2016 Second Quarter FINANCIAL REPORT

CITY OF SHORELINE

September 2016

PERFORMANCE AT A GLANCE

GENERAL FUND REVENUES	COMPARED TO 2015 Q2 ACTUAL	REFERENCE
Property Tax Revenue	▲POSITIVE▲	Page 5
Sales Tax Revenue	▲POSITIVE▲	Pages 6, 7
Utility Tax Revenue	●WARNING●	Page 11
Development Revenue	▲POSITIVE▲	Page 12
Parks and Recreation Revenue	▼NEGATIVE▼	Page 13
Investment Income	▲POSITIVE▲	Page 14
NON-GENERAL FUND REVENUES		
Surface Water Fees	▲POSITIVE▲	Page 18
Fuel Tax	▲POSITIVE▲	Page 21
Real Estate Excise Tax	▼NEGATIVE▼	Page 22

This report reflects revenue collections and expenditures through June 30, 2016. Because of the cyclical nature of revenues and expenditures, the percentage collected varies by type. The above table reflects variances when compared to year-to-date projections for the second quarter. As you can see from the chart, revenues are close to or ahead of projections with the exception of Utility Tax Revenue, which is primarily impacted by a late payment.

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

Revenues

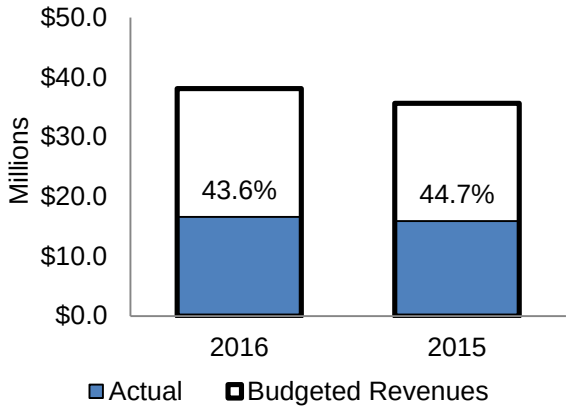
Fund	2016 Current Budgeted Revenues	2016 2nd Quarter Actual	2016 % of Current Budget	2015 Current Budgeted Revenues	2015 2nd Quarter Actual	2015 % of Current Budget	2016 v. 2015 $ Variance	2016 v. 2015 % Variance
General Fund	$38,113,541	$16,602,086	43.6%	$35,648,691	$15,929,836	44.7%	$672,250	4.2%
Street Fund	$1,442,468	$727,540	50.4%	$1,569,007	$691,115	44.0%	$36,425	5.3%
Code Abatement Fund	$80,550	$24,783	30.8%	$80,550	$5,611	7.0%	$19,172	341.7%
State Drug Enforcement Fund	$18,243	$22,943	125.8%	$13,800	$2,117	15.3%	$20,826	983.8%
Public Arts Fund	$6,500	$3,913	60.2%	$5,000	$154	3.1%	$3,759	2440.9%
Federal Drug Enforcement Fund	$28,200	$691	2.5%	$20,750	$7,010	33.8%	-$6,319	-90.1%
Property Tax Equalization Fund	$0	$2,761	0.0%	$0	$814	0.0%	$1,947	239.2%
Federal Crime Forfeitures Fund	$978,500	$5,992	0.6%	$38,945	$234,576	602.3%	-$228,584	-97.4%
Revenue Stabilization Fund	$0	$0	0.0%	$0	$0	0.0%	$0	0.0%
Transportation Impact Fee	$200,000	$189,283	0.0%	$0	$182,481	0.0%	$6,802	3.7%
Unltd Tax GO Bond Fund	$1,700,000	$900,430	53.0%	$1,700,000	$899,823	52.9%	$607	0.1%
Limited Tax GO Bond 2009 Fund	$1,277,047	$1,065,108	83.4%	$1,276,847	$1,149,681	90.0%	-$84,573	-7.4%
Limited Tax GO Bond 2013 Fund	$260,948	$62,719	24.0%	$260,823	$169,135	0.0%	-$106,416	0.0%
General Capital Fund	$8,167,893	$826,106	10.1%	$4,878,471	$806,662	16.5%	$19,444	2.4%
City Facility-Major Maint. Fund	$782,784	$505,562	64.6%	$25,449	$110,137	432.8%	$395,425	359.0%
Roads Capital Fund	$15,082,857	$4,396,435	29.1%	$21,450,709	$5,230,547	24.4%	-$834,112	-15.9%
Surface Water Utility Fund	$6,724,986	$2,125,714	31.6%	$5,846,408	$1,930,436	33.0%	$195,278	10.1%
Vehicle Operations/ Maint. Fund	$256,216	$256,617	100.2%	$278,950	$263,950	94.6%	-$7,333	-2.8%
Equipment Replacement Fund	$518,767	$507,588	97.8%	$1,071,528	$335,185	31.3%	$172,403	51.4%
Unemployment Fund	$0	$172	0.0%	$0	$52	0.0%	$120	230.8%
Total Budgeted Revenue	**$75,639,500**	**$28,226,443**	**37.3%**	**$74,165,928**	**$27,949,322**	**37.7%**	**$277,121**	**1.0%**
Budget Use of Fund Balance	**$12,948,830**	**$0**	**0.0%**	**$10,395,647**	**$0**	**0.0%**	**$0**	**0.0%**
Total Budgeted Resources	**$88,588,330**	**$28,226,443**	**31.9%**	**$84,561,575**	**$27,949,322**	**33.1%**	**277,121**	**1.0%**

Expenditures

Fund	2016 Current Budget	2016 2nd Quarter Actual	2016 % of Current Budget	2015 Budget	2015 2nd Quarter Actual	2015 % of Current Budget	2016 v. 2015 $ Variance	2016 v. 2015 % Variance
General Fund	$44,441,147	$16,059,798	36.1%	$38,152,434	$10,726,814	28.1%	$5,332,985	49.7%
Street Fund	$1,713,773	$762,704	44.5%	$1,569,007	$672,100	42.8%	$90,604	13.5%
Code Abatement Fund	$100,000	$24,430	24.4%	$100,000	$5,500	5.5%	$18,930	344.2%
State Drug Enforcement Fund	$168,243	$9,254	5.5%	$13,800	$9,976	72.3%	-$722	-7.2%
Public Arts Fund	$84,216	$10,757	12.8%	$54,408	$12,951	23.8%	-$2,194	-16.9%
Federal Drug Enforcement Fund	$263,000	$1,288	0.5%	$65,750	$3,393	5.2%	-$2,105	-62.0%
Property Tax Equalization Fund	$691,313	$0	0.0%	$0	$0	0.0%	0	0.0%
Federal Crime Forfeitures Fund	$2,802,444	$159,531	5.7%	$534,358	$0	0.0%	$159,531	0.0%
Revenue Stabilization Fund	$0	$0	0.0%	$0	$0	0.0%	$0	0.0%
Transportation Impact Fee	$359,775	$179,888	0.0%	$0	$0	0.0%	$179,888	0.0%
Unltd Tax GO Bond Fund	$1,710,375	$181,188	10.6%	$1,712,175	$204,642	12.0%	-$23,454	-11.5%
Limited Tax GO Bond 2009 Fund	$1,663,417	$573,309	34.5%	$1,663,217	$583,316	35.1%	-$10,007	-1.7%
Limited Tax GO Bond 2013 Fund	$260,948	$62,719	24.0%	$260,823	$65,189	25.0%	-$2,470	0.0%
General Capital Fund	$9,141,524	$1,059,302	11.6%	$3,552,919	$1,281,721	36.1%	-$222,419	-17.4%
City Facility-Major Maint. Fund	$886,754	$510,405	57.6%	$348,525	$99,757	28.6%	$410,648	411.6%
Roads Capital Fund	$16,474,476	$1,937,790	11.8%	$23,749,289	$7,572,116	31.9%	-$5,634,326	-74.4%
Surface Water Utility Fund	$7,356,193	$5,488,545	74.6%	$6,191,834	$1,979,881	32.0%	$3,508,664	177.2%
Vehicle Operations/Maint. Fund	$271,216	$55,019	20.3%	$278,950	$84,697	30.4%	-$29,678	-35.0%
Equipment Replacement Fund	$483,768	$136,592	28.2%	$954,714	$27,324	2.9%	$109,268	399.9%
Unemployment Fund	$17,500	$710	4.1%	$17,500	$946	5.4%	-$236	0.0%
Totals	**$88,890,082**	**$27,213,229**	**30.6%**	**$79,219,703**	**$23,330,323**	**29.5%**	**$3,882,907**	**16.6%**

GENERAL FUND REVENUE ANALYSIS:

TOTAL GENERAL FUND REVENUE SUMMARY



2016 Current Budget	$44,441,147
2016 Budgeted Revenues	$38,113,541
2016 Second Quarter Actual Revenue	$16,602,086
2016 % of Current Budget Received	43.6%
2015 Budgeted Revenues	$35,648,691
2015 Second Quarter Actual Revenue	$15,929,836
2015 % of Current Budget Received	44.7%
2016 v. 2015 $ Change	$672,250
2016 v. 2015 % Change	4.2%

The difference between 2016 Current Budget and 2016 Budgeted Revenues reflects the planned use of Fund Balance for one time investments as provided in the City's financial policies. General Fund revenue received through the second quarter of 2016 totals $16,602,086 and reflects a year-over-year increase of $672,250, or 4.2%. The following pages present a detailed analysis of various General Fund revenue sources. Staff has revised the year-end projection for budgeted revenues based on the latest information available and receipts for 2016 are estimated to be $412,542, or 1.1%, more than the budget projection. The following are highlights comparing 2016 to 2015 for the General Fund:

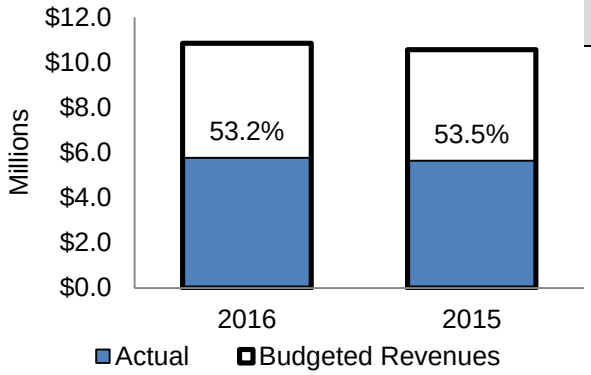
- Property tax receipts are 2.2% more than those for 2015.
- Sales tax receipts are 3.5% more than those for 2015.
- Utility tax and franchise fee revenues are 2.8% less than the year-ago level. The year-over-year difference appears to be attributable partly to reduced demand for natural gas, perhaps due to a mild winter and spring, and a decrease in the amount of telecommunications utility tax collected.
- The year-over-year increase of $400,025 in Development Revenue is attributable to higher local development activity in 2016 as compared to 2015, in terms of the number of building permits pulled for new construction and remodels as well as their valuation.
- The year-over-year change for Intergovernmental Revenue receipts is largely due to higher receipts from the distribution of liquor excise taxes.

GENERAL FUND REVENUE DETAIL

Revenue Source	2016 Current Budget	2016 Second Quarter Actual Revenue	2016 % of Current Budget Received	2015 Current Budget	2015 Second Quarter Actual Revenue	2015 % of Current Budget Received	2016 v. 2015 $ Change	2016 v. 2015 % Change
Budgeted Fund Balance	$6,327,606	$0	0.0%	$2,503,743	$0	0.0%	$0	0.0%
Property Tax	$10,860,481	$5,775,816	53.2%	$10,570,659	$5,653,559	53.5%	$122,257	2.2%
Sales Tax	$7,747,700	$3,250,781	42.0%	$7,320,000	$3,140,737	42.9%	$110,044	3.5%
Local Criminal Justice	$1,403,619	$718,230	51.2%	$1,276,154	$654,745	51.3%	$63,485	9.7%
Utility Tax & Franchise Fee Revenue								
Natural Gas	$906,500	$399,692	44.1%	$889,590	$442,997	49.8%	-$43,305	-9.8%
Garbage	$548,880	$138,577	25.2%	$538,648	$135,102	25.1%	$3,475	2.6%
Cable TV	$1,903,020	$628,366	33.0%	$1,760,845	$626,842	35.6%	$1,524	0.2%
Telecommunications	$1,421,640	$419,226	29.5%	$1,503,000	$466,430	31.0%	-$47,204	-10.1%
Storm Drainage	$240,275	$131,949	54.9%	$214,571	$119,462	55.7%	$12,487	10.5%
Water	$780,700	$216,145	27.7%	$754,197	$222,966	29.6%	-$6,821	-3.1%
Sewer	$859,022	$428,500	49.9%	$834,002	$416,000	49.9%	$12,500	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	$6,660,037	$2,362,455	35.5%	$6,494,853	$2,429,799	37.4%	-$67,344	-2.8%
SCL Contract Payment	$1,838,980	$766,963	41.7%	$1,993,063	$709,251	35.6%	$57,712	8.1%
Gambling Tax Revenue	$1,587,425	$382,866	24.1%	$1,586,625	$389,927	24.6%	-$7,061	-1.8%
Development Revenue	$1,456,000	$1,183,378	81.3%	$1,319,750	$783,353	59.4%	$400,025	51.1%
Park and Rec. Revenue	$1,500,998	$654,611	43.6%	$1,603,216	$810,537	50.6%	-$155,926	-19.2%
Intergov. Revenue	$1,013,800	$480,827	47.4%	$894,991	$398,399	44.5%	$82,428	20.7%
Grant Revenue	$844,749	$48,860	5.8%	$319,101	$78,939	24.7%	-$30,079	-38.1%
Fines and Licenses	$642,072	$113,184	17.6%	$644,000	$114,939	17.8%	-$1,755	-1.5%
Miscellaneous Revenue	$775,006	$304,001	39.2%	$574,665	$242,914	42.3%	$61,087	25.1%
Interest Income	$70,600	$49,734	70.4%	$70,600	$32,229	45.7%	$17,505	54.3%
Operating Transfers In	$1,712,074	$510,380	29.8%	$981,014	$490,508	50.0%	$19,872	4.1%
Total General Fund Resources	**$44,441,147**	**$16,602,086**	**37.4%**	**$38,152,434**	**$15,929,836**	**41.8%**	**$672,250**	**4.2%**
Total General Fund Revenue excl. Budgeted Fund	**$38,113,541**	**$16,602,086**	**43.6%**	**$35,648,691**	**$15,929,836**	**44.7%**	**$672,250**	**4.2%**

GENERAL FUND REVENUE ANALYSIS:

PROPERTY TAX

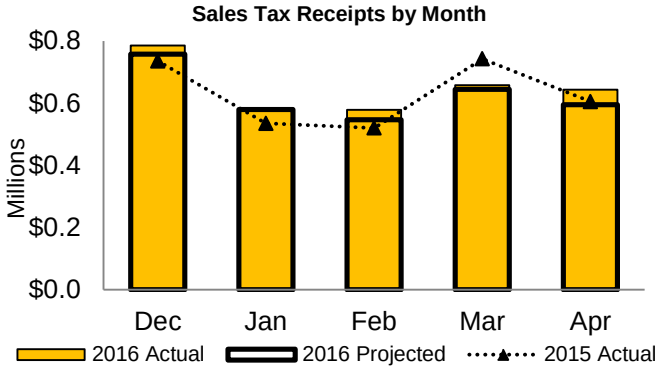


2016 Current Budget	**$10,860,481**
2016 Second Quarter Actual Revenue	$5,775,816
2016 % of Current Budget Received	53.2%
2015 Current Budget	$10,570,659
2015 Second Quarter Actual Revenue	$5,653,559
2015 % of Current Budget Received	53.5%
2016 v. 2015 $ Change	$122,257
2016 v. 2015 % Change	2.2%

Property tax payments are due to King County in April and October. The county then must remit the City's portion resulting in the majority of collections occurring in the second and fourth quarters. In addition to the year-over-year change noted above, Property Tax receipts are greater than the year-to-date projection by $45,770, or 0.8%. During the first half of 2016 the City has received $133,649 in delinquent taxes from previous years that were not factored into the budget projection. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be $47,979, or 0.4%, more than the budget projection.

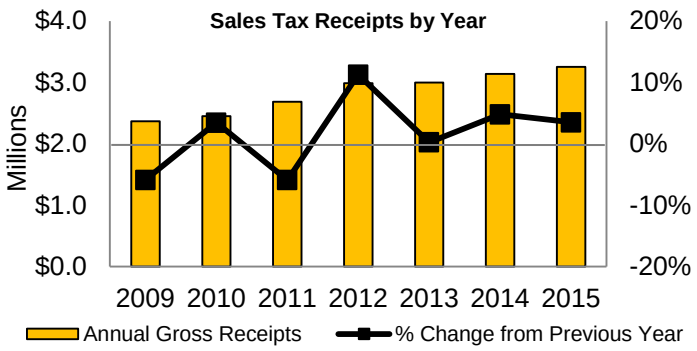
GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



2016 Current Budget		**$7,747,700**
Sales tax revenue: December - April		
Sales Activity	***2015***	***2016***
December	$736,315	$786,417
January	$535,619	$582,409
February	$520,543	$578,999
March	$742,842	$658,721
April	$605,418	$644,235
Year to date	$3,140,737	$3,250,781
$ Change		$110,044
% Change		3.5%

Sales Tax receipts, which reflect activity from December 2015 through April 2016, total $3,250,781 and are at 42% of our annual budget which is above the year-to-date projection by $124,422, or 4.0%, and above 2015 collections by $110,044, or 3.5%. It is important to note that the total for March 2015 includes $112,769 worth of tax returns that were miscoded by a local business for the months of November 2014 through February 2015. The following chart and table reflects a comparison of sales tax receipts by year:



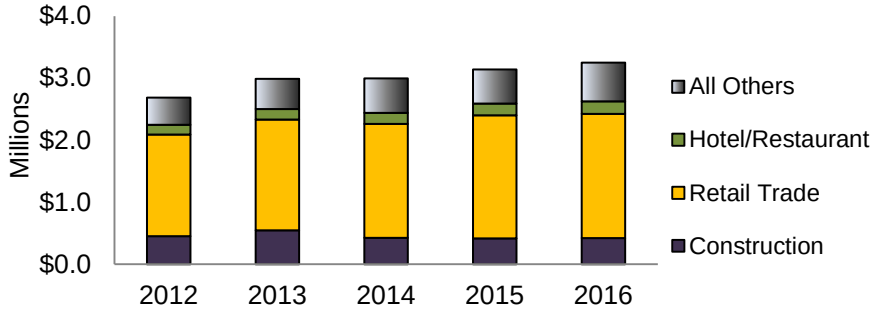
Year	Second Quarter Revenue	% Change from Previous Year
2009	$2,514,978	2.5%
2010	$2,367,206	-5.9%
2011	$2,449,079	3.5%
2012	$2,686,899	-5.9%
2013	$2,989,414	11.3%
2014	$2,996,802	0.2%
2015	$3,140,737	4.8%
2016	$3,250,781	3.5%

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. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be $110,000, or 1.4%, more than the budget projection.

Receipts from the Construction sector are more than the year-ago level by 1.1%. In 2016 there were no collections related to one-time activity in the second quarter. Historically, second quarter one-time activity accounted for $17,286, or 4.1%, in 2015; $73,968, or 17.3%, in 2014; $239,724, or 43.8%, in 2013; and $279,579, or 24.1%, in 2012. Removing one-time activity from the calculation reveals a year-over-year increase of 5.5%.

GENERAL FUND REVENUE ANALYSIS (continued):

Annual Sales Tax Revenue Comparison by Sector

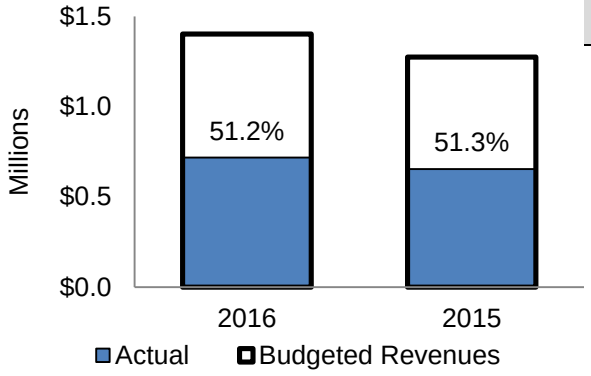


SALES TAX BY PRIMARY CATEGORY – Annual					
Sector	**2012**	**2013**	**2014**	**2015**	**2016**
Construction	$453,298	$547,618	$426,346	$417,634	$422,412
Retail Trade	$1,638,357	$1,785,747	$1,836,766	$1,984,114	$2,002,154
Hotel/Restaurant	$157,154	$169,076	$177,728	$189,333	$202,095
All Others	$438,090	$486,973	$555,962	$549,656	$624,120
Total	**$2,686,899**	**$2,989,414**	**$2,996,802**	**$3,140,737**	**$3,250,781**
$ Change from previous year	$81,873	$302,515	$7,388	$143,935	$110,044
% Change from previous year	3.5%	11.3%	0.2%	4.8%	3.5%

SALES TAX BY CATEGORY									
Retail Trade	**2012 Dec- Apr**	**2013 Dec- Apr**	*2013 v. 2012 $ Change*	**2014 Dec- Apr**	*2014 v. 2013 $ Change*	**2015 Dec- Apr**	*2015 v. 2014 $ Change*	**2016 Dec- Apr**	*2016 v. 2015 $ Change*
Motor Vehicle and Parts Dealer	$412,438	$459,052	$46,614	$500,090	$41,038	$544,247	$44,157	$571,770	$27,523
Furniture and Home Furnishings	$21,743	$22,525	$782	$26,705	$4,180	$22,164	-$4,541	$25,683	$3,519
Electronics and Appliances	$41,521	$37,660	-$3,861	$37,247	-$413	$44,337	$7,090	$49,951	$5,614
Building Material and Garden	$204,228	$249,927	$45,699	$247,899	-$2,028	$318,992	$71,093	$296,002	-$22,990
Food and Beverage Stores	$105,847	$105,461	-$386	$104,808	-$653	$110,241	$5,433	$146,054	$35,813
Health and Personal Care Store	$63,890	$67,751	$3,861	$70,264	$2,513	$83,629	$13,365	$95,253	$11,624
Gasoline Stations	$29,406	$29,686	$280	$29,486	-$200	$30,729	$1,243	$28,190	-$2,539
Clothing and Accessories	$19,090	$20,486	$1,396	$20,810	$324	$24,800	$3,990	$30,785	$5,985
Sporting Goods, Hobby, Books	$35,445	$33,821	-$1,624	$36,146	$2,325	$37,418	$1,272	$32,572	-$4,846
General Merchandise Stores	$543,082	$583,267	$40,185	$574,845	-$8,422	$587,343	$12,498	$525,543	-$61,800
Miscellaneous Store Retailers	$107,380	$110,388	$3,008	$112,102	$1,714	$98,635	-$13,467	$101,422	$2,787
Non-store Retailers	$54,287	$65,723	$11,436	$76,364	$10,641	$81,579	$5,215	$98,929	$17,350
Total Revenue	**$1,638,357**	**$1,785,747**	**$147,390**	**$1,836,766**	**$51,019**	**$1,984,114**	**$147,348**	**$2,002,154**	**$18,040**

GENERAL FUND REVENUE ANALYSIS (continued):

LOCAL CRIMINAL JUSTICE SALES TAX

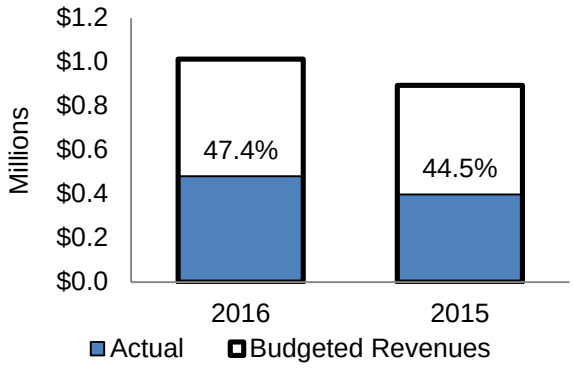


2016 Current Budget	$1,403,619
2016 Second Quarter Actual Revenue	$718,230
2016 % of Current Budget Received	51.2%
2015 Current Budget	$1,276,154
2015 Second Quarter Actual Revenue	$654,745
2015 % of Current Budget Received	51.3%
2016 v. 2015 $ Change	$63,485
2016 v. 2015 % Change	9.7%

Local Criminal Justice Sales Tax receipts through June, in the amount of $718,230, are $63,485, or 9.7%, more than the year-ago level. Thus far this year 51.2% of the amount budgeted has been received as compared to 51.3% received during the same period last year. Receipts are $29,700, or 4.3%, 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. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be $13,099, or 0.9%, more than the budget projection.

INTERGOVERNMENTAL REVENUE

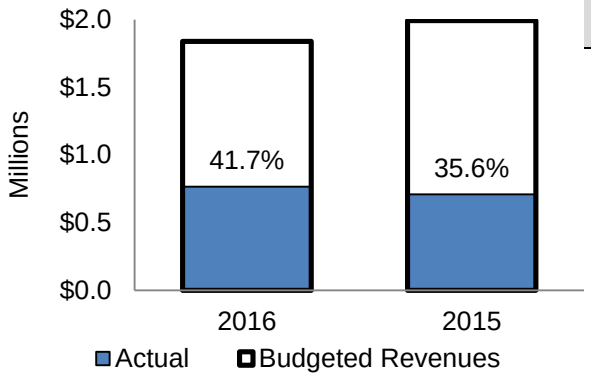


2016 Current Budget	$1,013,800
2016 Second Quarter Actual Revenue	$480,827
2016 % of Current Budget Received	47.4%
2015 Current Budget	$894,991
2015 Second Quarter Actual Revenue	$398,399
2015 % of Current Budget Received	44.5%
2016 v. 2015 $ Change	$82,428
2016 v. 2015 % Change	20.7%

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 $480,827, are $82,428, or 20.7%, more than the year-ago level. Receipts are $19,382, or 4.2%, more than the year-to-date projection. Both differences are largely due to higher collections of liquor excise tax revenues and the collection of marijuana enforcement revenues, which is new for 2016 and was anticipated in the budget. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be $812, or 0.4%, less than the budget projection.

GENERAL FUND REVENUE ANALYSIS (continued):

SEATTLE CITY LIGHT CONTRACT PAYMENT

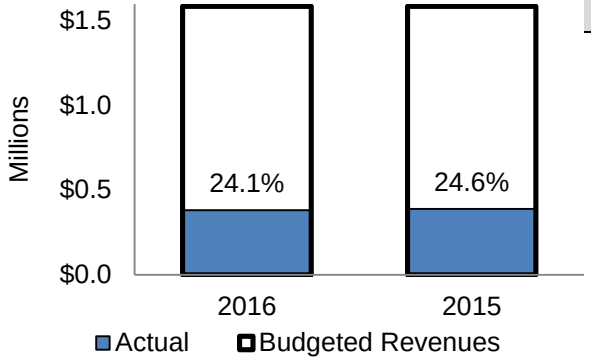


2016 Current Budget	**$1,838,980**
2016 Second Quarter Actual Revenue	$766,963
2016 % of Current Budget Received	41.7%
2015 Current Budget	$1,993,063
2015 Second Quarter Actual Revenue	$709,251
2015 % of Current Budget Received	35.6%
2016 v. 2015 $ Change	$57,712
2016 v. 2015 % Change	8.1%

Receipts, in the amount of $766,963, are $57,712, or 8.1%, more than the year-ago level but $8,345, or 1.1%, less than the second quarter projection. Staff has not revised the year-end projection based on the latest information available.

GENERAL FUND REVENUE ANALYSIS (continued):

GAMBLING TAX REVENUE



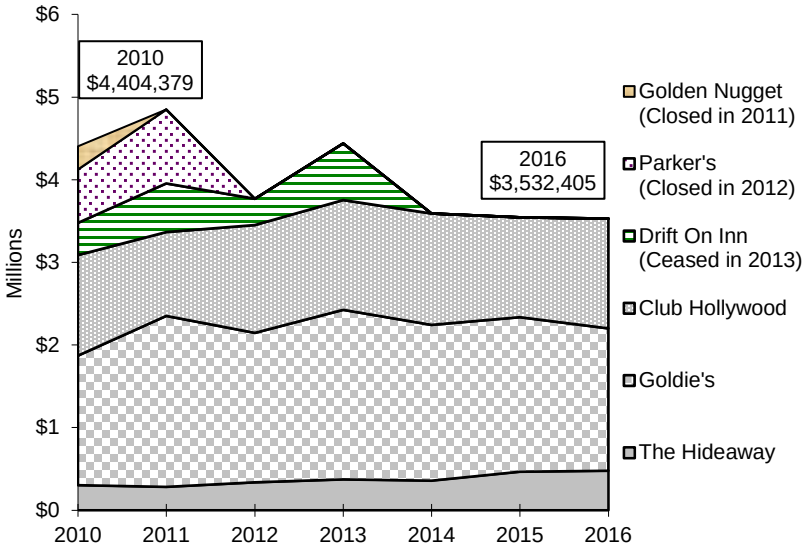
2016 Current Budget	$1,587,425
2016 Second Quarter Actual Revenue	$382,866
2016 % of Current Budget Received	24.1%
2015 Current Budget	$1,586,625
2015 Second Quarter Actual Revenue	$389,927
2015 % of Current Budget Received	24.6%
2016 v. 2015 $ Change	-$7,061
2016 v. 2015 % Change	-1.8%

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. Card rooms pay ten percent of gross yearly receipts over $10,000.

Receipts attributable to taxes on gambling activity reported through the second quarter, in the amount of $381,547, are less than the year-ago level and year-to-date projection by 1.8% and 1.2%, respectively. Total receipts, inclusive of taxes on gambling activity and payments on promissory notes, in the amount of $382,866, are less than 2015 collections by 1.8% due to the year-over-year decline in pull-tab and cardroom activity of 15.8% and 0.4%, respectively. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be $5,436, or 0.3%, less than the budget projection. The chart below exhibits the last seven years of gross receipts reported by card rooms in Shoreline.

Second Quarter Activity 2010 - 2016

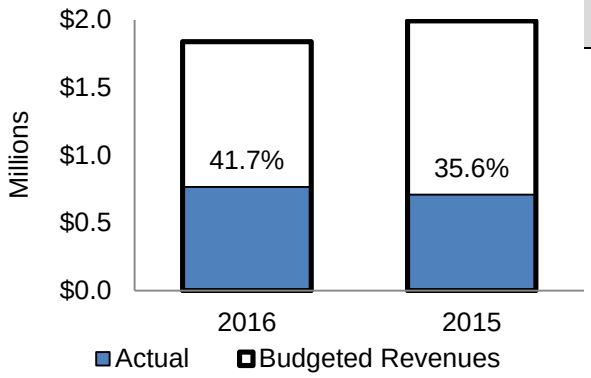
Year	Amount	% Change from Previous Year
2010	$4,404,379	1.6%
2011	$4,850,692	10.1%
2012	$3,772,590	-22.2%
2013	$4,440,992	17.7%
2014	$3,593,688	-19.1%
2015	$3,546,624	-1.3%
2016	$3,532,405	-0.4%



Source: Washington State Gambling Commission

GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



2016 Current Budget	$6,660,037
2016 Second Quarter Actual Revenue	$2,362,455
2016 % of Current Budget Received	35.5%
2015 Current Budget	$6,494,853
2015 Second Quarter Actual Revenue	$2,429,799
2015 % of Current Budget Received	37.4%
2016 v. 2015 $ Change	-$67,344
2016 v. 2015 % Change	-2.8%

Overall Utility Tax and Franchise Fee receipts, in the amount of $2,362,455, are $67,344, or 2.8%, less than the year-ago level. In addition to the year-over-year change, receipts are $68,161, or 2.8%, less than the year-to-date projection.

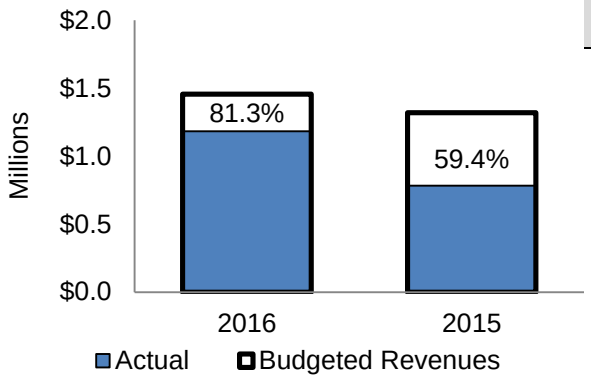
Natural gas tax receipts are 9.8% less than those collected during the same period in 2015. Lower monthly payments point to reduced demand for natural gas, perhaps due to a mild winter and spring. Garbage tax receipts are 2.6% more than those collected during the same period in 2015. Cable television tax receipts are slightly more (0.2%) than those collected during the same period in 2015. Telecommunications tax receipts decreased from 2015 collections by 10.1% but are 1.4% less than the year-to-date projection. This category has steadily declined for several years. Water franchise fee receipts are 3.1% less than those collected during the same period in 2015 but 4.4% more than the year-to-date projection. Based on the latest information available, staff has only revised the year-end projection for the natural gas category and total utility tax and franchise receipts for 2016 are estimated to be $90,650, or 1.4%, less than the budget projection.

It is important to note that activity through the second quarter 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.

Utility	2016 Current Budget	2016 2Q Actual Revenue	2016 % of Current Budget Received	2015 Current Budget	2015 2Q Actual Revenue	2015 % of Current Budget Received	2016 v. 2015 $ Change	2016 v. 2015 % Change
Natural Gas	$906,500	$399,692	44.1%	$889,590	$442,997	49.8%	-$43,305	-9.8%
Garbage	$548,880	$138,577	25.2%	$538,648	$135,102	25.1%	$3,475	2.6%
Cable TV	$1,903,020	$628,366	33.0%	$1,760,845	$626,842	35.6%	$1,524	0.2%
Telecommunications	$1,421,640	$419,226	29.5%	$1,503,000	$466,430	31.0%	-$47,204	-10.1%
Storm Drainage	$240,275	$131,949	54.9%	$214,571	$119,462	55.7%	$12,487	10.5%
Water	$780,700	$216,145	27.7%	$754,197	$222,966	29.6%	-$6,821	-3.1%
Sewer	$859,022	$428,500	49.9%	$834,002	$416,000	49.9%	$12,500	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	**$6,660,037**	**$2,362,455**	**35.5%**	**$6,494,853**	**$2,429,799**	**37.4%**	**-$67,344**	**-2.8%**

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE



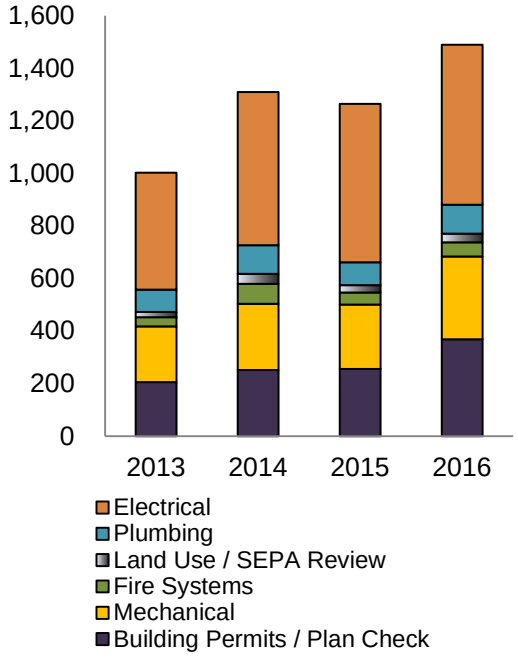
2016 Current Budget	$1,456,000
2016 Second Quarter Actual Revenue	$1,183,378
2016 % of Current Budget Received	81.3%
2015 Current Budget	$1,319,750
2015 Second Quarter Actual Revenue	$783,353
2015 % of Current Budget Received	59.4%
2016 v. 2015 $ Change	$400,025
2016 v. 2015 % Change	51.1%

Development revenue receipts, in the amount of $1,183,378, exhibit a year-over-year increase of $400,025, or 51.1%. Local development activity in 2016, in terms of the number of building permits pulled for new construction and remodels as well as their valuation in 2016, are higher than the year-ago level. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be $291,500, or 20.0%, more than the budget projection.

Valuation of 193 building permits for new construction and remodels issued through June totals $35.4 million and is comprised 51.1% of residential and 48.9% commercial/multi-family valuation. The majority of the commercial/multi-family valuation is for the Everett Clinic's addition/remodel valued at $1.1 million and tenant improvements valued at $8 million.

Thus far in 2016, there have been 27 more permits issued for new single-family residences issued, with a value that is $7.2 million more, as compared to the year-ago level. There have been 11 more permits issued for commercial/multi-family construction (new and remodels), with a value that is $8.8 million less, than the year-ago level.

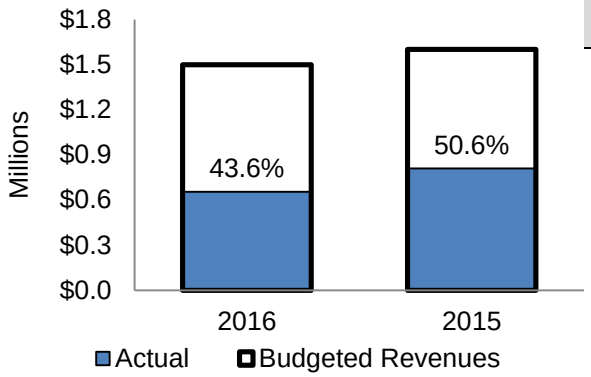
PERMITS BY TYPE



PERMIT TYPE	2013	2014	2015	2016	# Change	% Change
Building Permits / Plan Check	206	252	256	369	113	44.1%
Mechanical	212	252	245	315	70	28.6%
Fire Systems	35	76	46	54	8	17.4%
Land Use / SEPA Review	20	38	28	33	5	17.9%
Plumbing	85	109	87	110	23	26.4%
Electrical	445	583	603	609	6	1.0%
Total	**1,003**	**1,310**	**1,265**	**1,490**	**225**	**17.8%**

GENERAL FUND REVENUE ANALYSIS (continued):

PARK AND RECREATION REVENUE

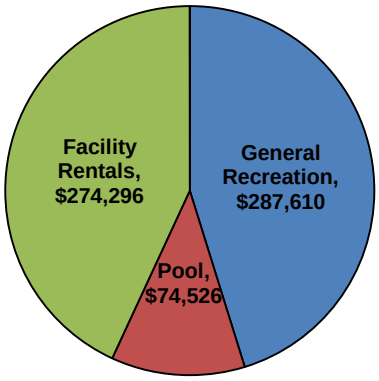


2016 Current Budget	$1,500,998
2016 Second Quarter Actual Revenue	$654,611
2016 % of Current Budget Received	43.6%
2015 Current Budget	$1,603,216
2015 Second Quarter Actual Revenue	$810,537
2015 % of Current Budget Received	50.6%
2016 v. 2015 $ Change	-$155,926
2016 v. 2015 % Change	-19.2%

Park and Recreation revenue receipts, in the amount of $654,611, are $155,926, or 19.2%, less than the year-ago level but $32,265, or 5.2%, more than the year-to-date projection. The year-over-year decrease was anticipated and is attributable to the closure of the Shoreline Pool as major maintenance and improvements to extend its life were being performed. Staff adjusted budget projections to account for this and receipts are 1.9% more than the year-to-date projection. Compared to the first half of 2015, the first half of 2016 witnessed a decrease in revenues from the pool (-67.3%) due to the pool closure and an increase in revenues from facility rentals (+7.8%) due to more rentals of the recreation centers. General Recreation witnessed a decrease of 7.6% from 2015 mostly due to less revenue being generated by the Summer Playground. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be $61,681, or 4.1%, more than the budget projection.

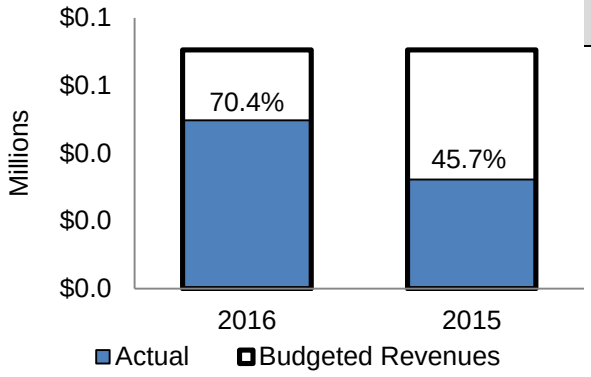
Recreation Revenue by Program Area: January - June 2009 – 2016

Year	General Recreation*	Gen Rec % of Total	Pool	Pool % of Total	Facility Rentals	Fac. Rent % of Total	Total Revenue
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
2014	$285,469	39.7%	$208,075	29.0%	$224,773	31.3%	$718,317
2015	$311,345	39.2%	$227,678	28.7%	$254,567	32.1%	$793,590
2016	**$287,610**	**45.2%**	**$74,526**	**11.7%**	**$274,296**	**43.1%**	**$636,432**



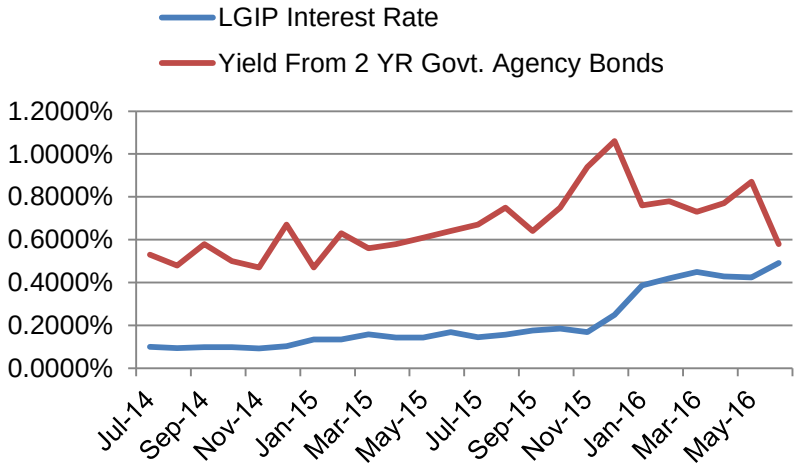
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT INCOME



2016 Current Budget	$70,600
2016 Second Quarter Actual Revenue	$49,734
2016 % of Current Budget Received	70.4%
2015 Current Budget	$70,600
2015 Second Quarter Actual Revenue	$32,229
2015 % of Current Budget Received	45.7%
2016 v. 2015 $ Change	$17,505
2016 v. 2015 % Change	54.3%

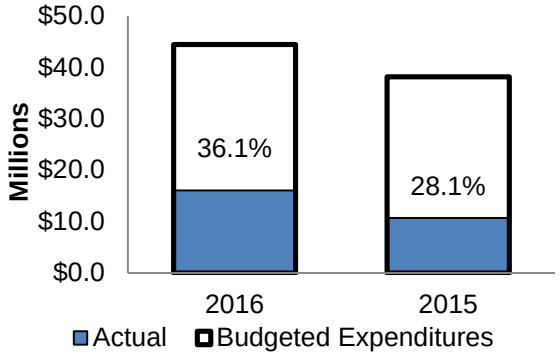
Investment earnings through June totaled $49,734 and are more than the year-ago level by $17,505, or 54.3%. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be $15,748, or 22.3%, more than the budget projection.



Month	LGIP Interest Rate	Bond Investment Yield
Jul-14	0.0999%	0.5300%
Aug-14	0.0943%	0.4800%
Sep-14	0.0982%	0.5800%
Oct-14	0.0984%	0.5000%
Nov-14	0.0928%	0.4700%
Dec-14	0.1031%	0.6700%
Jan-15	0.1347%	0.4700%
Feb-15	0.1347%	0.6300%
Mar-15	0.1577%	0.5600%
Apr-15	0.1430%	0.5800%
May-15	0.1428%	0.6100%
Jun-15	0.1688%	0.6400%
Jul-15	0.1453%	0.6700%
Aug-15	0.1561%	0.7500%
Sep-15	0.1766%	0.6400%
Oct-15	0.1854%	0.7500%
Nov-15	0.1682%	0.9400%
Dec-15	0.2499%	1.0600%
Jan-16	0.3874%	0.7600%
Feb-16	0.4201%	0.7800%
Mar-16	0.4488%	0.7300%
Apr-16	0.4287%	0.7700%
May-16	0.4242%	0.8700%
Jun-16	0.4907%	0.5800%
24 Month Average	**0.2146%**	**0.6675%**

EXPENDITURE ANALYSIS:

GENERAL FUND EXPENDITURES



2016 Current Budget	$44,441,147
2016 Second Quarter Actual Expenditures	$16,059,798
2016 % of Current Budget Expended	36.1%
2015 Current Budget	$38,152,434
2015 Second Quarter Actual Expenditures	$10,726,814
2015 % of Current Budget Expended	28.1%
2016 v. 2015 $ Change	$5,332,985
2016 v. 2015 % Change	49.7%

Departments have spent $14,959,832, or 37.8%, of the Current Budget excluding transfers out, which is $5,012,265, or 50.4%, more than the year-ago level. This is largely due to the timing of billing from King County Sheriff's Office for the police contract in 2015. Invoices for the months of January through May 2015 totaling $4.3 million were not received and paid until July 2015. Expenditures including transfers out totaled $16,059,798, or 36.1%, of the Current Budget. This level is $5,332,985, or 49.7%, more than the year-ago level.

Another significant item worth mentioning is that jail services costs for the first half of 2016 were lower than those for 2015 and 2014 by 31.6% and 44.6%, respectively, given decreases in the total number of billed jail and work release days of 24.9% and 12.2%, respectively. The year-to-date savings can also be attributable to the City's use of 2,461 jail beds total, or an average of 13.5 beds per day, at Yakima County Jail. Housing those inmates at Yakima rather than SCORE saved the City $117,000, or 17.9%.

As a percentage of the budget, departmental expenditures through the first half (37.8%) are more than those for 2015 (27.8%) and total expenditures (36.1%) are more than those for 2015 (28.1%). It is projected that 2016 expenditures of $42.592 million will be less than the current budgeted expenditures by $2.018 million, with no anticipated need to use any funds from the operational contingency or insurance reserve.

EXPENDITURE ANALYSIS:

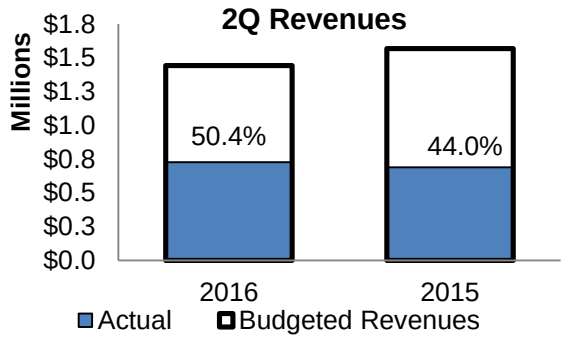
GENERAL FUND EXPENDITURES

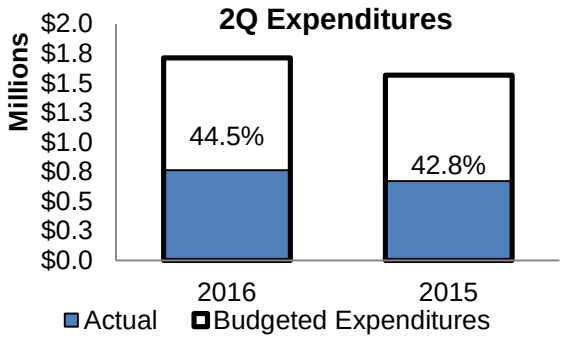
Department	2016 Current Budget	2016 Q2 Actual Expenditures	2016 % of Current Budget Expended	2015 Current Budget	2015 Q2 Actual Expenditures	2015 % of Current Budget Expended	2016 v. 2015 $ Change	2016 v. 2015 % Change
City Council	$231,968	$114,915	49.5%	$228,226	$111,557	48.9%	$3,358	3.0%
City Manager's Office[1]	$2,381,654	$1,130,321	47.5%	$2,263,794	$954,711	42.2%	$175,610	18.4%
City Attorney	$657,674	$290,473	44.2%	$611,384	$261,461	42.8%	$29,011	11.1%
Community Services[2]	$1,691,601	$596,123	35.2%	$1,596,656	$586,484	36.7%	$9,638	1.6%
Administrative Services[3]	$5,155,418	$2,169,554	42.1%	$4,132,944	$1,786,333	43.2%	$383,220	21.5%
Citywide	$1,871,299	$627,580	33.5%	$1,933,297	$684,818	35.4%	-$57,238	-8.4%
Human Resources	$454,488	$208,103	45.8%	$516,738	$226,114	43.8%	-$18,011	-8.0%
Police	$11,951,743	$4,513,616	37.8%	$10,918,878	$36,614	0.3%	$4,477,002	12,227.5%
Criminal Justice	$3,190,826	$687,672	21.6%	$2,581,291	$837,789	32.5%	-$150,117	-17.9%
Parks	$5,748,895	$2,216,488	38.6%	$5,363,220	$2,176,412	40.6%	$40,076	1.8%
Planning & Community Development	$3,058,266	$1,211,135	39.6%	$2,765,194	$1,196,300	43.3%	$14,835	1.2%
Public Works	$3,162,949	$1,193,853	37.7%	$2,930,680	$1,088,973	37.2%	$104,880	9.6%
Departmental Expenditures	**$39,556,781**	**$14,959,832**	**37.8%**	**$35,842,302**	**$9,947,567**	**27.8%**	**$5,012,265**	**50.4%**
Operating Transfers Out	$4,884,366	$1,099,967	22.5%	$2,310,132	$779,247	33.7%	$320,720	41.2%
Total Expenditures	**$44,441,147**	**$16,059,798**	**36.1%**	**$38,152,434**	**$10,726,814**	**28.1%**	**$5,332,985**	**49.7%**

1. City Manager's Office includes City Manager's Office, City Clerk, Communications, Intergovernmental Relations, Economic Development, and Property Management
2. Community Services includes Neighborhoods, Customer Response Team, Emergency Management Planning, and Human Services
3. Administrative Services includes Finance, Budget, Information Systems, and Fleet & Facilities.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND





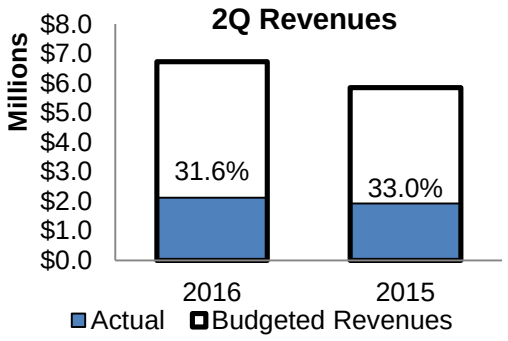
	Revenue	Expenditures
2016 Budgeted Use of Fund Balance	$271,305	N/A
2016 Current Budget	$1,442,468	$1,713,773
2016 2nd Quarter Actual	$727,540	$762,704
2016 % of Current Budget	50.4%	44.5%
2015 Budget	$1,569,007	$1,569,007
2015 2nd Quarter Actual	$691,115	$672,100
2015 % of Current Budget	44.0%	42.8%
2016 v. 2015 $ Var.	$36,425	$90,604
2016 v. 2015 % Var.	5.3%	13.5%

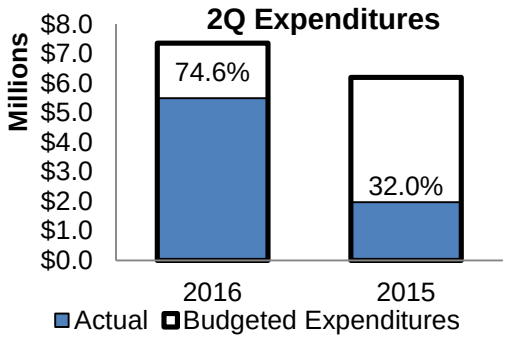
Receipts, including transfers in, through June totaled $727,540 and are $36,425, or 5.3%, higher than the year-ago level. The additional fuel tax receipts from the state are due, mainly, to the transportation bill, ESSB 5987, passed in 2015, that provided an increase in fuel tax for cities and counties. Motor vehicle fuel tax revenue receipts for the second quarter of 2016 are $563,456, 6.4%, more than the year-ago level. The revenues of 2016 are projected to end at $1,499,149; hence, 2016 second quarter ended 50.2% of year-end estimates.

Expenditures, including transfers out, through June totaled $762,704 and are $90,604, or 13.5%, more than the year-ago level. This difference is mainly due to a 2016 one-time increase in vehicle replacement. Expenditures are estimated to total $1,696,156 at the end of 2016; hence, the second quarter of 2016 ended at 45.0% of year-end estimates.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

SURFACE WATER UTILITY FUND





	Revenue	Expenditures
2016 Budgeted Use of Fund Balance	$631,207	N/A
2016 Current Budget	$6,724,986	$7,356,193
2016 2nd Quarter Actual	$2,125,714	$5,488,545
2016 % of Current Budget	31.6%	74.6%
2015 Budget	$5,846,408	$6,191,834
2015 2nd Quarter Actual	$1,930,436	$1,979,881
2015 % of Current Budget	33.0%	32.0%
2016 v. 2015 $ Var.	$195,278	$3,508,664
2016 v. 2015 % Var.	10.1%	177.2%

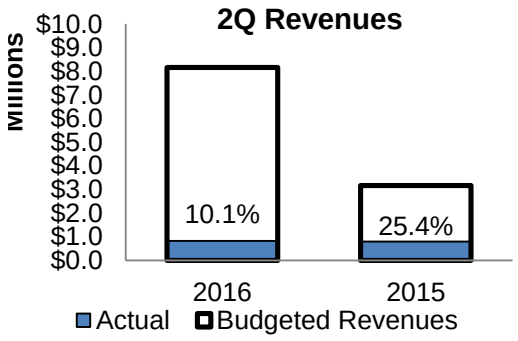
The Surface Water Utility Fund (SWM) includes on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

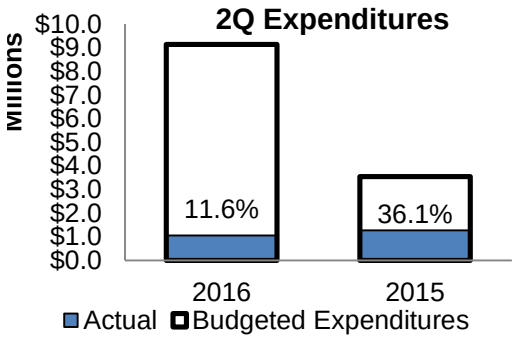
Receipts through June, in the amount of $2,125,714, are $195,278, or 10.1%, higher than the year-ago level. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled $2,111,673 and are $207,570, or 10.9%, above the year-ago level. While fees were expected to be higher due to the scheduled increase in fee rates, the noted increase is due to a miscoding of fee revenues in 2015 that were corrected in the fourth quarter of 2015. The difference will decrease by the end of 2016, and are projected to end at the budgeted amount.

Expenditures, including transfers out, through June totaled $5,488,545 and are $3,508,664, or 177.2%, more than the year-ago level. Capital projects are $3,460,292, or 612.3%, more than the year-ago level and the operating programs are $7,977, or 0.7%, lower than the year-ago levels. Expenditure differences between the current year and previous year are impacted by the timing of construction schedules.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

GENRAL CAPITAL FUND





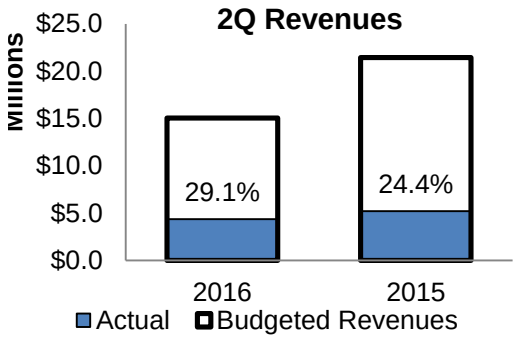
	Revenue	Expenditures
2016 Budgeted Use of Fund Balance	$973,631	N/A
2016 Current Budget	$8,167,893	$9,141,524
2016 2nd Quarter Actual	$826,106	$1,059,302
2016 % of Current Budget	10.1%	11.6%
2015 Budget	$3,173,261	$3,552,919
2015 2nd Quarter Actual	$806,662	$1,281,721
2015 % of Current Budget	25.4%	36.1%
2016 v. 2015 $ Var.	$19,444	-$222,419
2016 v. 2015 % Var.	2.4%	-17.4%

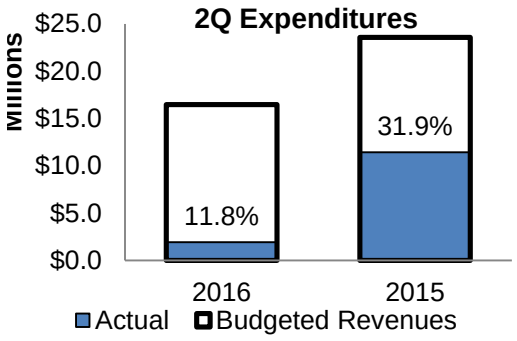
Receipts through June, in the amount of $826,106, are $19,444, or 2.4%, higher than the year-ago level. Receipts from the King County Trail Levy totaling $45,231 are below 2015 second quarter numbers by $7,762, or 14.6%. Many revenue sources are based on construction expenditures, which, as noted below, are impacted by the timing of construction schedules.

Expenditures through June, including transfers out, totaled $1,059,302 and are $222,419, or 17.4%, less than the same period in 2015. Expenditures are impacted by the timing of construction schedules.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

ROADS CAPITAL FUND





	Revenue	Expenditures
2016 Budgeted Use of Fund Balance	$1,391,889	N/A
2016 Current Budget	$15,082,857	$16,474,476
2016 2nd Quarter Actual	$4,396,435	$1,937,790
2016 % of Current Budget	29.1%	11.8%
2015 Budget	$21,450,709	$23,749,289
2015 2nd Quarter Actual	$5,230,547	$7,572,116
2015 % of Current Budget	24.4%	31.9%
2016 v. 2015 $ Var.	-$834,112	-$5,634,326
2016 v. 2015 % Var.	-15.9%	-74.4%

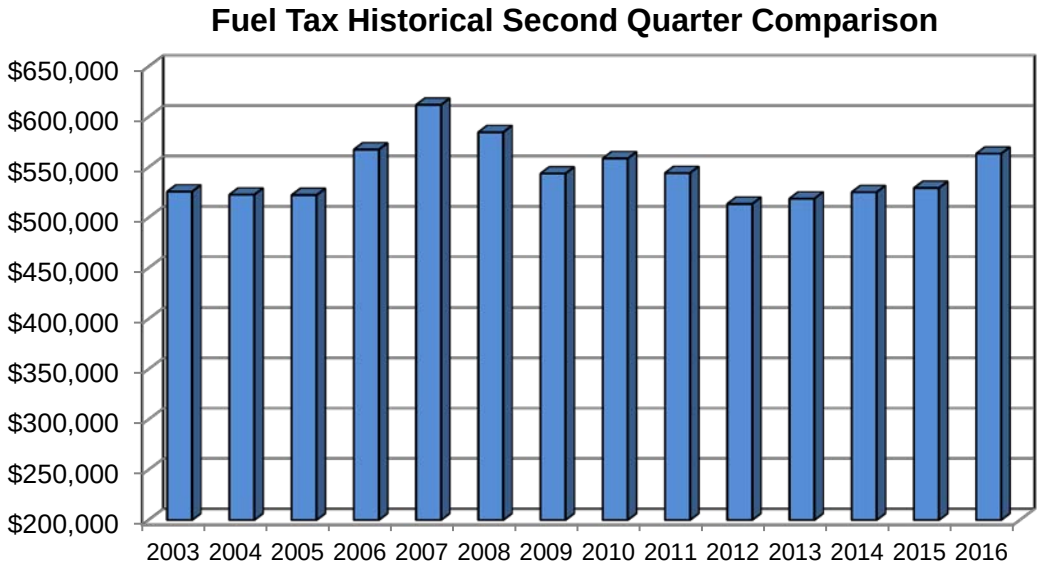
Receipts through June, in the amount of $4,396,435, are $834,112, or 15.9%, lower than the year-ago level. The decrease is due to REET revenues being lower than last year and a reduction in funds from the Highway Safety Improvement Program (HSIP) during this period.

Through the first six months of 2015, TBD vehicle license fees totaled $345,604, which is $12,766, or 3.8%, more than collections over the same period in 2015. We are projecting TBD revenue to come in at budget for 2016.

Expenditures through June, in the amount of $1,937,790, are $5,634,326, or 74.4%, lower than the year-ago level. Expenditures are impacted by the timing of construction schedules. This year the decrease is primarily due to the Aurora Corridor Improvements project hold on the curb ramps, sidewalks, and gutters program in 2016 until additional resources are hired, and a delay in the Annual Road Surface Maintenance program for approval by WSDOT.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND FUEL TAX

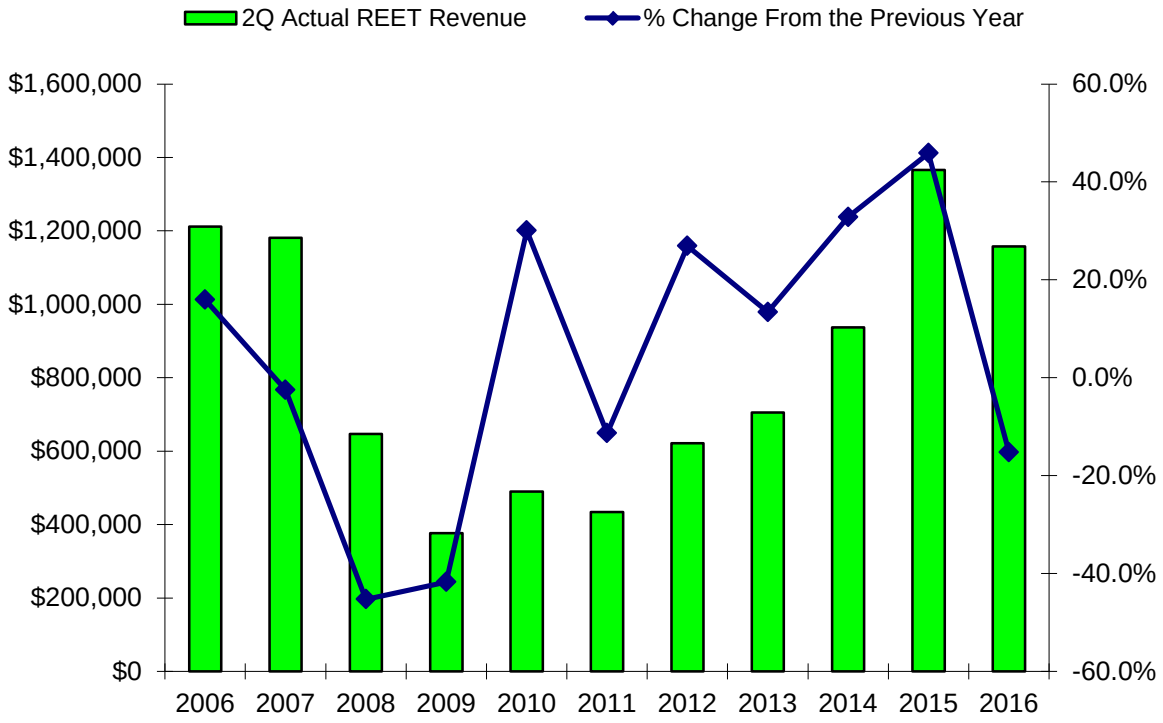


Fuel Tax Historical 2nd Quarter 2003-2016	
2003	$525,826
2004	$522,751
2005	$522,371
2006	$567,577
2007	$611,951
2008	$584,780
2009	$543,744
2010	$558,745
2011	$544,273
2012	$513,598
2013	$518,862
2014	$525,271
2015	$529,358
2016	$563,456

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 through June totaled $563,456 and are $34,098, or 6.4%, higher than the year-ago level. Fuel Tax revenues are currently at 47.9% of budget and 45.7% of 2016 year-end estimates. In previous years, there is a monthly increase in fuel tax revenues in the summer months; hence, the reason the first six months are below 50% of year-end estimates.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

REAL ESTATE EXCISE TAX (REET)



REET: Second Quarter Collected 2006-2016

	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%
2015	$1,366,206	$429,496	45.9%
2016	$1,157,620	-$208,586	-15.3%

Real Estate Excise Tax (REET) revenue receipts through June totaled $1,157,620 and are $208,586, or 15.3%, less than receipts for the same period in 2015. There were 56, or 10.5%, fewer real estate transactions through the second quarter of 2016 than in the same period in 2015.

Based on current trends, REET collections appear to be on track to collect over the budgeted amount (split between the General Capital Fund and Roads Capital Fund). Staff will continue to monitor REET revenue receipts as transactions have been down compared to last year and there appears to be a cooling in the housing market.

INVESTMENT REPORT (continued):

LGIP Cash and Investment Balances June 30, 2016

Instrument Type	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 6/30/16
FHLB 0.75	3130A16D5	Financial Northwestern	03/26/14	03/24/17	1,000,000	994,000	0.9537%	9,683	1,003,683
FHLMC 1.0	3137EADH9	Financial Northwestern	06/14/14	06/29/17	1,000,000	1,000,000	1.0000%	3,889	1,003,889
FICO STRIP PRIN SER D-P	31771KAH0	Time Value Investment	09/29/15	08/03/18	1,500,000	1,456,388	1.0400%	18,611	1,474,998
FHLB 1.25	3130A67L5	Alamo Capital	08/24/15	08/24/18	1,000,000	999,600	1.2636%	1,136	1,000,736
FFCB 1.09	3133EFFL6	Time Value Investment	09/29/15	09/28/18	500,000	500,000	1.0900%	493	500,493
FFCB 1.375	3133EFSW8	Alamo Capital	12/21/15	12/21/18	1,000,000	999,000	1.4090%	3,741	1,002,741
FNMA 1.250	3136G3EA9	Financial Northwestern	03/29/16	03/29/19	1,000,000	999,500	1.2670%	2,869	1,002,369
Sub Total Investments					7,000,000	6,948,488		40,421	6,988,909
OpusBank Interest Checking 6272						10,029,833	0.5000%		10,029,833
OpusBank Interest Checking 3285						7,007,983	0.6500%		7,007,983
State Investment Pool						9,598,009	0.4907%		9,598,009
Sub Total - State Investment Pool and Opus Bank Interest Checking						26,635,824			26,635,824
Total LGIP + Opus Bank Interest Checking + Investments						**$33,584,312**		**$40,421**	**$33,624,733**

Current Average Maturity Excluding the State Investment Pool (days)	697
Current Weighted Average Yield to Maturity Excluding the State Pool	1.1434%
Current Yield to Maturity State Investment Pool	0.4907%
Basis Points in Excess (Below) Benchmark	65

Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost
FFCB	4.5%	1,503,234	1,499,000
FHLB	6.0%	2,004,419	1,993,600
FHLMC	3.0%	1,003,889	1,000,000
FNMA	3.0%	1,002,369	999,500
FICO STRIP PRIN SER D-P	4.4%	1,474,998	1,456,388
OpusBank Interest Checking	50.7%	17,037,816	17,037,816
State Invest. Pool + Opus Bank Interest Checking	28.5%	9,598,009	9,598,009
Total LGIP + Investments	**100%**	**$33,624,733**	**$33,584,312**

Broker	Percentage	Amount at Cost
Alamo Capital	6.0%	1,998,600
Financial Northwestern	8.9%	2,993,500
ProEquities	0.0%	0
Time Value Investment	5.8%	1,956,388
OpusBank Interest Checking	50.7%	17,037,816
State Investment Pool	28.6%	9,598,009
Total Investments	**100%**	**$33,584,312**

Investments by Fund

Fund	Investments at Cost as of 6/30/2016	LGIP State Investment Pool and Opus Bank Interest Checking as of 6/30/2016	Total LGIP + OpusBank Interest Checking + Investments at Cost by Fund as of 6/30/2016	Unrecognized Gain/(Loss) as of 6/30/2016	Total Market Value of Investments by Fund as of 6/30/2016	Investment Earnings Budget 2016	Investment Earnings Actual 2016	Over/(Under) Budget
001 General	2,140,994	11,360,662	13,501,656	35,751	13,537,407	69,000	47,126	021,874
101 Street	200,000	719,027	919,027	749	919,776	2,500	4,264	1,764
107 Code Abatement	0	136,564	136,564	0	136,564	550	352	0198
108 Asset Seizure	0	202,511	202,511	0	202,511	0	495	495
109 Public Arts	0	167,124	167,124	0	167,124	0	413	413
112 Fed. Drug Enforcement	0	279,544	279,544	0	279,544	200	691	491
115 Property Tax Equalization	0	1,122,934	1,122,934	0	1,122,934	0	2,761	2,761
116 Federal Criminal Forfeit.	0	2,327,254	2,327,254	0	2,327,254	1,500	5,991	4,491
117 Transportation Impact Mitigation	0	189,997	189,997	0	189,997	0	604	604
190 Revenue Stabilization	3,900,994	542,744	4,443,738	0	4,443,738	0	0	0
301 General Capital	0	2,513,054	2,513,054	0	2,513,054	31,384	4,082	027,302
312 City Fac-Mjr. Maint.	0	34,228	34,228	0	34,228	449	151	0298
330 Roads Capital	0	2,660,172	2,660,172	0	2,660,172	37,415	3,631	033,784
330 Transportation Benefit District	0	683,220	683,220	0	683,220	0	1,873	1,873
401 Surface Water Utility Fund	0	1,799,458	1,799,458	0	1,799,458	18,877	3,507	015,370
501 Vehicle Oper/Maint	0	357,183	357,183	0	357,183	250	652	402
503 Equipment Dep. Replace	706,500	1,469,877	2,176,377	3,921	2,180,298	8,000	6,250	01,750
505 Unemployment	0	70,270	70,270	0	70,270	0	172	172
Total Investments	**$6,948,488**	**$26,635,824**	**$33,584,312**	**$40,421**	**$33,624,733**	**$170,125**	**$83,018**	**-$87,107**

Second Quarter 2016 Investment Report June 30, 2016

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, 2016, the City's investment portfolio, excluding the State Investment Pool and deposits in OpusBank, had a current weighted average rate of return of 1.1434%. This is better than the State Investment Pool's current rate of return of 0.4907%. In an effort to get better return than the State Investment Pool, the City maintains two interest earning checking accounts with Opus Bank. One account with $10M deposit and no withdraw restrictions earns 0.50% return, and the second account with $7M deposit and one year commitment earns 0.65% return. Total investment interest earnings through June were $83,018 which is about 49% of total budgeted 2016 investment earnings of $170,125.

During the past few years, the economy was slowly recovering and there were some expectations that the Federal Reserve might raise the interest rate at the end of 2015. But that expectation did not materialize, then the Brexit occurred and it caused interest rates to tumble. As a result, the three year Treasurer yield dropped from 1.31% on January 1, 2016 to 0.71% on June 30, 2016. In the meantime, two of City's investments in Government Agency Bonds were called and they were not reinvested because the interest rate was in a state of flux. Staff is monitoring the market conditions, and its cash flow needs to determine the best timing to commit additional funds to investing in the coming quarters of 2016.

As of June 30, 2016, the City's investment portfolio had a fair value of nearly $33.62 million. Approximately 21% of the investment portfolio was held in U.S. government instrumentality securities, and 29% was held in the Washington State Investment Pool, and 50% was held in OpusBank. The City's investment portfolio valued at cost as of June 30, 2016, was slightly over $33.58 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, unless the issue "calls the bonds early, 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 and OpusBank to allow for immediate cash liquidation if needed. Investments within the State Pool and $10M in OpusBank can be liquidated on any given day with no penalty.