



2002 Third Quarter Financial Report

Prepared by the Finance Department

For

Fiscal Year January 1, 2002 – December 31, 2002

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EXECUTIVE SUMMARY

General Fund

Revenue collections through the first three-quarters of 2002 were \$17,075,294, \$282,720 or 1.7% above projections of \$16,792,574. This increase was generated by greater than expected revenues from electricity franchise fees, telephone utility taxes, property taxes, sanitation utility taxes and cable TV franchise fees. On the negative side, grants and miscellaneous revenues are behind projections by \$105,818, gambling taxes by \$79,159 and state revenues by \$26,438.

Actual expenditures through the third quarter were \$17,151,122, \$1,006,480 or 6% below projections of \$18,157,602. Most operating departments are spending below projections.

Development Services Fund

Revenues in this fund continue to be behind projections as permit activity continues to decline due to the recession. Projected revenue has previously been revised downward by \$178,135 from \$1,912,731 to \$1,734,596 to reflect the decline in permit activity and investment earnings. Through the first three quarters of the year, permit revenue equaled \$757,690. During the same period in 2000 and 2001, revenues equaled \$861,122 and \$815,156 respectively. Total revenues, including investment interest and transfers from the General Fund through September, total \$1,253,243, which is \$92,996 below revised projections of \$1,346,239.

Expenditure projections have been reduced by \$33,961 from \$1,912,731 to \$1,878,770. Through September, actual expenditures of \$1,346,646 are below projections of \$1,377,291 by \$30,645.

Street Fund

Revenues in this fund are behind projections by \$67,135 mostly due to transfers from the General Fund being delayed to reflect Street Fund expenditure activity. This will be made up during the fourth quarter. Right-of-way fees are under projections by \$12,398 or 12.3%. Motor vehicle fuel tax receipts have reversed from earlier declines and are now slightly ahead of projections by \$4,828 or about 1%.

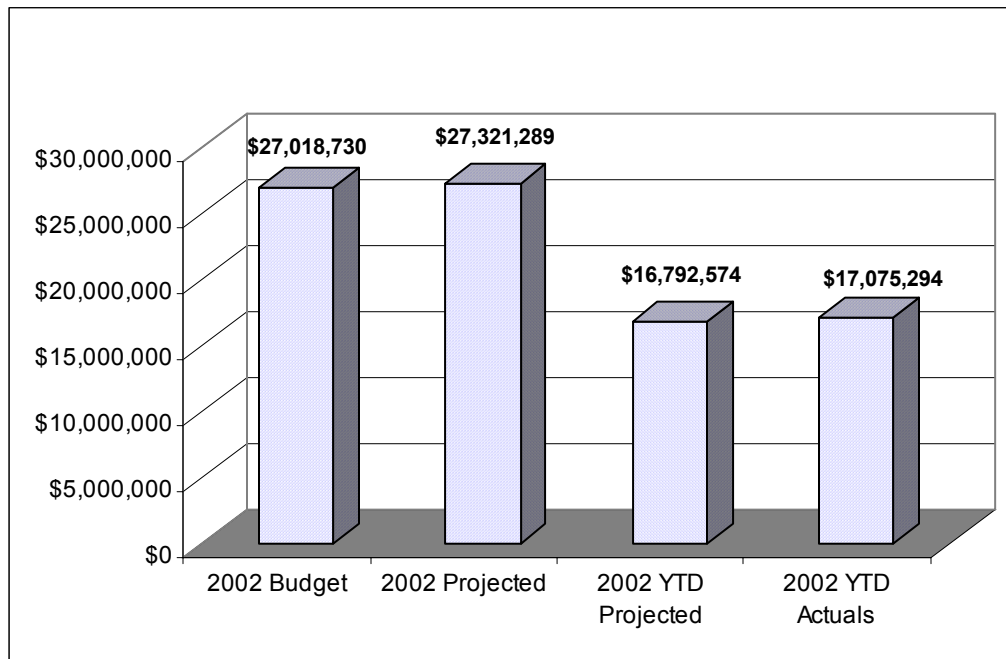
Street Fund expenditures of \$2,265,539 are behind projections of \$2,724,061 by \$458,522 or 16.8%. Several large equipment purchases have been delayed and will be completed during the fourth quarter. No changes have been made to the expenditure projections for this fund.

Surface Water Management Fund

Revenue projections in this fund have been reduced from \$2,345,524 by \$53,000 to \$2,292,524 to reflect lower than expected interest income. Revenues in this fund totaling \$1,195,434 are ahead of projections of \$1,174,449 by \$20,985 mainly due to storm drainage fees that are ahead of projections by \$21,498.

Expenditures of \$1,342,962 are behind projections of \$1,477,842 by \$134,880 or 9%. No changes have been made to the expenditure projection for this fund.

General Fund Revenue



2002 General Fund revenue projections have been increased by \$302,559 or 1.1% from \$27,018,730 to \$27,321,289. This increase is small and represents conservative estimates. Contributing factors to this increase are better than expected utility tax revenue due to continued auditing and collection efforts, increased Parks Department revenue and adjusting revenues so that they more closely follow historical patterns and current trends.

Third quarter 2002 actual revenue collections were \$17,075,294, \$282,720 or 1.7% above projections of \$16,792,574. Property taxes continue to be slightly ahead of projections by \$64,980 or 1.9%. Sales taxes are barely ahead of projections by \$27,442 or 0.8%. Projections for criminal justice sales taxes have been reduced by \$133,989. Based upon revised projections, criminal justice sales taxes are ahead of projections by \$12,050 or 1.6%.

Utility taxes and franchise fees as a whole are ahead of projections by \$331,363 or 12.1%. Projections in this category have already been increased by \$419,862. Revenues from the sanitation utility tax, telephone/cellular utility tax, electricity franchise fee and cable television franchise fee are ahead of projections by \$367,256. Electricity franchise fee revenue is ahead of projections by \$221,704 even though projections have been increased by \$145,650. Telephone/Cellular utility taxes are ahead of projections by \$87,550. Projections for this category have been increased by \$168,318. Cable television franchise fees are ahead of projections by \$28,261. This category has been increased by \$103,352. Utility taxes from sanitation services are ahead of projections by \$29,741. Projections in this category have also been increased by \$96,219.

Revenues from natural gas utility tax, cable utility tax, water franchise fee, and sewer franchise fee are all slightly below projections by a total of \$35,893. Projections for

natural gas utility taxes have been reduced by \$162,854 to reflect several rate reductions made by Puget Sound Energy. Revenues in this category are behind revised projections by \$9,035. Utility tax revenue from cable TV is behind projections by \$823. Water franchise fees are behind projections by \$19,277 and sewer franchise fees are behind projections by \$6,758.

Gambling taxes of \$1,409,459 continue to be behind projections by \$79,159 or 5.3%. Revenues are still ahead of last year's collections of \$1,310,782 for the same period.

Revenues distributed by the State totaled \$1,940,926 through the third quarter. Actual collections are behind projections by \$26,438 or 1.3%. Nearly all state revenues are below projections with the exception of Liquor Excise Tax.

Projections for Parks and Recreation fees have been increased by \$71,782 mostly due to increased activity at the Shoreline Pool. Actual revenues through the third quarter of \$521,267 exceed revised projections by \$19,005 or 3.8%.

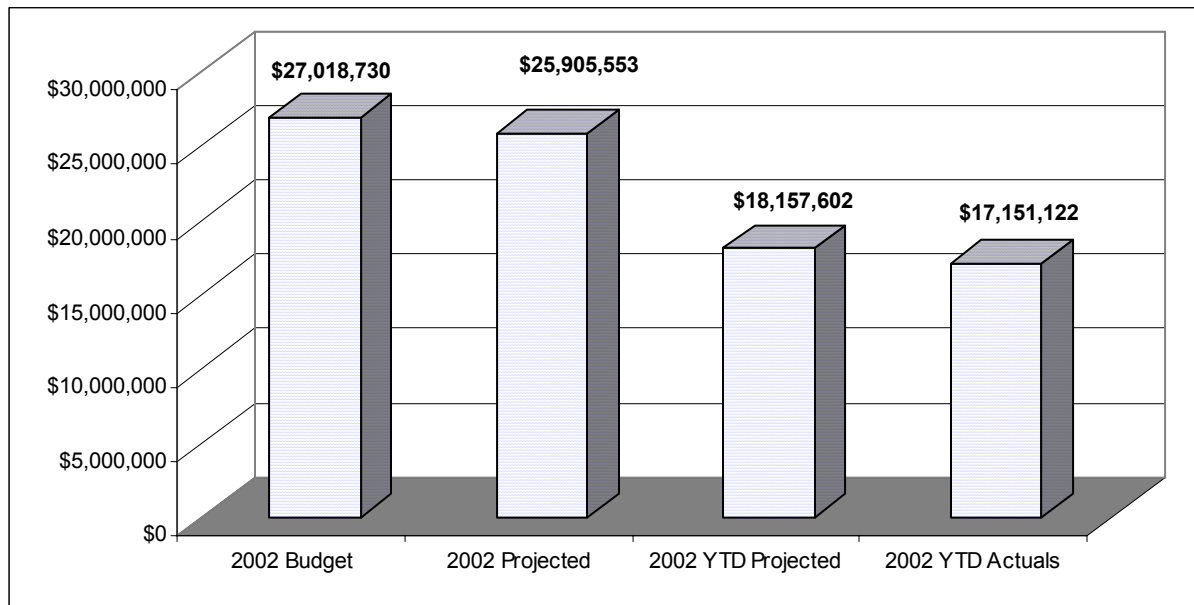
Revenue projections from fines and forfeitures have been increased by \$61,500 to reflect collections. Through September, revenues exceed projections by \$20,546 or 20.9%.

Revenues from grants and other miscellaneous revenues are behind revised projections by \$105,818. Projections in this category have been revised downward by \$315,628 mostly due to reduced investment earnings. Investment earnings are still down and several grants are less than originally planned.

The chart below details each revenue category for third quarter of 2002. The first column is the adopted 2002 revenue budget. The second column represents the revised projection, if applicable, for each category. The third column displays the projected revenue through the third quarter. The fourth column displays the actual revenues through September. The fifth column shows the variance between third quarter projections and actual collections. The sixth column displays the variance in percentage terms and the last column reflects that revenue source as a percent of General Fund revenues.

	2002 Budget	2002 Projected	2002 YTD Projected	2002 YTD Actuals	3rd Qtr. Variance	% Variance	Change Between Budget & Projected	% of Total Revenue
Budgeted Fund Balance	1,805,443	1,805,443	-	-				
Property Tax	6,435,036	6,435,036	3,463,336	3,528,316	64,980	1.9%	-	23.6%
Sales Tax	5,112,441	5,112,441	3,420,223	3,447,665	27,442	0.8%	-	18.7%
Criminal Justice Sale Tax	1,128,989	995,000	747,345	759,394	12,050	1.6%	(133,989)	3.6%
Utility Tax/Franchise Fee Category					-		-	
Natural Gas Utility Tax	844,539	681,685	515,354	506,319	(9,035)	-1.8%	(162,854)	2.5%
Sanitation Utility Tax	181,800	278,019	174,735	204,476	29,741	17.0%	96,219	1.0%
Cable TV Utility Tax	58,222	72,093	51,020	50,197	(823)	-1.6%	13,871	0.3%
Telephone/Cell Utility Tax	1,020,000	1,188,318	867,049	954,599	87,550	10.1%	168,318	4.3%
Electricity Franchise Fee	694,350	840,000	485,184	706,888	221,704	45.7%	145,650	3.1%
Water Franchise Fee	430,325	430,325	215,163	195,886	(19,277)	-9.0%	-	1.6%
Sewer Franchise Fee	202,444	257,750	154,650	147,892	(6,758)	-4.4%	55,306	0.9%
Cable TV Franchise Fee	360,467	463,819	278,291	306,552	28,261	10.2%	103,352	1.7%
Utility Tax/Franchise Fee Subtotal	3,792,147	4,212,009	2,741,446	3,072,809	331,363	12.1%	419,862	15.4%
Gambling Tax	2,500,000	2,699,032	1,488,618	1,409,459	(79,159)	-5.3%	199,032	9.9%
State Revenue	2,113,414	2,113,414	1,967,364	1,940,926	(26,438)	-1.3%	-	7.7%
Parks & Recreation Revenue	560,227	632,009	502,262	521,267	19,005	3.8%	71,782	2.3%
Fines & Forfeitures	75,000	136,500	98,179	118,725	20,546	20.9%	61,500	0.5%
Grants & Misc. Revenue	1,047,929	732,301	527,723	421,905	(105,818)	-20.1%	(315,628)	2.7%
Transfers-In	2,448,104	2,448,104	1,836,078	1,854,828	18,750	1.0%	-	9.0%
Total General Fund Revenue	27,018,730	27,321,289	16,792,574	17,075,294	282,720	1.7%	302,559	100.0%

General Fund Expenditures



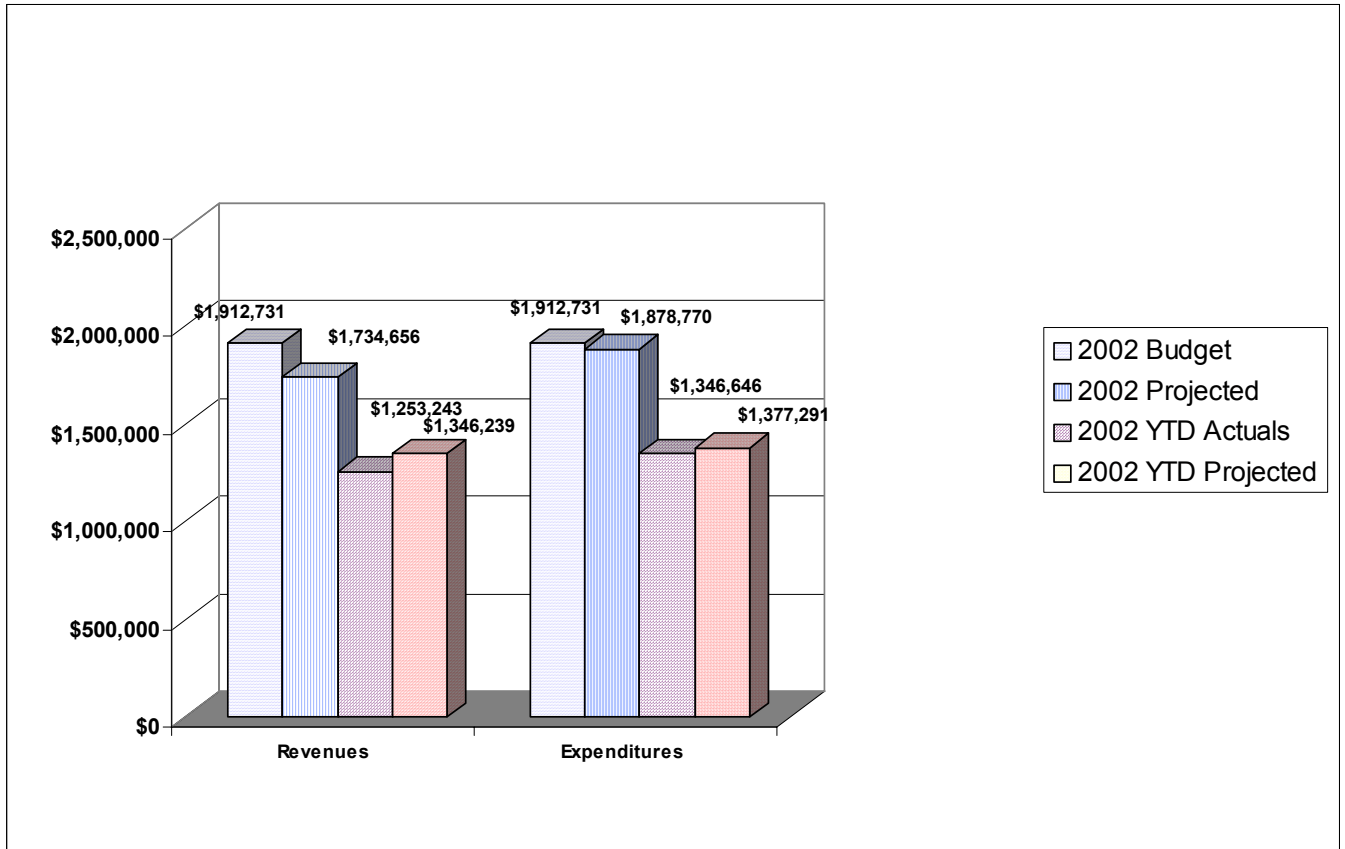
Projected expenditures of \$25,905,553 for 2002 are \$1,113,117 less than the current 2002 budget. The revised projection assumes that the Operational Contingency, Insurance Reserve and PERS Contingency budgeted in Citywide Services will not be spent during the remainder of the year. These contingencies total \$567,859. The remaining reduction of \$545,318 is based on departmental expenditure projections that were completed during the development of the 2003 Proposed Budget.

General Fund expenditures during the first three quarters of 2002 were \$17,151,122, under projected expenditures of \$18,157,602 by \$1,006,480 or 6%. Expenditures to date represent about 66% of the projected expenditures for the year. The timing of various technology projects is responsible for a variance of \$445,408 in the City's Technology Plan. Public Works spending through September is \$287,249 behind projections. Spending in the PW/Recycling program is under projections by \$83,000. The PW/Facilities program is behind projections by \$174,000. Police spending is behind projections by \$240,456. Parks and Recreation spending is below projections by \$126,207. The remaining departments are experiencing variances of between 1% and 8%.

The chart below depicts the status of the General Fund departments through the third quarter of 2002.

Department	2002 Current Budget	2002 Projected	2002 Projected YTD	2002 YTD Actual	Variance of Actual compared to Projected	% Variance
City Council	134,838	134,838	99,780	93,729	(6,051)	-6%
City Manager	691,993	691,993	491,315	459,336	(31,979)	-7%
City Clerk	384,533	337,284	249,590	229,386	(20,204)	-8%
Community & Government Relations	528,635	488,621	322,490	325,477	2,987	1%
City Attorney	281,355	261,659	172,695	179,007	6,312	4%
Finance	3,213,084	3,255,254	2,148,468	1,724,825	(423,643)	-20%
Citywide	1,424,099	806,275	483,765	636,994	153,229	32%
Human Resources	336,618	313,168	209,823	216,064	6,241	3%
Jail Contract	994,562	911,070	455,535	437,151	(18,384)	-4%
District Court	5,000	-	-	(61)	(61)	n/a
Prosecuting Attorney	132,500	105,600	70,752	70,826	74	0%
Public Defense	146,350	135,000	90,450	88,172	(2,278)	-3%
Domestic Violence	45,000	45,271	27,163	27,000	(163)	-1%
Police	6,936,658	6,934,208	4,645,919	4,405,463	(240,456)	-5%
Parks, Recreation and Cultural Services	3,196,536	3,188,318	2,231,823	2,105,616	(126,207)	-6%
Economic Development	218,941	218,941	164,206	68,803	(95,403)	
Planning & Development Services	1,312,547	1,057,730	687,525	763,600	76,076	11%
Customer Response Team	377,114	376,977	275,193	282,519	7,326	3%
Public Works	1,843,679	1,828,658	1,334,920	1,047,671	(287,249)	-22%
Department Totals	22,204,042	21,090,865	14,161,411	13,161,578	(999,833)	-7%
General Transfers Out	4,814,688	4,814,688	3,996,191	3,989,544	(6,647)	0%
Total General Fund	27,018,730	25,905,553	18,157,602	17,151,122	(1,006,480)	6%

Development Services Fund

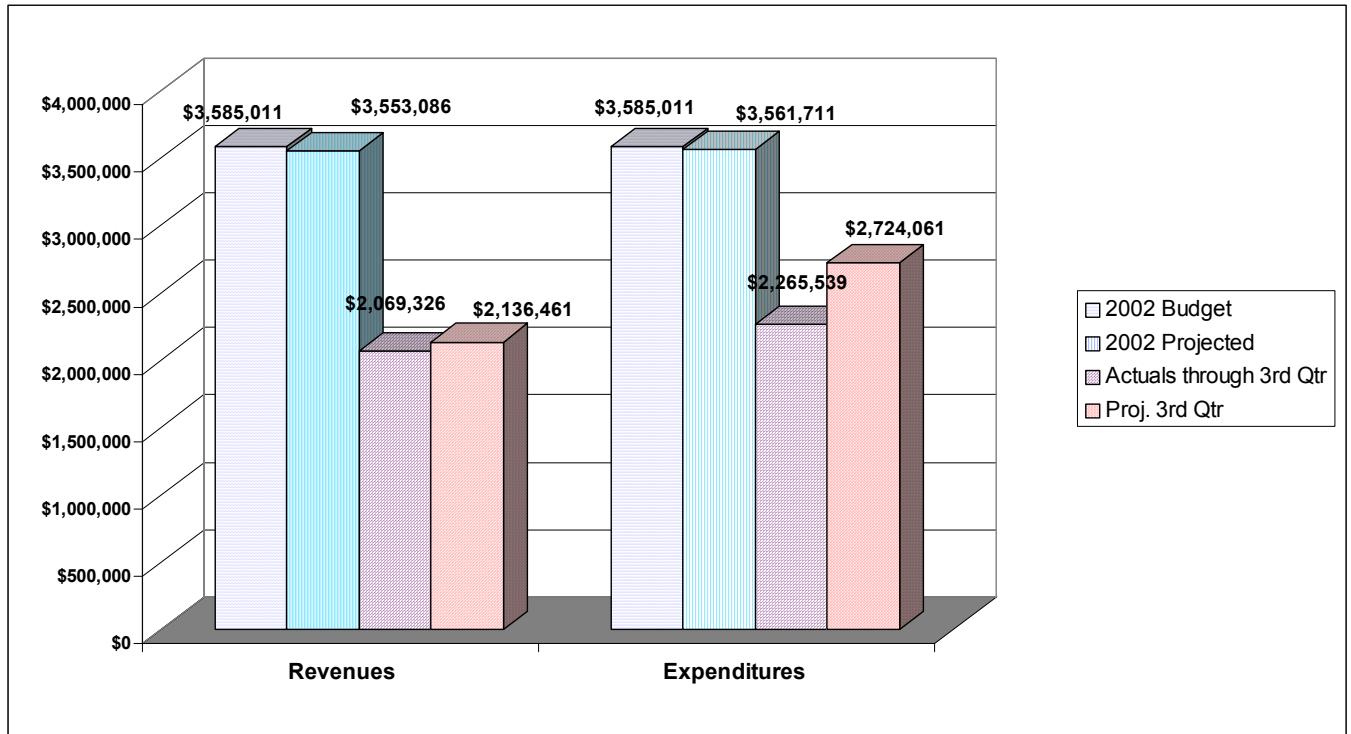


Revenue projections for this fund have been reduced to reflect the downturn in permit activity being experienced. Projections have been lowered from a budget of \$1,912,731 by \$178,135 to \$1,734,596. The largest decrease came in the Building and Structure permits. Projections for this revenue source were lowered by \$180,000. Investment interest was also lowered by \$25,485 due to lower than anticipated interest rates. Minor reductions were made in other permit types with the exception of Land Use permits, where projections were actually increased by \$29,500.

Through September, Development Services Fund revenues of \$1,253,243 are behind lowered projections of \$1,346,239 by \$92,996 or 6.9%. All types of permit revenues are behind projections. Construction activity is down both regionally and locally.

Projected expenditures have been reduced from the current budget of \$1,912,731 by \$33,961 to \$1,878,770. Through September, expenditures of \$1,346,646 are behind projections of \$1,377,291 by \$30,645. One vacant position is being held open until permit activity increases. We will continue to monitor permit revenue and expenditures in this fund.

Street Fund

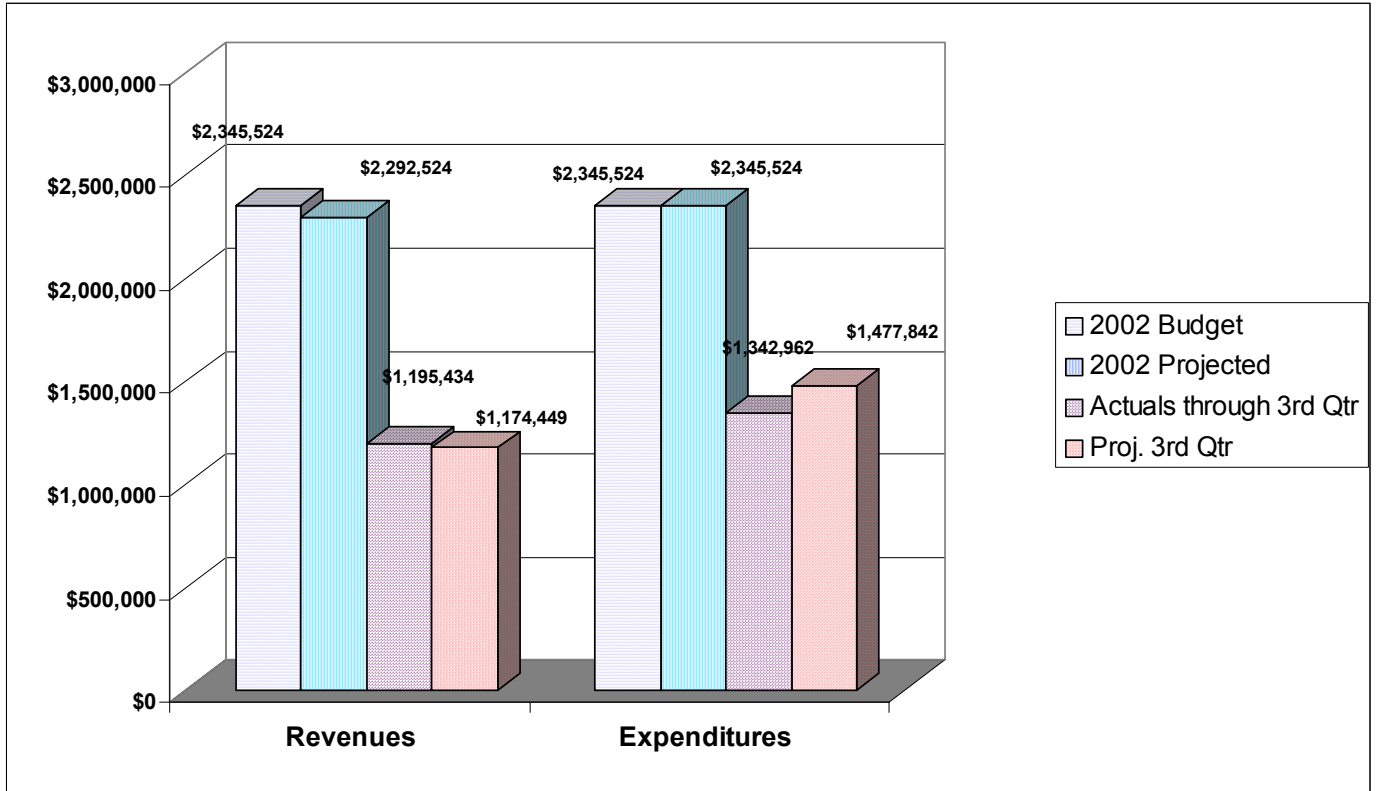


Revenue projections in this fund have been reduced from the budget of \$3,585,011 by \$31,925 to \$3,553,086. This reduction comes from a decrease of \$54,500 in projected interest earnings due to lower than expected interest rates. Right-of-way fees have been increased by \$13,325 and miscellaneous revenue has been increased by \$9,238 to reflect the receipt of unbudgeted restitution and insurance recoveries.

Street Fund revenue through the third quarter of \$2,069,326 is behind projections of \$2,136,461 by \$67,135. Right-of-way fees are behind projections by \$12,398. Motor vehicle fuel tax collections have increased and are ahead of projections by \$4,828. Investment interest is still behind projections by \$1,625.

Street Fund expenditures of \$2,265,539 are ahead of projections by \$2,724,061 by \$458,522.

Surface Water Management Fund



Revenue projections have been revised downward by \$53,000 in this fund from \$2,345,524 to \$2,292,524. Investment earnings have been lowered by \$53,000. Revenues through September of \$1,195,434 are ahead of projections of \$1,174,449 by \$20,985 or 2%. Storm drainage fees are ahead of projections by \$21,498.

Expenditures totaling \$1,342,962 are behind projections of \$1,477,842 by \$134,880 or 9%. Funding was included in the 2002 budget for two major projects; Drainage Basin Monitoring and Infrastructure Assessment. These two projects started during the second quarter, therefore spending will increase during the fourth quarter.