



2012 SECOND QUARTER FINANCIAL REPORT

September 2012

PERFORMANCE AT A GLANCE

	YEAR TO DATE TREND	COMPARED TO PROJECTIONS	REFERENCE
GENERAL FUND REVENUES			
Property Tax Revenue	◀NEUTRAL▶	-0.3%	Page 4
Sales Tax Revenue	▲POSITIVE▲	2.1%	Pages 5-6
Utility Tax Revenue	●WARNING●	-2.7%	Page 9
Development Revenue	▲POSITIVE▲	18.5%	Page 10
Gambling Tax Revenue	●WARNING●	-3.9%	Page 11
Park and Recreation Revenue	◀NEUTRAL▶	0.8%	Page 12
Investment Income	▼NEGATIVE▼	-7.7%	Page 13
EXPENDITURES			
General Fund Expenditures			Page 14
NON-GENERAL FUND REVENUES			
Surface Water Fees	◀NEUTRAL▶	-0.07%	Page 16
Fuel Tax	◀NEUTRAL▶	-0.67%	Page 18
Real Estate Excise Tax	▲POSITIVE▲	13.2%	Page 18

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

General Fund revenues through June of \$15,206,379 are \$32,188, or 0.21%, more than the projection for the first half of the year of \$15,174,191. General Fund expenditures through June of \$10,099,204 are \$208,581, or 2.02%, less than the projection for the first half of the year of \$10,307,785.

Street Fund revenues through June of \$975,087 are \$4,349, or 0.44%, less than the projection for the first half of the year. Street Fund expenditures through June of \$986,270 are \$85,447, or 7.97%, less than the projection for the first half of the year.

Surface Water Utility Fund (SWM) revenues through June of \$1,812,049 are \$1,185, or 0.07%, more than the projection for the first half of the year. SWM expenditures through June of \$1,799,304 are \$81,429, or 4.74%, more than the projection for the first half of the year. Real Estate Excise Tax revenue receipts through June of \$560,237 are \$65,289, or 13.19%, more than the projection for the first half of the year.

Street Fund Fuel Tax revenue receipts of \$513,598 are \$3,465, or 0.67%, less than the projection for the first half of the year.

Revenues					
Fund	2012 Budget	2011 Q2 Projected	2012 Q2 Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected
General Fund	\$34,638,648	\$15,174,191	\$15,206,379	\$32,188	0.21%
Street	\$2,208,455	\$979,436	\$975,087	-\$4,349	-0.44%
Code Abatement	\$100,000	\$225	\$121	-\$104	-46.22%
State Drug Enforcement Fund	\$5,000	\$2,500	\$12,312	\$9,812	392.48%
Public Arts	\$72,511	\$1,421	\$809	-\$612	-43.07%
Federal Drug Enforcement Fund	\$5,050	\$2,525	\$22,143	\$19,618	776.95%
Property Tax Equalization Fund	\$398,000	\$199,000	\$199,567	\$567	0.28%
Federal Crime Forfeitures	\$207,000	\$103,500	\$419,231	\$315,731	305.05%
Revenue Stabilization Fund	\$0	\$0	\$1,247	\$1,247	0%
Unltd Tax GO Bond	\$1,700,000	\$850,000	\$884,469	\$34,469	4.06%
Limited Tax GO Bond 2010	\$1,659,067	\$829,534	\$850,668	\$21,135	2.55%
General Capital Fund	\$3,217,531	\$336,502	\$350,586	\$14,084	4.19%
City Facility-Major Maint.	\$164,857	\$45,413	\$45,100	-\$313	-0.69%
Roads Capital Fund	\$14,701,352	\$4,965,328	\$5,049,810	\$84,482	1.70%
Surface Water Utility	\$5,515,192	\$1,813,234	\$1,812,049	-\$1,185	-0.07%
Vehicle Operations/ Maint	\$197,250	\$182,125	\$185,863	\$3,738	2.05%
Equipment Replacement	\$552,329	\$516,979	\$517,747	\$768	0.15%
Unemployment Fund	\$89,546	\$22,387	\$22,595	\$209	0.93%
Totals	\$65,431,788	\$26,024,300	\$26,555,783	\$531,483	2.04%
Transportation Benefit District	\$601,200	\$300,600	\$310,973	\$10,373	3.45%

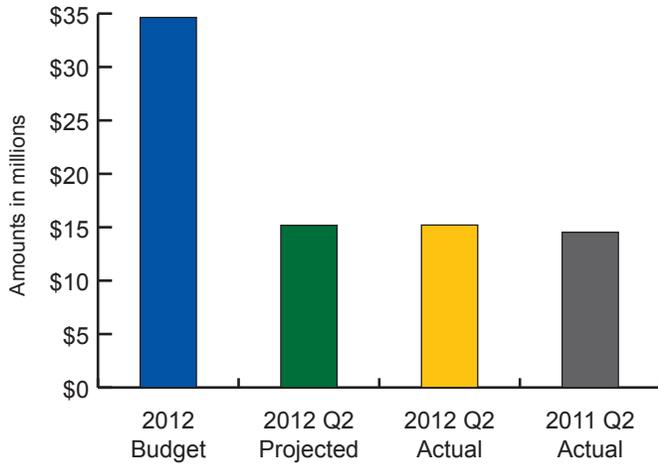
Expenditures					
Fund	2012 Budget	2012 Q2 Projected	2012 Q2 Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected
General Fund	\$34,638,647	\$10,307,785	\$10,099,204	-\$208,581	-2.02%
Street	\$2,208,455	\$1,071,717	\$986,270	-\$85,447	-7.97%
Code Abatement	\$100,000	\$5,000	\$0	-\$5,000	-100.00%
State Drug Enforcement Fund	\$5,000	\$2,500	\$626	-\$1,874	-74.96%
Public Arts	\$72,511	\$18,128	\$6,023	-\$12,105	-66.77%
Federal Drug Enforcement Fund	\$5,050	\$2,525	\$0	-\$2,525	-100.00%
Property Tax Equalization Fund	\$0	\$0	\$0	\$0	0.00%
Federal Crime Forfeitures	\$207,000	\$6,500	\$14,131	\$7,631	117.40%
Revenue Stabilization Fund	\$0	\$0	\$0	\$0	0.00%
Unltd Tax GO Bond	\$1,695,050	\$276,828	\$276,828	\$0	0.00%
Limited Tax GO Bond 2010	\$1,659,067	\$604,739	\$604,739	\$0	0.00%
General Capital Fund	\$3,217,531	\$478,439	\$460,764	-\$17,675	-3.69%
City Facility-Major Maint.	\$60,000	\$5,000	\$0	-\$5,000	-100.00%
Roads Capital Fund	\$14,701,352	\$6,326,721	\$5,981,000	-\$345,721	-5.46%
Surface Water Utility	\$5,515,192	\$1,717,875	\$1,799,304	\$81,429	4.74%
Vehicle Operations/ Maint	\$197,250	\$98,625	\$93,769	-\$4,856	-4.92%
Equipment Replacement	\$340,675	\$50,000	\$50,728	\$728	1.46%
Unemployment Fund	\$89,546	\$22,387	\$19,778	-\$2,609	-11.65%
Totals	\$64,712,326	\$20,994,768	\$20,393,164	-\$601,604	-2.87%
Transportation Benefit District	\$601,200	\$459,504	\$472,371	\$12,867	2.80%

GENERAL FUND REVENUE DETAIL

Revenue Source	2012 Current Budget	2012 Projected Revenue	2012 2nd Quarter Projected	2012 2nd Quarter Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2011 2nd Quarter Actual
Budgeted Fund Balance	\$1,459,714	\$0	\$0	\$0	\$0	0.0%	\$0
Property Tax	10,051,000	10,051,000	5,318,319	5,302,387	-15,932	-0.30%	5,130,277
Sales Tax	6,301,418	6,500,000	2,630,448	2,686,899	56,451	2.15%	2,449,079
Local Criminal Justice	1,113,330	1,113,330	530,094	522,019	-8,075	-1.52%	533,282
Utility Tax & Franchise Fee Revenue							
<i>Natural gas</i>	950,000	950,000	606,068	546,156	-59,912	-9.89%	585,848
<i>Garbage</i>	489,250	489,250	126,667	118,691	-7,976	-6.30%	120,354
<i>Cable TV</i>	1,505,000	1,505,000	527,126	547,409	20,283	3.85%	516,908
<i>Telecommunications</i>	1,675,000	1,675,000	571,287	540,906	-30,380	-5.32%	573,820
<i>Storm Drainage</i>	195,775	195,775	104,505	104,321	-184	-0.18%	102,370
<i>Water</i>	690,000	690,000	182,436	192,919	10,483	5.75%	178,331
<i>Sewer</i>	763,230	763,230	381,386	380,500	-886	-0.23%	369,500
Utility Tax & Franchise Fee Revenue Subtotal	\$6,268,255	\$6,268,255	\$2,499,475	\$2,430,902	-\$68,572	-2.74%	\$2,447,131
SCL Contract Payment	1,854,704	1,800,690	776,698	731,220	-45,478	-5.86%	728,941
Gambling Tax Revenue	1,823,771	1,749,559	583,904	561,297	-22,607	-3.87%	639,086
Development Revenue	833,125	1,297,390	705,359	835,817	130,458	18.50%	545,629
Park Revenue	1,434,927	1,416,839	659,726	665,118	5,392	0.82%	725,259
Intergovernmental Revenue	870,348	979,608	518,311	510,677	-7,634	-1.47%	432,069
Grant Revenue	280,978	394,967	100,241	100,241	\$0	0.00%	34,037
Fines and Licenses	898,347	891,000	147,458	161,414	13,956	9.46%	166,450
Miscellaneous Revenue	355,642	391,597	183,279	179,150	-4,129	-2.25%	204,467
Interest Income	94,000	42,671	21,336	19,694	-1,642	-7.69%	14,452
Operating Transfers In	999,089	999,089	499,544	499,544	\$0	0.00%	482,236
Total General Fund Revenue	\$34,638,648	\$33,895,995	\$15,174,191	\$15,206,379	\$32,188	0.21%	\$14,532,395

GENERAL FUND REVENUE ANALYSIS:

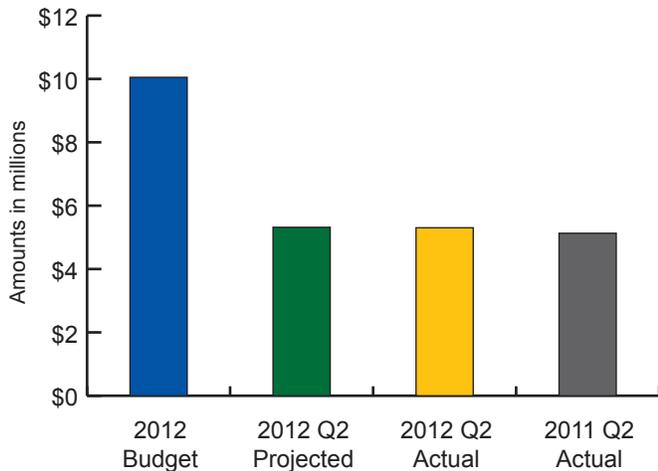
TOTAL GENERAL FUND REVENUE



2012 Budget	\$34,638,648
2012 Projected	\$33,895,995
2012 2nd Quarter Projected	\$15,174,191
2012 2nd Quarter Actual	\$15,206,379
2012 2nd Quarter \$ Variance	\$32,188
2012 2nd Quarter % Variance	0.21%
2011 2nd Quarter Actual	\$14,532,395
% Change from 2011 2nd Quarter	4.64%

Total General Fund revenue received through the second quarter of 2012, in the amount of \$15,206,379, is above the revised projection by \$32,188, or 0.21%, and reflects a year-over-year increase of \$673,984, or 4.64%.

PROPERTY TAX

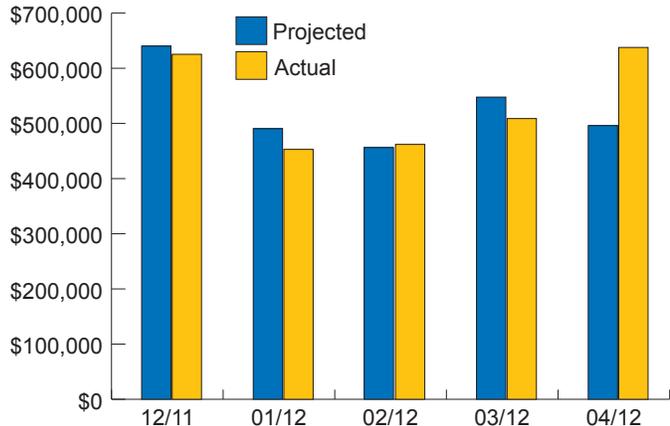


2012 Budget	\$10,051,000
2012 Projected	\$10,051,000
2012 2nd Quarter Projected	\$5,318,319
2012 2nd Quarter Actual	\$5,302,387
2012 2nd Quarter \$ Variance	-\$15,932
2012 2nd Quarter % Variance	-0.30%
2011 2nd Quarter Actual	\$5,130,277
% Change from 2011 2nd Quarter	3.35%

During the second quarter, the City typically receives about 51% of the total annual levy since the majority of property tax payments are made in April and October. Property tax receipts for the first two quarters of 2012, in the amount of \$5,302,387, are \$15,932, or 0.30%, less than projected and reflect a 3.35% increase as compared to the same period in 2011. We anticipate that collections during the year will equal projections.

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



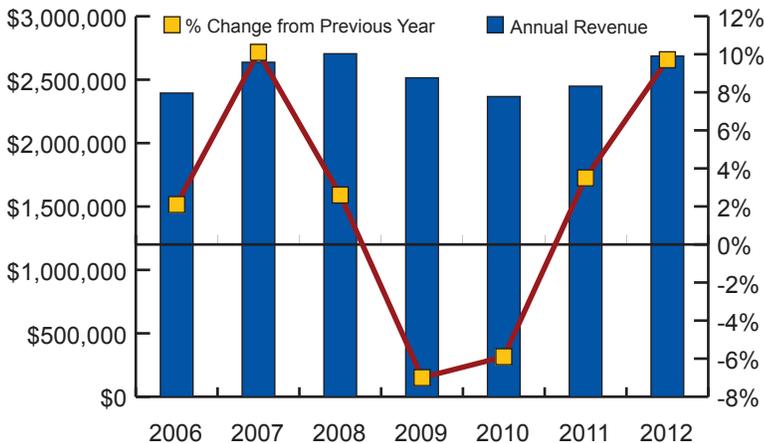
2012 Budget	\$6,301,418	
2012 Projected Revenue	\$6,500,000	
Sales tax revenue: December 2011 through April 2012		
	Projected	Actual
December 2011	\$640,188	\$625,352
January 2012	490,346	453,002
February 2012	456,177	461,981
March 2012	547,731	508,829
April 2012	496,006	637,735
Year to date	\$2,630,448	\$2,686,899
\$ Variance (December-April)		\$56,451
% Variance (December-April)		2.15%

The 2012 Adopted Budget projected \$6,301,418 in sales tax receipts. Receipts for the first two quarters of 2012, in the amount of \$2,686,899, are \$136,814, or 5.37%, more than the Adopted Budget projection of \$2,550,085 and exhibit a year-over-year increase of \$237,820, or 9.71%. Both variances are mostly attributable to one-time projects in the construction sector, strong growth in new car and electronics sales in the retail trade sector, and a decrease in statewide "pool" amnesty money. In light of the higher-than-anticipated revenue, the year-end estimate has been increased to \$6,500,000. When compared to the revised projection, sales tax receipts for the first two quarters of 2012 are \$56,451, or 2.15%, more than the revised projection of \$2,630,448.

In the construction sector, there are four major projects currently underway, including: Market Square Apartments, Shorecrest High School, Shorewood High School, and Ballinger Way Portal site's odor control facility for the Brightwater Conveyance System. These projects, as well as a couple others wrapping up from 2011, have generated \$279,579 in one-time sales tax revenue through the first two quarters of 2012. Construction of two major projects: the Market Square Apartments and Washington State Health Lab addition occurred during the same period in 2011 generating \$45,340 in one-time sales tax receipts. Staff does not believe that this level of construction activity will continue throughout the rest of 2012 once work is completed at the Ballinger Way Portal site.

The State uses a statewide "pool" in audits where the exact location code for certain sales tax transactions cannot be determined. When this happens, the dollar amount is distributed to each city in Washington on a percentage basis, based on the size of the City. In any case, this is to be considered extra monies as it is impossible to predict how much may be received each month. The City has received \$4,626 so far in 2012, as compared to \$53,119 received during the same period in 2011.

Annual Sales Tax Revenue Comparison

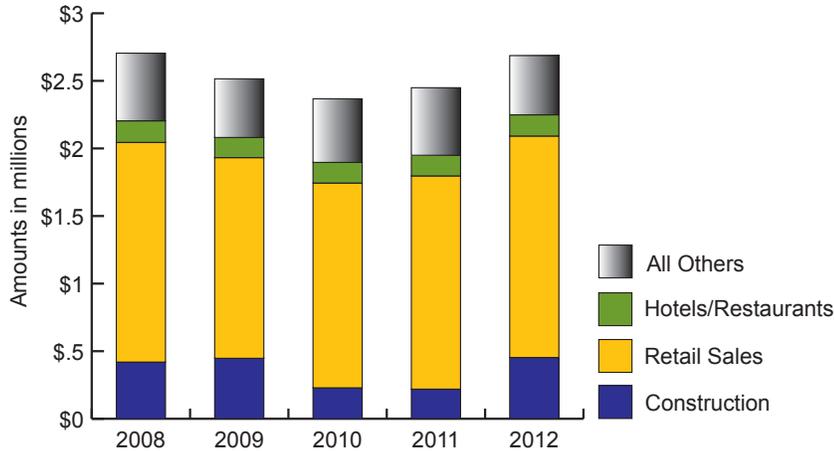


Annual Sales Tax Revenue

Year	Revenue: December-April	% Change from Previous Year
2006	\$2,394,889	2.10%
2007	2,637,769	10.10%
2008	2,704,846	2.60%
2009	2,514,979	-7.00%
2010	2,367,206	-5.90%
2011	2,449,079	3.50%
2012	2,686,899	9.71%

GENERAL FUND REVENUE ANALYSIS (continued):

Sales Tax by Category



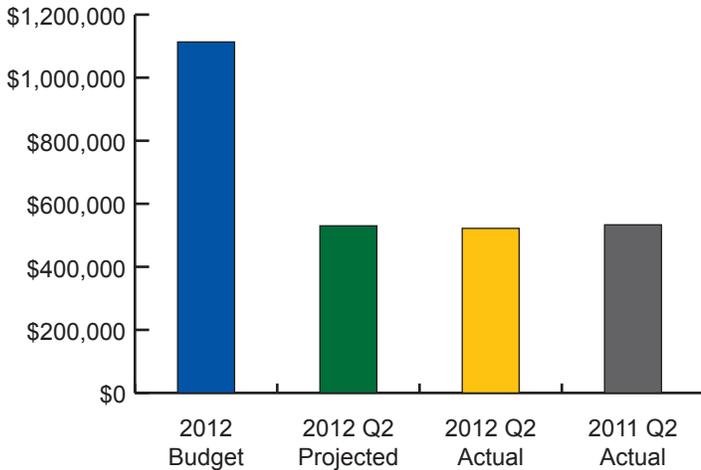
SALES TAX BY CATEGORY - First Quarter

Sector	2008	2009	2010	2011	2012
Construction	\$419,431	\$447,513	\$228,892	\$219,122	\$453,298
Retail Sales	1,625,151	1,484,381	1,515,147	1,577,560	1,638,357
Hotel/Restaurant	159,699	148,961	152,594	152,741	157,154
All Others	500,565	434,124	470,573	499,655	438,090
Total	\$2,704,846	\$2,514,979	\$2,367,206	\$2,449,079	\$2,686,899
\$ Variance to previous year	67,077	-189,867	-147,773	81,872	237,821
% Variance to previous year	2.50%	-7.00%	-5.90%	3.50%	9.71%

Retail Trade	2008 Dec-April	2009 Dec-April	2009 v. 2008 \$ Variance	2010 Dec-April	2010 v. 2009 \$ Variance	2011 Dec-April	2011 v. 2010 \$ Variance	2012 Dec-April	2012 v. 2011 \$ Variance
Motor Vehicle and Parts Dealer	\$371,466	\$320,789	-\$50,677	\$337,491	\$16,702	\$383,068	\$45,577	\$412,438	\$29,370
Furniture, Home Furnishings	12,365	13,803	1,438	19,889	6,086	25,366	5,477	21,743	-3,623
Electronics and Appliances	47,212	30,380	-16,832	27,897	-2,483	29,136	1,239	41,521	12,385
Building Materials, Garden	269,060	202,009	-67,051	216,855	14,846	198,431	-18,424	204,228	5,797
Food and Beverage Stores	119,718	117,711	-2,007	106,147	-11,564	105,677	-470	105,847	170
Health and Personal Care Store	52,067	52,420	353	53,328	908	53,691	363	63,890	10,199
Gasoline Stations	23,382	25,370	1,988	26,358	988	28,490	2,132	29,406	916
Clothing and Accessories	9,287	10,898	1,611	12,136	1,238	15,358	3,222	19,090	3,732
Sporting Goods, Hobby, Books	43,128	39,937	-3,191	36,161	-3,776	35,510	-651	35,445	-65
General Merchandise Stores	555,369	531,621	-23,748	539,995	8,374	546,464	6,469	543,082	-3,382
Miscellaneous Store Retailers	96,440	106,773	10,333	99,237	-7,536	109,607	10,370	107,380	-2,227
Nonstore Retailers	25,659	32,667	7,008	39,653	6,986	46,769	7,116	54,287	7,520
Total Revenue	\$1,625,153	\$1,484,378	\$140,775	\$1,515,147	\$30,769	\$1,577,567	\$62,420	\$1,638,357	\$60,792

GENERAL FUND REVENUE ANALYSIS (continued):

LOCAL CRIMINAL JUSTICE SALES TAX



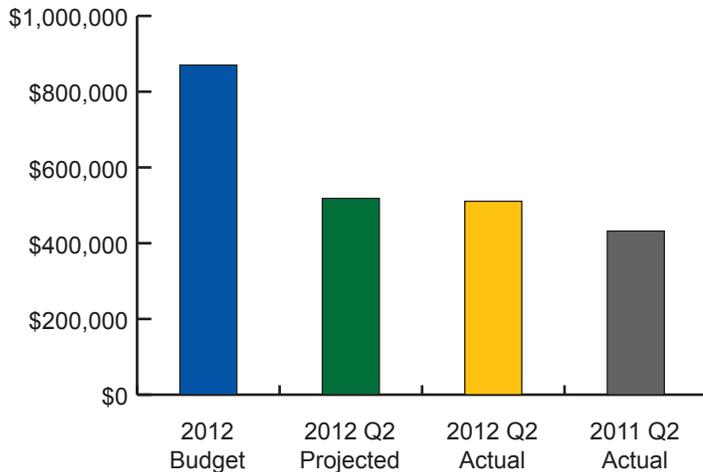
2012 Budget	\$1,113,330
2012 Projected	\$1,113,330
2012 2nd Quarter Projected	\$530,094
2012 2nd Quarter Actual	\$522,019
2012 2nd Quarter \$ Variance	-\$8,075
2012 2nd Quarter % Variance	-1.52%
2011 2nd Quarter Actual	\$533,282
% Change from 2011 2nd Quarter	-2.11%

Local Criminal Justice Sales Tax receipts for the second quarter of 2012 totaled \$522,019, which is \$8,075, or 1.52%, less than projected.

In contrast to the increase in Sales Tax receipts noted above, Local Criminal Justice Sales Tax receipts exhibited a year-over-year decrease of 2.11%. The result for Local Criminal Justice Sales Tax receipts is not commensurate with the result for 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. This may be an indication that sales tax activity has not fully recovered within King County due to the lingering effects of the recession. This marks the fourth year in a row that receipts have been less than projected.

GENERAL FUND REVENUE ANALYSIS (continued):

INTERGOVERNMENTAL REVENUE



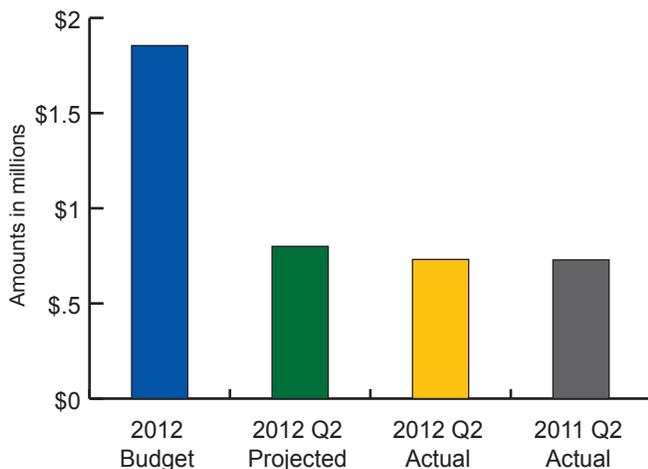
2012 Budget	\$870,348
2012 Projected	\$979,608
2012 2nd Quarter Projected	\$518,311
2012 2nd Quarter Actual	\$510,677
2012 2nd Quarter \$ Variance	-\$7,634
2012 2nd Quarter % Variance	-1.47%
2011 2nd Quarter Actual	\$432,069
% Change from 2011 2nd Quarter	18.19%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, and liquor board profits. The year-end projection for Intergovernmental Revenue has been increased from the current budget of \$870,348 to \$979,608 based upon the factors discussed. Intergovernmental revenue receipts for the first two quarters of 2012, in the amount of \$510,677, are \$7,634, or 1.47%, less than the revised projection.

With the passage of ESHB 2823, the legislature will, beginning in October 2012, divert all the liquor excise tax revenue to the State General Fund for one year. The amount reflected in this report includes the January 2012 and April 2012 distributions. The third quarter financial report will reflect the final distribution that the City will receive until October 2013. The July 2012 distribution was received as the revenue projections were being revised and, since this is the final distribution for 2012, the result is a \$70,586 decrease to the liquor excise tax revenue projection for 2012.

The June 2012 liquor board profits payment included one-time revenues related to the State's sale of its distribution center and "auction of its stores". The "auction" should be characterized more accurately as the right to apply for a license to run a liquor store at the current location of a state store since the state did not own the store space. We received \$218,996. Compared to the June 2011 payment of \$109,437, it looks like we received approximately \$110,000 due to the auction. Again, this is a one-time only payment that may offset the loss of liquor excise tax revenue for four quarters, as discussed above, and is a contributing factor to the \$201,628 increase to the liquor board profits revenue projection.

SEATTLE CITY LIGHT CONTRACT PAYMENT

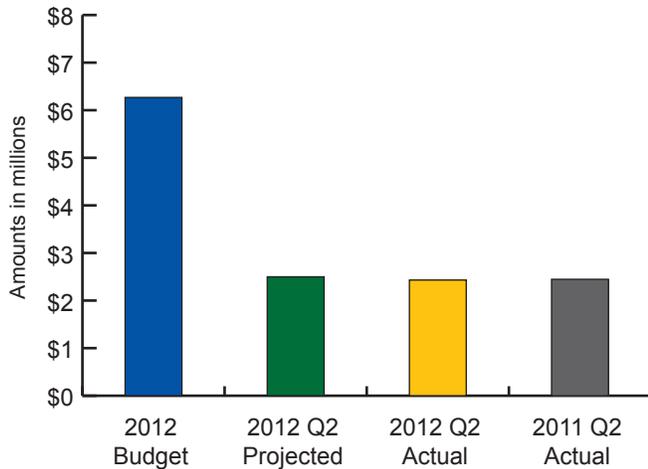


2012 Budget	\$1,854,704
2012 Projected	\$1,800,690
2012 2nd Quarter Projected	\$776,698
2012 2nd Quarter Actual	\$731,220
2012 2nd Quarter \$ Variance	-\$45,478
2012 2nd Quarter % Variance	-5.86%
2011 2nd Quarter Actual	\$728,941
% Change from 2011 2nd Quarter	0.31%

The 2012 Adopted Budget projected \$1,854,704 in Seattle City Light (SCL) contract payments. Receipts for the first two quarters of 2012, in the amount of \$731,220, are \$68,776, or 8.6%, less than the Adopted Budget projection for this period. In light of the less than anticipated revenue, the year-end estimate has been revised to \$1,800,690, which is based upon 2011 actual collections adjusted by SCL's 3.25% rate increase that was effective January 1, 2012. When compared to the revised projection, SCL payments are \$45,478, or 5.86%, less than the revised projection.

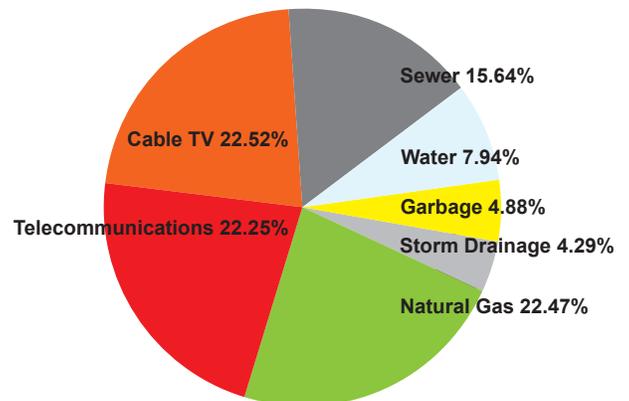
GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



2012 Budget	\$6,268,255
2012 Projected	\$6,268,255
2012 2nd Quarter Projected	\$2,499,475
2012 2nd Quarter Actual	\$2,430,902
2012 2nd Quarter \$ Variance	-\$68,572
2012 2nd Quarter % Variance	-2.74%
2011 2nd Quarter Actual	\$2,447,131
% Change from 2011 2nd Quarter	-0.66%

Overall Utility Tax and Franchise Fee receipts, in the amount of \$2,430,902, are \$68,572, or 2.74%, less than projected and exhibit a year-over-year decrease of \$16,229, or 0.66%. Utility taxes from natural gas are \$59,912, or 9.89%, below projections. When comparing the first half of 2012 with the same period in 2011, Puget Sound Energy has reduced natural gas rates by approximately 5%. The remaining under collection is due to lower consumption by Shoreline customers. Utility taxes from garbage and recycling are \$7,976, or 6.3%, below projections and \$1,663, or 1.38%, below 2011 collections. Collection rates were increased at the beginning of 2012. Revenues from cable television are ahead of projections by \$20,283, or 3.85%, and above 2011 by \$30,501, or nearly 6%. However, utility tax from telecommunications continues to decline and is \$30,380, or 5.32%, behind projections and down from 2011 by \$32,914. Telephone activity has fallen each year since 2009. Collections in the water category are ahead of projections by \$10,483, or 5.75%.

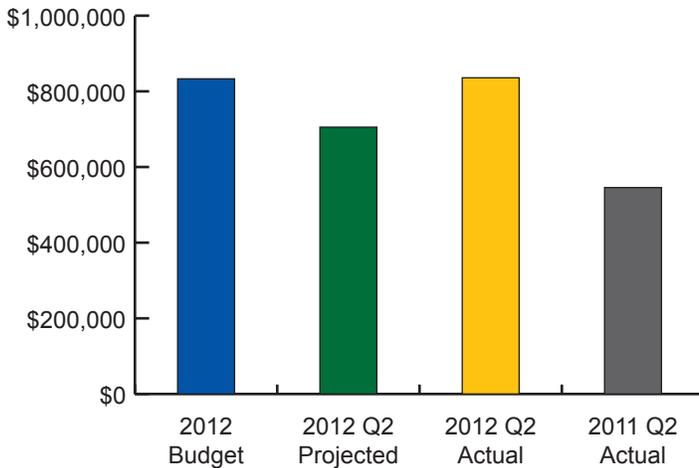


It is important to note that activity through the second quarter of 2012 and 2011 presented in this report does not reflect second quarter payments for the garbage utility tax and the water and cable franchise fees. Second quarter payments for these items are typically received in late July.

Revenue Source	2012 Current Budget	2012 Projected Revenue	2012 Q2 Projected Revenue	2012 Q2 Actual Revenue	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2011 Q2 Actual Revenue	% of Utility Revenue Total
Natural gas	\$950,000	\$950,000	\$606,068	\$546,156	-\$59,912	-9.89%	\$585,848	22.47%
Garbage	489,250	489,250	126,667	118,691	-7,976	-6.30%	120,354	4.88%
Cable TV	1,505,000	1,505,000	527,126	547,409	20,283	3.85%	516,908	22.52%
Telecommunications	1,675,000	1,675,000	571,287	540,906	-30,380	-5.32%	573,820	22.25%
Storm Drainage	195,775	195,775	104,505	104,321	-184	-0.18%	102,370	4.29%
Water	690,000	690,000	182,436	192,919	10,483	5.75%	178,331	7.94%
Sewer	763,230	763,230	381,386	380,500	-886	-0.23%	369,500	15.65%
Utility Tax and Franchise Fee Revenue Subtotal	\$6,268,255	\$6,268,255	\$2,499,475	\$2,430,902	-\$68,572	-2.74%	\$2,447,131	100%

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE



2012 Budget	\$833,125
2012 Projected	\$1,297,390
2012 2nd Quarter Projected	\$705,359
2012 2nd Quarter Actual	\$835,817
2012 2nd Quarter \$ Variance	\$130,458
2012 2nd Quarter % Variance	18.50%
2011 2nd Quarter Actual	\$545,629
% Change from 2011 2nd Quarter	53.18%

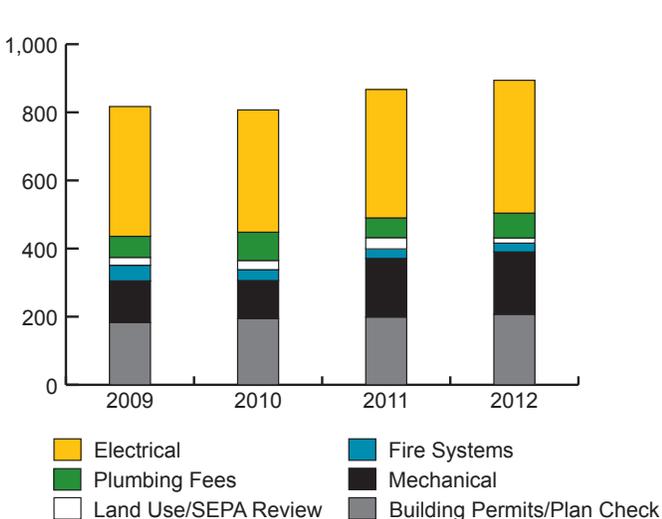
The projection for development revenue receipts has been increased from the current budget of \$833,125 to \$1,297,390. Development revenue receipts for the first two quarters of 2012, in the amount of \$835,817, are \$130,458, or 18.50%, more than the revised projection and exhibit a year-over-year increase of \$290,188, or 53.18%.

The first half of 2011 realized a significant amount of Plan Check Fees as a result of the initiation of the two Shoreline School District high school construction projects. Building permits were pulled in the second half of 2011 and first half of 2012, with actual construction beginning in 2012. The first half of 2012 also realized Building Permit revenues for construction of the storm water facility for the North City Family Apartments. Removal of development revenue receipts attributable to these projects from the calculation reveals a more comparable year-over-year increase of \$112,354, or 26.68%.

In sum, while overall permit activity is higher as compared to the same period in 2011, the year-over-year revenue increase (less the amounts attributable to the Shoreline School District and North City Family Apartment projects) is the result of increases throughout the permit categories and an increased amount of investment in infrastructure by various utilities that requires Right of Way permits.

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.

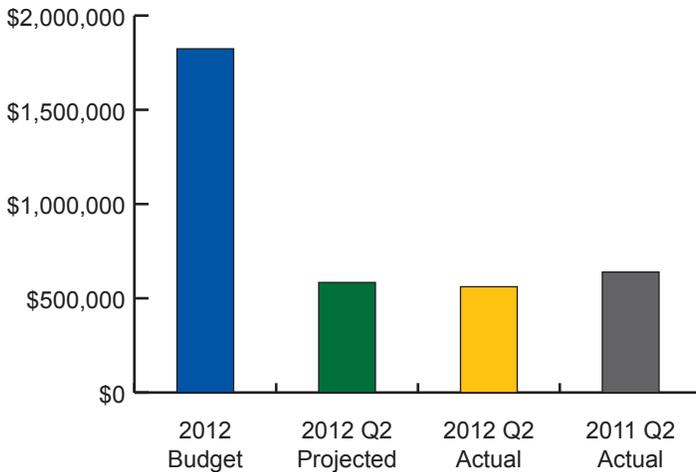
PERMITS BY TYPE: January through June 2009–2012



PERMIT TYPE	2009	2010	2011	2012
Building Permits/Plan Check	183	195	199	207
Mechanical	122	111	172	183
Fire Systems	46	32	28	26
Land Use/SEPA Review	23	27	33	15
Plumbing	62	83	58	73
Electrical	381	359	377	390
Total	817	807	867	894

GENERAL FUND REVENUE ANALYSIS (continued):

GAMBLING TAX REVENUE



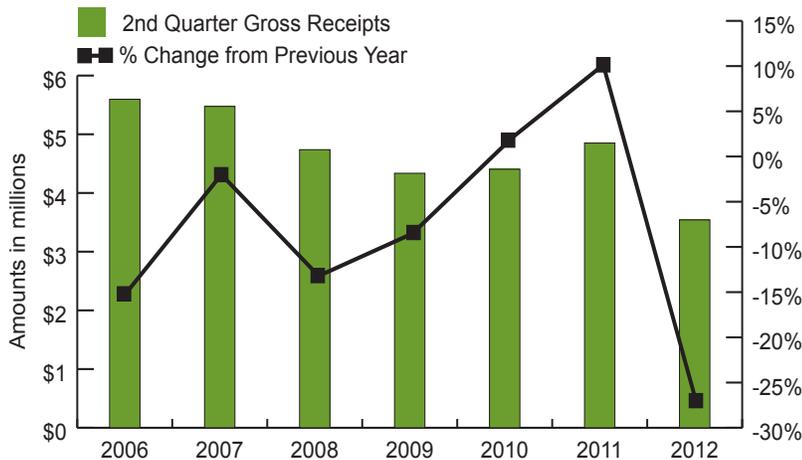
2012 Budget	\$1,823,771
2012 Projected	\$1,749,559
2012 2nd Quarter Projected	\$583,904
2012 2nd Quarter Actual	\$561,297
2012 2nd Quarter \$ Variance	-\$22,607
2012 2nd Quarter % Variance	-3.87%
2011 2nd Quarter Actual	\$639,086
% Change from 2011 2nd Quarter	-12.17%

The projection for Gambling Tax receipts has been decreased from the current budget of \$1,823,771 to \$1,749,559. The decrease is largely attributable to the fact that Parker's Sports Bar & Casino ceased operations in mid-April 2012. Before closing they did not submit any tax payment for first quarter activity, but did make a minor payment for second quarter based on April activity.

Gambling Tax receipts for the first two quarters of 2012, in the amount of \$561,297, are \$22,607, or 3.87%, less than the revised projection and exhibit a year-over-year decrease of \$77,789, or 12.17%. The rest of the year is likely to witness two things: a slight increase in overall card room and pull-tab activity, as well as payments on a new promissory note for Goldie's Shoreline Casino. The total 2012 one-time revenue that will be received based on Goldie's new promissory note will be \$92,458.

Please note that gambling tax receipts presented in this report reflect only those taxes calculated on first quarter gambling activity since second quarter gambling tax returns are not due to the City until July 30. Card rooms pay ten percent of gross yearly receipts over \$10,000. The following chart exhibits the last seven years of gross receipts reported by card rooms in Shoreline.

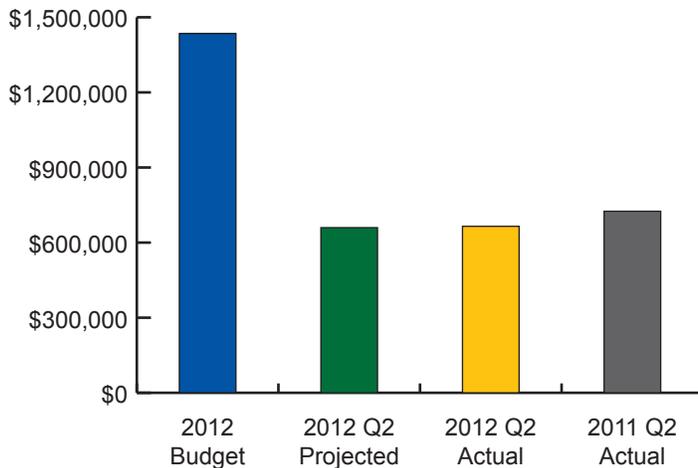
CARD ROOM RECEIPTS 2006-2012



Year	Amount (Millions)	% Change from Previous Year
2006	\$5,596,446	-15.03%
2007	5,475,339	-2.16%
2008	4,737,431	-13.48%
2009	4,335,807	-8.48%
2010	4,404,379	1.58%
2011	4,850,692	10.13%
2012	3,540,915	-27.00%

GENERAL FUND REVENUE ANALYSIS (continued):

PARK AND RECREATION REVENUE



2012 Budget	\$1,434,927
2012 Projected	\$1,416,839
2012 2nd Quarter Projected	\$659,726
2012 2nd Quarter Actual	\$665,118
2012 2nd Quarter \$ Variance	\$5,392
2012 2nd Quarter % Variance	0.82%
2011 2nd Quarter Actual	\$725,259
% Change from 2011 2nd Quarter	-8.29%

The projection for Park and Recreation revenue receipts has been decreased from the current budget of \$1,434,927 to \$1,416,839 due to lower level of participation than originally expected. Park and Recreation revenue receipts for the first two quarters of 2012, in the amount of \$665,118, are \$5,392, or 0.82%, more than the revised projection and exhibit a year-over-year decrease of \$60,141, or 8.29%. Compared to the first half of 2011, the first half of 2012 witnessed decreased activity for aquatics lessons and drop in admissions and the indoor playground. Activity has also decreased in rentals of athletic fields, the Recreation Center and Spartan Gym. On a positive note, interest appears to have increased in preschool sports skills and special recreation class offerings.



RECREATION REVENUE BY PROGRAM

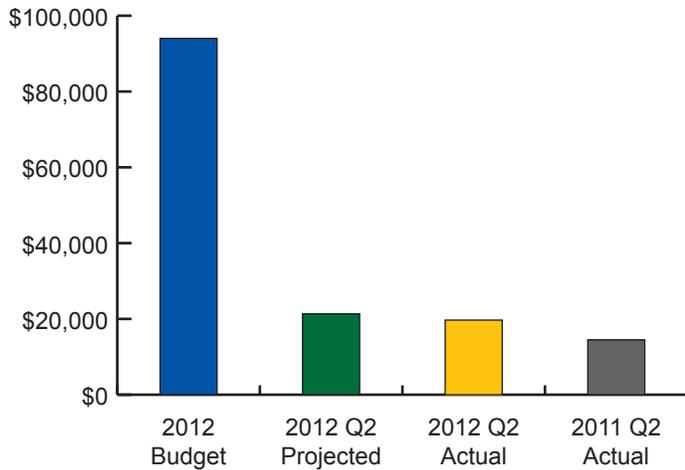
Revenue by Program: January through June 2005-2012*

Year	General Recreation	Gen. Rec. % of Total	Pool	Pool % of Total	Facility Rentals	Fac. Rentals % of Total	Total Revenue
2005	\$243,527	44.9%	\$205,126	37.8%	\$93,844	17.3%	\$542,497
2006	325,732	51.0%	209,183	32.8%	103,238	16.2%	638,153
2007	209,934	37.0%	196,133	34.6%	160,620	28.3%	566,687
2008	235,679	38.2%	222,352	36.0%	159,599	25.8%	617,630
2009	218,921	34.1%	212,571	33.1%	211,292	32.9%	642,784
2010	269,744	39.1%	209,636	30.4%	210,342	30.5%	689,722
2011	270,462	37.5%	217,538	30.1%	233,580	32.4%	721,580
2012	\$255,050	38.7%	\$178,782	27.1%	\$224,922	34.1%	\$658,754

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

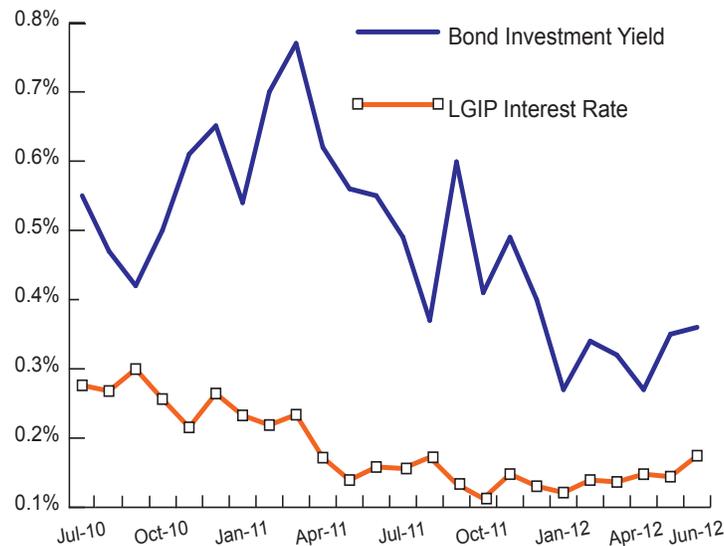
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT REVENUE



2012 Budget	\$94,000
2012 Projected	\$42,671
2012 2nd Quarter Projected	\$21,336
2012 2nd Quarter Actual	\$19,694
2012 2nd Quarter \$ Variance	-\$1,642
2012 2nd Quarter % Variance	-7.69%
2011 2nd Quarter Actual	\$14,452
% Change from 2011 2nd Quarter	36.27%

Projected revenues in this category have been reduced from the 2012 budget of \$94,000 to \$42,671 based on the continued decline in interest rates. Investment earnings through June totaled \$19,694, which is below the revised projections by \$1,642, or 7.69%. On a positive note, revenues were \$5,242, or 36.27%, more than those collected during the same period in 2011.



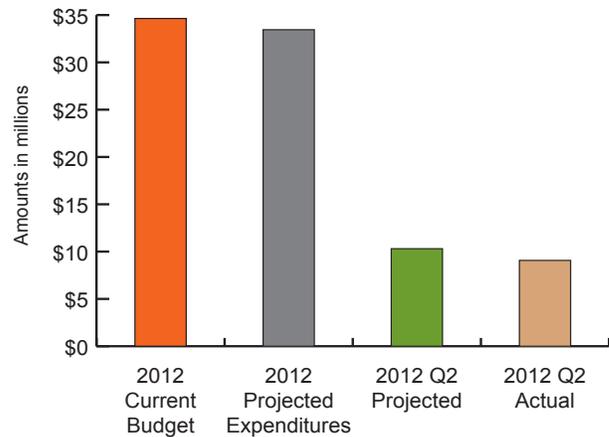
Month	LGIP Interest Rate*	Bond Investment Yield
7/31/10	0.2762%	0.5500%
8/31/10	0.2680%	0.4700%
9/30/10	0.2997%	0.4200%
10/31/10	0.2564%	0.5000%
11/30/10	0.2155%	0.6100%
12/31/10	0.2644%	0.6510%
1/31/11	0.2328%	0.5400%
2/28/11	0.2189%	0.7000%
3/31/11	0.2338%	0.7700%
4/30/11	0.1718%	0.6200%
5/31/11	0.1394%	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%
Oct-11	0.1127%	0.4100%
Nov-11	0.1480%	0.4900%
Dec-11	0.1305%	0.4000%
Jan-12	0.1213%	0.2700%
Feb-12	0.1394%	0.3400%
Mar-12	0.1367%	0.3200%
Apr-12	0.1479%	0.2700%
May-12	0.1443%	0.3500%
Jun-12	0.1746%	0.3600%
Average	0.1855%	0.4838%

*Local Government Investment Pool

EXPENDITURE ANALYSIS

GENERAL FUND EXPENDITURES

As a result of a thorough review of the expenditure data in preparation for the 2013 budget process, 2012 year-end projections have been developed. The mid-year expenditure review also included analysis of the actual expenditure experience through the second quarter. This process generates two outlooks; one that deals with the year-end projection and one that strictly looks at the second quarter. Year-end 2012 projections are estimated to be \$1,186,860, or 3.43%, less than the 2012 current budget of \$34,638,647. The following items are the primary reasons leading to the projected year-end savings:



- Citywide contingencies will not be needed this year, which will provide \$848,335 in savings, comprised mainly of non-departmental savings of \$19,400 and annual budget contingencies of \$831,542.
- The City Manager's Office plans to save \$43,632, or 2.97%, as a result of savings in marketing-related expenditures in the Communications division and various savings in professional services in the Economic Development division.

- Community Services plans to increase its budget by a net amount of \$51,680, or 3.39%. Emergency Management Planning has received an Emergency Management Performance Grant totaling \$57,720. A budget amendment to add this to the 2012 budget will be presented to the City Council for adoption in September.
- The Administrative Services Department plans to realize savings due to the following: (1) no appeal hearings or advertising for franchise renewals for the City Clerk's division, which totals \$7,000, and (2) approximately \$54,000 in salary and benefit savings due to position vacancies in the Budget/Financial Plan division and Purchasing division.
- The Police Department plans to realize savings of \$347,442, or 3.31%, comprised of \$181,811 resulting from a favorable 2011 contract reconciliation, \$119,027 resulting from medical insurance savings, and \$46,604 largely resulting from savings related to decreased use of the King County Sheriff's Office Major Accident Response and Reconstruction (MARR) unit and discretionary police overtime.
- The Criminal Justice projections will need to be increased by \$74,794 due to the unbudgeted costs to purchase and outfit a jail transport van that exceeded available grant funds and Electronic Home Detention Monitoring services (\$9,000) and the District Court contract reconciliation for 2011, which was \$67,000 higher than anticipated.
- The Parks, Recreation and Cultural Services Department plans to save \$53,595, or 1.14%, comprised of approximately \$16,500 in savings in the Operations division resulting from decreased water usage due to this year's wet spring and early summer and \$24,550 in savings in the Aquatics division resulting from extra help savings of \$11,750 and natural gas usage of \$12,800.
- Public Works plans to increase its budget by a net amount of \$60,209, or 2.62%. Environmental Services has received a Coordinated Prevention Program Grant from the Department of Ecology totaling \$60,489. A budget amendment to add this to the 2012 budget will be presented to the City Council for adoption in September.

General Fund expenditures in the first half of 2012, in the amount of \$10,099,204, are \$208,581, or 2.02%, less than projected expenditures of \$10,307,785. Most of the departments are spending below projections with the following few exceptions:

- The City Council incurred more travel and registration expenditures in the first half of 2012 than 2011.
- The Shoreline Community College Small Business Accelerator Program has been underway since the beginning of the year. This program is budgeted in the Economic Development division of the City Manager's Office.
- The City Attorney's Office has realized savings budgeted for extra help as backfill for an employee during FMLA leave.
- The Information Technology division of the Administrative Services Department has not yet purchased the Asset Management Software (\$140,000) and, therefore, has not yet incurred related maintenance costs (\$40,000).
- In the Citywide category, the County did not bill the City for 2011 election and voter registration costs until the third quarter. These expenses are typically paid in the second quarter of the year.
- The Human Resources Department is now paying a subscription fee for the City's new performance evaluation software.
- Invoices from King County for the Police Services contract were received late this year and will be reflected in the third quarter report.
- The Criminal Justice budget is experiencing slightly higher activity year-to-date as compared to the same period in 2011; however, nearly all of the activity has shifted to the cheaper alternative (Snohomish County). This report also reflects the cost of purchasing and outfitting a jail transport van. Invoices for the Primary Public Defense contract are being received on time this year. In prior year's they were paid in the third quarter.
- The Parks, Recreation and Cultural Services Department's expenditures are over projections due to an increase in Labor & Industries costs due to an unexpected rate increase and a contract payment to the Kruckeberg Botanical Garden, which was not made in the first half of 2011.
- In Planning and Community Development savings in on-call professional services and a delay in the implementation of the sustainability performance measure database and the microfilming of records.
- In Public Works a delay in spending for professional services assisting in the potential assumption of the SPU water system, savings in professional services and repair and maintenance in the Facilities program and a large purchase in Environmental Services will occur later than originally projected.

GENERAL FUND EXPENDITURES ANALYSIS (continued):

Department	2012 Current Budget	2012 Projected Expenditures	2012 Q2 Projected Expenditures	2012 Q2 Actual Expenditures	\$ Variance	% Variance	2011 Q2 Actual Expenditures
City Council	\$183,420	\$183,249	\$98,943	\$100,272	\$1,330	1.34%	\$87,428
City Manager's Office ¹	1,471,263	1,427,631	636,241	667,704	31,463	4.95%	603,190
City Attorney	612,744	607,396	287,554	268,571	-18,983	-6.60%	241,761
Community Services ²	1,523,463	1,575,143	601,446	600,440	-1,006	-0.17%	564,183
Administrative Services ³	3,326,482	3,259,946	1,542,433	1,415,047	-127,387	-8.26%	1,318,002
Citywide	1,766,502	918,167	855,059	700,057	-155,003	-18.13%	816,458
Human Resources	404,024	404,025	176,856	187,074	10,217	5.78%	173,350
Police	10,506,781	10,159,339	54,746	48,896	-5,850	-10.69%	53,844
Criminal Justice	2,095,224	2,170,018	508,232	544,654	36,422	7.17%	348,229
Parks	4,713,908	4,660,313	1,931,510	1,961,515	30,005	1.55%	1,793,186
Planning and Dev. Services	2,343,082	2,334,598	1,026,836	1,020,333	-6,504	-0.63%	1,147,391
Public Works	2,301,543	2,361,752	1,036,909	1,033,622	-3,287	-0.32%	615,327
<i>Operating Budget Expenditures</i>	31,248,437	30,061,577	8,756,765	8,548,184	-208,581	-2.38%	\$7,762,349
<i>Operating Transfers Out</i>	3,390,210	3,390,210	1,551,020	1,551,020	0	0.00%	1,308,927
Total Expenditures	\$34,638,647	\$33,451,787	\$10,307,785	\$10,099,204	-\$208,581	-2.02%	\$9,071,276

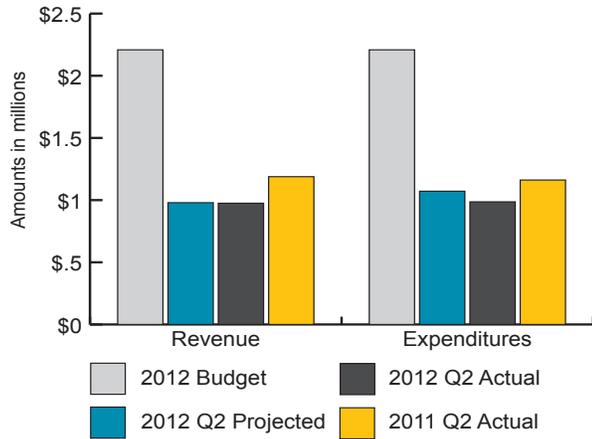
¹ City Manager's Office includes Economic Development, Communications and Intergovernmental Relations.

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

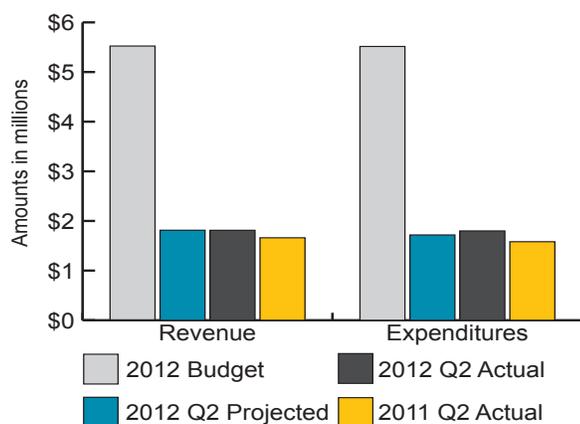


Street Fund		
	Revenue	Expenditures
2012 Budget	\$2,208,455	\$2,208,455
2012 Projected	\$2,012,286	\$2,167,343
2012 Q2 Projected	\$979,436	\$1,071,717
2012 Q2 Actual	\$975,087	\$986,270
\$ Variance	-\$4,349	-\$85,447
% Variance	-0.44%	-7.97%
2011 2Q Actual	\$1,188,354	\$1,161,504

Motor vehicle fuel tax revenue receipts for the first half of 2012, in the amount of \$513,598, are \$3,465, or 0.67%, less than lowered projections. The 2012 projection for fuel tax has been reduced from \$1,125,180 to \$1,087,408 based on the state's revised per capita projection. Investment interest receipts for the first half of 2012, in the amount of \$717, are \$888 less than the revised projection of \$1,605. Investment interest was originally budgeted at \$10,000. Based on continued low earnings, the 2012 projection has been lowered to \$5,000. In sum, revenue receipts for the first half of 2012 totaling \$975,087 are \$4,349, or 0.44% below revised projections.

Expenditures, including transfers out totaling \$986.270 are \$85,447, or 7.97%, behind projections. A portion of the savings is due to staff vacancies as two maintenance positions were vacant from late April through late July and much of the annual maintenance work will occur during the third quarter of the year.

SURFACE WATER UTILITY FUND



Surface Water Utility Fund		
	Revenue	Expenditures
2012 Budget	\$5,515,192	\$5,515,192
2012 Projected	\$3,922,397	\$5,382,517
2012 Q2 Projected	\$1,813,234	\$1,717,875
2012 Q2 Actual	\$1,812,049	\$1,799,304
\$ Variance	-\$1,185	\$81,429
% Variance	-0.07%	4.74%
2011 2Q Actual	\$1,661,286	\$1,581,776

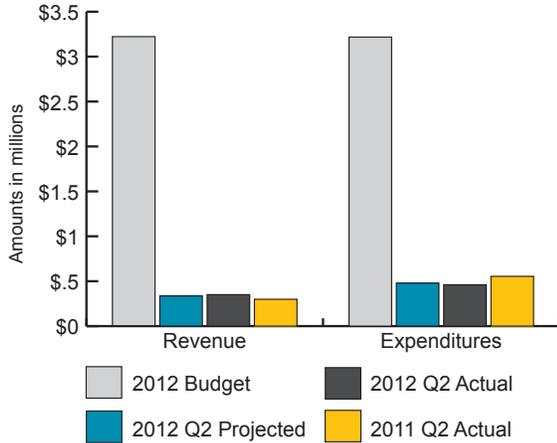
The Surface Water Utility Fund (SWM) includes both on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Revenue receipts for the first half of 2012, in the amount of \$1,812,049, are \$1,185, or 0.07%, below revised projections. Projected revenues were increased by \$145,195 to include additional grants that have been awarded to the City during the year. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled \$1,665,538, which is \$645, or 0.04%, above projections. Investment interest earnings totaled \$3,908, which is \$1,020 below lowered projections.

Year to date expenditures in the amount of \$1,799,304 are \$81,429, or 4.74%, ahead of projections. Capital projects are \$59,838 ahead of projections as the Boeing Creek and Storm Creek B Plans progress. The operating programs are \$20,204 ahead of projections. This is mostly due to approximately \$58,000 in costs related to street sweeping and vectoring to remove debris during the January storms. Most of these costs will be reimbursed by FEMA later in the year.

OTHER FUNDS REVENUE ANALYSIS (continued):

GENERAL CAPITAL FUND



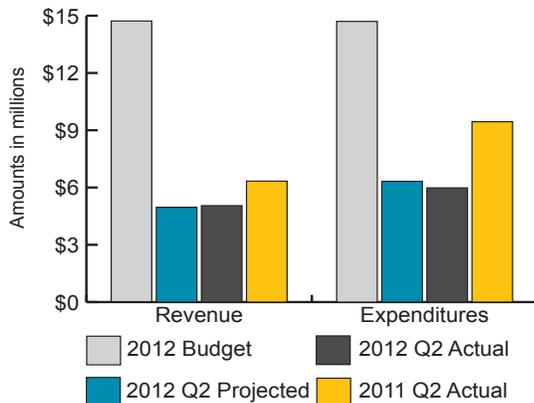
General Capital Fund		
	Revenue	Expenditures
2012 Budget	\$3,217,531	\$3,217,531
2012 Projected	\$733,686	\$2,580,284
2012 2Q Projected	\$336,502	\$478,439
2012 2Q Actual	\$350,586	\$460,764
\$ Variance	\$14,084	-\$17,675
% Variance	4.19%	-3.69%
2011 2Q Actual	\$299,141	\$554,356

Second quarter 2012 actual revenues for this fund totaled \$350,586 which is \$14,048, or 1.2%, above projections as a result of the following better than expected real estate excise tax (REET) collections which totaled \$275,781, which is \$28,307, or 11.44%, above projections. Investment earnings totaled \$2,547, which is \$284, or 10.02%, below lowered projections. Receipts from the King County Trail Levy totaling \$44,917 are below projections by \$15,469, or 25.62%, which could be due to falling assessed value within the county.

Second quarter 2012 revenue projections reflect those that will be included in the proposed 2013-2018 Capital Improvement Plan (CIP), but do not include any use of fund balance. The 2012 current budget includes the planned use of over \$2.0 million of fund balance.

Expenditures during the first half of 2012 totaled \$460,764 which is \$17,675 or 3.7% below projected expenditures. Expenditures are impacted by the timing of construction schedules. By the end of the year we expect expenditures to be on target. Projected expenditures have also been adjusted to reflect the proposed CIP.

ROADS CAPITAL FUND



Roads Capital Fund		
	Revenue	Expenditures
2012 Budget	\$14,701,352	\$14,701,352
2012 Projected	\$13,838,452	\$15,562,900
2012 2Q Projected	\$4,965,328	\$6,326,721
2012 2Q Actual	\$5,049,810	\$5,981,000
\$ Variance	\$84,482	-\$345,721
% Variance	1.70%	-5.46%
2011 2Q Actual	\$6,334,831	\$9,446,510

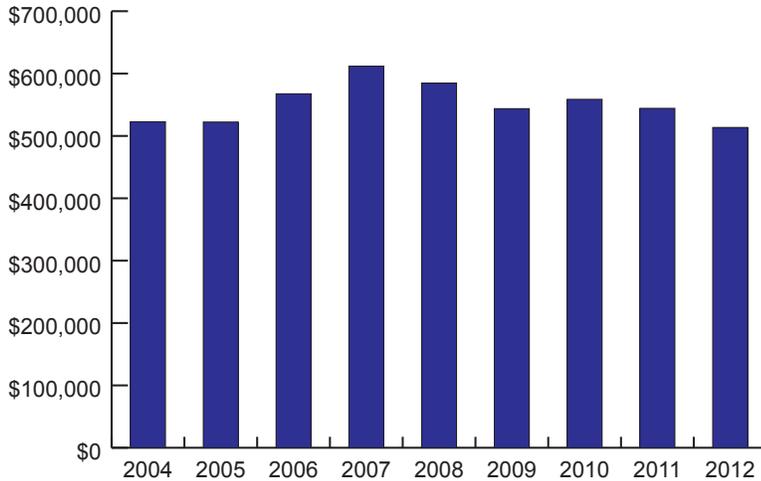
Revenues during the first half of 2012 totaled \$5,049,810, which is above projected revenues of \$4,965,328 by \$84,482, or 1.7%. This variance is due to better than expected REET collections like the general capital fund, as well as receipts from new grants.

Revenue projections for 2012 reflect those included in the Adopted 2013-2018 Capital Improvement Plan (CIP), but do not include any use of fund balance. The adopted budget includes the use of nearly \$2 million.

Expenditures during the first half of 2012 totaled \$5,981,000 which is \$345,721, or 5.5%, below projected expenditures of \$6,326,721. Expenditures are impacted by the timing of construction schedules. By the end of the year we expect expenditures to be on target. Projected expenditures have also been adjusted to reflect the Proposed CIP.

NON-GENERAL FUND REVENUE ANALYSIS:

STREET FUND FUEL TAX

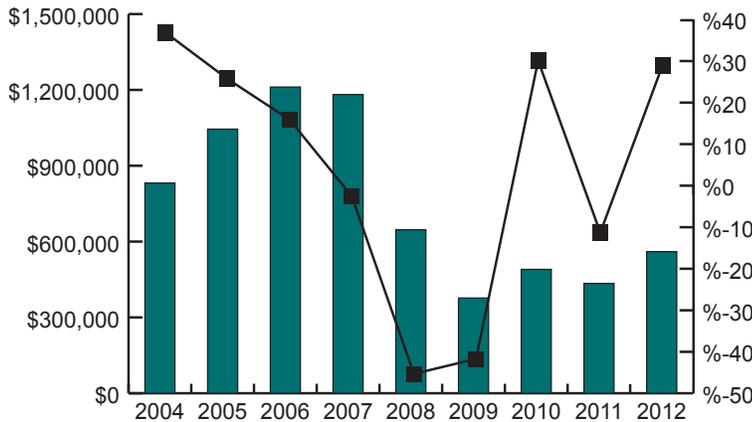


Fuel Tax: Historical Second Quarter Comparison - Street Fund

2004	\$522,751
2005	\$522,371
2006	\$567,577
2007	\$611,951
2008	\$584,780
2009	\$543,744
2010	\$558,745
2011	\$544,273
2012	\$513,598

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 half of 2012, in the amount of \$513,598, are \$3,465, or 0.67%, less than the projection and exhibit a year-over-year decrease of \$30,675, or 5.64%. Fuel consumption continues to fall. The latest forecast by the State Department of Transportation expects fuel tax revenue to fall 1.3% below 2011 collections.

REAL ESTATE EXCISE TAX (REET)



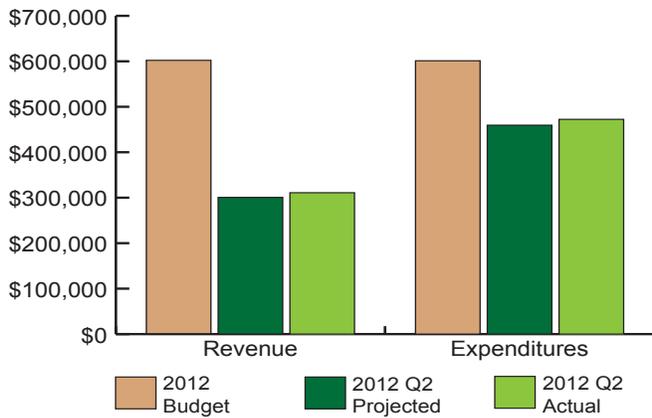
REET: Annual First Half Collected for 2004-2012

Year	Revenue	% Change from Previous Year
2004	\$831,504	36.9%
2005	\$1,044,946	25.7%
2006	\$1,211,482	15.9%
2007	\$1,181,604	-2.5%
2008	\$646,678	-45.3%
2009	\$376,842	-41.7%
2010	\$490,104	30.1%
2011	\$434,516	-11.3%
2012	\$560,237	28.9%

Real Estate Excise Tax (REET) revenue receipts for the first half of 2012, in the amount of \$560,237, are \$125,721, or 28.93%, more than receipts for the same period in 2011. So far in the first half of 2012, there have been 93 more real estate transactions, with a total value that is \$25.35 million, or 29.24%, more than those for the same period of 2011. Earlier in the year, the 2012 projections for REET were lowered from \$1,018,588 to \$965,238. With the current positive variance and the increase in real estate activity, collections may reach the original budget.

The difference in the value of real estate transactions is largely attributable to the fact that the first half of 2011 had more high-value single family home transactions, while 2012 has had more high-value commercial transactions. The sale of the old YMCA site, which is the future site of the North City Family Apartments, and the mobile home park located at 152nd Street, which is the future site of a proposed multifamily development, are transactions worth highlighting due to their impact on development revenue receipts.

TRANSPORTATION BENEFIT DISTRICT



Transportation Benefit District		
	Revenue	Expenditures
2012 Budget	\$601,200	\$601,200
2012 Projected	\$601,200	\$601,200
2012 2Q Projected	\$300,600	\$459,504
2012 2Q Actual	\$310,973	\$472,371
\$ Variance	\$10,373	\$12,867
% Variance	3.45%	2.80%
2011 2Q Actual	\$307,082	\$306,999

Through the first six months of 2012, TBD vehicle license fees have totaled \$310,939, which is \$10,373, or 3.45%, ahead of projections. Collections for the same period of 2011 totaled \$307,082. Expenditures, mostly consisting of transfers to the Annual Road Surface Maintenance program, totaled \$472,371 which is slightly ahead of projections due to the positive variance in the collection of fees. Vehicle license fee revenue is transferred to the capital program on a monthly basis as it is received. Revenue collected by the state during December 2011, was recorded as 2011 revenue but was not received in time to transfer until early in 2012.

Second Quarter INVESTMENT REPORT June 30, 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 June 30, 2012, the City's investment portfolio, excluding the State Investment Pool, had a weighted average rate of return of 0.7282%. This is better than the State Investment Pool twelve month average of 0.1746%. Total investment interest earnings through June were \$30,463 which is about 16% of total budgeted 2012 investment earnings of \$190,260. As noted earlier in the report, we have lowered projected investment earning in all of the City's funds based upon current interest rates.

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 0.36% at the end of June 2012 .

As of June, 2012, the City's investment portfolio had a fair value of nearly \$28.633 million. Approximately 21% of the investment portfolio was held in U.S. government instrumentality securities, and 79% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of June 30, 2012, was slightly over \$28.628 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 laddered 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 June 30, 2012

Instrument Type	CUSIP #	BROKER	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield to Maturity	Unrecognized Gain/Loss	Market Value 6/30/2012
FFCB 0.56	3133EAK2	ProEquities	06/21/12	06/18/15	\$2,000,000	\$1,998,750	0.5810%	-\$6,286	\$1,992,464
FNMA 0.75	3135G0GP2	ProEquities	12/27/11	12/19/14	2,000,000	1,999,800	0.7530%	2,476	2,002,276
FNMA 0.75	3136FTNT2	ProEquities	11/21/11	11/21/14	2,000,000	1,994,000	0.8510%	7,928	2,001,928
Sub Total - Investments					\$6,000,000	\$5,992,550		\$4,118	\$5,996,668
State Investment Pool						22,635,934	0.1746%		22,635,934
Total LGIP + Investments						\$28,628,484		\$4,118	\$28,632,602

Average Maturity Excluding the State Investment Pool (days)	953
Weighted Average Yield to Maturity Excluding the State Pool	0.7282%
Average Yield to Maturity State Investment Pool	0.1746%
Basis Points in Excess (Below) Benchmark	55

Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker	Percentage	Amount at Cost
FFCB	7%	1,992,464	1,998,750			
FNMA	14%	4,004,204	3,993,800	ProEquities	21%	5,992,550
State Investment Pool	79%	22,635,934	22,635,934	State Invest. Pool	79%	22,635,934
Total Investments	100%	28,632,602	28,628,484	Total Investments	100%	28,628,484

Investments by Fund

Fund	Investments at Cost as of 6/30/2012	State Investment Pool as of 6/30/2012	Total LGIP + Investments at Cost by Fund as of 6/30/2012	Unrecognized Gain/Loss as of 6/30/2012	Total Market Value of Investments by Fund as of 6/30/2012	Investment Earnings Budget 2012	Investment Earnings Actual 2012	Over/Under Budget
001 General	\$2,309,828	\$9,945,802	\$12,255,629	\$2,072	\$12,257,701	\$90,500	\$17,421	-\$73,079
101 Street	250,000	485,809	735,809	-786	735,023	10,000	716	-9,284
107 Code Abatement	0	146,920	146,920	0	146,920	550	121	-429
108 Asset Seizure	0	26,941	26,941	0	26,941	0	15	15
109 Public Arts	0	245,583	245,583	0	245,583	1,050	209	-841
112 Fed Drug Enforcement	0	33,878	33,878	0	33,878	50	17	-33
114 Transp. Benefit Dist.	0	46,912	46,912	0	46,912	60	35	-25
115 Property Tax Equalization	0	769,765	769,765	0	769,765	0	567	567
116 Fed Crim Forfeit	0	578,533	578,533	0	578,533	0	380	380
190 Revenue Stabilization	1,932,922	703,600	2,636,522	1,798	2,638,321	0	0	0
301 General Capital	0	3,173,631	3,173,631	0	3,173,631	21,978	2,547	-19,431
312 City Fac-Mjr Maint	0	137,011	137,011	0	137,011	825	100	-725
330 Roads Capital	0	1,709,161	1,709,161	0	1,709,161	23,404	1,375	-22,029
401 Surface Water Utility Fund	500,000	3,205,083	3,705,083	1,988	3,707,071	29,693	3,907	-25,786
501 Vehicle Oper/Maint	0	125,673	125,673	0	125,673	250	92	-158
503 Equip Dep Replace	999,800	1,285,041	2,284,841	-954	2,283,888	11,850	2,944	-8,906
505 Unemployment	0	16,592	16,592	0	16,592	50	18	-32
Total Investments		\$22,635,934	\$28,628,484	\$4,118	\$28,632,602	\$190,260	\$30,463	-\$159,797