



2002 First Quarter Financial Report

Prepared by the Finance Department

for the

Fiscal Year January 1, 2002 – December 31, 2002

Table of Contents

Executive Summary	3
General Fund Revenue	5
Property Tax	7
Sales Tax	8
Criminal Justice Sales Tax	9
State Revenue	10
Utility Tax and Franchise Fees	11
Parks Revenue	12
Gambling Revenue	12
General Fund Expenditures	13
Development Services Fund	14
Street Fund	15
Surface Water Management Fund	16

EXECUTIVE SUMMARY

General Fund

The figures presented in this report are from the budget adopted in December and do not incorporate the budget amendment adopted by Council on April 8, 2002.

Actual first quarter revenues were \$3,539,448, \$158,311 or 4.7% above projections of \$3,381,137. This increase was generated by greater than expected revenues from Seattle City Light and Waste Management due to rate increases and the inclusion of revenue generated in 2001 but received after the close of the 2001 fiscal year. As a result, 2002 revenue projections have been revised upward by \$572,183 to \$26,969,640, a 2.1% increase.

Actual first quarter expenditures were \$4,897,879, \$556,436 or 11% below projections of \$5,454,315. No change in 2002 projected expenditures is being made at this time, after another quarter's data has been analyzed a more accurate assessment of expenditures can be made.

Development Services Fund

Development Services Fund revenues of \$399,107 are behind projections of \$413,165 by \$14,058 or 3.4%. Permit revenue continues to fall below first quarter projections. Although this is similar to the pattern for 2001, the degree in which first quarter revenues are less than projected is not as great. In 2001 permit revenue was \$105,111 behind projections. So far in 2002 construction activity continues to be down both locally and regionally.

Expenditures of \$429,000 are behind projections of \$440,326 by \$11,326. We will continue to monitor this fund to be certain that revenues continue to support expenditure activity.

Street Fund

Street Fund revenue of \$671,640 is behind projections of \$692,600 by \$20,960. Motor Vehicle Fuel Tax collections were behind projections by \$17,040 due to a decline in consumption statewide. Investment interest is also behind projections by \$20,627 due to lower interest rates. Right-of-way permit fees are ahead of projections by \$13,073.

Street Fund expenditures of \$562,846 are ahead of projections of \$521,328 by \$41,518. The current level of spending indicates an acceleration of activities over prior years now that the program is fully staffed and equipped.

Surface Water Management Fund

Revenues in the Surface Water Management Fund of \$101,652 are behind projections of \$113,176 by \$11,524. Interest earnings are behind projections by \$19,551, while storm drainage fees are ahead of projections by \$6,461.

Expenditures of \$421,050 are behind projections of \$464,146 by \$43,899. Two major surface water projects included in this year's budget will not begin until later in the year. At that time, spending levels will increase as the additional activity takes place.

Capital Improvement Funds

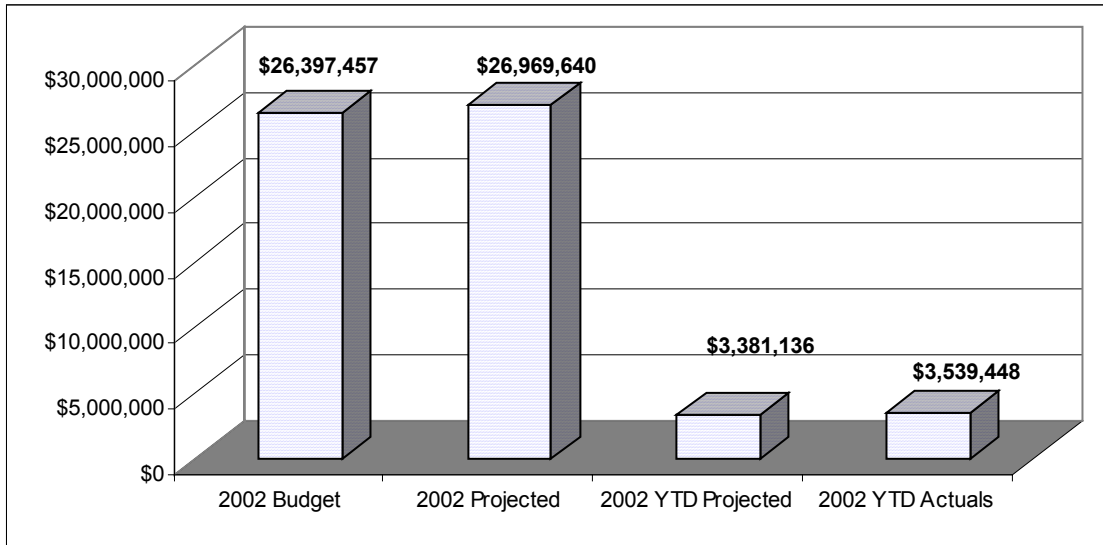
First quarter activity in the City's three capital improvement funds: General Capital, Roads Capital, and Surface Water Capital was less than expectations. A major review of the City's Capital Improvement Plan (CIP) took place during this time period. The second quarter report will reflect the revisions to the 2002 Capital budget that was adopted by Council in April. Project activity will also begin to increase during the second quarter as the weather begins to cooperate.

All Funds Summary

The following table provides a summary of the financial results for all City funds for the first quarter of 2002:

Fund	2002 Revenues				2002 Expenditures			
	Budget	1 st Qtr Projected	1 st Qtr Actual	1 st Qtr Variance	Budget	1 st Qtr Projected	1 st Qtr Actual	1 st Qtr Variance
General Fund	\$26,397,457	\$3,381,137	\$3,539,448	\$158,311	\$26,397,457	\$5,454,315	\$4,897,879	\$(556,436)
Streets	3,299,689	710,257	671,640	(38,617)	3,299,689	521,328	562,846	41,518
Arterial Streets	369,042	90,205	86,154	(4,051)	369,042	92,261	92,261	0
Surface Water Operations	2,248,130	113,176	101,652	(11,524)	2,248,130	464,146	421,050	(43,096)
General Reserve	0	257,550	257,550	0	0	0	0	0
Development Services	1,912,731	413,165	399,107	(14,058)	1,912,731	440,326	429,000	(11,326)
PD&S Abatement	100,000	25,000	0	(25,000)	100,000	25,000	11,181	(13,819)
Asset Seizure Fund	25,000	5,964	1,520	(4,444)	25,000	6,250	0	(6,250)
Gen. Capital Improvement	2,030,278	1,334,776	1,238,295	(96,481)	2,030,278	507,569	522,829	15,260
Roads Capital	9,440,569	745,569	571,499	(174,070)	9,440,569	2,360,142	81,219	(2,278,923)
Surface Water Capital	2,290,000	90,716	101,339	10,623	2,290,000	572,500	23,705	(548,795)
Vehicle Operations/Maint.	70,000	142	639	497	70,000	17,500	12,289	(5,211)
Equipment Replacement	275,000	104,266	103,364	(902)	275,000	125,000	80,298	(44,702)
Unemployment	8,259	8259	8259	0	8,259	2065	0	(2,065)
Total	\$48,466,155	\$7,280,182	\$7,080,466	\$(199,716)	\$48,466,155	\$10,588,302	\$7,134,557	\$(3,453,845)

General Fund Revenue



First Quarter 2002 actual revenue collections were \$158,311 or 4.7% above projections. 2002 General Fund revenue projections have been increased by \$572,183 or 2.1%. This increase is small and represents conservative estimates. Contributing factors to this increase are utility rate increases, increased collection efforts for utility taxes and franchise fees and adjusting revenues so that they more closely follow historical patterns. In addition, the City received revenue generated in 2001 but received it too late to be accounted for in 2001. These are considered one-time revenue increases for 2002.

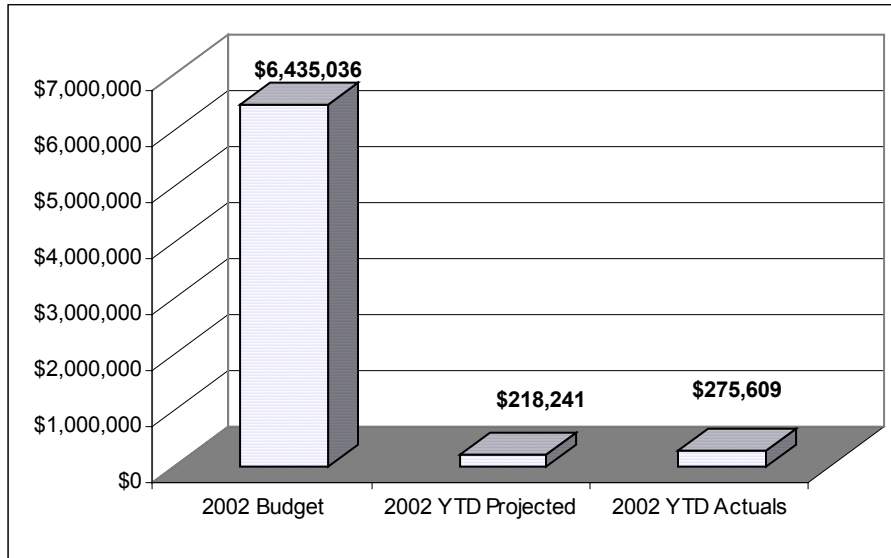
Tempering the City's revenue increases for first quarter 2002 was the decrease in interest income. For first quarter 2002 interest income was \$47,086 below projections of \$103,610. This decrease is attributable to the decline in the net rate of return in the Local Government Investment Pool, last march the rate of return was 5.23% this March the rate was 1.84%. Although we have reduced the projected interest earnings for 2002 by \$116,334, we are anticipating additional reductions if interest rates continue to remain extremely low.

Historically first quarter collections account for about 20% of the City's annual revenue even though 25% of the year has elapsed. 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 as possible 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 first quarter of 2002. The first column is the adopted 2002 revenue amount. The second column represents the revised projection, if applicable, for each category. The third column displays the projected revenue through the first quarter. The fourth column displays the actual revenues through March. The fifth column shows the variance between first 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.

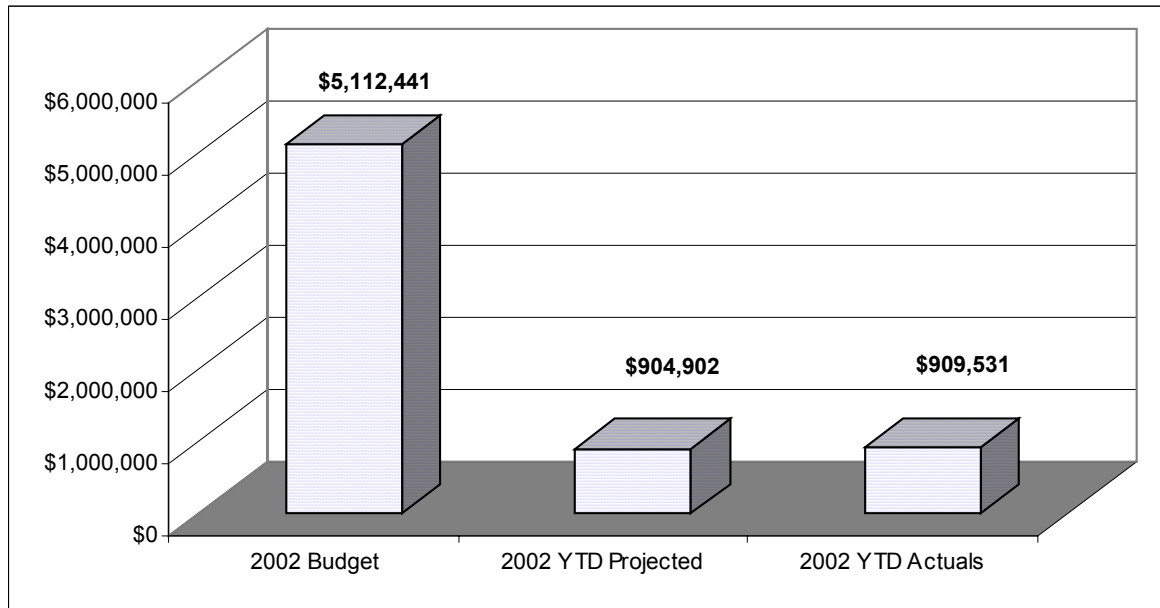
	2002 Budget	2002 Projected	2002 YTD Projected	2002 YTD Actuals	1ST Qtr. Variance	% Variance	% of Total Revenue
Budgeted Use of Fund Balance	1,184,170	1,184,170	-	-			
Property Tax	6,435,036	6,435,036	218,241	275,609	57,368	26.3%	23.9%
Sales Tax	5,112,441	5,112,441	904,902	909,531	4,629	0.5%	19.0%
Criminal Justice Sales Tax	1,128,989	1,128,989	276,950	259,323	(17,627)	-6.4%	4.2%
<i>Utility Tax/Franchise Fee Category</i>					-		
Natural Gas Utility Tax	844,539	844,539	219,580	205,858	(13,722)	-6.2%	3.1%
Sanitation Utility Tax	181,800	278,019	30,304	44,165	13,861	45.7%	1.0%
Cable TV Utility Tax	58,222	66,585	10,987	13,664	2,677	24.4%	0.2%
Telephone/Cell Utility Tax	1,020,000	1,020,000	105,060	145,124	40,064	38.1%	3.8%
SCL Franchise Fee	694,350	840,000	201,600	238,192	36,592	18.2%	3.1%
Water Franchise Fee	430,325	430,325	-	-	-		1.6%
Sewer Franchise Fee	202,444	257,750	51,550	49,141	(2,409)	-4.7%	1.0%
Cable TV Franchise Fee	360,467	463,819	92,764	103,352	10,588	11.4%	1.7%
<i>Utility Tax/Franchise Fee Subtotal</i>	3,792,147	4,201,037	711,845	799,496	87,651	12.3%	15.6%
Gambling Tax	2,500,000	2,699,032	199,032	215,434	16,402	8.2%	10.0%
State Revenue	2,113,414	2,113,414	134,760	144,149	9,389	7.0%	7.8%
Parks & Recreation Revenue	560,227	560,227	126,395	145,599	19,204	15.2%	2.1%
Fines & Forfeitures	75,000	105,000	20,293	30,128	9,835	48.5%	0.4%
Grants & Misc. Revenue	1,047,929	982,190	127,730	91,903	(35,827)	-28.0%	3.6%
Transfers-In	2,448,104	2,448,104	660,988	668,276	7,288	1.1%	9.1%
Total General Fund Revenue	26,397,457	26,969,640	3,381,136	3,539,448	158,312	4.7%	100.0%

Property Tax Revenue



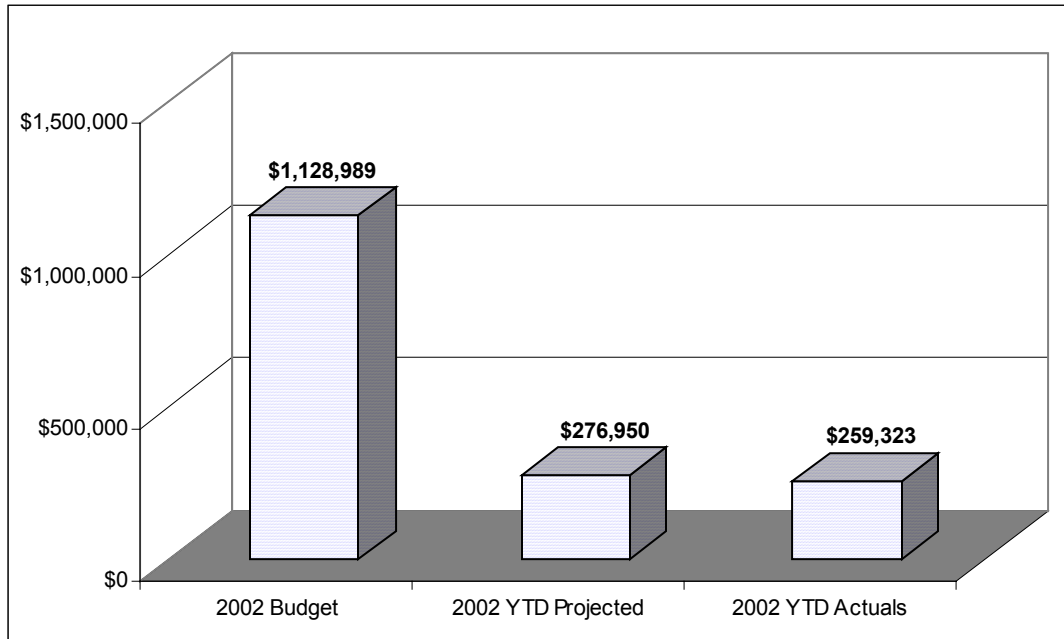
Property tax collections of \$275,609 exceeded projections of \$218,241 by \$57,368 or 26.3%. No change has been made in the 2002 projected revenue in this category as the adopted budget for this tax is based upon the property tax levy adopted by Council. Only 98% of the levy is expected to be collected 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



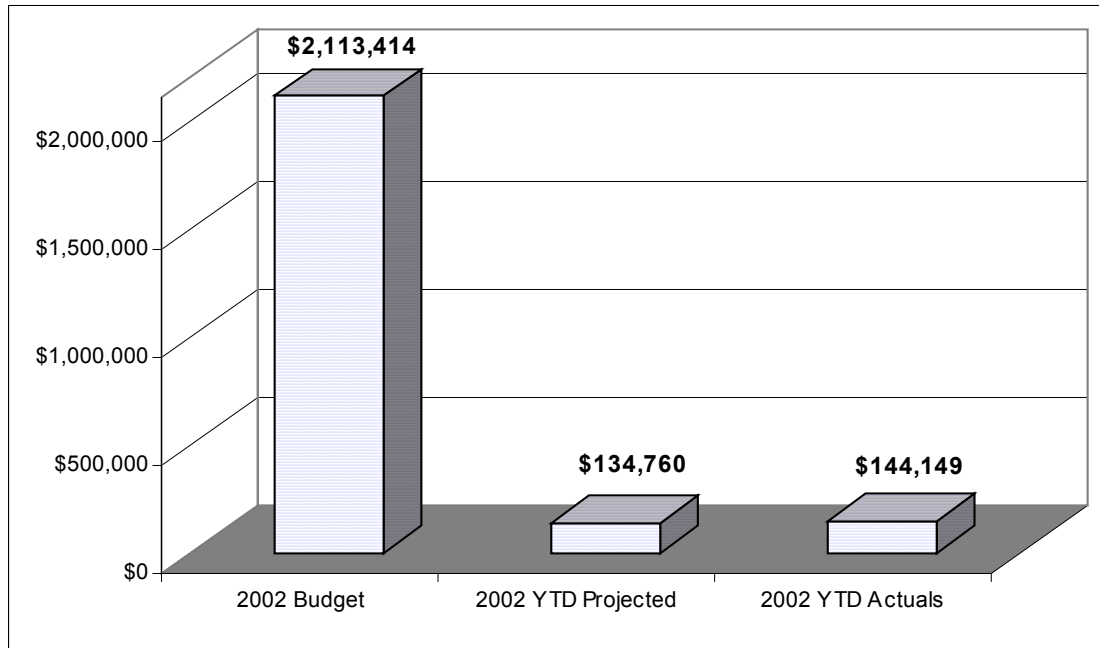
Sales tax collections of \$909,531 slightly exceeded projections of \$904,902 by \$4,629 or .51%. No revisions have been made to the 2002 projections in this category even though first quarter collections are ahead of projections. Revenue received to date represents taxes paid in December and January. While those collections were slightly ahead of the prior year, we are waiting for future collections to see the extent of the impact that the current slowdown in the economy will have on sales tax.

Criminal Justice Sales Tax Revenue



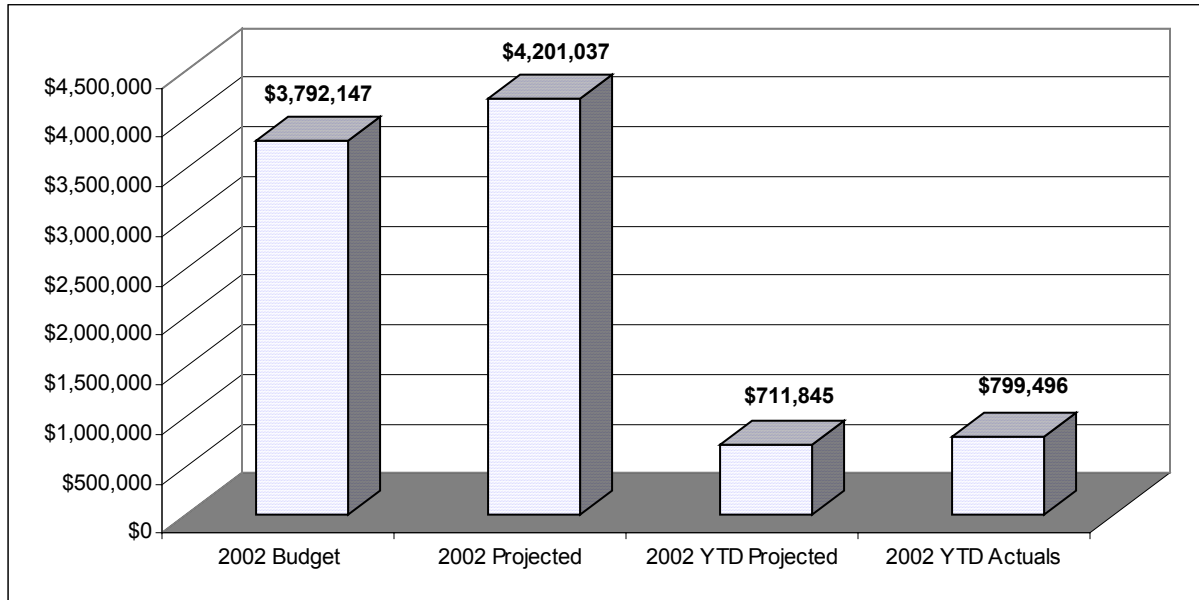
Local Criminal Justice Sales Tax of \$259,323 are below projections of \$276,950 by \$17,627 or 6.36%. Projections for this revenue have not been revised. This category differs from sales tax because it results from a distribution by the County and is collected on a County wide basis. The distribution 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 \$144,149 exceeded projections of \$134,760 by \$9,389 or 7%. 2002 projections for this category have not been revised given the very slight increase in YTD actuals and based on information from the state indicating that revenue trends are static.

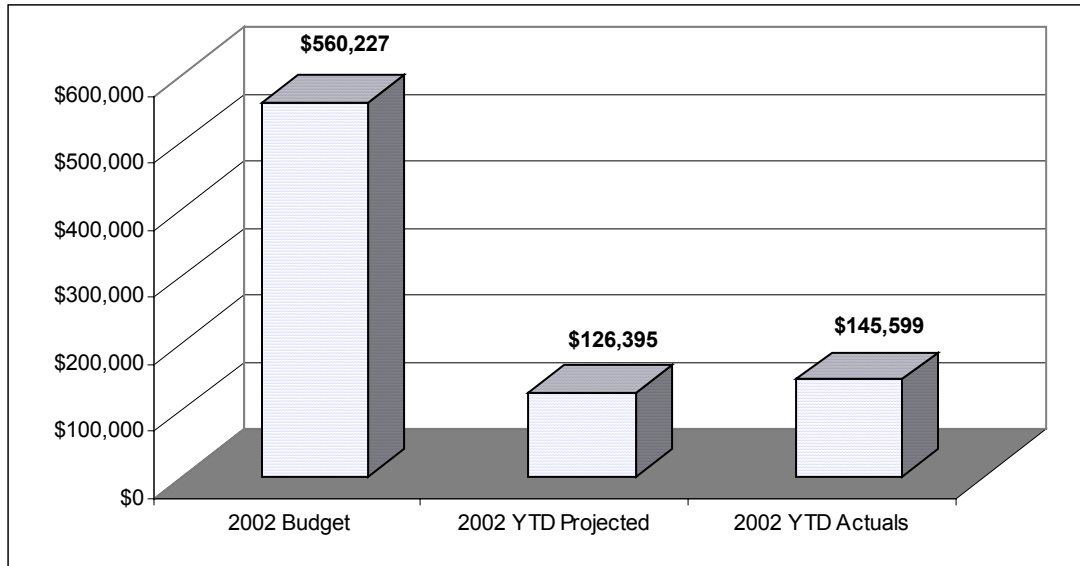
Utility Tax and Franchise Fee Revenue



Utility tax and franchise fee revenue of \$799,496 exceeded projections of \$711,845 by \$87,651 or 12.31%. At this time we are increasing the 2002 projected amount by \$408,890 or by 10%. The increase in revenue is due primarily to the following:

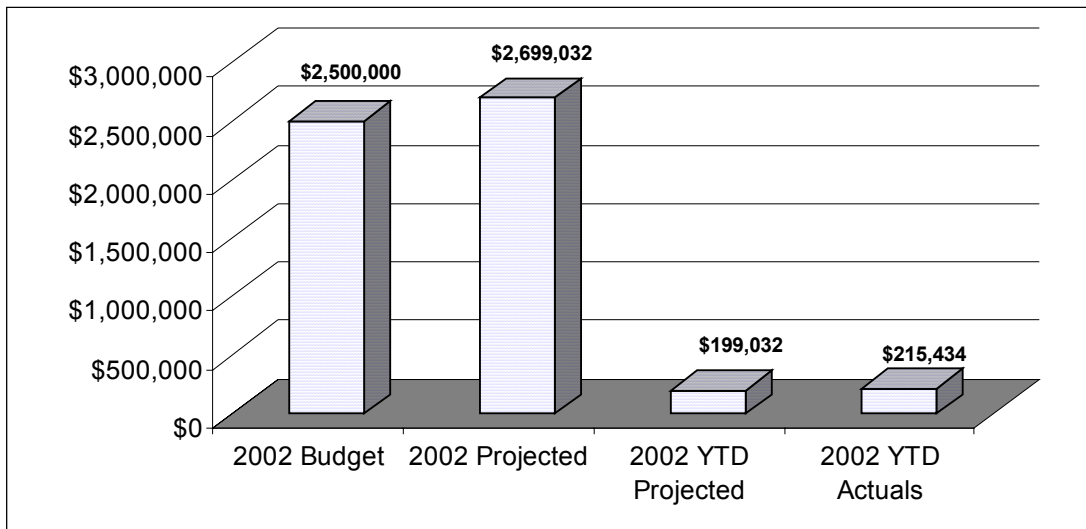
- ◆ Rate increases implemented by Seattle City Light generated \$36,592 more than projected for first quarter, as a result SCL revenue for 2002 has been revised upward by \$145,650 or 20%.
- ◆ A rate increase implemented by Waste Management (sanitation) on January 1, 2002 generated \$13,861 more than projected for first quarter, as a result sanitation revenue for 2002 has been revised upward by \$96,219 or 52%.
- ◆ Cable TV utility tax revenue for 2002 has been revised upward by \$8,363 or 14% to more accurately reflect historical data and current trends.
- ◆ Further contributing to this increase is the collection in 2002 of late 2001 fourth quarter payments in Cable TV Franchise fees (\$103,352) and Seattle Public Utilities – Sewer (\$55,000) franchise fees.
- ◆ At this time all other utility revenue projections remain unchanged from adopted budget amounts.

Parks and Recreation Fee Revenue



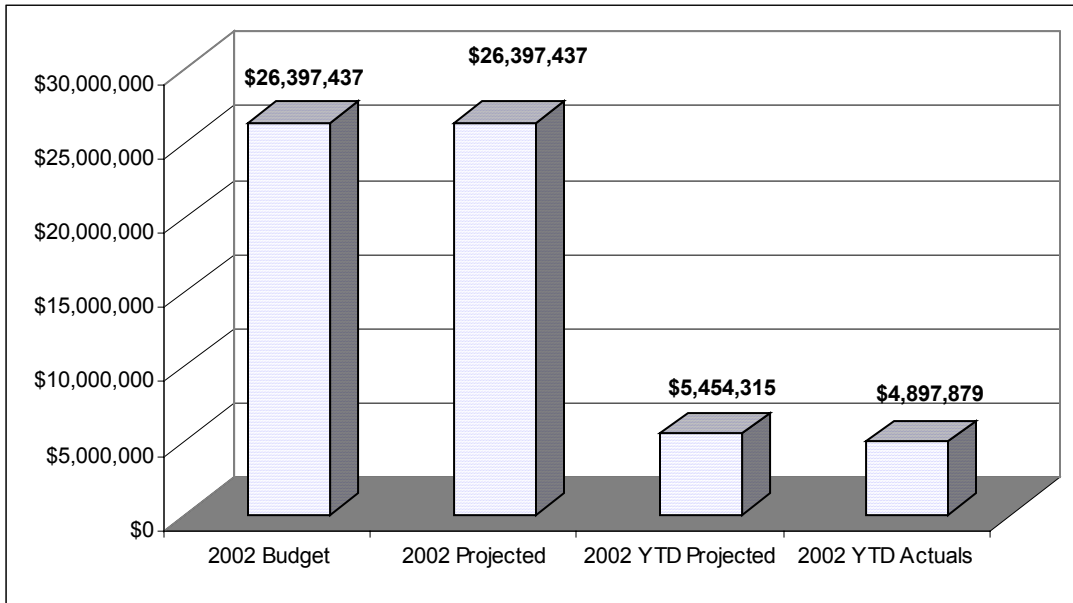
Parks and Recreation Fee revenue of \$145,389 was above projections of \$126,395 by \$19,204 or 15%. The two primary contributors to this increase were pool revenues that were \$13,018 and facility rentals that were \$2,696 above projections.

Gambling Revenue



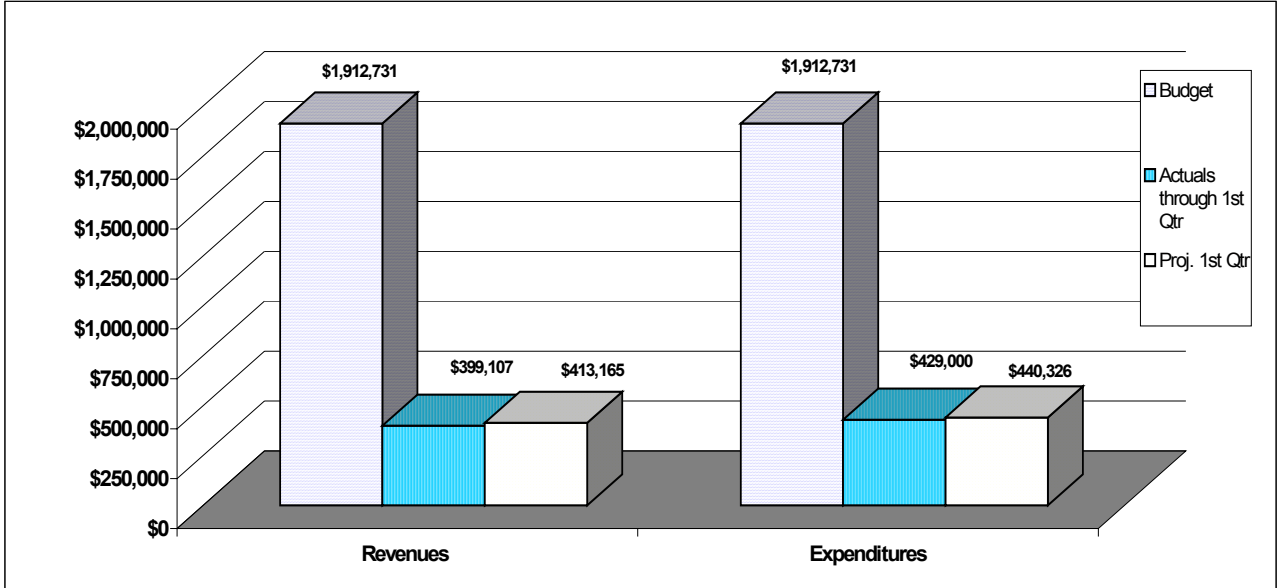
Gambling tax is not received during the first quarter of the year. Taxes for the first quarter are not due until April 30. The revenue that is reflected in 2002 are late fourth quarter 2001 payments.

General Fund Expenditures



Departmental expenditures during the first quarter were \$4,897,879, under projected expenditures of \$5,454,315 by \$556,436 or 10%. At this time 2002 projected expenditures have not been revised, more data is needed before an accurate spending picture can be developed. To do this an historical spending analysis has been developed and customized for each program within each department.

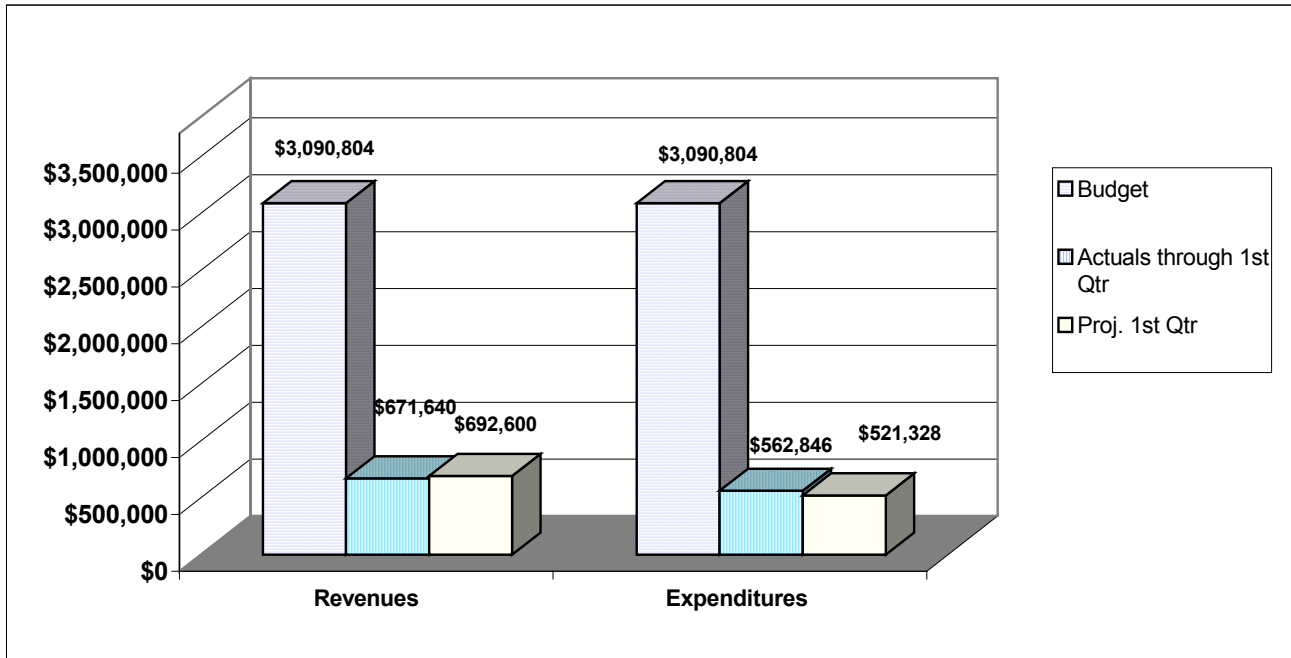
Development Services Fund



Overall, after the first quarter of 2002, Development Services Fund revenues are behind projections by \$14,058 or 3.4%. Permit revenue, with the exception of Plan Check Fees, is behind projections. Construction activity is down both regionally and locally. This fund is also experiencing a decline in interest earnings. Interest through the first quarter is behind projections by nearly 80%, due to lower interest rates.

Expenditures are behind projections by \$11,326. This is slightly less than the deficit in revenues. We will continue to monitor permit activity and revenue in this fund.

Street Fund

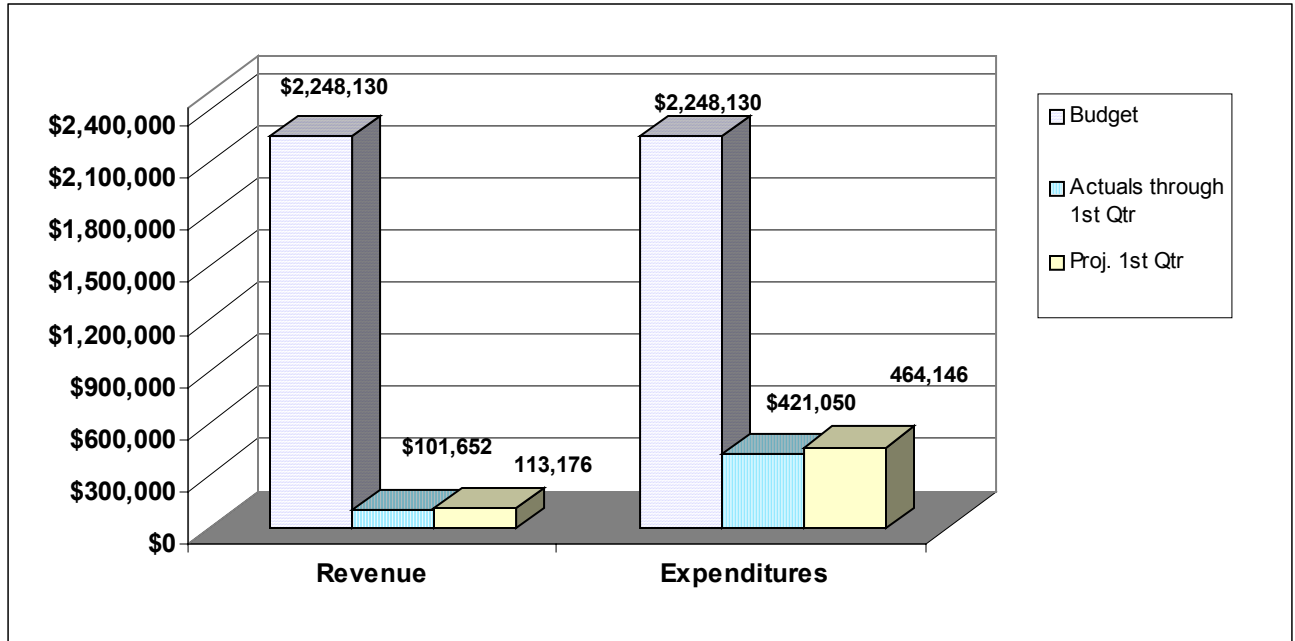


Street Fund revenue through the first quarter is behind projections by \$20,960. Motor Vehicle Fuel Tax collections were behind projections by \$17,040. This is due to a decline in consumption statewide. This tax is assessed per gallon of fuel sold, therefore it is not affected by any increases in the price per gallon. Consumption is not expected to rise significantly until the region begins to recover from the current recession. Investment interest is also behind projections by \$20,627 in this fund due to lower interest rates.

Right-of-way activities have been transferred into this fund from the Development Services Fund. Right-of-way permit fees are ahead of projections by \$13,073.

Street Fund expenditures are ahead of projections by \$41,518. Projected expenditures are based upon historical spending patterns. The current level of spending may indicate an acceleration of activities over prior years, now that the program is fully staffed and equipped.

Surface Water Management Fund



Revenues in the Surface Water Management Fund are behind projections by \$11,524. This deficit is due mostly to the decline in interest earnings due to lower interest rates. Interest earnings are behind projections by \$19,551. This decline is somewhat offset by storm drainage fees that are ahead of projections by \$6,461.

Expenditures are behind projections by \$43,899. Program expenditures of \$166,253 are just slightly ahead of 2001 expenditures of \$163,042 for the same period. Funding was included in the 2002 budget for two major projects; Drainage Basin Monitoring and Infrastructure Assessment. These two projects will begin after the first quarter, therefore spending will increase toward the projected line.