



2012 FIRST QUARTER FINANCIAL REPORT

May 2012

PERFORMANCE AT A GLANCE

	YEAR TO DATE TREND	COMPARED TO PROJECTIONS	REFERENCE
GENERAL FUND REVENUES			
Property Tax Revenue	▲ POSITIVE ▲	11.49%	Page 3
Sales Tax Revenue	◀ NEUTRAL ▶	-1.63%	Pages 4-5
Utility Tax and Franchise Fee Revenue	▼ NEGATIVE ▼	-7.84%	Page 8
Development Revenue	▲ POSITIVE ▲	20.18%	Page 9
Park and Recreation Revenue	▲ POSITIVE ▲	2.66%	Page 10
Investment Income	▼ NEGATIVE ▼	-47.72%	Page 11
EXPENDITURES			
General Fund Expenditures		-2.83%	Page 12
NON-GENERAL FUND REVENUES			
Surface Water Fees	◀ NEUTRAL ▶	0.20%	Page 13
Fuel Tax Revenue	● WARNING ●	-3.5%	Page 14
Real Estate Excise Tax Revenue	▼ NEGATIVE ▼	-4.34%	Page 14

Key to revenue trend indicators:

- ▲ POSITIVE ▲ = Positive variance of >2% compared to projections.
- ◀ NEUTRAL ▶ = Variance of -1% to 2% compared to projections.
- WARNING ● = Negative variance of -1% to -4% compared to projections.
- ▼ NEGATIVE ▼ = Negative variance of >-4% compared to projections.

CITY FINANCIAL OVERVIEW

EXECUTIVE SUMMARY

First Quarter General Fund revenues of \$4,019,182 were \$91,171, or 2.32 percent, above first quarter projected revenue of \$3,928,011. General Fund expenditures of \$4,689,461 during the first quarter were \$136,364, or 2.83 percent, below projected expenditures of \$4,825,826.

First quarter Street Fund expenditures totaled \$511,596 which was \$41,272, or 7.46 percent, below projections.

The Surface Water Utility Fund (SWM) revenue collections during the first quarter equaled \$87,695 and were \$171, or 0.2 percent, higher than projections. Expenditures of \$689,348 were \$45,586, or 7.08 percent, higher than projected.

Real estate excise collections totaled \$193,558 which is \$8,792, or 4.3 percent, below projections.

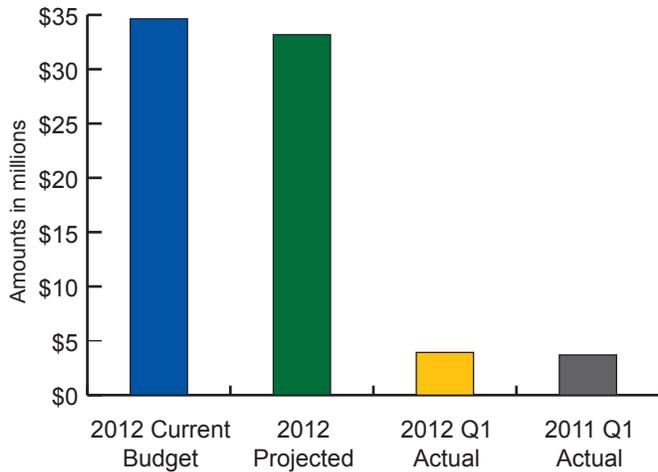
Fuel tax collections totaled \$252,343 which was \$9,149, or 3.5 percent, below projections.

GENERAL FUND REVENUE DETAIL

Revenue Source	2012 Current Budget	2012 Projected Revenue	2012 First Quarter Projected	2012 First Quarter Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2011 First Quarter Actual
Budgeted Fund Balance	\$1,459,714	\$0	\$0	\$0	\$0	0.00%	\$0
Property Tax	\$10,051,000	\$10,051,000	\$410,081	\$457,205	\$47,124	11.49%	\$426,716
Sales Tax	\$6,301,418	\$6,301,418	\$1,096,172	\$1,078,354	-\$17,818	-1.63%	\$1,035,821
Local Criminal Justice	\$1,113,330	\$1,113,330	\$273,842	\$269,921	-\$3,921	-1.43%	\$267,801
Utility Tax & Franchise Fee Revenue							
<i>Natural gas</i>	\$950,000	\$950,000	\$237,500	\$259,660	\$22,160	9.33%	\$264,382
<i>Garbage</i>	\$489,250	\$489,250	\$1,419	\$83	-\$1,336	-94.15%	\$1,442
<i>Cable TV</i>	\$1,505,000	\$1,505,000	\$136,303	\$72,116	-\$64,187	-47.09%	\$132,218
<i>Telecommunications</i>	\$1,675,000	\$1,675,000	\$168,226	\$154,523	-\$13,703	-8.15%	\$158,305
<i>Storm Drainage</i>	\$195,775	\$195,775	\$9,554	\$8,919	-\$635	-6.64%	\$8,752
<i>Water</i>	\$690,000	\$690,000	\$0	\$0	\$0	\$0	\$0
<i>Sewer</i>	\$763,230	\$763,230	\$190,884	\$190,250	-\$634	-0.33%	\$0
Utility Tax & Franchise Fee Revenue Subtotal	\$6,268,255	\$6,268,255	\$743,885	\$685,551	-\$58,334	-7.84%	\$565,099
SCL Contract Payment	\$1,854,704	\$1,854,704	\$183,708	\$184,040	\$332	0.18%	\$189,799
Gambling Tax Revenue	\$1,823,771	\$1,823,771	\$0	\$38,720	\$38,720	\$0	\$100,978
Development Revenue	\$833,125	\$833,125	\$355,133	\$426,808	\$71,675	20.18%	\$212,599
Park and Recreation Revenue	\$1,435,227	\$1,435,227	\$283,196	\$290,737	\$7,541	2.66%	\$292,949
Intergovernmental Revenue	\$870,348	\$870,348	\$165,134	\$175,961	\$10,827	6.56%	\$208,002
Grant Revenue	\$280,978	\$280,978	\$27,239	\$27,239	\$0	0.00%	\$17,104
Fines and Licenses	\$898,047	\$898,047	\$44,680	\$61,434	\$16,754	37.50%	\$35,602
Miscellaneous Revenue	\$355,642	\$355,642	\$88,911	\$70,169	-\$18,742	-21.08%	\$94,549
Interest Income	\$94,000	\$94,000	\$6,257	\$3,271	-\$2,986	-47.72%	\$7,672
Operating Transfers In	\$999,089	\$999,089	\$249,772	\$249,772	\$0	0.00%	\$241,118
Total General Fund Revenue	\$34,638,648	\$33,178,934	\$3,928,011	\$4,019,182	\$91,171	2.32%	\$3,695,806

GENERAL FUND REVENUE ANALYSIS:

TOTAL GENERAL FUND REVENUE



2012 Current Budget	\$34,638,648
2012 Projected Revenue	\$33,178,934
2012 First Quarter Projected	\$3,928,011
2012 First Quarter Actual	\$4,019,182
First Quarter \$ Variance	\$91,171
First Quarter % Variance	2.32%
2011 First Quarter Actual	\$3,695,806
% Change from 2011	8.75%

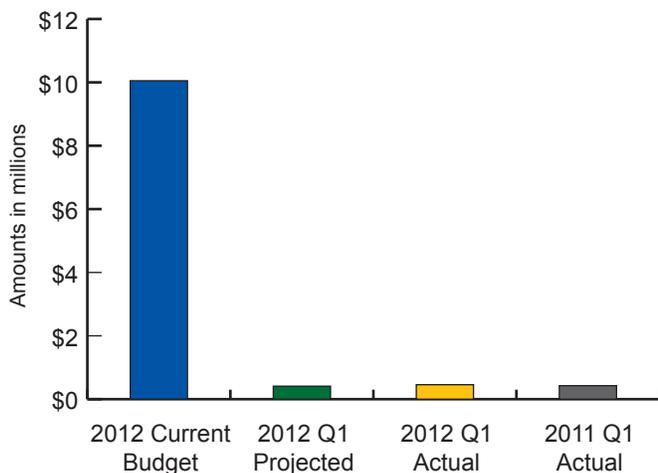
Total General Fund Revenue received in the first quarter of 2012, in the amount of \$4,019,182, is above current year projections by \$91,171, or 2.32 percent, and reflects a year-over-year increase of \$323,376, or 8.75 percent.

It is important to note the following major differences when comparing the first quarter of 2012 to the same period for 2011:

- The City received Sewer Franchise Fee revenue in the amount of \$190,250 in the first quarter of 2012, which was received late in 2011.
- Construction of two Shoreline School District high schools, slated to begin construction in 2011, actually started later than anticipated and resulted in the receipt of a significant amount of permit revenue in the first quarter of 2012.
- Right of Way Fees, which were previously accounted for in the Street Fund, are now being accounted for in the General Fund.
- A cable utility tax payment of \$68,065 for February 2012 was received late in April.

Removal of the revenue receipts for the Shoreline School District development permits and accounting for late franchise fee payments in the year-over-year comparison reveals a more accurate, yet slight, increase in Total General Fund Revenue received of \$32,817, or 0.85 percent. On a positive note, receipts for Property Tax, Sales Tax, and Local Criminal Justice Tax all exhibited increases in 2012 as compared to the same period in 2011. In addition, while overall permit activity is lower as compared to the same period in 2011, the year-over-year revenue increase in Development Revenue (less the amounts for the Shoreline School District projects and Right of Way Fees) is attributable to favorable increases in the Building Permits and Plan Check categories.

PROPERTY TAX

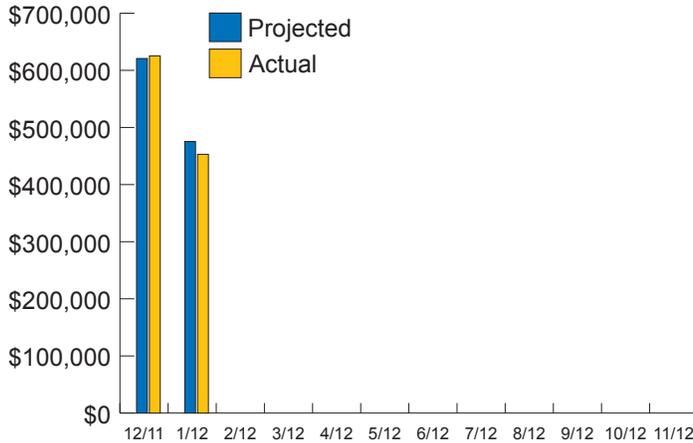


2012 Current Budget	\$10,051,000
2012 Projected Revenue	\$10,051,000
2012 First Quarter Projected	\$410,081
2012 First Quarter Actual	\$457,205
First Quarter \$ Variance	\$47,124
First Quarter % Variance	11.49%
2011 First Quarter Actual	\$426,716
% Change from 2011 First Quarter	7.15%

Property Tax receipts, in the amount of \$457,205, are \$47,124, or 11.49 percent, more than the projection, and reflect a 7.15 percent increase as compared to the same period in 2011. During the first quarter of 2012, the City has received \$74,413 in delinquent taxes from previous years that were not factored in to the budget.

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



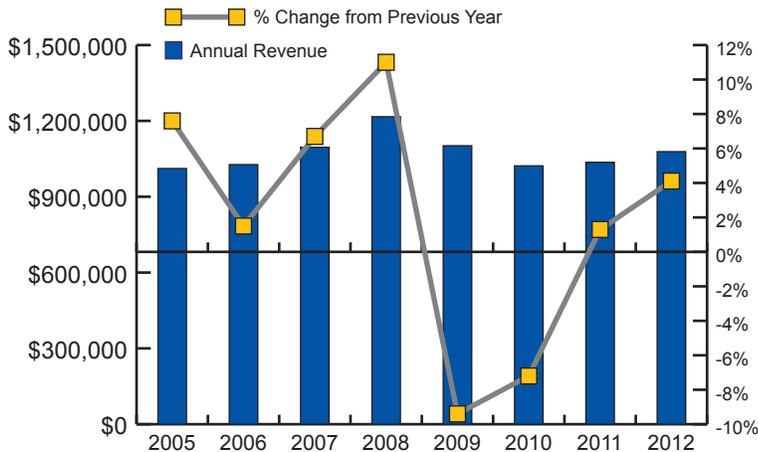
2012 Current Budget	\$6,301,418
2012 Projected Revenue	\$6,301,418

Sales tax revenue: December 2011 - January 2012		
Sales Activity	Projected	Actual
December 2011	\$620,737	\$625,352
January 2012	\$475,435	\$453,002
Year to date	\$1,096,172	\$1,078,354
\$ Variance		-\$17,818
% Variance		-1.63%

Sales Tax receipts, in the amount of \$1,078,354, are \$17,818, or 1.63 percent, less than the projection. On a positive note, while the first quarter reporting period only includes two months of revenue (December 2011 and January 2012), sales activity appears to be picking up slightly as compared to the levels seen in the same period in the prior year. This is exhibited by a year-over-year increase in the amount of \$42,533, or 4.11 percent.

The overall 4.11 percent year-over-year increase is attributable to a significant 44.5 percent increase in the construction sector and favorable 2.36 percent increase in the retail sales sector. As noted in the 2011 Year End Financial Report, four major construction projects were reported as having impacted receipts. According to Planning & Community Development, two of the four projects were still active in early 2012, including the remodel of Christa Ministries (completed in January) and construction of the Market Square Apartments. We will continue to monitor the construction and retail sales sectors closely.

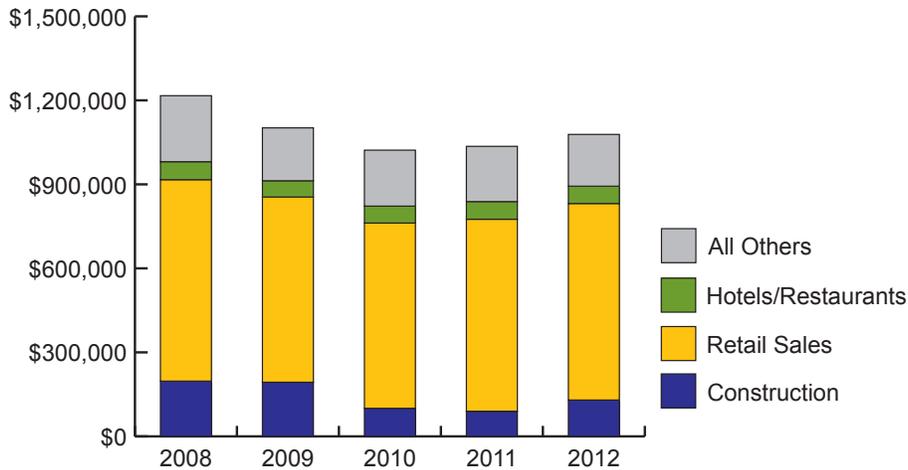
First Quarter Sales Tax Revenue Comparison



First Quarter Sales Tax Revenue Comparison		
Year	First Quarter Revenue	% Change from Previous Year
2005	\$1,011,662	7.60%
2006	\$1,027,153	1.50%
2007	\$1,095,829	6.70%
2008	\$1,216,626	11.00%
2009	\$1,101,726	-9.40%
2010	\$1,022,168	-7.20%
2011	\$1,035,821	1.30%
2012	\$1,078,354	4.11%

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX BY CATEGORY



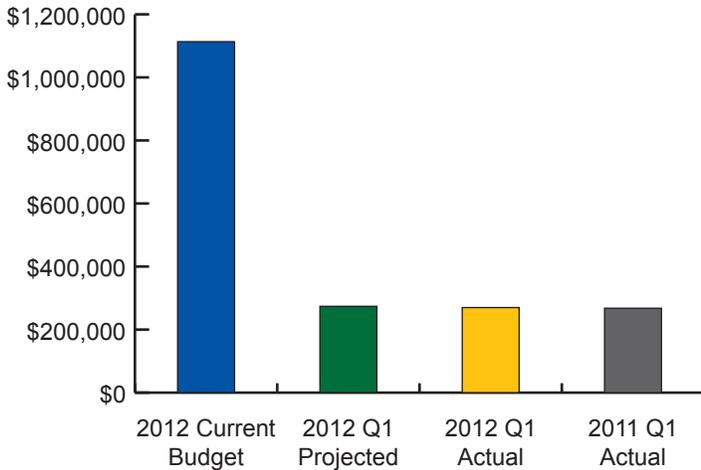
SALES TAX BY CATEGORY - First Quarter

Sector	2008	2009	2010	2011	2012
Construction	\$197,314	\$193,331	\$100,279	\$89,797	\$129,788
Retail Sales	\$719,297	\$661,338	\$661,441	\$685,614	\$701,769
Hotel/Restaurant	\$64,277	\$58,241	\$60,554	\$63,089	\$61,896
All Others	\$235,738	\$188,816	\$199,894	\$197,321	\$184,901
Total	\$1,216,626	\$1,101,726	\$1,022,168	\$1,035,821	\$1,078,354
\$ Variance to previous year	\$120,797	-\$114,900	-\$79,558	\$13,653	\$42,533
% Variance to previous year	11.00%	-9.40%	-7.20%	1.30%	4.11%

Retail Trade	2008 Dec-Nov	2009 Dec-Jan	2009 v. 2008 \$ Variance	2010 Dec-Jan	2010 v. 2009 \$ Variance	2011 Dec-Jan	2011 v. 2010 \$ Variance	2012 Dec-Jan	2012 v. 2011 \$ Variance
Motor Vehicle and Parts Dealer	\$154,840	\$142,391	-\$12,449	\$134,739	-\$7,652	\$159,050	\$24,311	\$161,779	\$2,729
Furniture, Home Furnishings	\$6,339	\$5,790	-\$549	\$11,179	\$5,389	\$9,734	-\$1,445	\$8,988	-\$746
Electronics and Appliances	\$25,116	\$11,812	-\$13,304	\$12,931	\$1,119	\$11,791	-\$1,140	\$14,989	\$3,198
Building Materials, Garden	\$100,967	\$70,251	-\$30,716	\$72,335	\$2,084	\$70,765	-\$1,570	\$72,664	\$1,899
Food and Beverage Stores	\$46,289	\$51,763	\$5,474	\$44,597	-\$7,166	\$44,263	-\$334	\$43,377	-\$886
Health and Personal Care Store	\$23,712	\$23,109	-\$603	\$23,838	\$729	\$24,059	\$221	\$25,035	\$976
Gasoline Stations	\$9,480	\$10,301	\$821	\$10,637	\$336	\$11,801	\$1,164	\$11,922	\$121
Clothing and Accessories	\$4,192	\$4,867	\$675	\$5,679	\$812	\$7,137	\$1,458	\$9,143	\$2,006
Sporting Goods, Hobby, Books	\$19,437	\$19,785	\$348	\$18,551	-\$1,234	\$18,191	-\$360	\$16,835	-\$1,356
General Merchandise Stores	\$269,932	\$259,350	-\$10,582	\$262,975	\$3,625	\$256,646	-\$6,329	\$260,906	\$4,260
Miscellaneous Store Retailers	\$45,945	\$46,398	\$453	\$44,702	-\$1,696	\$50,233	\$5,531	\$49,018	-\$1,215
Nonstore Retailers	\$13,040	\$15,521	\$2,481	\$19,278	\$3,757	\$21,942	\$2,664	\$27,114	\$5,172
Total Revenue	\$719,289	\$661,338	-\$57,951	\$661,441	\$103	\$685,612	\$24,171	\$701,770	\$16,158

GENERAL FUND REVENUE ANALYSIS (continued):

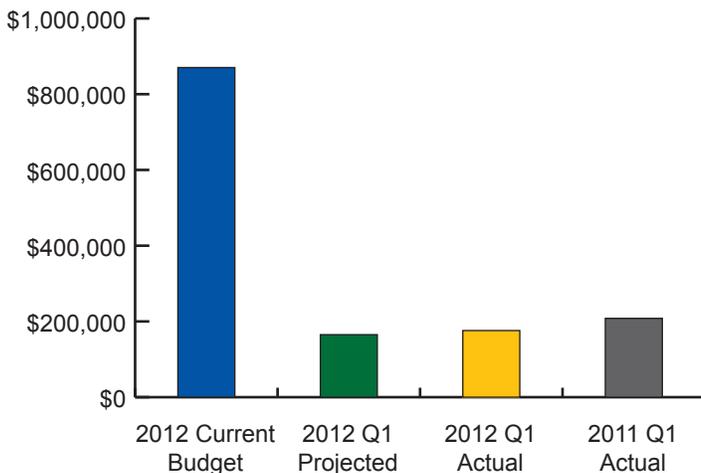
LOCAL CRIMINAL JUSTICE SALES TAX



2012 Current Budget	\$1,113,330
2012 Projected Revenue	\$1,113,330
2012 First Quarter Projected	\$273,842
2012 First Quarter Actual	\$269,921
First Quarter \$ Variance	-\$3,921
First Quarter % Variance	-1.43%
2011 First Quarter Actual	\$267,801
% Change from 2011 First Quarter	0.79%

Local Criminal Justice Sales Tax receipts, in the amount of \$269,921, are \$3,921, or 1.43 percent, less than the projection. Along with the increase in Sales Tax receipts noted above, Local Criminal Justice Sales Tax receipts exhibited a year-over-year increase as well of 0.79 percent. The increase is not commensurate with the increase in Sales Tax receipts because the distribution of Local Criminal Justice Sales Tax is based on the city's population and the amount of sales tax collected throughout all of King County.

INTERGOVERNMENTAL REVENUE



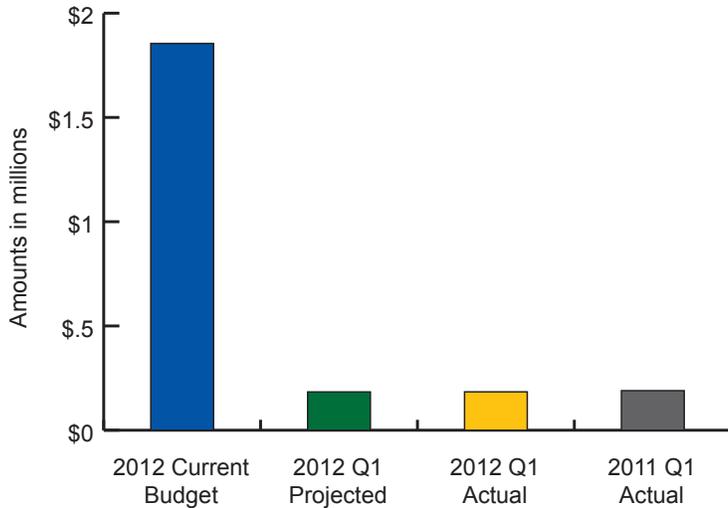
2012 Current Budget	\$870,348
2012 Projected Revenue	\$870,348
2012 First Quarter Projected	\$165,134
2012 First Quarter Actual	\$175,961
First Quarter \$ Variance	\$10,827
First Quarter % Variance	6.56%
2011 First Quarter Actual	\$208,002
% Change from 2011 First Quarter	-15.40%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, liquor board profits and revenue distributed from King County. Intergovernmental Revenue receipts, in the amount of \$175,961, are \$10,827, or 6.56 percent, more than the projection.

As you are aware, the state operating budget and bills passed this past session will impact liquor revenues in the near future. Budget staff recently participated on a conference call with the Association of Washington Cities to walk through the temporary and permanent changes to liquor revenue distributions and is currently analyzing the potential impacts to the City of Shoreline in the latter half of this fiscal year.

GENERAL FUND REVENUE ANALYSIS (continued):

SEATTLE CITY LIGHT CONTRACT PAYMENT

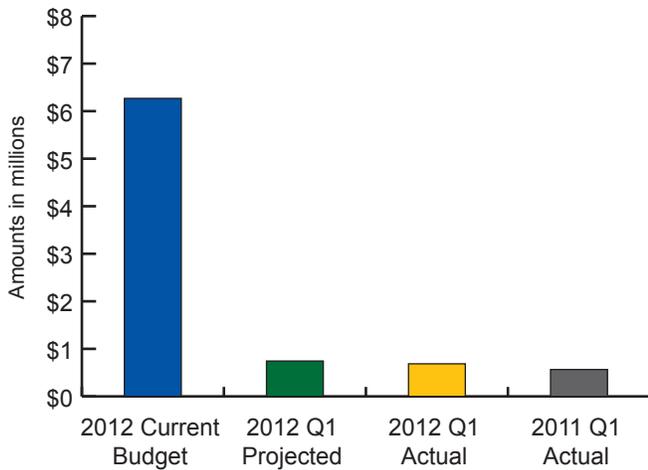


2012 Current Budget	\$1,854,704
2012 Projected Revenue	\$1,854,704
2012 First Quarter Projected	\$183,708
2012 First Quarter Actual	\$184,040
First Quarter \$ Variance	\$332
First Quarter % Variance	0.18%
2011 First Quarter Actual	\$189,799
% Change from 2011 First Quarter	-3.03%

Contract revenue receipts from Seattle City Light, in the amount of \$184,040, are \$332, or 0.18 percent, more than the projection.

GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



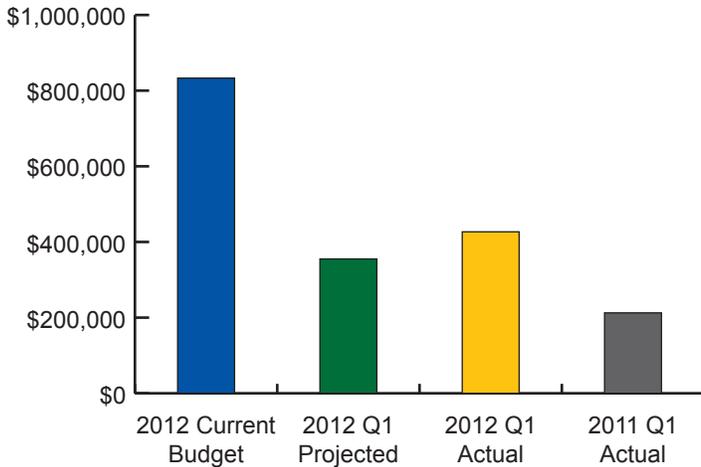
2012 Current Budget	\$6,268,255
2012 Projected Revenue	\$6,268,255
2012 First Quarter Projected	\$743,885
2012 First Quarter Actual	\$685,551
First Quarter \$ Variance	-\$58,334
First Quarter % Variance	-7.84%
2011 First Quarter Actual	\$565,099
% Change from 2011 First Quarter	21.32%

Utility Tax and Franchise Fee receipts, in the amount of \$685,551, are \$58,334 or 7.84 percent less than projections due to a late February cable utility tax payment that was received in April.

Revenue Source	2012 Current Budget	2012 Projected Revenue	2012 Q1 Projected Revenue	2012 Q1 Actual Revenue	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2011 Q1 Actual Revenue
Natural gas	\$950,000	\$950,000	\$237,500	\$259,660	\$22,160	9.33%	\$264,382
Garbage	\$489,250	\$489,250	\$1,419	\$83	-\$1,336	-94.15%	\$1,442
Cable TV	\$1,505,000	\$1,505,000	\$136,303	\$72,116	-\$64,187	-47.09%	\$132,218
Telecommunications	\$1,675,000	\$1,675,000	\$168,226	\$154,523	-\$13,703	-8.15%	\$158,305
Storm Drainage	\$195,775	\$195,775	\$9,554	\$8,919	-\$635	-6.64%	\$8,752
Water	\$690,000	\$690,000	\$0	\$0	\$0	0%	\$0
Sewer	\$763,230	\$763,230	\$190,884	\$190,250	-\$634	-0.33%	\$0
Utility Tax and Franchise Fee Revenue Subtotal	\$6,268,255	\$6,268,255	\$743,885	\$685,551	-\$58,334	-7.84%	\$565,099

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE



2012 Current Budget	\$833,125
2012 Projected Revenue	\$833,125
2012 First Quarter Projected	\$355,133
2012 First Quarter Actual	\$426,808
First Quarter \$ Variance	\$71,675
First Quarter % Variance	20.18%
2011 First Quarter Actual	\$212,599
% Change from 2011 First Quarter	100.76%

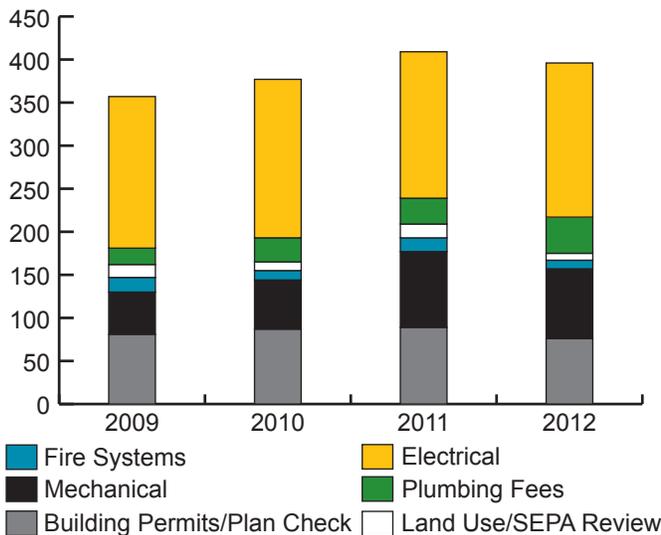
Development revenue receipts, in the amount of \$426,808, are \$71,675, or 20.18 percent more than the projections and exhibit a year-over-year increase of \$214,209, or 100.76 percent. It is important to note that Right of Way Fees, which were previously accounted for in the Street Fund, are now being accounted for in the General Fund.

As noted in the 2011 Year End Financial Report, construction of two Shoreline School District high schools was slated to begin in 2011; however, construction started later than anticipated and resulted in receipt of the revenue for these permits in the first quarter of 2012. Therefore, removal of the Shoreline School District development revenue receipts from the calculation reveals a more accurate year-over-year increase of \$46,335, or 21.80 percent.

In sum, while overall permit activity is lower as compared to the same period in 2011, the year-over-year revenue increase (less the amount for the Shoreline School District projects) can largely be attributable to a \$60,020, or 61.00 percent increase in the Building Permits and Plan Check categories.

PERMITS BY TYPE

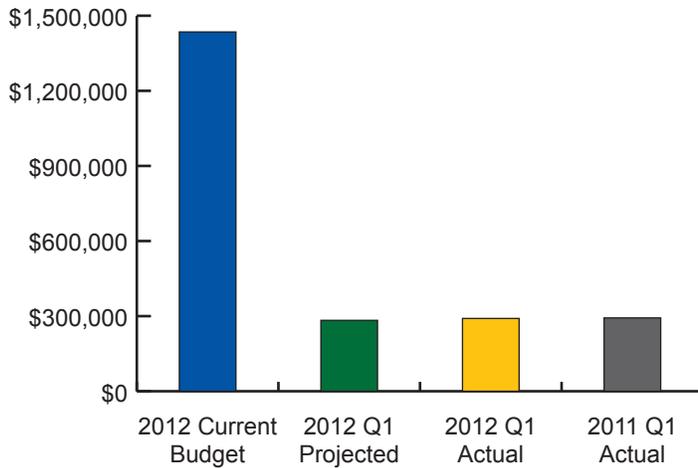
January through March 2009–2012



PERMIT TYPE	First Quarter			
	2009	2010	2011	2012
Building Permits/Plan Check	81	87	89	76
Mechanical	49	57	88	81
Fire Systems	17	11	16	10
Land Use/SEPA Review	15	10	16	8
Plumbing	19	28	30	42
Electrical	176	184	170	179
Total	357	377	409	396

GENERAL FUND REVENUE ANALYSIS (continued):

PARK AND RECREATION REVENUE



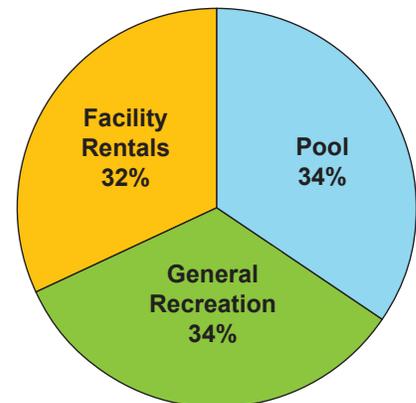
2012 Current Budget	\$1,435,227
2012 Projected Revenue	\$1,435,227
2012 First Quarter Projected	\$283,196
2012 First Quarter Actual	\$290,737
First Quarter \$ Variance	\$7,541
First Quarter % Variance	2.66%
2011 First Quarter Actual	\$292,949
% Change from 2011 First Quarter	-0.76%

Park and Recreation revenue receipts, in the amount of \$290,737, are \$7,541, or 2.66 percent, more than the projections and exhibit a year-over-year decrease of \$2,212, or 0.76 percent. Compared to the first quarter of 2011, the first quarter of 2012 witnessed increased activity for lessons and drop in admissions, but decreased activity in rentals of athletic fields, the Recreation Center and Spartan Gym. It is interesting to note that revenue from the rental of City Hall in the first quarter has exceeded the level that was projected for the whole fiscal year.

RECREATION REVENUE BY PROGRAM

	General Recreation	Pool	Facility Rentals	Total Revenue
2005	\$89,596	90,822	32,580	\$212,998
2006	\$105,017	\$85,944	\$43,631	\$234,592
2007	\$108,048	\$78,487	\$70,790	\$257,325
2008	\$109,582	\$85,173	\$74,645	\$269,400
2009	\$114,859	\$74,875	\$96,221	\$285,955
2010	\$90,524	\$90,689	\$90,683	\$271,896
2011	\$102,760	\$86,066	\$101,490	\$290,316
2012	\$97,416	\$99,858	\$91,669	\$288,943

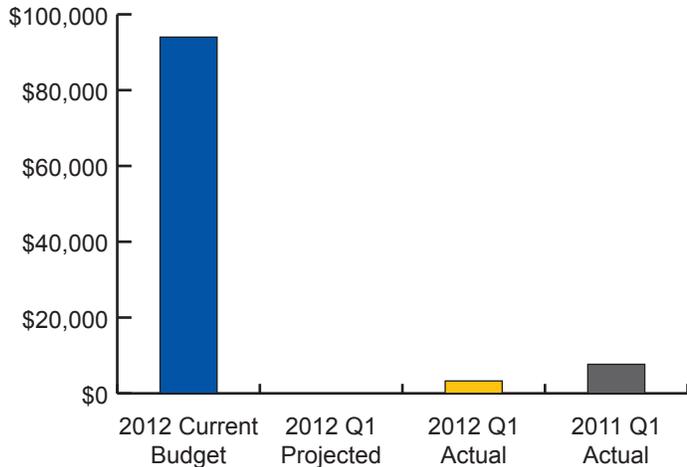
January–March 2012 Revenue by Program



*Excludes non-program revenue such as cell tower rental fees and special event sponsorships.

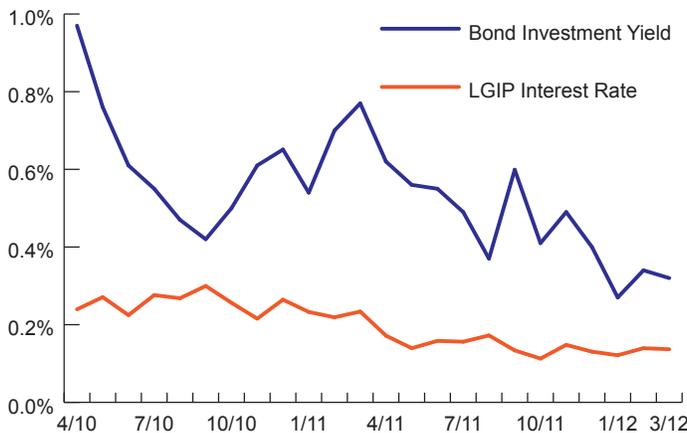
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT REVENUE



2012 Current Budget	\$94,000
2012 Projected Revenue	\$94,000
2012 First Quarter Projected	\$6,257
2012 First Quarter Actual	\$3,271
First Quarter \$ Variance	-\$2,986
First Quarter % Variance	-47.72%
2011 First Quarter Actual	\$7,672
% Change from 2011 First Quarter	-57.36%

Investment earning through March totaled \$3,271 and fell below projections by \$2,986, or 47.72 percent. Revenues were also \$4,401 less than those collected during the same period of 2011.

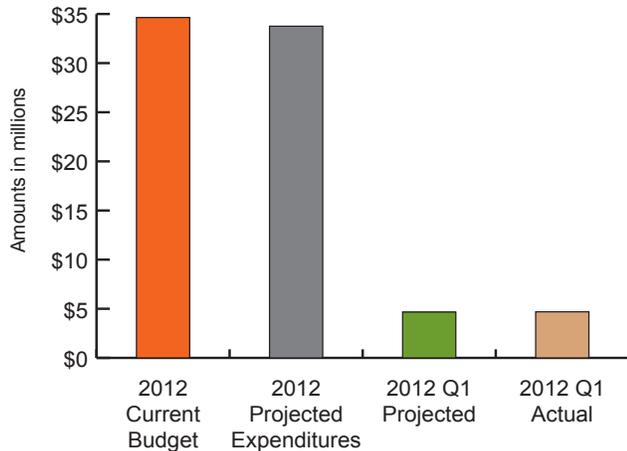


Month	LGIP Interest Rate*	Bond Investment Yield
4/30/10	0.2395%	0.9700%
5/31/10	0.2709%	0.7600%
6/30/10	0.2245%	0.6100%
7/31/10	0.2762%	0.5500%
8/31/10	0.2680%	0.4700%
9/30/10	0.2997%	0.4200%
10/31/10	0.2564%	0.5000%
11/30/10	0.2155%	0.6100%
12/31/10	0.2644%	0.6510%
1/31/11	0.2328%	0.5400%
2/28/11	0.2189%	0.7000%
3/31/11	0.2338%	0.7700%
4/30/11	0.1718%	0.6200%
5/31/11	0.1394%	0.5600%
6/30/11	0.1583%	0.5500%
7/31/11	0.1561%	0.4900%
8/31/11	0.1723%	0.3700%
9/30/11	0.1338%	0.5990%
10/31/11	0.1127%	0.4100%
11/30/11	0.1480%	0.4900%
12/31/11	0.1305%	0.4000%
1/31/12	0.1213%	0.2700%
2/28/12	0.1394%	0.3400%
3/31/12	0.1367%	0.3200%
Average	0.1967%	0.5404%

*Local Government Investment Pool

EXPENDITURE ANALYSIS

GENERAL FUND EXPENDITURES



2012 Current Budget	\$34,638,647
2012 Projected Expenditures	\$33,833,647
2012 First Quarter Projected	\$4,825,826
2012 First Quarter Actual	\$4,689,461
First Quarter \$ Variance	-\$136,364
First Quarter % Variance	-2.83%

General Fund expenditures in the first quarter of 2012, in the amount of \$4,689,461, are \$136,364, or 2.83 percent less than projected expenditures of \$4,825,826. Most of the departments are spending below projections with the following few exceptions:

- City Council – Travel expenses related to the National League of Cities and Association of Washington Cities conferences were paid in the first quarter. In 2011, they were not paid until April.
- Criminal Justice – A one-time expenditure of \$14,144 for the purchase of a new jail transport van occurred and charges for the repair, maintenance and replacement of the van totaling \$16,000 were charged to the Jail Services program for the first time. The cost of jail services was down slightly from 2011 by \$2,400.
- Public Works – One time professional services expenses totaling \$36,203 for the analysis of the acquisition of Seattle Public Utilities occurred during the first quarter.

We will continue to monitor department expenditures and make sure that they are aligned with the City's resources.

Department	2012 Current Budget	2012 Projected	2012 Q1 Projected	2012 Q1 Actual	\$ Variance	% Variance	2011 Q1 Actual
City Council	\$183,420	\$183,420	\$44,081	\$48,157	\$4,076	9.25%	\$37,542
City Manager's Office ¹	\$1,471,263	\$1,471,263	\$321,153	\$291,229	-\$29,925	-9.32%	\$308,753
City Attorney	\$612,744	\$612,744	\$121,611	\$106,394	-\$15,218	-12.51%	\$115,810
Community Services ²	\$1,598,462	\$1,598,462	\$226,465	\$217,041	-\$9,424	-4.16%	\$219,102
Administrative Services ³	\$3,324,533	\$3,324,533	\$751,967	\$691,720	-\$60,246	-8.01%	\$715,388
Citywide	\$1,736,990	\$931,990	\$668,048	\$648,878	-\$19,170	-2.87%	\$575,573
Human Resources	\$404,024	\$404,024	\$79,874	\$79,638	-\$235	-0.29%	\$77,658
Police	\$10,506,781	\$10,506,781	\$31,204	\$16,091	-\$15,113	-48.43%	\$20,517
Criminal Justice	\$2,095,224	\$2,095,224	\$161,177	\$180,626	\$19,449	12.07%	\$155,977
Parks	\$4,713,908	\$4,713,908	\$904,687	\$883,951	-\$20,735	-2.29%	\$723,916
Planning and Dev.Services	\$2,341,544	\$2,341,544	\$493,408	\$467,720	-\$25,688	-5.21%	\$547,713
Public Works	\$2,259,543	\$2,259,543	\$405,781	\$441,646	\$35,865	8.84%	\$197,685
<i>Operating Budget Expenditures</i>	\$31,248,437	\$30,443,437	\$4,209,456	\$4,073,092	-\$136,364	-3.24%	\$3,695,634
<i>Operating Transfers Out</i>	\$3,390,210	\$3,390,210	\$616,369	\$616,369	\$0	0.00%	\$437,399
Total Expenditures	\$34,638,647	\$33,833,647	\$4,825,826	\$4,689,461	-\$136,364	-2.83%	\$4,133,033

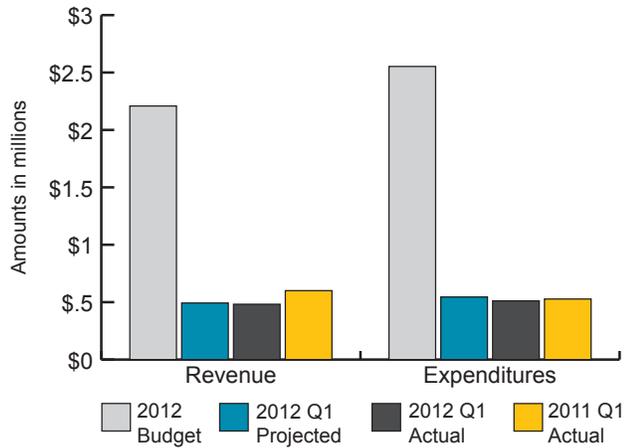
¹ City Manager's Office includes Economic Development, Communications and Intergovernmental Relations.

² Community Services includes Emergency Management Planning, Neighborhoods, Human Services and the Customer Response Team.

³ Administrative Services includes Finance, Purchasing, Information Systems and City Clerk.

OTHER FUNDS REVENUE ANALYSIS:

STREET FUND



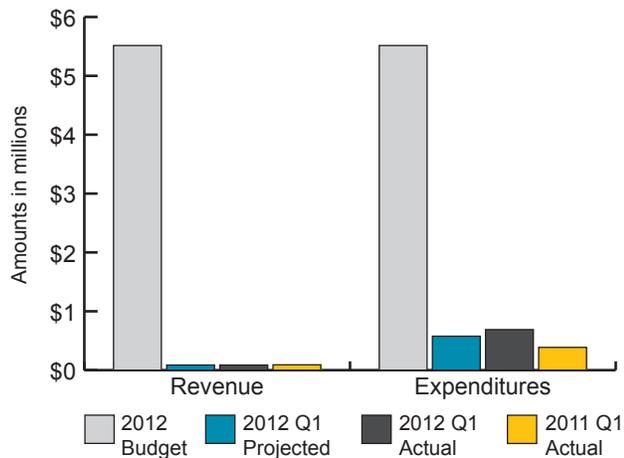
Street Fund 2012

	Revenue	Expenditures
2012 Current Budget	\$2,208,455	\$2,552,749
First Quarter Projected	\$492,882	\$552,868
First Quarter Actual	\$481,972	\$511,596
\$ Variance	-\$10,910	-\$41,272
% Variance	-2.2%	-7.5%
2011 First Quarter Actual	\$600,216	\$527,428

Motor vehicle fuel tax revenue receipts for the first quarter of 2012, in the amount of \$252,343, are \$9,149, or 3.50 percent less than the projection. Investment Interest receipts for the first quarter of 2012, in the amount of \$74, are \$1,761 less than the projection of \$1,835. In sum, revenue receipts for the first quarter of 2012 are \$10,910, or 2.21 percent below projections.

Expenditures, including transfers out, are \$41,272, or 7.46 percent less than projections.

SURFACE WATER UTILITY FUND



Surface Water Utility Fund 2012

	Revenue	Expenditures
2012 Current Budget	\$5,515,192	\$5,515,192
First Quarter Projected	\$87,524	\$643,762
First Quarter Actual	\$87,695	\$689,348
\$ Variance	\$171	\$45,586
% Variance	0.2%	7.1%
2011 First Quarter Actual	\$90,707	\$387,295

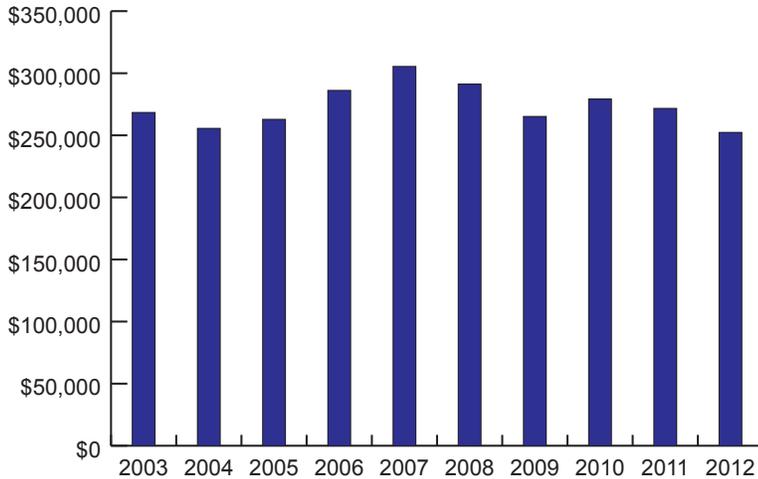
The Surface Water Utility Fund (SWM) includes both on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Revenue receipts for the first quarter of 2012, in the amount of \$87,695, are \$171, or 0.20 percent, more than projections. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled \$75,493, which is \$7,396 or 8.92 percent less than the projection. Investment interest earnings totaled \$12,202, which is \$8,149 above projections due to interest earned from delinquent storm drainage fees.

First quarter expenditures in the amount of \$689,348 are \$45,586 or 7.08 percent, more than projections. Capital projects are \$15,535 behind projections and the operating programs are \$61,121 ahead of projections. This is mostly due purchases of salt, sand and deicing materials totaling nearly \$48,000 during the January storms and vectoring costs totaling over \$10,000 to remove debris from storm drains. Most of these costs will be reimbursed by FEMA later in the year.

NON-GENERAL FUND REVENUE ANALYSIS:

STREET FUND FUEL TAX



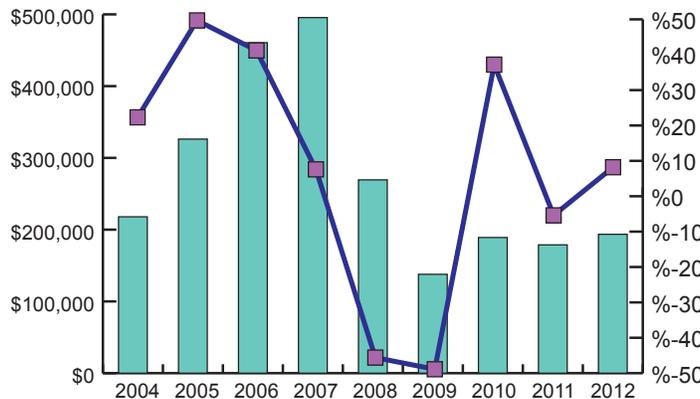
**Fuel Tax: Historical
First Quarter 2003-2012**

2003	\$268,395
2004	\$255,598
2005	\$262,875
2006	\$286,182
2007	\$305,487
2008	\$291,252
2009	\$265,191
2010	\$279,173
2011	\$271,682
2012	\$252,343

The Motor Vehicle Fuel Excise Tax, commonly referred to as Gas Tax, is levied by the state on a per gallon basis, distributed monthly on a per capita basis to the City of Shoreline, and placed in the Street Fund. Fuel Tax revenue receipts for the first quarter of 2012, in the amount of \$252,343, are \$9,149, or 3.50 percent less than the projection and exhibit a year-over-year decrease of \$19,339, or 7.12 percent.

The U.S. Energy Information Administration (EIA) estimates that, during the April-through-September summer driving season this year, regular gasoline retail prices are forecast to average about \$3.95 per gallon, peaking in May at a monthly average price of \$4.01 per gallon. EIA expects regular gasoline retail prices to average \$3.81 per gallon in 2012, compared with \$3.53 per gallon in 2011. In Washington, the average for a gallon of regular gasoline is \$4.10 as of April 30, as compared to the annual average per gallon of \$3.72 in 2011 and \$3.01 in 2010.

REAL ESTATE EXCISE TAX (REET)



REET: First Quarter Collected 2004-2012

Year	Revenue	% Change from Previous Year
2004	\$217,918	22.3%
2005	\$326,192	49.7%
2006	\$460,514	41.2%
2007	\$495,510	7.6%
2008	\$269,404	-45.6%
2009	\$137,794	-48.9%
2010	\$189,082	37.2%
2011	\$178,822	-5.4%
2012	\$193,558	8.2%

Real Estate Excise Tax (REET) revenue receipts for the first quarter of 2012, in the amount of \$193,558, are \$14,736 or 8.24 percent more than receipts for the same period in 2011. It is interesting to note that while there were twenty-one (21) more real estate transactions in the first quarter of 2012 than in the same period of 2011, the total value of all transactions is \$5.07 million, or 13.02 percent, less.

The difference in the value of real estate transactions is largely attributable to the fact that the first quarter of 2011 had fewer low-value transactions and seven (7) high-value transactions, four (4) of which are discussed in more detail below, while 2012 has had more low-value transactions and only three (3) high-value transactions. The four (4) high-value and noteworthy transactions that occurred in 2011, which when added together totaled \$6,928,500, were the sale of one (1) 5,950 sq. ft. home and three (3) multi-family units of the Ballinger Highlands South Condos. Removal of the revenue receipts for these extraordinary transactions from the year-over-year comparison reveals an increase in REET revenue receipts of \$49,378, or 34.25 percent.

Fourth Quarter INVESTMENT REPORT March 31, 2012:

The City's investment policy adheres to strict standards prescribed by federal law, state statutes, local ordinances, and allows the City to develop an investment model to maximize its investment returns within the primary objectives of safety and liquidity.

Our yield objectives are very important and, pursuant to policy, the basis used by the City to determine whether the market yields are being achieved is through the use of a comparable benchmark. Our benchmark has been identified as the annual average of the Washington State Local Government Investment Pool, which had been the City's primary mode of investment prior to adopting our Investment Policy. As of March 31, 2012, the City's investment portfolio, excluding the State Investment Pool, had a weighted average rate of return of 0.2532%. This is better than the State Investment Pool twelve month average of 0.1434%. Total investment interest earnings through March were \$5,723 which is about 3% of total budgeted 2012 investment earnings of \$190,260.

During 2007 investment interest rates began to decline. The average yield on a two year government agency bonds was 5.34% in January 2007. At the end of 2008 this rate was down to 1.1% and by the end of 2009 the rate was 1.07%. This decline continued during 2010 as at the end of December the rate was only 0.651%. The rate at the end of December 2011 was 0.40% and continued to fall to 0.32% at the end of March 2012.

As of March 31, 2012, the City's investment portfolio had a fair value of \$22.32 million. Approximately 22% of the investment portfolio was held in U.S. government instrumentality securities, and 78% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of December 31, 2011, was slightly over \$22.31 million. The difference between the cost and the market value of the portfolio represents either the loss or the gain of the portfolio if the City were to liquidate investments as of the day that the market value is stated. This would only be done if the City needed to generate cash. The City holds all of its investments until the scheduled maturity date, and therefore when the investments mature the principal market value should equal the cost of the investment. The City also holds sufficient investments within the State Pool to allow for immediate cash liquidation if needed. Investments within the State Pool can be liquidated on any given day with no penalty.

The City continued to implement a ladder philosophy in its investment portfolio over the last year. This resulted in the City being able to hold some securities at a higher interest rate during the declining interest rate environment. For example an instrument purchased in November 2011 is yielding 0.851% and will not mature until 11/21/2014. This rate of return is projected to be above the average projected rate of return from the State Pool over the same period. A ladder portfolio approach helps assure that the City will, in the long run, receive a market average rate of return.

One of the major investment instruments used in the United States and throughout the rest of the world is "mortgage-backed securities". Mortgage-backed securities are mortgages that have been sold by banks to investment banks or federally sponsored agencies such as Federal National Mortgage Association (FNMA – Fannie Mae) or Federal Home Loan Mortgage Corporation (FHLMC – Freddie Mac), who then rebundle the mortgages and sell them to individual investors or investors in the stock market. Mortgage-backed securities can be a fairly safe investment, if there is little risk that the mortgage borrower will default on the loan, or they can be risky investments if there is a higher risk that the borrower will default, such as the case in sub-prime mortgages. The City has purchased and currently has mortgage backed securities in its investment portfolio. These instruments have been purchased from FNMA, FHLMC, and the Federal Home Loan Bank (FHLB).

INVESTMENT REPORT (continued):

LGIP Cash and Investment Balances March 31, 2012

Instrument Type	CUSPID #	BROKER	Settlement Date	Maturity Date	Investment Cost	Yield To Maturity	Market Value 3/31/12
FHLMC 0.50	3134G2S86	Bank of America	10/18/11	10/18/13	999,200	0.5400%	1,000,074
FNMA 0.75	3135G0GP2	ProEquities	12/27/11	12/19/14	1,999,800	0.7530%	2,000,292
FNMA 0.75	3136FTNT2	ProEquities	11/21/11	11/21/14	1,994,000	0.8510%	2,000,290
State Investment Pool					17,320,001	0.1367%	17,320,001
Sub Total					22,313,001		22,320,657

Average Maturity Excluding the State Investment Pool (days)	972
Weighted Average Yield to Maturity Excluding the State Pool	0.2532%
Average Yield to Maturity State Investment Pool	0.1434%
Basis Points in Excess (Below) Benchmark	11

Note: Yield to Maturity for the State Investment Pool is a 12 month average.

Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker	Percentage	Amount at Cost
FHLMC	4%	1,000,074	3,993,800	Bank of America	4%	999,200
FHLB	18%	4,000,582	999,200	ProEquities	18%	3,993,800
State Investment Pool	78%	17,320,001	17,320,001	State Investment Pool	78%	17,320,001
Total Investments	100%	22,320,657	22,313,001	Total Investments	100%	22,313,001

Investments by Fund	Investments at Cost as 3/31/2012	State Investment Pool as of 3/31/2012	Total Investments by Fund as of 3/31/2012	Investment Earnings Budget 2012	Investment Earnings Actual 2012	Over/Under Budget
001 General	2,130,638	4,132,545	6,263,183	90,500	1,646	-88,854
101 Street	69,201	631,149	700,350	10,000	227	-9,773
107 Code Abatement	0	155,752	155,752	550	53	-497
108 Asset Seizure	0	16,183	16,183	0	5	5
109 Public Arts	0	275,088	275,088	1,050	91	-959
112 Fed Drug Enforcement	0	16,651	16,651	50	6	-44
114 Transportation Benefit Dist.	0	38,545	38,545	60	15	-45
115 Property Tax Equalization	0	774,782	774,782	0	233	233
116 Fed Crim Forfeit	0	660,134	660,134	0	97	97
190 Revenue Stabilization	1,775,849	830,612	2,606,461	0	0	0
201 Unlimited GO Bond	0	0	0	0	0	0
301 General Capital	0	3,384,388	3,384,388	21,978	1,155	-20,823
312 City Fac-Mjr Maint	0	135,414	135,414	825	41	-784
330 Roads Capital	0	1,795,742	1,795,742	23,404	703	-22,701
401Surface Water Utility Fund	500,000	2,573,665	3,073,665	29,693	1,012	-28,681
501 Vehicle Oper/Maint	0	189,998	189,998	250	16	-234
503 Equip Dep Replace	517,312	1,684,982	2,202,294	11,850	413	-11,437
505 Unemployment	0	24,371	24,371	50	9	75
650 Agency Fund Admin	0	0	0	0	0	0
Total Investments	4,993,000	17,320,001	22,313,001	190,260	5,723	-184,421