

Attachment A



2004 First Quarter Financial Report

Prepared by the Finance Department

for the

Fiscal Year January 1, 2004 – December 31, 2004

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EXECUTIVE SUMMARY

General Fund

First Quarter 2004 actual revenue collections were \$3,368,850, \$84,346 or 2.6% above projected first quarter revenue of \$3,284,504. Through the first three months of 2004 we expect to receive only 12% of budgeted 2004 revenues and as a result it is too early to project any significant revenue trends. This is due in large part to the many revenue sources that pay on a quarterly basis and none of those payments are received in the first quarter, namely gambling tax, cable TV franchise, water franchise and some larger telephone providers. Nonetheless it is still encouraging that the City is on the positive side of the revenue picture.

Actual first quarter expenditures were \$3,473,122, \$6,661 or 0.2% below projections of \$3,479,783. At this time 2004 projected expenditures have not been revised, more actual expenditure data is needed before an accurate spending picture can be developed

Development Services Fund

First quarter 2004 actual revenue collections were \$250,815, \$1,247 or 0.5% above projected first quarter revenue of \$249,568. 2004 first quarter building permit/plan check and Land Use/SEPA activity is up by 7% compared to first quarter 2003.

Actual first quarter expenditures were \$401,889, \$39,574 or 8.96% below projected expenditures of \$441,463. We anticipate this trend to continue as Development Services continues to hold down costs.

Street Fund

First quarter 2004 actual revenue collections were \$572,859, \$7,752 or 1.35% above projected first quarter revenue of \$565,107, due to better than expected Right Of Way fee revenue.

Actual first quarter expenditures were \$566,802, \$31,131 or 5.21% below projected expenditures of \$597,933.

Surface Water Management Fund

First quarter 2004 actual revenue collections were \$142,196, \$23,706 or 20% above projected first quarter revenue of \$118,490. This increase is due to slightly higher than expected storm drainage collections, which may be a result of property owners paying their property taxes, which include SWM fees ahead of schedule.

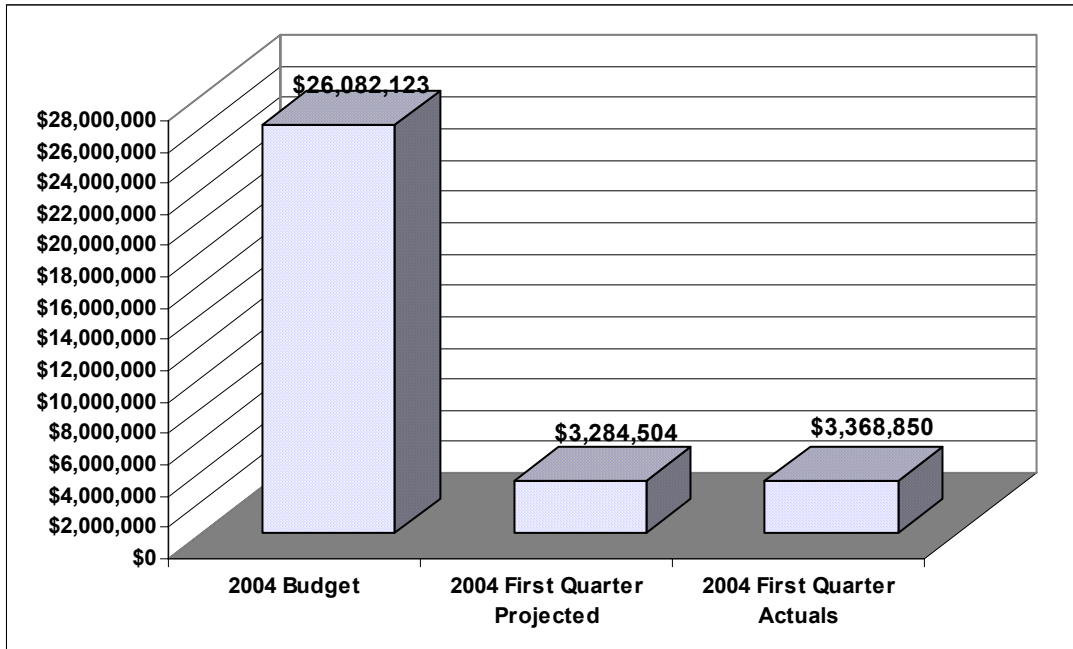
Actual first quarter expenditures were \$334,185, \$10,447 or 3.03% below projected expenditures of \$344,632.

Summary of Key Operating Funds

The following table provides a summary of the financial results for the City's four operating funds for first quarter of 2004. At this time all other funds do not have enough revenue or expenditure activity to warrant any discussion.

Operating Funds	Revenues				Expenditures			
	2004 Budget	1st Quarter Projected	1st Quarter Actuals	Variance Actuals v. Projected	2004 Budget	1st Quarter Projected	1st Quarter Actuals	Variance Actuals v. Projected
General Fund	\$26,082,123	\$3,284,504	\$3,368,850	\$84,346	\$25,811,781	\$3,479,783	\$3,473,122	-\$6,661
Streets	\$2,535,958	\$565,107	\$572,859	\$7,752	\$2,535,008	\$597,933	\$566,802	-\$31,131
SWM OPS	\$2,655,629	\$118,490	\$142,196	\$23,706	\$1,941,243	\$344,632	\$334,185	-\$10,447
PADS	\$1,765,851	\$249,568	\$250,815	\$1,247	\$1,765,851	\$441,463	\$401,889	-\$39,574

General Fund Revenue



First Quarter 2004 actual revenue collections were \$84,346 or 2.6% above projections. This slight increase was due to better than expected revenue in property tax (\$37K), parks (\$29K), state-shared revenue (\$25k), natural gas utility tax (\$51k) and telephone/cell utility tax (\$36k). However, this is offset somewhat by the \$91k less than projected revenue from Seattle City Light due to the late remittance of their February payment to the City. Even though the first quarter revenue trend is positive it is still too early in the year to forecast this trend into ongoing revenue increases.

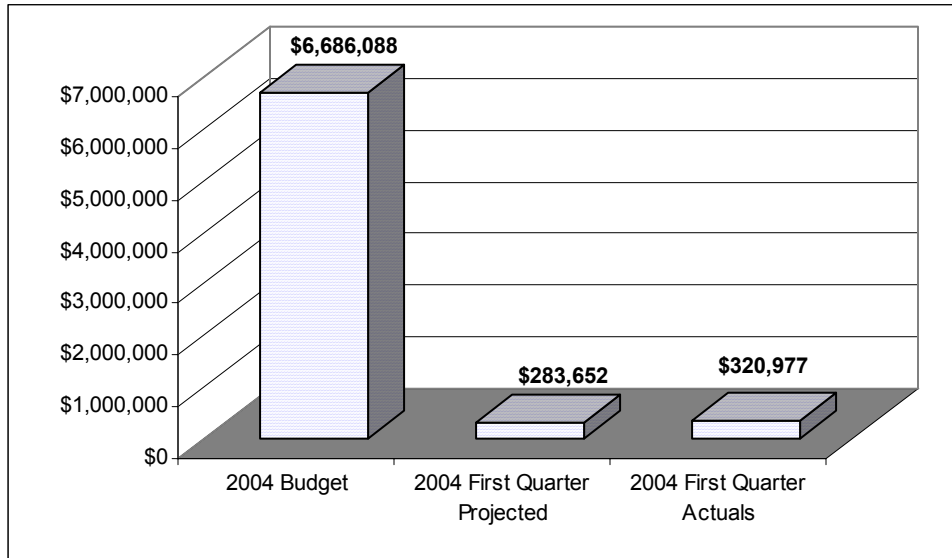
Historically first quarter collections have accounted for roughly 20% of the City's annual revenue even though 25% of the year has elapsed, but for 2004 we are projecting that only 12% of general fund revenues will be received. This decrease is a result of the City receiving just a small portion of state back-fill revenue, which historically had been received in the first quarter. As mentioned earlier many revenue accounts receive no collections during the first quarter e.g. gambling tax, franchise fee payments, grants that reimburse the City for approved expenditures (since billing as not yet occurred), and fees from park programs that are offered later in the year.

To develop an accurate forecasting system revenue collection trends have been established for each revenue category to determine the expected portion of annual collections for each quarter. The trends are based upon the history of collections within Shoreline and the factoring of variables such as rate changes, economic conditions and usage. This is necessary because many revenues are not collected equally throughout the year.

The chart below details each revenue category for the General Fund for first quarter of 2004. The first column is the adopted 2004 revenue amount. The second column represents the anticipated first quarter projected revenue. The third column displays the actual revenue received through the first quarter. The fourth column shows the variance between first quarter projections and actual collections. The last column displays the variance in percentage terms.

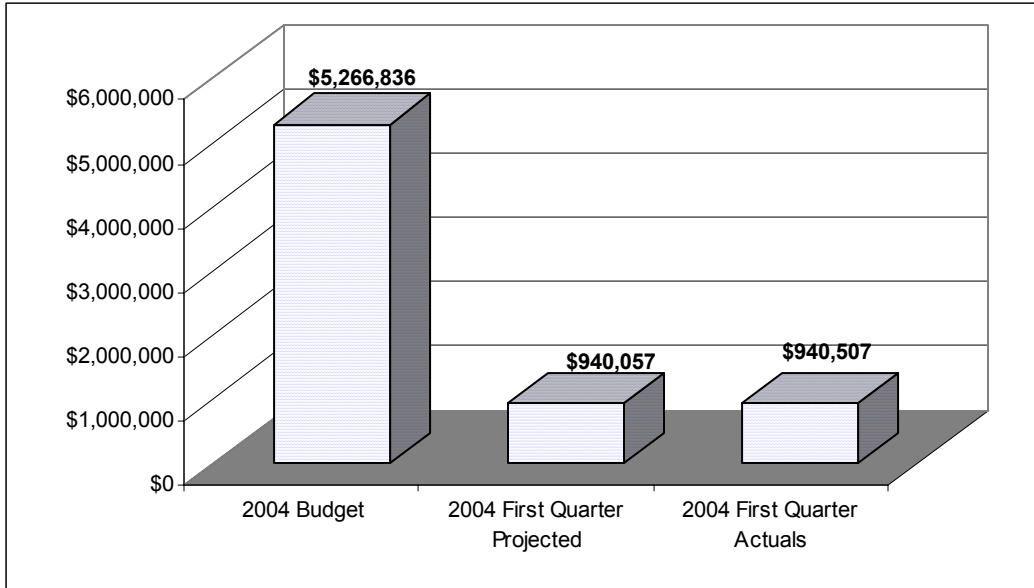
	2004 Budget	2004 First Quarter Projected	2004 First Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance
Budgeted Fund Balance	\$1,279,309	\$0	\$0	\$0	0.0%
Property Tax	\$6,686,088	\$283,652	\$320,977	\$37,325	13.2%
Sales Tax	\$5,266,836	\$940,057	\$940,507	\$450	0.048%
Criminal Justice Sale Tax	\$1,000,000	\$254,384	\$255,631	\$1,247	0.5%
<i>Utility Tax/Franchise Fee Category</i>					
Natural Gas Utility Tax	\$609,927	\$143,882	\$194,889	\$51,007	35.5%
Sanitation Utility Tax	\$300,000	\$46,178	\$47,444	\$1,266	2.7%
Cable TV Utility Tax	\$80,000	\$13,547	\$14,049	\$502	3.7%
Telephone/Cell Utility Tax	\$1,320,000	\$135,960	\$172,052	\$36,092	26.5%
Electricity Franchise Fee	\$1,025,000	\$220,683	\$122,092	-\$98,591	-44.7%
Water Franchise Fee	\$450,325	\$0	\$0	\$0	0.0%
Sewer Franchise Fee	\$600,000	\$150,000	\$150,000	\$0	0.0%
Cable TV Franchise Fee	\$400,000	\$0	\$0	\$0	0.0%
<i>Utility Tax/Franchise Fee Subtotal</i>	\$4,785,252	\$710,249	\$700,526	-\$9,723	-1.4%
Gambling Tax	\$2,500,000	\$0	\$3,407	\$3,407	0.0%
State Revenue	\$683,577	\$196,710	\$221,861	\$25,151	12.8%
Parks & Recreation Revenue	\$705,427	\$177,146	\$205,586	\$28,440	16.1%
Fines & Forfeitures	\$101,000	\$18,858	\$21,914	\$3,056	16.2%
Grants & Misc. Revenue	\$832,139	\$142,824	\$137,817	-\$5,007	-3.5%
Transfers-In	\$2,242,495	\$560,624	\$560,624	\$0	0.0%
Total General Fund Revenue	\$26,082,123	\$3,284,504	\$3,368,850	\$84,346	2.6%

Property Tax Revenue

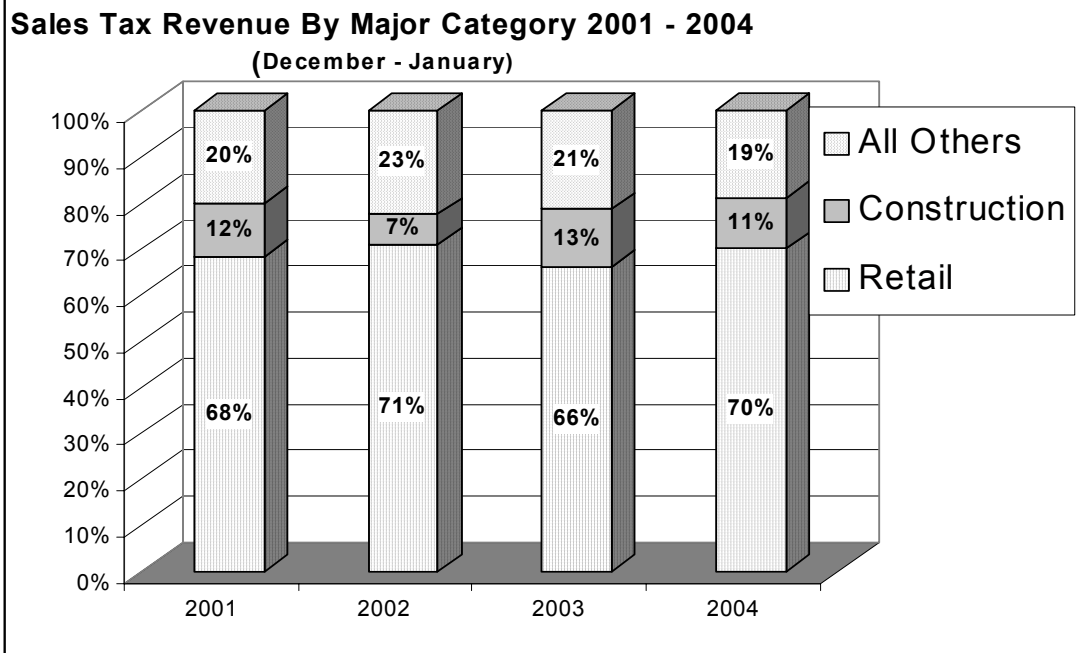


Property tax collections exceeded projections by \$37,325 or 13.2%, which may be a result of property owners paying their property taxes ahead of schedule. No change has been made in the 2004 projected revenue in this category as the adopted budget for this tax is based upon the property tax levy adopted by Council. Only 98% of the levy is expected to be collected due to an anticipated 2% rate of delinquencies. During the first quarter of each year, the City typically receives only 3% of the annual collections, since the first property tax payment is not due until April 30th.

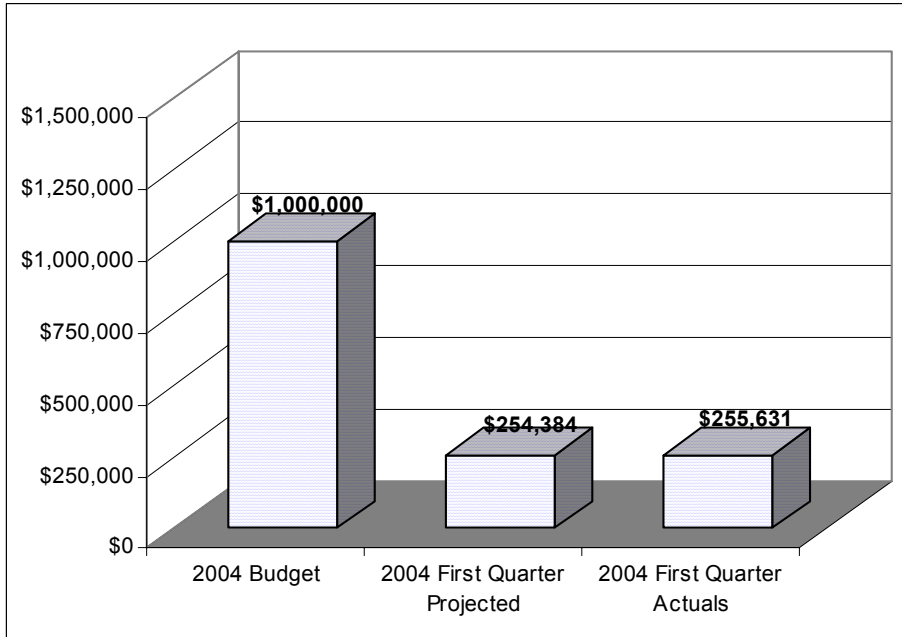
Sales Tax Revenue



Actual sales tax revenue came in at the projected amount, varying by only \$450. First quarter sales tax revenue includes only December 2003 and January 2004 revenue due to the two-month time lag for the State Department of Revenue to process the tax returns. So far the 2004 retail sales tax trends are very similar to the previous three years as illustrated on the graph immediately below.

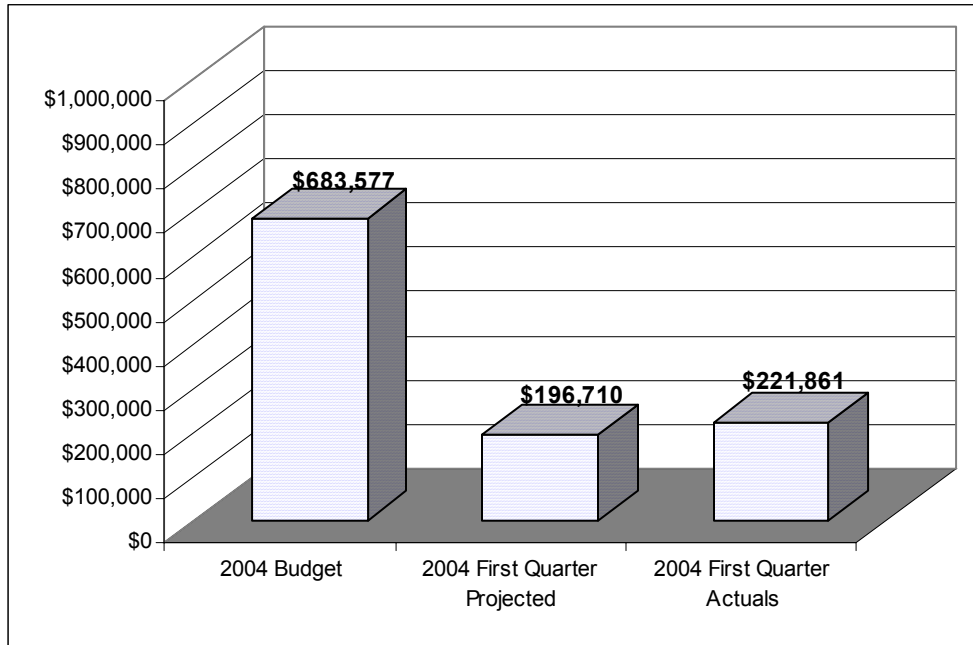


Criminal Justice Sales Tax Revenue



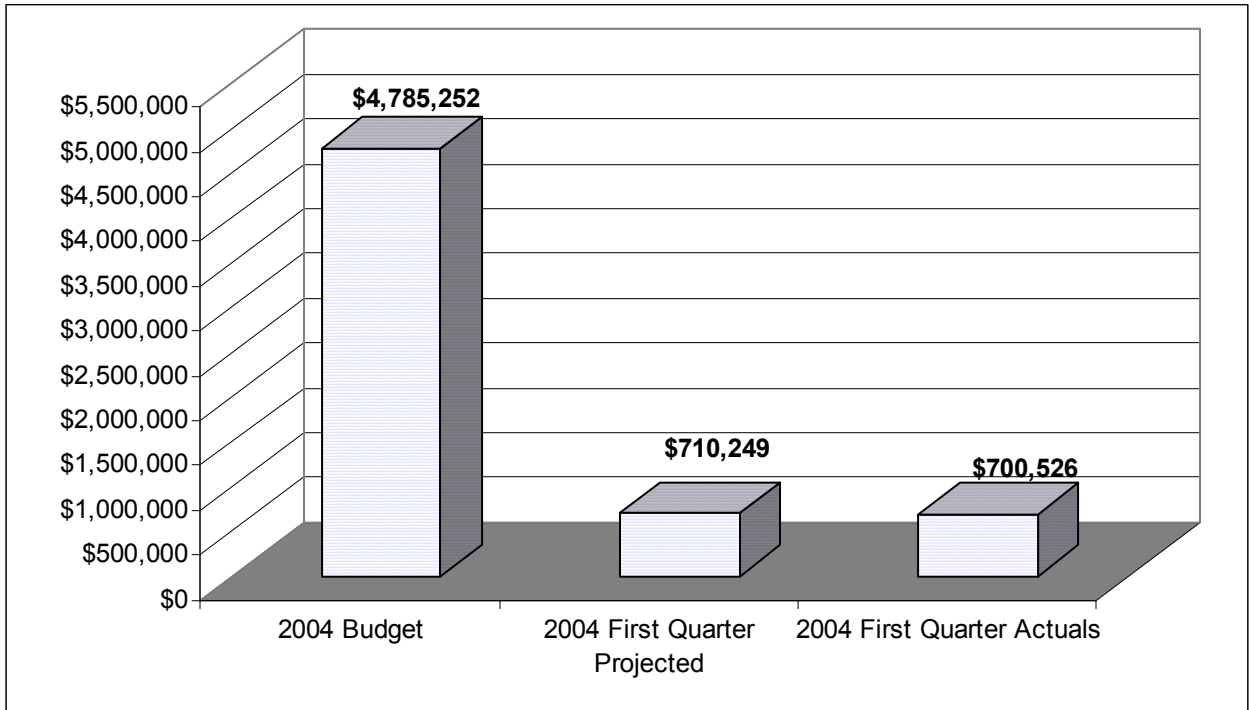
Local Criminal Justice Sales Tax of \$255,631 is slightly ahead of projected revenue of \$254,384 by \$1,247 or 0.5%. This category differs from sales tax because it results from a distribution by the County and is collected on a countywide basis. The distribution amount is based on a city's population and the amount of sales tax collected through all of King County.

State Revenue



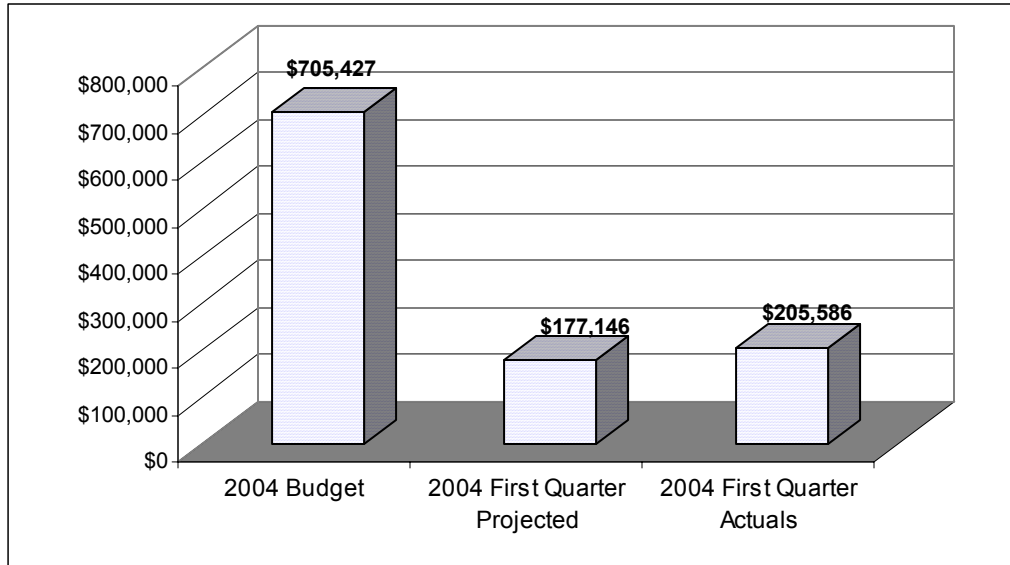
State Revenue of \$221,061 exceeded projections of \$196,710 by \$25,151 or 12.8%, due primarily to increases in Liquor Board Profits (\$2K) and Liquor Excise Tax (\$13K). Even though actual revenue exceeded projections it is anticipated that for the year revenues in this category will remain at budget.

Utility Tax and Franchise Fee Revenue



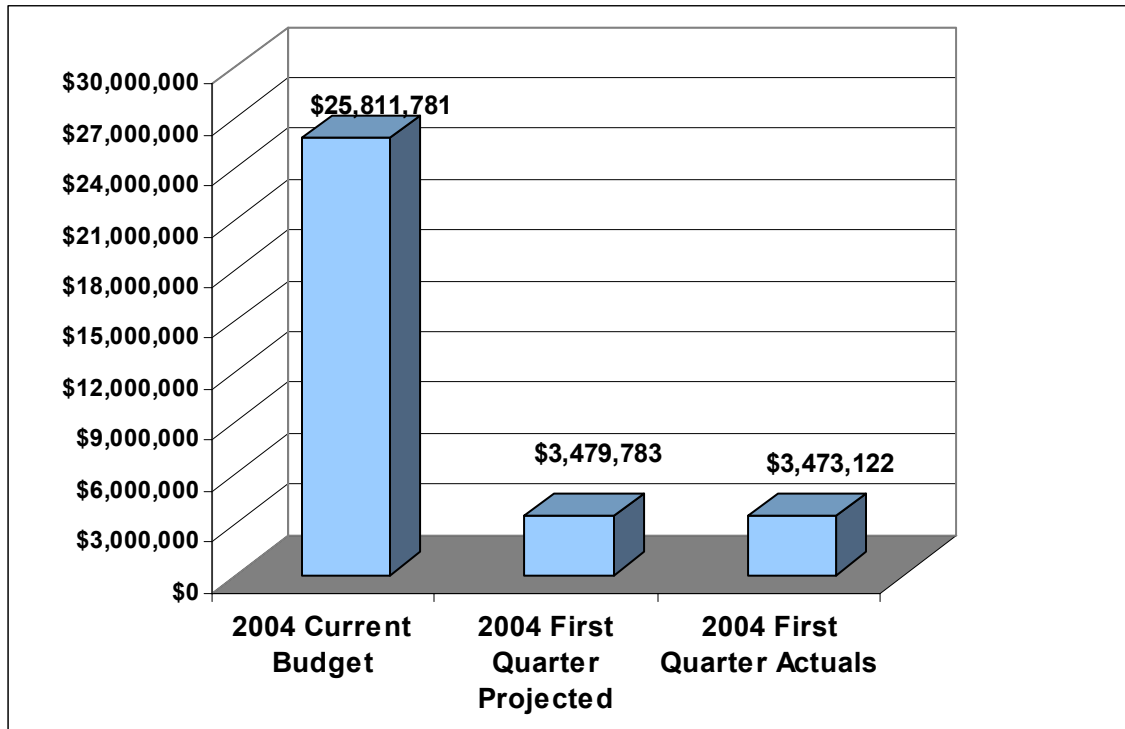
Utility tax and franchise fee revenue of \$700,526 is below projected revenue of \$710,249 by \$9,723 or 1.4%. Even though natural gas (\$51k), sanitation (\$1k) and tele/cell phone (\$36K) revenues were ahead of projections, revenue from electricity was \$98,591 below projections due to the fact that Seattle City Light remitted its February payment too late to be included in the first quarter. At this time we still anticipate the revenues in this category to at least meet expectations.

Parks and Recreation Fee Revenue



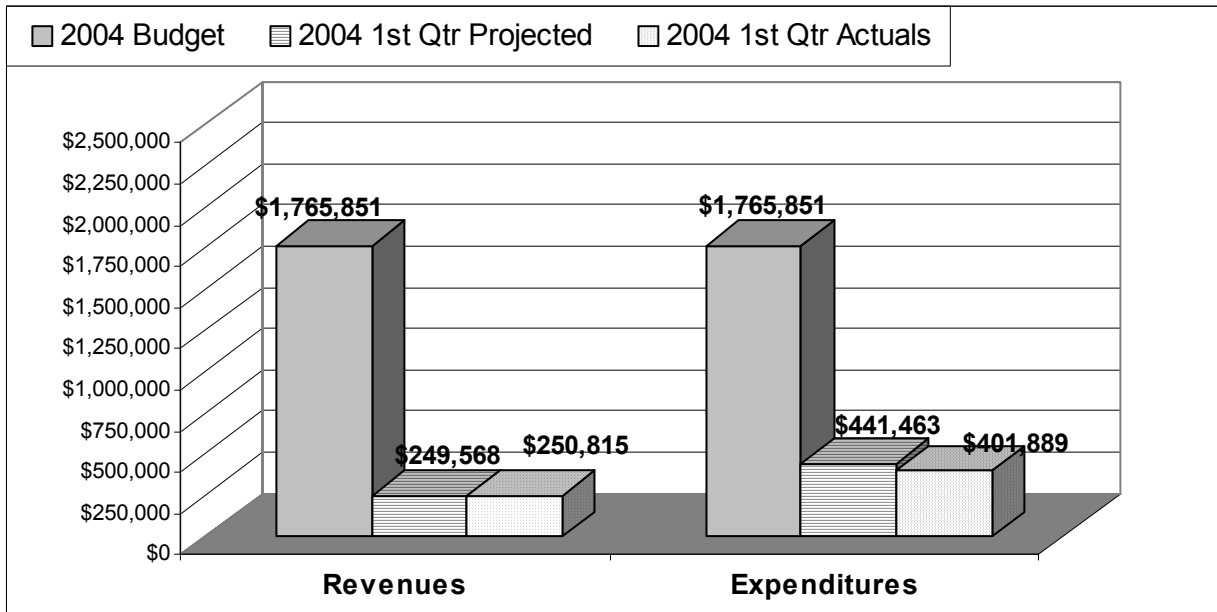
Parks and Recreation Fee revenue of \$205,586 was above projections of \$177,146 by \$28,440 or 16.1%. This increase is due primarily to two things a dramatic increase in the amount of swim lessons offered and the effect of the new pool and recreation fee increases.

General Fund Expenditures



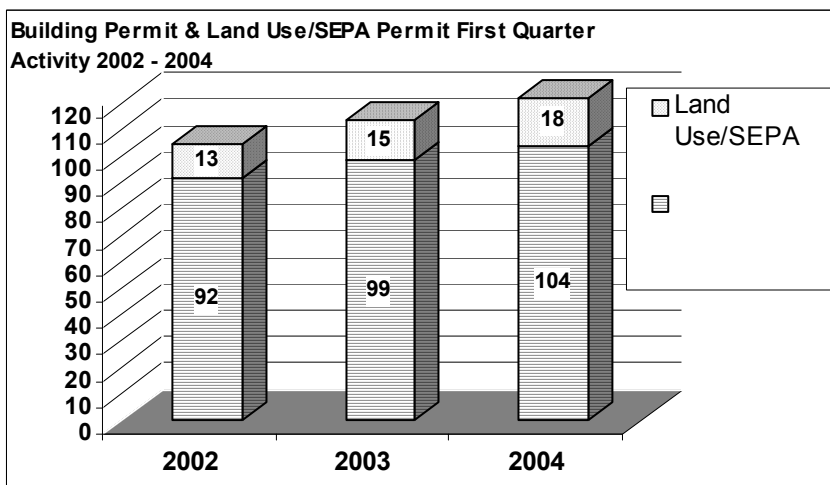
Departmental expenditures for first quarter were \$3,473,122 essentially right at the projected expenditure amount of \$3,479,783 varying by less than 1%. It is still too early to make any determinations on expenditure trends as many of the City's professional service contracts and intergovernmental billings do not begin to hit until after the first quarter.

Development Services Fund

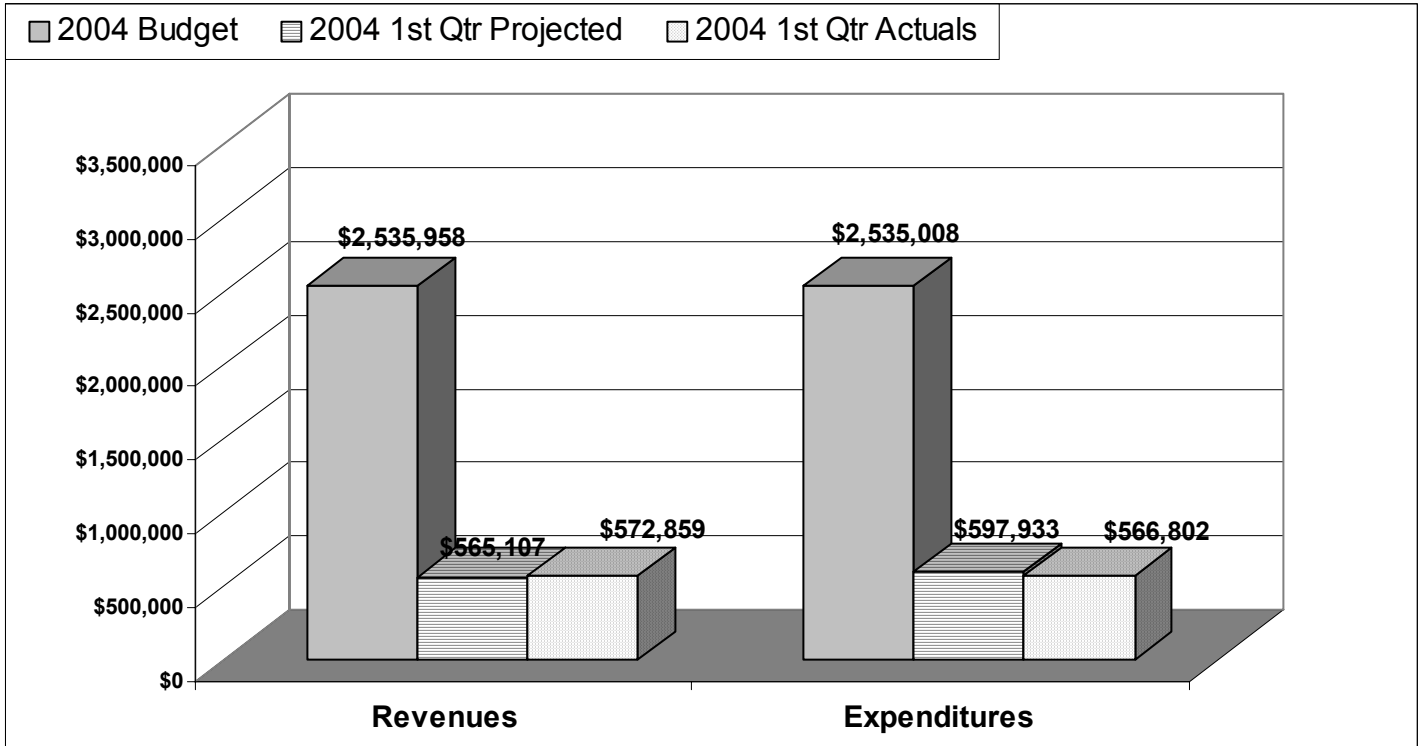


For first quarter of 2004, Development Services Fund revenues are slightly ahead of projected revenue by \$1,247 or 0.5%. 2004 first quarter building and land use permit activity is up by 7% or 8 permits compared to 2003. The graph below illustrates the increase in building and land use permit numbers for the first quarter for the past three years.

Expenditures are behind projections by \$39,574 or 8.9% due in part to salary and benefit savings and slower than expected expenditures in professional services.



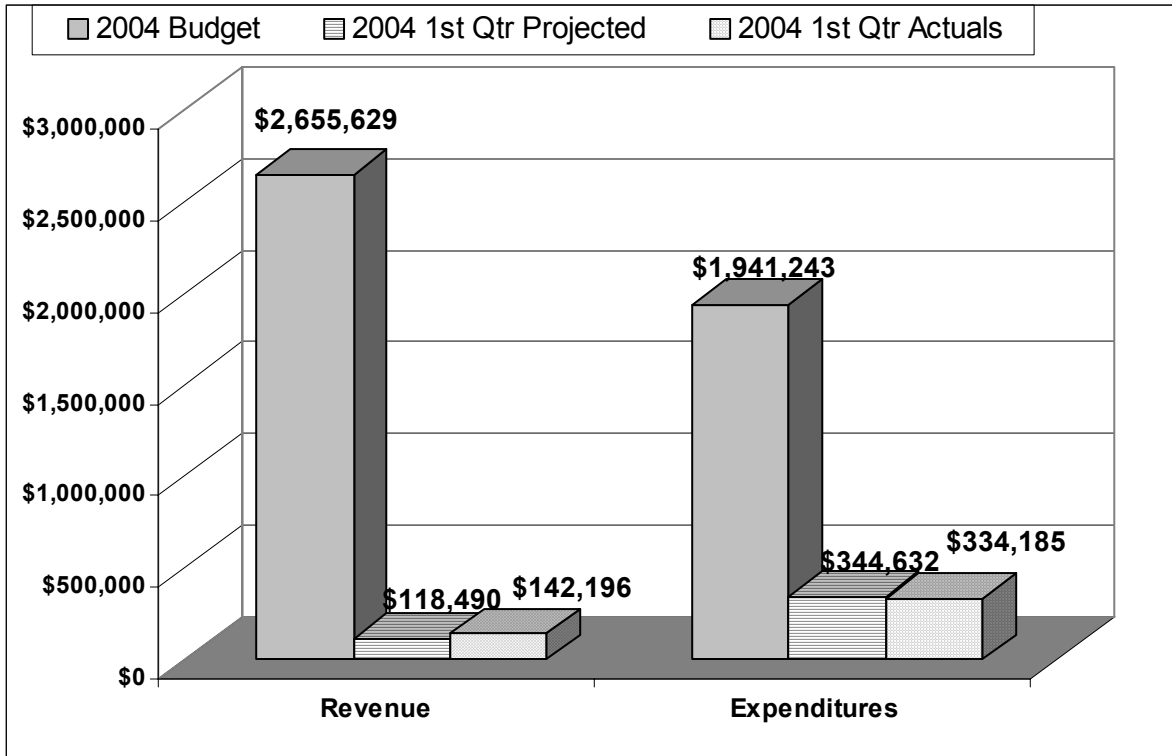
Street Fund



Street Fund revenue through the first quarter is just slightly ahead of projections by \$7,752, due to just slightly better than expected ROW fees.

Street Fund expenditures are less than projected expenditures by \$31,131 or 5.2%.

Surface Water Management Fund



Revenues in the Surface Water Management Fund are ahead of projections by \$23,706 or 20%. This increase is due to slightly higher than expected storm drainage collections, which may be a result of property owners paying their property taxes, which include SWM fees ahead of schedule.

Expenditures are slightly below projections by \$10,447 or 3.03%.