



# 2013 First Quarter FINANCIAL REPORT

May 2013

## PERFORMANCE AT A GLANCE

	YEAR TO DATE TREND	COMPARED TO PROJECTIONS	REFERENCE
<b>GENERAL FUND REVENUES</b>			
Property Tax Revenue	▲ POSITIVE ▲	15.6%	Page 3
Sales Tax Revenue	▲ POSITIVE ▲	9.6%	Pages 4-5
Utility Tax Revenue	▼ NEGATIVE ▼	-15.0%	Page 8
Development Revenue	▲ POSITIVE ▲	27.2%	Page 9
Park and Recreation Revenue	▲ POSITIVE ▲	5.8%	Page 10
Interest Income	▼ NEGATIVE ▼	-8.1%	Page 11
Investment Report			Pages 15-16
<b>EXPENDITURES</b>			
General Fund Expenditures		-2.0%	Page 12
<b>NON-GENERAL FUND REVENUES</b>			
Surface Water Fees	▲ POSITIVE ▲	59.6%	Page 13
Fuel Tax Revenue	◀ NEUTRAL ▶	1.4%	Page 14
Real Estate Excise Tax	▲ POSITIVE ▲	3.3%	Page 14

### Key to revenue trend indicators:

- ◀ NEUTRAL ▶ = Variance of -1% to +2% compared to projections.
- ▲ POSITIVE ▲ = Positive variance of >+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

Total General Fund revenue receipts for the first quarter of 2013, in the amount of \$4,175,309, are above the projection by \$172,955, or 4.3%. Total General Fund expenditures, in the amount of \$4,508,707, are below the projection by \$92,764, or 2.0%.

Street Fund revenue receipts for the first quarter of 2013, including transfers in, total \$511,302 and are \$3,654, or 0.7%, above the projection. Street Fund expenditures, including transfers out, total \$460,168 and are \$19,734, or 4.1%, below the projection.

Surface Water Utility Fund (SWM) revenue receipts for the first quarter of 2013 totaling \$114,495 are \$42,761, or 59.6%, above the projection. SWM expenditures total \$691,401 and are \$90,757, or 15.1%, above the projection.

Real Estate Excise Tax (REET) revenue receipts for the first quarter of 2013 totaling \$231,011 are \$7,274, or 3.3%, ahead of the projection and \$61,725 more than receipts for 2012.

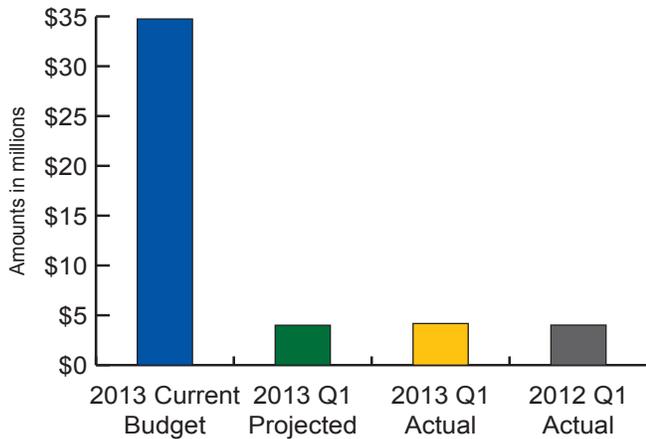
Street Fund fuel tax revenue receipts for the first quarter of 2013, in the amount of \$257,765, are \$3,599 or 1.4%, more than the projection and exhibit a year-over-year increase of \$5,422, or 2.0%.

## GENERAL FUND REVENUE DETAIL

Revenue Source	2013 Current Budget	2013 Projected Revenue	2013 First Quarter Projected Revenue	2013 First Quarter Actual Revenue	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2012 First Quarter Actual Revenue
Budgeted Fund Balance	\$1,573,515	\$1,573,515	\$0	\$0	\$0	0.0%	\$0
Property Tax	\$9,409,277	\$9,409,277	\$391,918	\$453,009	\$61,091	15.6%	\$457,205
Sales Tax	\$6,574,800	\$6,574,800	\$1,134,263	\$1,243,462	\$109,199	9.6%	\$1,078,354
Local Criminal Justice	\$1,171,779	\$1,171,779	\$293,591	\$295,301	\$1,710	0.6%	\$269,921
<b>Utility Tax &amp; Franchise Fee Revenue</b>							
<i>Natural Gas</i>	\$966,946	\$966,946	\$252,355	\$137,510	-\$114,845	-45.5%	\$259,660
<i>Garbage</i>	\$497,977	\$497,977	\$82	\$139	\$57	69.0%	\$83
<i>Cable TV</i>	\$1,531,846	\$1,531,846	\$129,534	\$145,658	\$16,124	12.4%	\$72,116
<i>Telecommunications</i>	\$1,704,878	\$1,704,878	\$165,993	\$149,132	-\$16,861	-10.2%	\$154,523
<i>Storm Drainage</i>	\$201,648	\$201,648	\$8,762	\$11,326	\$2,564	29.3%	\$8,919
<i>Water</i>	\$715,327	\$715,327	\$0	\$0	\$0	0.0%	\$0
<i>Sewer</i>	\$786,127	\$786,127	\$195,760	\$196,000	\$240	0.1%	\$190,250
<b>Utility Tax &amp; Franchise Fee Revenue Subtotal</b>	\$6,404,749	\$6,404,749	\$752,486	\$639,765	-\$112,721	-15.0%	\$685,551
SCL Contract Payment	\$1,829,501	\$1,829,501	\$190,971	\$189,582	-\$1,389	-0.7%	\$184,040
Gambling Tax Revenue	\$1,755,451	\$1,755,451	\$125,870	\$139,252	\$13,382	10.6%	\$38,720
Development Revenue	\$1,090,055	\$1,090,055	\$249,569	\$317,463	\$67,894	27.2%	\$426,809
Park and Recreation Revenue	\$1,511,160	\$1,511,160	\$292,412	\$309,485	\$17,073	5.8%	\$290,737
Intergovernmental Revenue	\$906,181	\$906,181	\$155,926	\$164,826	\$8,900	5.7%	\$175,961
Grant Revenue	\$233,908	\$233,908	\$20,511	\$20,511	\$0	0.0%	\$27,239
Fines and Licenses	\$887,245	\$887,245	\$66,922	\$68,531	\$1,609	2.4%	\$61,434
Miscellaneous Revenue	\$419,910	\$419,910	\$86,329	\$92,948	\$6,619	7.7%	\$70,169
Interest Income	\$30,000	\$30,000	\$5,075	\$4,663	-\$412	-8.1%	\$3,271
Operating Transfers In	\$946,045	\$946,045	\$236,511	\$236,511	\$0	0.0%	\$249,772
<b>Total General Fund Revenue</b>	<b>\$34,743,576</b>	<b>\$34,743,576</b>	<b>\$4,002,354</b>	<b>\$4,175,309</b>	<b>\$172,955</b>	<b>4.3%</b>	<b>\$4,019,183</b>

# GENERAL FUND REVENUE ANALYSIS:

## TOTAL GENERAL FUND REVENUE

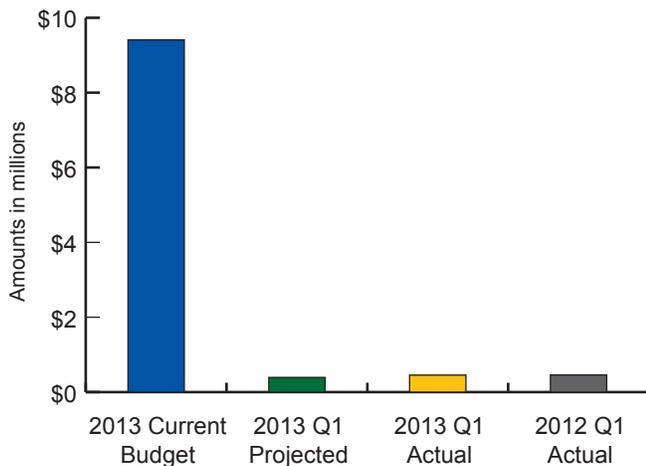


2013 Current Budget	\$34,743,576
2013 Projected Revenue	\$34,743,576
2013 First Quarter Projected Revenue	\$4,002,354
2013 First Quarter Actual Revenue	\$4,175,309
First Quarter \$ Variance	\$172,955
First Quarter % Variance	4.3%
2012 First Quarter Actual Revenue	\$4,019,183
% Change from 2012 First Quarter	3.9%

Total General Fund revenue received in the first quarter of 2013, in the amount of \$4,175,309, is above the projection by \$172,955, or 4.3%, and reflects a year-over-year increase of \$156,126, or 3.9%. The following highlights the most important details of this report:

- A couple of the Utility Tax & Franchise Fee Revenue sources are behind projections due to late payments received after the quarter closed. Had these payments been received on time, total General Fund revenue would be \$299,660, or 7.5%, more than the projection and \$206,014, or 5.0%, more than 2012 collections.
- In the Intergovernmental Revenue category, the passage of ESHB 2823 in 2012 resulted in the loss of the January 2013 distribution of liquor excise tax that would have totaled approximately \$70,000. This loss was factored into the budget.
- The year-over-year increase in sales tax has largely been due to growth in the Retail Trade sector and one-time sales tax activity in the Construction sector. The budget projection factored in a decrease in one-time activity as the Shorewood High School and Ballinger Way Portal Site projects are completed.
- Overall development permit activity is higher throughout all of the categories, except plumbing, as compared to the same period in 2012.

## PROPERTY TAX

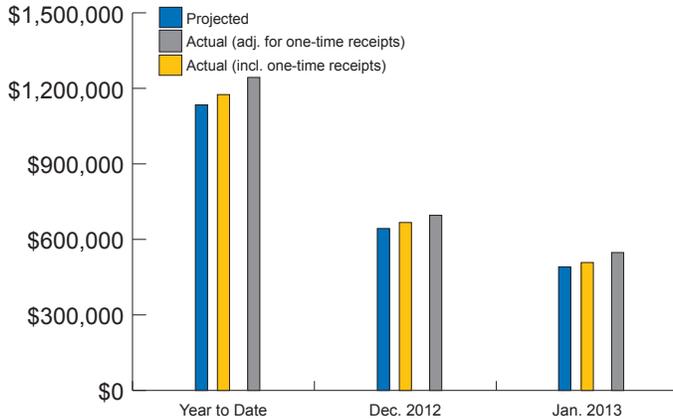


2013 Current Budget	\$9,409,277
2013 Projected Revenue	\$9,409,277
2013 First Quarter Projected Revenue	\$391,918
2013 First Quarter Actual Revenue	\$453,009
First Quarter \$ Variance	\$61,091
First Quarter % Variance	15.6%
2012 First Quarter Actual Revenue	\$457,205
% Change from 2012 First Quarter	-0.9%

Property Tax receipts, in the amount of \$453,009, are more than the projection by \$61,091, or 15.6%, but 0.9% less than those collected during the same period in 2012. During the first quarter of 2013, the City has received \$79,784 in delinquent taxes from previous years that were not factored into the budget.

# GENERAL FUND REVENUE ANALYSIS (continued):

## SALES TAX



2013 Current Budget	\$6,574,800
2013 Projected Revenue	\$6,574,800

Sales Activity	Projected	Actual
December 2012	\$643,383	\$695,645
January 2013	\$490,880	\$547,817
<b>Year to date</b>	<b>\$1,134,263</b>	<b>\$1,243,462</b>
\$ Variance		\$109,199
% Variance		9.6%

Sales Tax receipts for the first quarter of 2013, which reflect activity from December 2012 through January 2013, total \$1,243,462 and are above the projection by \$109,199, or 9.6%, and above 2012 collections by \$165,108, or 15.3%. The year-over-year increase has largely been due to growth in the Retail Trade sector and one-time activity in the Construction sector. Staff's projections do not factor in the impact of one-time activity. Adjusted for large one-time receipts, actual receipts are above the projection by \$41,023 or 3.6%.

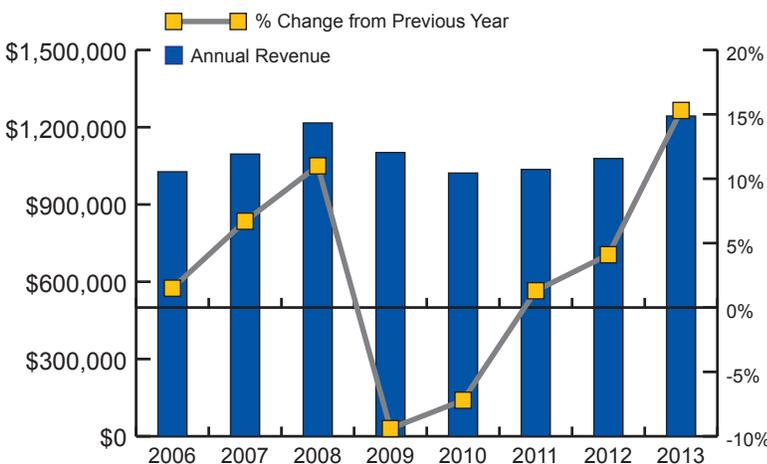
The Retail Trade sector was up 11.0% as compared to the same period of 2012. Leading this trend are sales at new car dealers (+27.4%), general merchandise stores (+7.9%), and building material and garden stores (+19.7%). Over half of the sales tax receipts in the Retail Trade sector came from new car dealers and general merchandise stores.

The Construction sector is up 44.2% as compared to the same period of 2012. Thus far in 2013, the majority of the receipts and one-time activity have come from the construction of commercial and industrial buildings, including the Shorewood and Shorecrest high schools. Work on the new Shorewood High School project is expected to wrap up sometime this summer. Construction of the main building of Shorecrest High School is anticipated to be completed in early 2014. In the heavy and civil construction industry, work on the Ballinger Way Portal Site of the Brightwater Conveyance System has also generated a significant amount of one-time revenue since 2012. The last few construction items, including a small odor control building, are expected to be completed in August.

The Construction sector is also experiencing an upward trend in the construction of new single family-residences and residential remodels. In the first quarter of 2013, there have been 4 more permits for new single-family residences issued as compared to the first quarter of 2012. The projection for the 2013 budget factored in an increase in the sale of building materials as a result of a projected increase in the number of housing permits issued.

The tables on the following page help illustrate the performance of various sectors. The first table presents a condensed view of the four primary categories of Construction; Retail Trade; Hotels and Restaurants; and, All Others. The second table presents a breakdown of the Retail Trade category and highlights specific industry economic performance in comparison to previous years.

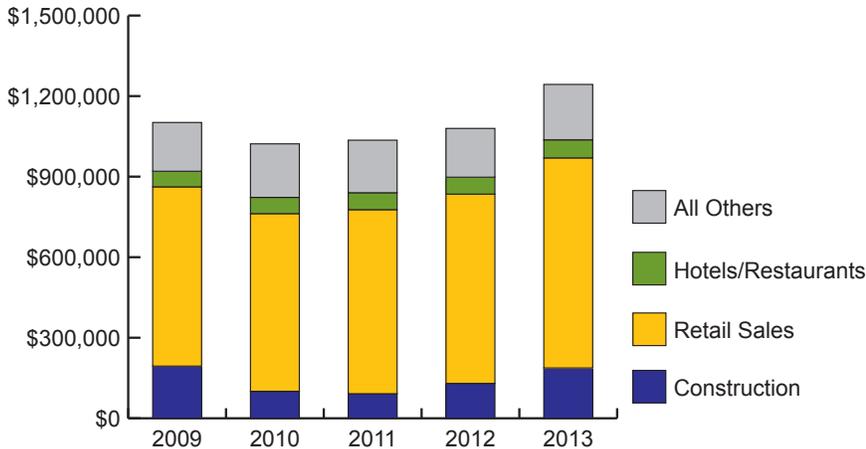
## First Quarter Sales Tax Revenue Comparison



First Quarter Sales Tax Revenue Comparison		
Year	Annual Revenue	% Change from Previous Year
2006	\$1,027,153	1.5%
2007	\$1,095,829	6.7%
2008	\$1,216,626	11.0%
2009	\$1,101,726	-9.4%
2010	\$1,022,166	-7.2%
2011	\$1,035,818	1.3%
2012	\$1,078,354	4.1%
2013	\$1,243,462	15.3%

# GENERAL FUND REVENUE ANALYSIS (continued):

## SALES TAX BY CATEGORY



### SALES TAX BY CATEGORY - First Quarter

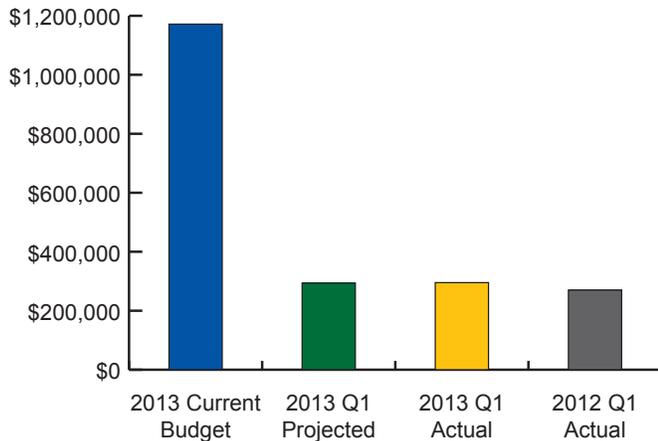
Sector	2009	2010	2011	2012	2013
Construction	\$194,384	\$100,584	\$91,442	\$129,963	\$187,418
Retail Sales	\$667,525	\$661,585	\$685,548	\$704,842	\$782,320
Hotel/Restaurant	\$58,098	\$60,607	\$63,134	\$61,896	\$67,378
All Others	\$181,719	\$199,390	\$195,694	\$181,653	\$206,346
<b>Total</b>	<b>\$1,101,726</b>	<b>\$1,022,166</b>	<b>\$1,035,818</b>	<b>\$1,078,354</b>	<b>\$1,243,462</b>
\$ Variance to previous year	-\$114,601	-\$79,560	\$13,652	\$42,536	\$165,108
% Variance to previous year	-9.4%	-7.2%	1.3%	4.1%	15.3%

### SALES TAX BY CATEGORY

Retail Trade	2009 Dec-Jan	2010 Dec-Jan	2010 v. 2009 \$ Variance	2011 Dec-Jan	2011 v. 2010 \$ Variance	2012 Dec-Jan	2012 v. 2011 \$ Variance	2013 Dec-Jan	2013 v. 2012 \$ Variance
Motor Vehicle/Parts Dealer	\$142,388	\$134,739	-\$7,649	\$159,050	\$24,311	\$161,779	\$2,729	\$198,130	\$36,351
Furniture, Home Furnishings	\$6,073	\$11,175	\$5,102	\$9,713	-\$1,462	\$8,979	-\$734	\$9,550	\$571
Electronics and Appliances	\$17,431	\$13,821	-\$3,610	\$11,871	-\$1,950	\$15,078	\$3,207	\$13,899	-\$1,179
Building Materials, Garden	\$70,201	\$71,615	\$1,414	\$70,422	-\$1,193	\$72,694	\$2,272	\$87,045	\$14,351
Food and Beverage Stores	\$52,025	\$44,612	-\$7,413	\$44,274	-\$338	\$43,378	-\$896	\$44,915	\$1,537
Health/Personal Care Store	\$23,144	\$23,945	\$801	\$24,153	\$208	\$27,633	\$3,480	\$30,114	\$2,481
Gasoline Stations	\$10,301	\$10,637	\$336	\$11,801	\$1,164	\$11,922	\$121	\$11,557	-\$365
Clothing and Accessories	\$5,276	\$6,032	\$756	\$7,756	\$1,724	\$9,637	\$1,881	\$10,101	\$464
Sporting Goods, Hobby, Books	\$18,819	\$17,714	-\$1,105	\$17,428	-\$286	\$16,696	-\$732	\$16,641	-\$55
General Merchandise Stores	\$259,842	\$262,983	\$3,141	\$256,652	-\$6,331	\$260,906	\$4,254	\$281,644	\$20,738
Miscellaneous Store Retailers	\$46,173	\$43,999	-\$2,174	\$49,790	\$5,791	\$49,016	-\$774	\$46,846	-\$2,170
Nonstore Retailers	\$15,852	\$20,313	\$4,461	\$22,638	\$2,325	\$27,124	\$4,486	\$31,878	\$4,754
<b>Total Revenue</b>	<b>\$667,525</b>	<b>\$661,585</b>	<b>-\$5,940</b>	<b>\$685,548</b>	<b>\$23,963</b>	<b>\$704,842</b>	<b>\$19,294</b>	<b>\$782,320</b>	<b>\$77,478</b>

# GENERAL FUND REVENUE ANALYSIS (continued):

## LOCAL CRIMINAL JUSTICE SALES TAX

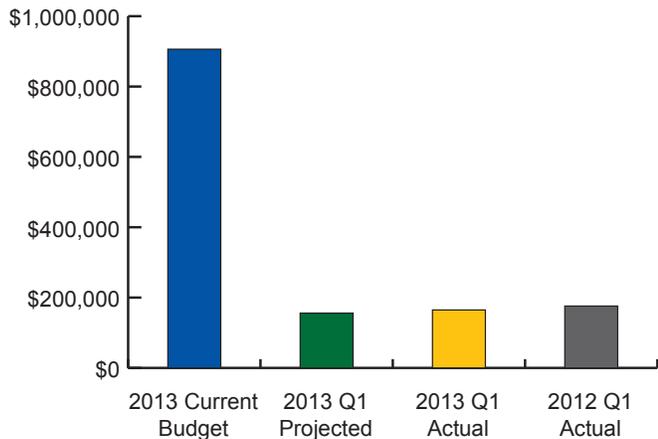


2013 Current Budget	\$1,171,779
2013 Projected Revenue	\$1,171,779
2013 First Quarter Projected Revenue	\$293,591
2013 First Quarter Actual Revenue	\$295,301
First Quarter \$ Variance	\$1,710
First Quarter % Variance	0.6%
2012 First Quarter Actual Revenue	\$269,921
% Change from 2012 First Quarter	9.4%

Local Criminal Justice Sales Tax receipts, in the amount of \$295,301, are \$1,710, or 0.6%, more 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 increase of 9.4%. 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 appears to be an indication that sales tax activity continues to recover within King County.

## INTERGOVERNMENTAL REVENUE



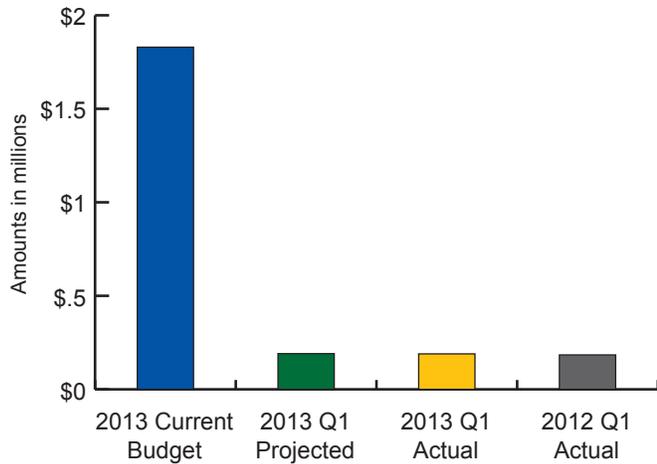
2013 Current Budget	\$906,181
2013 Projected Revenue	\$906,181
2013 First Quarter Projected Revenue	\$155,926
2013 First Quarter Actual Revenue	\$164,826
First Quarter \$ Variance	\$8,900
First Quarter % Variance	5.7%
2012 First Quarter Actual Revenue	\$175,961
% Change from 2012 First Quarter	-6.3%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, and liquor board profits. The passage of ESHB 2823 in 2012 resulted in the loss of the January 2013 distribution of liquor excise tax that would have totaled approximately \$70,000. This loss was factored into the budget.

Receipts for the first quarter, in the amount of \$164,826, are \$8,900, or 5.7%, more than the projection. This is mostly due to higher-than-anticipated receipts from the distribution of Liquor Board Profits.

# GENERAL FUND REVENUE ANALYSIS (continued):

## SEATTLE CITY LIGHT CONTRACT PAYMENT

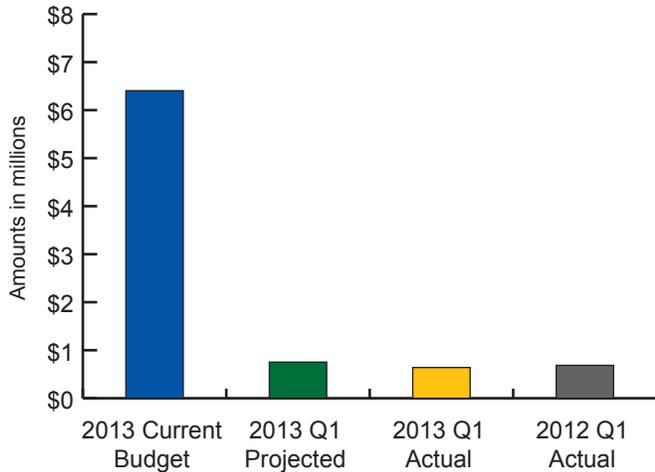


2013 Current Budget	\$1,829,501
2013 Projected Revenue	\$1,829,501
2013 First Quarter Projected Revenue	\$190,971
2013 First Quarter Actual Revenue	\$189,582
First Quarter \$ Variance	-\$1,389
First Quarter % Variance	-0.7%
2012 First Quarter Actual Revenue	\$184,040
% Change from 2012 First Quarter	3.0%

Receipts for the first quarter of 2013, in the amount of \$189,582, are \$1,389, or 0.7%, less than the projection, but 3.0% higher than 2012 revenue.

# GENERAL FUND REVENUE ANALYSIS (continued):

## UTILITY TAX AND FRANCHISE FEE



2013 Current Budget	\$6,404,749
2013 Projected Revenue	\$6,404,749
2013 First Quarter Projected Revenue	\$752,486
2013 First Quarter Actual Revenue	\$639,765
First Quarter \$ Variance	-\$112,721
First Quarter % Variance	-15.0%
2012 First Quarter Actual Revenue	\$685,551
% Change from 2012 First Quarter	-6.7%

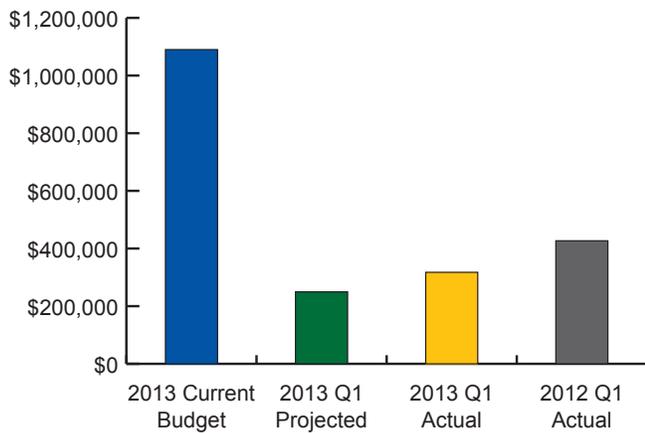
Overall Utility Tax and Franchise Fee receipts, in the amount of \$639,765, are \$112,721, or 15.0%, less than the projection and exhibit a year-over-year decrease of \$45,786, or 6.7%. Had payments been received on time, as discussed in more detail below, receipts would be \$5,232, or 0.7%, more than the projection and \$4,102, or 0.5%, more than 2012 collections.

Natural gas tax receipts are behind the projection and 2012 collections because Puget Sound Energy's February 2013 payment, which was due in March, was received in April. Had this payment been received on time this year, receipts for this category would be \$3,108, or 1.2%, more than the projection and \$4,197, or 1.6%, below 2012 collections. Cable television tax receipts are ahead of the projection by \$16,124, or 12.4%. Receipts for this category are above 2012 collections because Comcast's February 2012 payment, which was due in March, was received in April. Had that payment been received on time last year, this year's receipts would be above last year's collections by \$5,477, or 3.9%. Telecommunications tax receipts continue to decline and are \$16,861, or 10.2%, behind the projection and down from 2012 collections by \$5,391, or 3.5%. Telephone activity has fallen each year since 2009, while revenue from cable has grown.

Revenue Source	2013 Current Budget	2013 Projected Revenue	2013 First Quarter Projected Revenue	2013 First Quarter Actual Revenue	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2012 First Quarter Actual Revenue
Natural gas	\$966,946	\$966,946	\$252,355	\$137,510	-\$114,845	-45.5%	\$259,660
Garbage	\$497,977	\$497,977	\$82	\$139	\$57	69.0%	\$83
Cable TV	\$1,531,846	\$1,531,846	\$129,534	\$145,658	\$16,124	12.4%	\$72,116
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Storm Drainage	\$201,648	\$201,648	\$8,762	\$11,326	\$2,564	29.3%	\$8,919
Water	\$715,327	\$715,327	\$0	\$0	\$0	0.0%	\$0
Sewer	\$786,127	\$786,127	\$195,760	\$196,000	\$240	0.1%	\$190,250
<b>Utility Tax and Franchise Fee Revenue Subtotal</b>	<b>\$6,404,749</b>	<b>\$6,404,749</b>	<b>\$752,486</b>	<b>\$639,765</b>	<b>-\$112,721</b>	<b>-15.0%</b>	<b>\$685,551</b>

# GENERAL FUND REVENUE ANALYSIS (continued):

## DEVELOPMENT REVENUE

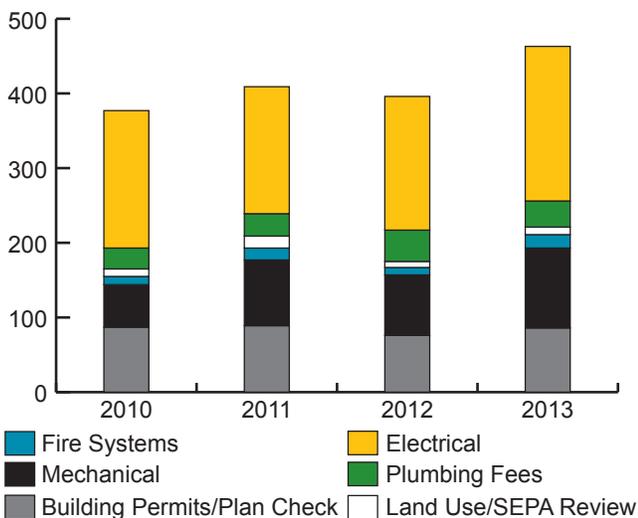


2013 Current Budget	\$1,090,055
2013 Projected Revenue	\$1,090,055
2013 First Quarter Projected Revenue	\$249,569
2013 First Quarter Actual Revenue	\$317,463
First Quarter \$ Variance	\$67,894
First Quarter % Variance	27.2%
2012 First Quarter Actual Revenue	\$426,809
% Change from 2012 First Quarter	-25.6%

Development revenue receipts, in the amount of \$317,463, are \$67,894, or 27.2%, more than the projection and exhibit a year-over-year decrease of \$109,346, or 25.6%. The year-over-year decrease in receipts is attributable to the fact that approximately \$168,000 of revenue in the first quarter of 2012 came from permits and plan check fees that were paid for the Shorewood and Shorecrest high school construction projects. There was also approximately \$59,000 of revenue for permits related to construction of the storm water facility for the North City Family Apartments. Removing the receipts attributable to these large projects from the calculation reveals a more relevant year-over-year increase of \$112,630, or 56.2%.

The projection for the 2013 budget factored in an increase in the number of housing permits issued. Thus far in 2013, there have been four more permits for new single-family residences issued, with a value that is \$1.39 million more, as compared to 2012. A permit has also been issued for the construction of apartments at the site of the mobile home park that was located at N. 152nd Street. This positive trend is also seen in the number of permits issued throughout all of the categories, except plumbing, as compared to the same period in 2012.

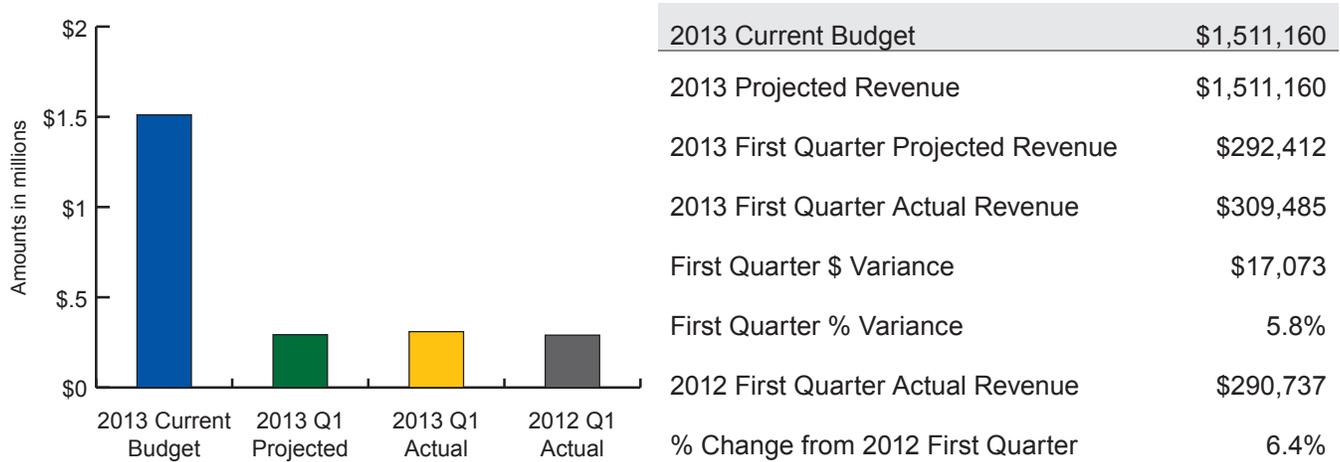
## PERMITS BY TYPE January through March 2010–2013



PERMIT TYPE	2010	2011	2012	2013
Building Permits/Plan Check	87	89	76	86
Mechanical	57	88	81	107
Fire Systems	11	16	10	18
Land Use/SEPA Review	10	16	8	10
Plumbing	28	30	42	35
Electrical	184	170	179	207
<b>Total</b>	<b>377</b>	<b>409</b>	<b>396</b>	<b>463</b>

# GENERAL FUND REVENUE ANALYSIS (continued):

## PARK AND RECREATION REVENUE



2013 Current Budget	\$1,511,160
2013 Projected Revenue	\$1,511,160
2013 First Quarter Projected Revenue	\$292,412
2013 First Quarter Actual Revenue	\$309,485
First Quarter \$ Variance	\$17,073
First Quarter % Variance	5.8%
2012 First Quarter Actual Revenue	\$290,737
% Change from 2012 First Quarter	6.4%

Park and Recreation revenue receipts, in the amount of \$309,485, are \$17,073, or 5.8%, more than the projection and exhibit a year-over-year increase of \$18,748, or 6.4%. Compared to the first quarter of 2012, the first quarter of 2013 witnessed increased participation in lessons at the Shoreline Pool, rentals of athletic fields and Spartan Gym, and higher-than-anticipated participation in many recreation programs.

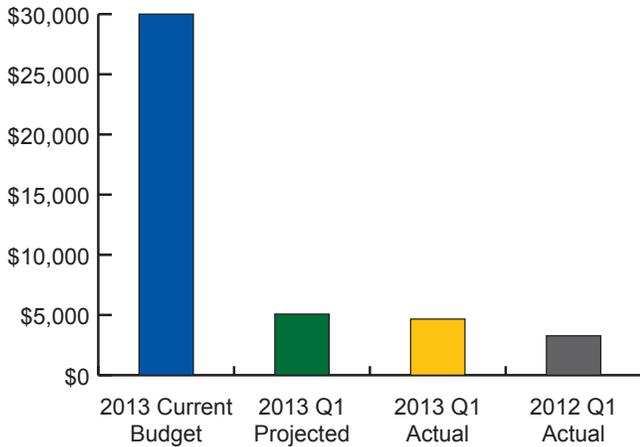
## RECREATION REVENUE BY PROGRAM

Annual Recreation Revenue by Program Area 2006-2013*							
Year	General Recreation*	General Recreation % of Total	Pool	Pool % of Total	Facility Rentals	Facility Rentals % of Total	Total Revenue
2006	\$105,017	44.8%	\$85,944	36.6%	\$43,631	18.6%	\$234,592
2007	\$108,048	42.0%	\$78,487	30.5%	\$70,790	27.5%	\$257,325
2008	\$109,582	40.7%	\$85,173	31.6%	\$74,645	27.7%	\$269,400
2009	\$114,859	40.2%	\$74,875	26.2%	\$96,221	33.6%	\$285,955
2010	\$107,817	38.6%	\$76,240	27.3%	\$95,259	34.1%	\$279,316
2011	\$99,983	35.2%	\$82,736	29.1%	\$101,440	35.7%	\$284,159
2012	\$111,990	38.8%	\$85,284	29.5%	\$91,669	31.7%	\$288,943
<b>2013</b>	<b>\$109,539</b>	<b>36.9%</b>	<b>\$87,935</b>	<b>29.6%</b>	<b>\$99,160</b>	<b>33.4%</b>	<b>\$296,634</b>

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

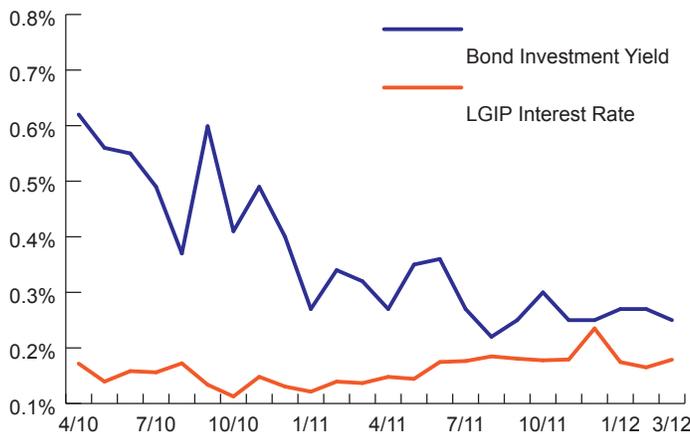
# GENERAL FUND REVENUE ANALYSIS (continued):

## INTEREST INCOME



2013 Current Budget	\$30,000
2013 Projected Revenue	\$30,000
2013 First Quarter Projected Revenue	\$5,075
2013 First Quarter Actual Revenue	\$4,663
First Quarter \$ Variance	-\$412
First Quarter % Variance	-8.1%
2012 First Quarter Actual Revenue	\$3,271
% Change from 2012 First Quarter	42.6%

Interest income through March totaled \$4,663 and fell below projections by \$412, or 8.1%. Earnings were \$1,392, or 42.6%, more than those for the same period of 2012.

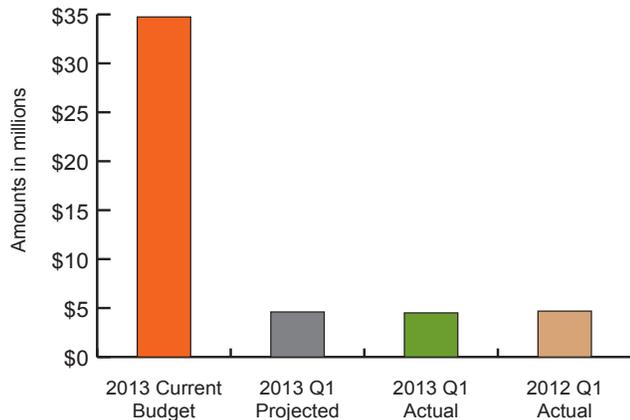


Month	LGIP Interest Rate*	Bond Investment Yield
4/30/11	0.1718%	0.6200%
5/31/11	0.1394%	0.5600%
6/30/11	0.1583%	0.5500%
7/31/11	0.1561%	0.4900%
8/31/11	0.1723%	0.3700%
9/30/11	0.1338%	0.5990%
10/31/11	0.1127%	0.4100%
11/30/11	0.1480%	0.4900%
12/31/11	0.1305%	0.4000%
1/31/12	0.1213%	0.2700%
2/29/12	0.1394%	0.3400%
3/31/12	0.1367%	0.3200%
4/30/12	0.1479%	0.2700%
5/31/12	0.1443%	0.3500%
6/30/12	0.1746%	0.3600%
7/31/12	0.1764%	0.2700%
8/31/12	0.1848%	0.2200%
9/30/12	0.1807%	0.2500%
10/31/12	0.1777%	0.3000%
11/30/12	0.1792%	0.2500%
12/31/12	0.2350%	0.2500%
1/31/13	0.1745%	0.2700%
2/28/13	0.1650%	0.2700%
3/31/13	0.1789%	0.2500%
<b>Average</b>	<b>0.1600%</b>	<b>0.3637%</b>

\*Local Government Investment Pool

# EXPENDITURE ANALYSIS

## GENERAL FUND EXPENDITURES



2013 Current Budget	\$34,743,578
2013 Projected Expenditures	\$34,743,578
2013 First Quarter Projected Expenditures	\$4,601,471
2013 First Quarter Actual Expenditures	\$4,508,707
First Quarter \$ Variance	-\$92,764
First Quarter % Variance	-2.02%
2012 First Quarter Actual Expenditures	\$4,688,899
% Change from 2012	-3.84%

General Fund departmental expenditures in the first quarter of 2013, in the amount of \$4,105,780, are \$92,764, or 2.2%, less than projected expenditures of \$4,198,544. Many of the departments are spending below the projection with the following exceptions:

- The Human Resources Department is now paying a subscription fee in the first quarter for the City's performance evaluation software.
- The Criminal Justice budget is experiencing significantly higher housing days activity year-to-date as compared to the same period in 2012.

General Fund expenditures by departments, including transfers out, of \$4,508,707 are below the projection by \$92,764, or 2.0%. Staff will continue to monitor department expenditures in order to make sure they are aligned with the City's resources.

Department	2013 Current Budget	2013 Projected Expenditures	2013 First Quarter Projected Expenditures	2013 First Quarter Actual Expenditures	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2012 First Quarter Actual
City Council	\$191,958	\$191,958	\$47,253	\$47,265	\$12	0.0%	\$48,157
City Manager's Office <sup>1</sup>	\$1,995,934	\$1,995,934	\$400,749	\$382,324	-\$18,425	-4.6%	\$383,466
City Attorney	\$584,847	\$584,847	\$119,073	\$105,970	-\$13,103	-11.0%	\$106,394
Community Services <sup>2</sup>	\$1,523,978	\$1,523,978	\$218,563	\$217,192	-\$1,370	-0.6%	\$217,041
Administrative Services <sup>3</sup>	\$3,867,515	\$3,867,515	\$772,425	\$717,759	-\$54,667	-7.1%	\$743,215
Citywide	\$1,802,008	\$1,802,008	\$630,964	\$632,070	\$1,105	0.2%	\$648,878
Human Resources	\$426,251	\$426,251	\$84,661	\$96,411	\$11,750	13.9%	\$79,638
Police	\$10,597,382	\$10,597,382	\$19,571	\$16,463	-\$3,108	-15.9%	\$16,091
Criminal Justice	\$2,109,968	\$2,109,968	\$190,942	\$218,662	\$27,720	14.5%	\$180,626
Parks, Recreation & Cultural Services	\$4,928,164	\$4,928,164	\$897,194	\$903,017	\$5,824	0.6%	\$883,951
Planning & Community Development	\$2,552,020	\$2,552,020	\$491,341	\$463,504	-\$27,837	-5.7%	\$467,720
Public Works	\$1,644,281	\$1,644,281	\$325,807	\$305,143	-\$20,664	-6.3%	\$297,351
Operating Budget Expenditures	\$32,224,306	\$32,224,306	\$4,198,544	\$4,105,780	-\$92,764	-2.2%	\$4,072,530
Operating Transfers Out	\$2,519,272	\$2,519,272	\$402,927	\$402,927	\$0	0.0%	\$616,369
<b>Total Expenditures</b>	<b>\$34,743,578</b>	<b>\$34,743,578</b>	<b>\$4,601,471</b>	<b>\$4,508,707</b>	<b>-\$92,764</b>	<b>-2.0%</b>	<b>\$4,688,899</b>

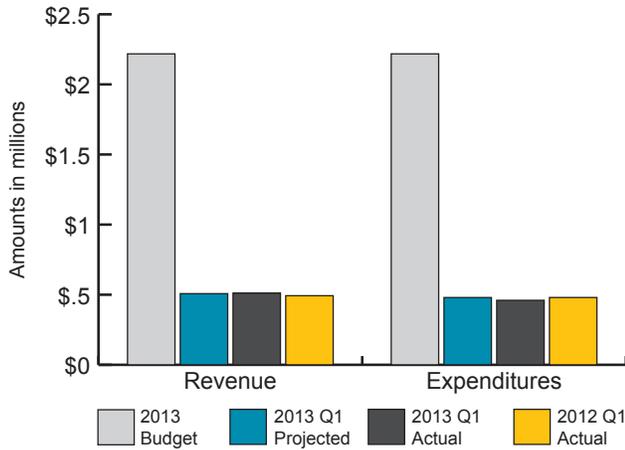
<sup>1</sup> City Manager's Office includes City Manager's Office, City Clerk, Communications, Intergovernmental Relations, Economic Development and Property Management.

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

<sup>3</sup> Administrative Services includes Finance, Purchasing, Information Systems and Facilities.

# OTHER FUNDS REVENUE ANALYSIS:

## STREET FUND



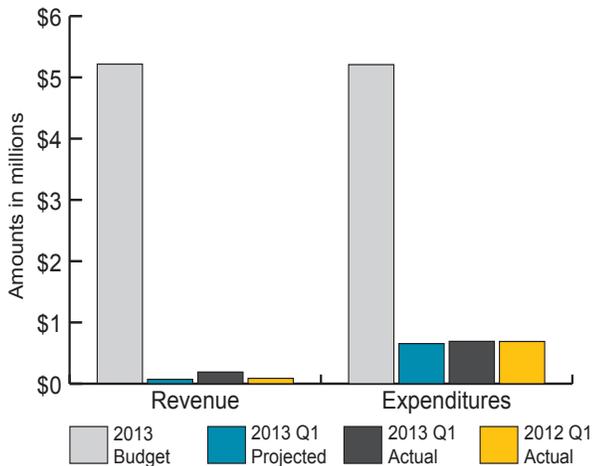
### Street Fund First Quarter 2013

	<i>Revenue</i>	<i>Expenditures</i>
2013 Current Budget	\$2,217,696	\$2,217,696
2013 Projected	\$2,217,696	\$2,217,696
2013 First Quarter Projected	\$507,648	\$479,902
2013 First Quarter Actual	\$511,302	\$460,168
\$ Variance	\$3,654	-\$19,734
% Variance	0.7%	-4.1%
2012 First Quarter Actual	\$492,882	\$480,087

Motor vehicle fuel tax revenue receipts for the first quarter of 2013, in the amount of \$257,765, are \$3,599 or 1.4% more than the projection. Investment Interest receipts for the first quarter of 2013, in the amount of \$236, are \$55 more than the projection. In sum, revenue receipts for the first quarter of 2013 are \$3,654, or 0.7% above the projection.

Expenditures, including transfers out, are \$19,734, or 4.1%, less than the projection.

## SURFACE WATER UTILITY FUND



### Surface Water Utility Fund First Quarter 2013

	<i>Revenue</i>	<i>Expenditures</i>
2013 Current Budget	\$5,208,385	\$5,208,385
2013 Projected	\$4,133,650	\$5,208,385
2013 First Quarter Projected	\$71,734	\$600,644
2013 First Quarter Actual	\$114,495	\$691,401
\$ Variance	\$42,761	\$90,757
% Variance	59.61%	15.11%
2012 First Quarter Actual	\$87,695	\$689,348

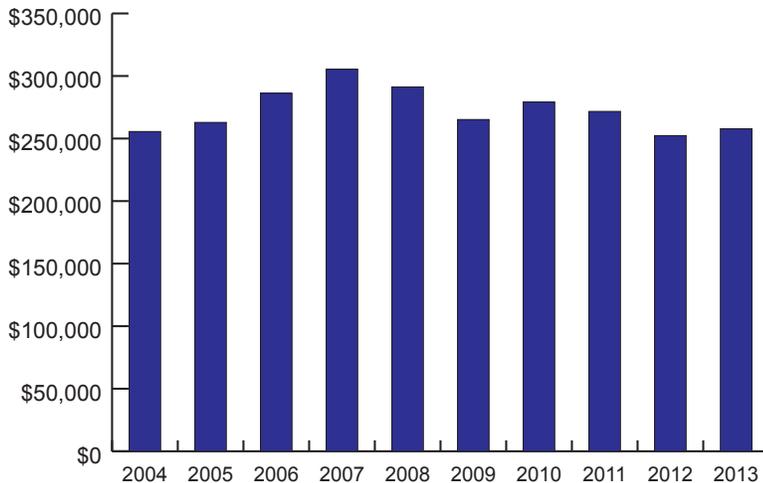
The Surface Water Utility Fund (SWM) includes both on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Revenue receipts for the first quarter of 2013, in the amount of \$114,495, are \$42,761 more than the projection mostly from storm drainage fees as we have collected delinquent fees from prior years during the period.

First quarter expenditures in the amount of \$691,401 are \$90,757 or 15.1%, more than the projection. Capital projects are \$74,364 ahead of projections mostly due to work on the Pump Station No. 5 and N. Fork Thornton Creek LID Stormwater Retrofit projects. The operating programs are \$16,393 ahead of projections.

# NON-GENERAL FUND REVENUE ANALYSIS:

## STREET FUND FUEL TAX

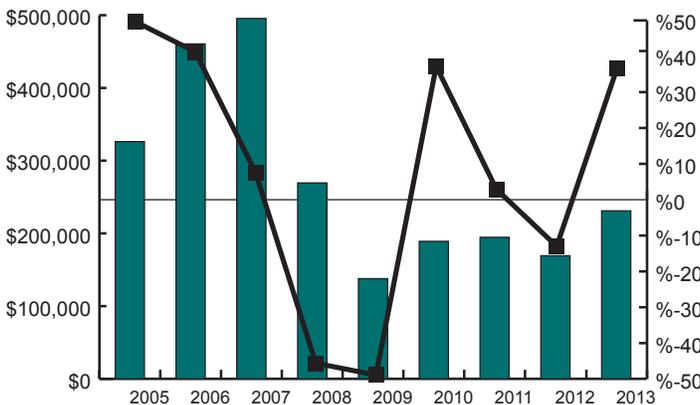


**Fuel Tax: Historical First Quarter 2004-2013**

2004	\$255,598
2005	\$262,875
2006	\$286,182
2007	\$305,487
2008	\$291,252
2009	\$265,191
2010	\$279,173
2011	\$271,682
2012	\$252,343
2013	\$257,765

The Motor Vehicle Fuel Excise Tax, commonly referred to as Gas Tax, is levied by the state on a per gallon basis, distributed monthly on a per capita basis to the City of Shoreline, and placed in the Street Fund. Fuel Tax revenue receipts for the first quarter of 2013, in the amount of \$257,765, are \$3,599 or 1.42% more than the projection and exhibit a year-over-year increase of \$5,422, or 2.0%.

## REAL ESTATE EXCISE TAX (REET)



**REET: First Quarter Collected 2004-2012**

	Revenue	% Change from Previous Year
2005	\$326,192	49.7%
2006	\$460,514	41.2%
2007	\$495,510	7.6%
2008	\$269,404	-45.6%
2009	\$137,794	-48.9%
2010	\$189,082	37.2%
2011	\$194,618	2.9%
2012	\$169,286	-13.0%
2013	\$231,011	36.5%

Real Estate Excise Tax (REET) revenue receipts for the first quarter of 2013, in the amount of \$231,011, are \$ 7,274, or 3.3%, ahead of the projection, and \$61,725, or 36.5%, more than receipts for the same period in 2012. There were twenty (20) more real estate transactions in the first quarter of 2013 than in the same period of 2012 and the total value of all transactions was \$46.2 million, an increase of \$12.3 million from 2012. It would appear that the average value of the sales transaction has increased from \$289,378 during the first quarter of 2012 to \$337,243 this year.

## First Quarter INVESTMENT REPORT March 31, 2013:

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

Our yield objectives are very important and, pursuant to policy, the basis used by the City to determine whether the market yields are being achieved is through the use of a comparable benchmark. Our benchmark has been identified as the annual average of the Washington State Local Government Investment Pool, which had been the City's primary mode of investment prior to adopting our Investment Policy. As of March 31, 2013, the City's investment portfolio, excluding the State Investment Pool, had a weighted average rate of return of 0.5810%. This is better than the State Investment Pool twelve month average of 0.1766%. Total investment interest earnings through March were \$10,619 which is about 17% of total budgeted 2013 investment earnings of \$62,856.

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 and 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 2012 where it remains.

As of March 2013, the City's investment portfolio had a fair value of nearly \$28.096 million. Approximately 7% of the investment portfolio was held in U.S. government instrumentality securities, and 93% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of March 31, 2013, was slightly over \$28.093 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 June 2012 is yielding 0.581% and will not mature until 6/18/2015. 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. Because there is a need for cash to purchase the Brugger's Bog Maintenance Facility, the City is temporarily suspending its investment activities until after the purchase.

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), Federal Home Loan Mortgage Corporation (FHLMC – Freddie Mac), or Federal Farm Credit Banks (FFCB), 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 lower risk mortgage backed securities in its investment portfolio. This instrument has been purchased from Federal Farm Credit Banks.

# INVESTMENT REPORT (continued):

## LGIP Cash and Investment Balances March 31, 2013

Instrument Type	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 12/31/12
FFCB 0.56	3133EAKU2	ProEquities	06/21/12	06/18/15	2,000,000	1,998,750	0.5810%	2,984	2,001,734
Sub Total - Investments					2,000,000	1,998,750		2,984	2,001,734
State Investment Pool						26,094,515	0.1766%		26,094,515
<b>Total LGIP + Investments</b>						<b>\$28,093,265</b>		<b>\$2,984</b>	<b>\$28,096,249</b>

Current Average Maturity Excluding the State Investment Pool (days)	809
Current Weighted Average Yield to Maturity Excluding the State Pool	0.5810%
Current Yield to Maturity State Investment Pool	0.1766%
Basis Points in Excess (Below) Benchmark	40

### Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker
FFCB	7%	2,001,734	1,998,750	ProEquities
State Investment Pool	93%	26,094,515	26,094,515	State Investment Pool
<b>Total LGIP + Investments</b>	<b>100%</b>	<b>\$28,096,249</b>	<b>\$28,093,265</b>	

### Investments by Fund

Fund	Investments at Cost as of 3/31/2013	LGIP State Investment Pool as of 3/31/2013	Total LGIP + Investments at Cost by Fund as of 3/31/2013	Unrecognized Gain/(Loss) as of 3/31/2013	Total Market Value of Investments by Fund as of 3/31/2013	Investment Earnings Budget 2013	Investment Earnings Actual 2013	Over/(Under) Budget
001 General	998,750	8,779,110	9,777,860	1,864	9,779,725	26,500	4,214	-22,286
101 Street	250,000	565,708	815,708	373	816,082	5,000	236	-4,764
107 Code Abatement	0	140,447	140,447	0	140,447	550	62	-488
108 Asset Seizure	0	67,353	67,353	0	67,353	0	30	30
109 Public Arts	0	231,113	231,113	0	231,113	500	102	-398
112 Fed Drug Enforcement	0	114,684	114,684	0	114,684	50	50	0
114 Transportation Benefit Dist.	0	0	0	0	0	60	103	43
115 Property Tax Equalization	0	1,153,643	1,153,643	0	1,153,643	0	488	488
116 Fed. Crim. Forfeit.	0	606,998	606,998	0	606,998	0	260	260
190 Revenue Stabilization	250,000	2,249,948	2,499,948	0	2,499,948	0	0	0
301 General Capital	0	2,491,585	2,491,585	0	2,491,585	3,617	1,130	-2,487
312 City Fac-Mjr Maint	0	248,445	248,445	0	248,445	834	109	-725
330 Roads Capital	0	4,561,067	4,561,067	0	4,561,067	6,243	1,811	-4,432
401 Surface Water Utility Fund	0	2,886,951	2,886,951	0	2,886,951	7,402	1,411	-5,991
501 Vehicle Oper/Maint	0	195,698	195,698	0	195,698	250	27	-223
503 Equip. Dep. Replace	500,000	1,761,455	2,261,455	746	2,262,202	11,850	569	-11,281
505 Unemployment	0	40,311	40,311	0	40,311	0	18	18
<b>Total Investments</b>	<b>\$1,998,750</b>	<b>\$26,094,515</b>	<b>\$28,093,265</b>	<b>\$2,984</b>	<b>\$28,096,249</b>	<b>\$62,856</b>	<b>\$10,619</b>	<b>-\$52,237</b>