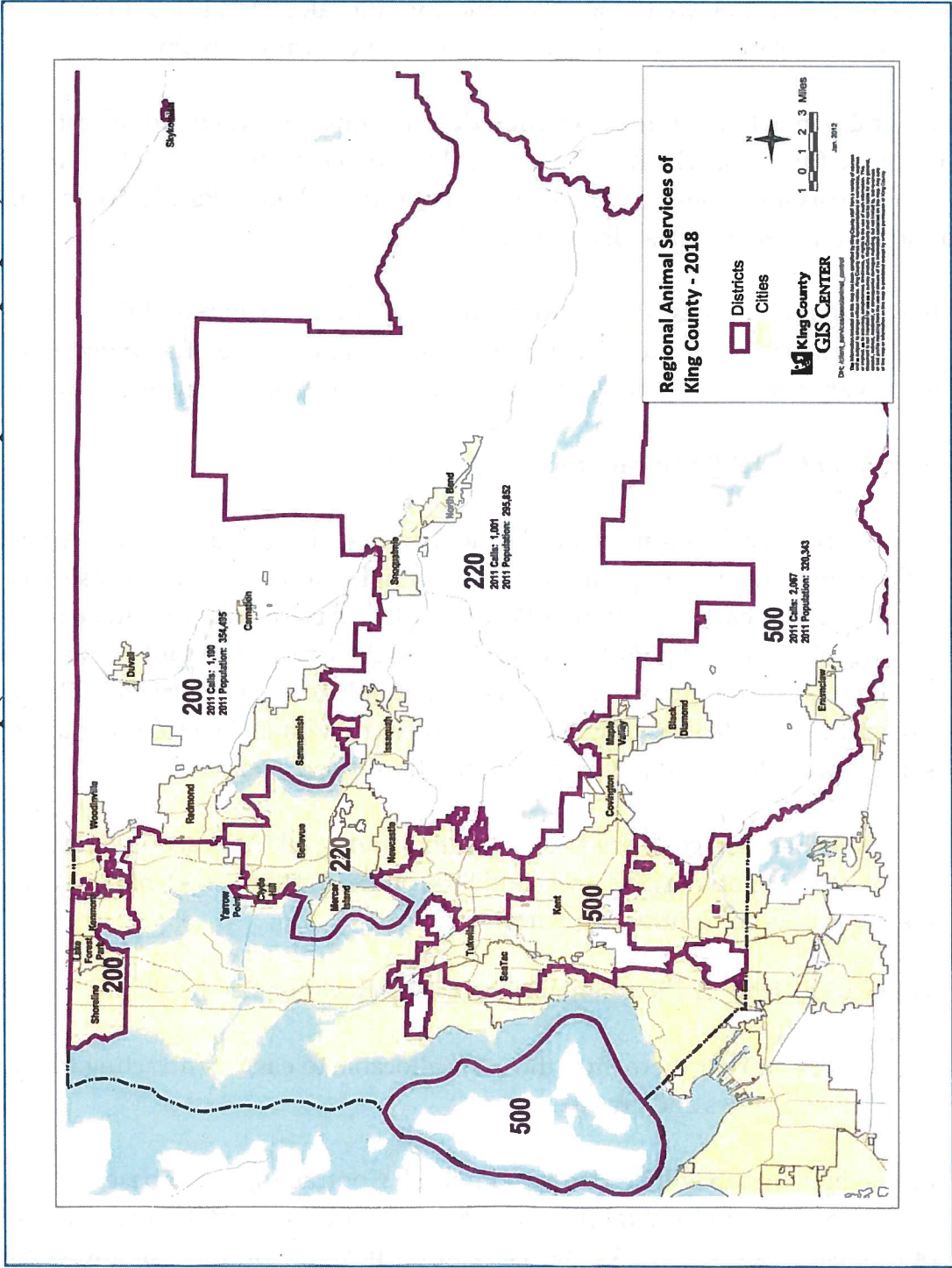
The attached map (**Exhibit B-1**) shows the boundaries of the 3 Control Service Districts.

The cities and towns included in each Control District are as follows:

<u>District 200 (Northern District)</u> Shoreline Lake Forest Park Kenmore Woodinville Redmond Sammamish Duvall Carnation	<u>District 220 (Eastern District)</u> Bellevue Mercer Island Yarrow Point Clyde Hill Town of Beaux Arts Issaquah Snoqualmie North Bend Newcastle
<u>District 500 (Southern District)</u> Tukwila SeaTac Kent Covington Maple Valley Black Diamond Enumclaw	

The Districts shall each include portions of unincorporated King County as illustrated on **Exhibit B-1**.

Exhibit B-1
RASKC Control District Map (* 3 Districts are for operational purposes)



*Note: 3 districts are for operational purposes; cost allocation is calculated combining all districts into one)

Exhibit C

Calculation of Estimated Payments

The Estimated Payment is the amount, before reconciliation, owed by the City to the County (or owed by the County to the City if the amount calculated is less than \$0) for the provision of one (1) year of Animal Services, based on the formulas below.

In summary and subject to the more detailed descriptions below, an initial cost allocation is made for the Service Year (example 2018) based on the cost factors described in **Part 1** below; costs are offset by various revenues as described in **Part 2**. An annual reconciliation is completed as described in **Part 3**.

Based on the calculation process described in **Parts 1 and 2**, an “Estimated Payment” amount owed by each City for each Service Year is determined. Each Estimated Payment covers one (1) year of service. Payment for service is made by each City every August 15.

Part 1: Service Year Cost Allocation Process

- Control Services costs are to be allocated among all Contracting Parties based 20% on their relative population and 80% on the number of calls for service attributable to each Contracting Party. Shelter Services costs are to be allocated among all Contracting Parties based 20% on their relative population and 80% on the total shelter intake of animals attributable to each Contracting Party, except that cities contracting for shelter services with PAWS (or other animal service providers) will pay only a population-based charge.
- Licensing Services costs are to be allocated among all Contracting Parties, based 20% on their relative population and 80% on the number of licenses issued to residents of each Contracting Party.

Part 2: Revenue and Other Adjustments to the Cost Allocation

In 2018 and each Service Year thereafter, the costs allocable to each Contracting Party are reduced by various revenues and credits:

- Licensing revenue will be attributed to each Contracting Party based on the residency of the individual purchasing the license (see **Part 3** for reconciliation of Licensing Revenues). As Licensing Revenue and Non-Licensing Revenues change from year to year, the most recent historical actual data for these amounts will be incorporated to offset costs (See **Exhibit C-6** for calculation periods). Historical actual data shall be derived from the most recent complete

year, or the most recent December – November actual, whichever is more, unless otherwise approved by the Joint City County Collaboration Committee.

- Two credits are applicable to various Contracting Cities to reduce the amount of their Estimated Payments: a Transition Funding Credit (fixed at 2013 level, payable annually through 2022) for cities with high per-capita costs and a Shelter Credit (for Contracting Cities with the highest per capita intakes (usage)) (adjusted annually as indicated in Exhibit C-4, payable annually through 2022,). The County agrees to give serious consideration to maintaining the various credits provided to the Contracting City under this Agreement in any extension of the Agreement. Application of these Credits is limited such that the Estimated Payment cannot fall below zero (before or after the annual Reconciliation calculation).
- All Contracting Cities may request Enhanced Licensing Support Services by executing a separate Enhanced Licensing Support Services Agreement and Acknowledgement form with the County (**Exhibit F, Attachment A**). This support is subject to availability of County staff.
- In each Service Year subsequent to 2018, allocable costs are adjusted for each Contracting Party based on the actual increase or decrease in allocable costs from year to year for the whole Program. Total Budgeted Allocable Costs cannot increase by more than the Annual Budget Inflator Cap. The Annual Budget Inflator Cap is the rate of inflation (based on the annual change in the September CPI-U for the Seattle-Tacoma-Bremerton area over the rate the preceding year) plus the rate of population growth for the preceding year for the County (including the unincorporated area and all Contracting Cities).
- In all Service Years, costs are also adjusted for annexations (in or out of the Program service area) of areas with a population of 2,500 or more and the shift in relative population shares among all Contracting Parties as a result of any Latecomer Cities.

Part 3: Reconciliation

- Estimated Payments are reconciled to reflect actual revenues as well as changes in population attributable to annexations of areas with a population of 2,500 or more (in or out of the Program) and the shifts in relative population among all Contracting Parties as a result of any Latecomer Cities. The Reconciliation occurs

by June 30 of the following calendar year. The Reconciliation calculation and payment process is described in **Exhibit D**.

- The receipt of Transition Funding Credits or Shelter Credits can never result in the amount of the Estimated Reconciliation Adjustment Payment falling below \$0.
- If a jurisdiction's licensing revenues exceed its net costs payable under this Agreement, then in the annual reconciliation process, the excess licensing revenue is reallocated to offset the County's costs not included in the cost allocation model *provided that*, the determination of net costs shall be adjusted as follows: (1) for a Contracting City purchasing shelter services from PAWS (or other animal service provider); net costs includes consideration of the amounts paid by such City to PAWS (or other animal service provider); and (2) for a Contracting City purchasing Enhanced Control Services per Exhibit E, and/or purchasing Enhanced Licensing Support Services per Exhibit F, net costs includes consideration of the amounts paid for such services.

Part 4: Estimated Payment Calculation Formulas

For Each Service Year .

$$EP = [(EC + ES + EL) - (ELR + TC + SC)]$$

Where:

"EP" is the Estimated Payment. For Contracting Cities receiving a Transition Credit or Shelter Credit, the value of EP may not be less \$0.

"EC" or "Estimated Control Services Cost" is the City's estimated share of the Budgeted Net Allocable Control Services Cost for the Service Year. *See formula below for deriving "EC."*

"ES" or "Estimated Shelter Services Cost" is the City's estimated share of the Budgeted Net Allocable Shelter Services Cost for the Service Year. *See formula below for deriving "ES."*

"EL" or "Estimated Licensing Services Cost" is the City's estimated share of the Budgeted Net Allocable Licensing Services Cost for the Service Year. *See formula below for deriving "EL."*

"ELR" is Estimated Licensing Revenue attributable to the City. For purposes of determining the Estimated Payment in Year 2018, ELR is based on the amount of revenue from each type of active license issued to City residents in 2016, or December 2015-November 2016, whichever is more (the "Calculation Period"). **Exhibit C-2** shows a preliminary estimate of 2016 Licensing Revenue; the numbers in this exhibit are subject to Reconciliation by June 30, 2019. Additional factors for Estimated Licensing Revenue:

For Contracting Cities that have executed an Enhanced Licensing Support Services Agreement and Acknowledgement form per **Exhibit F**, **ER** is increased by adding the estimated net amount of revenue, if any, estimated to be derived as a result of Enhanced Licensing Support Services provided to the City (the "Licensing Revenue Target" or "**RT**" less the estimated Enhanced Licensing Support Services cost); this amount is shown in the column captioned "Estimated Revenue from Enhanced Licensing Support" on **Exhibit C-1**).

License Revenue that cannot be attributed to a specific Party (e.g., License Revenue associated with incomplete address information), which generally represents a very small fraction of overall revenue, is allocated amongst the Parties based on their respective percentages of ELR as compared to Total Licensing Revenue.

Notwithstanding the foregoing, **"ELR"** may be based on an *estimated* amount of licensing for the Service Year for the City if, in the reasonable judgment of the County, an estimated Licensing Revenue amount can be proposed that is likely to more closely approximate the actual Licensing Revenue for the Service Year than the data from the Calculation Period; *provided that* the use of any estimates shall be subject to the conditions of this paragraph. The County shall work with the Joint City-County Collaboration Committee to develop estimated Licensing Revenue amounts for all Contracting Cities for the upcoming Service Year. If the Joint City-County Collaboration Committee develops a consensus proposal (agreement shall be based on the consensus of those Contracting Cities present at the Joint City-County Collaboration Committee meeting in which Licensing Revenue estimates are presented in preparation for the December 15 Estimated Payment Calculation notification), it shall be used in developing the December 15 Final Estimated Payment Calculation. If a consensus is *not* reached, the County shall apply the actual Licensing Revenue from the Calculation Period for the Service Year to determine the Preliminary Estimated Payment.

"TC" is the **Transition Funding Credit**, if any, allocable to the City for each Service Year calculated per **Exhibit C-4**.

"SC" is the **Shelter Credit**, if any, allocable to the City for each Service Year calculated per **Exhibit C-4**.

"B" is the **"Budgeted Total Net Allocable Costs"** estimated for the Service Year for the provision of Animal Services which are allocated among all the Contracting Parties for the purposes of determining the Estimated Payment. The Budgeted Total Net Allocable Costs are calculated as the **Budgeted Total Allocable Costs** (subject to the **Annual Budget Inflator Cap**) *less* **Budgeted Total Non-Licensing Revenue**. The Budgeted Total Allocable Costs *exclude* any amount expended by the County as Transition Funding Credits, or Shelter Credits (described in **Exhibit C-4**), or to provide Enhanced Licensing Support Services (described in **Section 8**). A preliminary calculation (by service area—Control, Shelter, Licensing) of Budgeted Total Net Allocable Costs, Budgeted Total Allocable Costs and Budgeted Total Non-Licensing Revenue for purposes of calculating the Pre-Commitment Estimated 2018 Payments is set forth in **Exhibit C-3**.

"Total Licensing Revenue" means all revenue received by the County's Animal Services Program attributable to the sale of pet licenses excluding late fees, refunds and rebates. With respect to each Contracting Party, the amount of **"Licensing Revenue"** is the revenue generated by the sale of pet licenses to residents of the jurisdiction, excluding late fees, refunds and rebates. (With respect to the County, the jurisdiction is the unincorporated area of King County.)

"Total Non-Licensing Revenue" means all revenue from fines, forfeitures, and all other fees and charges imposed by the County's Animal Services program in connection with the operation of the Program, *but excluding* **Total Licensing Revenue, Designated Donations, grants, or entrepreneurial activities**.

"Designated Donations" mean donations from individuals or other third parties to the County made for the purpose of supporting specific operations, programs or facilities within the Animal Services Program.

"Enhanced Licensing Support Services" means activities or funding to be undertaken in specific cities to enhance licensing revenues, per **Section 8** and **Exhibit F**.

"Annual Budget Inflator Cap" means the maximum amount by which the Budgeted Total Allocable Costs may be increased from one Service Year to the next Service Year, and year to year, which is calculated as the rate of inflation (based on the annual change in the September CPI-U for the Seattle-Tacoma-Bremerton area over the rate the preceding year) plus the rate of population growth for the preceding year for the County (including the

unincorporated area and all Contracting Cities), as identified by comparing the two most recently published July OFM city and county population reports. The cost allocations to individual services (e.g. Control Services, Shelter Services or Licensing Services) or specific items within those services may be increased or decreased from year to year in so long as the Budgeted Total Annual Allocable Costs do not exceed the Annual Budget Inflator Cap.

“Service Year” is the calendar year in which Animal Services are/were provided.

“Calculation Period” is the time period from which data is used to calculate the Estimated Payment. The Calculation Period differs by formula component and Service Year. **Exhibit C-6** sets forth in table form the Calculation Periods for all formula factors for the Service Years.

“Population” with respect to any Contracting Party for Service Year 2018 means the population number derived from the State Office of Financial Management (OFM) most recent annually published report of population used for purposes of allocating state shared revenues in the subsequent calendar year (typically published by OFM each July, reflecting final population estimates as of April of the same calendar year). For each Service Year, the OFM reported population will be adjusted for annexations of 2,500 or more residents known to be occurring after April, 2017 and before the end of the Service Year. *For example*, when the final Estimated Payment calculation for 2018 is provided on December 15, 2017, the population numbers used will be from the OFM report issued in July 2017 and will be adjusted for all annexations of 2,500 or more residents that occurred (or are known to be occurring) between April 1, 2017 and December 31, 2018. In any Service Year, if: (1) annexations of areas with a population of 2,500 or more people occurs to impact the population within the jurisdiction of a Contracting Party; or (2) a Latecomer City is brought under contract with the County, these changes shall be accounted for in the calculation of the Estimated Payment for such Service Year. Such adjustment shall be made at the next occurring possibility (e.g., at calculation of the Final Estimated Payment, or Reconciliation, whichever is soonest). The adjustment will be made on a *pro rata* basis to reflect the portion of the year in which the population change was in effect.

- The population of an annexed area will be as determined by the Boundary Review Board, in consultation with the annexing city. The population of the unincorporated area within any District will be determined by the County’s demographer.
- In the case of a Latecomer City, the population shall be similarly adjusted among all Contracting Parties in the manner described above for annexations, by considering the change in population between all Contracting Parties *attributable solely* to the Latecomer City becoming a Contracting Party.

Exhibit C-1 shows the calculation of Pre-Commitment **EP** for Service Year 2018 assuming that the County and all Cities that have expressed interest in signing this Agreement as of December 31, 2016, do in fact approve and sign the Agreement.

Component Calculation Formulas (used in each Service Year):

Estimated Control (EC) Services Costs is calculated as follows:

$$EC = ((C \times .8) \times ACFS) + ((C \times .2) \times Pop\%)$$

Where:

"C" is the **Budgeted Net Allocable Control Services Cost** for the Service Year, which equals the County's Budgeted Total Allocable Costs for Control Services in the Service Year, *less* the Budgeted Total Non-Licensing Revenue attributable to Control Services in the Service Year (for example, fines issued in the field). For purposes of determining the Pre-Commitment Estimated Payments for 2018, the Budgeted Net Allocable Control Services Cost is \$1,979,509., calculated as shown on **Exhibit C-3**, and shall be similarly derived to determine the Final Estimated Payment for 2018 and each Service Year.

"ACFS" is the total Average annual number of Calls for Service during the Calculation Period for the Service Year for Control Services originating within the City *expressed as a percentage* of the ACFS for all Contract Parties.. A Call for Service is defined as a request from an individual, business or jurisdiction for a control service response to a location within the City, or a response initiated by an Animal Control Officer in the field, which is entered into the County's data system (at the Animal Services call center or the sheriff's dispatch center acting as back-up to the call center) as a request for service. Calls for information, hang-ups and veterinary transfers are not included in the calculation of Calls for Service. A response by an Animal Control Officer pursuant to an Enhanced Control Services Contract will not be counted as a Call for Service. For purposes of determining the Estimated Payment for each Service Year, the Calculation Period for **ACFS** is the rolling annual average based on the most recently completed three (3) calendar years actual usage. For example 2014-2016 for 2018 Service Year. **Exhibit C-2** shows a preliminary estimate of **ACFS** for 2014-2016, used to determine the Pre-Commitment Estimated 2018 Payment; the numbers in this Exhibit C-2 are subject to Reconciliation by June 30, 2017.

"Pop%" is the Population of the City or unincorporated County, expressed as a percentage of the Population of all Contracting Parties.

Estimated Shelter (ES) cost for each Service Year is calculated as follows:

If, as of the effective date of this Agreement, the City has entered into a contract for shelter services with the Progressive Animal Welfare Society (PAWS) in Lynnwood, WA, (or other animal service provider), then, for so long as such contract remains in effect, the City will not pay a share of shelter costs associated with shelter usage ("AA" as defined below) and instead the Estimated Payment will include a **population-based charge only**, reflecting the regional shelter benefits nonetheless received by such City, calculated as follows (the components of this calculation are defined as described below).

$$ES = (S \times .2 \times \text{Pop}\%)$$

If the City **does not** qualify for the population-based shelter charge only, ES is determined as follows:

$$ES = (S \times .2 \times \text{Pop}\%) + (S \times .8 \times \text{AA})$$

Where:

"S" is the Budgeted Net Allocable Shelter Services Cost for the Service Year, which equals the County's Budgeted Total Allocable Costs for Shelter Services *less* Budgeted Total Non-Licensing Revenue attributable to Shelter operations (i.e., adoption fees, microchip fees, impound fees, owner-surrender fees, from all Contracting Parties). For purposes of determining the Pre-Commitment Estimated Payments for 2018, the Budgeted Net Allocable Shelter Services Cost is \$2,960,088., calculated as shown on **Exhibit C-3**, and shall be similarly derived to determine the Final Estimated Payments for 2018 and for each Service Year.

"Pop%" is the population of the City, or unincorporated County, expressed as a percentage of the Population of all Contracting Parties.

"AA" is the animal intakes that were: (1) picked up by County Animal Control Officers from within the City, (2) delivered by a City resident to the County shelter, or (3) delivered to the shelter that are owned by a resident of the City, averaged during the Calculation Period and *expressed as a percentage* of the total number of animals in the County Shelter during the Calculation Period. For purposes of calculating the Estimated Payment for each Service Year, the Calculation Period for "AA" is the rolling annual average based on

the most recently completed three (3) calendar years (for example 2014-2016 for Service Year 2018)(actual usage). **Exhibit C-2** shows a preliminary estimate of “AA” for 2014-2016 used to determine the Pre-Commitment Estimated 2018 Payments; the numbers in this exhibit are subject to Reconciliation by June 30, 2017.

Estimated Licensing (EL) cost for each Service Year is calculated as follows:

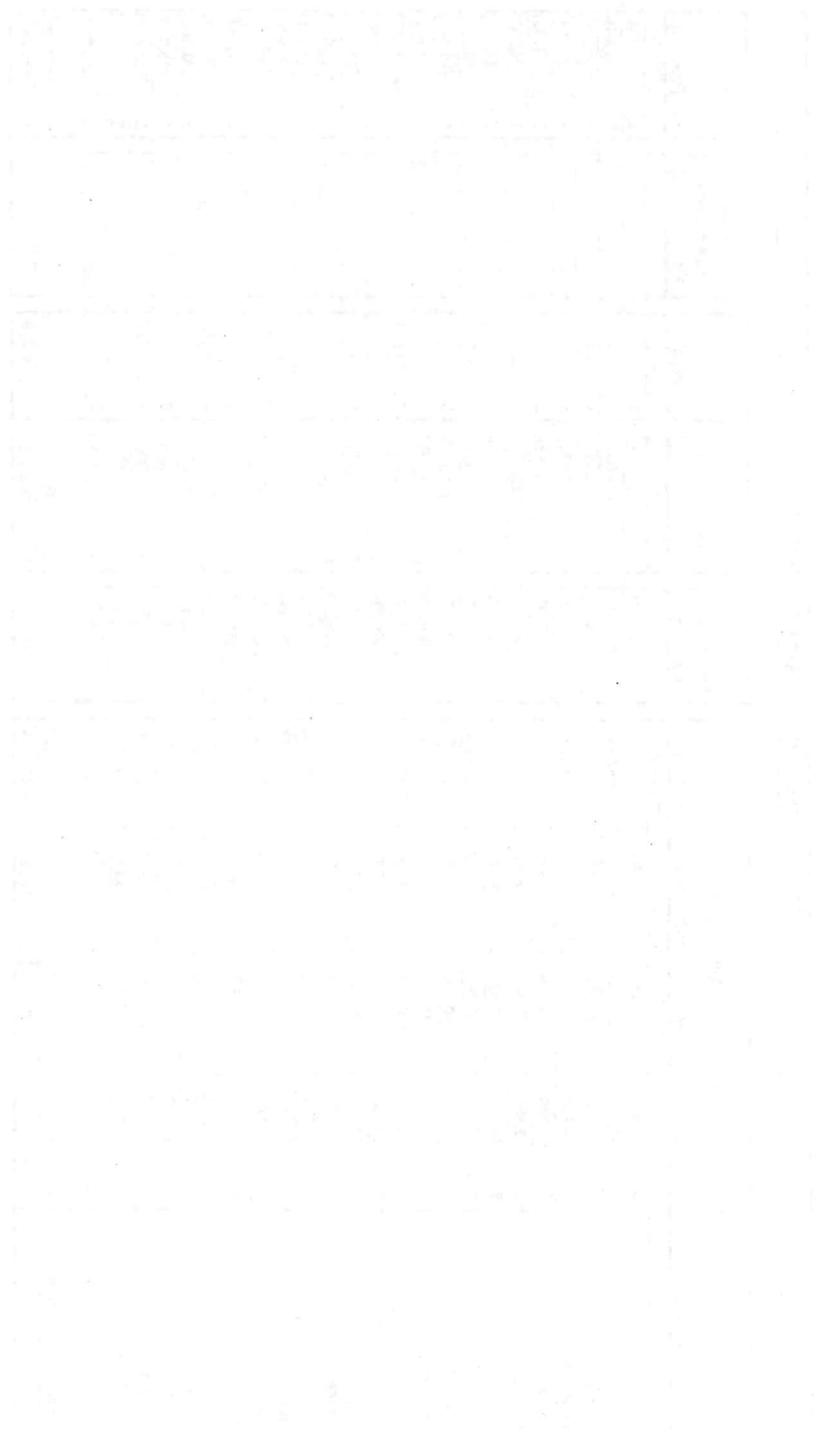
$$EL = (L \times .2 \times \text{Pop}\%) + (L \times .8 \times \text{ALI})$$

Where:

“L” is the Budgeted Net Licensing Services Cost for the Service Year, which equals the County’s Budgeted Total Allocable Costs for License Services in the Service Year *less* Budgeted Total Non-Licensing Revenue attributable to License Services (for example, pet license late fees) in the Service Year . For purposes of determining the Pre-Commitment Estimated Payments for 2018, the Budgeted Net Licensing Cost is \$686,512., calculated as shown on **Exhibit C-3**, and shall be similarly derived to determine the Final Estimated Payments for 2018 and each Service Year.

“Pop%” is the Population of the City expressed as a percentage of the population of all Contracting Parties.

“ALI” (Average Licenses Issued) is the number of active paid regular pet licenses (e.g., excluding ‘buddy licenses’ or temporary licenses) issued to City residents during the Calculation Period. For purposes of calculating the Estimated Payment for each Service Year, the Calculation Period for “ALI” is the rolling annual average based on the most recently completed three (3) calendar years actual usage. For example 2014-2016 for 2018 Service Year. **Exhibit C-2** shows a preliminary estimate of “ALI” to be used for calculating the Pre-Commitment Estimated 2018 Payments; the numbers in this Exhibit are subject to reconciliation by June 30, 2017.



Regional Animal Services of King County - DRAFT C-1

2018 Estimated Payment Calculation (Draft)

Jurisdiction	Cost Allocation				Per Licensing Revenue*	Estimated Net Cost	Credits	Enhanced Licensing Net Revenue (est'd)	Net Final Cost
	Field Cost	Shelter Cost	Licensing Cost	Total Cost					
	fel	fel	fel	all = fel	fel	e-d = li	li	li	f+g+h = li
Beaux Arts	\$ 447	\$ 388	\$ 281	\$ 917	\$ 51,271	\$ 354	\$ -	\$ 354	\$ 354
Bellevue	\$ 165,398	\$ 186,770	\$ 95,183	\$ 447,350	\$ 5373,882	\$ (73,668)	\$ -	\$ (73,668)	\$ (73,668)
Black Diamond	\$ 9,188	\$ 38,017	\$ 4,031	\$ 51,236	\$ 515,765	\$ (15,471)	\$ 5,816	\$ (9,655)	\$ (9,655)
Carnation	\$ 46,28	\$ 4,837	\$ 1,743	\$ 52,860	\$ 57,999	\$ (3,208)	\$ 552	\$ (2,656)	\$ (2,656)
Clyde Hill	\$ 3,210	\$ 2,534	\$ 1,996	\$ 7,741	\$ 57,448	\$ (293)	\$ -	\$ (293)	\$ (293)
Codrigton	\$ 61,463	\$ 109,188	\$ 17,754	\$ 188,385	\$ 588,655	\$ (99,730)	\$ 52,621	\$ (47,109)	\$ (47,109)
Duvall	\$ 13,708	\$ 11,401	\$ 6,125	\$ 31,233	\$ 525,031	\$ (6,202)	\$ -	\$ (6,202)	\$ (6,202)
Enumclaw	\$ 41,052	\$ 51,288	\$ 10,293	\$ 102,614	\$ 545,077	\$ (57,537)	\$ 26,546	\$ (30,991)	\$ (30,991)
Issaquah	\$ 63,302	\$ 40,710	\$ 19,444	\$ 123,455	\$ 572,357	\$ (51,098)	\$ -	\$ (51,098)	\$ (51,098)
Kenmore	\$ 47,880	\$ 14,016	\$ 19,017	\$ 80,913	\$ 590,879	\$ 9,966	\$ -	\$ 9,966	\$ 9,966
Kent	\$ 328,893	\$ 860,393	\$ 77,478	\$ 1,266,764	\$ 535,620	\$ (910,484)	\$ 547,583	\$ (362,911)	\$ (362,911)
Lake Forest Park	\$ 24,688	\$ 8,126	\$ 11,372	\$ 44,185	\$ 544,144	\$ (41)	\$ -	\$ (41)	\$ (41)
Maple Valley	\$ 61,112	\$ 71,309	\$ 21,307	\$ 153,727	\$ 594,772	\$ (2,462)	\$ 6,027	\$ (2,452)	\$ (2,452)
Mercer Island	\$ 21,488	\$ 22,203	\$ 14,911	\$ 58,601	\$ 556,155	\$ (7,725)	\$ -	\$ (7,725)	\$ (7,725)
Newcastle	\$ 20,060	\$ 14,315	\$ 7,770	\$ 42,144	\$ 534,418	\$ (43,730)	\$ 1,376	\$ (42,354)	\$ (42,354)
North Bend	\$ 13,343	\$ 15,151	\$ 6,363	\$ 34,856	\$ 524,262	\$ (10,601)	\$ -	\$ (10,601)	\$ (10,601)
Redmond	\$ 67,148	\$ 70,484	\$ 34,638	\$ 172,260	\$ 5128,550	\$ (43,730)	\$ -	\$ (43,730)	\$ (43,730)
Sammamish	\$ 648,70	\$ 59,289	\$ 40,364	\$ 748,353	\$ 5156,757	\$ (7,767)	\$ -	\$ (7,767)	\$ (7,767)
SeaTac	\$ 91,581	\$ 237,977	\$ 13,430	\$ 342,988	\$ 543,288	\$ (299,701)	\$ 146,076	\$ (153,625)	\$ (153,625)
Shoreline	\$ 111,659	\$ 34,532	\$ 38,389	\$ 184,580	\$ 5143,438	\$ (41,162)	\$ -	\$ (41,162)	\$ (41,162)
Snoqualmie	\$ 18,983	\$ 20,483	\$ 8,319	\$ 47,785	\$ 532,462	\$ (15,394)	\$ -	\$ (15,394)	\$ (15,394)
Tulwila	\$ 68,213	\$ 177,656	\$ 9,487	\$ 255,356	\$ 532,550	\$ (222,806)	\$ 112,017	\$ (110,789)	\$ (110,789)
Woodinville	\$ 18,015	\$ 7,266	\$ 8,119	\$ 33,400	\$ 532,487	\$ (913)	\$ -	\$ (913)	\$ (913)
Yarrow Pt	\$ 1,079	\$ 653	\$ 734	\$ 2,465	\$ 52,719	\$ 254	\$ -	\$ 254	\$ 254
Unincorp. King County	\$ 658,097	\$ 921,327	\$ 217,955	\$ 1,797,389	\$ 860,267	\$ (937,122)	\$ -	\$ (937,122)	\$ (937,122)
Total	\$ 1,979,509	\$ 2,960,088	\$ 886,512	\$ 5,826,109	\$ 2,770,684	\$ (2,855,425)	\$ 886,614	\$ -	\$ (1,956,811)

	Field Cost	Shelter Cost	Licensing Cost	Total Cost
Summary	\$ 2,121,959	\$ 3,088,288	\$ 763,512	\$ 5,973,759
Budgeted Total Allocable Cost	\$ 142,450	\$ 128,200	\$ 77,000	\$ 347,650
Budgeted Non-Licensing Rev	\$ -	\$ -	\$ -	\$ -
Budgeted Net Regional Rev	\$ 1,979,509	\$ 2,960,088	\$ 886,512	\$ 5,826,109

*Pet License assumption based on 2016 Actual (Preliminary)

Notes: Estimated for precommitment period based on most current data. 2018 Final Estimated Payment Calculation will be issued per the terms of the 2018 IJA

Regional Animal Services of King County
Draft 5-20-17

Exhibit C-2

Population, Calls for Service, Shelter Intakes, and Licenses Issued - Data by Jurisdiction -
Used to Derive the Precommitment 2018 Estimated Cost Allocation

Jurisdiction	2016 Population	Average Calls for Service 2014 -2016	Average Intakes 2014 - 2016	Average Licenses Issued 2014 - 2016
Beaux Arts	300	1	-	40
Bellevue	139,400	333	162	12,605
Black Diamond	4,305	23	25	573
Carnation	1,850	12	6	248
Clyde Hill	3,060	6	1	261
Covington	18,750	167	159	2,529
Duvall	7,425	33	11	849
Enumclaw	11,410	113	72	1,453
Issaquah	34,590	152	31	2,425
Kenmore	22,320	120	-	2,654
Kent	124,500	862	1,277	9,990
King County (Uninc'd)*	245,920	1,729	1,252	30,662
Lake Forest Park	12,940	60	-	1,597
Maple Valley	24,790	158	91	2,979
Mercer Island	23,660	36	12	1,930
Newcastle	11,090	48	12	1,036
North Bend	6,570	33	18	910
Redmond	60,560	130	53	4,346
Sammamish*	61,250	122	34	5,293
SeaTac	27,810	249	360	1,579
Shoreline	54,990	276	-	5,114
Snoqualmie	13,110	42	20	1,079
Tukwila	19,540	187	270	1,118
Woodinville	11,570	41	-	1,083
Yarrow Pt	1,040	2	-	98
Grand Total	942,750	4,935	3,866	92,451

Notes: 3-Year Average is rounded to nearest whole number. (2016 Source data based on preliminary usage count)

Final usage data (2014-2016) and population data for 2017 will be used to update and determine the Final 2018 Payment Calculation

Source: WA ST Office of Financial Management (population), Regional Animal Services of King County (usage)

*Usage adjusted for 2016 Klahanie Annexation

Regional Animal Services of King County
1-20-2017

Exhibit C-3

Calculation of Budgeted Total Allocable Costs, Budgeted Total Non-Licensing Revenue, and Budgeted Net Allocable Costs

This Exhibit Shows the Calculation of Budgeted Total Allocable Costs, Budgeted Total Non-Licensing Revenue, and Budgeted Net Allocable Costs to derive Pre-Commitment Estimated 2018 Payments. All values shown are based on annualized costs and revenues. The staffing levels incorporated in this calculation are for year 2018 only and except as otherwise expressly provided in the Agreement may change from year to year as the County determines may be appropriate to achieve efficiencies, etc.

Control Services: Calculation of Budgeted Total Allocable Costs, Budgeted Total Non-Licensing Revenue, and Budgeted Net Allocable Costs

The calculation of Pre-Commitment Estimated 2018 Control Services Costs is shown below.

		Cost
1	Direct Service Management Staff Costs	\$161,969
2	Direct Service Field Staff Costs	\$799,269
3	Call Center Direct Service Staff Costs	\$268,415
4	Overtime, Duty, Shift Differential and Temp Costs	68,340
5	Facilities Costs	8,055
6	Office and Other Operational Supplies and Equipment	\$17,500
7	Printing, Publications, and Postage	\$23,000
8	Medical Costs	\$50,000
9	Other Services	\$75,000
10	Transportation	\$200,981
11	Communications Costs	39,336
12	IT Costs and Services	\$126,625
13	Misc Direct Costs	\$90,536
14	General Fund Overhead Costs	47,140
15	Division Overhead Costs	\$121,798
16	Other Overhead Costs	23,995
	2018 Budgeted Total Allocable Control Services Cost	\$2,121,959
17	Less 2018 Budgeted Total Non-Licensing Revenue Attributable to Control Services	\$142,450
	2018 Budgeted Net Allocable Control Services Cost	\$1,979,509

NOTES:

- 4 These additional salary costs support complete response to calls at the end of the day, limited response to emergency calls after hours, and extra help during peak call times.
- 5 Facilities costs include maintenance and utilities for a portion (5%) of the Kent Shelter (which houses the call center staff operations and records retention as well as providing a base station for field officers).
- 6 This item includes the office supplies required for both the call center as well as a wide variety of non-computer equipment and supplies related to animal control field operations (e.g., uniforms, tranquilizer guns, boots, etc.).
- 7 This cost element consists of printing and publication costs for various materials used in the field for animal control.
- 8 Medical costs include the cost for ambulance and hospital care for animals requiring emergency services.
- 9 Services for animal control operations vary by year but consist primarily of consulting vets and laboratory costs associated with cruelty cases.
- 10 Transportation costs include the cost of the maintenance, repair, and replacement of the animal care and control vehicles and cabs, fuel, and reimbursement for occasional job-related use of a personal vehicle.
- 11 Communication costs involve the direct service costs for telephone, cell phone, radio, and pager use.
- 12 Information technology direct costs include IT equipment replacement as well as direct services costs.
- 13 Miscellaneous direct costs consist of all animal control costs not listed above including but not limited to contingency, training, certification, and bad checks.
- 14 General fund overhead costs included in this model include building occupancy charges and HR/personnel services.
- 15 Division overhead includes a portion of the following personnel time as well as a portion of division administration non-labor costs, both based on FTEs: division director, assistant division director, administration, program manager, finance officer, payroll/accounts payable, and human resource officer.
- 16 Other overhead costs include IT, telecommunications, finance, and property services.
- 17 Non-licensing revenue attributable to field operations include animal control violation penalties, charges for field pickup of deceased/owner relinquished animals, and fines for failure to license.

Shelter Services: Calculation of Budgeted Total Allocable Costs, Budgeted Total Non-Licensing Revenue, and Budgeted Net Allocable Costs

The calculation of Pre-Commitment Estimated 2018 Shelter Services Costs is shown below.

		Cost
1	Direct Service Management Staff Costs	\$242,954
2	Direct Service Shelter Staff Costs	\$1,349,896
3	Direct Service Clinic Staff Costs	\$311,401
4	Overtime, Duty, Shift Differential and Temp Costs	\$121,686
5	Facilities Costs	\$151,916
6	Office and Other Operational Supplies and Equipment	\$145,166
7	Printing, Publications, and Postage	\$11,000
8	Medical Costs	\$150,000
9	Other Services	122,500
10	Transportation	\$13,132
11	Communications Costs	\$1,200
12	IT Costs and Services	\$99,009
13	Misc Direct Costs	\$70,300
14	General Fund Overhead Costs	\$83,923
15	Division Overhead Costs	\$207,655
16	Other Overhead Costs	\$6,550
	2018 Budgeted Total Allocable Shelter Services Cost	\$3,088,288
17	Less 2018 Budgeted Total Non-Licensing Revenue Attributable to Shelter Services	\$128,200
8		
	2018 Budgeted Net Allocable Shelter Services Cost	\$2,960,088

NOTES:

- 5 Facilities costs include maintenance and utilities for the majority (95%) of the Kent Shelter (which also houses the call center staff operations and records retention as well as providing a base station for field officers).
- 6 This item includes the office supplies as well as a wide variety of non-computer equipment and supplies related to animal care (e.g., uniforms, food, litter, etc.).
- 7 This cost element consists of printing and publication costs for various materials used at the shelter.
- 8 Medical costs include the cost for ambulance and hospital care for animals requiring emergency services as well as the cost for consulting vets, laboratory costs, medicine, and vaccines.

- 9 Services for animal shelter operations vary by year but include costs such as shipping of food and sheltering of large animals.
- 10 Transportation costs include the cost of the maintenance, repair, and replacement of and fuel for the animal care and control vehicles used by the shelter to facilitate adoptions, as well as reimbursement for occasional job-related use of a personal vehicle.
- 11 Communication costs involve the direct service costs for telephone, cell phone and radio.
- 12 Information technology direct costs include IT equipment replacement as well as direct services costs.
- 13 Miscellaneous direct costs consist of all animal care costs not listed above including but not limited to contingency, training, certification, and bad checks.
- 14 General fund overhead costs included in this model include building occupancy charges and HR/personnel services.
- 15 Division overhead includes a portion of the following personnel time as well as a portion of division administration non-labor costs, both based on FTEs: division director, assistant division director, administration, program manager, finance officer, payroll/accounts payable, and human resource officer.
- 16 Other overhead costs include IT, telecommunications, finance, and property services.
- 17 Non-licensing revenue attributable to sheltering operations include impound fees, microchip fees, adoption fees, and owner relinquished euthanasia fees.

Licensing Services: Calculation of Budgeted Total Allocable Costs, Budgeted Total Non-Licensing Revenue, and Budgeted Net Allocable Costs

The calculation of Pre-Commitment Estimated 2018 Licensing Services Costs is shown below.

		Cost
1	Direct Service Management Staff Costs	\$52,291
2	Direct Service Licensing Staff Costs	\$404,377
3	Overtime, Duty, Shift Differential and Temp Costs	\$7,742
4	Facilities Costs	\$14,000
5	Office and Other Operational Supplies and Equipment	\$3,300
6	Printing, Publications, and Postage	\$81,700
7	Other Services	\$37,109
8	Communications Costs	\$2,000
9	IT Costs and Services	\$76,424
10	Misc Direct Costs	\$1,966
11	General Fund Overhead Costs	\$19,160
12	Division Overhead Costs	\$42,280
13	Other Overhead Costs	\$21,163
	2018 Budgeted Total Allocable Licensing Services Cost	\$763,512
14	Less 2018 Budgeted Total Non-Licensing Revenue Attributable to Licensing Services	\$77,000
	2018 Budgeted Net Allocable Licensing Services Cost	\$686,512

NOTES:

- 4 Facilities costs include maintenance and utilities for the portion of the King County Administration building occupied by the pet licensing staff and associated records.
- 5 This item includes the office supplies required for the licensing call center.
- 6 This cost element consists of printing, publication, and distribution costs for various materials used to promote licensing of pets, including services to prepare materials for mailing.
- 7 Services for animal licensing operations include the purchase of tags and monthly fees for online pet licensing hosting.
- 8 Communication costs involve the direct service costs for telephone, cell phone, radio, and pager use.
- 9 Information technology direct costs include IT equipment replacement as well as direct services costs.
- 10 Miscellaneous direct costs consist of all pet licensing costs not listed above including but not limited to training, certification, transportation, and bad checks.
- 11 General fund overhead costs included in this model include building occupancy charges and HR/personnel services. .

- 12 Division overhead includes a portion of the following personnel time as well as a portion of division administration non-labor costs, both based on FTEs: division director, assistant division director, administration, program manager, finance officer, payroll/accounts payable, and human resource officer.
- 13 Other overhead costs include IT, telecommunications, finance, and property services.
- 14 Non-licensing revenue attributable to licensing operations consists of licensing late fees.

Exhibit C-4

Calculation and Allocation of Transition Funding Credit ("TC"), and Shelter Credit ("SC")

A. Transition Funding Credit

The Transition Funding Credit as originally calculated in the 2010 Agreement offset costs to certain Contracting Cities that would have otherwise paid the highest per capita costs for Animal Services in 2010. The credit was scheduled on a declining basis over four years (2010-2013). In this Agreement, the Contracting Cities qualifying for this credit are listed in Table 1 below; these cities will receive the credit at the level calculated for 2013 in the 2010 Agreement for each Service Year, provided that, application of the credit can never result in the Estimated Payment Amount being less than zero (\$0) (i.e., cannot result in the County owing the City an Estimated Payment). The allocation of the Transition Funding Credit is shown in **Table 1** below.

Table 1: Transition Funding Credit – Annual Amount to be allocated each year

Jurisdiction	Transition Funding Credit
Carnation	\$552
North Bend	\$1,376
Kent	\$110,495
SeaTac	\$7,442
Tukwila	\$5,255
Black Diamond	\$1,209
Covington	\$5,070
Enumclaw	\$11,188
Maple Valley	\$6,027

Note: The Transitional Funding Credit is the same regardless of which cities sign the Agreement.

During Reconciliation, if a City receiving Transition Funding Credit is due a refund as a result of more revenue being collected than was anticipated in the Final Estimated Payment Calculation for the Service Year, the refund amount shall first be applied to reduce the Transition Funding Credit and Shelter Credit until reduced to zero, upon which any excess shall be used to adjust the City's net final cost until the Net Final Cost is zero.

B. Shelter Credit

The Shelter Credit is designed to offset costs for those Contracting Cities whose per capita average shelter intakes ("AA") exceed the average for all Contracting Parties. During the initial term of this Agreement, a total of \$750,000 will be applied as a credit in each Service Year to Contracting Cities whose per capita average shelter intakes ("AA") exceeds the average for all Contracting Parties; *provided that* application of the Shelter Credit can never

result in the Estimated Payment amount being less than zero (\$0) (i.e., cannot result in the County owing the City an Estimated Payment.) The Shelter Credit shall be calculated annually as part of the Final Estimated Payment Calculation provided prior to the Service year. The Shelter Credit shall be determined based on the City's relative per capita three (3) year average of animal intakes ("AA") in excess of the three (3) year average for all contracting parties for the same period. The County will consider providing the Shelter Credit in the second term at the same level as for the initial term.

Table 3: Shelter Credit Allocation—2018

Regional Animal Services of King County

Proposed Credit Distribution (3Yr Average Intakes) (2016 Population)

Jurisdiction	District	2016 Pop	Average Intake (2014-2016)	Intake per Capita	Difference between 3 Yr Syst Avg and 3 Yr City Average per Capita	Intake over the Per Capita System Avg.	Pro Rata Share of Jurisdiction Intake over the average (Encl. KC)	Pro Rata Allocation of Shelter Credit
Camallion	200	1,860	6.00	0.0032	(0.0006)	1		
Duwai	200	7,425	11.00	0.0015	(0.0024)	18		
Kern ore	200	22,320	-	-	(0.0039)	86		
Kirkland*	200	84,880	92.00	0.0011	(0.0022)	234		
Lake First Pk	200	12,840	-	-	(0.0039)	50		
Redmond	200	60,960	53.00	0.0009	(0.0030)	180		
Sammamish	200	61,280	28.00	0.0005	(0.0034)	208		
Shoreline	200	54,880	-	-	(0.0039)	212		
Woodinville	200	11,570	-	-	(0.0039)	45		
Beaux Arts	220	300	-	-	(0.0039)	-		
Bellvue	220	139,400	162.00	0.0012	(0.0027)	375		
Clyde Hill	220	3,060	1.00	0.0003	(0.0036)	11		
Issaquah	220	34,880	31.00	0.0009	(0.0030)	102		
Mercer Island	220	23,880	12.00	0.0005	(0.0033)	79		
Newcastle	220	11,080	12.00	0.0011	(0.0022)	31		
North Bend	220	6,570	18.00	0.0027	(0.0011)	7		
Snoqualmie	220	13,110	20.00	0.0015	(0.0023)	30		
Yarrow Point	220	1,040	-	-	(0.0039)	4		
Kenil	500	124,500	1,277.00	0.0103	0.0064	(798)	58.28%	\$ 437,099
SeaTac	500	27,810	360.00	0.0129	0.0084	(253)	18.48%	\$ 138,607
Tukwila	500	19,540	270.00	0.0138	0.0100	(195)	14.23%	\$ 106,736
Black Diamond	500	4,305	25.00	0.0058	0.0020	(8)	0.62%	\$ 4,615
Couglton	500	18,780	159.00	0.0085	0.0046	(87)	6.34%	\$ 47,966
Enumclaw	500	11,410	72.00	0.0063	0.0025	(28)	2.08%	\$ 15,377
Maple Valley	500	24,780	91.00	0.0037	(0.0022)	4		\$ -
King City Unincorp*	All	245,920	1,257.00	0.0051	0.0013	(310)		
Total		1,027,480	8,867	0.0086		0	100%	\$ 750,000
Average:		System Per Capita Average (Intakes/Population)		0.00385	Credit to be applied: 750,000			

Numbers are estimates only for the purpose of negotiation discussions. The numbers and allocation methodology are subject to change while negotiations are underway. System average is calculated by dividing the sum of each jurisdiction's annual average intakes over a rolling three year period divided by the total population.

*Unincorporated King County intakes include non-RAS intakes.

Regional Animal Services of King County
1/23/2017

During Reconciliation, if a City receiving Shelter Funding Credit is due a refund as a result of more revenue being collected than was anticipated in the Final Estimated Payment Calculation for the Service Year, the refund amount shall first be applied to reduce the Transition Funding Credit and Shelter Credit until reduced to zero, upon which any excess shall be used to adjust the City's net final cost until the Net Final Cost is zero.

Exhibit C-5:

[Intentionally Omitted]

Exhibit C-6:

Summary of Calculation Periods for Use and Population Components

This Exhibit restates in summary table form the Calculation Periods used for calculating the usage and population components in the formulas to derive Estimated Payments. See **Exhibit C** for complete formulas and definitions of the formula components.

ELR is Estimated Licensing Revenue attributable to the City

ACFS (Average Calls for Service) is the rolling three (3) year average number of Calls for Service originating in the City

AA (Average Animals) is the rolling three (3) year average number of animals in the shelter attributable to the City

ALI (Average Licenses Issued) is the Rolling three (3) year average number of active paid regular pet licenses issued to City residents

Pop is Population of the City expressed as a percentage of all Contracting Parties;

Calculation Periods -- Service Year 2018

Component		Estimated 2018 Payment (final) (published December 15 2017)	Reconciliation Payment Amount (determined by June 2019)
ELR (Estimated Revenue)		> of December 2016– November 2017 just prior to Service Year or 2016 Actual	Actual Licensing Revenue 2018
ACFS (Avg. Calls for Service)		Three (3) year rolling average (2014, 2015, 2016)	N/A
AA (Avg. Animal intakes)		Three (3) year rolling average (2014, 2015, 2016)	N/A
ALI (Avg. Licenses Issued)		Three (3) year rolling average (2014, 2015, 2016)	N/A
Pop, (Population)		OFM April 2017, adjusted for all annexations ≥ 2,500 occurring (and	Same, adjusted for all annexations ≥ 2,500 occurring (and Latecomer Cities joining) after April

		Latecomer Cities joining) after April 2017 and before the end of 2018	2017 and before the end of 2018
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Calculation Periods: Service Year 2019 and subsequent Service Years

Component		Estimated (Service Year) Payment (published December 15 prior to Service Year)	Reconciliation Payment Amount (determined by June 30 following each Service Year)
ELR		> of December- November just prior to Service Year or previous complete calendar year	Actual Licensing Revenue (Service Year)
ACFS		Three (3) year rolling average (2014, 2015, 2016)	N/A
AA		Three (3) year rolling average (2014, 2015, 2016)	N/A
ALI		Three (3) year rolling average (2014, 2015, 2016)	N/A
Pop,		OFM April prior to prior to Service Year, adjusted for all annexations ≥ 2,500 and/or Latecomer Cities joining that are known to take effect prior to or during the Service Year.	Same, adjusted for all annexations ≥ 2,500 and/or Latecomer Cities joining, occurring prior to or during the Service Year.

If the Agreement is extended for a second term, calculated cost and reconciliation shall be developed in a manner comparable to Service Year 2019 as shown above.

Exhibit C-7
Payment and Calculation Schedule

Service Year 2018

Item	Date
Final Estimated 2018 Payment calculation provided to City by County	December 15, 2017
2018 Estimated Payment due	August 15, 2018
2018 Reconciliation Adjustment Amount calculated	On or before June 30, 2019
2018 Reconciliation Adjustment Amount payable	On or before August 15, 2019

Service Year 2019 and subsequent years

Item	Date
Final Estimated 2019 Payment calculation provided to City by County	December 15, 2018 (December 15 prior to start of Service Year)
2019 Estimated Payment due	August 15, 2019 (August 15 of Service Year)
2019 Reconciliation Adjustment Amount calculated	On or before June 30, 2020 (by June 30 immediately following the Service Year)
2019 Reconciliation Adjustment Amount Payable	August 15, 2020 (by August 15 immediately following the Service Year)

The schedule is developed in the same manner as described above for all Service Years unless otherwise noted in the Agreement.

Additional timelines are in place to commence and complete negotiations for an extension of the Agreement:

Notice of Intent by one or more of the Parties to opt out of the automatic extension for an additional five (5) year term.	June 30, 2021
Deadline for written agreement to Contingent Extension (per section 4(b))	March 1, 2022

See Section 4 of Agreement for additional details on Extension of the Agreement Term for an additional five (5) year term.

Dates for remittal to County of pet license	Not less than monthly, 15 days following
--	---

sales revenues processed by Contracting
Cities (per section 3.c)

the end of the calendar month.

Requests for **Enhanced Licensing Support Services** in a Service Year may be made at any time on or before December 1, prior to the Service Year, unless mutually agreed to by the County and City.

Exhibit D Reconciliation

The purpose of the reconciliation calculation is to adjust payments made each Service Year by Contracting Parties to reflect actual licensing and non-licensing revenue, and various credits, as compared to the estimates of such revenues and credits incorporated in the Estimated Payment calculations, and to adjust for population changes resulting from annexations of areas with a population of over 2,500 (if any) and the addition of Latecomer Cities. To accomplish this, an “Adjusted Net Final Cost” (“ANFC”) calculation is made each June for each Contracting Party as described below, and then adjusted for various factors as described in this **Exhibit D**.

As noted in **Section 7** of the Agreement, the Parties intend that receipt of Animal Services should not be a profit-making enterprise. When a City receives revenues in excess of its costs under this Agreement (including costs of PAWS or other animal service providers, if applicable), such excess will be reinvested to reduce costs incurred by the County. The cost allocation formulas of this Agreement are intended to achieve this outcome.

Terms not otherwise defined here have the meanings set forth in **Exhibit C** or the body of the Agreement.

Calculation of ANFC and Reconciliation Adjustment Amount

The following formula will be used to calculate the Reconciliation Adjustment Amount, which shall be payable by August 15. The factors in the formula are defined below. As described in paragraphs A and B, the subscript “0” denotes the initial calculation; subscript “1” denotes the final calculation.

ANFC ₀ =	Actual Revenue	+	Transition Credit	+	Shelter Credit	-	Cost Allocation	-	Other Services Charge	
	AR		TC		SC		CA		OSC	

$$\text{ANFC}_0 = \text{AR} + \text{TC} + \text{SC} - \text{CA} - \text{OSC}$$

- A. If $\text{ANFC}_0 \geq 0$, i.e., revenues and credits are greater than costs (adding the cost factor “OSC” in the formula for Contracting Cities purchasing shelter services from PAWS (or other animal service providers) and/or purchasing Enhanced Control Services and/or Enhanced Licensing Support Services), then:

$ANFC_1 = 0$, i.e., it is *reset to zero* and the difference between $ANFC_0$ and $ANFC_1$ is set aside by the County (or, if the revenues are not in the possession of the County, then the gap amount is payable by the City to the County by August 15) and **all such excess amounts from all Contracting Parties where $ANFC_0 \geq 0$ are allocated to the County to offset costs incurred by the County that are not included in the cost allocation model (excluding unincorporated area only costs).** Contracting Parties for which $ANFC_0 \geq 0$ do not receive a reconciliation payment.

- B. If $ANFC_0 < 0$, i.e., costs are greater than revenues (*without* considering “W” for those Contracting Cities purchasing shelter services from PAWS, (or other animal service providers) Enhanced Control Services, and/or Enhanced Licensing Support Services), then the negative dollar amount is not “reset” and $ANFC_1$ is the same as $ANFC_0$.
- C. If, $ANFC_1 < \text{Total Estimated Payments made in the Service Year}$, then the difference shall be paid by the County to the City no later than August 15, except that if a City is receiving a Transition Credit and/or a Shelter Credit, the difference shall be used to offset the Credit (s) until the Credit (s) are reduced to zero, at which point the remaining difference shall be paid by the County to the City; if $ANFC_1 > \text{Total Estimated Payments made in the Service Year}$, then the difference shall be paid by the City to the County no later than August 15.

Where:

“AR” is **Actual Licensing Revenue, less refunds and rebates**, attributable to the City, based on actual Licensing Revenues received from residents of the City in the Service Year. (License Revenue that cannot be attributed to a specific Party (e.g., License Revenue associated with incomplete address information), will be allocated amongst the Parties based on their respective percentages of total AR).

“TC” is the Transition Funding Credit, if any, for the Service Year.

“SC” is the Shelter Credit, if any, for the Service Year.

“OSC” Other Services Charge is the actual amount paid by a City receiving shelter services to PAWS (or other animal service providers) for such services during the Service Year, if any, plus the actual amount paid or owed by a City to the County for the purchase of Enhanced Control Services and/or Enhanced Licensing Support Services, during the Service Year, if any.

"CA" is the **"Cost Allocation"** as *estimated* for the Service Year for the provision of Animal Services allocated between all the Contracting Parties for the purposes of determining the Estimated Payment. The Cost Allocation is the sum of Estimated Control (EC) costs, Estimated Shelter (ES) costs, and Estimated Licensing (EL) costs calculated as described in **Exhibit C**.

Exhibit E

Enhanced Control Services Contract (Optional)

Between City of _____ ("City") and King County ("County")

The County will offer Enhanced Control Services to the City during the term of the Animal Services Interlocal Agreement, subject to the terms and conditions as described herein.

The provisions of this Contract are optional to both Parties and shall not be effective unless executed by both Parties.

- A. The City may request services under two different options, summarized here and described in further detail below:

Option 1: for a period of *not less than one year*, the City may request service from an Animal Control Officer dedicated to the City ("Dedicated Officer"). Such service must be confirmed in writing through both Parties entering into this Enhanced Control Services Contract no later than August 15, unless waived by the County, of the year prior to the Service Year in which the service is requested.

Option 2: for a period of *less than one year*, the City may request a specified number of over-time service hours on specified days and time. Unlike Option 1, the individual officers providing the service will be determined by the County and may vary from time to time; the term "Dedicated Officer" used in the context of Option 2 is thus different than its meaning with respect to Option 1. Option 2 service must be requested no later than 60 days prior to the commencement of the period in which the service is requested, unless waived by the County.

The City shall initiate a request for enhanced service by completing and submitting **Attachment A** to the County. If the County determines it is able to provide the requested service, it will so confirm by completing and countersigning **Attachment A** and signing this Contract and returning both to the City for final execution.

- B. The County will provide enhanced Control Services to the City in the form of an Animal Control Officer dedicated to the City ("Dedicated Officer") as described in **Attachment A** and this Contract.

1. Costs identified in **Attachment A** for **Option 1** are for one (1) year of service beginning in 2018. Costs will be based on the budgeted annual cost for the service year for which the service is provided, and shall include the cost of the employee (salary, benefits), equipment (which shall not exceed 3,000 annually)

and animal control vehicle for the employee's use). Costs are subject to adjustment each year.

2. Costs for **Option 2** will be determined by the County each year based on its actual hourly overtime pay for the individual Animal Control Officers providing the service, plus mileage at the federal reimbursement rate. The number of miles for which mileage is charged shall be miles which would not have been traveled but for the provision of the enhanced service.
 3. Costs paid for enhanced services will be included in the Reconciliation calculation for each Service Year, as described in Exhibit D of the Agreement (see "Other Service Charges").
- C. Services of the Dedicated Officer shall be in addition to the Animal Services otherwise provided to the City by the County through the Agreement. Accordingly, the calls responded to by the Dedicated Officer shall **not** be incorporated in the calculation of the City's Calls for Service (as further described in **Exhibit C and D** to the Agreement).
- D. The scheduling of work by the Dedicated Officer will be determined by mutual agreement of the contract administrators identified in the Agreement, and (in the case of a purchase of service under **Option 1**) the mutual agreement of officials of other Contracting Cities named as contract administrators that have committed to sharing in the expense of the Dedicated Officer. In the event the parties are unable to agree on scheduling, the County shall have the right to finally determine the schedule of the Dedicated Officer(s).
- E. Control Services to be provided to the City pursuant to this Enhanced Services Contract include Control Services of the type and nature as described under the Agreement with respect to Animal Control Officers serving in Control Districts, and include but are not limited to, issuing written warnings, citations and other enforcement notices and orders on behalf of the City, or such other services as the Parties may reasonably agree.
- F. The County will provide the City with a general periodic calendar of scheduled service in the City, and a monthly report of the types of services offered and performed.
- G. **For Services purchased under Option 1:** An FTE will be scheduled to serve 40 hour weeks, however, with loss of service hours potentially attributable to vacation, sick leave, training and furlough days, not less than 1600 hours per year will be provided. Similarly, a half-time FTE will provide not less than 800 hours per year. The County shall submit to the City an invoice and billing voucher at the end of each calendar quarter, excepting that during the 4th quarter of each year during the term of this

Contract, an invoice shall be submitted to the City no later than December 15th. All invoiced amounts shall be payable by the City within 30 days of the invoice date. Alternatively, the City (s) and the County may agree to include the cost of the Enhanced Services into the Reconciliation process. Either way, if the costs are paid during the Service Year, they shall be credited as part of Reconciliation.

- H. **For Services purchased under Option 2:** The County shall submit to the City an invoice and billing voucher at the end of each calendar quarter. All invoiced amounts shall be payable by the City within 30 days of the invoice date. Alternatively, the City (s) and the County may agree to include the cost of the Enhanced Services into the Reconciliation process. Either way, if the cost are paid during the Service Year, they shall be credited as part of Reconciliation.
- I. The City or County may terminate this Enhanced Services Contract with or without cause upon providing not less than 3 months written notice to the other Party; provided that, if the City has purchased services under **Option 1** and is sharing the Enhanced Control Services with other Contracting Cities, this Contract may only be terminated by the City if: (1) all such other Contracting Cities similarly agree to terminate service on such date, or (2) if prior to such termination date another Contracting City or Cities enters into a contract with the County to purchase the Enhanced Control Service that the City wishes to terminate; *provided further:* except as provided in Paragraph A. Option 1, a Contract may not be terminated if the term of service resulting is less than one year.
- J. All terms of the Agreement, except as expressly stated otherwise in this Exhibit, shall apply to this Enhanced Control Services Contract. Capitalized Terms not defined herein have those meanings as set forth in the Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Enhanced Services Contract to be executed effective as of this ____ day of _____, 201__.

King County

City of _____

By: _____

By: _____

Date _____

Date _____

Exhibit E: Attachment A

ENHANCED CONTROL SERVICES OPTION REQUEST

(to be completed by City requesting Enhanced Control Services; final service terms subject to adjustment by County and agreement by City and will be confirmed in writing executed and appended to Enhanced Control Service Contract/Exhibit E)

City _____

Requested Enhanced Control Services Start Date: _____

Requested Enhanced Control Services End Date: _____ *

*term of service must be at least one year, except if purchasing services under Option 2.

Please indicate whether City is requesting services under Option 1 or Option 2:

_____ Option 1:

% of Full Time Equivalent Officer (FTE) requested: _____ (minimum request: 20%; requests must be in multiples of either 20% or 25%)

_____ Option 2:

Overtime Hours purchase from existing ACO staff: _____ hours per (week /month)

General Description of desired services (days, hours, nature of service):

_____.

For Option 1:

Contracting Cities with whom the City proposes to share the Enhanced Control Services, and proposed percentages of an FTE those Cities are expected to request:

_____.

On behalf of the City, the undersigned understands and agrees that the County will attempt to honor requests but reserves the right to propose aggregated, adjusted and

variously scheduled service, including but not limited to adjusting allocations of service from increments of 20% to 25%, in order to develop workable employment and scheduling for the officers within then-existing work rules, and that the City will be allowed to rescind or amend its request for Enhanced Control Services as a result of such proposed changes.

Requests that cannot be combined to equal 50% of an FTE, 100% of an FTE, or some multiple thereof may not be honored. Service must be requested for a minimum term of one-year, except as permitted by Paragraph A. Option 1. Service may not extend beyond the term of the Agreement.

City requests that alone or in combination with requests of other Contracting Cities equal at least 50% of an FTE will be charged at the rate in Column 1 below.

City requests that alone or in combination with other requests for Enhanced Control Services equal 100% of an FTE will be charged at the rate in Column 2 below.

Cities may propose a different allocation approach for County consideration.

An FTE will be scheduled to serve 40 hour weeks, however, with loss of hours potentially attributable to vacation, sick leave, training and furlough days, a minimum of 1600 hours per year will be provided. A half-time FTE will provide a minimum of 800 hours per year. *For example*, a commitment to purchase 20% of an FTE for enhanced service will result in provision of not less than 320 hours per year.

Hours of service lost for vacation, sick leave, training and furlough days will be allocated on *pro rata* basis between all Contracting Cities sharing the services of that FTE.

Option 1 - Example 1: Aggregate of 50% of an FTE Requested by all Participating Cities	Option1 - Example 2: Aggregate of 1 FTE Requested by all Participating Cities
Cost to City: (% of Half-Time FTE requested) x \$69,182/year in 2018 <i>Example:</i> if City A requests 25% of an FTE ** and City B requests 25% of an FTE**, then each city would pay \$17,295 for Enhanced Control Services from July 1, 2018 through December 31, 2018 (6 months). ** (50% of a Half-Time FTE)	Cost to City: (% of FTE requested) x 118,152/year in 2018* <i>Example:</i> If City A requests 25% of an FTE and City B requests 25% of an FTE and City C requests 50% of an FTE, Cities A and B would pay \$14,769 and City C would pay \$29,538 for Enhanced Control Services from July 1, 2018 through December 31, 2018 (6 months)

* This example is based on 2018 budgeted costs. Costs will be based on actual Service Year budgeted costs.

For Option 2:

On behalf of the City, the undersigned understands and agrees that the County will confirm what services, if any, it can provide, and at what costs, by completing this Attachment A, and the City must signify whether it accepts the County's offer by signing the Enhanced Services Contract.

Request Signed as of this ____ day of _____, 201__.

City of _____

By: _____

Its _____

To be completed by King County:

____ **Option 1:** The County hereby confirms its ability and willingness to provide Enhanced Control services as requested by the City in this **Attachment A**, *with adjustments as noted below (if any):*

The FTE Cost for the Service Year in which the City has requested service is:
\$_____.

____ **Option 2:** the County confirms its ability to provide control service overtime hours as follows (*insert description—days/hours*):

Such overtime hours shall be provided at a cost of \$_____, (may be a range) per service hour, with the actual cost depending on the individual(s) assigned to work the hours, plus mileage at the federal reimbursement rate.

King County

By: _____

Its _____

Date: _____

Exhibit F

Enhanced Licensing Support Services – Terms of Service (Optional)

The County is prepared to offer Enhanced Licensing Support Services to the City subject to the terms and conditions described herein, between a City and the County having executed the Enhanced Licensing Support Services Agreement and Acknowledgement form ("Acknowledgement"). The provisions of this Exhibit are optional and shall not be effective unless this Exhibit is executed by both the City and the County and both parties have entered into the underlying Animal Services Interlocal Agreement (the "Agreement").

- A. **Service Requests, Submittal:** Requests for the County to provide Enhanced Licensing Support Services should be made by submitting the Enhanced Licensing Support Services Acknowledgment form (**Attachment A** to this **Exhibit F**) to the County between June 30 and December 1 of the calendar year prior to year in which such services are requested ("Service Year"). A separate Acknowledgment shall be submitted for each Service Year, unless specified otherwise in the Acknowledgement between the City and the County. The Acknowledgement form shall identify the Revenue Target (the amount of licensing revenue estimated to be gained through Enhanced Licensing Support Services) requested by the City.
- B. **County to Determine Service Availability:** The County will determine whether it has capacity to provide the requested service based on whether it has staff and other resources available, and consistent with the priorities stated in **Section 7.c** of the Agreement. The County may adjust the Licensing Revenue Target based on the capacity of the County to fulfill the requested service.
- C. **Services Provided by County, Cost:** The County will determine the Enhanced Licensing Support Service activities it will undertake to achieve the Licensing Revenue Target. Activities may include, but are not limited to canvassing, mailings, calls to non-renewals. In completing **Attachment A** to confirm its ability to provide Enhanced Licensing Support Services to the City, the County shall identify the cost for such service for the applicable Service Year or years if more than one year is requested. If the City accepts the County's proposed costs, it shall so signify by countersigning **Attachment A**.
- D. **Services Provided by City:** Active participation by the City is an important success factor in the overall pet licensing process. The City may, at the City's additional cost,

engage in the following activities to help enhance the overall effectiveness of the marketing effort:

1. Include inserts regarding animal licensing in bills or other mailings as may be allowed by law, at the City's cost. The County may provide the design for the insert and coordinate with the City to deliver the design on an agreed upon schedule.
2. Dedicate volunteer/staff hours to help follow up on pet licenses that are not renewed.
3. Provide representation at local public events to inform City residents about the Animal Services Program and promote pet licensing.
4. Inform City residents about the Animal Services Program and promote pet licensing utilizing print and electronic media including the city's website, social media, community brochures and newsletter ads/articles, signage/posters and pet licensing applications in public areas of city buildings and parks.
5. Appoint a representative to serve on the Joint City-County Collaboration Committee marketing subcommittee; this representative shall attend the quarterly meetings of the subcommittee and help shape and apply within the City the joint advertising strategies developed by consensus of the subcommittee.

E. Selection of Licensing Revenue Target (RT) and Payment for Enhanced Licensing Revenue Support:

1. For **all Contacting Cities**: The City will identify a proposed Licensing Revenue Target (RT) in **Attachment A**. The County may propose an alternate Revenue Target. If the Parties agree upon a Licensing Revenue Target, the County shall identify its annual cost to provide service designed to achieve the target. County cannot verify and does not guarantee a precise level of Licensing Revenues to be received by the City as a result of these services. At Reconciliation, the City shall be charged for Enhanced Licensing Support Services an amount not to exceed the cost specified and agreed to in **Attachment A** (the "**Licensing Revenue Charge**"), *regardless of the amount of Licensing Revenue received by the City during the Service Year* (see **Exhibit D** of the Agreement for additional detail).

F. Other Terms and Conditions:

1. Before January 31 of the Service Year, for each City contracting for Enhanced Licensing Support Services, the County shall submit an Enhanced Licensing Support Services Marketing Plan for the upcoming season. The Marketing Plan

shall generally identify the various activities, scope, and scheduling to be performed. The City and County shall mutually agree on the Marketing Plan.

2. Each Party will provide the other with a periodic report of the services performed during the Service Year.
3. Either Party may terminate this Contract with or without cause by providing not less than a two (2) week advance written notice to the other Party; provided that all County costs incurred to the point of termination remain chargeable to the City as otherwise provided.
4. All terms of the Agreement, except as expressly stated otherwise herein, shall apply to this Contract, and Capitalized Terms not defined herein have the meanings as set forth in the Agreement.

G. Execution of Enhanced Licensing Support Services Agreement and Acknowledgment Form

Unless otherwise amended in writing, the Terms of Service noted above, if agreed, shall be documented and acknowledged by the City and County by mutually executing the Enhanced Licensing Support Services Agreement and Acknowledgment form (Exhibit F, Attachment A)

**Exhibit F: Attachment A
ENHANCED LICENSING SUPPORT SERVICES AGREEMENT and
ACKNOWLEDGEMENT FORM**

Final terms subject to adjustment by County and agreement by City confirmed in writing, executed and appended to the Enhanced Licensing Support Services Terms of Service — **Exhibit F** of the *Animal Services Interlocal Agreement for 2018 Through 2022* ("the Agreement") dated effective as of July 1, 2017.)

1. City _____ Date of Request: _____
2. Enhanced Licensing Support Services for Service Year: ____.
3. Licensing Revenue Target (the amount by which the City seeks to increase its revenues in the Service Year): \$_____
4. Contact person who will coordinate City responsibilities associated with delivery of Enhanced Licensing Support Services:

Name:

Title:

Phone:

Email:

To be completed by King County:

The County agrees to provide the City Enhanced Licensing Support Services in Service Year ____ intended to generate \$____ (the "Licensing Revenue Target") in additional Licensing Revenue for a total Service Year cost of \$____, some or all of which cost may be charged to the City in calculating the Enhanced Licensing Support Services Charge, as further described in the Enhanced Licensing Support Services – Terms of Service and **Exhibit D** of the Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Contract for Enhanced Licensing Support Services to be executed, per the terms as specified in the Enhanced Licensing Support Services – Terms of Service, effective as of this ____ day of ____, 20__.

King County

City of _____

By:_____
By:

Date:_____

Date:_____

**CITY OF MERCER ISLAND
ORDINANCE NO. 26C-XX**

**AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON,
AMENDING MERCER ISLAND CITY CODE CHAPTER 7.04 RELATED TO
ANIMAL CODE; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN
EFFECTIVE DATE.**

WHEREAS, the City of Mercer Island (City) wishes to provide animal care and control services for its residents; and

WHEREAS, in 2010, the City and 23 other cities entered into an Animal Services Interlocal Agreement with King County to implement and provide a regional model for animal care and control services in King County; and

WHEREAS, in 2018, the City and King County executed a new interlocal agreement for animal services (2018 Interlocal Agreement); and

WHEREAS, in 2021, the City enacted Ordinance No. 21C-18 amending MICC sections 7.04.020, 7.04.110, 7.04.120, 7.04.125, 7.04.130, 7.04.140, 7.04.230, 7.04.235, and 7.04.240 to add provisions for determining that an animal is a potentially dangerous dog, clarity on requirements for owners of dangerous dogs, and a method for appeals of decisions by the City relating to potentially dangerous dogs and dangerous dogs; and

WHEREAS, in June 2023, King County concluded a multiyear effort to review and update King County Code (KCC) Title 11 (Animal Care and Control) by enacting Ordinance 19638; and

WHEREAS, Section 3 of the 2018 Interlocal Agreement requires the City to enact updates to the Mercer Island City Code to make provisions on license, fee, penalty, enforcement, appeal, impound/redemption, and sheltering substantially the same as provisions in KCC Title 11 as amended;

WHEREAS, the City Council wishes to repeal portions of Mercer Island City Code (MICC) Chapter 7.04 and adopt by reference King County's Animal Care and Control Code;

WHEREAS, the update to MICC Title 7 would meet the requirements of the 2018 Interlocal Agreement, better align the MICC with KCC Title 11, and improve clarity and decrease costs by removing overlapping regulatory provisions; and

WHEREAS, the update to MICC Title 7 retains local control over other animal control provisions such as the determination of off-leash areas and policies related to unlawful conduct by animals specific to the City.

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

Section 1. Amended. Chapter 7.04, Animal Code, MICC shall be amended as set forth in Exhibit A of this ordinance.

Section 2. Severability. If any section, sentence, clause, or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, or its

application held inapplicable to any person, property, or circumstance, such invalidity or unconstitutionality shall not affect the validity of any other section, sentence, clause, or phrase of this ordinance or its application to any other person, property, or circumstance.

Section 3. Effective date. This ordinance shall take effect and be in force on **XX X, 2026**, provided thirty days have passed since the date of publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON AT ITS MEETING ON THE **X DAY OF X 2026**.

CITY OF MERCER ISLAND

David Rosenbaum, Mayor

Approved as to Form:

ATTEST:

Bio Park, City Attorney

Andrea Larson, City Clerk

Date of Publication: _____

Chapter 7.04 ANIMAL CODE

7.04.005 Short title.

This chapter may be known and cited as the "Mercer Island animal code."

7.04.010 Purpose.

This chapter is enacted for the purpose of regulating the keeping of animals within the city. The fees, charges and penalties collected under this chapter shall be budgeted to defray, in whole or in part, the expense of such regulation.

7.04.015 Adoption by Reference

Title 11 of the King County Code, as currently enacted or hereafter amended or recodified, entitled "Animal Care and Control" is adopted by reference, with the exception of the provisions of Chapter 11.02 ("Regional Animal Services Section"), Section 11.04.500 ("Euthanasia Rate Targets"), and Section 11.04.510 ("Unaltered Dogs and Cats – Advertising Requirements" of the King County Code, which is expressly not adopted. In the event of a conflict between Title 11 of the King County Code and this chapter 7.04 MICC, the MICC shall control.

07.04.016 Animal Control Authority

The City of Mercer Island has contracted with King County and its animal control section, Regional Animal Services of King County (RASKC), to provide animal control, sheltering, and licensing services for the City of Mercer Island. That contract does not divest the city of its authority to independently enforce its code. As such, the provisions of this chapter may be enforced by law enforcement officers or by King County animal control officers, both of whom are hereby authorized to issue and file notices of civil infractions with the Mercer Island municipal court as provided for in MICC 7.04.230. Additionally, for those violations of the King County Code that are adopted by reference for application and enforcement within the City of Mercer Island, King County animal control officers may enforce those provisions in accordance with the King County Code. A copy of the Interlocal Agreement between the City of Mercer Island and King County for animal control services is available for public examination.

7.04.020 Definitions.

In construing the provisions of this chapter, except where otherwise plainly declared or clearly apparent from the context, words used shall be given their common and ordinary meaning. For those King County Code provisions adopted through MICC 7.04.015, the words, terms, and phrases used in those King County Code provisions shall have the meanings ascribed to them by the King County Code. In addition, the following definitions shall apply:

~~Animal includes any living creature except man.~~

~~Animal control authority means the city, the King County animal control division, department of general services, as agent of the city, or any other duly authorized agent of the city, acting alone or in concert with other municipalities for enforcement of the animal control laws of the city and state and for the shelter and welfare of animals.~~

~~Animal control officer means any individual employed by, contracted with or appointed by the city for the purpose of aiding in the enforcement of this chapter or any other law or ordinance relating to the licensing of animals, control of animals or seizure and impoundment of animals, and includes any state or municipal police officer, sheriff, constable or other employee whose duties, in whole or in part, include assignments which involve the seizure and taking into custody of any animal.~~

At large or *running at large* means to be off the premises of the owner and not under the control of the owner or of a competent person authorized by the owner, whether by leash or otherwise; but an animal within an automobile or other vehicle of its owner shall be deemed to be upon the owner's premises.

Associated school facilities means any property or facility associated with the instruction of children or people under college age that is purchased, constructed or owned by, on behalf of, or for the use of any public entity.

Barking dog means any dog which, by habitual howling, yelping or barking annoys, injures or endangers the comfort, repose, health or safety of others in a neighborhood or public place.

Dangerous dog means any dog that:

1. ~~Inflicts severe injury on a human being without provocation on public or private property,~~
2. ~~Kills a domestic animal without provocation while the dog is off the owner's property, or~~
3. ~~Has been previously found to be potentially dangerous because of injury inflicted on a human, the owner having received notice of such and the dog again aggressively bites, attacks, or endangers the safety of humans.~~

Depredatory animal means any animal of either sex whose actions or habits customarily defile, despoil or damage property of persons other than its owner.

Dog means an animal of the species *Canis familiaris*, including both male and female, altered or unaltered.

Domestic animal means but is not limited to, any dog, cat, rabbit, horse, mule, ass, bovine animal, lamb, goat, sheep, hog, or other animal made to be domestic.

Grooming parlor means any place or establishment, public or private, where animals are bathed, clipped or combed for a consideration, for the purpose of enhancing their aesthetic value.

Harboring. The occupant of any premises on which an animal remains or to which it customarily returns daily for food and care for a period of ten days is presumed to be "harboring" or "keeping" the animal within the meaning of this title.

Hobby kennel means a noncommercial kennel at, or adjoining, a private residence where four or more adult dogs or four or more adult cats are bred and/or kept for hunting, training, exhibition for organized shows, field, working and/or obedience trials, or for enjoyment of the species. An adult dog or cat is one of either sex, altered or unaltered, that has reached the age of four months.

Kennel means a place where four or more adult dogs or four or more adult cats or any combination thereof are kept whether by owners of the dogs and cats or by persons providing facilities and care whether or not for compensation, but not including a small animal hospital or clinic or pet shop. An adult dog or cat is one of either sex, altered or unaltered, that has reached the age of four months.

Leash means a cord, thong or chain, not more than eight feet in length by which an animal is controlled by the person accompanying it.

License, when not preceded by the word "kennel" or "hobby kennel," means the dog license issued by or on behalf of the city under this chapter.

Officer or *official* means any police officer or any officer, official person or persons designated by the city manager or by ordinance of this city to issue licenses, pick up, restrain, impound, sell, dispose or give notice of any other acts, duties or functions prescribed by ordinance of the city relating to the animals regulated in this chapter.

Off-leash area means those areas located in public park properties, as designated by sign, where dogs are allowed to be off-leash, but under control.

~~*Owner* means any person, firm, corporation, organization, or department possessing, harboring, keeping, having an interest in, or having control or custody of an animal.~~

~~*Pack of dogs* consists of a group of three or more dogs running upon either public or private property not that of the dogs' owner in a state in which either control of the dog or its ownership is in doubt and when such dogs are not under control.~~

~~*Pet shop* means any establishment or place where live animals, birds or fish and/or supplies are kept and offered for sale to the public.~~

Playground means a portion of a public park property containing play structures or components designed and constructed for children that includes the ground level area beneath and immediately adjacent to a play structure or equipment. The boundaries of the playground shall be determined by the edge of all impervious surfaces or landscaping bordering the playground area.

~~*Potentially dangerous dog* means any dog that when unprovoked: (a) inflicts bites on a human or a domestic animal either on public or private property, or (b) chases or approaches a person upon the streets, sidewalks, or any public grounds in a menacing fashion or apparent attitude of attack, or any dog with a known propensity, tendency, or disposition to attack unprovoked, to cause injury, or to cause injury or otherwise to threaten the safety of humans or domestic animals.~~

~~*Proper enclosure of a dangerous dog* means, while on the owner's property, a dangerous dog shall be securely confined indoors or in a securely enclosed and locked pen or structure, suitable to prevent the entry of young children and designed to prevent the animal from escaping. Such pen or structure shall have secure sides and a secure top, and shall also provide protections from the elements for the dog.~~

~~*Public emergency* means any situation resulting from conditions of war, insurrection, contagious diseases or other circumstances which, in the opinion of the police chief and/or fire chief, warrants the restraint and confinement of animals within the premises of the owner or keeper.~~

Public park property means a property, including trails, forests, parks, facilities or open space areas purchased, constructed or owned by, on behalf of, or for the use of a public entity.

Public school ground means any property purchased, constructed or owned by, on behalf of, or for the use of a public entity associated with the instruction of children or people under college age.

Public swimming area means any body of water or portion of the body of water designated and signed for swimming, diving or recreational bathing, not contained in a structure, chamber or tank. This includes lakes, ponds, and streams, and similar outdoor facilities which are partially natural in character, together with buildings, equipment and appurtenances pertaining thereto, regardless of whether a fee is charged for the use.

~~*Restraint.* An animal is considered to be under "restraint" if it is confined within the property limits of its owner by a suitable fence or securely fixed object.~~

~~*Severe injury* means any physical injury that results in broken bones or disfiguring lacerations requiring multiple sutures or cosmetic surgery.~~

~~*Shelter* means a facility which is used to house or contain stray, homeless, abandoned or unwanted animals and which is owned, operated or maintained by a public body, an established humane society, animal welfare society, society for the prevention of cruelty to animals or other nonprofit organization devoted to the welfare, protection and humane treatment of animals.~~

~~*Spayed female* means a female dog which has been altered by a licensed veterinarian to avoid or prevent conception. Proof of such alteration must be evidenced by the certificate of a licensed veterinarian.~~

Sports field or sports court means a portion of public land where a play surface is designed or prepared for practicing or playing a game, including but not limited to soccer fields, baseball fields, football fields, tennis courts or basketball courts.

Synthetic turf means any manufactured surface used to cover a field, playground, or other recreational facility.

~~*Under control* means the animal is on a leash or under voice and/or signal control so as to be thereby restrained from approaching any bystander or other animal or from causing or being the cause of physical or property damage when off a leash or off the premises of the owner. The animal is not under control if it charges, chases, jumps on, or displays aggression toward other people or animals, or behaves in a way that any reasonable person would find disturbing.~~

~~*Under voice and/or signal control* means the immediate recall of an animal to the person in control of the animal when signaled or called. To be under effective voice and/or signal control, the animal must be within the sight of the person in control.~~

Veterinary hospital includes any establishment maintained and operated by a licensed veterinarian for the diagnosis, treatment and care of diseased or injured animals and for their care and training.

7.04.030 Annual license required—Tag. ~~Repealed~~

~~Except as provided in MICC 7.04.070, it is unlawful to keep or harbor a dog over four months of age within the city unless an animal license is procured for the animal annually from the city or the city's authorized agent. The provisions of this section shall not apply to dogs whose owners are nonresidents, temporarily within the city for a period not exceeding 30 days, nor to dogs~~

~~kept in duly licensed kennels during the period they are kept at such kennel, nor to dogs in the custody of a veterinarian.~~

7.04.040 Application for license—Fees. Repealed

~~Dog licenses shall be issued by the animal control authority upon application and payment of an annual license fee in the sum stipulated by the county ordinance currently in effect during the applicable contract year. Applications for a dog license shall be on forms provided by the animal control authority. The application shall list the name, address and phone number of the owner of the animal and such information shall be kept by the licensing official together with the number of the license issued.~~

7.04.050 Special permanent license—Purchase by residents 65 years of age or older.

City residents 65 years of age or older shall be entitled to purchase a special permanent license for the lifetime of the dogs for which they are the registered owner when the animals are maintained at the owners' residence. Eligible residents may purchase the special permanent animal licenses at the price stipulated by the county ordinance currently in effect during the applicable contract year for each licensed dog, and they shall not be required to annually purchase a new license for the lifetime of such licensed animals; provided, that no person shall be granted more than three permanent animal licenses for any combination of three dogs for which they are the registered owner; provided further, that any permanent license issued under this section shall terminate at any time the person issued such license ceases to be the owner of the licensed dog; and provided further, that the animal control authority is authorized to enact the necessary rules and procedures to efficiently implement the program.

7.04.060 Late penalty. Repealed

~~In addition to the appropriate license fee, a late penalty shall be charged to each owner who does not obtain a required license in the sum stipulated by the county ordinance currently in effect during the applicable contract year; however, no late penalty shall be charged if:~~

- ~~A. The owner submits proof of purchase of the animal within the preceding 30 days; or~~
- ~~B. The owner has moved into the city within the preceding 30 days; or~~
- ~~C. The animal had been under the age which requires a license (four months); or~~
- ~~D. The owner purchases the license(s) voluntarily, prior to in-person or field contact by animal control personnel; or~~
- ~~E. The owner submits other proof deemed acceptable in the rules and regulations of the animal control division.~~

7.04.070 Dog collar—Shape and size of license tag—Removal of tag. Repealed

~~Upon payment of the license fee, the animal control authority shall issue to the owner a tag for each dog so licensed. Each licensed dog shall be provided by the owner with a suitable collar or harness which shall be worn by the animal at all times when it is off the owner's premises. To such collar or harness shall be affixed a license tag provided by the animal control authority for the current year for which a license has been procured; provided, that a collar and license tag need not be worn by a show dog when under the control of its handler at an authorized show. Such license tag shall be so affixed as to hang and be discernible to a person of normal vision at not less than ten feet. The license tag shall be stamped with the number and year for which it is issued. As an alternative to a license tag, at the option of the owner, a dog may be identified as licensed by being tattooed on its right ear or on its inside right thigh or groin with a license number approved or issued by the city animal control authority.~~

7.04.080 ~~Lost tag—Replacement fee.~~ Repealed

~~Any owner of a licensed dog whose current license tag has been lost or destroyed may obtain a replacement tag, prior to impounding of such dog, by payment of a fee established by the animal control authority.~~

7.04.090 ~~Change in ownership—Fee.~~ Repealed

~~Whenever the ownership of a dog changes, the new owner shall notify the licensing official and pay to the official a sum equal to 50 percent of the annual fee, whereupon the licensing official shall change the record accordingly for such dog and the previously issued license for such dog shall remain valid for the remainder of the year; provided, that license tags may be transferred by the owner from one dog to another owned by him if the dog for which the license was originally issued is dead, has been sold or otherwise disposed of.~~

7.04.100 ~~License refund.~~ Repealed

~~No refund shall be made on any dog license fee because of the death of the animal or the owner's departure from the city prior to the expiration of the license period.~~

7.04.110 Unlawful conduct—Owner responsible for violations.

The owner of an animal is responsible for, and may be charged with and held liable for, violations committed by his or her animal. It is unlawful as follows:

- A. For a domestic animal, with the exception of cats and service animals as defined in RCW 49.60.040, to enter or remain upon:
 - 1. Any public school ground, or associated school facilities,
 - 2. Any playground,
 - 3. Any sports court,
 - 4. Any sports field with a synthetic turf surface,
 - 5. Any sports field without a synthetic turf surface when practices, games, or other organized activities are in progress; otherwise, an animal must be under control when at the sports field,
 - 6. From May 1 to September 30, any public swimming area as designated by sign,
 - 7. From October 1 to April 30, any public swimming area as designated by sign, except when on a leash,
 - 8. The northeast quadrant of Pioneer Park, Deane's Children's Park ("Dragon Park") or Luther Burbank park property unless such animal is restrained by a leash or in a designated off-leash area on Luther Burbank park property, or
 - 9. Any other public park property not referred to in subsections (A)(1) through (8) of this section, unless such animal is under control.

Any animal which enters or remains upon any such public property contrary to these provisions is declared to be a public nuisance and may be impounded as such; provided, that the provisions of this section shall not apply to any controlled dog show, trial or class held on any public park property pursuant to authority granted by the city parks and recreation director, any service animals as defined in RCW 49.60.040, animal shows, exhibitions or dog training classes;

- B. For any animal to enter any place where food is stored, prepared, served or sold to the public, or any other public building or hall. This section shall not apply to service animals, as defined in RCW 49.60.040, to veterinary offices or hospitals, to animal shows,

exhibitions or organized dog training classes where at least 24 hours advance notice has been given to the animal control authority by such persons requesting to hold such animal shows, exhibitions or dog training classes;

- C. ~~For a female dog to run at large while in heat (estrus);~~ While in heat, for a pet to be accessible to males of the same species, except for males of the same species, except for planned breeding;
- D. For a domestic animal, with the exception of cats, to roam, run, stray or to be away from the premises of the owner and to be on any other public place or on any other public property or the private property of another in the city, unless such animal while away from such premises is under control or restrained by leash, such control to be exercised by the owner or other competent and authorized person; and any such animal found roaming, running, straying or being away from the premises of the owner and not under control as herein provided may be impounded subject to redemption in the manner provided by this chapter. The owner of any licensed dog found roaming, running, straying, or being away from such premises contrary to the provisions of this subsection shall, in lieu of the dog being impounded, be issued an infraction for a violation of this chapter;
- E. For any domestic animal to chase, run after or jump at people riding in vehicles, or on bicycles, skateboards, roller skates, or other wheeled devices in public areas; ~~vehicles using the public streets and alleys;~~
- F. To harbor or permit on one's own property, property of another or a public place a barking dog after having received notice, written or oral, by the animal control officer or the city that a complaint, written or oral, has been made against such barking dog;
- G. To keep, harbor or maintain animals known to have a contagious disease unless under the treatment of a licensed veterinarian;
- H. For cattle, horses, goats, swine or sheep to escape from the premises owned, leased or occupied by the owner or custodian of such animals, or for such animals to run at large onto the streets, sidewalks or ways of the city or upon any property not owned, leased or occupied by such person;
- I. To stake out or tether cattle, horses, or goats upon public property of the city or upon the property of any person other than the owner of such animals without the prior consent of the owner, lessee or occupant of the land upon which such animals are staked or tethered;
- J. For a domestic animal to defecate on any public property or private property not owned by the owner unless the owner or person in control of said domestic animal immediately removes the deposited fecal matter from said property;
- K. For a person to have more than two animals under control on any public property.

7.04.115 Determination of off-leash areas.

The city council will determine off-leash areas.

7.04.120 **Potentially dangerous dogs.** ~~Repealed~~

- ~~A.— *Declaration of a dog as potentially dangerous.* The animal control authority may declare a dog to be a potentially dangerous dog, and place restrictions on such dog, if the animal control authority has probable cause to believe that the dog falls within the definition of potentially dangerous dog set forth in RCW 16.08.070 (or as hereafter amended). Such declaration must be based upon the following types of evidence, any amount or combination of which results in probable cause:~~
- ~~1.— A declaration of a person that the animal has acted in a manner which causes it to fall within the definition of "potentially dangerous dog;"~~
 - ~~2.— Animal bite report(s) filed with the animal control authority;~~
 - ~~3.— Action(s) of the animal witnessed by any employee of the animal control authority or law enforcement officer; or~~
 - ~~4.— Other substantial evidence, such as photographs of injuries caused by the animal, medical reports, etc.~~
- ~~B.— The notice of written declaration shall be in writing and served on the owner in one of the following methods: certified and regular mail to the owner's last known address and/or personal service. The declaration shall include, but is not limited to:~~
- ~~1.— A description of the dog;~~
 - ~~2.— The name and address of the owner of the dog, if known;~~
 - ~~3.— The whereabouts of the dog if not in custody of the owner;~~
 - ~~4.— A brief summary of the facts upon which the declaration is based, if known, including the definition of potentially dangerous dog under which the declaration is being made and all reasons for which the animal control authority considers the animal to be a potentially dangerous dog;~~
 - ~~5.— The statutory and municipal code basis for the proposed action;~~
 - ~~6.— A statement that the dog is subject to the restrictions or controls placed on the animal or owner as a result of the declaration; and~~
 - ~~7.— The ability and process for appealing the declaration by submitting a written request to the animal control authority.~~
- ~~C.— *Appeal.* Appeals of potentially dangerous dog declarations shall be heard by the City of Mercer Island hearing examiner and conducted in accordance with MICC 7.04.235.~~
- ~~D.— *Exclusions.* A dog shall not be declared a potentially dangerous dog if the animal control authority or hearing examiner determines that the threat, injury, or damage alleged to have been committed by the dog was sustained by a person who was at the time committing a willful trespass or other tort upon the premises occupied by the owner of the dog, or who was tormenting, abusing, or assaulting the dog, or who has in the past been observed or reported to have tormented, abused, or assaulted the dog, or who was committing or attempting to commit a crime. Further, this section 7.04.120 shall not apply to police dogs as defined in RCW 4.24.410.~~
- ~~E.— *Restraint.* Notwithstanding any other provisions of this chapter, it is unlawful for an owner of a potentially dangerous dog to permit the dog to be allowed or permitted to run free and physically unrestrained or off leash or not otherwise under physical restraint, unless within a fenced yard or similar restraint reasonably designed to prevent the dog from running free and physically unrestrained. It is provided, however, that the top of such fence shall be at least six feet in height as measured from the ground level, unless there is a secured top—full enclosure—to the fenced-in area; and it is further provided, that such fence or enclosure area shall comply with all applicable city codes. For purposes of this section, a dog solely under voice and/or signal control shall be considered to be "physically unrestrained." Any person who violates this section shall be guilty of a misdemeanor.~~
- ~~F.— The owner of a potentially dangerous dog is responsible for taking measures to ensure that the dog does not escape the above restraints.~~

7.04.125 Review of potentially dangerous dog designation.

- A. If, after 24 months of the animal control officer declaring an animal a potentially dangerous dog (provided such declaration is not overturned by the hearing examiner or a reviewing court), no violations of this chapter or RCW Chapter 16.08 have occurred, the owner of a potentially dangerous dog may request review of the potentially dangerous dog designation. The request shall be made in writing and submitted to ~~the city clerk~~ [RASKC](#).
- B. Review and notification to the owner of the outcome of the request shall be made within 30 days of RASKC's receipt of the written request. The outcome of the request shall be determined by ~~the animal control authority~~ [RASKC](#) pursuant to this section and shall be the final decision of the city.
- C. Reclassification of a potentially dangerous dog pursuant to this section means that the dog will no longer be considered a potentially dangerous dog by the city pursuant to this chapter, unless the dog is again declared to be a potentially dangerous dog as set forth in this chapter.

7.04.130 ~~Dangerous dogs.~~ [Repealed](#)

- ~~A. This section 7.04.130 is supplemental to the provisions of RCW 16.08.080 and 16.08.090 (or as may be hereafter amended).~~
- ~~B. Should the animal control authority issue a final determination that a dog is a dangerous dog, the owner may appeal the animal control authority's determination. Appeals of dangerous dog determinations shall be heard by the City of Mercer Island hearing examiner and conducted in accordance with MICC 7.04.235.~~
- ~~C. In addition to other licensing fees as provided within this chapter, the owner of a dangerous dog shall pay to the city a dangerous dog registration fee in the amount of \$250.00 for calendar year 2021 and for subsequent years, starting in 2022, the registration fee shall be in an amount as set by the city council in the city fee schedule. Further, the owner of a dangerous dog shall comply with the city's dangerous dog registration procedures, including providing the city with a photograph of the dangerous dog each year. Such photograph(s) shall show the dog's coloring and body shape.~~

7.04.140 ~~Confiscation of dangerous dogs.~~ [Repealed](#)

- ~~A. This section 7.04.140 is supplemental to the provisions of RCW 16.08.100 (or as may be hereafter amended).~~
- ~~B. A dangerous dog impounded in violation of dangerous dog requirements shall not be released during investigation of or prosecution due to failure to comply with dangerous dog requirements. Any person convicted of failing to comply with dangerous dog requirements shall make restitution to the city for all costs incurred in boarding and disposition of such dog and shall forfeit any interest in such dog.~~

7.04.210 ~~Confinement~~ [Required quarantine](#) of biting animal.

It is unlawful for the owner of any animal, when notified that such animal has bitten any person or has so injured any person as to cause an abrasion of the skin, to sell or give away such animal [during the required quarantine period of 10 days](#), ~~or permit to allow such animal to be taken beyond the limits of the city except to a veterinary hospital, and it shall be the duty of such owner upon receiving notice of such biting to immediately place such animal in a duly licensed veterinary hospital where such animal shall be confined for a period of at least ten days or to deliver such animal to any officer for such placement; provided, upon authorization of a licensed veterinarian with the consent of the city authorized health officer, such animal may be released~~

~~to the custody of its owner upon the owner's undertaking to~~ The owner shall keep the ~~same animal~~ securely ~~chained and~~ confined to the premises of the owner and segregated from any other animals during such required quarantine period. If an owner is unable, unwilling, or fails to properly confine the animal during the ten-day quarantine period they will be required, at their expense, to place the animal in veterinary clinic or boarding facility for the quarantine period.

7.04.220 Enforcement power. Repealed

- ~~A. The county animal control authority, as agent of the city, or any other duly authorized agent of the city acting alone or in concert with other municipalities, is authorized to take such lawful action as may be required to enforce the provisions of this chapter and the laws of the state as they pertain to animal cruelty, shelter, welfare and enforcement.~~
- ~~B. The officer or official shall not enter a building designated for use for private purposes unless a proper warrant has first been issued upon a showing that the officer or official has reasonable cause to believe an animal is being maintained in the building in violation of this chapter.~~
- ~~C. The officer or official, while pursuing or observing any animal in violation of this title, may enter upon any public or private property, except any building designated for and used for private purposes, for the purpose of abating the animal violation being pursued or observed.~~
- ~~D. No person shall deny, prevent, obstruct, or attempt to deny or prevent or obstruct an officer from pursuing any animal observed to be in violation of this title. Further, no person shall fail or neglect, after a proper warrant has been presented, to promptly permit the officer or official to enter private property to perform any duty imposed by this chapter.~~

7.04.230 Violation—Penalty.

Any person who violates, or whose animal violates, any provision of this chapter may be issued a civil infraction, as authorized by RCW Chapter 7.80, unless otherwise specified by this chapter. Each separate day of noncompliance with this chapter shall be deemed a separate violation of this chapter and subject to a separate notice of civil infraction. The city manager will be authorized to set a fine not to exceed \$250.00 for each violation. A notice of infraction issued under this section shall comply with the requirements of RCW 7.80.070 and represents a determination that a civil infraction has been committed. This determination is final unless the person seeks a contested or mitigated hearing pursuant to RCW 7.80.080.

7.04.235 Appeals of potentially dangerous dog declarations or dangerous dog declarations. Repealed

- ~~A. *Filing.* A notice of appeal, substantially in the form prescribed, shall be filed with the city clerk within 20 days of receiving a potentially dangerous dog declaration or final dangerous dog determination (notices that are mailed will be presumed to have been delivered three days after placing the notice in the mail for delivery). No fee is required to file a notice of appeal under this section 7.04.235. If the owner does not file a timely written request for hearing, the restrictions imposed in connection with the potentially dangerous dog declaration or final dangerous dog determination shall remain in effect for the life of the animal, unless sooner lifted by action of the animal control authority or a court of competent jurisdiction.~~
- ~~B. *Form.* An appeal pursuant to this section shall be written and shall conform substantially to the following requirements:~~
 - ~~1. A caption reading: "Appeal of _____," giving the names of all appellants participating in the appeal;~~
 - ~~2. A brief statement setting forth the legal interest of each of the appellants;~~

3. ~~A brief statement of the specific action appealed, together with any material facts claimed to support the contentions of the appellant(s);~~
 4. ~~A brief statement of the relief sought, and the reasons why the potentially dangerous dog declaration or final dangerous dog determination should be reversed, modified, or otherwise set aside;~~
 5. ~~Signatures of all parties named as appellants, and their official mailing addresses; and~~
 6. ~~Certification (by signature of the appellant(s)) that to the best of the appellant(s)' knowledge, information, and belief, the appeal is well grounded in fact.~~
- ~~G. *Scheduling of hearing.* Upon receipt of a timely filed notice of appeal, a hearing shall be scheduled not more than 60 days from the date of the filing of the notice of appeal. The hearing examiner shall send written notice of the date of the hearing to the appellant(s) and the animal control authority at least 20 days prior to the scheduled hearing date. It shall be the responsibility of the parties to notify witnesses of the hearing date. The failure of the appellant(s) to appear at the hearing shall result in a denial of the appeal and upholding of the potentially dangerous dog declaration or final dangerous dog determination.~~
- ~~D. *Enforcement stayed during pendency of appeal.* Unless otherwise determined by the hearing examiner, enforcement of the potentially dangerous dog declaration or final dangerous dog determination shall be stayed during the pendency of the appeal.~~
- ~~E. *Duties of the hearing examiner.* The hearing examiner may uphold, dismiss, or modify the potentially dangerous dog declaration or final dangerous dog determination. A written order shall be prepared and signed by the hearing examiner.~~
- ~~F. *Presentation of evidence.* At the appeal hearing, the hearing examiner shall take evidence relevant to the appeal. Testimony may be provided in the form of signed written statements pursuant to RCW 9A.72.085. Further, the hearing examiner shall have the authority to issue subpoenas and subpoenas duces tecum.~~
- ~~G. *Burden of proof and standard of review.* At the appeal hearing before the hearing examiner, the animal control authority shall have the burden of proving that the dog is a potentially dangerous dog or dangerous dog by a preponderance of the evidence.~~
- ~~H. *Hearing.* The owner of the dog may present evidence in defense of the dog, including but not limited to: documentation and/or witnesses (both lay and expert) to present testimony in defense of the dog. The parties may conduct cross examination of witnesses. The hearing examiner shall weigh the evidence presented by both the animal control authority and the owner (if applicable), and shall issue a written decision that sustains, modifies, or reverses the animal control authority's determination or declaration. If the potentially dangerous dog declaration or final dangerous dog determination is reversed or modified and an appeal is not timely filed by the animal control authority, any previously imposed restrictions on the dog shall be annulled.~~
- ~~I. *Decision final.* The hearing examiner's decision shall be the city's final decision and no reconsideration or appeal is available through either the hearing examiner or the city.~~

7.04.240 RCW Title 16, Animals and livestock.

The following statutes of RCW Title 16, Animals and livestock, are adopted, by reference as now existing or hereafter amended, as follows:

RCW 16.08.080 Dangerous dogs—Notice to owners—Right of appeal—Certificate of registration required—Surety bond—Liability insurance—Restrictions.

RCW 16.08.090 Dangerous dogs—Requirements for restraint—Potentially dangerous dogs— not declared dangerous.

RCW 16.08.100 Dangerous dogs—Confiscation—Conditions—Duties of animal control authority—Penalties and affirmative defenses for owners of dogs that attack.

RCW 16.52.011 Definitions—Principles of liability.

RCW 16.52.015 Enforcement—Law enforcement agencies and animal care and control agencies.

RCW 16.52.020 Humane societies—Enforcement authority.

RCW 16.52.025 Humane societies—Animal control officers.

RCW 16.52.080 Transporting or confining in unsafe manner—Penalty.

RCW 16.52.085 Removal of animals for feeding—Examination—Notice—Euthanasia.

RCW 16.52.090 Docking horses—Misdemeanor.

RCW 16.52.095 Cutting ears—Misdemeanor.

RCW 16.52.100 Confinement without food and water—Intervention by others.

~~RCW 16.52.110 Old or diseased animals at large.~~

RCW 16.52.117 Animal fighting—Prohibited behavior—Class C felony—Exceptions.

~~RCW 16.52.165 Punishment—Conviction of misdemeanor.~~

RCW 16.52.180 Limitations on application of chapter.

RCW 16.52.185 Exclusions from chapter.

RCW 16.52.190 Poisoning animals—Penalty.

RCW 16.52.193 Poisoning animals—Strychnine sales—Records—Report on suspected purchases.

RCW 16.52.200 Sentences—Forfeiture of animals—Liability for costs—Civil penalty—Education, counseling.

RCW 16.52.205 Animal cruelty in the first degree.

RCW 16.52.207 Animal cruelty in the second degree.

RCW 16.52.210 Destruction of animal by law enforcement officer—Immunity from liability.

RCW 16.52.220 Transfers of mammals for research—Certification requirements—Pet animals.

RCW 16.52.225 Nonambulatory livestock—Transporting or accepting delivery—Gross misdemeanor—Definition.

RCW 16.52.230 Remedies not impaired.

RCW 16.52.300 Dogs or cats used as bait—Seizure—Limitation.

RCW 16.52.305 Unlawful use of hook—Gross misdemeanor.

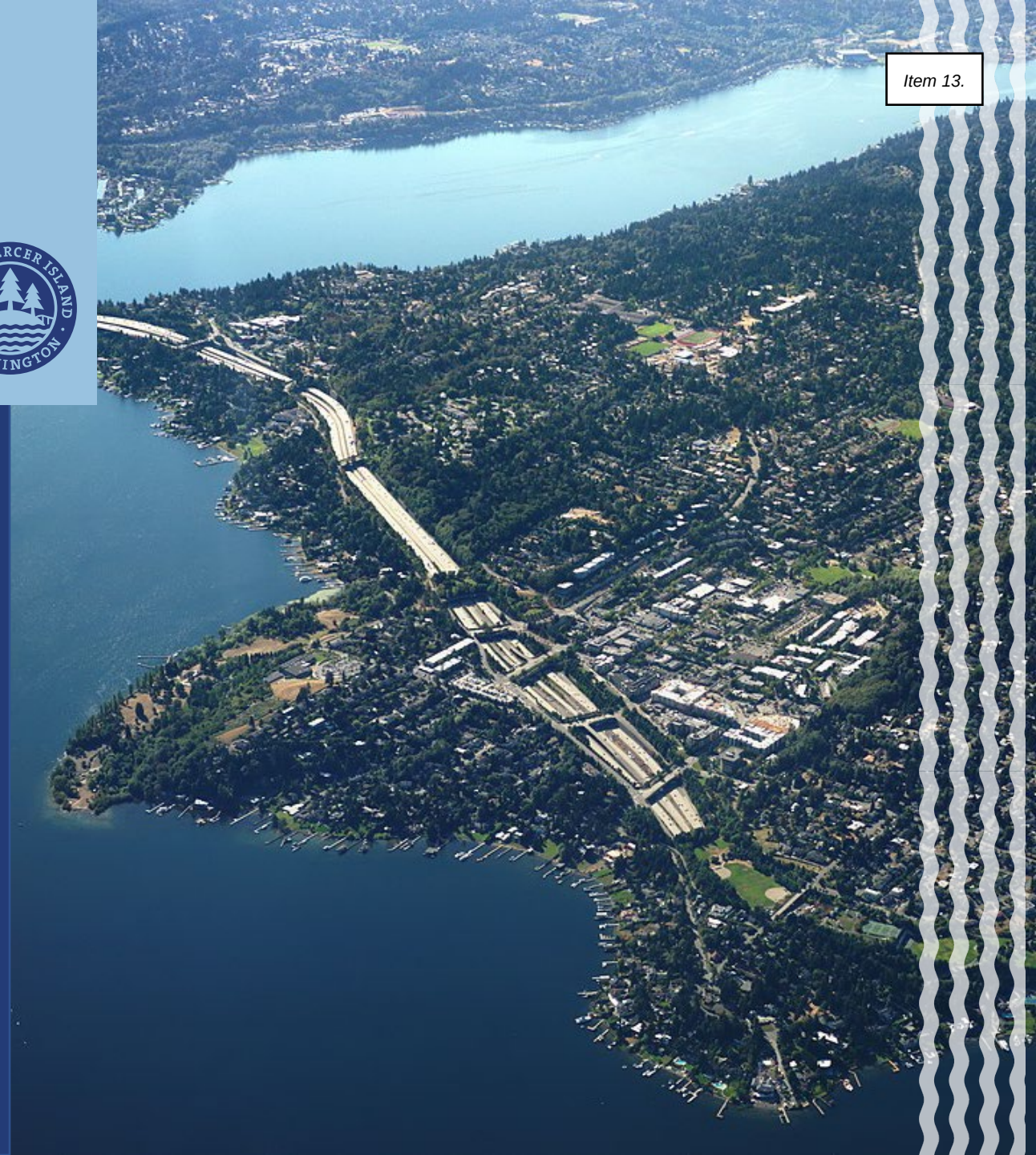
RCW 16.54.010 When deemed abandoned.

RCW 16.54.020 Disposition of abandoned animal by person having custody.



AB 6985: Updating the City's Animal Control Code

September 15, 2026



Animal Control Agenda Item Summary

- The City of Mercer Island receives animal licensing and control services from King County through the Regional Animal Services of King County (RASKC) interlocal agreement (ILA).
- Per the adopted ILA with RASKC, the City is obligated to “enact an ordinance or resolution that includes license, fee, penalty, enforcement, appeal, impound/redemption and sheltering provisions **that are substantially the same as those of Title 11 King County Code...**”
- Mercer Island’s animal code needs to be amended to align with King County’s 2023 update to KCC Title 11, per the requirements of the ILA.
- Regulations pertaining to animals within Mercer Island is governed by MICC Chapter 7.04 – Animal Code.

City Animal Control Costs and Services

- The table below shows revenue and expenses related to pet licensing revenue, costs of the RASKC ILA, Mercer Island Hearing Examiner costs, and costs related to outside legal support services for dangerous dog appeal cases.
- Costs net of the pet license revenue is paid for by the City General Fund, and pet license revenue does not cover all of the City's costs.

Description	2024 Actuals	2025 Actuals
Revenues		
King County Pet Licenses	\$ 66,800	\$ 63,500
Expenses		
RASKC Interlocal Agreement	73,000	77,100
Hearing Examiner (<i>dangerous dog appeals</i>)	600	9,600
Outside Legal	14,400	61,500
Expenses Subtotal	\$ 88,000	\$ 148,200
Net Cost to City General Fund	\$ 21,200	\$ 84,700

Aligning City Animal Control Code with KCC

- Staff recommend adopting the King County animal control code by reference. This is the approach most commonly used by cities that contract with RASKC.
- Alignment with County Code makes it easier for RASKC animal control officers to effectively enforce animal conduct rules on Mercer Island.
- The City Manager is recommending transferring the appeals for dangerous or potentially dangerous animals from the City Hearing Examiner to RASKC.
- Additional minor revisions to City Code are proposed to address inconsistencies in phrasing of definitions and policies.
- The City may continue to establish local policies on matters outside ILA subjects, including off-leash areas and Mercer Island-specific conduct requirements.

Animal Control Agenda Item Summary

- The draft ordinance, links to the City and County animal control codes, and summaries of code sections requiring substantive change are included in the agenda bill. Staff will not present on every proposed change tonight.
- While a draft ordinance is provided in your packet, we are not doing a first reading. Feedback received will be incorporated into a first reading of an ordinance later this fall.
- Tonight, staff would like to receive questions and feedback on proposed changes to the Animal Control Code.
- Most of these code changes are required under the terms of the RASKC ILA.

Questions



2026 PLANNING SCHEDULE

Item 14.

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.

OCTOBER 6, 2026			DD	FN	CA	Clerk	CM
ABSENCES:			9/24	9/25	9/25	9/28	9/28
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION							
SPECIAL BUSINESS							
CONSENT AGENDA							
--	AB xxxx: September 10, 2026 Payroll Certification				Ali Spietz/Nicole Vannatter		
--	AB xxxx: September 25, 2026 Payroll Certification				Ali Spietz/Nicole Vannatter		
--	AB xxxx: Certification of Claims September 1-15, 2026				LaJuan Tuttle/Ashley Olson		
--	AB xxxx: Domestic Violence Action Month, Proclamation No. xxx				Mayor Rosenbaum/Derek Franklin		
--	AB xxxx: Arbor Day, Proclamation No. xxx				Mayor Rosenbaum/Andrew Prince		
--	AB xxxx: Indigenous Peoples’ Day, Proclamation No. xxx				Mayor Rosenbaum/Andrea Larson		
	AB xxxx: 2025 AC Main Replacement Project Bid Award				Jason Kintner/Christopher Marks/Lauren Kumle		
	AB xxxx: Sewer SCADA System Replacement Project Closeout				Jason Kintner/Chris Marks		
--	AB xxxx: Ezee Fiber Franchise Agreement (Second Reading, Ord. No. 26-14)				Jason Kintner/Christopher Marks/Rebecca Corigliano		
	AB xxxx: PRV Station Replacements – Phase 2 Bid Award				Jason Kintner/Christopher Marks/Zechariah Rodino		
REGULAR BUSINESS							
30	AB xxxx: 2027-2028 Biennial Budget - Introduction to the Preliminary Budget and Overview of the Six-Year Capital Improvement Program				Matt Mornick/Jason Kintner		
30	AB 6999: Fleet Budget Appropriation				Jason Kintner/Alanna DeRogatis/Carson Hornsby		
EXECUTIVE SESSION							

OCTOBER 20, 2026			DD	FN	CA	Clerk	CM
ABSENCES:			10/8	10/9	10/9	10/12	10/12
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION							
SPECIAL BUSINESS							

CONSENT AGENDA		
--	AB xxxx: October 9, 2026 Payroll Certification	Ali Spietz/Nicole Vannatter
--	AB xxxx: Certification of Claims September 16-30, 2026	LaJuan Tuttle/Ashley Olson
REGULAR BUSINESS		
10	AB xxxx: Planning Commission Vacancy Recruitment (Resolution No. xxxx)	Mayor Rosenbaum/Andrea Larson
30	AB xxxx: Public Hearing: 2027-2028 Biennial Budget - Overview of the 2027-2028 Work Plan and Operating Budget	Matt Mornick/Ali Spietz
EXECUTIVE SESSION		

NOVEMBER 3, 2026		DD	FN	CA	Clerk	CM
ABSENCES:		10/22	10/23	10/23	10/26	10/26
ITEM TYPE TIME TOPIC				STAFF		
STUDY SESSION						
SPECIAL BUSINESS						
CONSENT AGENDA						
--	AB xxxx: October 23, 2026 Payroll Certification			Ali Spietz/Nicole Vannatter		
--	AB xxxx: Certification of Claims October 1-15, 2026			LaJuan Tuttle/Ashley Olson		
--	AB xxxx: Shop Small Month, Proclamation No. xxx			Mayor Rosenbaum/Andrea Larson		
--	AB xxxx: Diwali, Proclamation No. xxxx			Mayor Rosenbaum/Andrea Larson		
	AB xxxx: Sewer Pump Station Generator Replacement Project Closeout			Jason Kintner/Chris Marks		
REGULAR BUSINESS						
60	AB xxxx: Draft 2027 State and Regional Legislative Priorities Review			Jessi Bon/Robbie Cunningham Adams		
EXECUTIVE SESSION						

NOVEMBER 17, 2026 – PACKET TO PUBLISH TUESDAY 11/10				DD 11/4	FN 11/5	CA 11/5	Clerk 11/6	CM 11/6
ABSENCES:								
ITEM TYPE TIME TOPIC						STAFF		
STUDY SESSION								
SPECIAL BUSINESS								
CONSENT AGENDA								
--	AB xxxx: November 10, 2026 Payroll Certification					Ali Spietz/Nicole Vannatter		
--	AB xxxx: Certification of Claims October 16-31, 2026					LaJuan Tuttle/Ashley Olson		
--	AB xxxx: Adoption of 2027 State and Regional Legislative Priorities					Jessi Bon/Robbie Cunningham Adams		
--	AB xxxx: 2027 Fee Schedule Adoption					Ali Spietz/Matt Mornick		
REGULAR BUSINESS								
30	AB xxxx: Public Hearing: 2027-2028 Biennial Budget - Receive Q3 2026 Financial Status Update and Budget Amending Ordinance (Ord. No. 26-xx), Adopt 2027 Property Tax Ordinances (Ord. Nos. 26-xx and 26-xx), and Adopt 2027 NORCOM Budget (Resolution No. xxxx)					Matt Mornick/ LaJuan Tuttle/ Ben Schumacher		
15	AB xxxx: Public Hearing: Renew Interim Regulations Related to Middle Housing and ADU’s (HB 1110 / HB 1337) (First Reading, Ord. No. 26-xx)					Jeff Thomas/Molly McGuire		
15	AB xxxx: Public Hearing: Renew Interim Regulations Related to Unit Lot Subdivisions (SB5258) (First Reading, Ord. No 26-xx)					Jeff Thomas/Molly McGuire		
15	AB xxxx: MICC Title 19 Zoning Map Amendment (First Reading, Ord. No. 26C-xx)					Jeff Thomas/Molly McGuire		
15	AB xxxx: Set the 2026 Annual Docket (Resolution No. xxxx)					Jeff Thomas/Madelyn Nelson		
EXECUTIVE SESSION								

DECEMBER 1, 2026				DD	FN	CA	Clerk	CM
ABSENCES:				11/19	11/20	11/20	11/23	11/23
ITEM TYPE TIME TOPIC						STAFF		
STUDY SESSION								
SPECIAL BUSINESS								
CONSENT AGENDA								
--	AB xxxx: November 25, 2026 Payroll Certification					Ali Spietz/Nicole Vannatter		
--	AB xxxx: Certification of Claims November 1-15, 2026					LaJuan Tuttle/Ashley Olson		
--	AB xxxx: Comprehensive Plan Land Use Map Amendment (Second Reading, Ord. No. 26-13)					Jeff Thomas/Molly McGuire		
--	AB xxxx: Renew Interim Regulations related to Middle Housing and ADU’s (HB 1110 / HB 1337) (Second Reading, Ord. No. 26-xx)					Jeff Thomas/Molly McGuire		

--	AB xxxx: Renew Interim Regulations related to Unit Lot Subdivisions (SB 5258) (Second Reading, Ord. No. 26-xx)	Jeff Thomas/Molly McGuire
--	AB xxxx: MICC Title 19 Zoning Map Amendment (Second Reading, Ord. No. 26C-xx)	Jeff Thomas/Molly McGuire
REGULAR BUSINESS		
15	AB xxxx: Public Hearing: 2027-2028 Biennial Budget Adoption (Ord. No. 26-xx)	Matt Mornick/LaJuan Tuttle/Ben Schumacher/Lindsey Mitchell
EXECUTIVE SESSION		

Item 14.

DECEMBER 15, 2026 – POTENTIALLY CANCELED			DD	FN	CA	Clerk	CM
ABSENCES:			12/3	12/4	12/4	12/7	12/7
ITEM TYPE TIME TOPIC					STAFF		
STUDY SESSION							
SPECIAL BUSINESS							
CONSENT AGENDA							
REGULAR BUSINESS							
EXECUTIVE SESSION							