

Attachment A



2002 Year End Financial Report

Prepared by the Finance Department

For

Fiscal Year January 1, 2002 – December 31, 2002

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EXECUTIVE SUMMARY

General Fund

Actual revenues for 2002 were \$26.4 million. This is \$939,233 or 3.7% above projected revenue of \$25.5 million. It was a \$901,327 increase in utility tax and franchise revenue that generated the overall General Fund revenue increase. The actual collection of other General Fund primary revenue sources, though close to projected revenues, was not as positive as the utility tax and franchise revenue collections. Property Tax was just slightly above projection but by only .9% (\$59,258), Sales Tax was just slightly under projections by 0.3% (\$16,623) and Gambling Tax was just 0.03% (\$830) above projected revenue. Property tax, sales tax, gambling tax, utility tax, and franchise fees represent 73% of the General Fund revenues.

The remaining General Fund revenues had very modest increases over projected numbers. Recreation revenues exceeded projections by 2.76% (\$17,413) and fine revenues exceeded projections by 33%, generating \$45,852 in additional revenue. Fine revenues are comprised primarily of traffic infraction fees.

Actual 2002 expenditures were \$24.09 million. This is \$1,810,906 or 8% below projected expenditures of \$25,905,553. In addition to the actual expenditures, staff has requested that \$761,093 of unexpended, but obligated funds, be carried over into the 2003 budget via the re-appropriation process. Taking the carry over requests into consideration actual 2002 expenditures are approximately \$1 million, 4%, below projections. It is worth pointing out that several areas realized significant expenditure savings such as:

- The *Jail contract*, due to significant decreases in usage, saved \$239,981 or 26%. Misdemeanor bookings were down by 15% in 2002 compared to 2001 and misdemeanor maintenance days were down by 34% in 2002 as compared to 2001.
- Police contract actual costs were approximately \$173,158 or 2% less than projected. This is primarily a result of the 2001 reconciliation credit between billed and actual salary and benefit costs. This credit was received in 2002 and reduced the 2002 billings.
- Parks Department expenditures were \$164,946 or 5% below those projected.

General fund 2002 revenues exceeded expenditures and carryover requests by \$1.6 million. These monies become part of the General Fund reserves or can be appropriated for "one-time" expenditures in future years. Originally the 2002 budget anticipated using \$1.3 million in fund balance. The major use of fund balance was to allocate \$1 million to the City Hall project. Since revenues were greater than projected and expenditures were less than projected, instead of using \$1.3 million in fund balance, the General Fund reserves grew by \$1.6 million. The 2002 General Fund ending fund balance, accounting for the

carryover requests, is \$8.2 million, \$2.1 greater than projected and \$2.9 million greater than budgeted.

Development Services Fund

Actual revenues for 2002 were \$1,672,814. This is \$42,457 or 2.5% below projected revenues of \$1,715,271. This continues the downward trend of permit activity in the City. It should be noted that the 2002 permit related revenues were approximately flat with the 2001 permit related revenues.

Actual expenditures for 2002 were \$1,807,637. This is \$71,133 or 3.83% below projected expenditures of \$1,878,710. The decrease is a result of salary and professional services savings.

Based on mid-year projections, it was anticipated that approximately \$163,000 of the Development Services Fund reserves would be expended in 2002. As a result of monitoring expenditures during the last half of the year, only \$135,000 of the fund balance was used, a \$28,000 reduction. The Development Services fund balance totaled \$400,000 at the end of 2002, approximately 23% of budgeted 2003 revenues.

Street Fund

Actual revenues for 2002 were \$2,821,781. This is \$20,020 or 0.7% below projected revenues of \$2,841,801.

Actual expenditures for 2002 were \$3,196,562. Carryover requests total \$224,239, bringing anticipated 2002 expenditures to \$3.4 million, \$140,910 or 3% below projected expenditures of \$3,561,711.

Surface Water Management Fund

Actual revenues for 2002 were \$2,129,781. This is \$14,874 or 0.7% above projected revenues of \$2,114,907.

Actual expenditures for 2002 were \$2,073,766. Carryover requests total \$176,444, bringing anticipated 2002 expenditures to \$2.25 million, \$95,314 or 4% below projected expenditures of \$2,345,524.

Capital Improvement Funds

General Capital

Actual revenues for 2002 were \$1,854,476. This is \$140,797 or 7.06% below projected revenues of \$1,995,273.

Actual expenditures for 2002 were \$2,045,767. Carryover requests total \$524,078 bringing anticipated 2002 expenditures to \$2.6 million, \$22,000 below projected expenditures of \$2,592,070.

Roads Capital

Actual revenues for 2002 were \$3,623,362. This is \$470,148 or 11.49% below projected revenues of \$4,093,510.

Actual expenditures for 2002 were \$2,116,833. Carryover requests total \$1 million bringing anticipated 2002 expenditures to \$3.1 million, \$920,573 below projected expenditures of \$4,042,649.

Surface Water Capital

Actual revenues for 2002 were \$301,921. This is \$53,106 or 15% below projected revenues of \$355,027.

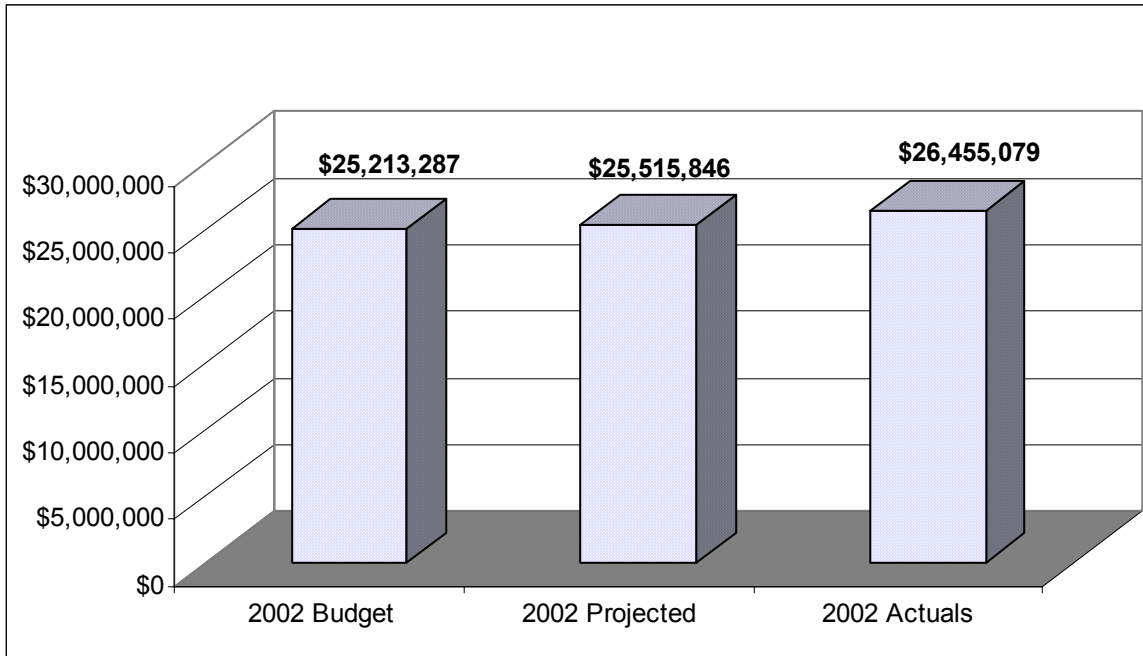
Actual expenditures for 2002 were \$205,337. Carryover requests total \$215,713 bringing anticipated 2002 expenditures to \$421,000, \$20,000 below projected expenditures of \$441,051.

All Funds Summary

The following table provides a summary of the financial results for all City funds for 2002 and includes the 2002 carryover and ending fund balance amounts:

Fund	2002 Revenues				2002 Expenditures				2002 Carryover amount	Ending Fund Balance
	Beginning Fund Balance	Budgeted	Projected	Actual	Budgeted	Projected	Actual			
General Fund	\$ 6,685,028	\$ 25,213,287	\$ 25,515,846	\$ 26,455,079	\$ 27,018,730	\$ 25,905,553	\$ 24,094,647	\$ 761,093	\$ 8,284,367	
Streets	\$ 1,189,480	\$ 2,873,726	\$ 2,841,801	\$ 2,821,781	\$ 3,585,011	\$ 3,561,711	\$ 3,196,562	\$ 224,239	\$ 590,460	
Arterial Streets	\$ 4,939	\$ 360,821	\$ 360,821	\$ 360,650	\$ 369,042	\$ 365,760	\$ 365,590	\$ -	\$ (1)	
Surface Water Operations	\$ 2,314,525	\$ 2,167,907	\$ 2,114,907	\$ 2,129,781	\$ 2,345,524	\$ 2,345,524	\$ 2,073,767	\$ 176,444	\$ 2,194,095	
General Reserve	\$ 1,344,179	\$ 257,550	\$ 257,550	\$ 257,550	\$ -	\$ -	\$ -	\$ -	\$ 1,601,729	
Development Services	\$ 534,057	\$ 1,893,346	\$ 1,715,271	\$ 1,672,814	\$ 1,914,731	\$ 1,878,770	\$ 1,807,638	\$ -	\$ 399,233	
PADS Abatement	\$ 85,030	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ 100,000	\$ 12,364	\$ -	\$ 72,666	
Asset Seizure Fund	\$ 30,019	\$ 23,855	\$ 23,501	\$ 12,189	\$ 25,000	\$ 25,000	\$ 14,572	\$ 6,201	\$ 21,435	
Gen. Capital Improvement	\$ 4,451,735	\$ 1,899,425	\$ 1,995,273	\$ 1,854,476	\$ 3,299,573	\$ 2,592,070	\$ 2,045,777	\$ 524,078	\$ 3,736,356	
Roads Capital	\$ 14,156,172	\$ 4,356,645	\$ 4,093,510	\$ 3,623,362	\$ 4,242,649	\$ 4,042,649	\$ 2,116,842	\$ 1,005,243	\$ 14,657,449	
Surface Water Capital	\$ 2,371,427	\$ 90,716	\$ 355,027	\$ 301,921	\$ 645,038	\$ 441,051	\$ 205,337	\$ 215,713	\$ 2,252,298	
Vehicle Operations/Maint	\$ 95,118	\$ 70,000	\$ 37,689	\$ 40,412	\$ 70,000	\$ 70,000	\$ 64,937	\$ -	\$ 70,593	
Equipment Replacement	\$ 712,107	\$ 195,043	\$ 211,241	\$ 274,839	\$ 275,000	\$ 75,000	\$ 154,781	\$ -	\$ 832,165	
Unemployment	\$ 81,404	\$ 10,753	\$ 10,000	\$ 10,000	\$ 30,000	\$ 30,000	\$ 26,822	\$ -	\$ 64,582	
Totals	\$ 34,055,220	\$ 39,513,074	\$ 39,632,437	\$ 39,814,854	\$ 43,920,298	\$ 41,433,088	\$ 36,179,636	\$ 2,913,011	\$ 34,777,427	

General Fund Revenue



2002 actual General Fund revenue totaled \$26,455,979 which was greater than 2002 projected revenue by \$939,233 or 3.7%. The revenue increase is due almost entirely to an additional \$901,327 collected in utility tax and franchise revenue. A detailed breakdown of the utility tax and franchise revenue is discussed later in this report.

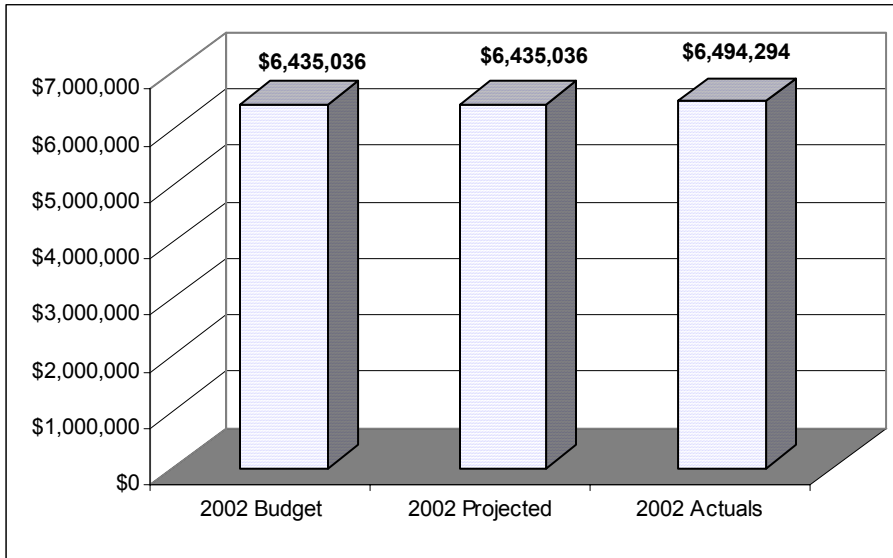
The following revenue sources saw slight increases when compared to projections: Property Tax \$59,258 (.9%), Criminal Justice Sales tax \$24,420 (2.5%), Recreation revenue \$17,413 (2.7%), and Fines and Forfeitures \$45,852 (33%).

Gambling Tax revenue met the revised projection amount by \$830 but that was due to late payments and the corresponding penalty payments. In real 2002 activity, Gambling revenue came in \$26,726 (0.1%) below budgeted revenue. Sales Tax Revenue was \$16,623 below projections and marks the first time in Shoreline's history that sales tax revenue did not exceed its budgeted revenue.

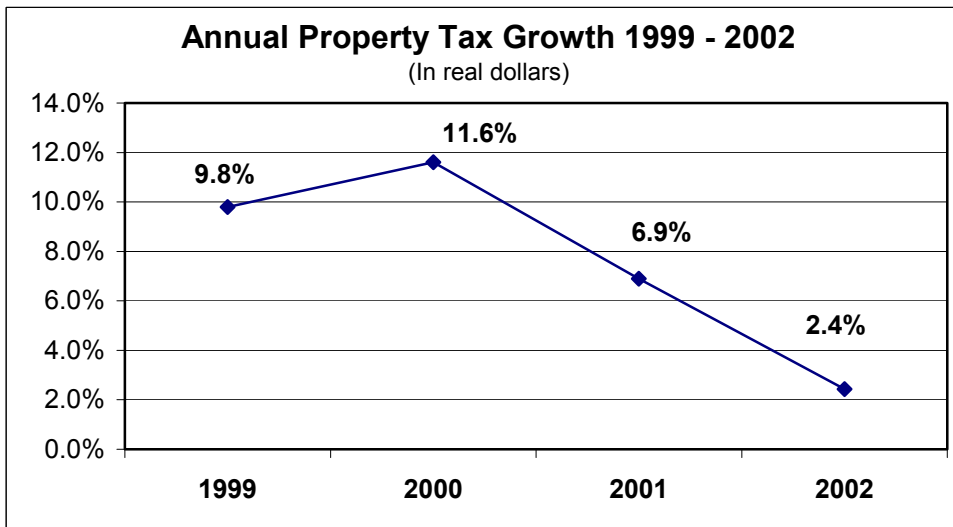
The chart below details each revenue category for 2002. The first column is the 2002 adopted budget revenue amount. The second column represents the revised projections, if applicable, for each category. The third column displays the actual revenue for all of 2002. The fourth column displays the variance between 2002 projected and actual collections. The fifth column displays the variance in percentage terms.

	2002 Budget	2002 Projected	2002 Actuals	Year End Variance Actuals v. Projected	% Variance
Property Tax	6,435,036	6,435,036	6,494,294	59,258	0.9%
Sales Tax	5,112,441	5,112,441	5,095,818	(16,623)	-0.3%
Criminal Justice Sale Tax	1,128,989	995,000	1,019,420	24,420	2.5%
<i>Utility Tax/Franchise Fee Category</i>				-	
Natural Gas Utility Tax	844,539	681,685	661,343	(20,342)	-3.0%
Sanitation Utility Tax	181,800	278,019	286,922	8,903	3.2%
Cable TV Utility Tax	58,222	72,093	80,699	8,606	11.9%
Telephone/Cell Utility Tax	1,020,000	1,188,318	1,545,926	357,608	30.1%
Electricity Franchise Fee	694,350	840,000	1,081,706	241,706	28.8%
Water Franchise Fee	430,325	430,325	402,922	(27,403)	-6.4%
Sewer Franchise Fee	202,444	257,750	552,610	294,860	114.4%
Cable TV Franchise Fee	360,467	463,819	501,208	37,389	8.1%
<i>Utility Tax/Franchise Fee Subtotal</i>	3,792,147	4,212,009	5,113,336	901,327	21.4%
Gambling Tax	2,500,000	2,699,032	2,699,862	830	0.03%
State Revenue	2,113,414	2,113,414	2,086,733	(26,681)	-1.26%
Parks & Recreation Revenue	560,227	632,009	649,422	17,413	2.76%
Fines & Forfeitures	75,000	136,500	182,352	45,852	33.59%
Grants & Misc. Revenue	1,047,929	732,301	665,738	(66,563)	-9.09%
Transfers-In	2,448,104	2,448,104	2,448,104	-	0.00%
Total General Fund Revenue	25,213,287	25,515,846	26,455,079	939,233	3.7%

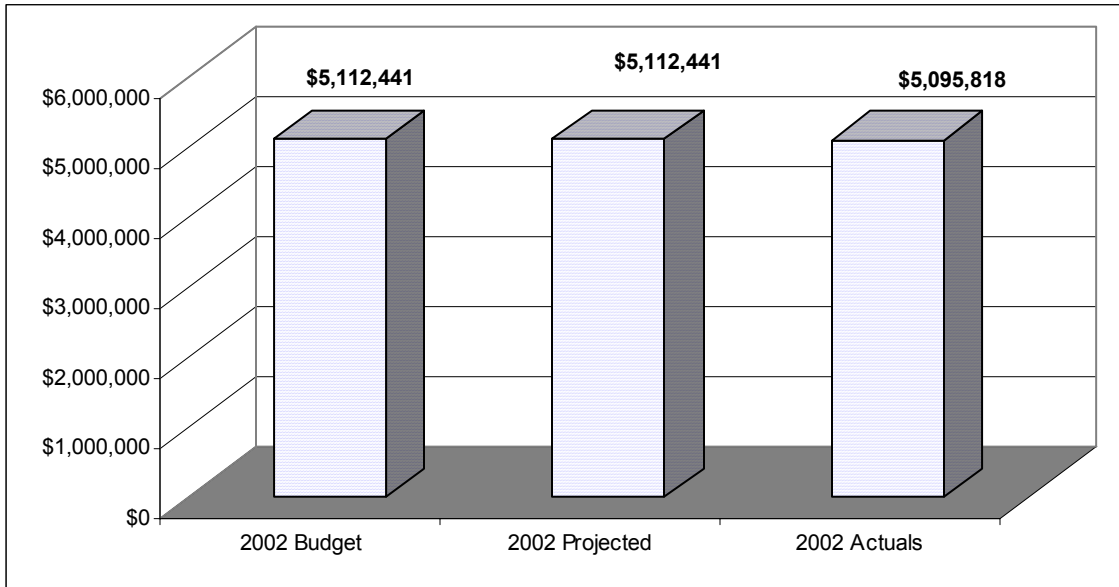
Property Tax Revenue



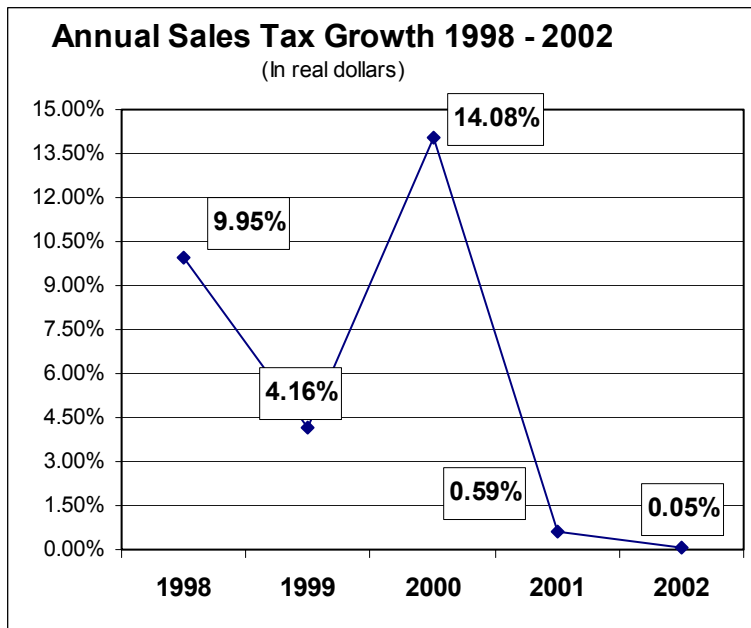
Property tax collections of \$6,494,294 exceeded projections but only by \$59,258 or .9%. The table below highlights the ongoing and fairly rapid decline of property tax revenue growth from 1999 – 2002, as a result of I-747.



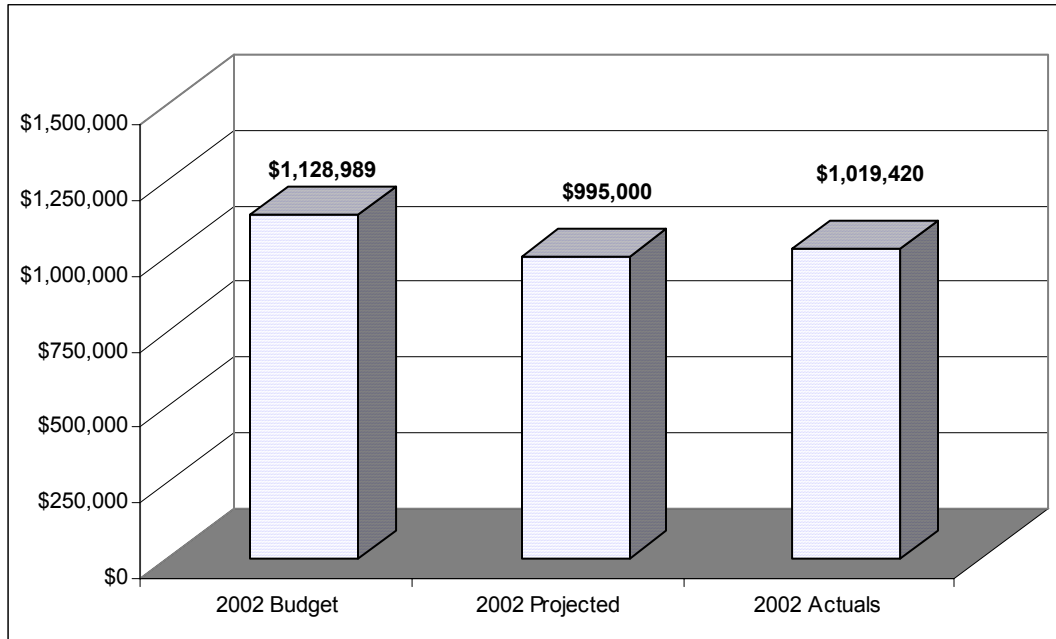
Sales Tax Revenue



Sales tax collections of \$5,095,818 are slightly below projected revenue of \$5,112,441 by \$16,623 or 0.3%. This mark's the first time in the City's history that sales tax revenue came in below the budgeted amount. The chart immediately below illustrates the annual growth in sales tax revenue collected from 1998 – 2002. Since year 2000 the annual growth has been less than 1%.

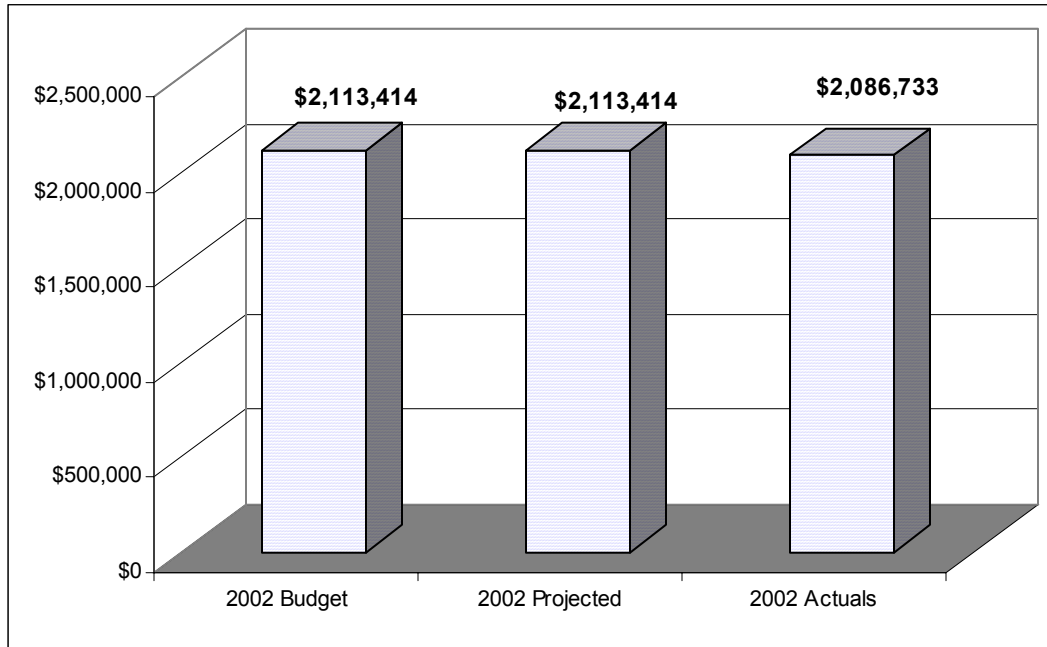


Criminal Justice Sales Tax Revenue



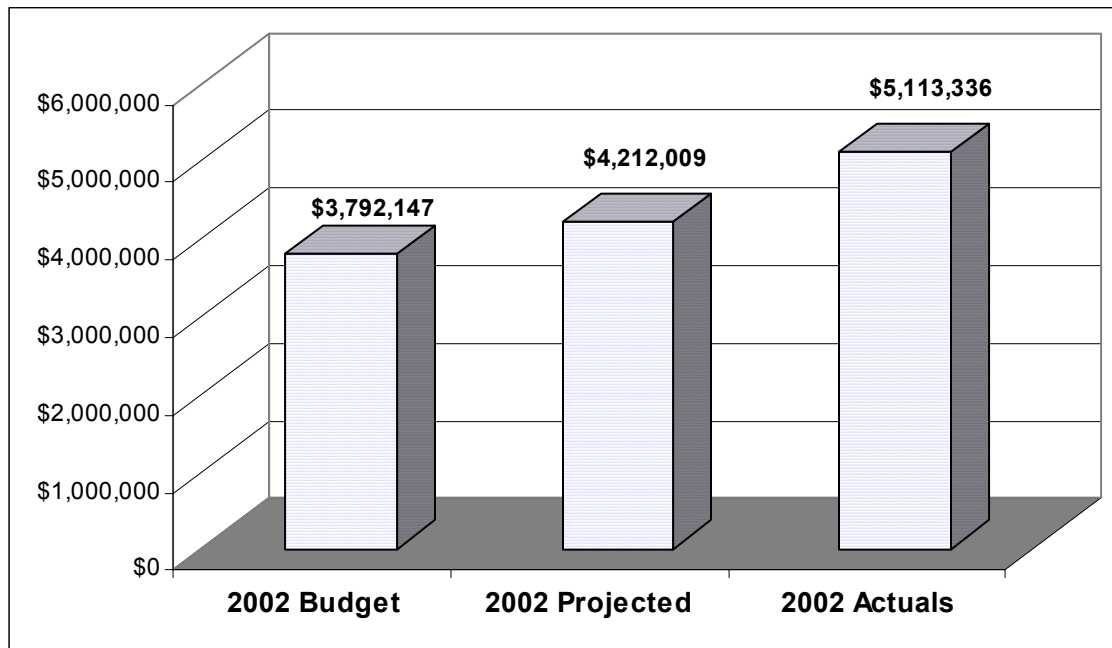
Local criminal justice sales tax of \$1,019,420 is slightly above projected revenue of \$995,000 by \$24,420 or 2.5%. This category differs from sales tax because it represents sales tax collected throughout King County. The distribution of the tax is based upon each city's population. Revenue received by the City does not reflect sales tax experience within Shoreline.

State Revenue



State Revenues of \$2,086,733 are slightly below projected revenue of \$2,113,414 by \$26,681 or 1.2%. Due in large part to declining Liquor Board profits.

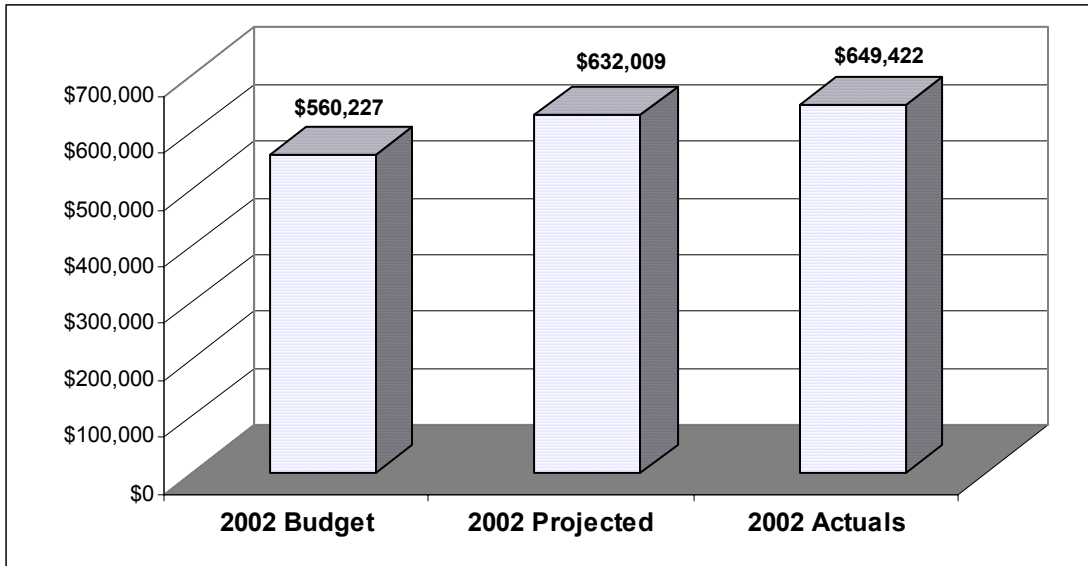
Utility Tax and Franchise Fee Revenue



Utility tax and franchise fee revenue of \$5,113,336 exceeded projected revenue of \$4,212,009 by \$901,327 or 21.4%. The increase in revenue is due primarily to the following:

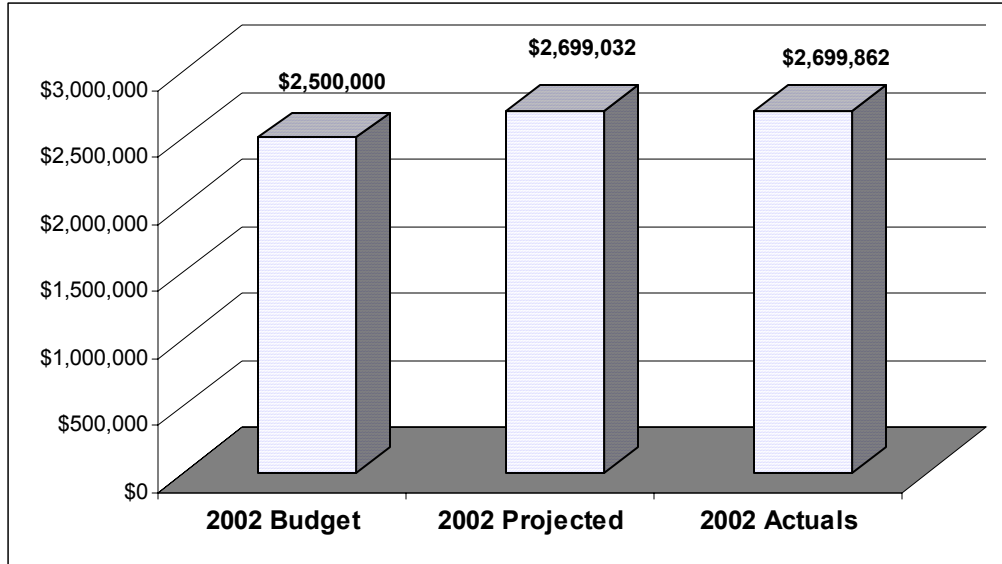
- Cellular and Telephone revenue increased by \$357,608 or 30.1% due to audit findings that totaled \$185,008 and increased collections.
- Sewer Franchise Fee revenue was up by \$294,860 or 114% due to new franchise fees from the Ronald Wastewater District. The Franchise Agreement was approved after 2002 projected revenue was completed.
- Electricity revenue was up by \$241,706 or 28.8% due to increased collections.

Parks and Recreation Fee Revenue



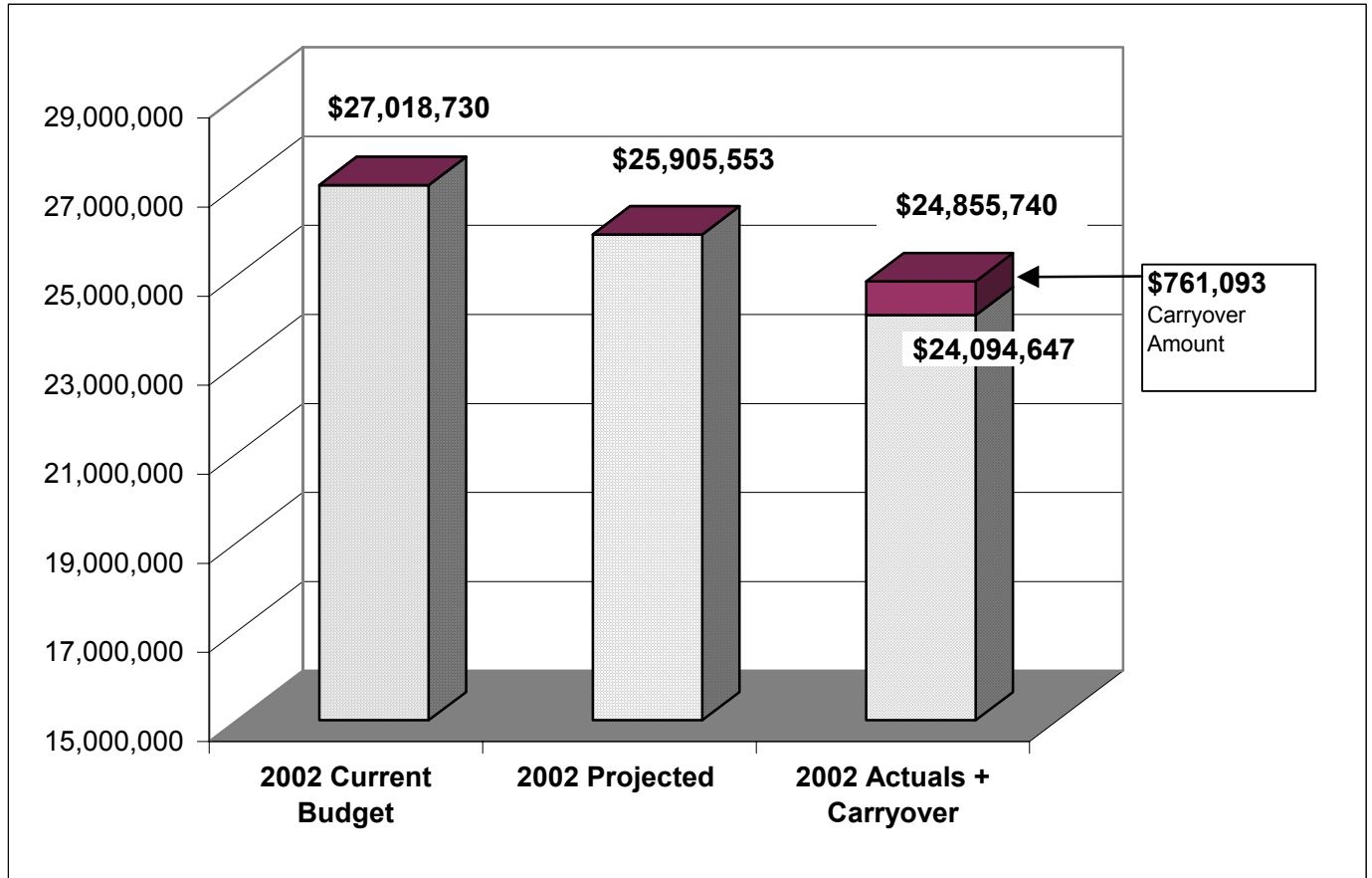
Parks' revenue collections of \$649,422 exceeded projected revenue of \$632,009 by \$17,413 or 2.4%. However, when compared to the 2002 original budget it's a \$89,195 or 15% increase. The increased revenue was generated by the Shoreline Pool (\$62,835 over budget), General Recreation Programs (\$10,911 over budget) and Facility Rentals (\$9,385 over budget). Specifically within the aquatics program swim lessons and pool admissions generated the majority of the increase.

Gambling Revenue



Gambling tax revenue of \$2,699,862 exceeded projected revenue by an insignificant amount of \$830 but that was due to late payments and the corresponding penalty payments. In real 2002 activity, gambling revenue came in \$26,726 (0.1%) below budgeted revenue. On a positive note fourth quarter's gambling revenue was one of the second largest collection for quarterly gambling revenue in the City's history.

General Fund Expenditures



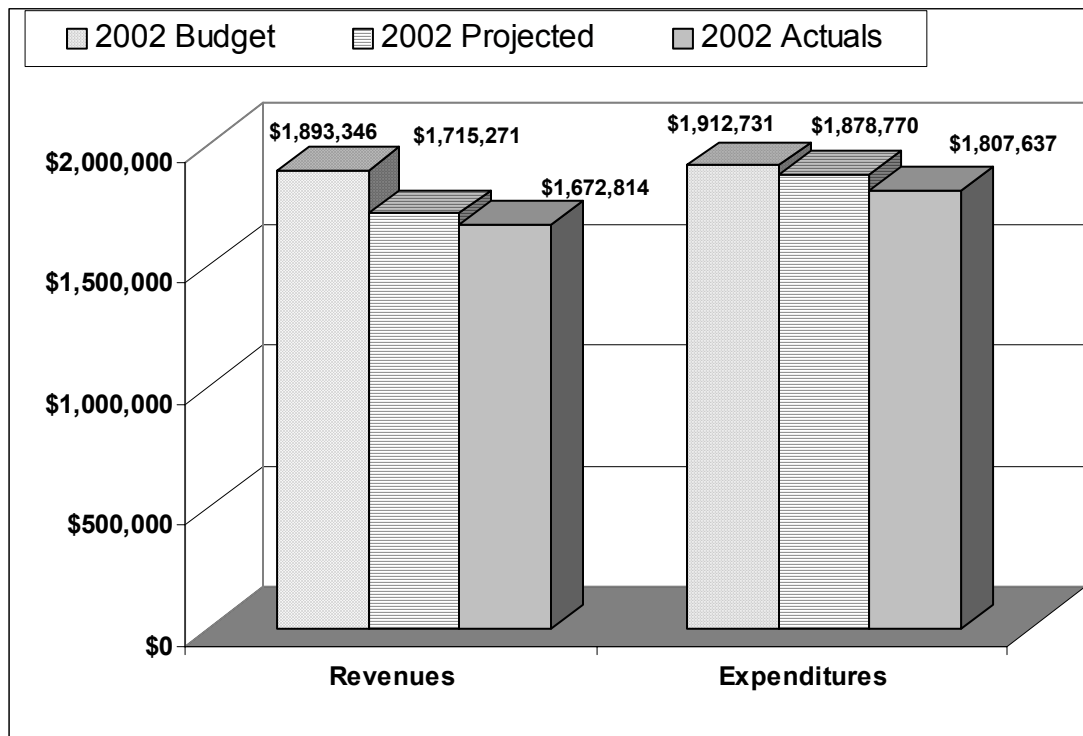
Actual 2002 expenditures were \$24.09 million. This is \$1,810,906 or 8% below projected expenditures of \$25,905,553. In addition to the actual expenditures, staff has requested that \$761,093 of unexpended, but obligated funds, be carried over into the 2003 budget via the re-appropriation process. Taking the carry over requests into consideration actual 2002 expenditures are approximately \$1 million, 4%, below projections. It is worth pointing out that several areas realized significant expenditure savings such as:

- The *Jail contract*, due to significant decreases in usage, saved \$239,981 or 26%. Misdemeanor bookings were down by 15% in 2002 compared to 2001 and misdemeanor maintenance days were down by 34% in 2002 as compared to 2001.
- *Police contract* actual costs were approximately \$173,158 or 2% less than projected. This is primarily a result of the 2001 reconciliation credit between billed and actual salary and benefit costs. This credit was received in 2002 and reduced the 2002 billings.
- *Parks Department* expenditures were \$164,946 or 5% below those projected.

The following table displays the 2002 expenditure results of each department within the General Fund prior to carryover requests.

Department	2002 Current Budget	2002 Projected	2002 Actuals + Carryover	2002 Carryover	\$\$ Variance Projected v. Actuals + Carryover	% Variance
City Council	134,838	134,838	129,552	-	(5,286)	-3.9%
City Manager	691,993	691,993	640,346	-	(51,647)	-7.5%
City Clerk	384,533	337,284	322,647	9,489	(5,148)	-1.5%
Community & Gov Relations	528,635	488,621	475,447	15,744	2,570	0.5%
City Attorney	281,355	261,659	235,010	-	(26,649)	-10.2%
Finance	3,213,084	3,255,254	2,520,689	345,573	(388,992)	-11.9%
Citywide	1,424,099	806,275	784,107	-	(22,168)	-2.7%
Human Resources	336,618	313,168	289,796	-	(23,372)	-7.5%
Jail Contract	994,562	911,070	671,089	-	(239,981)	-26.3%
District Court	5,000	-	-	-	-	0.0%
Prosecuting Attorney	132,500	105,600	106,177	-	577	0.5%
Public Defense	146,350	135,000	131,783	-	(3,217)	-2.4%
Domestic Violence	45,000	45,271	45,357	-	86	0.2%
Police	6,936,658	6,934,208	6,761,050	23,136	(150,022)	-2.2%
Parks	3,196,536	3,188,318	3,023,372	39,180	(125,766)	-3.9%
Economic Development	218,941	218,941	150,958	5,000	(62,983)	-28.8%
PADS	1,312,547	1,057,730	963,160	228,373	133,803	12.7%
Customer Services	377,114	376,977	387,326	-	10,349	2.7%
Public Works	1,843,679	1,828,658	1,536,649	94,598	(197,411)	-10.8%
Department Totals	22,204,042	21,090,865	19,174,515	761,093	(1,155,257)	-5.5%
General Transfers Out	4,814,688	4,814,688	4,920,132		105,444	2.2%
Total General Fund	27,018,730	25,905,553	24,094,647	24,855,740	(1,049,813)	-4.1%

Development Services Fund



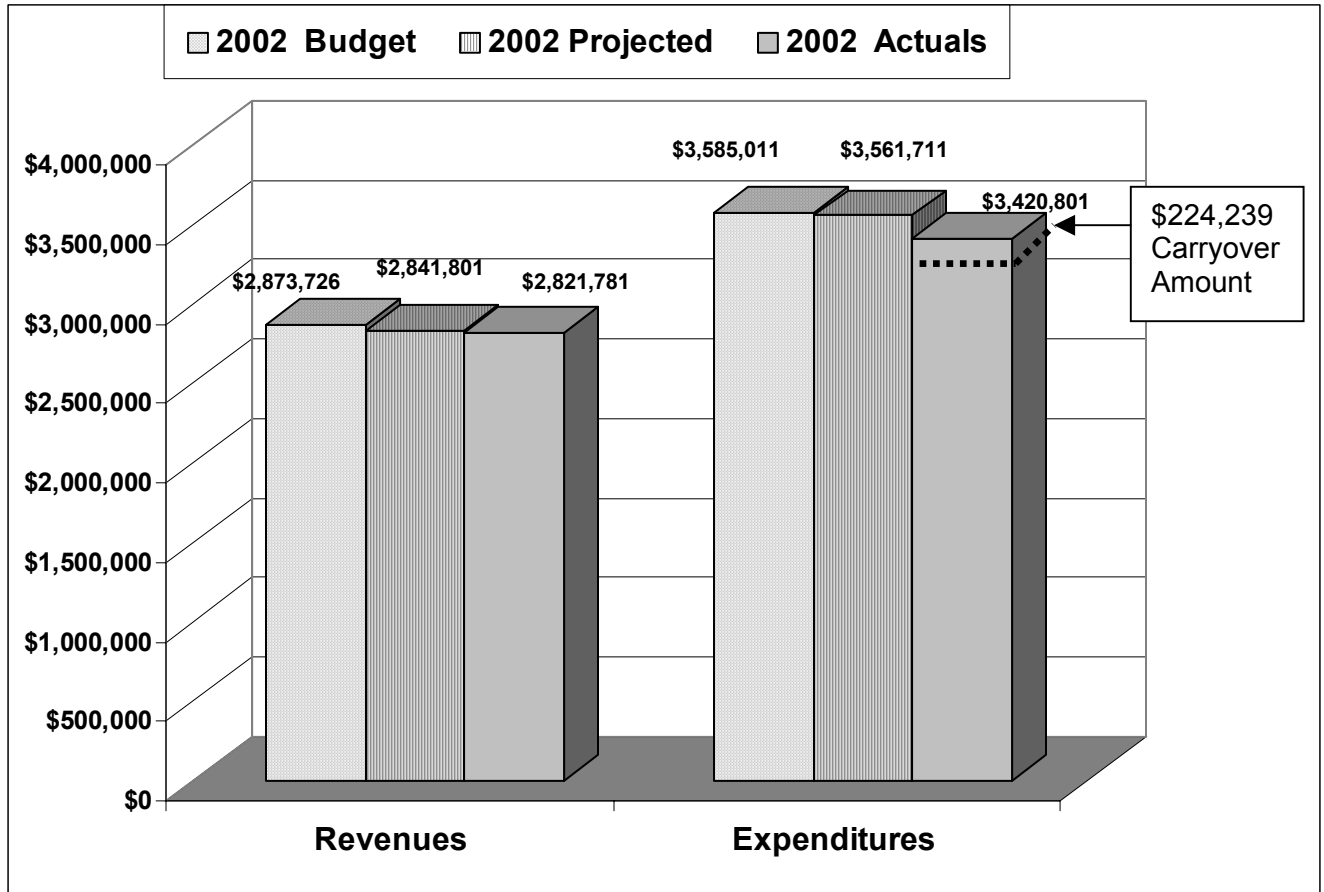
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Staff is monitoring 2003 activity levels and will reevaluate the impact of permit activity levels on its permit operations during the first quarter of 2003.

Street Fund



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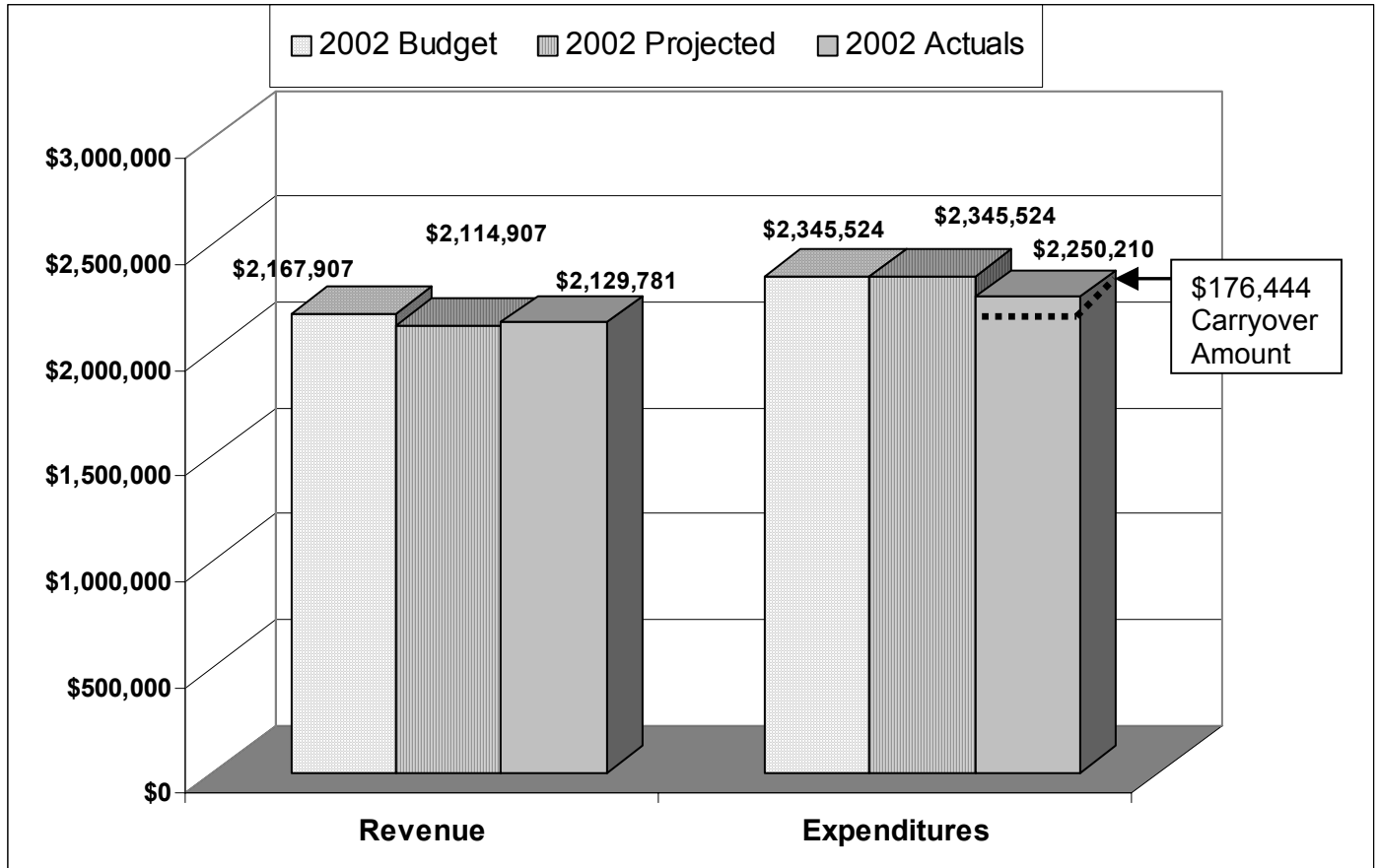
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The City had anticipated using \$711,285 of the Street Fund reserves in 2002. This is primarily a result of one-time expenditures including:

- Payment of \$208,000 to Seattle City Light for back payment of street lights and traffic signals
- Completion of the 2001 sidewalk repair program (\$166,000); and
- Completion of the street light and infrastructure analysis (\$120,000).

Since expenditures are below those projected only \$559,000 of the Street Fund fund balance was expended. The Street Fund fund balance totaled \$630,000 at the end of 2002, approximately 23% of 2003 budgeted revenues.

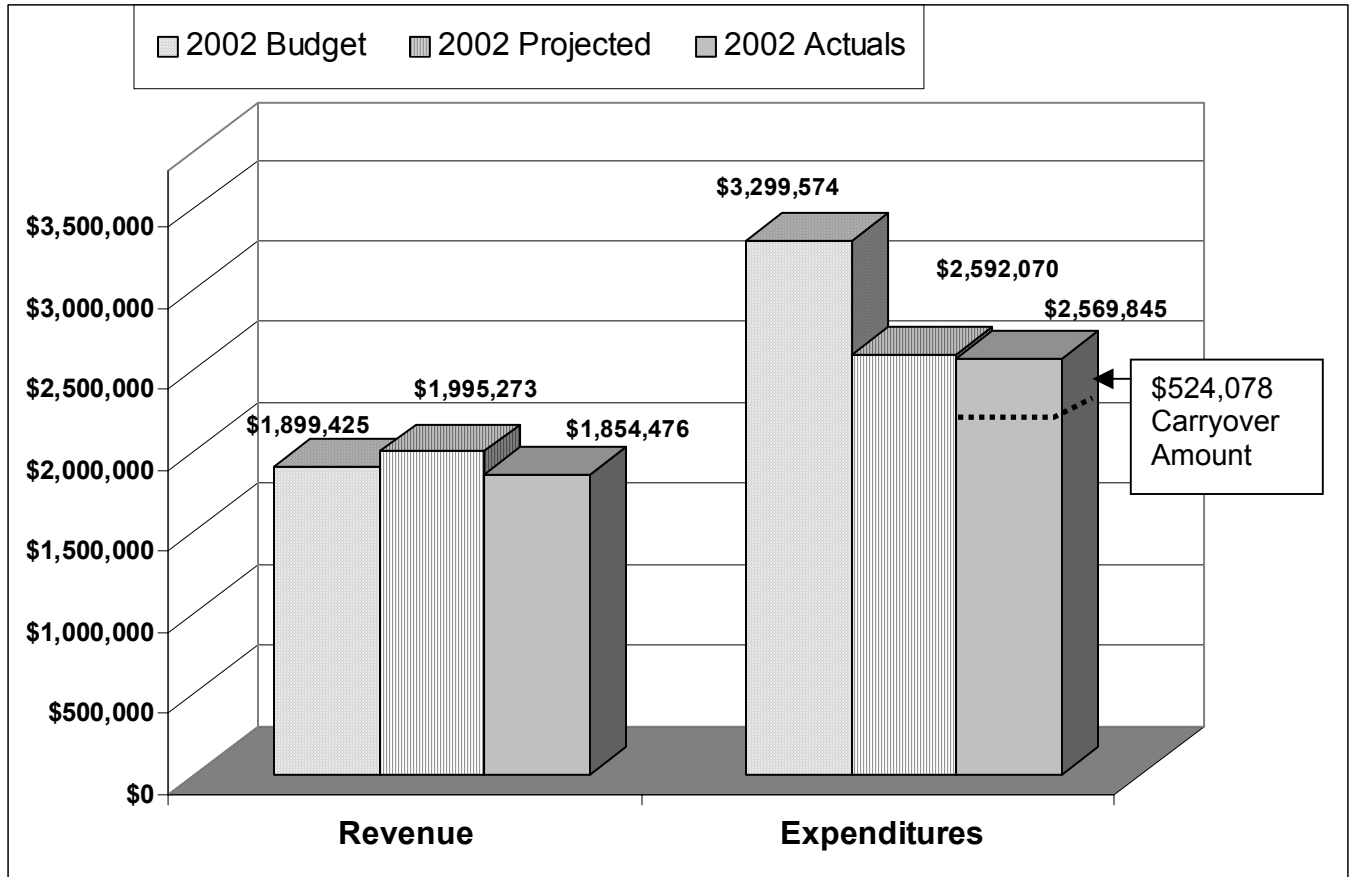
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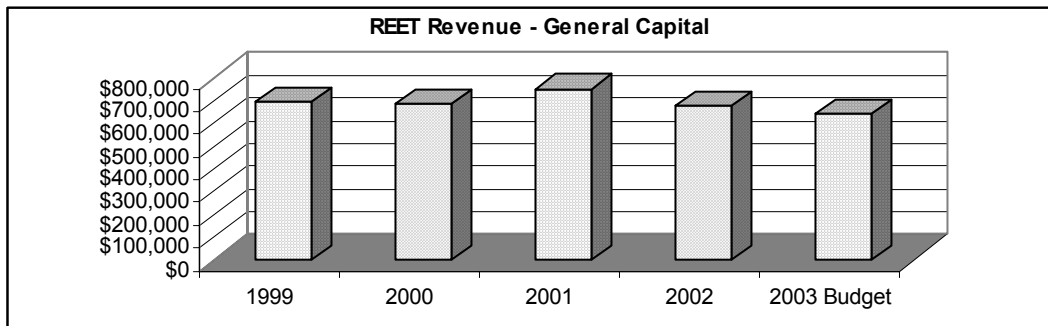
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General Capital Fund

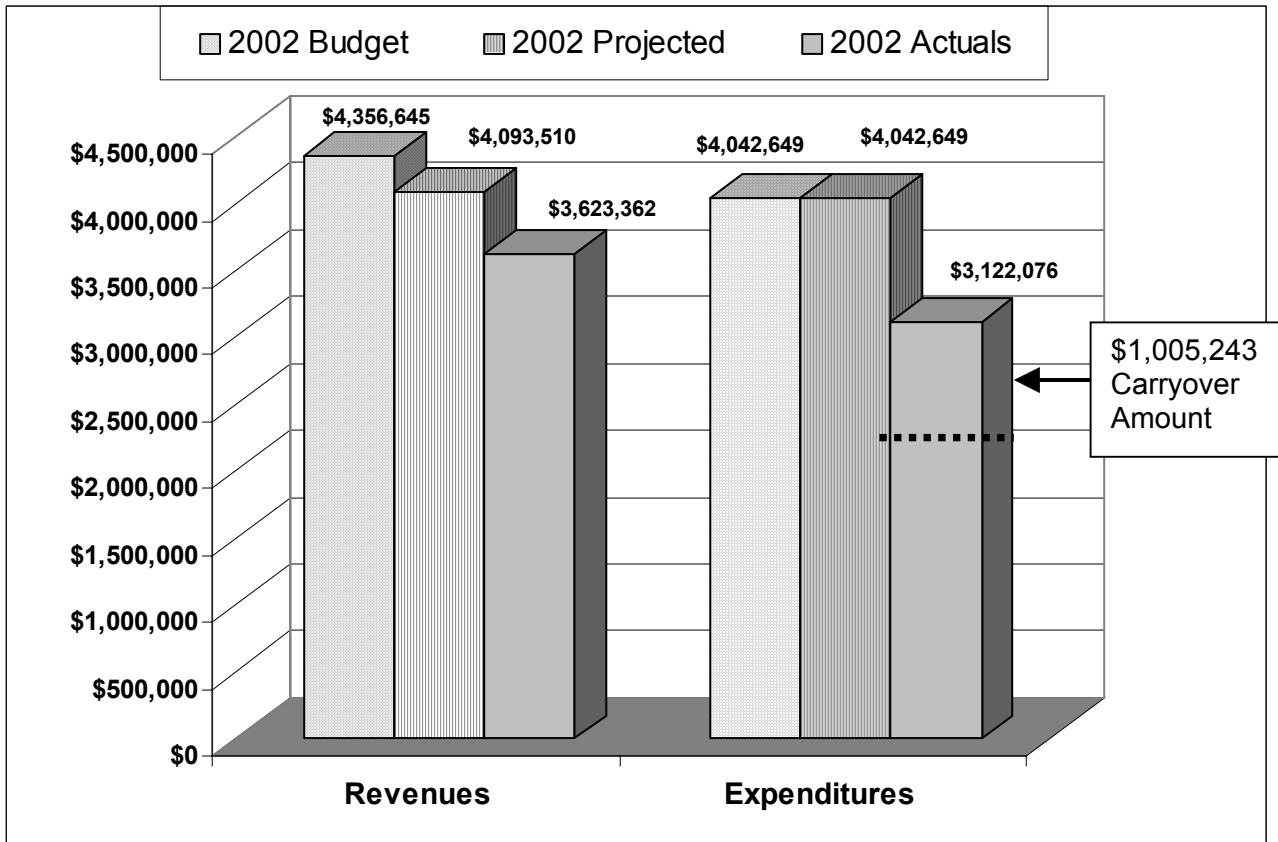


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Actual expenditures for 2002 were \$2,045,767. Carryover requests total \$524,078 bringing anticipated 2002 expenditures to \$2.6 million, \$22,000 below projected expenditures of \$2,592,070.

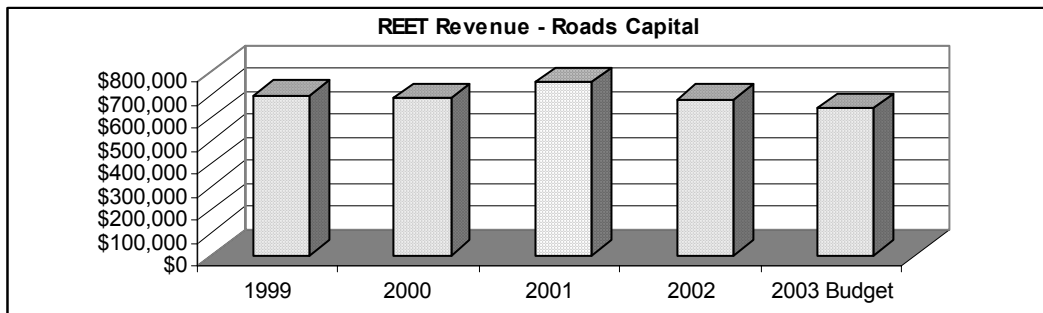


Roads Capital Fund

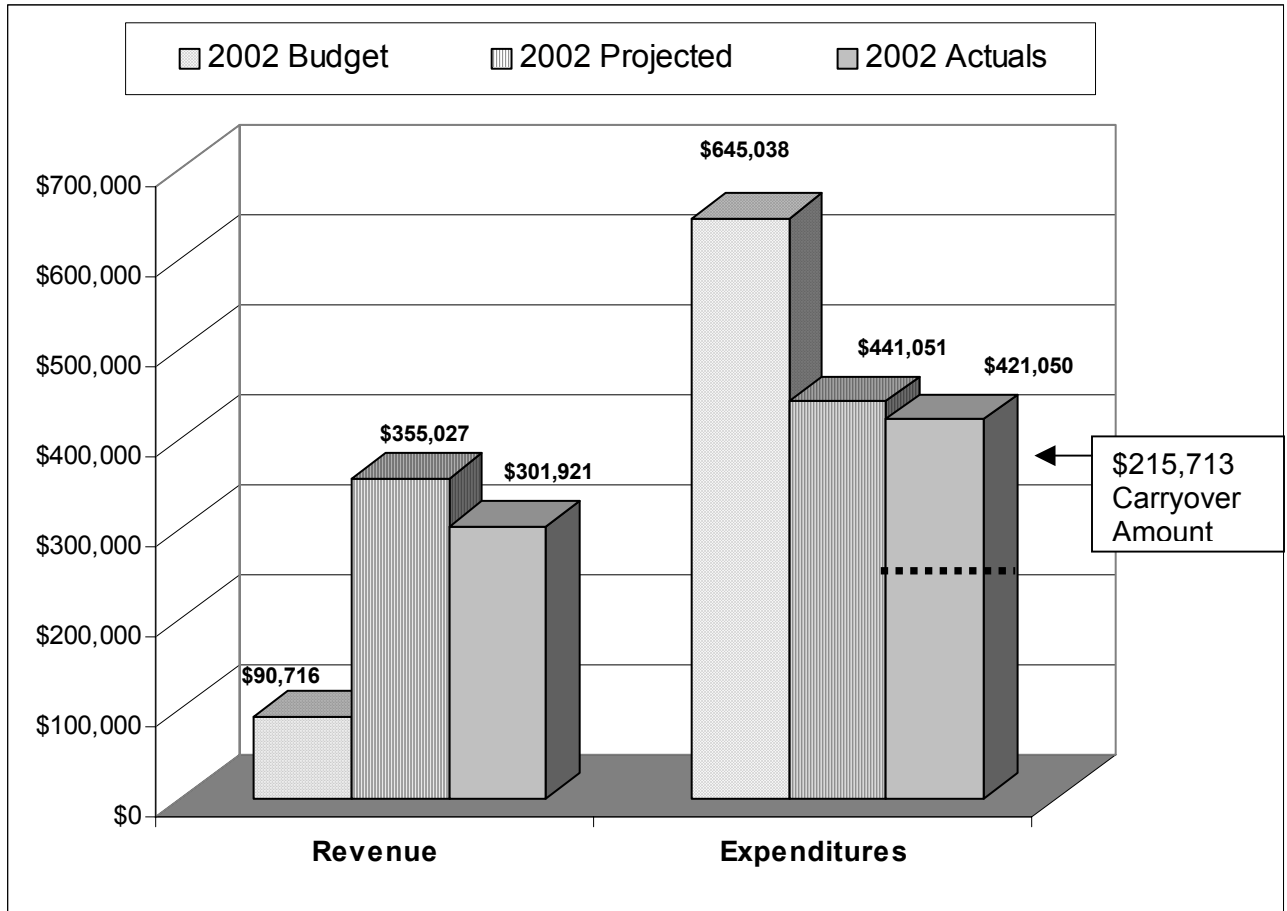


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Actual expenditures for 2002 were \$2,116,833. Carryover requests total \$1 million bringing anticipated 2002 expenditures to \$3.1 million, \$920,573 below projected expenditures of \$4,042,649.



Surface Water Capital Fund



Actual revenues for 2002 were \$301,921. This is \$53,106 or 15% below projected revenues of \$355,027. State Public Works Trust Fund loans for the Ronald Bog and 3rd Avenue Drainage Improvement projects were not received as budgeted in 2002, but will be received during 2003 as project work continues.

Actual expenditures for 2002 were \$205,337. Carryover requests total \$215,713 bringing anticipated 2002 expenditures to \$421,050, \$20,000 below projected expenditures of \$441,051.