



2012 THIRD QUARTER FINANCIAL REPORT

December 2012

PERFORMANCE AT A GLANCE

	YEAR TO DATE TREND	COMPARED TO PROJECTIONS	REFERENCE
GENERAL FUND REVENUES			
Property Tax Revenue	◀NEUTRAL▶	1.7%	Page 4
Sales Tax Revenue	▲POSITIVE▲	3.5%	Page 5, 6
Utility Tax Revenue	◀NEUTRAL▶	1.6%	Page 9
Development Revenue	▲POSITIVE▲	6.7%	Page 10
Gambling Tax Revenue	▲POSITIVE▲	2.6%	Page 11
Park and Recreation Revenue	▲POSITIVE▲	4.2%	Page 12
Investment Income	▲POSITIVE▲	10.4%	Page 13
EXPENDITURES			
General Fund Expenditures		-2.7%	Page 14
NON-GENERAL FUND REVENUES			
Surface Water Fees	◀NEUTRAL▶	1.04%	Page 15
Fuel Tax	●WARNING●	-3.2%	Page 17
Real Estate Excise Tax	▲POSITIVE▲	22.0%	Page 17

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 Revenue received through the third quarter of 2012, in the amount of \$21,476,294, is above the revised projection by \$410,689, or 1.9%, and reflects a year-over-year increase of \$1,176,863, or 5.8%. General Fund expenditures through the third quarter of 2012, in the amount of \$22,064,158, are \$614,975, or 2.7% less than projected expenditures of 22,679,134.

Street Fund revenues for the first three quarters of 2012, including transfers in, totaling \$1,521,308 are \$34,363, or 2.3%, above the revised projection. Street Fund expenditures including transfers out, totaling \$1,473,754 are \$153,010, or 9.4%, behind the projection.

Surface Water Utility Fund (SWM) revenues for the first three quarters of 2012, in the amount of \$1,992,319, are \$57,375, or 3%, above the revised projection. SWM expenditures through September of \$2,509,284 are \$240,064 or 8.7%, below the projection.

Real Estate Excise Tax (REET) revenue receipts for the first three quarters of 2012 totaling \$853,842 are \$153,985, or 22.0%, more than receipts for the same period in 2011 and \$106,173 above lowered projections.

Street Fund fuel Tax revenue receipts for the first three quarters of 2012, in the amount of \$799,607, are \$6,053, or 0.8%, more than the projection and exhibit a year-over-year decrease of \$26,436, or 3.2%.

Revenues					
Fund	2012 Budget	2011 Q3 Projected	2012 Q3 Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected
General Fund	\$34,784,704	\$21,065,605	\$21,476,294	\$410,689	1.95%
Street Fund	\$2,208,455	\$1,486,945	\$1,521,308	\$34,363	2.31%
Code Abatement Fund	\$100,000	\$50,075	\$232	-\$49,843	-99.54%
State Drug Enforcement Fund	\$5,000	\$9,233	\$69,072	\$59,839	648.08%
Public Arts Fund	\$72,511	\$2,738	\$5,594	\$2,857	104.35%
Federal Drug Enforcement Fund	\$5,050	\$16,607	\$25,037	\$8,431	50.77%
Property Tax Equalization Fund	\$398,000	\$199,443	\$200,182	\$739	0.37%
Federal Crime Forfeitures Fund	\$207,000	\$314,423	\$419,668	\$105,246	33.47%
Revenue Stabilization Fund	\$0	\$0	\$1,877	\$1,877	\$0
Unltd Tax GO Bond Fund	\$1,700,000	\$914,852	\$914,953	\$101	0.01%
Limited Tax GO Bond 2009 Fund	\$1,659,067	\$1,075,920	\$1,112,931	\$37,011	3.44%
General Capital Fund	\$3,217,531	\$479,133	\$527,801	\$48,668	10.16%
City Facility-Major Maint. Fund	\$164,857	\$60,619	\$60,209	-\$410	-0.68%
Roads Capital Fund	\$14,701,352	\$8,508,513	\$8,137,948	-\$370,565	-4.36%
Surface Water Utility Fund	\$5,515,192	\$1,934,944	\$1,992,319	\$57,375	2.97%
Vehicle Operations/ Maint Fund	\$197,250	\$185,921	\$196,840	\$10,919	5.87%
Equipment Replacement Fund	\$552,329	\$518,066	\$518,666	\$601	0.12%
Unemployment Fund	\$89,546	\$50,837	\$45,186	-\$5,651	-11.12%
Totals	\$65,577,844	\$37,202,116	\$37,226,117	\$24,001	0.06%
Transportation Benefit District	\$601,200	\$419,992	\$525,241	\$105,249	25.06%

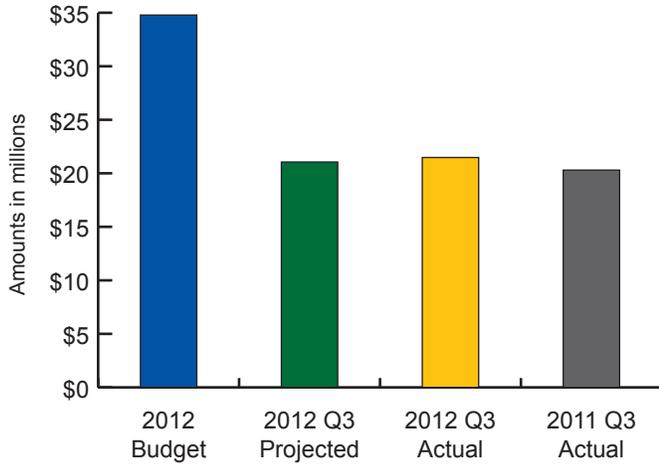
Expenditures					
Fund	2012 Budget	2012 Q3 Projected	2012 Q3 Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected
General Fund	\$34,784,703	\$22,679,134	\$22,064,158	-\$614,975	-2.71%
Street Fund	\$2,208,455	\$1,626,764	\$1,473,754	-\$153,010	-9.41%
Code Abatement Fund	\$100,000	\$50,000	\$2,387	-\$47,613	-95.23%
State Drug Enforcement Fund	\$5,000	\$2,500	\$4,458	\$1,958	78.32%
Public Arts Fund	\$72,511	\$36,255	\$23,865	-\$12,390	-34.17%
Federal Drug Enforcement Fund	\$5,050	\$2,310	\$5,016	\$2,706	117.14%
Property Tax Equalization Fund	\$0	\$0	\$0	\$0	0.00%
Federal Crime Forfeitures Fund	\$207,000	\$69,689	\$18,540	-\$51,149	-73.40%
Revenue Stabilization Fund	\$0	\$0	\$0	\$0	0.00%
Unltd Tax GO Bond Fund	\$1,695,050	\$277,578	\$277,578	\$0	0.00%
Limited Tax GO Bond 2009 Fund	\$1,659,067	\$606,238	\$606,239	\$1	0.00%
General Capital Fund	\$3,217,531	\$815,451	\$868,781	\$53,330	6.54%
City Facility-Major Maint. Fund	\$60,000	\$12,750	\$0	-\$12,750	-100.00%
Roads Capital Fund	\$14,701,352	\$8,696,550	\$8,536,493	-\$160,057	-1.84%
Surface Water Utility Fund	\$5,515,192	\$2,749,348	\$2,509,284	-\$240,064	-8.73%
Vehicle Operations/ Maint Fund	\$197,250	\$147,938	\$128,629	-\$19,309	-13.05%
Equipment Replacement Fund	\$340,675	\$255,506	\$166,334	-\$89,172	-34.90%
Unemployment Fund	\$89,546	\$44,773	\$39,147	-\$5,626	-12.57%
Totals	\$64,858,382	\$38,072,785	\$36,724,663	-\$1,348,122	-3.54%
Transportation Benefit District	\$601,200	\$600,900	\$599,999	-\$901	-0.15%

GENERAL FUND REVENUE DETAIL

Revenue Source	2012 Current Budget	2012 Projected Revenue	2012 3rd Quarter Projected	2012 3rd Quarter Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2011 3rd Quarter Actual
Budgeted Fund Balance	1,459,714	0	0	0	0	0.0%	0
Property Tax	10,051,000	10,051,000	5,397,722	5,487,568	89,846	1.7%	5,341,430
Sales Tax	6,301,418	6,500,000	4,340,366	4,491,651	151,285	3.5%	4,031,175
Local Criminal Justice	1,113,330	1,113,330	836,148	807,263	-28,885	-3.5%	808,861
Utility Tax & Franchise Fee Revenue							
Natural gas	950,000	950,000	655,183	667,930	12,747	1.9%	717,556
Garbage	489,250	489,250	245,310	245,847	537	0.2%	241,043
Cable TV	1,505,000	1,505,000	871,847	958,609	86,763	10.0%	903,488
Telecommunications	1,675,000	1,675,000	1,016,111	935,647	-80,464	-7.9%	986,325
Storm Drainage	195,775	195,775	109,314	108,779	-535	-0.5%	106,696
Water	690,000	690,000	303,761	344,662	40,901	13.5%	308,305
Sewer	763,230	763,230	570,056	570,750	694	0.1%	554,250
Utility Tax & Franchise Fee Revenue Subtotal	\$6,268,255	\$6,268,255	\$3,771,582	\$3,832,224	\$60,642	1.6%	\$3,817,663
SCL Contract Payment	1,854,704	1,800,690	1,140,197	1,127,282	-12,915	-1.1%	1,135,104
Gambling Tax Revenue	1,823,771	1,749,559	1,054,024	1,081,788	27,764	2.6%	1,033,822
Development Revenue	850,600	1,297,390	1,112,323	1,187,225	74,902	6.7%	716,249
Park Revenue	1,434,927	1,416,839	1,187,712	1,237,959	50,247	4.2%	1,257,055
Intergovernmental Revenue	870,348	979,608	747,585	743,700	-3,885	-0.5%	616,018
Grant Revenue	406,159	394,967	178,031	178,031	0	0.0%	262,333
Fines and Licenses	898,347	891,000	231,603	237,641	6,038	2.6%	231,414
Miscellaneous Revenue	359,042	430,895	294,991	288,151	-6,840	-2.3%	294,742
Interest Income	94,000	42,671	24,005	26,495	2,490	10.4%	30,211
Operating Transfers In	999,089	999,089	749,316	749,316	0	0.0%	723,354
Total General Fund Revenue	\$34,784,704	\$33,935,293	\$21,065,605	\$21,476,294	\$410,689	1.9%	\$20,299,431

GENERAL FUND REVENUE ANALYSIS:

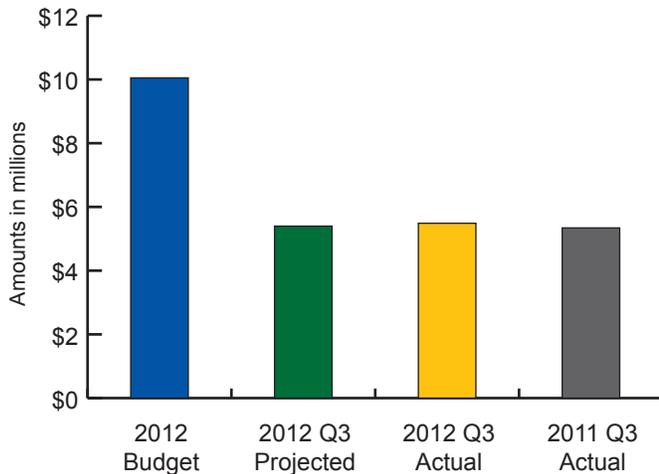
TOTAL GENERAL FUND REVENUE



2012 Current Budget	\$34,784,704
2012 Projected	\$33,935,293
2012 3rd Quarter Projected	\$21,065,605
2012 3rd Quarter Actual	\$21,476,294
2012 3rd Quarter \$ Variance	\$410,689
2012 3rd Quarter % Variance	1.9%
2011 3rd Quarter Actual	\$20,299,431
% Change from 2011 3rd Quarter	5.8%

Total General Fund Revenue received through the third quarter of 2012, in the amount of \$21,476,294, is above the revised projection by \$410,689, or 1.9%, and reflects a year-over-year increase of \$1,176,863, or 5.8%.

PROPERTY TAX

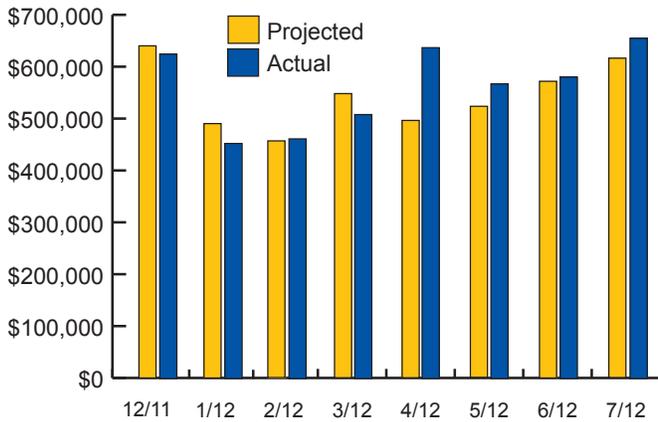


2012 Current Budget	\$10,051,000
2012 Projected	\$10,051,000
2012 3rd Quarter Projected	\$5,397,722
2012 3rd Quarter Actual	\$5,487,568
2012 3rd Quarter \$ Variance	\$89,846
2012 3rd Quarter % Variance	1.7%
2011 3rd Quarter Actual	\$5,341,430
% Change from 2011 3rd Quarter	2.7%

Through the third quarter, the City typically receives about 51.0% of the total annual levy since the majority of property tax payments are made in April and October. Property Tax receipts for the first three quarters of 2012, in the amount of \$5,487,568, are \$89,846, or 1.7%, more than the projection, and reflect a 2.7% increase as compared to the same period in 2011. Some of the positive variance is due to the collection of delinquent taxes from prior years. We anticipate that collections during the year will equal projections.

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



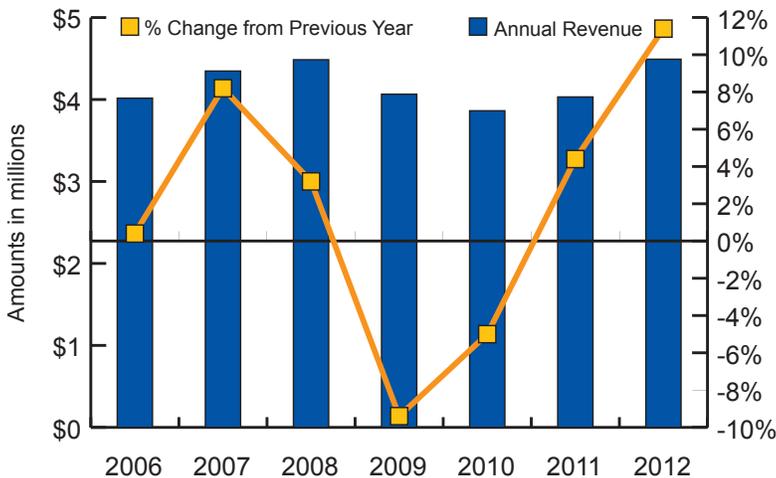
2012 Current Budget	\$6,301,418
2012 Projected Revenue	\$6,500,000
Sales tax revenue: December 2011 through July 2012	

Sales Activity	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
May 2012	522,432	567,950
June 2012	571,871	581,049
July 2012	615,614	655,753
Year to date	\$4,340,366	\$4,491,651
\$ Variance (December-July)		\$151,285
% Variance (December-July)		3.5%

The 2012 Adopted Budget included \$6,301,418 in sales tax receipts. Receipts for the first three quarters of 2012 (December through July), in the amount of \$4,491,651, are \$283,888, or 6.8%, more than the Adopted Budget's third quarter projection of \$4,207,763 and exhibit a year-over-year increase of \$460,476, or 11.4%. Both variances are mostly attributable to one-time projects in the construction sector, as well as strong growth in motor vehicle and electronics sales in the retail trade sector. In light of the higher-than-anticipated revenue, the year-end estimate was increased to \$6,500,000. Actual receipts for the first three quarters of 2012 are \$151,285, or 3.5%, more than the revised third quarter projection of \$4,340,366.

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 approximately \$461,000 in one-time sales tax revenue through the first three quarters of 2012. 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. During the same period in 2011, construction of two major projects generated approximately \$68,000 in one-time sales tax receipts. Removal of the revenue receipts for the one-time construction projects reveals a more relevant year-over-year increase in sales tax receipts of \$67,555, or 1.7%.

Annual Sales Tax Revenue Comparison

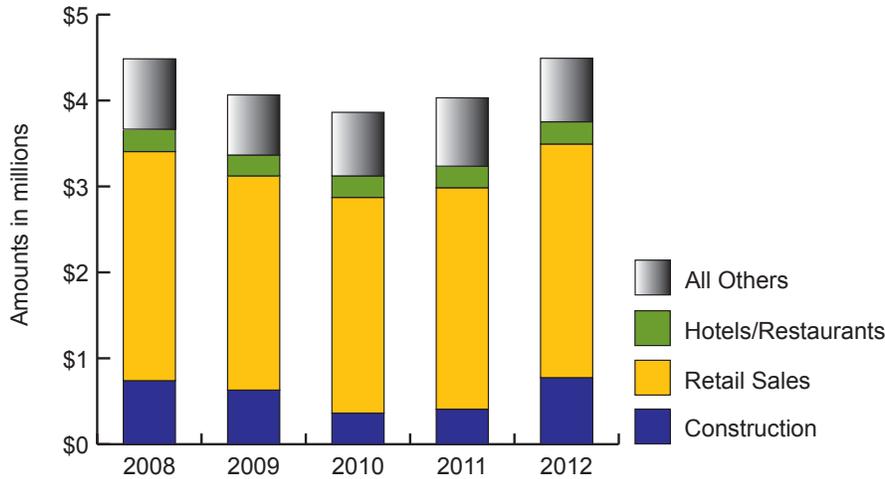


Third Quarter Sales Tax Revenue Comparison

Year	Actual Revenue: December through July	% Change from Previous Year
2006	\$4,016,366	0.4%
2007	\$4,347,307	8.2%
2008	\$4,484,980	3.2%
2009	\$4,065,145	-9.4%
2010	\$3,862,546	-5.0%
2011	\$4,031,175	4.4%
2012	\$4,491,651	11.4%

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX BY CATEGORY

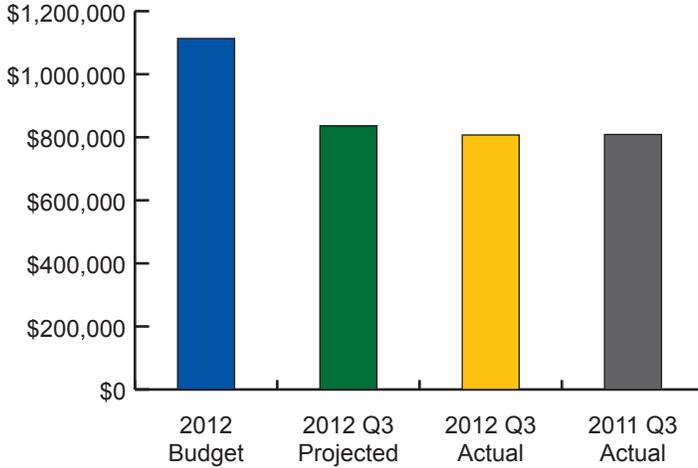


RETAIL SECTOR	Third Quarter 2008-2012				
	2008	2009	2010	2011	2012
Construction	739,657	629,819	362,466	408,110	774,897
Retail Sales	2,666,097	2,492,502	2,509,883	2,576,739	2,718,554
Hotel and Restaurant	260,578	243,202	250,327	250,929	259,067
All Others	818,648	699,622	739,870	795,396	739,135
Total	\$4,484,980	\$4,065,145	\$3,862,546	\$4,031,175	\$4,491,651
\$ Variance to previous year	137,687	-419,834	-202,600	168,628	460,479
% Variance to previous year	3.2%	-9.4%	-5.0%	4.4%	11.4%

Retail Trade	2008 Dec-July	2009 Dec-July	2009 v. 2008 \$ Variance	2010 Dec-July	2010 v. 2009 \$ Variance	2011 Dec-July	2011 v. 2010 \$ Variance	2012 Dec-July	2012 v. 2011 \$ Variance
Motor Vehicle and Parts Dealer	577,858	529,565	-48,293	541,888	12,323	590,409	48,521	654,268	63,859
Furniture, Home Furnishings	21,593	24,498	2,905	34,538	10,040	37,053	2,515	33,283	-3,770
Electronics and Appliances	66,962	50,713	-16,249	49,716	-997	55,884	6,168	65,340	9,456
Building Materials, Garden	486,881	384,416	-102,465	389,413	4,997	373,166	-16,247	393,535	20,369
Food and Beverage Stores	189,087	187,456	-1,631	174,179	-13,277	169,113	-5,066	173,336	4,223
Health and Personal Care Store	82,446	84,488	2,042	85,161	673	85,342	181	99,870	14,528
Gasoline Stations	39,307	42,255	2,948	45,077	2,822	47,362	2,285	48,951	1,589
Clothing and Accessories	13,887	17,916	4,029	19,349	1,433	24,205	4,856	29,311	5,106
Sporting Goods, Hobby, Books	66,012	58,180	-7,832	54,742	-3,438	53,300	-1,442	50,898	-2,402
General Merchandise Stores	932,983	897,725	-35,258	901,434	3,709	903,839	2,405	921,732	17,893
Miscellaneous Store Retailers	149,569	167,705	18,136	156,362	-11,343	168,768	12,406	168,526	-242
Nonstore Retailers	39,514	47,579	8,065	58,022	10,443	68,298	10,276	79,504	11,206
Total Revenue	\$2,666,099	\$2,492,496	-\$173,603	\$2,509,881	\$17,385	\$2,576,739	\$66,858	\$2,718,554	\$141,815

GENERAL FUND REVENUE ANALYSIS (continued):

LOCAL CRIMINAL JUSTICE SALES TAX



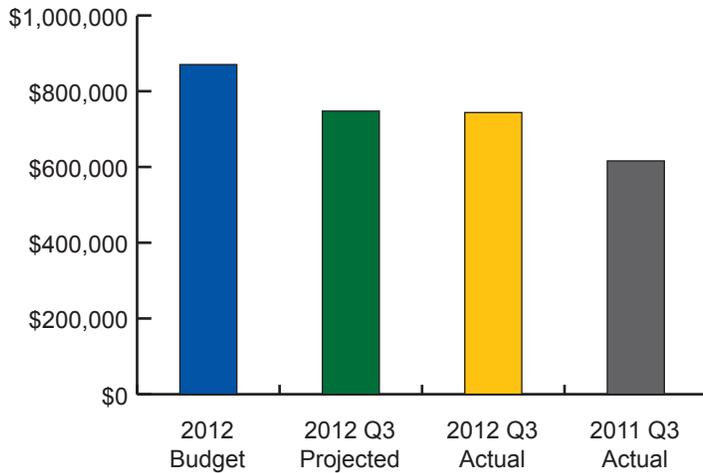
2012 Current Budget	\$1,113,330
2012 Projected	\$1,113,330
2012 3rd Quarter Projected	\$836,148
2012 3rd Quarter Actual	\$807,263
2012 3rd Quarter \$ Variance	-\$28,885
2012 3rd Quarter % Variance	-3.5%
2011 3rd Quarter Actual	\$808,861
% Change from 2011 3rd Quarter	-0.2%

Local Criminal Justice Sales Tax receipts through the third quarter of 2012 total \$807,263, which is \$28,885, or 3.5%, less than the projection.

In contrast to the increase in Sales Tax receipts noted above, Local Criminal Justice Sales Tax receipts exhibited a year-over-year decrease of 0.2%. 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 the projection.

GENERAL FUND REVENUE ANALYSIS (continued):

INTERGOVERNMENTAL REVENUE

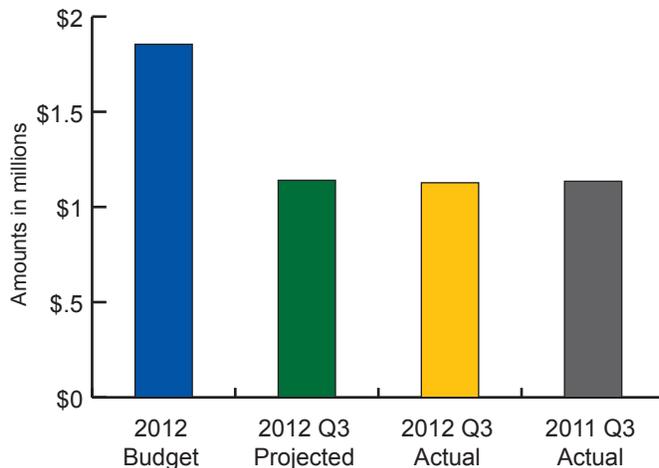


2012 Current Budget	\$870,348
2012 Projected	\$979,608
2012 3rd Quarter Projected	\$747,585
2012 3rd Quarter Actual	\$743,700
2012 3rd Quarter \$ Variance	-\$3,885
2012 3rd Quarter % Variance	-0.5%
2011 3rd Quarter Actual	\$616,018
% Change from 2011 3rd Quarter	20.7%

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 was increased from the current budget of \$870,348 to \$979,608 to include one-time revenues received related to the state's sale of its distribution center and auction of its liquor stores and the loss of approximately \$70,586 from the elimination of the October 2012 distribution of liquor excise tax due to the passage of ESHB 2823.

Receipts for the first three quarters of 2012 in this category, in the amount of \$743,700, are \$3,885, or 0.5%, less than the revised projection.

SEATTLE CITY LIGHT CONTRACT PAYMENT

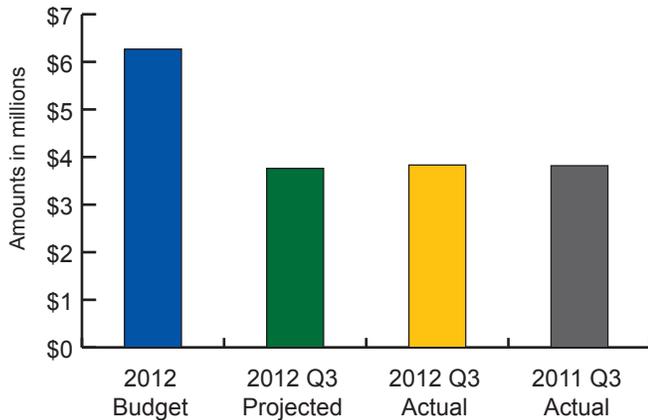


2012 Current Budget	\$1,854,704
2012 Projected	\$1,800,690
2012 3rd Quarter Projected	\$1,140,197
2012 3rd Quarter Actual	\$1,127,282
2012 3rd Quarter \$ Variance	-\$12,915
2012 3rd Quarter % Variance	-1.1%
2011 3rd Quarter Actual	\$1,135,104
% Change from 2011 3rd Quarter	-0.7%

The 2012 Adopted Budget projected \$1,854,704 in Seattle City Light (SCL) contract payments. Receipts for the first three quarters of 2012, in the amount of \$1,127,282, are \$47,117, or 4.0%, less than the 2012 Adopted Budget projection for this period of \$1,174,399. The year-end estimate was revised to \$1,800,690 during the second quarter in light of the lower-than-anticipated revenue. The revised projection 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 \$12,915, or 1.1%, less than the revised third quarter projection of \$1,140,197.

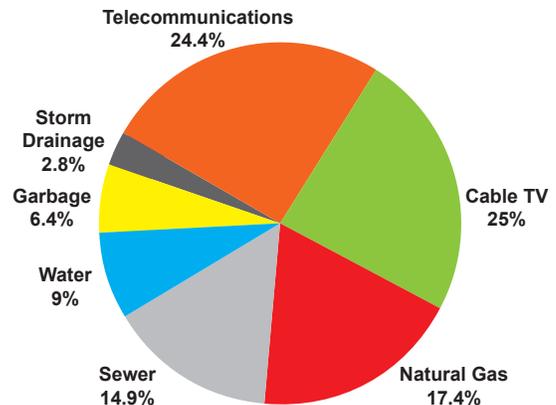
GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



2012 Current Budget	\$6,268,255
2012 Projected	\$6,268,255
2012 3rd Quarter Projected	\$3,771,582
2012 3rd Quarter Actual	\$3,832,224
2012 3rd Quarter \$ Variance	\$60,642
2012 3rd Quarter % Variance	1.6%
2011 3rd Quarter Actual	\$3,817,663
% Change from 2011 3rd Quarter	0.4%

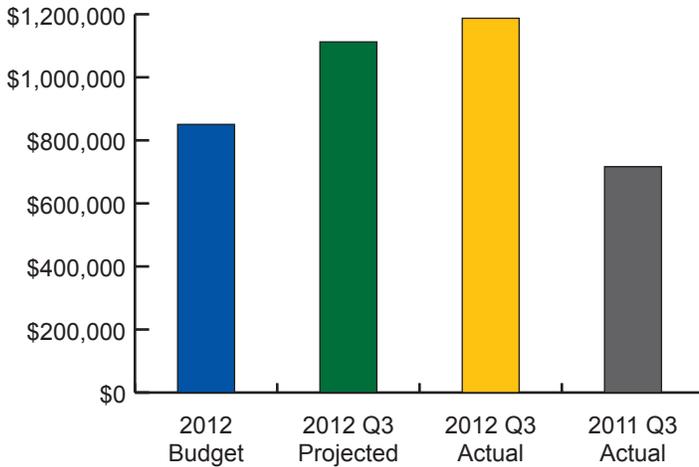
Overall Utility Tax and Franchise Fee receipts, in the amount of \$3,832,224, are \$60,642, or 1.6%, more than the projection and exhibit a year-over-year increase of \$14,561, or 0.4%. Utility taxes from natural gas are \$12,747, or 1.9%, above the projection. Utility taxes from garbage and recycling are \$537, or 0.2%, above projections and \$4,804, or 2.0%, above 2011 collections. Revenues from cable television are ahead of projections by \$86,763, or 10.0%, and above 2011 collections by \$55,121, or 6.1%. However, utility tax from telecommunications continues to decline and is \$80,464, or 7.9%, behind the projection and down from 2011 collections by \$50,678, or 5.1%. Telephone activity has fallen each year since 2009. Collections in the Water category are ahead of projections by \$40,901, or 13.5%, and above 2011 collections by \$36,357, or 11.8%.



Revenue Source	2012 Budget	2012 Projected Revenue	2012 Q3 Projected Revenue	2012 Q3 Actual Revenue	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2011 Q3 Actual Revenue	% of Utility Revenue Total
Natural gas	\$950,000	\$950,000	\$655,183	\$667,930	\$12,747	1.9%	\$717,556	17.4%
Garbage	489,250	489,250	245,310	245,847	537	0.2%	241,043	6.4%
Cable TV	1,505,000	1,505,000	871,847	958,609	86,763	10.0%	903,488	25.0%
Telecommunications	1,675,000	1,675,000	1,016,111	935,647	-80,464	-7.9%	986,325	24.4%
Storm Drainage	195,775	195,775	109,314	108,779	-535	-0.5%	106,696	2.8%
Water	690,000	690,000	303,761	344,662	40,901	13.5%	308,305	9.0%
Sewer	763,230	763,230	570,056	570,750	694	0.1%	554,250	14.9%
Utility Tax and Franchise Fee Revenue Subtotal	\$6,268,255	\$6,268,255	\$3,771,582	\$3,832,224	\$60,642	1.6%	\$3,817,663	100.0%

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE



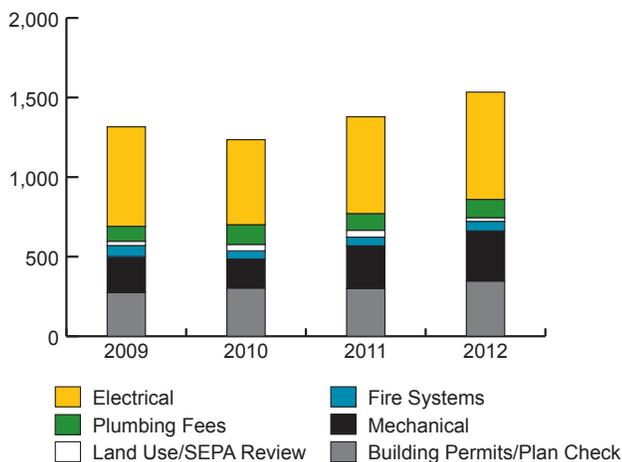
2012 Current Budget	\$850,600
2012 Projected	\$1,297,390
2012 3rd Quarter Projected	\$1,112,323
2012 3rd Quarter Actual	\$1,187,225
2012 3rd Quarter \$ Variance	\$74,902
2012 3rd Quarter % Variance	6.7%
2011 3rd Quarter Actual	\$716,249
% Change from 2011 3rd Quarter	65.8%

The projection for Development revenue receipts was increased from the current budget of \$850,600 to \$1,297,390. Receipts for the first three quarters of 2012, in the amount of \$1,187,225, are \$74,902, or 6.7%, more than the revised projection and exhibit a year-over-year increase of \$470,976, or 65.8%.

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 relevant year-over-year increase of \$226,823, or 35.1%.

The 2011 Third Quarter Financial Report highlighted how important the construction industry's return to pre-recession levels is to Shoreline's economic health. At this time last year, the City received 25 new construction permits with a total value of \$6.6 million, which was an improvement from 2010 of 12 permits and nearly \$1.2 million. Through September 2012, the City has received 41 new construction permits with a total value of \$84.8 million. Compared to the level of activity in 2008, the number of permits received in 2012 is lower by 16, but the total value is greater by \$42.1 million.

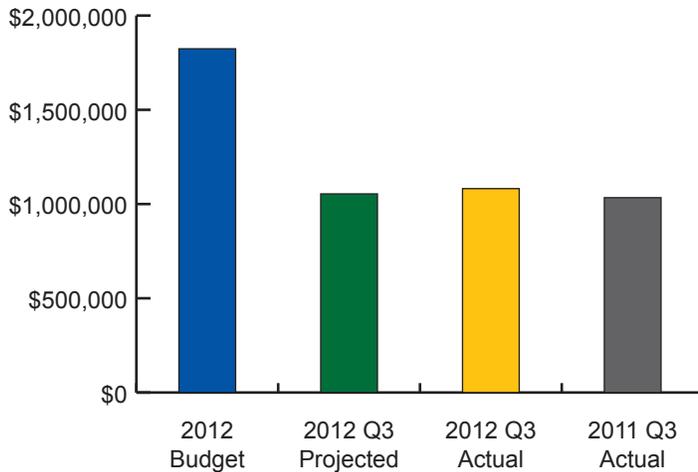
PERMITS BY TYPE: January through September 2009–2012



PERMIT TYPE	2009	2010	2011	2012	# Variance 2012 v. 2011	% Variance 2012 v. 2011
Building Permits/ Plan Check	275	303	300	347	47	15.7%
Mechanical	226	182	268	315	47	17.5%
Fire Systems	69	52	55	60	5	9.1%
Land Use/ SEPA Review	27	40	43	23	-20	-46.5%
Plumbing	94	124	105	115	10	9.5%
Electrical	625	534	608	674	66	10.9%
Total	1,316	1,235	1,379	1,534	155	11.2%

GENERAL FUND REVENUE ANALYSIS (continued):

GAMBLING TAX REVENUE



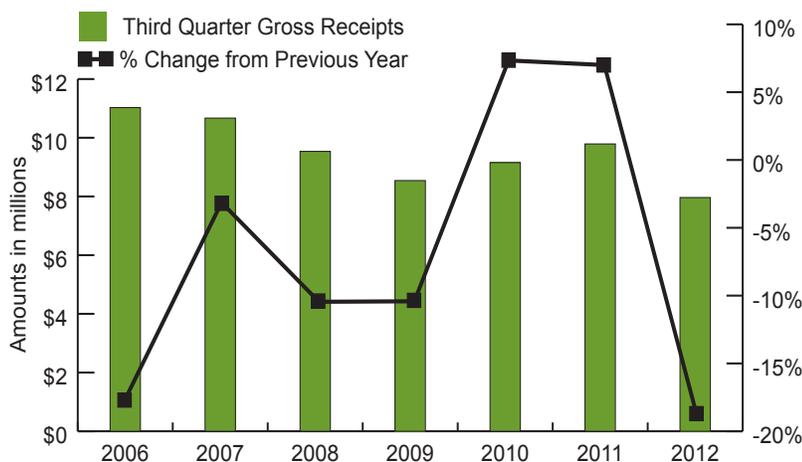
2012 Current Budget	\$1,823,771
2012 Projected	\$1,749,559
2012 3rd Quarter Projected	\$1,054,024
2012 3rd Quarter Actual	\$1,081,788
2012 3rd Quarter \$ Variance	\$27,764
2012 3rd Quarter % Variance	2.6%
2011 3rd Quarter Actual	\$1,033,822
% Change from 2011 3rd Quarter	4.6%

As of the second quarter, the projection for Gambling Tax receipts was 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 it did not submit any tax payment for first quarter activity, but did make a minor payment for second quarter based on April activity.

Third quarter Gambling Tax Returns are not due to the City until October 30th; therefore, Gambling Tax receipts presented in this report largely reflect taxes calculated on first and second quarter gambling activity, as well as any note payments due to the City. Receipts to date total \$1,081,788 and are \$27,764, or 2.6%, more than the revised projection and exhibit a year-over-year increase of \$47,966, or 4.6%. The chart below exhibits the last seven years of gross receipts reported through the second quarter by card rooms in Shoreline. Staff believes that the year-over-year decrease of 18.7% does not accurately reflect the change in card room activity as it does not take into account any unreported activity that occurred at Parker's during the first four months of the year. Since mid-April it is likely that some, if not all, of the activity has shifted to other casinos.

The 2012 Second Quarter Financial Report noted that the rest of the year would likely 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. Both predictions have come true as pull-tab and card rooms saw second quarter activity increase by 5.1% and 11.1%, respectively, as compared to first quarter activity, and Goldie's Shoreline Casino has been paying its taxes and note payments on a monthly basis as required by the promissory note. The total 2012 one-time revenue (penalties and interest) that will be received based on Goldie's new promissory note will be \$92,103.

CARD ROOM RECEIPTS: Third Quarter 2006-2012

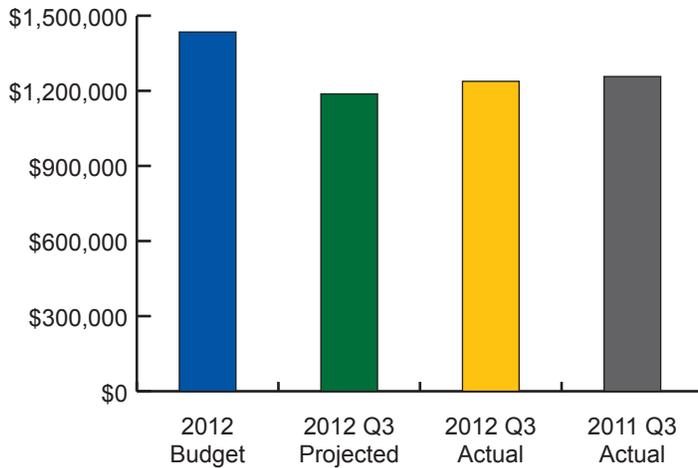


Card Room Gross Receipts: Q3 2006-2012

Year	Amount	% Change from Previous Year
2006	\$11,028,264	-17.6%
2007	\$10,669,855	-3.3%
2008	\$9,535,200	-10.6%
2009	\$8,541,250	-10.4%
2010	\$9,153,159	7.2%
2011	\$9,789,449	7.0%
2012	\$7,963,347	-18.7%

GENERAL FUND REVENUE ANALYSIS (continued):

PARK AND RECREATION REVENUE



2012 Current Budget	\$1,434,927
2012 Projected	\$1,416,839
2012 3rd Quarter Projected	\$1,187,712
2012 3rd Quarter Actual	\$1,237,959
2012 3rd Quarter \$ Variance	\$50,247
2012 3rd Quarter % Variance	4.2%
2011 3rd Quarter Actual	\$1,257,055
% Change from 2011 3rd Quarter	-1.5%

The projection for Park and Recreation revenue receipts was decreased from the current budget of \$1,434,927 to \$1,416,839 due to a lower level of participation than originally expected. Receipts for the first three quarters of 2012, in the amount of \$1,237,959, are \$50,247, or 4.2%, more than the revised projection. The increase is mostly attributable to higher-than-anticipated participation in teen trips and class offerings for preschool, youth, and special recreation. The first nine months have also seen more rentals of City Hall meeting rooms, picnic shelters, and the Spartan Gym but fewer rentals of the Shoreline Pool than was anticipated. The third quarter projection for cell tower lease revenue was revised upward by approximately \$13,000 to account for the assumption of a lease from King County. Year-to-date, the City has collected \$43,856 from cell tower leases.

Receipts for this period exhibit a year-over-year decrease of \$19,096, or 1.5%. Compared to the same period of 2011, revenue from increased participation in teen trips and class offerings for preschool programs (+15%) and special recreation classes (+13%), as well as rentals of City Hall meeting rooms (+652%) has been offset by lost revenue due to decreased participation in youth programs (-10%) and rentals of the Spartan Gym (-9%) and Shoreline Pool (-11%).

RECREATION REVENUE BY PROGRAM

Revenue by Program: January through September 2005-2012

	Pool	General Recreation*	Facility Rentals	Total Revenue
2005	290,635	342,178	144,210	777,023
2006	298,989	448,309	165,042	912,340
2007	298,734	478,033	226,207	1,002,974
2008	322,138	525,183	253,907	1,101,228
2009	306,312	497,791	313,236	1,117,339
2010	308,024	527,700	316,116	1,151,840
2011	321,871	573,980	353,016	1,248,867
2012	\$299,268	\$545,789	\$340,917	\$1,185,974

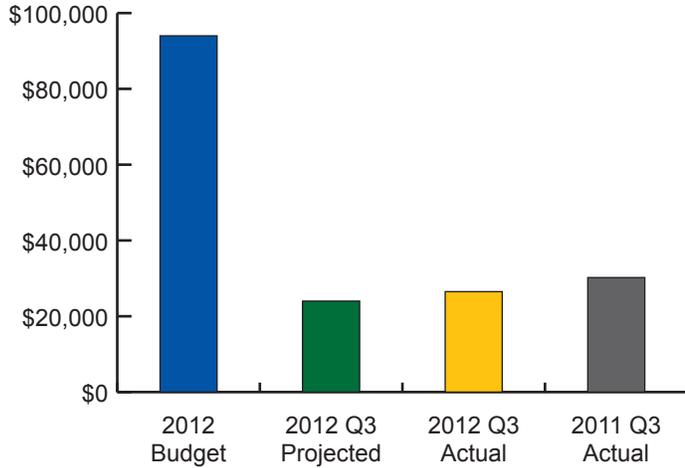
Total Revenue \$1,185,974



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

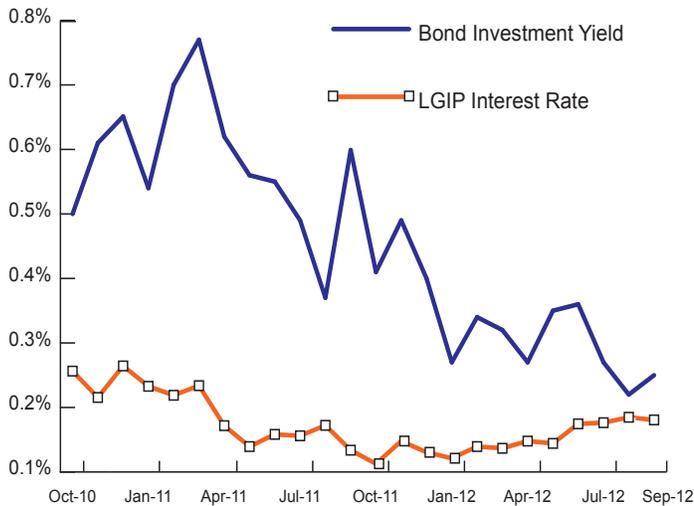
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT INCOME



2012 Current Budget	\$94,000
2012 Projected	\$42,671
2012 3rd Quarter Projected	\$24,005
2012 3rd Quarter Actual	\$26,495
2012 3rd Quarter \$ Variance	\$2,490
2012 3rd Quarter % Variance	10.4%
2011 3rd Quarter Actual	\$30,211
% Change from 2011 3rd Quarter	-12.3%

Projected revenue in this category was reduced from the 2012 budget of \$94,000 to \$42,671 based on the continued decline in interest rates. Investment earnings through September totaled \$26,495, which is above the revised projection by \$2,490, or 10.4%. Revenues are \$3,716, or 12.3%, less than those collected during the same period in 2011.



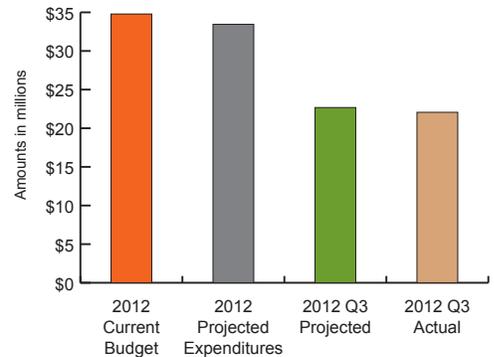
Month	LGIP* Interest Rate	Bond Investment Yield	Bond Maturity Date
Oct-10	0.2564%	0.5000%	Oct-12
Nov-10	0.2155%	0.6100%	Dec-12
Dec-10	0.2644%	0.6510%	Dec-12
Jan-11	0.2328%	0.5400%	Jan-13
Feb-11	0.2189%	0.7000%	Feb-13
Mar-11	0.2338%	0.7700%	Mar-13
Apr-11	0.1718%	0.6200%	Mar-13
May-11	0.1394%	0.5600%	Mar-13
Jun-11	0.1583%	0.5500%	Jun-13
Jul-11	0.1561%	0.4900%	Jun-13
Aug-11	0.1723%	0.3700%	Sep-13
Sep-11	0.1338%	0.5990%	Sep-13
Oct-11	0.1127%	0.4100%	Oct-13
Nov-11	0.1480%	0.4900%	Nov-13
Dec-11	0.1305%	0.4000%	Dec-13
Jan-12	0.1213%	0.2700%	Dec-13
Feb-12	0.1394%	0.3400%	Jan-14
Mar-12	0.1367%	0.3200%	Jan-14
Apr-12	0.1479%	0.2700%	Apr-14
May-12	0.1443%	0.3500%	Jun-14
Jun-12	0.1746%	0.3600%	Jun-14
Jul-12	0.1764%	0.2700%	Jul-14
Aug-12	0.1848%	0.2200%	Aug-14
Sep-12	0.1807%	0.2500%	Sep-14
24 Month Ave.	0.1730%	0.4546%	

*Local Government Investment Pool

EXPENDITURE ANALYSIS:

GENERAL FUND EXPENDITURES

General Fund departmental expenditures in the third quarter of 2012, in the amount of \$19,841,985, are \$614,975, or 3.0%, less than projected expenditures of \$20,456,960. At this time last year, expenditures were \$265,450, or 1.5%, less than the projection. Many of the departments are again spending below the projection as each continues to look for efficiencies and hold the line on spending. By the end of this year expenditures for most departments will likely come in close to the year-end projection due to tighter budgeting. The larger third quarter expenditure variances are as follows:



- The City Attorney's Office has realized savings in the amount allocated to backfill for an employee's extended 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). The upgrade of the financial system is also running behind schedule and therefore related expenditures will occur later than expected.
- Citywide Services realized savings of nearly \$11,000 in insurance costs and \$23,000 in 2011 elections costs.
- Within the Criminal Justice budget, expenditures through the third quarter reflect the timely receipt and payment of invoices for jail services and the City's primary Public Defender contract. This year, the City paid for jail services through August during the reporting period. During 2011, the City had only been invoiced for activity through July. This results in a variance that exceeds projections. The Criminal Justice budget is experiencing slightly higher jail 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). We do expect that expenditures in this category will end the year under budget.
- Parks, Recreation and Cultural Services expenditures are 3.9% below projections. The department experienced savings in water usage in Parks Maintenance; natural gas usage at the Shoreline Pool; professional services contracts for instructors in Recreation; and salary and benefit savings due to staff vacancies.
- Planning and Community Development's expenditures are running 8.1% behind the projection. This variance is largely attributable to salary and benefit savings resulting from the promotions within and restructuring of the department, as well as an unanticipated delay of the payment for the consultant's work on the Comprehensive Plan update.
- Public Works' expenditures are running 7.1% behind projections due to the following reasons: Environmental Services has experienced delays for the Climate Action Plan and Curbside & Multifamily Recycling projects and it is anticipated that funds for these projects will be carried over to 2013; Facilities is realizing savings in maintenance costs because more repairs have been performed in-house as a result of hiring of an additional full-time Facilities Maintenance Worker; and, Traffic Services has realized savings due to the Engineer Technician position vacancy since June.

Transfers from the General Fund to other funds are right on target; therefore, general Fund expenditures by departments, including transfers out, of \$22,064,158 are below projections by \$614,975, or 2.7%.

Department	2012 Current Budget	2012 Projected Expenditures	2012 Q3		\$ Variance	% Variance	2011 Q3 Actual Expenditures
			Projected Expenditures	2012 Q3 Actual Expenditures			
City Council	183,420	183,249	137,025	142,136	5,111	3.7%	124,295
City Manager's Office ¹	1,471,263	1,427,631	1,009,972	998,836	-11,136	-1.1%	962,550
City Attorney	612,744	607,396	426,699	396,944	-29,755	-7.0%	380,542
Community Services ²	1,583,155	1,575,143	988,389	999,063	10,673	1.1%	974,202
Administrative Svcs. ³	3,334,482	3,260,446	2,350,274	2,130,825	-219,448	-9.3%	2,085,360
Citywide	1,744,502	918,167	871,210	837,273	-33,936	-3.9%	840,420
Human Resources	404,024	404,025	282,049	287,413	5,364	1.9%	273,999
Police	10,506,781	10,159,339	6,808,641	6,795,890	-12,751	-0.2%	5,854,082
Criminal Justice	2,095,224	2,170,018	1,000,928	1,048,898	47,970	4.8%	614,873
Parks	4,717,308	4,662,464	3,314,796	3,186,797	-127,999	-3.9%	3,073,041
Planning & Community Development	2,348,082	2,334,598	1,645,425	1,511,707	-133,718	-8.1%	1,834,722
Public Works	2,393,507	2,361,752	1,621,554	1,506,203	-115,350	-7.1%	973,001
Department Expenditures	\$31,394,493	\$30,064,228	\$20,456,960	\$19,841,985	-\$614,975	-3.0%	\$17,991,086
Operating Transfers Out	3,390,210	3,390,210	2,222,174	2,222,174	0	0.0%	2,102,256
General Fund Total	\$34,784,703	\$33,454,438	\$22,679,134	\$22,064,158	-\$614,975	-2.7%	\$20,093,342

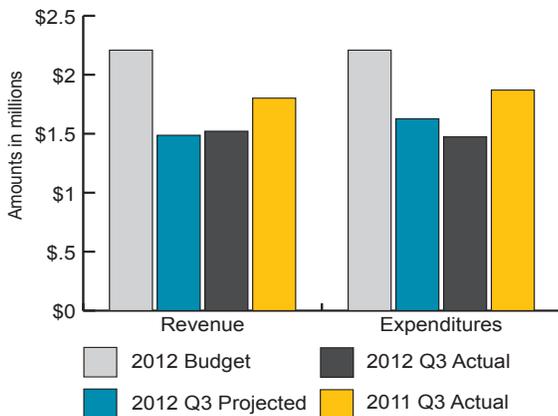
¹ City Manager's Office includes Economic Development, Communications and Intergovernmental Relations.

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

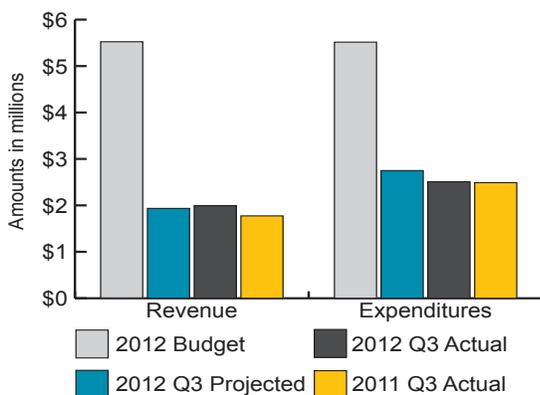


Street Fund		
	Revenue	Expenditures
2012 Budget	\$2,208,455	\$2,208,455
2012 Projected	\$2,012,286	\$2,167,343
2012 3Q Projected	\$1,486,945	\$1,626,764
2012 3Q Actual	\$1,521,308	\$1,473,754
\$ Variance	\$34,363	-\$153,010
% Variance	2.3%	-9.4%
2011 3Q Actual	\$1,801,756	\$1,870,026

Revenue receipts for the first three quarters of 2012, including transfers in, totaling \$1,521,308 are \$34,363, or 2.3%, above the revised projection. The 2012 projection for Motor Vehicle (MV) Fuel Tax was reduced from \$1,125,180 to \$1,087,408 based on the state's revised per capita projection. Activity through this period is discussed in detail below. Investment Interest receipts were originally budgeted at \$10,000; however, the continuation of low earnings served as the basis for lowering the projection to \$5,000. Earnings for this period in the amount of \$1,046 are \$2,021 less than the projection of \$3,067. You may recall that staff responded to a major winter event in January. The level of reimbursement from FEMA and the state for storm related expenditures have been at a level higher than originally projected resulting in a positive variance of \$30,329.

Expenditures, including transfers out, totaling \$1,473,754 are \$153,010, or 9.4%, behind the projection. There are three major contributors to this under-expenditure: approximately \$53,000 in savings due to staff vacancies in maintenance positions; delayed billings for intergovernmental professional services from King County for button and reflector replacement, traffic markings and traffic signal maintenance; and savings in repairs and maintenance due to new capital projects coming online later in the year than anticipated.

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 3Q Projected	\$1,934,944	\$2,749,348
2012 3Q Actual	\$1,992,319	\$2,509,284
\$ Variance	\$57,375	-\$240,064
% Variance	3.0%	-8.7%
2011 3Q Actual	\$1,774,035	\$2,488,754

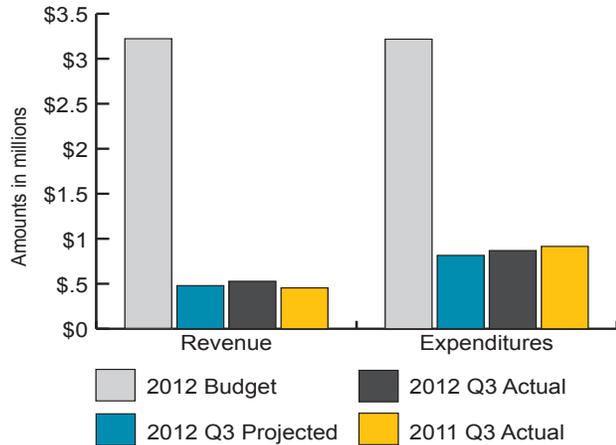
The Surface Water Utility Fund (SWM) includes both on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Revenue receipts for the first three quarters of 2012, in the amount of \$1,992,319, are \$57,375, or 3.0%, above the revised projection. Projected revenues were increased by \$163,466 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 totaling \$1,739,838 are \$17,925, or 1.0%, above the revised projection. Investment interest earnings totaling \$6,147 are \$2,821 below the projection.

Year to date expenditures, inclusive of those related to operating, capital and transfers out, in the amount of \$2,509,284 are \$240,064 or 8.7%, below the projection. Operating expenditures for this period are \$46,499 below the projection. This is mostly due to the delay in the purchasing of an asset management system and a new vehicle. Expenditures for capital projects for this period are \$193,565 behind the projection. The SWM rate study was completed under the project budget by \$75,000. Construction on Pump Station No. 25 was delayed until the fourth quarter and will continue into 2013 and delays in environmental permitting will halt construction on the Meridian Park Wetland until the next "fish window" which will occur from May to September 2013.

OTHER FUNDS REVENUE ANALYSIS (continued):

GENERAL CAPITAL FUND



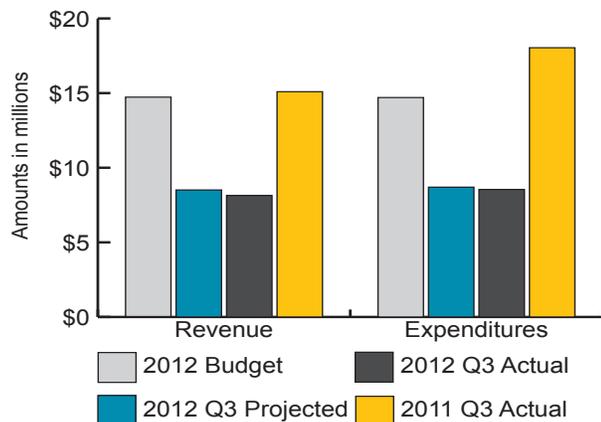
General Capital Fund		
	Revenue	Expenditures
2012 Budget	\$3,217,531	\$3,217,531
2012 Projected	\$733,686	\$2,071,774
2012 3Q Projected	\$479,133	\$815,451
2012 3Q Actual	\$527,801	\$868,781
\$ Variance	\$48,668	\$53,330
% Variance	10.2%	6.5%
2011 3Q Actual	\$454,140	\$915,159

Revenues through the first three quarters of 2012 totaling \$527,801 are \$48,668 or 10.2%, above projections. This variance is the result of higher-than-expected real estate excise tax (REET) collections totaling \$418,880, which are \$45,046, or 12%, above projections. Investment earnings totaling \$4,434 are \$12, or 0.3%, below the lowered projection. Receipts from the King County Trail Levy totaling \$58,373 are below the projection by \$3,461, or 5.6%. This could be due to falling assessed value within the county.

Third quarter 2012 revenue projections reflect those that were included in the 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, including transfers out, totaling \$868,781 are \$53,330, or 6.5%, ahead of projected expenditures. Project expenditures are running slightly ahead of projections by \$16,420 or 4%. Transfers out are ahead of projections by \$36,910. This is due to the increased collections of REET which is transferred to the City Hall debt service fund. 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 3Q Projected	\$8,508,513	\$8,696,550
2012 3Q Actual	\$8,137,948	\$8,536,493
\$ Variance	-\$370,565	-\$160,057
% Variance	-4.4%	-1.8%
2011 3Q Actual	\$15,091,855	\$18,037,985

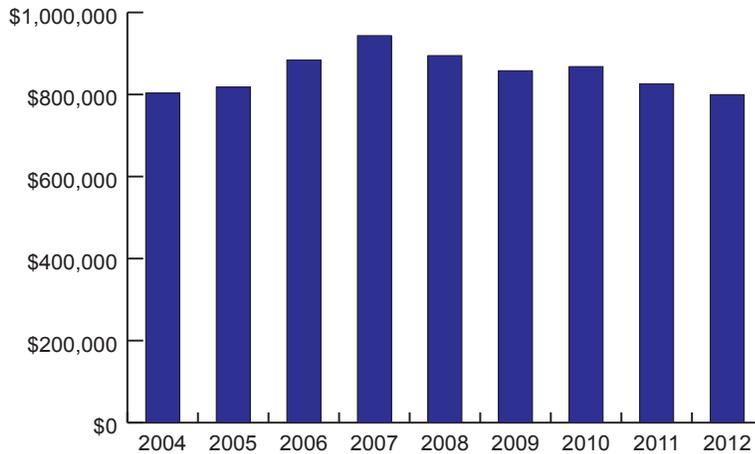
Revenues through the first three quarters of 2012 totaling \$8,137,948 are below the projection of \$8,508,513 by \$370,565 or 4.4%. This is mostly due to the timing of the grant reimbursements.

Revenue projections for 2013 reflect those included in the 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, including transfers out, totaling \$8,536,493 are \$160,057, or 1.8%, behind the projection of \$8,696,550. 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 CIP.

NON-GENERAL FUND REVENUE ANALYSIS:

STREET FUND FUEL TAX

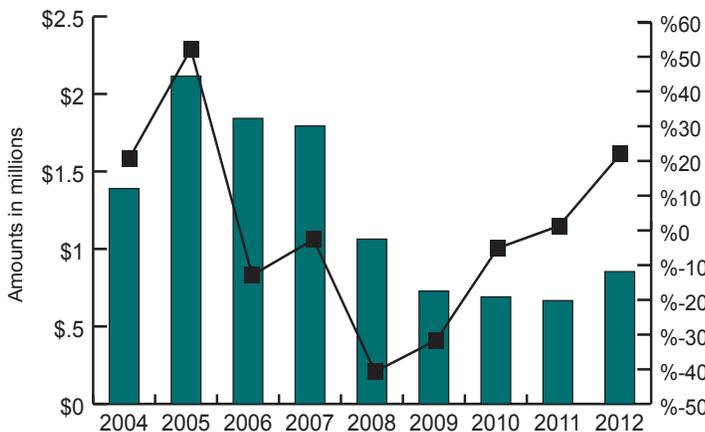


Fuel Tax: Third Quarter Historical Comparison 2004-2012

2004	\$803,472
2005	\$817,843
2006	\$884,160
2007	\$943,554
2008	\$894,832
2009	\$857,894
2010	\$868,022
2011	\$826,043
2012	\$799,607

The Motor Vehicle Fuel Excise Tax, commonly referred to as Fuel or 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 three quarters of 2012, in the amount of \$799,607, are \$6,053, or 0.8%, more than the projection and exhibit a year-over-year decrease of \$26,436, or 3.2%. Fuel consumption continues to fall.

REAL ESTATE EXCISE TAX (REET)



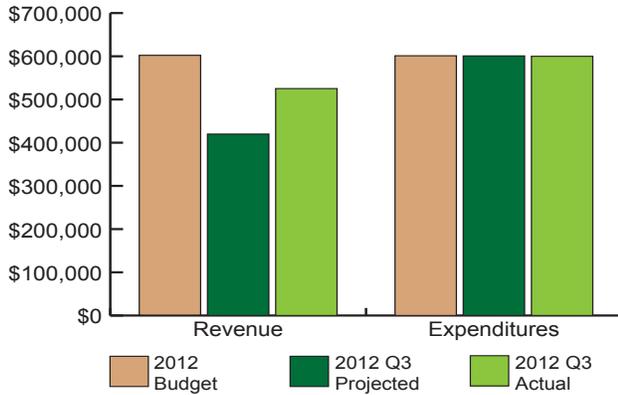
REET: January-September 2004-2012

YEAR	Third Quarter Actual	% Change from Previous Year
2004	\$1,389,799	20.8%
2005	\$2,115,286	52.2%
2006	\$1,842,392	-12.9%
2007	\$1,794,000	-2.6%
2008	\$1,063,630	-40.7%
2009	\$727,984	-31.6%
2010	\$690,928	-5.1%
2011	\$699,857	1.3%
2012	\$853,842	22.0%

Real Estate Excise Tax (REET) revenue receipts for the first three quarters of 2012 totaling \$853,842 are \$153,985, or 22.0%, more than receipts for the same period in 2011 and \$106,173 above lowered projections. Earlier in the year, the 2012 projections for REET were lowered from \$1,018,588 to \$965,238 based on early receipts. When compared with the original budget for this revenue, year to date collections are \$64,848 ahead. Through September there have been 132 more real estate transactions, with a total value that is \$31.0 million, or 22.2%, more than those for the same period of 2011.

OTHER FUNDS REVENUE ANALYSIS (continued):

TRANSPORTATION BENEFIT DISTRICT



Transportation Benefit District		
	Revenue	Expenditures
2012 Budget	\$601,200	\$601,200
2012 Projected	\$601,200	\$601,200
2012 3Q Projected	\$419,992	\$600,900
2012 3Q Actual	\$525,241	\$599,999
\$ Variance	\$105,249	-\$901
% Variance	25.1%	-0.1%
2011 3Q Actual	\$531,901	\$529,887

The Transportation Benefit District (TBD) was created in 2009 and began operation in 2010. The TBD generates revenue via a \$20 per vehicle fee for registered vehicles in Shoreline. The revenue is transferred to the capital program on a monthly basis as it is received.

Through the first three quarters of 2012, TBD vehicle license fees totaling \$525,241 are \$105,249, or 25.1%, ahead of projections. Collections for the same period of 2011 totaled \$531,901. Expenditures totaling \$599,999, mostly consisting of transfers to the Annual Road Surface Maintenance program, are slightly ahead of projections due to the positive variance in the collection of fees. 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, therefore transfers out exceed revenue collection.

Third Quarter INVESTMENT REPORT September 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 September 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 0.1807%. Total investment interest earnings through September were \$45,585 which is about 24% 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 0.25% at the end of September 2012.

As of September, 2012, the City's investment portfolio had a fair value of nearly \$24.012 million. Approximately 25% of the investment portfolio was held in U.S. government instrumentality securities, and 75% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of September 30, 2012, was slightly over \$23.998 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 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 September 30, 2012

Instrument Type	CUSIP #	BROKER	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 9/30/2012
FFCB 0.56	3133EAKU2	ProEquities	06/21/12	06/18/15	2,000,000	1,998,750	0.5810%	4,834	2,003,584
FNMA 0.75	3135G0GP2	ProEquities	12/27/11	12/19/14	2,000,000	1,999,800	0.7530%	2,258	2,002,058
FNMA 0.75	3136FTNT2	ProEquities	11/21/11	11/21/14	2,000,000	1,994,000	0.8510%	7,326	2,001,326
Sub Total - Investments					6,000,000	5,992,550		14,418	6,006,968
State Investment Pool						18,005,375	0.1807%		18,005,375
Total LGIP + Investments						\$23,997,925		\$14,418	\$24,012,343

Current Average Maturity Excluding the State Investment Pool (days)	861
Current Weighted Average Yield to Maturity Excluding the State Pool	0.7282%
Current Yield to Maturity State Investment Pool	0.1807%
Basis Points in Excess (Below) Benchmark	55

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
FFCB	8%	2,003,584	1,998,750			
FNMA	17%	4,003,384	3,993,800	ProEquities	25%	5,992,550
State Investment Pool	75%	18,005,375	18,005,375	State Investment Pool	75%	18,005,375
Total Investments	100%	24,012,343	23,997,925	Total Investments	100%	23,997,925

Investments by Fund	Investments at Cost as of 9/30/2012	LGIP State Investment Pool as of 9/30/2012	Total LGIP + Investments at Cost by Fund as of 9/30/2012	Unrecognized Gain/(Loss) as of 9/30/2012	Total Market Value of Investments by Fund as of 9/30/2012	Investment Earnings Budget 2012	Investment Earnings Actual 2012	Over/(Under) Budget
001 General	2,309,828	4,105,106	6,414,934	7,232	6,422,167	90,500	23,819	-66,681
101 Street	250,000	482,260	732,260	605	732,865	10,000	1,045	-8,956
107 Code Abatement	0	155,996	155,996	0	155,996	550	232	-318
108 Asset Seizure	0	64,821	64,821	0	64,821	0	36	36
109 Public Arts	0	252,762	252,762	0	252,762	1,050	394	-656
112 Fed Drug Enforcement	0	33,327	33,327	0	33,327	50	43	-7
114 Transportation Benefit Dist.	0	128,645	128,645	0	128,645	60	71	11
115 Property Tax Equalization	0	925,038	925,038	0	925,038	0	1,182	1,182
116 Fed. Crim. Forfeit	0	614,422	614,422	0	614,422	0	817	817
190 Revenue Stabilization	1,932,922	669,935	2,602,857	2,970	2,605,827	0	0	0
301 General Capital	0	3,086,645	3,086,645	0	3,086,645	21,978	4,434	-17,544
312 City Fac-Mjr. Maint	0	173,548	173,548	0	173,548	825	209	-616
330 Roads Capital	0	3,406,396	3,406,396	0	3,406,396	23,404	3,081	-2,-323
401Surface Water Utility Fund	500,000	2,638,635	3,138,635	1,837	3,140,472	29,693	6,146	-23,547
501 Vehicle Oper./Maint.	0	102,626	102,626	0	102,626	250	182	-68
503 Equip. Dep. Replace	999,800	1,140,916	2,140,716	1,774	2,142,490	11,850	3,863	-7,987
505 Unemployment	0	24,297	24,297	0	24,297	50	31	-19
650 Agency Fund Admin	0	0	0	0	0	0	0	0
Total Investments		\$5,992,550	\$18,005,375	\$23,997,925	\$14,418	\$24,012,343	\$190,260	\$45,585

Fourth Quarter - Early Look

Sales Tax

Sales Tax receipts in October and November, which reflect activity from August and September, exceeded collections for those months in 2011 by \$256,423 or 25.9%. Year-to-date receipts through November, which reflect activity from December 2011 through September 2012, are \$271,952, or 5.0%, ahead of the revised year-end projection and exhibit a year-over-year increase of \$716,902, or 14.3%. Both positive variances for the month of September represent the sixth month-over-month increase in a row since March and are largely attributable to growth in the retail trade sector and a significant amount of one-time construction activity. At this point it looks as though sales tax receipts will end the year near \$6.8 million if activity for the months of October and November, (received in December and January) come in at least equal to the revised projection.

Construction receipts through November 2012 are \$521,737, or 99.6%, more than receipts through November 2011. The projects highlighted in the Third Quarter Financial Report have contributed approximately \$614,000 to date. During the same period in 2011, construction projects designated as one-time generated approximately \$84,000. Removal of the revenue receipts for the one-time construction projects reveals a more relevant year-over-year increase in overall sales tax receipts of \$186,569, or 3.8%. This level of increase is a positive sign because the 2013 Adopted Budget projects a 4.3% increase over the current year's original projection of \$6.3 million.

Development Revenue

Permit revenue through November (excluding right of way permits) totaled \$1,119,353, up from 2011 revenue of \$1,028,434 for the same period. October and November permit revenue was at the highest level since 2007 as building permits counts exceeded activity in 2009, 2010 and 2011.

Real Estate Excise Tax (REET)

The City saw an astonishing 96.8% growth in Real Estate Excise Tax (REET) revenue between 2003 and 2006 due to a "hot" real estate market led by a high number of home purchases. National sales began to slow in 2006 and 2007, declined dramatically in 2008, and steadily declined through 2011. Declining values of transactions through the first four months of 2012, as compared to the same period of 2011, led to a reduction of the 2012 projection from \$1,018,588 to \$965,238. Real estate sales transactions totaled 637 through November up from 462 in 2011 and 479 in 2010. Transactions for a January through November period have not exceeded 600 since 2007. So far, there have been 175 more real estate transactions, with a total value that is \$69.9 million, or 42.5%, more than those for the same period of 2011. It is exciting to note that the total for this year's sales is within 0.4% of the total through November 2008. Several commercial transactions in May and June 2012, including the sale of the old YMCA site (future site of North City Family Apartments) and the mobile home park located at 152nd Street (future site of a proposed multifamily development), as well as additional sales of commercial property since then, coupled with several \$1.0 million+ residential sales put us back on track to at least meet the original 2012 projection.

In fact, REET revenue through November 2012 totaling \$1,172,024 not only exceed the original projection but is \$348,400, or 42.3%, more as compared to the same period in 2011 with December taxes still outstanding. This will allow the REET collected by the General Capital Fund to cover more of the City Hall debt service payments than expected, thus reducing the requirement for additional support from the General Fund. In the Roads Capital Fund this will allow the fund to rebuild some of the fund balance used over the past few years as REET collections fell.