

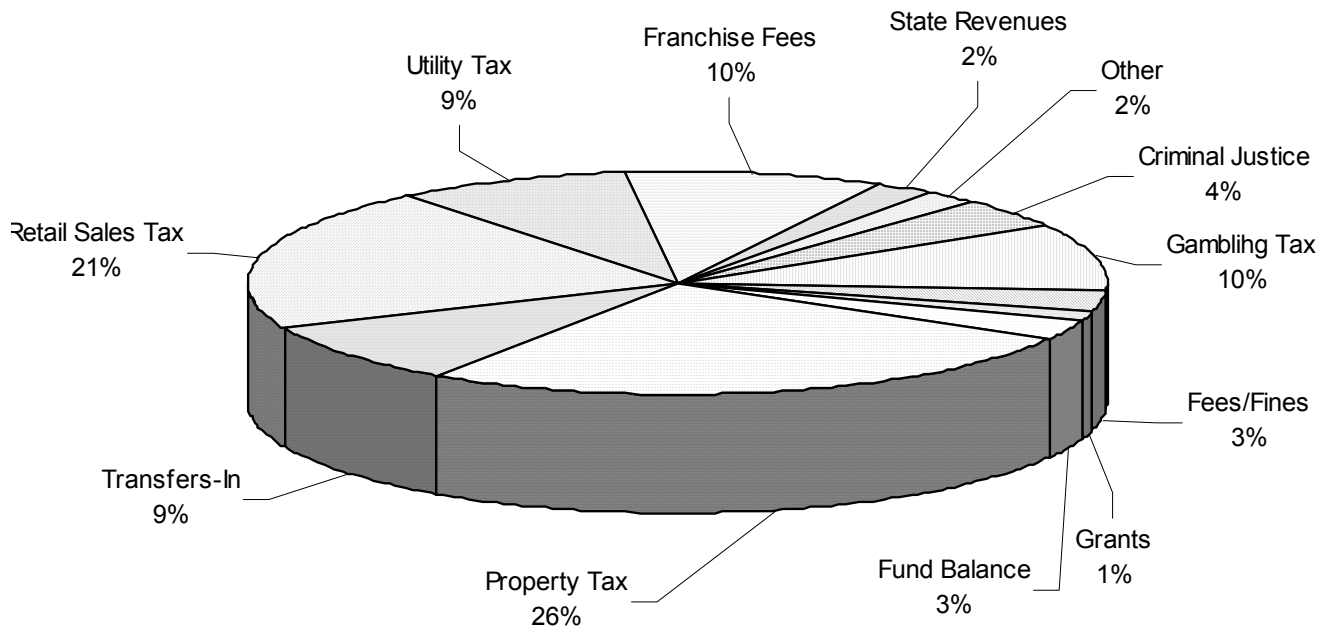
## 2004 City Revenue Sources

### Introduction

The City of Shoreline receives revenues from local property, sales, utility, and gambling taxes, a variety of population based State shared revenues, user fees for development services and parks programs as well as grants, fines, and other miscellaneous revenues. In 2004, the total revenue for all of the City's funds is \$ 42,228,495. This does not include beginning fund balances or transfers between funds.

### General Fund Revenue Sources

In 2004, the General Fund resource base is \$ \$25,482,451. This is made up of the budgeted use of fund balance (\$705,000, 3%), operating revenues (\$22,534,956, 88%), and transfers-in (\$2,242,495, 9%) from other funds for their share of the General Fund overhead.



## General Fund Operating Revenues

### Property Tax

Property tax revenue for 2004 is budgeted at \$ \$6,686,088 and represents 29.7% of the General Fund operating revenues. The 2003 budgeted property tax is \$6,567,756 and represented 29.7% of the adopted General Fund operating revenues. This \$118,332 increase over the 2003 tax is a result of new construction and a one-percent recommended levy increase. The one-percent levy increase is the maximum annual growth allowed since Initiative 747. I-747 requires voter approval for any property tax levy increases in excess of one-percent.

The current 2003 City of Shoreline property levy is \$1.35 per \$1,000 of assessed property value. This does not include levies for the school district, library, fire, or sewer services, nor for the County, Port, State or other agencies. A homeowner of an average valued residence (\$262,000) is currently paying a total of \$3,401.47 per year in property taxes. The City receives 10.4% of the property tax levied, which would equate to \$354.82.

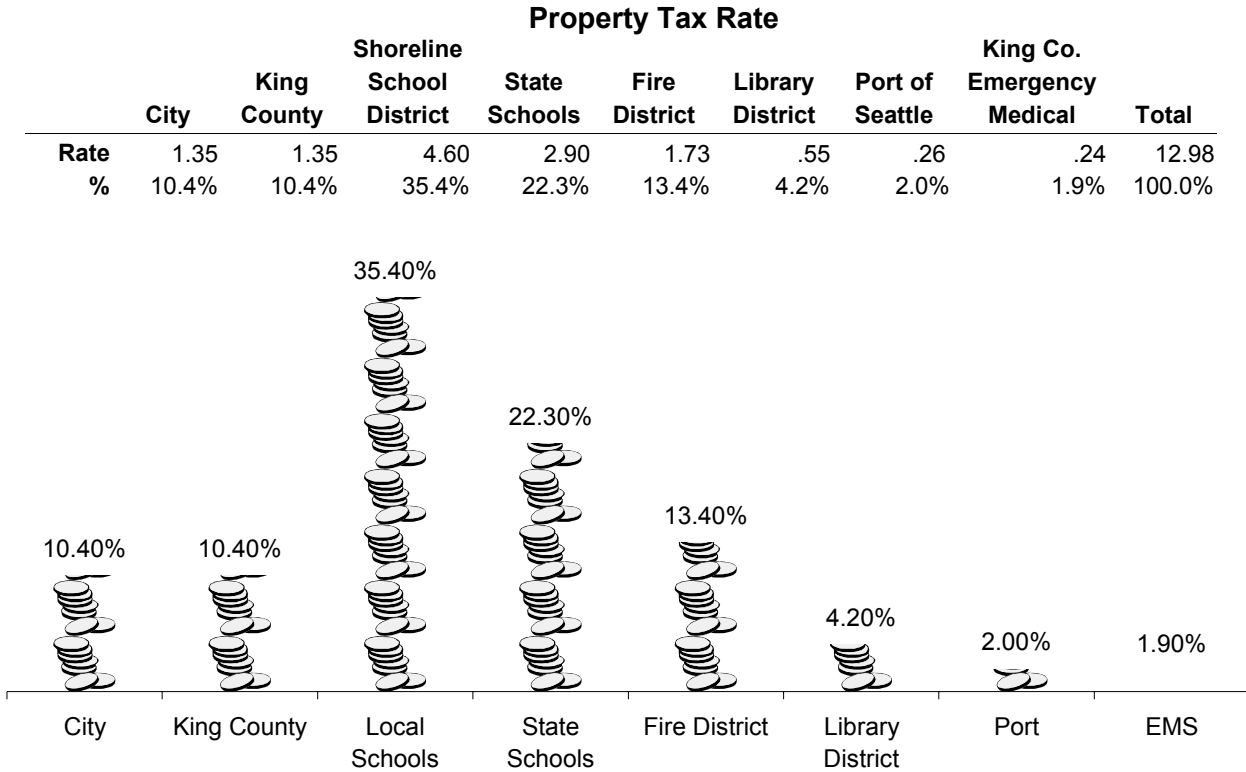
The proposed tax levy rate for 2004 is \$1.3041 per \$1,000 valuation, a reduction from the 2003 rate of nearly 3.4%. The 2003 levy rate was 5% less than the 2002 rate. The primary reason for the decrease in rate is that the assessed value of property in the City has increased.

The assessed valuation for 2004 is estimated to be 5.7% more than the current level, totaling \$5,178,635,993. The value for new construction is \$34.9 million, 9.5% less than last year's value. The 2004 Budget includes the increases from the 1.0% levy increase, new construction and previous years' refunds.

For future years, we are projecting a 1.6% annual increase in property tax revenue. This increase includes the one-percent growth limit imposed by Initiative 747 and projected annual new construction value of \$35 million.

The charts on the following pages provide a breakdown of City of Shoreline property taxes and a historical perspective of property tax revenue.

## What a City Property Owner Pays in 2003

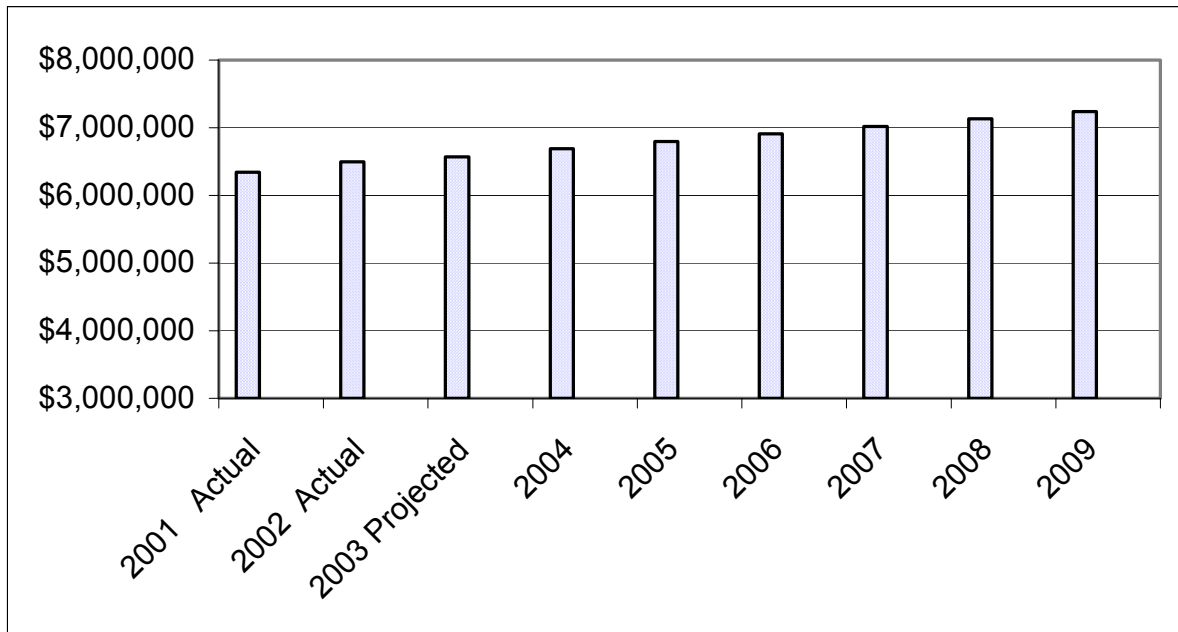


The chart below illustrates the City property tax portion payable in 2003 by an individual owning a home valued at \$262,000. Based on the 2003 property tax rate, only 10.4% of the homeowner's property tax will be distributed to the City.

	Assessed Value	Per \$1,000 (AV/\$1,000)		Rate	Assessment	%
<b>City</b>	\$ 262,000	262 X	=	\$ 1.35	354.82	10.4%
King County	\$ 262,000	262 X	=	1.35	353.56	10.4%
Shoreline School District	\$ 262,000	262 X	=	4.60	1,205.82	35.4%
State Schools	\$ 262,000	262 X	=	2.90	758.96	22.3%
Fire District	\$ 262,000	262 X	=	1.73	454.25	13.4%
Library District	\$ 262,000	262 X	=	.55	142.97	4.2%
Port of Seattle	\$ 262,000	262 X	=	.26	67.84	2.0%
King Co. Emergency Medical	\$ 262,000	262 X	=	.24	63.25	1.9%
<b>TOTAL</b>				<b>\$ 12.98</b>	<b>\$ 3,401.47</b>	<b>100.0%</b>

*Property Tax Charts*

<b>2001 Actual</b>	<b>2002 Actual</b>	<b>2003 Projected</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
\$6,340,071	\$6,494,389	\$6,567,756	\$6,686,088	\$6,797,764	\$6,908,854	\$7,019,417	\$7,129,508	\$7,239,184
<i>Annual Increase</i>	\$154,318	\$73,367	\$118,332	\$111,676	\$111,090	\$110,563	\$110,091	\$109,676
<i>% Increase</i>	2.4%	1.1%	1.8%	1.7%	1.6%	1.6%	1.6%	1.5%



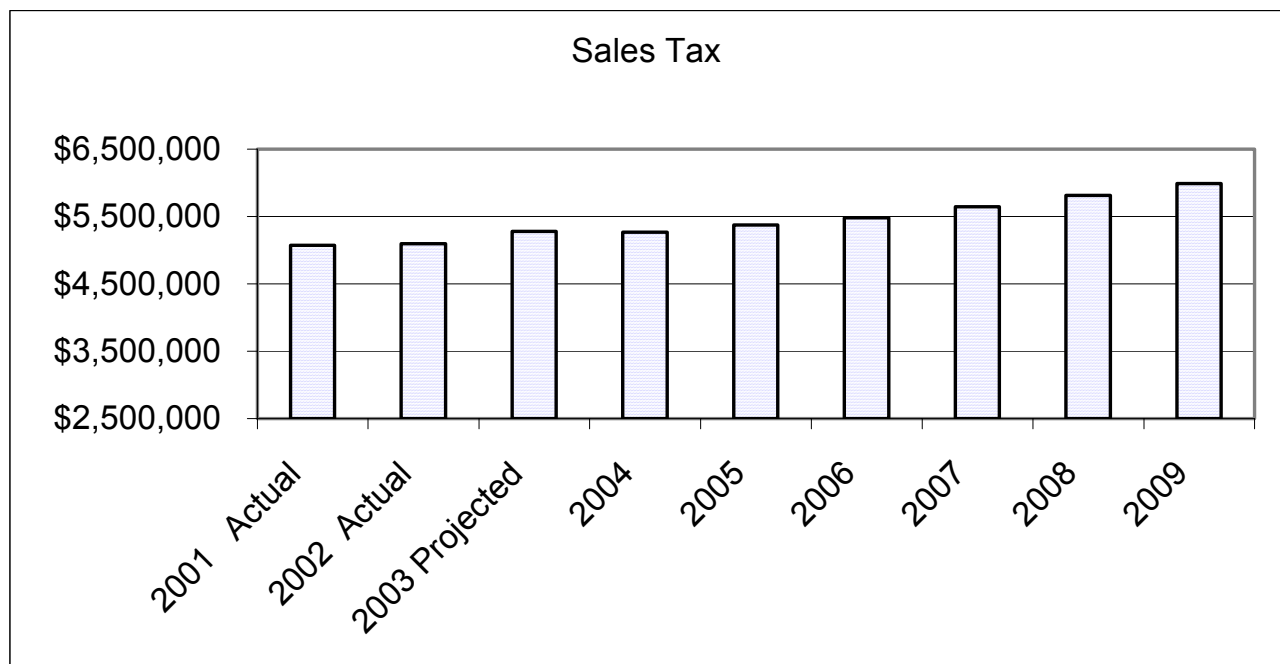
## Sales Tax

Projected sales tax revenue for 2004 is \$5,266,836, which is 23.4% of the total General Fund operating revenues. This is a 2% increase over the original estimate for 2003, but is actually below projected 2003 collections. Projected sales tax revenue for 2003 is \$5,278,565. The majority of the increase in projected sales tax collections in 2003 is due to auditing efforts that have resulted in the collection of taxes that were being remitted to other jurisdictions. While the audits will result in some additional on-going collections, a one-time increase is occurring during 2003 for the payment of back taxes due to the City.

While the City has not experienced a significant loss in sales tax revenue during the recession, we are still not expecting to see much growth during 2004. Collections during 2002 were only 0.5% greater than 2001. When comparing the first quarter of 2003, to the same period of 2002, the City experienced a 4.2% increase. At this time, we will continue to project conservatively until we see a sustained increase. For future years, we are projecting a rate of growth of only 2.0% for 2005 and 2006 and 3% for future years.

### Sales Tax Charts

2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
\$5,070,005	\$5,095,817	\$5,278,565	\$5,266,836	\$5,372,173	\$5,479,616	\$5,644,005	\$5,813,325	\$5,987,725
<i>Annual Increase</i>	\$25,812	\$182,748	(\$11,729)	\$105,337	\$107,443	\$164,388	\$169,320	\$174,400
<i>% Increase</i>	0.5%	3.6%	(0.2%)	2.0%	2.0%	3.0%	3.0%	3.0%



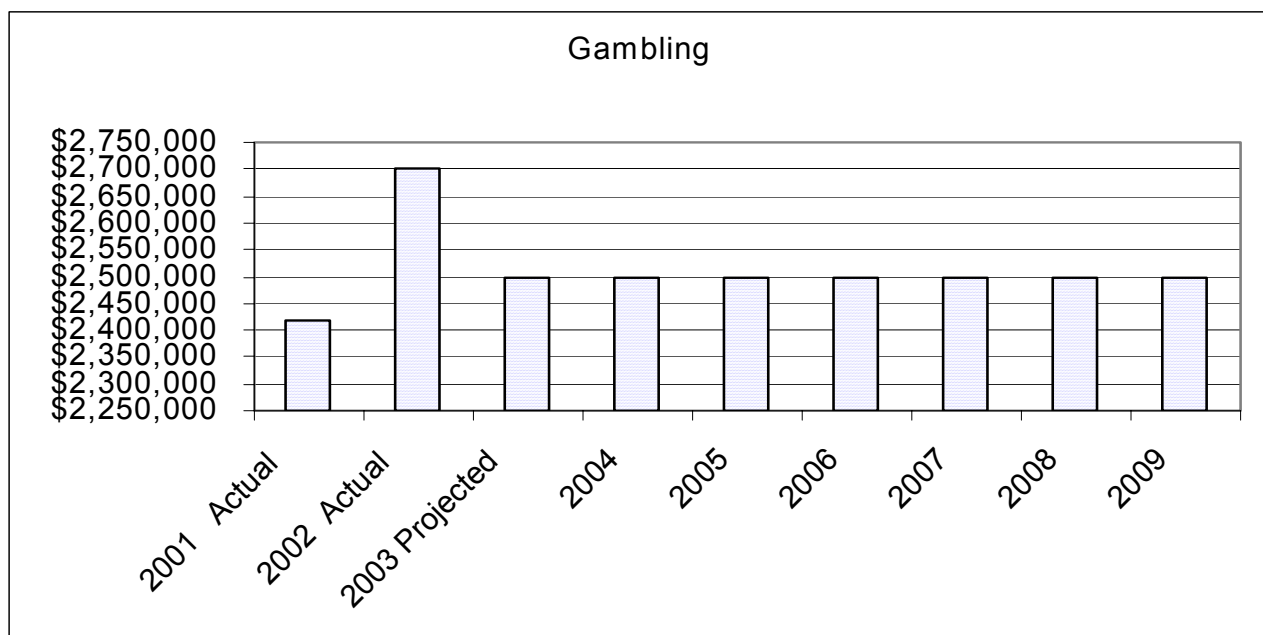
## Gambling Tax

Gambling tax rate limits are set by the State and vary by game. In 1998, the State allowed the opening of “mini-casinos” and expanded the number of cardrooms and betting limits. This expansion resulted in 76% and 48% revenue increases in 1998 and 1999. With the City Council moratorium on new mini-casinos, we expect the revenue to stabilize at around \$2.5 million. Therefore, gambling tax was budgeted at \$2,500,000 for 2003. Revenue from gambling activity equals 11.1% of the total General Fund operating revenues. The 2004 forecast represents flat revenues with no growth over 2003 projections. Revenues through the first nine months of 2003 have been behind 2002 collections during the same period, but are expected to come in at budget. A major new casino has been constructed and will open in the fall of 2003. At the same time, several other casinos have been struggling to pay their quarterly gambling taxes. Therefore, at this time, we are not projecting any growth in gambling tax revenue. Once the industry stabilizes, we can better project future revenues.

Currently, the City of Shoreline’s tax rate is at 11% for card rooms. Since there have been several attempts in the State Legislature to lower the tax rate allowed, the City Council has adopted a policy to limit the General Fund’s reliance on this revenue source for general operations of the City. Therefore, only a portion of the rate (7%) is included in the General Fund’s on-going revenue base. An amount equal to the remaining 4% is transferred to Capital Funds to be used for one-time capital improvements.

### Gambling Tax Charts

2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
\$2,418,418	\$2,699,864	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
Annual Increase	\$281,446	(\$199,864)	0	0	0	0	0	0
% Increase	11.6%	(7.4%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%



## Utility Taxes

The Council enacted a 6% utility tax on natural gas, telephone, cellular telephone, pager services, and sanitation services along with a 1% utility tax on cable effective in 2000. Projected revenues in 2004 from utility taxes are \$2,309,927 or 10.3% of the total General Fund operating revenues. This is an increase of \$33,242 or 1.5% over projected 2003 utility tax revenues of \$2,276,685. Projected 2003 revenues are 11.6% less than those received in 2002 due to rate reductions in Natural Gas. Also, there were several one-time payments received in 2002 due to audits.

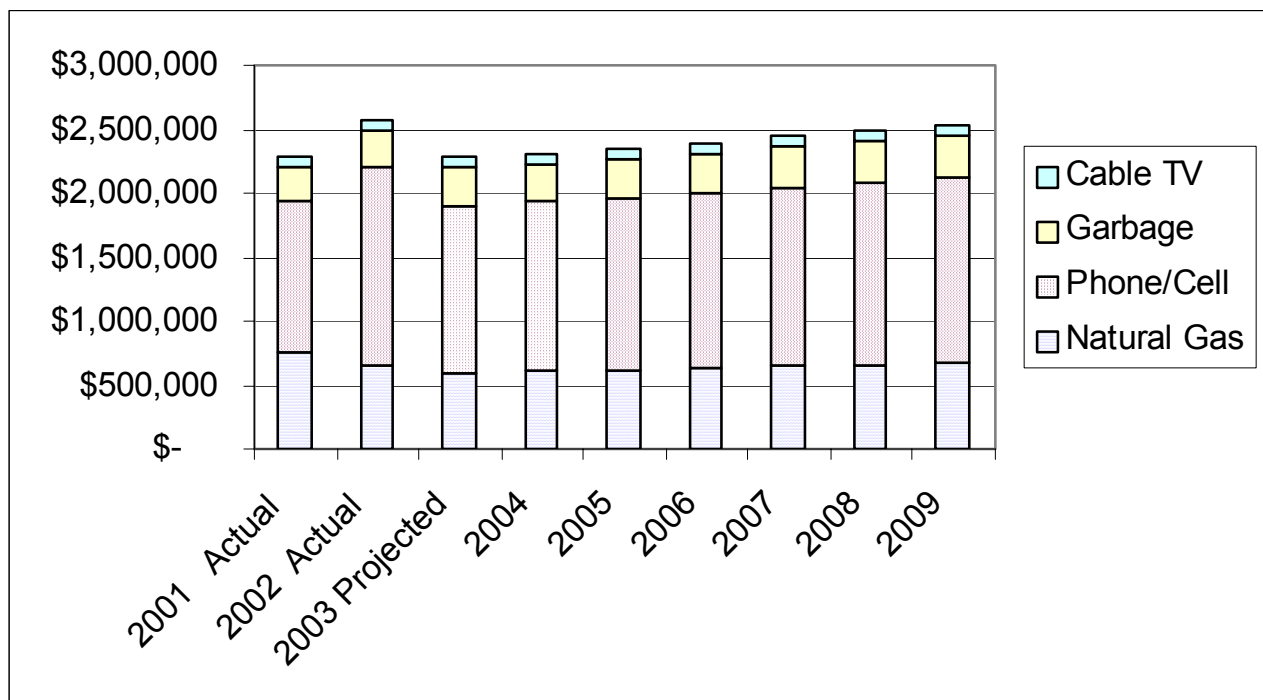
In the Natural Gas category, 2004 revenues are projected to increase overall by nearly 5% over projected 2003 collections. Puget Sound Energy received approval for a rate increase of 12.5% to be effective on October 1, 2003. After reducing rates by over 31% during 2004, Puget Sound Energy will have increased rates twice during 2003 for a cumulative total of nearly 33%. Since this revenue source is so volatile, we are projecting a conservative annual increase of 1.6% for 2005 and 2% for future years.

Revenues from telephone, cellular, and pager services are expected to remain at the same level as 2003 which is projected to be nearly 15% below 2002 collections. During 2002, the City received several back tax payments as a result of auditing efforts. These were one-time revenues and have been backed out of future forecasts. We are projecting 2% growth for the out-years, as we continue to see some growth due to more people utilizing new technologies.

Sanitation utility tax revenues for 2004 have been increased by 1.7% over 2003 projections. 2003 projected collections are over 2002 by 2.8%. 2004 cable tax revenues are expected to remain at 2003 projected levels which are very close to prior year levels. Revenues from both sanitation and cable television are expected to grow more slowly than the other categories in the future at a rate of only 1.5% annually. These utilities are not really impacted by climate or other factors that have negatively impacted other utilities that provide basic services such as heat, electricity, and water.

## Utility Tax Charts

	2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
Natural Gas	\$746,351	\$661,343	\$581,685	\$609,927	\$619,686	\$632,080	\$644,721	\$657,616	\$670,768
Annual Inc.		(\$85,008)	(\$79,658)	\$28,242	\$9,759	\$12,394	\$12,642	\$12,894	\$13,152
% Inc.		(11.4%)	(12.0%)	4.9%	1.6%	2.0%	2.0%	2.0%	2.0%
Telephone	\$1,196,328	\$1,545,925	\$1,320,000	\$1,320,000	\$1,346,400	\$1,373,328	\$1,400,795	\$1,428,810	\$1,457,387
Annual Inc.		\$349,597	(\$225,925)	0	\$26,400	\$26,928	\$27,467	\$28,016	\$28,576
% Inc.		29.2%	(14.6%)	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sanitation	\$270,213	\$286,922	\$295,000	\$300,000	\$304,500	\$309,068	\$313,704	\$318,409	\$323,185
Annual Inc.		\$16,709	\$8,078	\$5,000	\$4,500	\$4,568	\$4,636	\$4,706	\$4,776
% Inc.		6.2%	2.8%	1.7%	1.5%	1.5%	1.5%	1.5%	1.5%
Cable TV	\$66,590	\$80,699	\$80,000	\$80,000	\$81,200	\$82,418	\$83,654	\$84,909	\$86,183
Annual Inc.		\$14,109	(\$699)	0	\$1,200	\$1,218	\$1,236	\$1,255	\$1,274
% Inc.		21.2%	(0.9%)	0.0%	1.5%	1.5%	1.5%	1.5%	1.5%
<b>Total Utility Tax</b>	<b>\$2,279,482</b>	<b>\$2,574,889</b>	<b>\$2,276,685</b>	<b>\$2,309,927</b>	<b>\$2,356,126</b>	<b>\$2,403,248</b>	<b>\$2,451,313</b>	<b>\$2,500,339</b>	<b>\$2,550,346</b>
		\$295,407	(\$298,204)	\$33,242	\$46,199	\$47,123	\$48,065	\$49,026	\$50,007
		13.0%	(11.6%)	1.5%	2.0%	2.0%	2.0%	2.0%	2.0%





## **Franchise Fees**

The City has entered into franchise agreements with many of the public utilities that provide services to our citizens. Agreements have been reached with Seattle City Light, Seattle Public Utilities (Water and Sewer), Shoreline Water District, and most recently with Ronald Wastewater District. These utilities pay a franchise fee to the City in an amount equal to six-percent of their revenues.

The total projected 2004 revenue from franchise fees is \$2,475,325, which equates to 11% of the total General Fund operating revenues. This is an increase of only \$50,000 or nearly 2.1% over 2003.

The cable television franchise fee is set at a rate equal to five-percent of gross cable service revenues. 2002 collections were \$215,243 above projected 2003 revenue because the payment for the fourth quarter of 2001 was not received until 2002. Estimated revenue for 2003 and 2004 is back to a more typical level. Revenues from the cable franchise fee are expected to grow annually by about 1.5%.

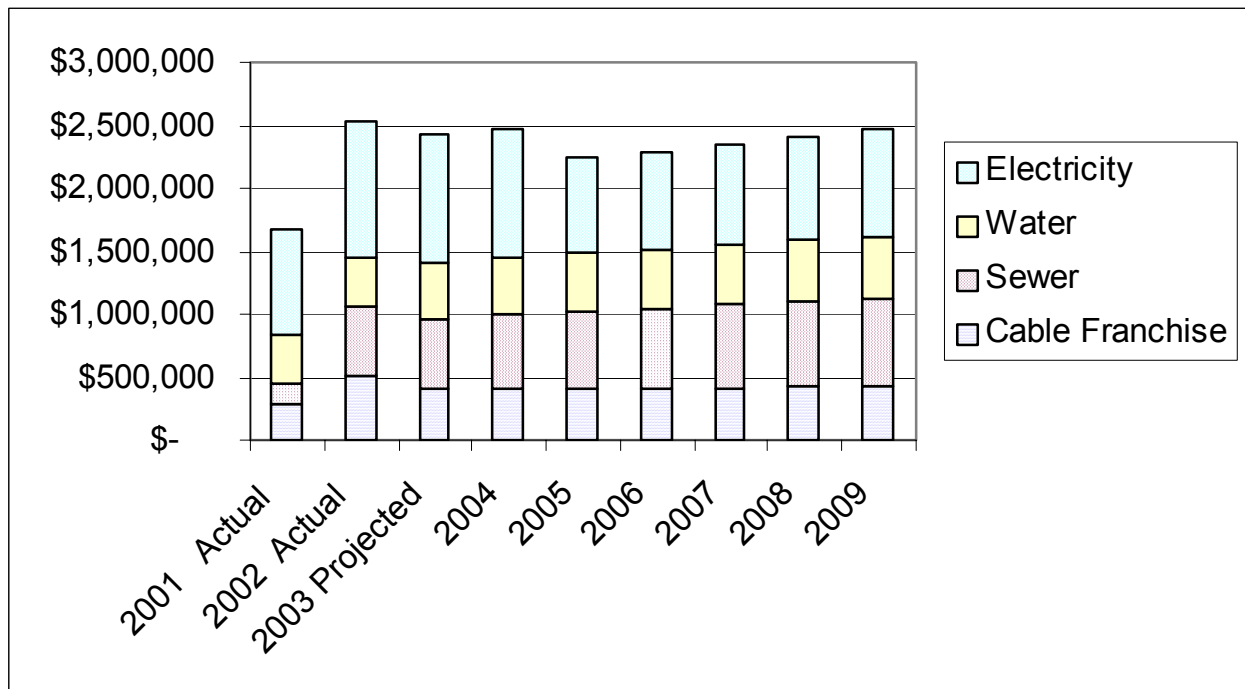
Projected franchise fees in sewer for 2004 are \$600,000. This is based on our agreement with the Ronald Wastewater District. In the future, we expect an annual growth rate of 3% in future years.

Revenues from water franchise fees for 2004 are expected to be \$450,325, the same as 2003. This category is projected to grow at a minimal rate of only 1.2% in 2005, 1.5% in 2006 and 2.25% for future years.

Electricity franchise fee payments from Seattle City Light are expected to total \$1,025,000 in 2004, equal to 2003 projections. Seattle City Light has indicated that prior year rate increases are temporary and are considered to be surcharges for a limited time. We expect that this surcharge will end during 2005 and therefore are expecting a decrease of nearly 25% for that year. The City has not been including the additional revenues from the surcharge in its ongoing base. An amount equal to the estimated revenues from the surcharges is being used to fund one-time capital improvements rather than ongoing operations. We are anticipating growth of 2% in 2006 and 3% for future years.

### Franchise Fee Charts

	2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
<b>Cable TV</b>	\$285,966	\$501,209	\$400,000	\$400,000	\$406,000	\$412,090	\$418,271	\$424,545	\$430,914
Annual Increase		\$215,243	(\$101,209)	0	\$6,000	\$6,090	\$6,181	\$6,274	\$6,368
% Increase		75.3%	(20.2%)	0.0%	1.5%	1.5%	1.5%	1.5%	1.5%
<b>Sewer</b>	\$164,445	\$552,609	\$550,000	\$600,000	\$618,000	\$637,000	\$656,000	\$676,000	\$696,000
Annual Increase		\$388,164	(\$2,609)	\$50,000	\$18,000	\$19,000	\$19,000	\$20,000	\$20,000
% Increase		236.0%	(0.5%)	9.1%	3.0%	3.1%	3.0%	3.0%	3.0%
<b>Water</b>	\$386,368	\$402,922	\$450,325	\$450,325	\$455,729	\$462,565	\$472,973	\$483,614	\$494,496
Annual Increase		\$16,554	\$47,403	0	\$5,404	\$6,836	\$10,408	\$10,642	\$10,881
% Increase		4.3%	11.8%	0.0%	1.2%	1.5%	2.25%	2.25%	2.25%
<b>Electricity</b>	\$842,682	\$1,081,706	\$1,025,000	\$1,025,000	\$768,750	\$784,125	\$807,649	\$831,878	\$856,835
Annual Increase		\$239,024	(\$56,706)	0	(\$256,250)	\$15,375	\$23,524	\$24,229	\$24,956
% Increase		28.4%	(5.2%)	0.0%	(25.0%)	2.0%	3.0%	3.0%	3.0%
<b>Total</b>	\$1,679,461	\$2,538,446	\$2,425,325	\$2,475,325	\$2,248,479	\$2,295,780	\$2,354,893	\$2,416,038	\$2,478,244
		\$858,985	(\$113,121)	\$50,000	(\$226,846)	\$47,301	\$59,113	\$61,145	\$62,206
		51.1%	(4.5%)	2.1%	(9.2%)	2.1%	2.6%	2.6%	2.6%



## Parks and Recreation Fees

Parks and recreation programs offered by the City are partially supported through user fees. In 2000, parks and recreation fee schedules were adjusted for the first time since incorporation. These fee revisions were based upon the annual update of the City's overhead allocation plan, user fee reviews and a thorough review of the parks, recreation, and teen program fee structures. The fee schedule update was intended to establish a balanced fee approach while retaining market competitiveness with our surrounding jurisdictions. Fees continue to be reviewed on an annual basis.

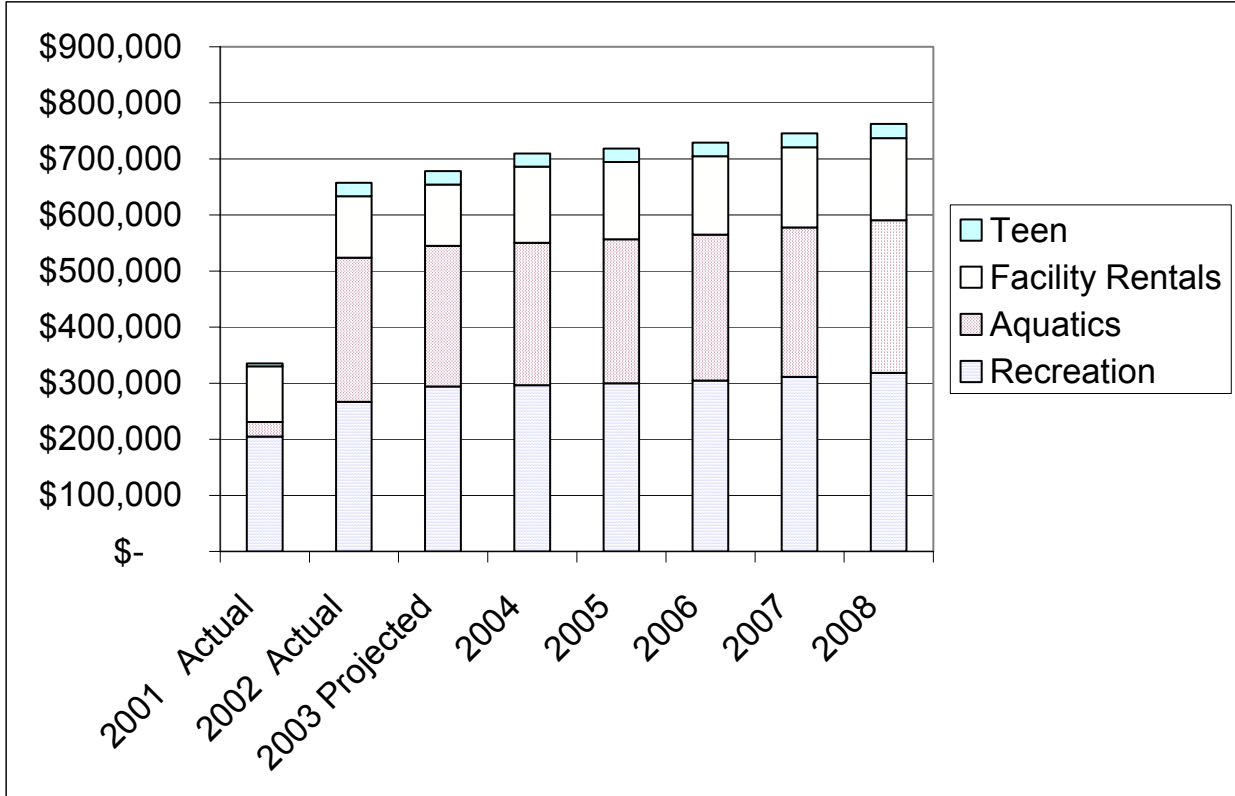
As the City of Shoreline has developed its recreation and aquatics programs over the past several years, we have continued to enjoy increases in revenue of 30% for 1998, 15% for 1999, and 5% for 2000. This was due to an increasing number of programs being offered and the number of participants as the City's programs became established. Revenues were down during 2001 while several major capital projects were underway at the Shoreline Pool and the Richmond Highlands Recreation Center (REC). Revenues continued to grow during 2002 as the pool and REC reopened with expanded classes.

Projected 2004 revenue from parks and recreation fees is \$709,848 or 3.2% of the total General Fund operating revenues. This is 4.6% more than the 2003 projected revenue of \$678,445. Most of this increase comes from Facility Rentals which is projected to grow by nearly 25%. General Recreation and Aquatics 2004 revenues are expected to increase by about 1% over 2003 projections. Overall, Parks and Recreation fee revenues are projected to grow by 1 – 2 % during the years of 2005-2009 or about 75% of the projected consumer price index.

### *Parks and Recreation Fee Charts*

	<b>2001 Actual</b>	<b>2002 Actual</b>	<b>2003 Projected</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Recreation</b>	\$204,857	\$266,677	\$294,112	\$296,648	\$300,208	\$304,711	\$311,567	\$318,577	\$325,745
<i>Annual Increase</i>		\$61,820	\$27,435	\$2,536	\$3,560	\$4,503	\$6,856	\$7,010	\$7,168
<i>% Increase</i>		30.2%	10.3%	0.9%	1.2%	1.5%	2.25%	2.25%	2.25%
<b>Aquatics</b>	\$25,946	\$257,172	\$251,100	\$253,600	\$256,643	\$260,493	\$266,354	\$272,347	\$278,475
<i>Annual Increase</i>		\$231,226	(\$6,072)	\$2,500	\$3,043	\$3,850	\$5,861	\$5,993	\$6,128
<i>% Increase</i>		891.2%	(2.4%)	1.0%	1.2%	1.5%	2.25%	2.25%	2.25%
<b>Facility Rentals</b>	\$99,198	\$109,571	\$109,121	\$136,150	\$137,784	\$139,851	\$142,997	\$146,215	\$149,504
<i>Annual Increase</i>		\$10,373	(\$450)	\$27,029	\$1,634	\$2,067	\$3,147	\$3,217	\$3,290
<i>% Increase</i>		10.5%	(0.4%)	24.8%	1.2%	1.5%	2.25%	2.25%	2.25%
<b>Teen Programs</b>	\$5,492	\$24,000	\$24,112	\$23,450	\$23,731	\$24,087	\$24,629	\$25,183	\$25,750
<i>Annual Increase</i>		\$18,508	\$112	(\$662)	\$281	\$356	\$542	\$554	\$567
<i>% Increase</i>		337.0%	0.5%	(2.7%)	1.2%	1.5%	2.25%	2.25%	2.25%
<b>Total</b>	\$335,493	\$657,420	\$678,445	\$709,848	\$718,366	\$729,142	\$745,547	\$762,322	\$779,474
		\$321,927	\$21,025	\$31,403	\$8,518	\$10,775	\$16,406	\$16,775	\$17,152
		96.0%	3.2%	4.6%	1.2%	1.5%	2.3%	2.3%	2.3%

Parks Revenue Charts



## Criminal Justice Funding

There are two sources of dedicated funding for local criminal justice programs: an optional County sales tax of 0.1% and State criminal justice funding. The State funding, prior to 2000, consisted of a combination of Motor Vehicle Excise Tax (MVET) and State General Fund dollars. Due to the repeal of the MVET by the State legislature, the MVET portion was eliminated, subsequently, the only State funding anticipated is from the State's General Fund.

The projected 2004 revenue for Criminal Justice is \$1,111,282 or 4.9% of the total General Fund operating revenues. This represents a decrease of \$16,152, 1.4% less than 2003 projections.

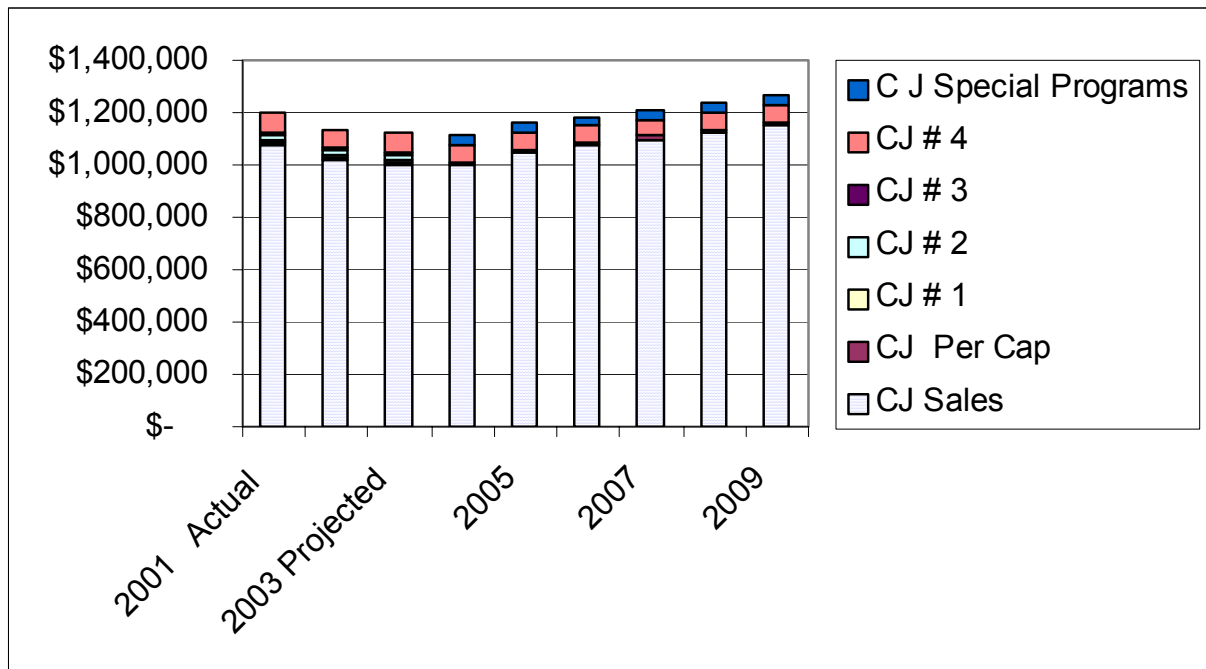
The largest revenue source in this category is the Criminal Justice Retail Sales tax which has been falling during the past few years as a result of the economic downturn. This tax is collected at the County level and distributed to the cities on a per capita basis. We expect that as the Puget Sound area begins to rebound economically during 2005, that we will see this grow by 4.7%. After that we expect it to level off and grow at an annual rate of 2.5%.

The remainder of this category is made up of special revenue received from the state. These revenues have been falling each year. During the 2003 legislative session, three of the special programs were combined into one overall program and the funding level was reduced. We do not expect the level of state funding to increase over the next few years.

### Criminal Justice Funding Charts

	2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
Retail Sales - Criminal Justice	\$1,078,499	\$1,019,421	\$1,000,000	\$1,000,000	\$1,046,535	\$1,072,595	\$1,099,303	\$1,126,677	\$1,154,732
State - CJ - Per Capita	\$9,372	\$9,167	\$9,585	\$11,073	\$11,073	\$11,073	\$11,073	\$11,073	\$11,073
State - CJ - Innovative Law Enforce. #1	\$10,288	\$9,897	\$10,900	0	0	0	0	0	0
State - CJ - At-Risk Children #2	\$14,985	\$14,459	\$15,572	0	0	0	0	0	0
State - CJ - Domestic Violence #3	\$14,973	\$14,443	\$15,572	0	0	0	0	0	0
State - CJ - City Law Enforce. #4	\$69,178	\$63,689	\$75,805	\$65,155	\$65,155	\$65,155	\$65,155	\$65,155	\$65,155
CJ Special Programs	0	0	0	\$35,054	\$35,054	\$35,054	\$35,054	\$35,054	\$35,054
<b>Total</b>	<b>\$1,197,295</b>	<b>\$1,131,076</b>	<b>\$1,127,434</b>	<b>\$1,111,282</b>	<b>\$1,157,817</b>	<b>\$1,183,877</b>	<b>\$1,210,585</b>	<b>\$1,237,959</b>	<b>\$1,266,014</b>
		(\$66,219)	(\$3,642)	(\$16,152)	\$46,535	\$26,060	\$26,708	\$27,374	\$28,055
		(5.5%)	(0.3%)	(1.4%)	4.2%	2.3%	2.3%	2.3%	2.3%

*Criminal Justice Funding Charts continued*

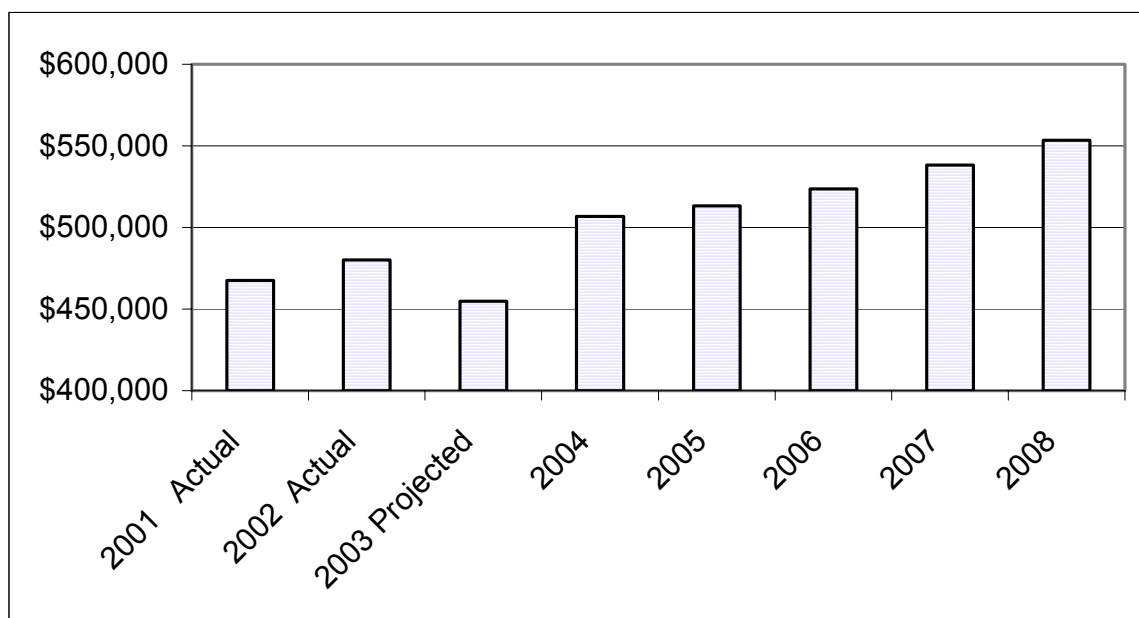


## Liquor Excise Tax & Board Profits

The City receives a portion of the liquor excise tax receipts collected by the State. The City also receives a portion of the profits of the State Liquor Board. This revenue is distributed on a per capita basis. The projected 2004 revenue from these two sources is \$506,735, which is an increase of \$51,979 or 11.4% from 2003 projected revenues. This revenue represents about 2.2% of the total General Fund operating revenues. This projection is based upon the estimated per capita rates that have been provided by the state. The forecast for future years is based on conservative growth of just over 1.3 % in 2005 to 2.8% in 2009.

### Liquor Tax Charts

2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
\$467,543	\$480,050	\$454,756	\$506,735	\$513,323	\$523,589	\$538,249	\$553,320	\$568,813
Annual Increase	\$12,507	(\$25,294)	\$51,979	\$6,588	\$10,266	\$14,660	\$15,071	\$15,493
% Increase	2.7%	(5.3%)	11.4%	1.3%	2.0%	2.8%	2.8%	2.8%



## Grants

In 2004, Shoreline is projected to receive \$329,288 in grant funding from a variety of sources to support health and human services programs, planning work, recycling programs, and parks and teen programs. The City is projecting to receive \$160,373 in grants during 2003. The largest grants received in the General Fund are for the Community Development Block Grant (CDBG) which funds various human services.

## Development Services Fund Revenues

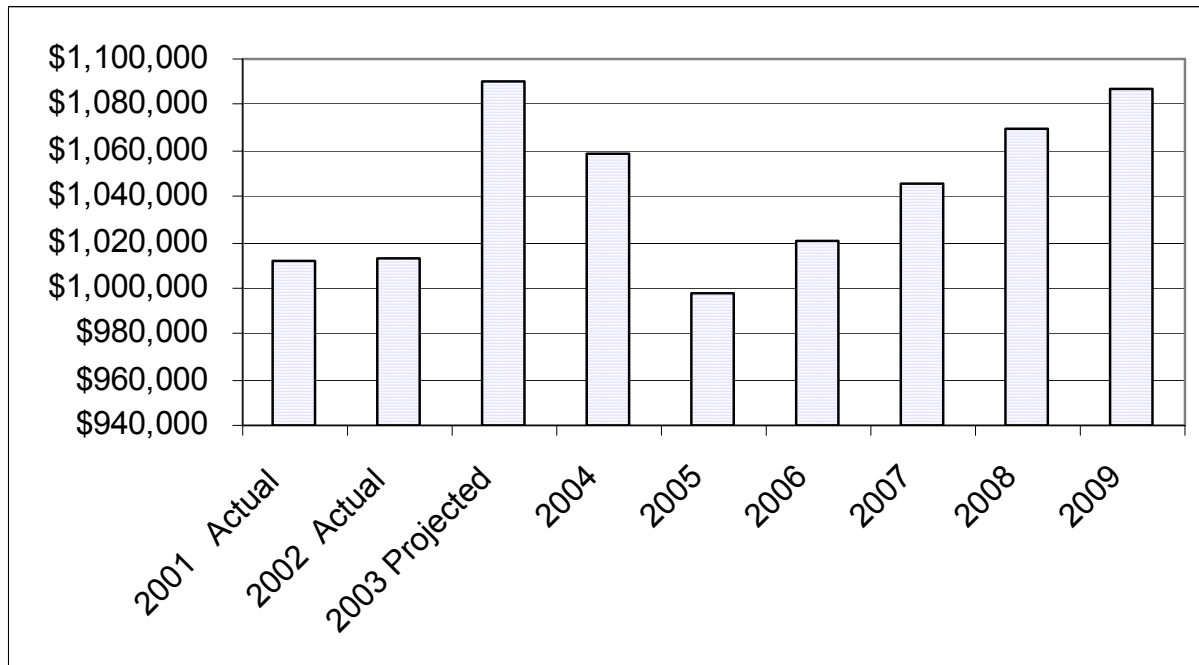
### Development Permit Fees

Fees are charged for a variety of development permits obtained through the City's Planning and Development Services Department. In 2002, development fee revenues were \$1,012,647, nearly the same as 2001 revenues of \$1,011,386. Projected 2003 revenues of \$1,090,500 equal an increase of \$77,853 or 7.7% more than 2002. During the first half of 2003, plan check fees and land use fees and permits were up by 20% and 11% respectively, nearly \$43,000 ahead of projections for the same period. These two revenues usually proceed building and structure permits and fees. In 2004 and 2005, we expect that the amount of plan check and land use activity will drop off, but that we will see building and structure permit activity increase. Overall, this results in expected 2004 revenues being below 2003 projected revenues by 2.9% or \$31,700. In 2005, revenues are projected to decrease again by 5.8% or \$60,925. In 2006, we expect revenues to grow by 2.3%, 2.4% in 2007 and 2008, and 1.6% in 2009.

The City Council has a goal of 80% cost recovery of permitting expenditures through fee collections. Currently permit fees covers 100% of the direct cost of providing permit services, but only approximately 60% of total costs (direct and indirect).

### Development Permit Fee Charts

2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
\$1,011,386	\$1,012,647	\$1,090,500	\$1,058,800	\$997,875	\$1,021,011	\$1,045,114	\$1,069,934	\$1,087,266
Annual Increase	\$1,261	\$77,853	(\$31,700)	(\$60,925)	\$23,136	\$24,103	\$24,820	\$17,332
% Increase	0.1%	7.7%	(2.9%)	(5.8%)	2.3%	2.4%	2.4%	1.6%





## **Street and Arterial Fund Revenues**

In the past, the major revenue sources for the maintenance of the City's streets have been motor vehicle fuel tax, county vehicle license fees and beginning in 2002, right-of-way permit fees. These three sources alone however, are not sufficient, so the General Fund must subsidize the City's street maintenance programs. In 2002 this subsidy was \$1,420,529.

In November of 2002, Washington state voters approved Initiative 776 (I-776). This initiative repealed the local vehicle license fee that had been collected by King County and distributed to local cities. This resulted in a loss of nearly \$485,000 or 34.6% of the Street Fund's 2003 operating revenues. In response to this loss, operating expenditure reductions were made totaling \$184,000 and capital expenditures were reduced by \$300,000, in order to increase the General Fund subsidy for street operations. The total subsidy is \$1,730,882 in 2003. For 2004, the subsidy is projected to be \$1,465,764, down significantly from 2003. This is partly due to moving the Street Engineering program to the Roads Capital Fund to support street improvement projects which reduced the expenditure level of the Street Fund, therefore, reducing the required subsidy.

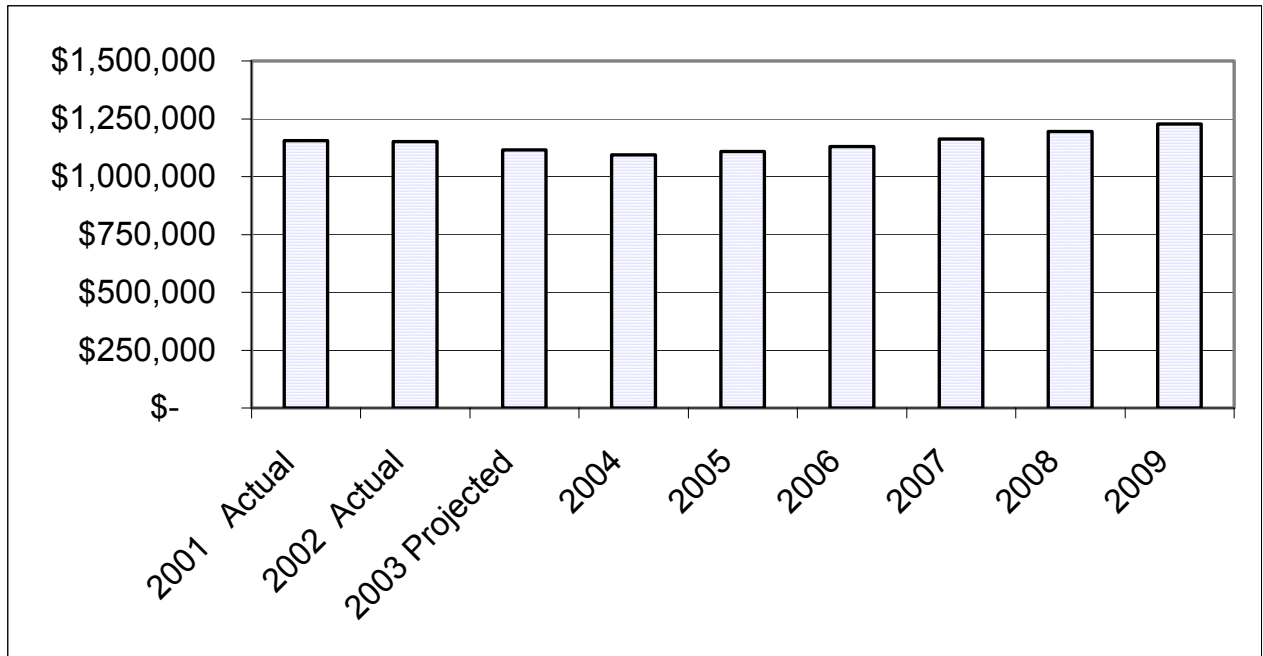
### **Fuel Tax**

State collected gasoline and diesel fuel tax is shared with cities and towns on a per capita basis to be used for street and arterial repairs and maintenance. In 2001, a total of \$1,154,607 was collected, in 2002 \$1,115,883. Projected fuel tax revenue for 2003 is down from prior years by 3.1% and is expected to total \$1,115,883. We are projecting a further decrease of 2% for 2004 for a projected total of \$1,093,621. The 2003 and 2004 estimates are based on State projections of per capita distributions. The tax is a flat amount per gallon sold. Consumption of gasoline and diesel fuel has fallen as the economy has slowed. Shoreline's population has also decreased, therefore, our distribution has been reduced accordingly. For 2005, we are projecting 1.3% growth, 2% for 2006 and 2.8% for future years.

Approximately 68% of the revenue may be spent on street maintenance. This is deposited into the Street Fund. The remaining funds are restricted to construction, improvement and repair of arterials and city streets. This portion is deposited into the Arterial Street Fund and is then transferred to the Roads Capital Fund to support various capital projects.

*Fuel Tax Charts*

<b>2001 Actual</b>	<b>2002 Actual</b>	<b>2003 Projected</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
\$1,154,607	\$1,151,156	\$1,115,883	\$1,093,621	\$1,107,838	\$1,129,995	\$1,161,635	\$1,194,160	\$1,227,597
<i>Annual Increase</i>	(\$3,451)	(\$35,273)	(\$22,262)	\$14,217	\$22,157	\$31,640	\$32,526	\$33,436
<i>% Increase</i>	(0.3%)	(3.1%)	(2.0%)	1.3%	2.0%	2.8%	2.8%	2.8%

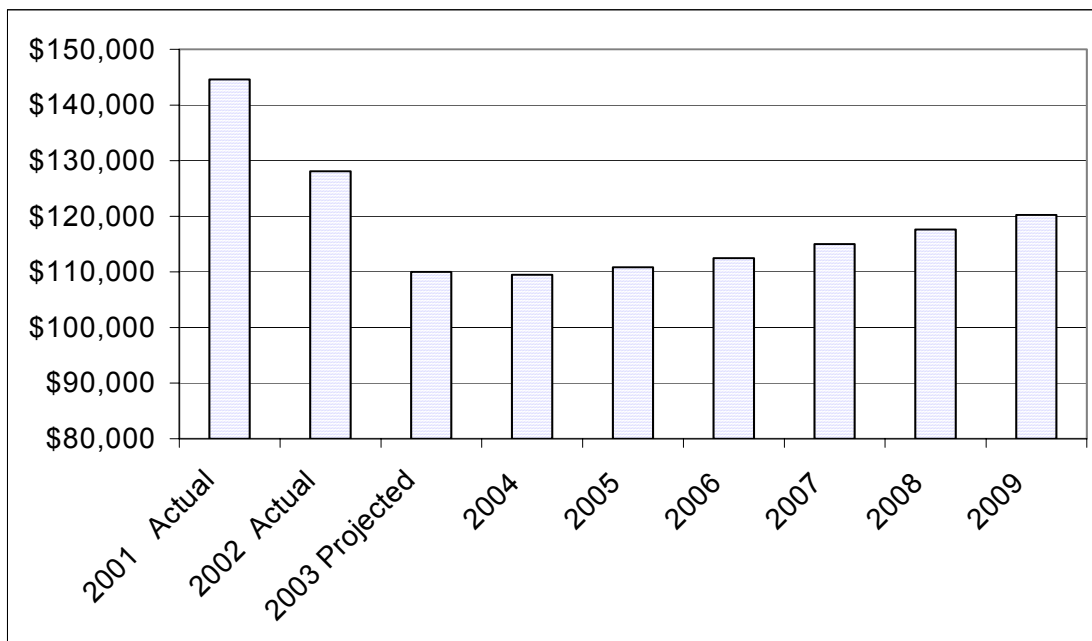


## Right-of-Way Permit Fees

Fees are charged for the use of the City's right-of-way. Prior to 2002, these revenues were reported with other development fee revenue in the Development Services Fund. In 2002, all right-of-way activity was transferred to the City's Street Fund. 2004 revenue is projected drop just slightly from 2003 projections. Projected revenues for 2003 are down from 2002 collections by \$18,119 or 14.1%. Growth of 1.2% is projected for 2005, 1.5% for 2006, and 2.25% for future years.

### Right-of-Way Charts

2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
\$144,586	\$128,119	\$110,000	\$109,505	\$110,819	\$112,481	\$115,012	\$117,600	\$120,246
Annual Increase	(\$16,467)	(\$18,119)	(\$495)	\$1,314	\$1,662	\$2,531	\$2,588	\$2,646
% Increase	(11.4%)	(14.1%)	(0.4%)	1.2%	1.5%	2.25%	2.25%	2.25%

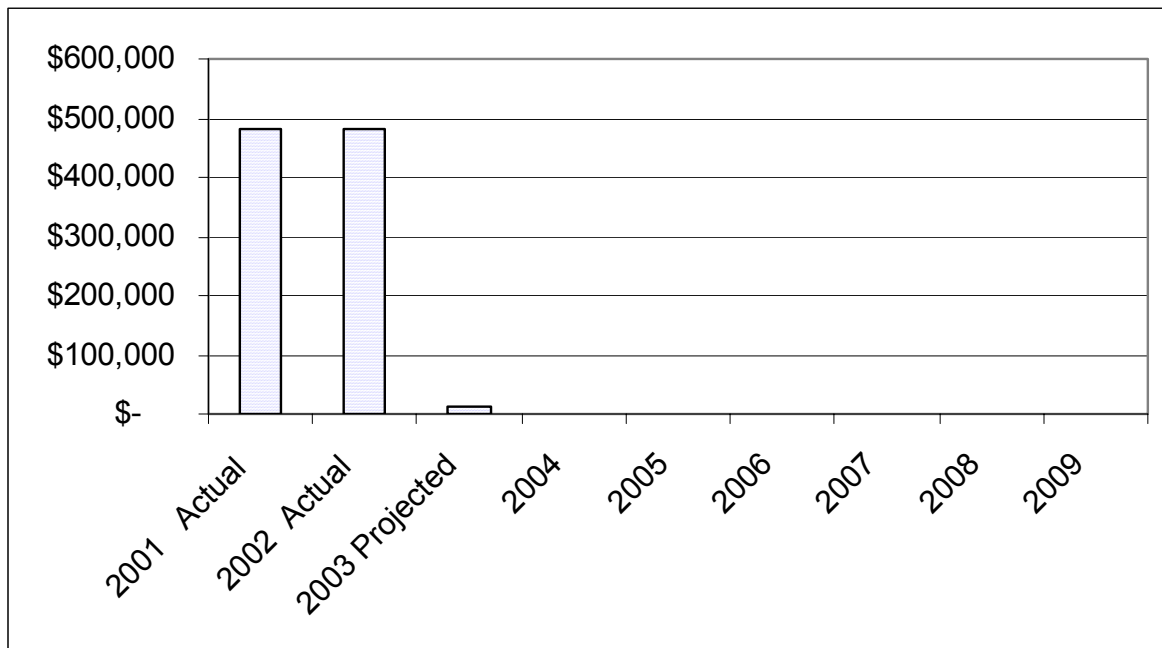


## Vehicle License Fee

King, Snohomish, Douglas, and Pierce Counties levied the optional Vehicle License Fee. These funds were collected by the State and distributed to the counties, cities and towns. These funds were restricted to be used for transportation purposes, such as street and road improvements and public transportation. In 2001, Shoreline received \$480,733 in vehicle license fee revenues and 2002 revenue totaled \$482,467. As mentioned previously, voters approved I-776 in the fall of 2002. I-776 repealed the local option vehicle license fee. A final payment was received from the State early in 2003 for collections received at the end of 2002. The courts are still reviewing the constitutionality of I-776. Since the outcome of the legal challenge is not known, we are still assuming that the City will not receive this revenue in the future. If this revenue were restored, the City would evaluate which services should be re-instated that were cut during 2003.

### Vehicle License Fee Charts

2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
\$480,733	\$482,467	\$11,556	0	0	0	0	0	0
Annual Increase	\$1,734	(\$470,911)	(\$11,556)	0	0	0	0	0
% Increase	0.4%	(97.6%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%



## Surface Water Management Fund Revenues

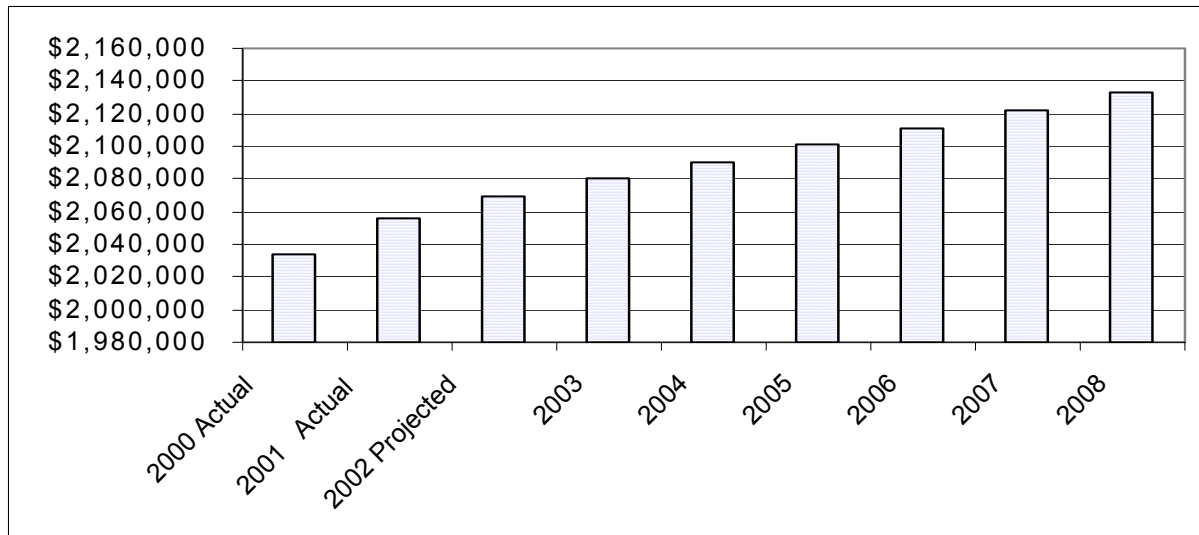
### Surface Water Drainage Fee

Funds for operational and capital drainage programs come from residential and commercial user charges. Currently, single-family residences are charged a flat annual fee of \$102.02 per year, per parcel of land. This was increased for 2003 by 20% from the prior fee of \$85.02. Multi-family and commercial users are charged at a rate that reflects the area of drainage and the type of drainage surface. King County collects these revenues on annual property tax bills, and revenues are transferred to the City. Revenue increases occur due to annexations or new development in the City that increases the number of parcels for which the annual surface water fee is applied.

In 2001, the City received \$2,055,702 in drainage revenues and \$2,084,661 in 2002. Projected 2003 revenues are \$2,483,888 due to the rate increase. 2004 collections are expected to increase by \$8,304 or about 0.3%. For the years 2005 – 2009, we expect drainage fee revenue to grow annually by 1%.

### Surface Water Drainage Fee Charts

2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
\$2,055,702	\$2,084,661	\$2,483,888	\$2,492,192	\$2,517,114	\$2,542,285	\$2,567,708	\$2,593,385	\$2,619,319
<i>Annual Increase</i>	\$28,959	\$399,227	\$8,304	\$24,922	\$25,171	\$25,423	\$25,677	\$25,934
<i>% Increase</i>	1.4%	19.2%	0.3%	1.0%	1.0%	1.0%	1.0%	1.0%



## Capital Improvement Fund Revenues

### Real Estate Excise Tax (REET)

All real estate property sales in the county are taxed at a rate of 1.28%. A portion of these revenues, equal to a 0.5% tax rate, is distributed to the cities by King County on a monthly basis. The use of REET funds is restricted by State law. The first 0.25% of the REET tax rate must be spent on capital projects listed in the City's Comprehensive Plan. These projects could include local capital improvements, including streets, parks, pools, municipal buildings, etc. The second 0.25% of the REET tax rate must be spent on public works projects for planning, acquisition, construction, reconstruction, repair, replacement, or improvement of streets roads, highways, sidewalks, street lighting, etc.

In 2001, Shoreline received \$1,502,980 in real estate excise tax revenues. In 2002, the City received \$1,359,470, a 9.5% decrease. The City is projected to receive \$1,300,000 in 2003 and we are forecasting \$1,370,000 for 2004. Since collections are based upon real estate sales activity, there is no reliable method to predict this revenue source from year-to-year. The average revenue has been between \$1.0 million and \$1.5 million per year. In any given year, a single large commercial property sale could cause revenues to spike upward. We are projecting that future revenues will grow by about 2% annually based upon increased property values.

### Real Estate Excise Tax (REET) Charts

2001 Actual	2002 Actual	2003 Projected	2004	2005	2006	2007	2008	2009
\$1,502,980	\$1,359,470	\$1,300,000	\$1,370,000	\$1,397,400	\$1,425,348	\$1,453,855	\$1,482,932	\$1,512,591
Annual Increase	(\$143,510)	(\$59,470)	\$70,000	\$27,400	\$27,948	\$28,507	\$29,077	\$29,659
% Increase	(9.5%)	(4.4%)	5.4%	2.0%	2.0%	2.0%	2.0%	2.0%

