



# 2014 SECOND QUARTER FINANCIAL REPORT

September 2014

## PERFORMANCE AT A GLANCE

GENERAL FUND REVENUES	COMPARED TO 2014 PROJECTIONS	REFERENCE
Property Tax Revenue	◀NEUTRAL▶	Page 4
Sales Tax Revenue	▲ POSITIVE ▲	Pages 5-6
Utility Tax Revenue	◀NEUTRAL▶	Page 10
Development Revenue	▲ POSITIVE ▲	Page 11
Park and Recreation Revenue	▲ POSITIVE ▲	Page 12
Investment Income	▲ POSITIVE ▲	Page 13
EXPENDITURES		
General Fund Expenditures	▲ POSITIVE ▲	Page 14
NON-GENERAL FUND REVENUES		
Surface Water Fees	▲ POSITIVE ▲	Page 16
Fuel Tax	◀NEUTRAL▶	Page 19
Real Estate Excise Tax	▲ POSITIVE ▲	Page 19

**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

General Fund receipts and expenditures are higher than the year-ago level by \$721,176, or 4.8%, and \$1,043,465, or 7.3%, respectively.

Street Fund receipts, including transfers in, totaling \$1,323,290 are \$296,478, or 28.9%, higher than the year-ago level. Street Fund expenditures, including transfers out, totaling \$698,404 are \$251,196, or 26.5%, lower than the year-ago level.

Surface Water Utility (SWM) Fund receipts totaling \$1,802,992 are \$4,485, or 0.2%, higher than the year-ago level. SWM Fund expenditures totaling \$1,824,060 are \$90,876, or 5.2%, higher than the year-ago level.

Real Estate Excise Tax receipts through June in the amount of \$936,710 are \$231,414, or 32.8%, higher than the year-ago level.

Street Fund Fuel Tax receipts, in the amount of \$525,271, are \$6,409, or 1.2%, higher than the year-ago level.

Revenues by Fund	2014 Current Budget	2014 Second Quarter Actual	2014 % of Current Budget	2013 Current Budget	2013 Second Quarter Actual	2013 % of Current Budget	2014 v. 2013 \$ Variance	2014 v. 2013 % Variance
General Fund	\$36,843,013	\$15,609,625	42.4%	\$34,877,599	\$14,888,449	42.7%	\$721,176	4.8%
Street Fund	\$1,999,037	\$1,323,290	66.2%	\$2,217,696	\$1,026,812	46.3%	\$296,478	28.9%
Code Abatement Fund	\$100,000	\$727	0.7%	\$100,000	\$117	0.1%	\$610	521.4%
State Drug Enforcement Fund	\$13,800	\$36,206	262.4%	\$13,800	\$66,810	484.1%	-\$30,604	-45.8%
Public Arts Fund	\$55,051	\$1,115	2.0%	\$70,000	\$192	0.3%	\$923	480.7%
Federal Drug Enforcement Fund	\$20,750	\$49,773	239.9%	\$20,750	\$30,379	146.4%	\$19,394	63.8%
Property Tax Equalization Fund	\$0	\$552	0.0%	\$0	\$916	0.0%	-\$364	-39.7%
Federal Crime Forfeitures Fund	\$316,310	\$832	0.3%	\$147,000	\$1,205,361	820.0%	-\$1,204,529	-99.9%
Revenue Stabilization Fund	\$0	\$0	0.0%	\$0	\$1,859	0.0%	-\$1,859	-100.0%
Unltd Tax GO Bond Fund	\$1,710,000	\$895,049	52.3%	\$1,705,050	\$788,897	46.3%	\$106,152	13.5%
Limited Tax GO Bond 2009 Fund	\$1,662,567	\$967,765	58.2%	\$1,660,567	\$875,854	52.7%	\$91,911	10.5%
Limited Tax GO Bond 2013 Fund	\$260,823	\$103,979	39.9%	\$0	\$0	0.0%	\$103,979	0.0%
General Capital Fund	\$4,878,471	\$524,096	10.7%	\$5,974,435	\$423,424	7.1%	\$100,672	23.8%
City Facility-Major Maint. Fund	\$115,392	\$35,086	30.4%	\$218,797	\$35,211	16.1%	-\$125	-0.4%
Roads Capital Fund	\$23,642,942	\$5,512,582	23.3%	\$20,410,625	\$3,067,590	15.0%	\$2,444,992	79.7%
Surface Water Utility Fund	\$5,602,951	\$1,802,992	32.2%	\$5,208,385	\$1,798,507	34.5%	\$4,485	0.2%
Vehicle Operations/ Maint. Fund	\$245,273	\$230,338	93.9%	\$213,635	\$198,487	92.9%	\$31,851	16.0%
Equipment Replacement Fund	\$482,666	\$269,321	55.8%	\$516,696	\$362,406	70.1%	-\$93,085	-25.7%
Unemployment Fund	\$17,500	\$8,778	50.2%	\$17,500	\$8,784	50.2%	-\$6	-0.1%
<b>Totals</b>	<b>\$77,966,546</b>	<b>\$27,372,106</b>	<b>35.1%</b>	<b>\$73,372,535</b>	<b>\$24,780,055</b>	<b>33.8%</b>	<b>\$2,592,051</b>	<b>10.5%</b>
Transportation Benefit District	\$788,613	\$330,603	41.9%	\$919,200	\$328,250	35.7%	\$2,353	0.7%

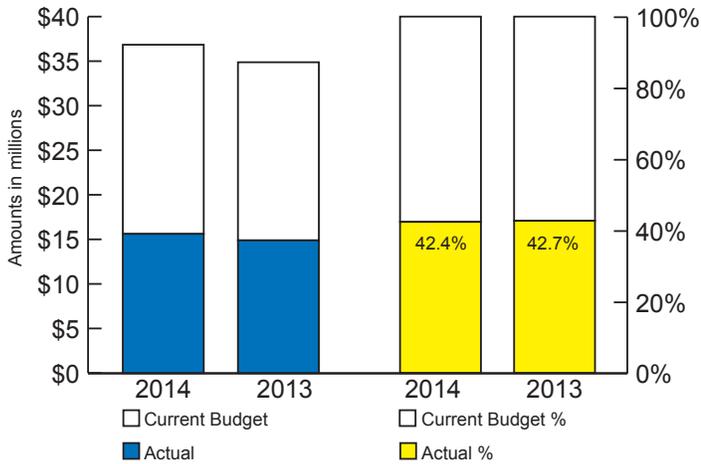
Expenditures by Fund	2014 Current Budget	2014 Second Quarter Actual	2014 % of Current Budget	2013 Current Budget	2013 Second Quarter Actual	2013 % of Current Budget	2014 v. 2013 \$ Variance	2014 v. 2013 % Variance
General Fund	\$36,843,011	\$15,393,366	41.8%	\$34,877,601	\$14,349,901	41.1%	\$1,043,465	7.3%
Street Fund	\$1,999,037	\$698,404	34.9%	\$2,217,696	\$949,600	42.8%	-\$251,196	-26.5%
Code Abatement Fund	\$100,000	\$0	0.0%	\$100,000	\$2,175	2.2%	-\$2,175	-100.0%
State Drug Enforcement Fund	\$13,800	\$12,381	89.7%	\$13,800	\$725	5.3%	\$11,656	1607.7%
Public Arts Fund	\$55,051	\$4,913	8.9%	\$70,000	\$4,990	7.1%	-\$77	-1.5%
Federal Drug Enforcement Fund	\$20,750	\$0	0.0%	\$20,750	\$569	2.7%	-\$569	-100.0%
Property Tax Equalization Fund	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0	0.0%
Federal Crime Forfeitures Fund	\$316,310	\$7,519	2.4%	\$147,000	\$9,904	6.7%	-\$2,385	-24.1%
Revenue Stabilization Fund	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0	0.0%
Unltd Tax GO Bond Fund	\$1,709,050	\$228,327	13.4%	\$1,705,050	\$252,326	14.8%	-\$23,999	-9.5%
Limited Tax GO Bond 2009 Fund	\$1,662,567	\$591,013	35.5%	\$1,660,567	\$597,986	36.0%	-\$6,973	-1.2%
Limited Tax GO Bond 2013 Fund	\$260,823	\$103,979	39.9%	\$1,660,567	\$0	0.0%	\$103,979	0.0%
General Capital Fund	\$4,878,471	\$835,021	17.1%	\$5,974,435	\$529,039	8.9%	\$305,982	57.8%
City Facility-Major Maint. Fund	\$90,000	\$6,023	6.7%	\$218,797	\$12,635	5.8%	-\$6,612	-52.3%
Roads Capital Fund	\$23,603,999	\$6,302,435	26.7%	\$20,410,625	\$2,181,810	10.7%	\$4,120,625	188.9%
Surface Water Utility Fund	\$5,602,951	\$1,824,060	32.6%	\$5,208,385	\$1,733,184	33.3%	\$90,876	5.2%
Vehicle Operations/ Maint. Fund	\$245,273	\$62,573	25.5%	\$213,635	\$58,664	27.5%	\$3,909	6.7%
Equipment Replacement Fund	\$269,253	\$0	0.0%	\$244,090	\$27,768	11.4%	-\$27,768	-100.0%
Unemployment Fund	\$17,500	\$0	0.0%	\$17,500	\$8	0.0%	-\$8	0.0%
<b>Totals</b>	<b>\$77,687,846</b>	<b>\$26,070,014</b>	<b>33.6%</b>	<b>\$74,760,498</b>	<b>\$20,711,284</b>	<b>27.7%</b>	<b>\$5,358,730</b>	<b>25.9%</b>
Transportation Benefit District	\$788,613	\$634,340	80.4%	\$919,200	\$696,859	75.8%	-\$62,519	-9.0%

# GENERAL FUND REVENUE DETAIL

Revenue Source	2014 Current Budget	2014 Second Quarter Actual Revenue	2014 % of Current Budget Received	2013 Current Budget	2013 Second Quarter Actual Revenue	2013 % of Current Budget Received	2014 v. 2013 \$ Variance
Budgeted Fund Balance	\$2,536,444	\$0	0.0%	\$1,573,515	\$0	0.0%	\$0
Property Tax	\$10,245,815	\$5,420,438	52.9%	\$9,409,277	\$5,073,258	53.9%	\$347,180
Sales Tax	\$6,739,000	\$2,996,802	44.5%	\$6,574,800	\$2,989,414	45.5%	\$7,388
Local Criminal Justice	\$1,224,532	\$607,670	49.6%	\$1,171,779	\$565,986	48.3%	\$41,684
<b>Utility Tax and Franchise Fee Revenue</b>							
<i>Natural Gas</i>	\$889,590	\$504,160	56.7%	\$966,946	\$440,998	45.6%	\$63,162
<i>Garbage</i>	\$528,086	\$132,399	25.1%	\$497,977	\$127,911	25.7%	\$4,488
<i>Cable TV</i>	\$1,658,749	\$507,973	30.6%	\$1,531,846	\$567,331	37.0%	-\$59,358
<i>Telecommunications</i>	\$1,569,095	\$509,814	32.5%	\$1,704,878	\$508,978	29.9%	\$836
<i>Storm Drainage</i>	\$207,697	\$112,903	54.4%	\$201,648	\$109,236	54.2%	\$3,667
<i>Water</i>	\$754,197	\$209,824	27.8%	\$715,327	\$56,157	7.9%	\$153,667
<i>Sewer</i>	\$809,711	\$404,000	49.9%	\$786,127	\$392,000	49.9%	\$12,000
<b>Utility Tax and Franchise Fee Revenue Subtotal</b>	\$6,417,125	\$2,381,073	37.1%	\$6,404,749	\$2,202,611	34.4%	\$178,462
SCL Contract Payment	\$1,912,728	\$770,128	40.3%	\$1,829,501	\$741,166	40.5%	\$28,962
Gambling Tax Revenue	\$1,569,125	\$554,535	35.3%	\$1,755,451	\$670,411	38.2%	-\$115,876
Development Revenue	\$1,211,750	\$832,846	68.7%	\$1,090,055	\$697,758	64.0%	\$135,088
Park and Recreation Revenue	\$1,537,541	\$731,549	47.6%	\$1,503,960	\$694,205	46.2%	\$37,344
Intergovernmental Revenue	\$865,015	\$390,531	45.1%	\$906,181	\$332,571	36.7%	\$57,960
Grant Revenue	\$308,306	\$30,535	9.9%	\$367,931	\$35,420	9.6%	-\$4,885
Fines and Licenses	\$835,053	\$135,830	16.3%	\$887,245	\$151,827	17.1%	-\$15,997
Miscellaneous Revenue	\$431,479	\$259,081	60.0%	\$427,110	\$249,935	58.5%	\$9,146
Investment Income	\$30,000	\$14,057	46.9%	\$30,000	\$10,865	36.2%	\$3,192
Operating Transfers In	\$979,100	\$484,550	49.5%	\$946,045	\$473,022	50.0%	\$11,528
<b>Total General Fund Revenue</b>	<b>\$36,843,013</b>	<b>\$15,609,625</b>	<b>42.4%</b>	<b>\$34,877,599</b>	<b>\$14,888,449</b>	<b>42.7%</b>	<b>\$721,176</b>

# GENERAL FUND REVENUE ANALYSIS:

## TOTAL GENERAL FUND REVENUE

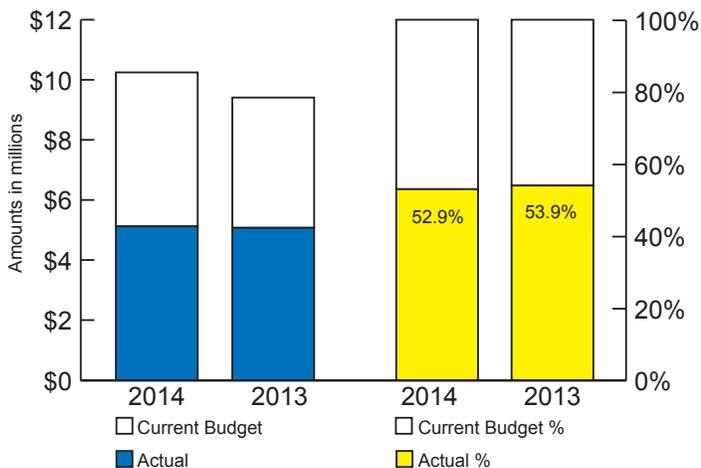


2014 Current Budget	\$36,843,013
2014 Second Quarter Actual Revenue	\$15,609,625
2014 % of Current Budget Received	42.4%
2013 Current Budget	\$34,877,599
2013 Second Quarter Actual Revenue	\$14,888,449
2013 % of Current Budget Received	42.7%
2014 v. 2013 Second Quarter \$ Variance	\$721,176
2014 v. 2013 Second Quarter % Variance	4.8%

Total General Fund revenue received through the second quarter of 2014 totaled \$15,609,625 and reflect a year-over-year increase of \$721,176, or 4.8%. The following highlights the most important details of this report:

- The largest year-over-year variance is due to the higher property tax levy for 2014.
- The year-over-year variance for Utility Tax & Franchise Fee Revenue receipts would be 2.0% had payments been received on time in the Natural Gas and Water categories in 2013 and Cable TV category in 2014.
- Pull-tab and Cardroom activity declined year-over-year. The closure of Drift on Inn last year contributed to the additional loss of revenue.
- The year-over-year increase in receipts is attributable to higher-than-anticipated receipts for building permits, mechanical fees/permits, land use fees/permits, and right-of-way fees/permits. Overall development permit activity is higher throughout all of the categories as compared to the same period in 2013.
- The year-over-year variance for Intergovernmental Revenue receipts is largely due to unanticipated receipts from the distribution of Liquor Excise Taxes.

## PROPERTY TAX

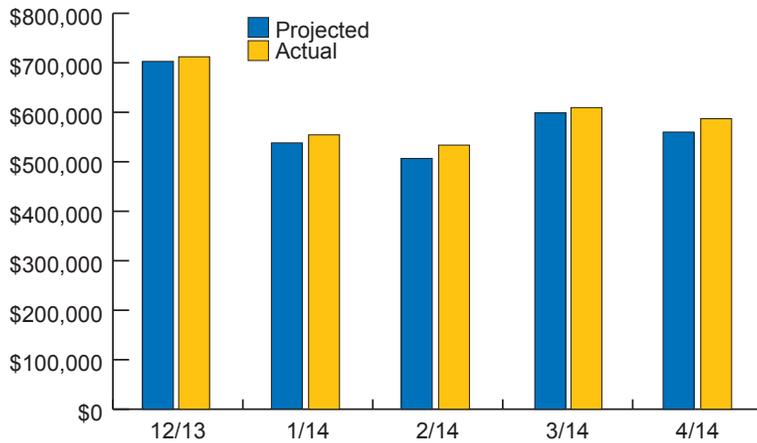


2014 Current Budget	\$10,245,815
2014 Second Quarter Actual Revenue	\$5,420,438
2014 % of Current Budget Received	52.9%
2013 Current Budget	\$9,409,277
2013 Second Quarter Actual Revenue	\$5,073,258
2013 % of Current Budget Received	53.9%
2014 v. 2013 Second Quarter \$ Variance	\$347,180
2014 v. 2013 Second Quarter % Variance	6.8%

In addition to the budget variance noted above, property tax receipts are greater than the year-to-date projection by \$39,063, or 0.7%. During the first two quarters of 2014 the City has received \$118,235 in delinquent taxes from previous years that were not factored into the budget projection.

# GENERAL FUND REVENUE ANALYSIS (continued):

## SALES TAX



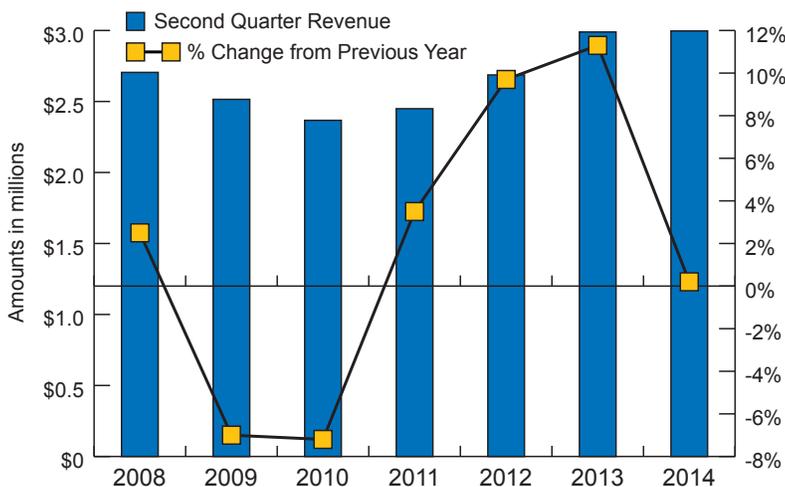
2014 Current Budget		\$6,739,000
Sales Activity	Projected	Actual
December 2013	\$703,000	\$712,174
January 2014	\$537,561	\$554,366
February 2014	\$506,773	\$533,674
March 2014	\$598,969	\$609,471
April 2014	\$560,056	\$587,117
<b>Year to date</b>	<b>\$2,906,359</b>	<b>\$2,996,802</b>
\$ Variance		\$90,443
% Variance		3.1%

Sales Tax receipts reflect activity from December 2013 through April 2014 and total \$2,996,802 and are above the revised year-to-date projection by \$90,443, or 3.1%, and above 2013 collections by \$7,388, or 0.2%. The variance from the projection is largely due to one-time activity in the construction sector. Staff's projection for the second quarter did not factor in the impact of one-time activity.

Receipts from the construction sector are lower than the year-ago level by 22.1%. Of the amount collected through June, one-time activity accounted for \$73,968, or 17.3%, in 2014, \$239,724, or 43.8%, in 2013 and \$279,579, or 61.7%, in 2012. It is anticipated there will be year-over-year decreases in future months as one-time projects come to an end. Removing one-time activity from the calculation reveals a year-over-year increase of 14.4%.

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.

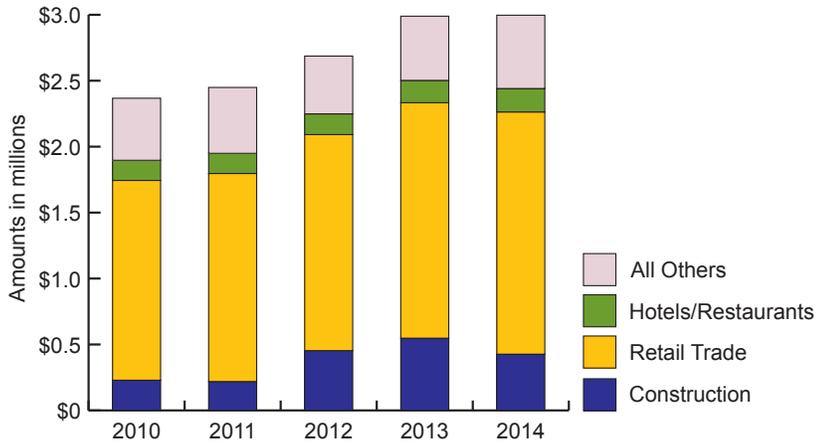
## Second Quarter Sales Tax Revenue Comparison



Year	Second Quarter Revenue	% Change from Previous Year
2008	\$2,704,846	2.5%
2009	\$2,514,978	-7.0%
2010	\$2,367,206	-5.9%
2011	\$2,449,079	3.5%
2012	\$2,686,899	9.7%
2013	\$2,989,414	11.3%
2014	\$2,996,802	0.2%

# GENERAL FUND REVENUE ANALYSIS (continued):

## SALES TAX BY CATEGORY - Second Quarter 2014

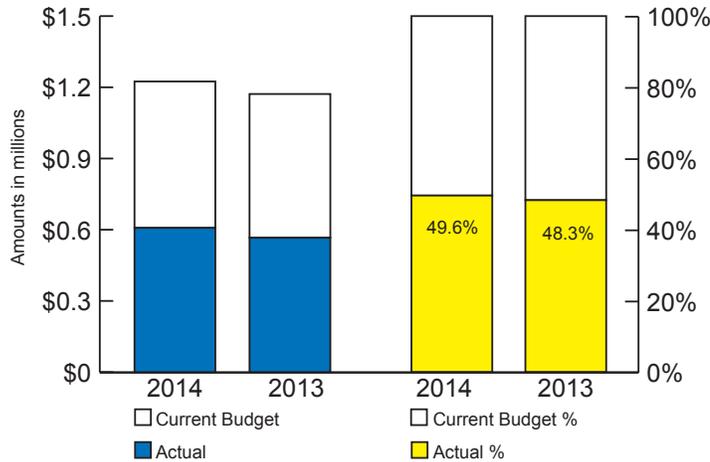


RETAIL SECTOR	2010	2011	2012	2013	2014
Construction	\$228,892	\$219,122	\$453,298	\$547,618	\$426,346
Retail Trade	\$1,515,147	\$1,577,560	\$1,638,357	\$1,785,747	\$1,836,766
Hotel and Restaurant	\$152,594	\$152,741	\$157,154	\$169,076	\$177,728
All Others	\$470,573	\$499,656	\$438,090	\$486,973	\$555,962
<b>Total</b>	<b>\$2,367,206</b>	<b>\$2,449,079</b>	<b>\$2,686,899</b>	<b>\$2,989,414</b>	<b>\$2,996,802</b>
\$ Variance to previous year	-\$147,772	\$81,873	\$237,820	\$302,515	\$7,388
% Variance to previous year	-5.9%	3.5%	9.7%	11.3%	0.2%

SALES TAX BY CATEGORY									
Retail Trade	2010 Dec-April	2011 Dec-April	2011 v. 2010 \$ Variance	2012 Dec-April	2012 v. 2011 \$ Variance	2013 Dec-April	2013 v. 2012 \$ Variance	2014 Dec-April	2014 v. 2013 \$ Variance
Motor Vehicle/Parts Dealer	\$337,491	\$383,068	\$45,577	\$412,438	\$29,370	\$459,052	\$46,614	\$500,090	\$41,038
Furniture, Home Furnishings	\$19,889	\$25,366	\$5,477	\$21,743	-\$3,623	\$22,525	\$782	\$26,705	\$4,180
Electronics and Appliances	\$27,897	\$29,136	\$1,239	\$41,521	\$12,385	\$37,660	-\$3,861	\$37,247	-\$413
Building Materials, Garden	\$216,855	\$198,431	-\$18,424	\$204,228	\$5,797	\$249,927	\$45,699	\$247,899	-\$2,028
Food and Beverage Stores	\$106,147	\$105,677	-\$470	\$105,847	\$170	\$105,461	-\$386	\$104,808	-\$653
Health/Personal Care Store	\$53,328	\$53,691	\$363	\$63,890	\$10,199	\$67,751	\$3,861	\$70,264	\$2,513
Gasoline Stations	\$26,358	\$28,490	\$2,132	\$29,406	\$916	\$29,686	\$280	\$29,486	-\$200
Clothing and Accessories	\$12,136	\$15,358	\$3,222	\$19,090	\$3,732	\$20,486	\$1,396	\$20,810	\$324
Sporting Goods, Hobby, Books	\$36,161	\$35,510	-\$651	\$35,445	-\$65	\$33,821	-\$1,624	\$36,146	\$2,325
General Merchandise Stores	\$539,995	\$546,464	\$6,469	\$543,082	-\$3,382	\$583,267	\$40,185	\$574,845	-\$8,422
Miscellaneous Store Retailers	\$99,237	\$109,607	\$10,370	\$107,380	-\$2,227	\$110,388	\$3,008	\$112,102	\$1,714
Nonstore Retailers	\$39,653	\$46,762	\$7,109	\$54,287	\$7,525	\$65,723	\$11,436	\$76,364	\$10,641
<b>Total Revenue</b>	<b>\$1,515,147</b>	<b>\$1,577,560</b>	<b>\$62,413</b>	<b>\$1,638,357</b>	<b>\$60,797</b>	<b>\$1,785,747</b>	<b>\$147,390</b>	<b>\$1,836,766</b>	<b>\$51,019</b>

# GENERAL FUND REVENUE ANALYSIS (continued):

## LOCAL CRIMINAL JUSTICE SALES TAX

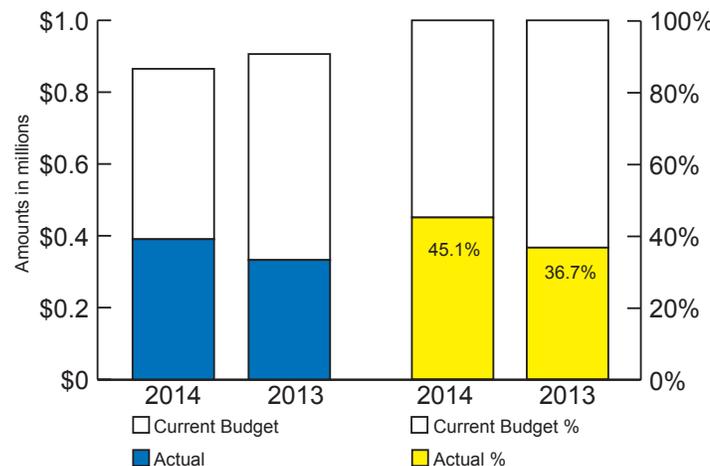


2014 Current Budget	\$1,224,532
2014 Second Quarter Actual Revenue	\$607,670
2014 % of Current Budget Received	49.6%
2013 Current Budget	\$1,171,779
2013 Second Quarter Actual Revenue	\$565,986
2013 % of Current Budget Received	48.3%
2014 v. 2013 Second Quarter \$ Variance	\$41,684
2014 v. 2013 Second Quarter % Variance	7.4%

Local Criminal Justice Sales Tax receipts through June, in the amount of \$607,670, are \$41,684, or 7.4%, more than the year-ago level. Thus far this year 49.6% of the amount budgeted has been received as compared to 48.3% received during the same period last year. In addition to the budget variance, receipts are \$19,499, or 3.3%, more than the year-to-date projection.

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.

## INTERGOVERNMENTAL REVENUE

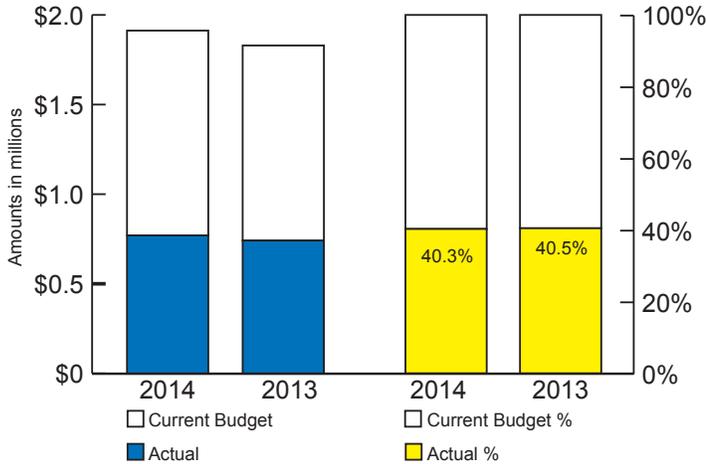


2014 Current Budget	\$865,015
2014 Second Quarter Actual Revenue	\$390,531
2014 % of Current Budget Received	45.1%
2013 Current Budget	\$906,181
2013 Second Quarter Actual Revenue	\$332,571
2013 % of Current Budget Received	36.7%
2014 v. 2013 Second Quarter \$ Variance	\$57,960
2014 v. 2013 Second Quarter % Variance	17.4%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, and liquor board profits. Receipts through June, in the amount of \$390,531, are \$57,960, or 17.4%, more than the year-ago level. In addition to the budget variance, receipts are \$37,984, or 10.8%, more than the year-to-date projection. Both variances are largely due to unanticipated receipts from the distribution of Liquor Excise Taxes.

# GENERAL FUND REVENUE ANALYSIS (continued):

## SEATTLE CITY LIGHT CONTRACT PAYMENT

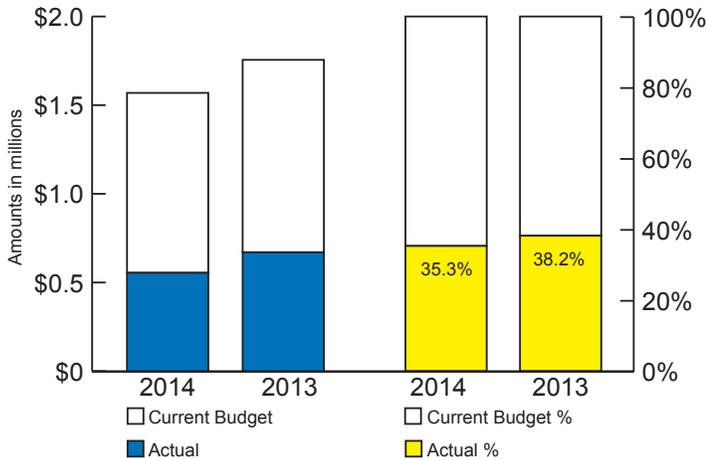


2014 Current Budget	\$1,912,728
2014 Second Quarter Actual Revenue	\$770,128
2014 % of Current Budget Received	40.3%
2013 Current Budget	\$1,829,501
2013 Second Quarter Actual Revenue	\$741,166
2013 % of Current Budget Received	40.5%
2014 v. 2013 Second Quarter \$ Variance	\$28,962
2014 v. 2013 Second Quarter % Variance	3.9%

Receipts through June, in the amount of \$770,128, are \$28,962, or 3.9%, more than the year-ago level. In addition to the budget variance, receipts are \$34,242, or 4.3%, less than the year-to-date projection.

# GENERAL FUND REVENUE ANALYSIS (continued):

## GAMBLING TAX REVENUE



2014 Current Budget	\$1,569,125
2014 Second Quarter Actual Revenue	\$554,535
2014 % of Current Budget Received	35.3%
2013 Current Budget	\$1,755,451
2013 Second Quarter Actual Revenue	\$670,411
2013 % of Current Budget Received	38.2%
2014 v. 2013 Second Quarter \$ Variance	-\$115,876
2014 v. 2013 Second Quarter % Variance	-17.3%

Total receipts, inclusive of taxes on gambling activity and payments on promissory notes, in the amount of \$554,535, are lower than 2013 collections by \$115,876, or 17.3%, and the projection by \$3,872, or 0.7%. Receipts attributable to taxes on gambling activity reported through the second quarter, in the amount of \$467,459, exhibit a year-over-year decrease of \$77,179, or 14.2%, and are \$3,168, or 0.7%, less than the projection. One-time revenue resulting from promissory notes through the second quarter totaled \$87,076.

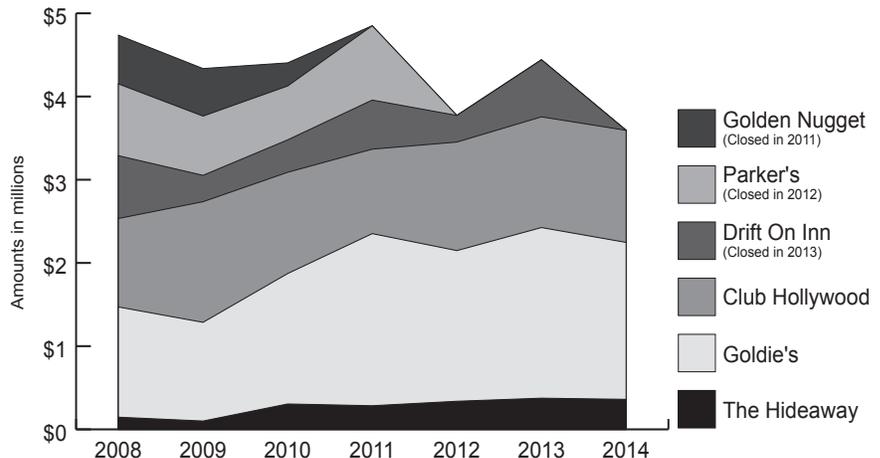
Pull-tab and card room activity declined year-over-year. The closure of Drift on Inn last year contributed to the additional loss of revenue. One-time revenue projected to be received based on promissory notes in 2014 totals \$98,278.

Gambling tax receipts presented in this report largely reflect only those taxes calculated on first quarter gambling activity, since second quarter gambling tax returns are not due to the City until July 30, and monthly payments as required by certain promissory notes. Card rooms pay ten percent of gross yearly receipts over \$10,000. The chart below exhibits the last seven years of gross receipts reported by card rooms in Shoreline.

## CARD ROOM RECEIPTS 2008-2014

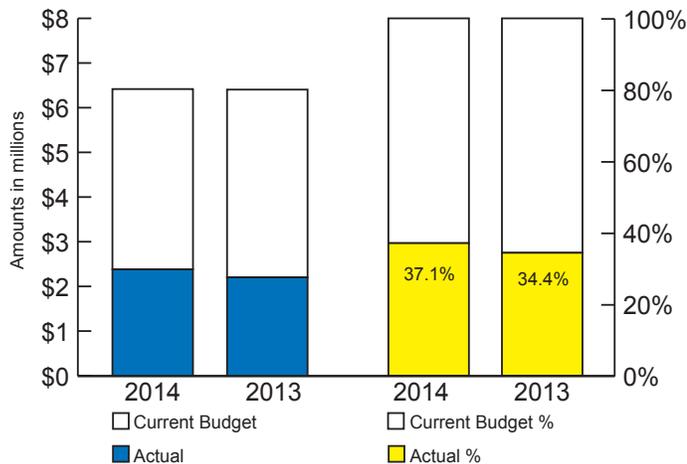
Card Room Gross Receipts  
Second Quarter 2008-2014

Year		% Change from Previous Year
2008	\$4,737,431	-13.5%
2009	\$4,335,807	-8.5%
2010	\$4,404,379	1.6%
2011	\$4,850,692	10.1%
2012	\$3,772,590	-22.2%
2013	\$4,440,992	17.7%
2014	\$3,593,688	-19.1%



# GENERAL FUND REVENUE ANALYSIS (continued):

## UTILITY TAX AND FRANCHISE FEE



2014 Current Budget	\$6,417,125
2014 Second Quarter Actual Revenue	\$2,381,073
2014 % of Current Budget Received	37.1%
2013 Current Budget	\$6,404,749
2013 Second Quarter Actual Revenue	\$2,202,611
2013 % of Current Budget Received	34.4%
2014 v. 2013 Second Quarter \$ Variance	\$178,462
2014 v. 2013 Second Quarter % Variance	8.1%

Overall Utility Tax and Franchise Fee receipts, in the amount of \$2,381,073, are \$178,462, or 8.1%, more than the year-ago level. In addition to the budget variance, receipts are \$20,319, or 0.8%, less than the year-to-date projection.

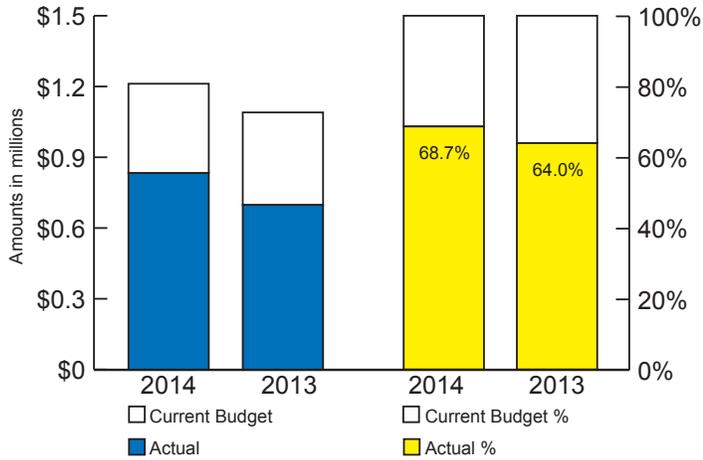
Natural gas tax receipts are 14.3% higher than those collected during the same period in 2013 because Puget Sound Energy's May 2013 payment was not received until July. Had that payment been received on time receipts through the second quarter of 2014 would be 1.2% higher than the year-ago level. Garbage tax receipts are 3.5% higher than those collected during the same period in 2013. Cable television tax receipts are 10.5% less than those collected during the same period in 2013 because Comcast's May 2014 utility tax payment was not received until July. Had that payment been received on time receipts through the second quarter of 2014 would be 2.5% higher than the year-ago level. Telecommunications tax receipts increased from 2013 collections by 0.2% and are behind the year-to-date projection by 1.5%. Telecommunications tax receipts fell each year from 2010 through 2013. Water franchise fee receipts are 169.1% higher than those collected during the same period in 2013 because Seattle's first quarter 2013 payment was not received until July. Had that payment been received on time receipts through the second quarter of 2014 would be 3.0% higher than the year-ago level.

It is important to note that activity through the second quarter of 2014 and 2013 presented in this report does not reflect second quarter payments for the garbage utility tax and water and cable franchise fees. Second quarter payments for these items are typically received in late July.

Revenue Source	2014 Current Budget	2014 Second Quarter Actual Revenue	2014 % of Current Budget Received	2013 Current Budget	2013 Second Quarter Actual Revenue	2013 % of Current Budget Received	2014 v. 2013 \$ Variance	2014 v. 2013 % Variance
Natural gas	\$889,590	\$504,160	56.7%	\$966,946	\$440,998	45.6%	\$63,162	14.3%
Garbage	\$528,086	\$132,399	25.1%	\$497,977	\$127,911	25.7%	\$4,488	3.5%
Cable TV	\$1,658,749	\$507,973	30.6%	\$1,531,846	\$567,331	37.0%	-\$59,358	-10.5%
Telecommunications	\$1,569,095	\$509,814	32.5%	\$1,704,878	\$508,978	29.9%	\$836	0.2%
Storm Drainage	\$207,697	\$112,903	54.4%	\$201,648	\$109,236	54.2%	\$3,667	3.4%
Water	\$754,197	\$209,824	27.8%	\$715,327	\$56,157	7.9%	\$153,667	273.6%
Sewer	\$809,711	\$404,000	49.9%	\$786,127	\$392,000	49.9%	\$12,000	3.1%
<b>Utility Tax and Franchise Fee Revenue Subtotal</b>	<b>\$6,417,125</b>	<b>\$2,381,073</b>	<b>37.1%</b>	<b>\$6,404,749</b>	<b>\$2,202,611</b>	<b>34.4%</b>	<b>\$178,462</b>	<b>8.1%</b>

# GENERAL FUND REVENUE ANALYSIS (continued):

## DEVELOPMENT REVENUE



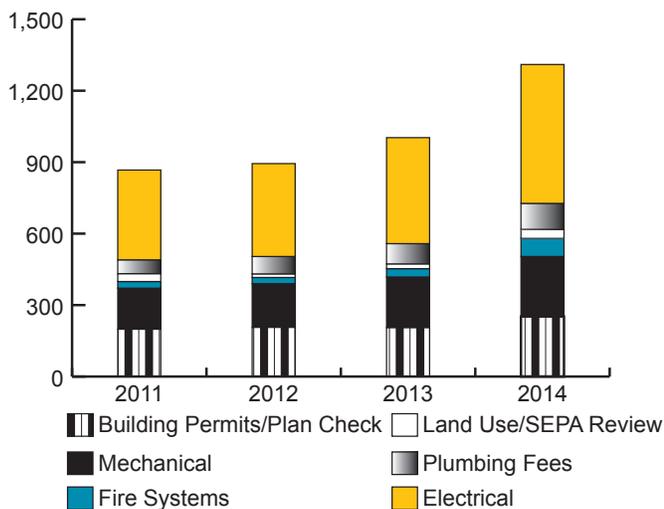
2014 Current Budget	\$1,211,750
2014 Second Quarter Actual Revenue	\$832,846
2014 % of Current Budget Received	68.7%
2013 Current Budget	\$1,090,055
2013 Second Quarter Actual Revenue	\$697,758
2013 % of Current Budget Received	64.0%
2014 v. 2013 Second Quarter \$ Variance	\$135,088
2014 v. 2013 Second Quarter % Variance	19.4%

Development revenue receipts, in the amount of \$832,846, are \$113,066, or 15.7%, more than the year-to-date projection and exhibit a year-over-year increase of \$135,088, or 19.4%. The year-over-year increase in receipts is attributable to higher-than-anticipated receipts for building permits, mechanical fees/permits, land use fees/permits, and right-of-way fees/permits.

Issued building permits came in at \$20.29 million valuation through June, comprised of 58.9% residential and 41.1% non-residential. The majority of the non-residential valuation is for the North City Water District's 3,200 square foot pump station and associated site work valued at \$4.0 million.

Thus far in 2014, there has been one less permit issued for new single-family residences issued, with a value that is \$0.7 million more, as compared to the year-ago level. There have been six more permits issued for non-residential construction (new and remodels), with a value that is \$2.4 million more, than the year-ago level. This positive trend is also seen in the number of permits issued throughout all of the categories as compared to the same period in 2013.

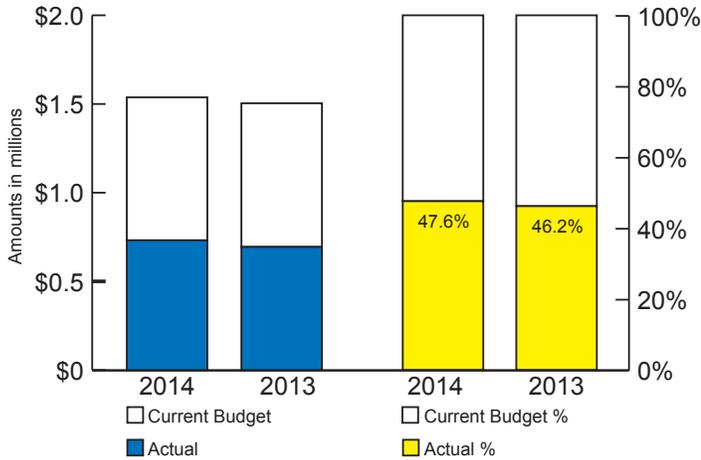
## PERMITS BY TYPE January through June 2011–2014



PERMIT TYPE	2011	2012	2013	2014
Building Permits/Plan Check	199	207	206	252
Mechanical	172	183	212	252
Fire Systems	28	26	35	76
Land Use/SEPA Review	33	15	20	38
Plumbing	58	73	85	109
Electrical	377	390	445	583
<b>Total</b>	<b>867</b>	<b>894</b>	<b>1,003</b>	<b>1,310</b>

# GENERAL FUND REVENUE ANALYSIS (continued):

## PARK AND RECREATION REVENUE

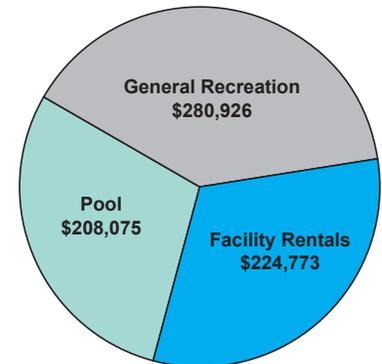


2014 Current Budget	\$1,537,541
2014 Second Quarter Actual Revenue	\$731,549
2014 % of Current Budget Received	47.6%
2013 Current Budget	\$1,503,960
2013 Second Quarter Actual Revenue	\$694,205
2013 % of Current Budget Received	46.2%
2014 v. 2013 Second Quarter \$ Variance	\$37,344
2014 v. 2013 Second Quarter % Variance	5.4%

Park and Recreation revenue receipts, in the amount of \$731,549, are \$37,344, or 5.4%, higher than the year-ago level and \$29,154, or 4.2%, higher than the year-to-date projection. Compared to the first half of 2013, the first half of 2014 witnessed an increase in revenues from the pool by 16.2% and facility rentals by 7.6%. Pool receipts for the second quarter of 2013 were affected by the pool closure during the month of May 2013 while a new boiler was being installed. The decrease in facility rental revenue is largely due to fewer rentals of athletic fields and the Spartan Gym. General Recreation receipts showed an increase of 13.6% over the same period in 2013, largely due to increased participation in preschool sports skills and youth programs.

**Recreation Revenue by Program Area: January - June 2007 - 2014\***

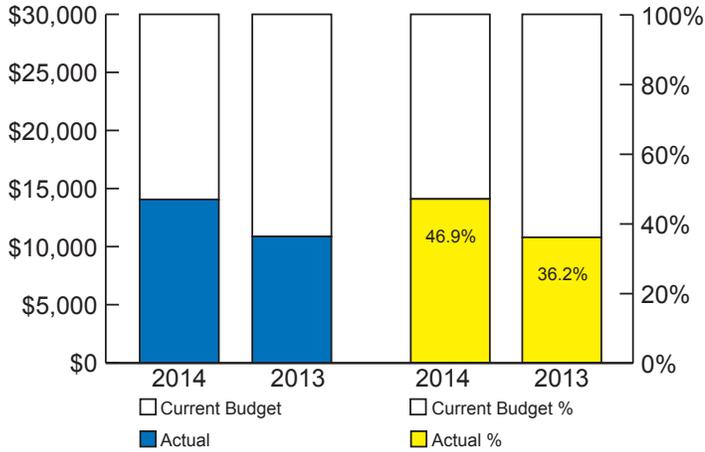
Year	General Recreation*	General Recreation % of Total	Pool	Pool % of Total	Facility Rentals	Facility Rentals % of Total	Total Revenue
2007	\$209,934	37.0%	\$196,133	34.6%	\$160,620	28.3%	\$566,687
2008	\$235,679	38.2%	\$222,352	36.0%	\$159,599	25.8%	\$617,630
2009	\$218,921	34.1%	\$212,571	33.1%	\$211,292	32.9%	\$642,784
2010	\$269,102	39.4%	\$203,074	29.7%	\$211,343	30.9%	\$683,519
2011	\$268,804	37.2%	\$214,604	29.7%	\$238,778	33.1%	\$722,186
2012	\$255,050	38.7%	\$178,782	27.1%	\$224,922	34.1%	\$658,754
2013	\$251,268	37.3%	\$179,073	26.6%	\$243,169	36.1%	\$673,510
<b>2014</b>	<b>\$280,926</b>	<b>39.4%</b>	<b>\$208,075</b>	<b>29.2%</b>	<b>\$224,773</b>	<b>31.5%</b>	<b>\$713,774</b>



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

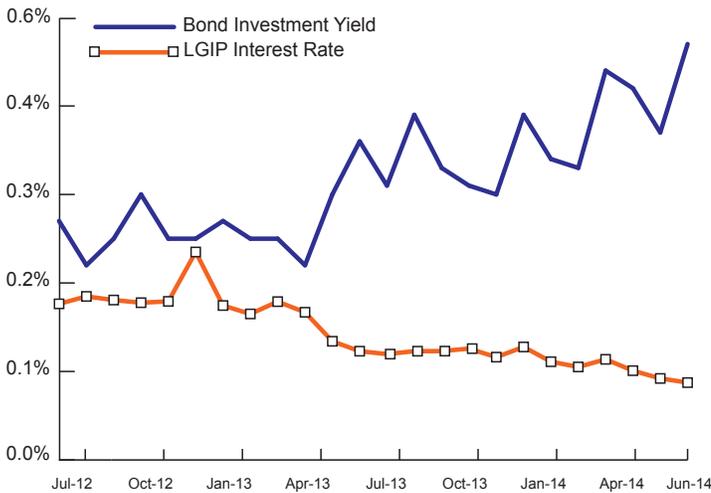
# GENERAL FUND REVENUE ANALYSIS (continued):

## INVESTMENT INCOME



2014 Current Budget	\$30,000
2014 Second Quarter Actual Revenue	\$14,057
2014 % of Current Budget Received	46.9%
2013 Current Budget	\$30,000
2013 Second Quarter Actual Revenue	\$10,865
2013 % of Current Budget Received	36.2%
2014 v. 2013 Second Quarter \$ Variance	\$3,192
2014 v. 2013 Second Quarter % Variance	29.4%

Investment earnings through June totaled \$14,057 and are higher than the year-ago level by \$3,686, or 35.5%.

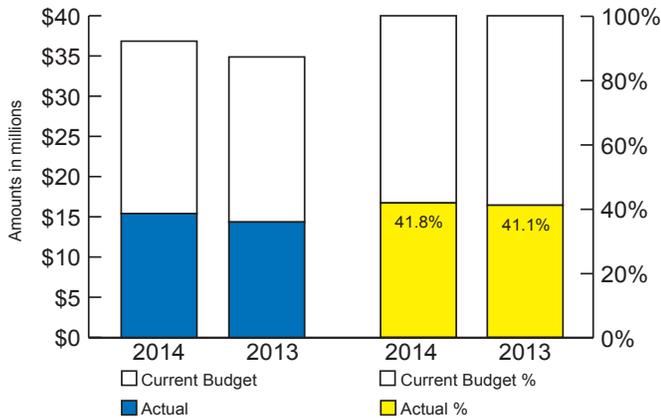


Month	LGIP Interest Rate*	Bond Investment Yield
7/31/12	0.1764%	0.2700%
8/31/12	0.1848%	0.2200%
9/30/12	0.1807%	0.2500%
10/31/12	0.1777%	0.3000%
11/30/12	0.1792%	0.2500%
12/31/12	0.2350%	0.2500%
1/31/13	0.1745%	0.2700%
2/29/13	0.1650%	0.2500%
3/31/13	0.1789%	0.2500%
4/30/13	0.1669%	0.2200%
5/31/13	0.1341%	0.3000%
6/30/13	0.1229%	0.3600%
7/31/13	0.1196%	0.3100%
8/31/13	0.1229%	0.3900%
9/30/13	0.1230%	0.3300%
10/31/13	0.1258%	0.3100%
11/30/13	0.1162%	0.3000%
12/31/13	0.1277%	0.3900%
1/31/14	0.1110%	0.3400%
2/28/14	0.1051%	0.3300%
3/31/14	0.1137%	0.4400%
4/31/14	0.1009%	0.4200%
5/28/14	0.0921%	0.3700%
6/31/14	0.0874%	0.4700%
<b>Average</b>	<b>0.1426%</b>	<b>0.3163%</b>

\*Local Government Investment Pool

# EXPENDITURE ANALYSIS

## GENERAL FUND EXPENDITURES



2014 Current Budget	\$36,843,011
2014 Second Quarter Actual Expenditures	\$15,393,366
2014 % of Current Budget Expended	41.8%
2013 Current Budget	\$34,877,601
2013 Second Quarter Actual Expenditures	\$14,349,901
2013 % of Current Budget Expended	41.1%
2014 v. 2013 Second Quarter \$ Variance	\$1,043,465
2014 v. 2013 Second Quarter % Variance	7.3%

General Fund departmental expenditures through the second quarter of 2014, in the amount of \$13,597,073, are \$337,984, or 2.5%, higher than the year-ago level. General Fund expenditures including transfers out, of \$15,393,366 are \$1,043,465, or 7.3%, higher than the year-ago level.

In addition to the budget variance, General Fund departmental expenditures are \$510,324, or 3.6%, less than the year-to-date projection. Expenditures including transfers out are 3.2% below the year-to-date projection.

Transfers out are \$705,481 higher than last year due to one-time transfers to the Roads Capital Fund of \$300,000 to establish a grant matching pool and \$500,000 for annual roads surface maintenance support.

Department	2014 Current Budget	2014 Second Quarter Actual Expenditures	2014 % of Current Budget Expended	2013 Current Budget	2013 Second Quarter Actual Expenditures	2013 % of Current Budget Expended	2014 v. 2013 \$ Variance	2014 v. 2013 % Variance
City Council	\$221,089	\$119,231	53.9%	\$191,075	\$96,770	50.6%	\$22,460	23.2%
City Manager's Office <sup>1</sup>	\$2,158,535	\$854,837	39.6%	\$2,023,139	\$919,516	45.4%	-\$64,679	-7.0%
City Attorney	\$593,787	\$249,009	41.9%	\$584,847	\$227,707	38.9%	\$21,302	9.4%
Community Services <sup>2</sup>	\$1,564,288	\$617,721	39.5%	\$1,523,978	\$592,257	38.9%	\$25,464	4.3%
Administrative Services <sup>3</sup>	\$4,128,892	\$1,692,787	41.0%	\$3,867,515	\$1,584,247	41.0%	\$108,539	6.9%
Citywide	\$1,832,230	\$693,817	37.9%	\$1,775,686	\$855,696	48.2%	-\$161,879	-18.9%
Human Resources	\$442,810	\$220,579	49.8%	\$426,251	\$217,066	50.9%	\$3,514	1.6%
Police	\$10,703,332	\$4,311,021	40.3%	\$10,607,317	\$4,401,987	41.5%	-\$90,966	-2.1%
Criminal Justice	\$2,340,706	\$746,887	31.9%	\$2,109,968	\$592,017	28.1%	\$154,870	26.2%
Parks, Recreation & Cultural Services	\$5,020,693	\$2,099,920	41.8%	\$4,983,154	\$2,025,226	40.6%	\$74,694	3.7%
Planning & Community Development	\$2,705,095	\$1,127,358	41.7%	\$2,552,020	\$1,043,639	40.9%	\$83,719	8.0%
Public Works	\$2,442,806	\$863,906	35.4%	\$1,768,369	\$702,959	39.8%	\$160,946	22.9%
<b>Departmental Expenditures</b>	<b>\$34,154,262</b>	<b>\$13,597,073</b>	<b>39.8%</b>	<b>\$32,413,319</b>	<b>\$13,259,088</b>	<b>40.9%</b>	<b>\$337,984</b>	<b>2.5%</b>
Operating Transfers Out	\$2,688,749	\$1,796,293	66.8%	\$2,464,282	\$1,090,812	44.3%	\$705,481	64.7%
<b>Total Expenditures</b>	<b>\$36,843,011</b>	<b>\$15,393,366</b>	<b>41.8%</b>	<b>\$34,877,601</b>	<b>\$14,349,901</b>	<b>41.1%</b>	<b>\$1,043,465</b>	<b>7.3%</b>

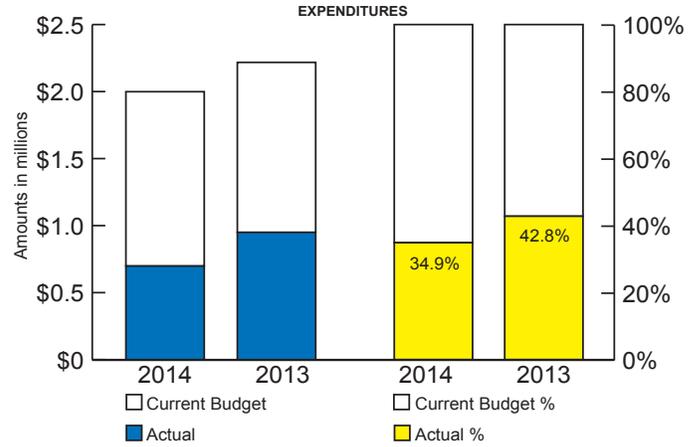
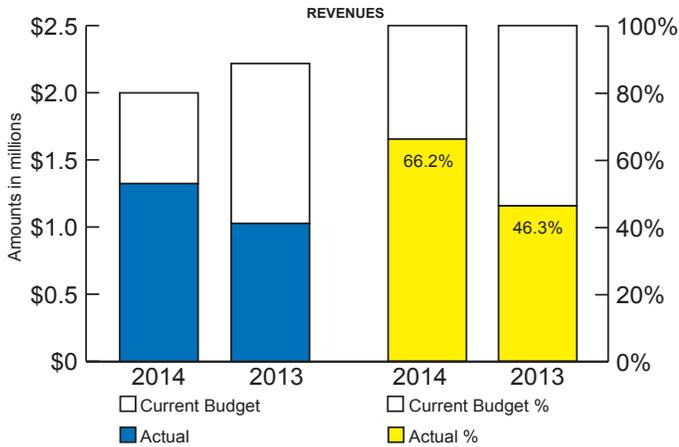
<sup>1</sup> City Manager's Office includes City Manager's Office, City Clerk, Communications, Intergovernmental Relations, Economic Development and Property Management.

<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 Fleet & Facilities.

# OTHER FUNDS REVENUE ANALYSIS:

## STREET FUND



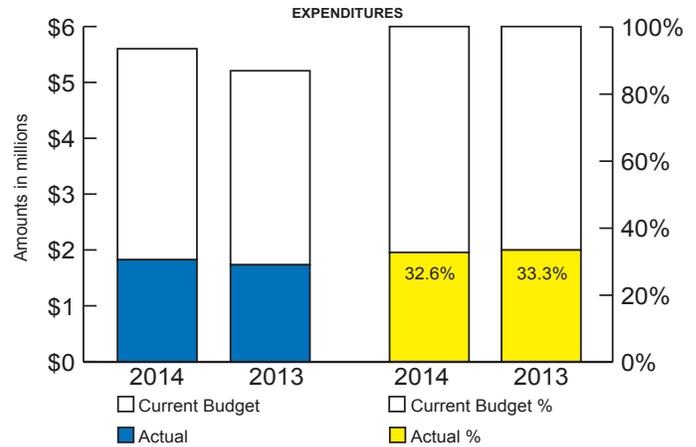
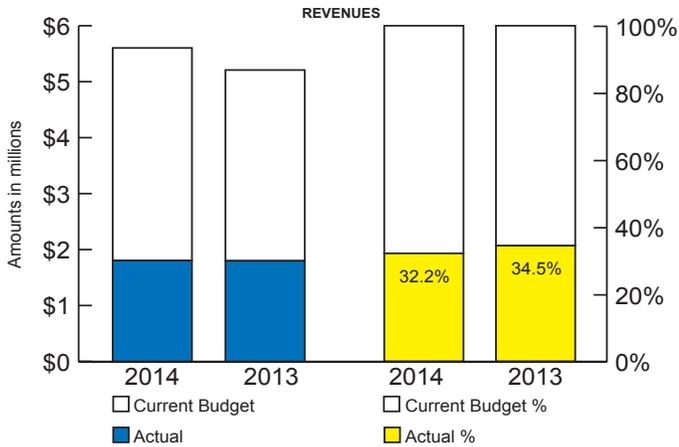
	Revenue	Expenditures
2014 Current Budget	\$1,999,037	\$1,999,037
2014 Second Quarter Actual	\$1,323,290	\$698,404
2014 % of Current Budget	66.2%	34.9%
2013 Current Budget	\$2,217,696	\$2,217,696
2013 Second Quarter Actual	\$1,026,812	\$949,600
2013 % of Current Budget	46.3%	42.8%
2014 v. 2013 Second Quarter \$ Variance	\$296,478	-\$251,196
2014 v. 2013 Second Quarter % Variance	28.9%	-26.5%

Receipts, including transfers in, through June totaled \$1,323,290 and are \$296,478, or 28.9%, higher than the year-ago level. A settlement payment for light pole repair was received in the first quarter of 2014, in the amount of \$340,000. Factoring out this payment reveals a year-over-year decrease of \$43,522, or 4.2%. In addition, receipts are \$347,246, or 35.6%, higher than the year-to-date projection.

Expenditures, including transfers out, through June totaled \$698,404 and are \$251,196, or 26.5%, less than the year-ago level. The decrease in expenditures is primarily because expenditures for streetlight and traffic signal electricity were moved to another program in 2014. These expenses totaled \$248,374 during the first half of 2013.

# OTHER FUNDS REVENUE ANALYSIS:

## SURFACE WATER UTILITY FUND



	Revenue	Expenditures
2014 Current Budget	\$5,602,951	\$5,602,951
2014 Second Quarter Actual	\$1,802,992	\$1,824,060
2014 % of Current Budget	32.2%	32.6%
2013 Current Budget	\$5,208,385	\$5,208,385
2013 Second Quarter Actual	\$1,798,507	\$1,733,184
2013 % of Current Budget	34.5%	33.3%
2014 v. 2013 Second Quarter \$ Variance	\$4,485	\$90,876
2014 v. 2013 Second Quarter % Variance	0.2%	5.2%

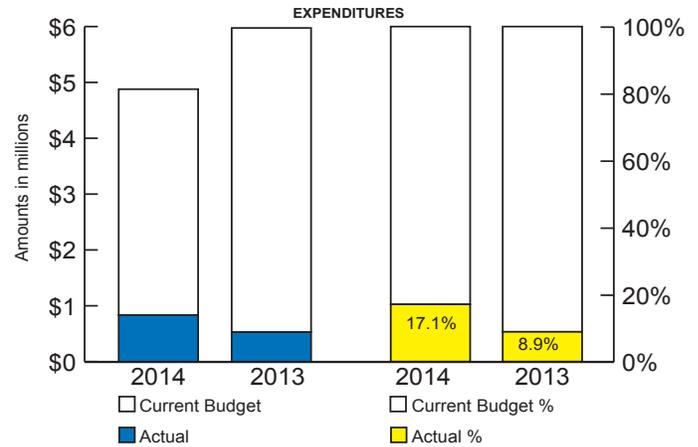
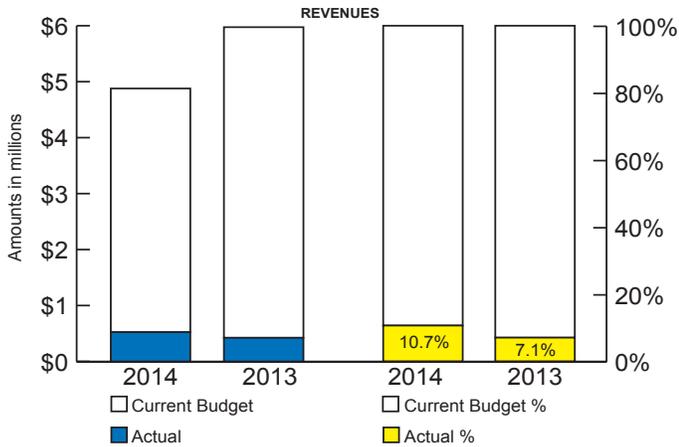
The Surface Water Utility Fund (SWM) includes on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Receipts through June, in the amount of \$1,802,992, are \$4,485, or 0.2%, higher than the year-ago level and \$18,400, or 1.0%, higher than the year-to-date projection. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled \$1,787,330 and are \$42,398, or 2.4%, above the year-ago level.

Expenditures, including transfers out, through June totaled \$1,824,060 and are \$90,876, or 5.2%, more than the year-ago level. Furthermore, expenditures are \$185,696, or 9.2%, less than the year-to-date projection. Capital projects are \$121,982, or 38.9%, more than the year-ago level and the operating programs are \$75,920, or 7.3%, higher than the year-ago levels. In addition to the budget variance, capital projects expenditures are more than the year-to-date projections by \$102,484, or 33.1%, and operating program expenditures are less than the year-to-date projections by \$288,181, or 20.5%. Expenditures are impacted by the timing of construction schedules.

# OTHER FUNDS REVENUE ANALYSIS:

## GENERAL CAPITAL FUND



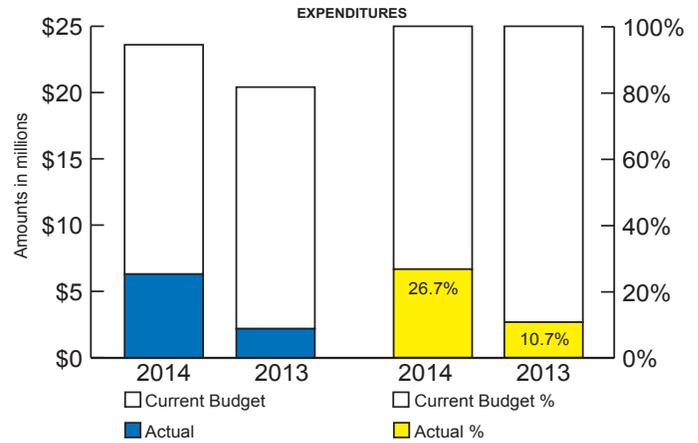
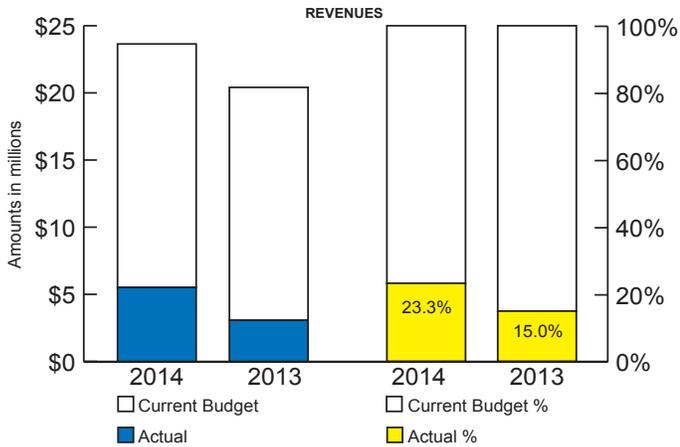
	<i>Revenue</i>	<i>Expenditures</i>
2014 Current Budget	\$4,878,471	\$4,878,471
2014 Second Quarter Actual	\$524,096	\$835,021
2014 % of Current Budget	10.7%	17.1%
2013 Current Budget	\$5,974,435	\$5,974,435
2013 Second Quarter Actual	\$423,424	\$529,039
2013 % of Current Budget	7.1%	8.9%
2014 v. 2013 Second Quarter \$ Variance	\$100,672	\$305,982
2014 v. 2013 Second Quarter % Variance	23.8%	57.8%

Receipts through June, in the amount of \$524,096, are \$100,672, or 23.8%, higher than the year-ago level. Investment earnings totaled \$1,380, which is \$7,780, or 84.9%, below the projection. Receipts from the King County Trail Levy totaling \$40,395 are below 2013 second quarter numbers by \$15,839, or 28.2%, but above the 2014 year-to-date projection by \$4,438, or 12.3%.

Expenditures through June, including transfers out, totaled \$835,021 and are \$305,982, or 57.8%, more than the same period in 2013. In addition, expenditures are \$328,500, or 64.9%, more than year-to-date projections. Expenditures are impacted by the timing of construction schedules.

# OTHER FUNDS REVENUE ANALYSIS:

## ROADS CAPITAL FUND



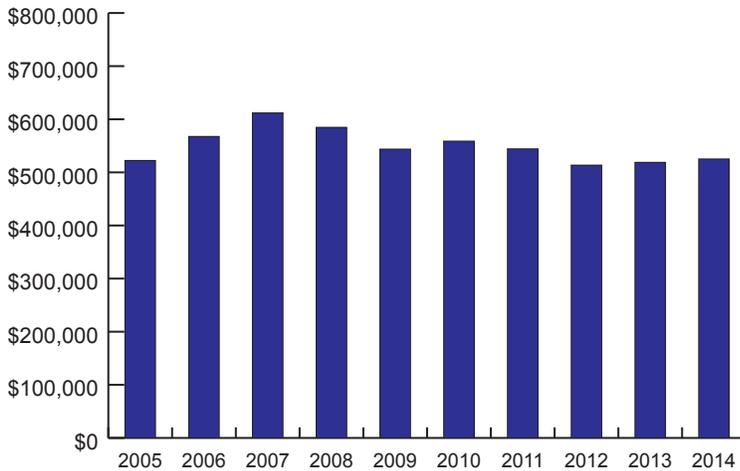
	<i>Revenue</i>	<i>Expenditures</i>
2014 Current Budget	\$23,642,942	\$23,603,999
2014 Second Quarter Actual	\$5,512,582	\$6,302,435
2014 % of Current Budget	23.3%	26.7%
2013 Current Budget	\$20,410,625	\$20,410,625
2013 Second Quarter Actual	\$3,067,590	\$2,181,810
2013 % of Current Budget	15.0%	10.7%
2014 v. 2013 Second Quarter \$ Variance	\$2,444,992	\$4,120,625
2014 v. 2013 Second Quarter % Variance	79.7%	188.9%

Receipts through June, in the amount of \$5,512,582, are \$2,444,992, or 79.7%, higher than the year-ago level. The increase is due, in part, to the fact that part of the annual charge to TBD for Roads Surfaces maintenance occurred earlier in 2014, while the 2013 charge occurred in the last half of the year. Another contributing factor is an increase in utility reimbursements from Seattle City Light, Seattle Public Utilities, and Ronald Wastewater.

Expenditures through June, in the amount of \$6,302,435, are \$4,120,625, or 188.9%, higher than the year-ago level. The difference between 2013 and 2014 is due to Aurora Avenue project being delayed in 2013 to 2014. Expenditures are impacted by the timing of construction schedules.

# NON-GENERAL FUND REVENUE ANALYSIS:

## STREET FUND - FUEL TAX

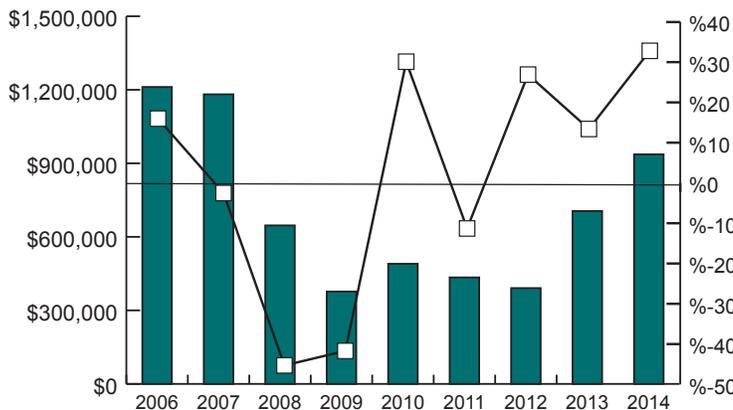


**Fuel Tax: Historical Second Quarter 2005-2014**

2005	\$522,371
2006	\$567,577
2007	\$611,951
2008	\$584,780
2009	\$543,744
2010	\$558,745
2011	\$544,273
2012	\$513,598
2013	\$518,862
2014	\$525,271

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 second quarter of 2014, in the amount of \$525,271, are \$6,409, or 1.2%, higher than the year-ago level. In addition to the budget variance, receipts are \$3,117, or 0.6%, greater than the year-to-date projection.

## REAL ESTATE EXCISE TAX (REET)



**REET: Second Quarter Collected 2006-2014**

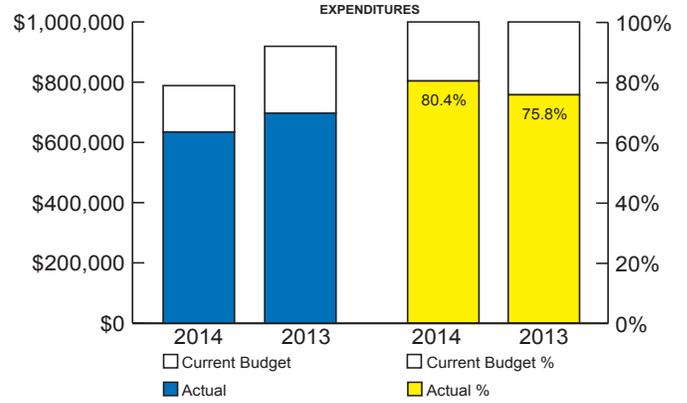
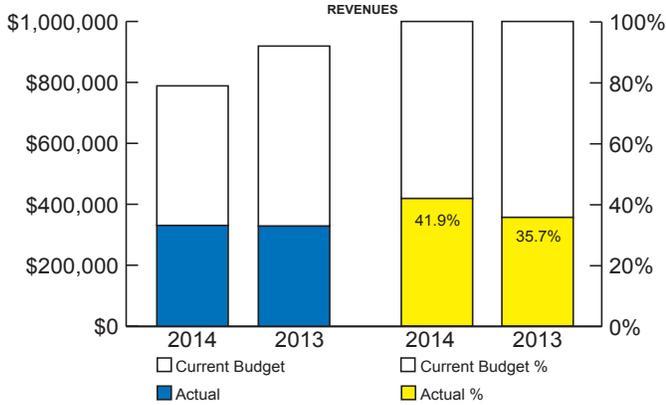
	Revenue	\$ Change from Previous Year	% Change from Previous Year
2006	\$1,211,482	\$166,536	15.9%
2007	\$1,181,604	-\$29,878	-2.5%
2008	\$646,678	-\$534,926	-45.3%
2009	\$376,842	-\$269,836	-41.7%
2010	\$490,104	\$113,262	30.1%
2011	\$434,516	-\$55,588	-11.3%
2012	\$621,962	\$131,858	26.9%
2013	\$705,296	\$83,334	13.4%
2014	\$936,710	\$231,414	32.8%

Real Estate Excise Tax (REET) revenue receipts for the second quarter of 2014, in the amount of \$936,710, are \$231,414 or 32.8% more than receipts for the same period in 2013. There were 37 more real estate transactions through the second quarter of 2014 than in the same period of 2013, and the total value of all transactions was \$26.94 million, or 19.3%, more than in 2013.

The difference in the value of real estate transactions is attributable to there being more transactions in 2014 (410 total) than in 2013 (373 total), and there being 13 high-value (\$1 million or more) transactions through the second quarter of 2014, one more than in the same period of 2013.

# OTHER FUNDS REVENUE ANALYSIS:

## TRANSPORTATION BENEFIT DISTRICT



	Revenue	Expenditures
2014 Current Budget	\$788,613	\$788,613
2014 Second Quarter Actual	\$330,603	\$634,340
2014 % of Current Budget	41.9%	80.4%
2013 Current Budget	\$919,200	\$919,200
2013 Second Quarter Actual	\$328,250	\$696,859
2013 % of Current Budget	35.7%	75.8%
2014 v. 2013 Second Quarter \$ Variance	\$2,353	-\$62,519
2014 v. 2013 Second Quarter % Variance	0.7%	-9.0%

Through the first six months of 2014, TBD vehicle license fees totaled \$330,423, which is \$2,277, or 0.7%, more than collections over the same period in 2013. Including the LGIP investment interest, total second quarter revenues equal \$330,603. In addition to the year-over-year comparison, 2014 second quarter receipts were \$2,112, or 0.6 %, less than the year-to-date projection.

Expenditures, mostly consisting of charges for services by the Annual Road Surface Maintenance program, totaled \$634,340, which is \$62,519, or 9.0% less than the same period in 2013.

## Second Quarter INVESTMENT REPORT June 30, 2014

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 current yield to maturity of the Washington State Local Government Investment Pool, which had been the City's primary mode of investment prior to adopting our Investment Policy. As of June 30, 2014, the City's investment portfolio, excluding the State Investment Pool, had a current weighted average rate of return of 0.8908%. This is better than the State Investment Pool's current rate of return of 0.0874%. Total investment interest earnings through June were \$22,532 which is about 24% of total budgeted 2014 investment earnings of \$92,505.

Over the past few years, we have seen interest rates decline significantly. The average yield on two year government agency bonds was 5.34% in January 2007. By the end of 2008 this rate was down to 1.1%. Rates continued to decline reaching a low of 0.39% at the end of December 2013.

We are now starting to see some recovery in interest rates as the rate at the end of March 2014 was 0.44% and at the end of June 2014 was 0.47%. 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 2014 is yielding 1.0% and will not mature until June 2017. 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.

As of June 2014, the City's investment portfolio had a fair value of nearly \$30.23 million. Approximately 17% of the investment portfolio was held in U.S. government instrumentality securities, and 83% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of June 30, 2014, was slightly over \$30.21 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.

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 Home Loan Banks (FHLCB), 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. This instrument has been purchased from Federal Home Loan Banks.

# INVESTMENT REPORT (continued):

## LGIP Cash and Investment Balances June 30, 2014

### Instrument Type

	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 12/31/12
FHLB 0.375	3133834R9	ProEquities	06/26/13	06/24/16	\$1,000,000	\$986,541	0.8310%	\$10,604	\$997,145
FFCB 0.87	3133ED2Z4	ProEquities	09/27/13	09/26/16	1,000,000	1,000,450	0.8550%	1,185	1,001,635
FHLB 0.78	3130A0HZ6	Multi-Bank Security	12/30/13	12/30/16	1,000,000	999,000	0.8140%	1,459	1,000,459
FHLB 0.75	3130A16D5	Financial Northwestern	03/26/14	03/24/17	1,000,000	994,000	0.9537%	2,921	996,921
FHLMC 1.0	3137EADH9	Financial Northwestern	06/14/14	06/29/17	1,000,000	1,000,000	1.0000%	1,770	1,001,770
Sub Total Investments					5,000,000	4,979,991		17,939	4,997,930
State Investment Pool						25,229,538	0.0874%		25,229,538
<b>Total LGIP + Investments</b>						<b>\$30,209,529</b>		<b>\$17,939</b>	<b>\$30,227,468</b>

Current Average Maturity Excluding the State Investment Pool (days)	910
Current Weighted Average Yield to Maturity Excluding the State Pool	0.8908%
Current Yield to Maturity State Investment Pool	0.0874%
Basis Points in Excess (Below) Benchmark	80

### Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker	Percentage	Amount at Cost
FHLB	9.9%	2,994,525	2,979,541	ProEquities	6.6%	1,986,991
FFCB	3.3%	1,001,635	1,000,450	Multi-Bank Security	3.3%	999,000
FHLMC	3.3%	1,001,770	1,000,000	Financial Northwestern	6.6%	1,994,000
State Investment Pool	83.5%	25,229,538	25,229,538	State Investment Pool	83.5%	25,229,538
<b>Total LGIP + Investments</b>	<b>100%</b>	<b>\$30,227,468</b>	<b>\$30,209,529</b>	<b>Total Investments</b>	<b>100%</b>	<b>\$30,209,529</b>

### Investments by Fund

Fund	Investments at Cost as of 6/30/2014	LGIP State Investment Pool as of 6/30/2014	Total LGIP + Investments at Cost by Fund as of 6/30/2014	Unrecognized Gain/(Loss) as of 6/30/2014	Total Market Value of Investments by Fund as of 6/30/2014	Investment Earnings Budget 2014	Investment Earnings Actual 2014	Over/(Under) Budget
001 General	\$544,450	\$8,755,509	\$9,299,959	\$8,873	\$9,308,832	\$26,500	\$13,222	-\$13,278
101 Street	250,000	1,200,498	1,450,498	2,687	1,453,186	5,000	883	-4,117
107 Code Abatement	0	160,244	160,244	0	160,244	550	77	-473
108 Asset Seizure	0	168,369	168,369	0	168,369	0	72	72
109 Public Arts	0	237,493	237,493	0	237,493	500	115	-385
112 Fed Drug Enforcement	0	218,691	218,691	0	218,691	50	85	35
114 Transportation Benefit Dist.	0	116,043	116,043	0	116,043	60	180	120
115 Property Tax Equalization	0	1,138,043	1,138,043	0	1,138,043	0	552	552
116 Fed Crim Forfeit	0	1,703,803	1,703,803	0	1,703,803	845	832	-13
190 Revenue Stabilization	3,099,000	2,036,954	5,135,954	0	5,135,954	0	0	0
301 General Capital	0	2,702,986	2,702,986	0	2,702,986	17,392	1,381	-16,011
312 City Fac-Mjr Maint	0	207,226	207,226	0	207,226	1,360	86	-1,274
330 Roads Capital	0	1,671,968	1,671,968	0	1,671,968	25,943	1,152	-24,791
401 Surface Water Utility Fund	0	3,224,680	3,224,680	0	3,224,680	6,055	1,493	-4,562
501 Vehicle Oper/Maint	0	263,073	263,073	0	263,073	250	66	-184
503 Equip Dep Replace	1,086,541	1,353,425	2,439,966	6,379	2,446,345	8,000	2,307	-5,693
505 Unemployment	0	70,534	70,534	0	70,534	0	28	28
<b>Total Investments</b>	<b>\$4,979,991</b>	<b>\$25,229,538</b>	<b>\$30,209,529</b>	<b>\$17,939</b>	<b>\$30,227,468</b>	<b>\$92,505</b>	<b>\$22,532</b>	<b>-\$69,973</b>