

2002 City Revenue Sources

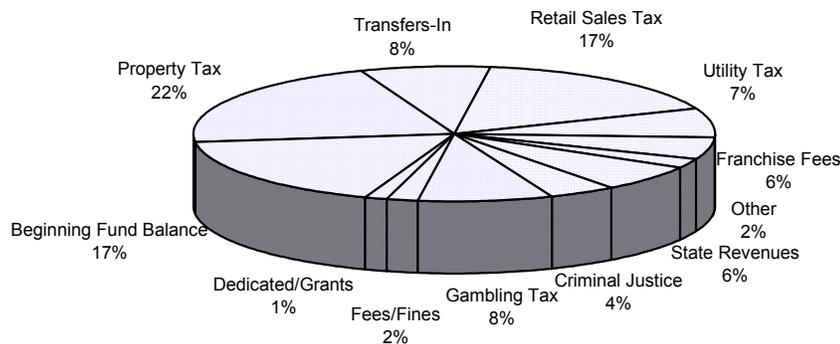
Introduction

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 2002, the total revenue for all of the City's funds is \$36,746,524. This does not include beginning fund balances or transfers between funds.

The two-page table at the end of this section lists the revenues and fund transfers for all of the City's fourteen budgeted funds.

General Fund Revenue Sources

In 2002, the General Fund resource base is \$30,545,708. This is made up of the beginning fund balance (\$5,332,420, 17.5%), operating revenues (\$22,765,183, 74.5%), and transfers-in (\$2,448,104, 8%) from other funds for their share of the General Fund overhead and the Technology Plan expenditures.



Property Tax

Property tax revenue for 2002 is budgeted at \$ 6,435,036 and represents 28% of the General Fund operating revenues. This \$178,593 increase over projected 2001 collections of \$ 6,256,443 is a result of new construction and a one-percent recommended levy increase. The one-percent levy increase is the annual limit that will apply to the City's property tax levy if Initiative 747 (I-747) is passed by voters during the November election. Current property tax law limits property tax levy increases to the lower of the Implicit Price Deflator (IPD) or six percent. The projected IPD for 2001 is 1.89%. If a substantial need is found, current tax law allows the City Council to exceed the IPD with a supermajority vote. I-747 will require voter approval for any property tax levy increases in excess of one-percent.

The current 2001 City of Shoreline property levy is \$1.52 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. Currently, City property tax for a resident with an average residence with a property value of \$222,000, is currently \$3,130 per year. The City receives 10.8% of the property tax levied, which would equate to \$337.44.

The projected tax levy rate for 2002 is \$1.44 per \$1,000 valuation, a reduction from the 2001 rate of nearly 5%. The primary reason for the decrease in rate is that the assessed value of property in the City

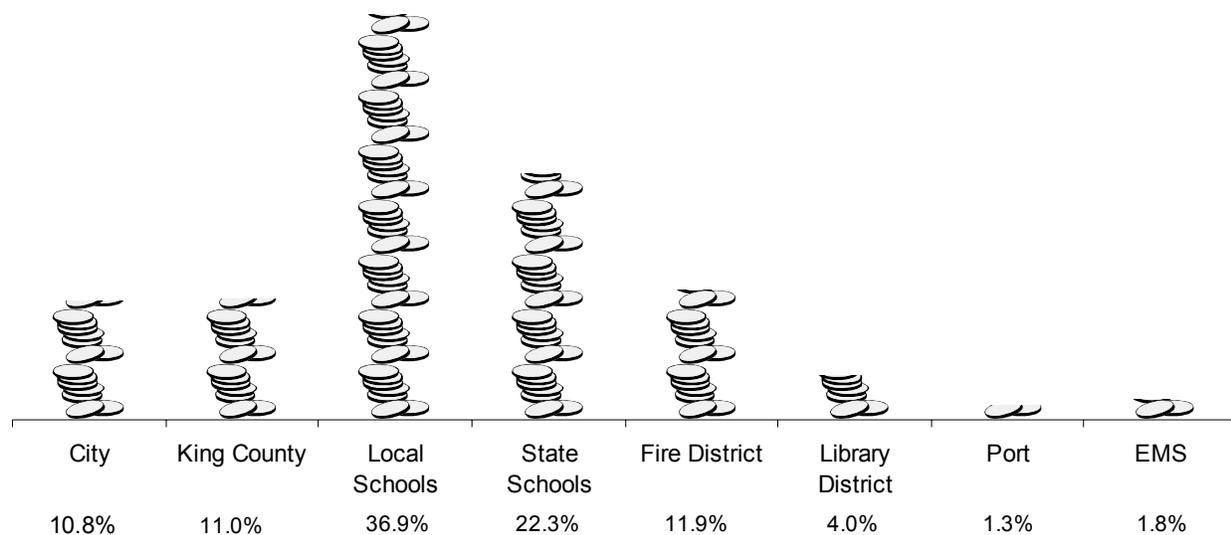
has increased. If assessed values increase on average by 5%, the resulting tax bill will remain exactly the same as in 2001.

The total growth in Assessed Valuation is estimated at 9.05% for 2002 (new construction increases of .5% and Assessment increases of 7.4%). The 2002 Budget includes the increases from the 1.0% levy increase (\$63,846), new construction (\$31,580) and previous years' refunds of \$83,166.

For future years, we are projecting a two-percent annual increase in property tax revenue. This increase would cover the historical levels of new construction in the City and the one-percent growth limit imposed by Initiative 747 if approved by voters.

What a City Property Owner Pays

| | Property Tax Rate | | | | | | | | |
|-------------|-------------------|-------------|---------------------------|---------------|---------------|------------------|-----------------|----------------------------|---------|
| | City | King County | Shoreline School District | State Schools | Fire District | Library District | Port of Seattle | King Co. Emergency Medical | Total |
| Rate | 1.52 | 1.55 | 5.20 | 3.15 | 1.68 | 0.56 | 0.19 | 0.25 | \$14.10 |
| % | 10.8% | 11.0% | 36.9% | 22.3% | 11.9% | 4.0% | 1.3% | 1.8% | 100.0% |



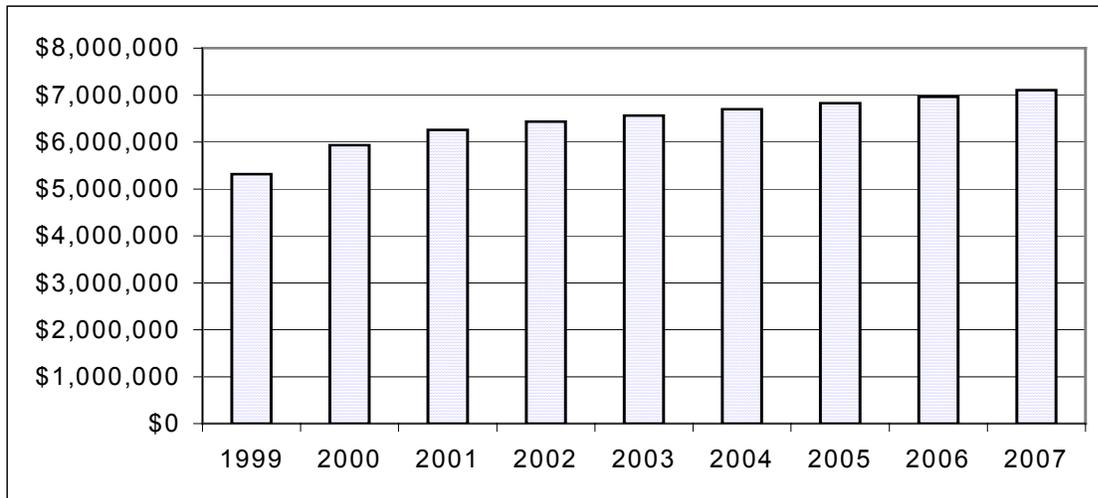
To illustrate the City property tax portion payable in 2001 by an individual owning a home valued at \$220,000. Based on the 2001 property tax rate only 10.8% of the home owner's property tax is paid to the City.

| | Assessed Value | Per \$1,000 (AV/\$1,000) | Rate | Assessment | % |
|---------------------------|----------------|--------------------------|-----------|------------|-------|
| City | \$ 222,000 | 222 X | \$ 1.52 = | 337.44 | 10.8% |
| King County | \$ 222,000 | 222 X | 1.55 = | 344.10 | 11.0% |
| Shoreline School District | \$ 222,000 | 222 X | 5.20 = | 1,154.40 | 36.9% |
| State Schools | \$ 222,000 | 222 X | 3.15 = | 699.30 | 22.3% |
| Fire District | \$ 222,000 | 222 X | 1.68 = | | 11.9% |

| | | | | | | | |
|----------------------------|----|---------|-----|---|-----------------|--------|---------------------------|
| | | | | | | 372.96 | |
| Library District | \$ | 222,000 | 222 | X | 0.56 | = | 124.32 4.0% |
| Port of Seattle | \$ | 222,000 | 222 | X | 0.19 | = | 42.18 1.3% |
| King Co. Emergency Medical | \$ | 222,000 | 222 | X | 0.25 | = | 55.50 1.8% |
| TOTAL | | | | | \$ 14.10 | | \$ 3,130.20 100.0% |

Property Tax Charts

| 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|------------------------|-------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 5,314,462 | 5,933,539 | 6,256,443 | 6,435,036 | 6,563,736 | 6,695,011 | 6,828,911 | 6,965,490 | 7,104,799 |
| <i>Annual Increase</i> | 619,077 | 322,904 | 178,592 | 128,701 | 131,275 | 133,900 | 136,578 | 139,310 |
| <i>% Increase</i> | 11.6% | 5.4% | 2.9% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |



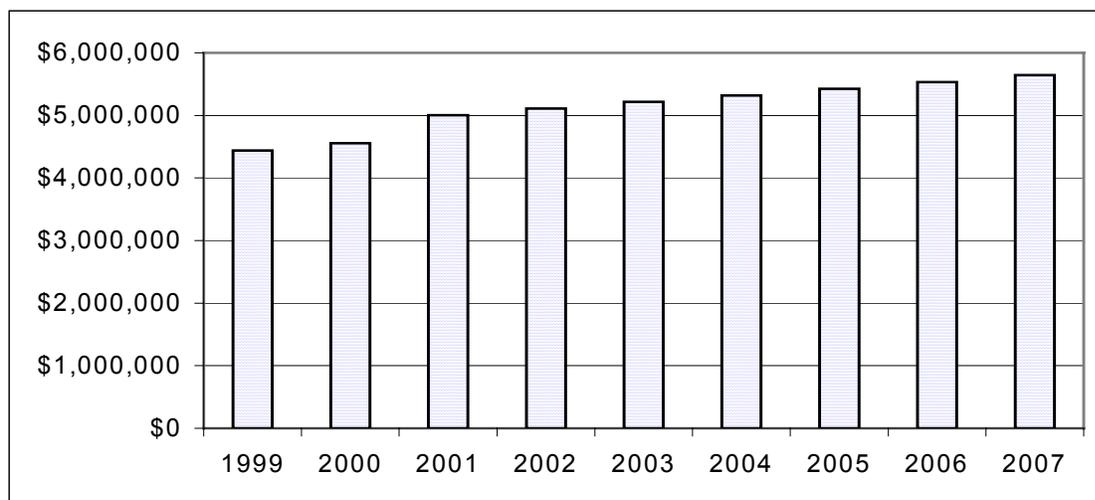
Sales Tax

Projected sales tax revenue for 2002 is \$5,112,441 or 22% of the total General Fund operating revenues. These collections represent .85% of the total sales tax collected from sales within the City. This represents only a two-percent increase over projected 2001 collections of \$5,001,005. Sales tax revenue for 2000 was \$4,555,051, however that amount represented only January through November collections. (There is a two-month lag between the time that sales tax is paid by the consumer and the time that the City actually receives the revenue, therefore, December sales tax revenue is not received until February of the following year. In 2000 a change was made to not accrue the December sales tax, received in February, to the previous year. It is therefore credited to the following year.) Keeping that in mind, growth in collections during 2002 has been minimal when compared with previous years. Sales tax receipts increased by 4.16% between 1998 and 1999.

For future years, we are continuing to project a rate of growth of only two-percent. Both the local and national economy had begun to slow during the first two quarters of 2001. The full impact to the economy from the terrorist attacks of September 11th, is not known. However, we do know that Boeing has indicated that it may cut its local workforce by 20,000 to 30,000 people as result of the impact of the attacks on the air travel industry. Even though our region's workforce is much more diversified than it was during previous major Boeing layoffs, coupled with the recent decline in internet employment, local economists are predicting that we will encounter a brief recession during the remainder of 2001 and possibly into early 2002. It is anticipated that this projected recession will impact local retailers, thus causing weak sales for the near future. Therefore, the City has chosen to keep future projections at a conservative level. Some local cities are either currently experiencing declines or projecting declines for 2002 in sales tax collections. Since Shoreline's sales tax base consists largely of basic consumer goods, we are somewhat insulated from the full effects of the recession.

Sales Tax Charts

| 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|------------------------|-------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 4,438,373 | 4,555,052 | 5,001,005 | 5,112,441 | 5,214,690 | 5,318,984 | 5,425,363 | 5,533,871 | 5,644,548 |
| <i>Annual Increase</i> | 116,679 | 445,953 | 111,436 | 102,249 | 104,294 | 106,380 | 108,507 | 110,677 |
| <i>% Increase</i> | 2.6% | 9.8% | 2.2% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |



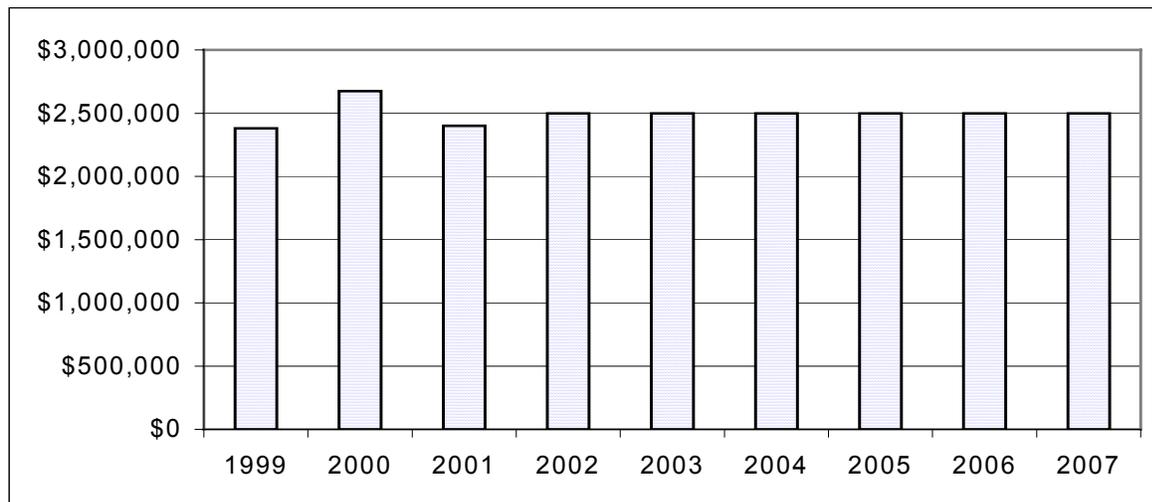
Gambling Tax

Gambling tax is budgeted at \$2,500,000 for 2002, which is nearly 11% of the total General Fund operating revenues. This is a \$100,000 or 4% increase over 2001. There are currently seventeen licensed businesses and organizations that offer gambling within Shoreline city limits. Gambling tax rate limits are set by the State and vary for different games. In 1998, the State allowed the opening of “mini-casinos” which expanded the number of cardrooms and betting limits. The expansion of these mini-casinos 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.

Currently, the City of Shoreline’s tax rate is at 11%. 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

| 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|------------------------|-------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 2,381,190 | 2,674,099 | 2,400,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| <i>Annual Increase</i> | 292,909 | (274,099) | 100,000 | 0 | 0 | 0 | 0 | 0 |
| <i>% Increase</i> | 12.3% | (10.3%) | 4.2% | 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 TV that became effective in 2000. Projected revenues in 2002 from utility taxes are \$2,104,561 or 9% of the total General Fund operating revenues. This is an increase of \$38,936 or slightly less than 2% over projected 2001 utility tax revenues of \$2,065,625. Projected 2001 revenues are 19% higher than those received in 2000.

In the Natural Gas category, 2002 revenues are projected to increase by two-percent over projected 2001 revenues. Puget Sound Energy implemented a 27% rate increase in August of 2000 and another rate increase of nearly 25% in January of this year. The full impact of these two rate increases is being experienced this year. At this time, Puget Sound has not indicated that they will be proposing any additional rate increases for the near future. Therefore, the City is projecting continued moderate growth of two-percent each year.

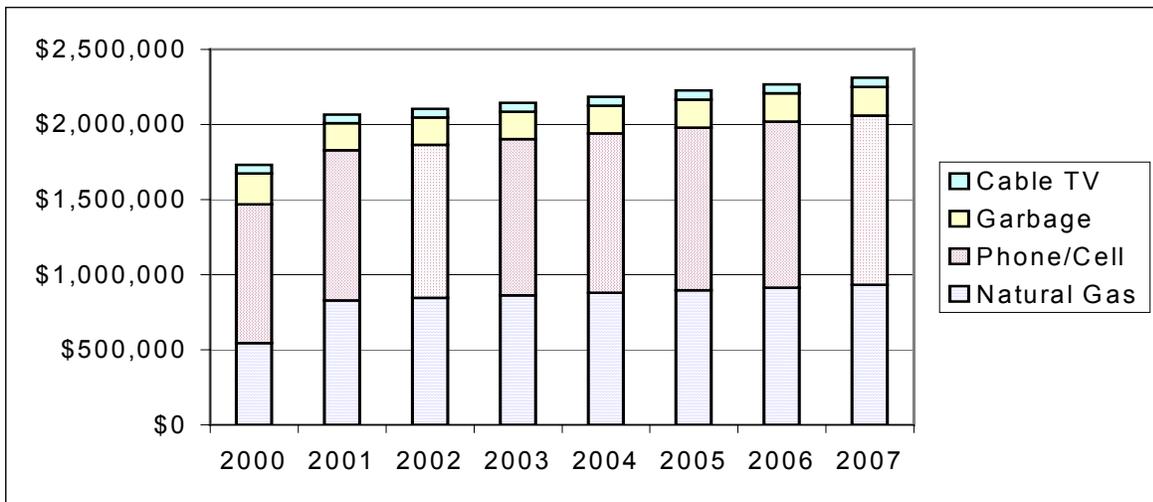
Revenues from telephone, cellular, and pager services are expected to increase by two percent for 2002 and the out years, as we continue to see growth due to more people utilizing new technologies.

Revenues from both sanitation and cable television are expected to grow more slowly than the other categories at a rate of only one-percent. 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

| | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|--------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Natural Gas | 544,026 | 827,979 | 844,539 | 861,429 | 878,658 | 896,231 | 914,156 | 932,439 |
| <i>Annual Inc.</i> | | 283,953 | 16,560 | 16,891 | 17,229 | 17,573 | 17,925 | 18,283 |
| <i>% Inc.</i> | | 52.2% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Telephone | 923,502 | 1,000,000 | 1,020,000 | 1,040,400 | 1,061,208 | 1,082,432 | 1,104,081 | 1,126,162 |
| <i>Annual Inc.</i> | | 76,498 | 20,000 | 20,400 | 20,808 | 21,224 | 21,649 | 22,082 |
| <i>% Inc.</i> | | 8.3% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Sanitation | 205,535 | 180,000 | 181,800 | 183,618 | 185,454 | 187,309 | 189,182 | 191,074 |
| <i>Annual Inc.</i> | | (25,535) | 1,800 | 1,818 | 1,836 | 1,855 | 1,873 | 1,892 |
| <i>% Inc.</i> | | (12.4%) | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Cable TV | 57,650 | 57,646 | 58,222 | 58,805 | 59,393 | 59,987 | 60,587 | 61,192 |
| <i>Annual Inc.</i> | | (4) | 576 | 582 | 588 | 594 | 600 | 606 |
| <i>% Inc.</i> | | (0.0%) | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Total | 1,730,713 | 2,065,625 | 2,104,561 | 2,144,252 | 2,184,713 | 2,225,959 | 2,268,005 | 2,310,867 |

Utility Tax Charts cont.



Franchise Fees

The City has entered into franchise agreement 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), and most recently with the Shoreline Water District. These utilities pay a franchise fee to the City in an amount equal to six-percent of their revenues.

The total projected 2002 revenue from franchise fees is \$1,687,586, which equates to just over seven-percent of the total General Fund operating revenues. This is an increase of \$124,438 or nearly eight-percent.

The cable television franchise fee is set at a rate equal to five-percent of gross cable service revenues. Projected 2001 revenues are only slightly above 2000 actual collections. We are expecting about a three percent rate of growth in this category. 2002 projected revenue is \$360,467 for this category.

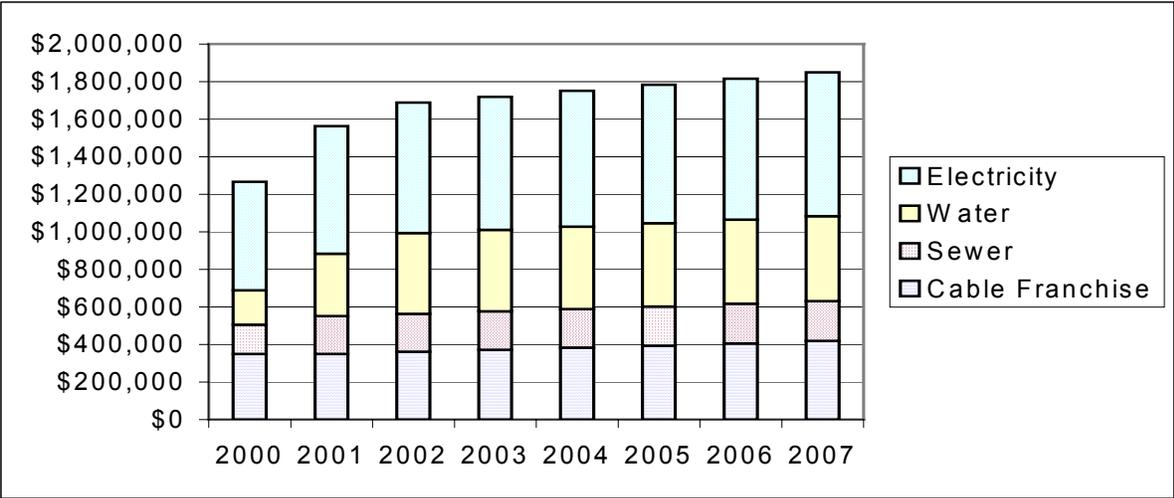
Projected fees from sewer for 2002 are \$202,444. We are projecting minimal growth of only one-percent in this category. Projected 2001 revenue of \$200,440 is 29% above 2000 actual collections, but this is due to timing of the quarterly franchise payments. The final payment for 2000 was not received until 2001, therefore the projected revenue for the current year includes five quarterly payments.

Revenues from water franchise fees for 2002 are expected to be \$430,325 an increase of \$98,320 or nearly 30% over 2001 projected revenues. This is due to the finalization of an agreement with Shoreline Water District. They began making franchise fee payments in June of the current year. Therefore a full year's collection from the District is reflected in the 2002 projections. This category is projected to grow at a minimal rate of one-percent in the future.

Electricity franchise fee payments from Seattle City Light are expected to total \$694,350 in 2002. This is an increase of \$13,615 or around 2% over the projected 2002 revenues. Revenues projected for 2001 of \$680,735 are \$103,117 or nearly 18% above 2000 actual collections. Seattle City Council has approved several rate increases this year. In January, Shoreline residents experienced an increase of just over eight-percent. This was followed by three more rate increases of 20%, 6% and 9% effective on March 1, July 1, and October 1 respectively. Seattle City Light has indicated that these rate increases are temporary and are considered to be surcharges for a limited time. Since the rates for electricity should decline after the surcharges end, the City is not including the additional revenues in its ongoing base. Therefore, an amount equal to the estimated revenues from the surcharges is being used to fund one-time capital improvements rather than ongoing operations. Excluding these surcharges we are anticipating growth of about two-percent in this category for the future years.

Franchise Fee Charts

| | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|-----------------|----------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cable TV | 349,971 | 349,968 | 360,467 | 371,281 | 382,419 | 393,892 | 405,709 | 417,880 |
| Annual Increase | | (3) | 10,499 | 10,814 | 11,138 | 11,473 | 11,817 | 12,171 |
| % Increase | 36.1% | (0.0%) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Sewer | 155,045 | 200,440 | 202,444 | 204,469 | 206,514 | 208,579 | 210,664 | 212,771 |
| Annual Increase | | 45,395 | 2,004 | 2,024 | 2,045 | 2,065 | 2,086 | 2,107 |
| % Increase | | 29.3% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Water | 183,692 | 332,005 | 430,325 | 434,628 | 438,975 | 443,364 | 447,798 | 452,276 |
| Annual Increase | | 148,313 | 98,320 | 4,303 | 4,346 | 4,390 | 4,434 | 4,478 |
| % Increase | | 80.7% | 29.6% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Electricity | 577,618 | 680,735 | 694,350 | 708,237 | 722,401 | 736,849 | 751,586 | 766,618 |
| Annual Increase | | 103,117 | 13,615 | 13,887 | 14,165 | 14,448 | 14,737 | 15,032 |
| % Increase | 13.8% | 17.9% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Total | 1,266,326 | 1,563,148 | 1,687,586 | 1,718,615 | 1,750,309 | 1,782,685 | 1,815,758 | 1,849,545 |



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.

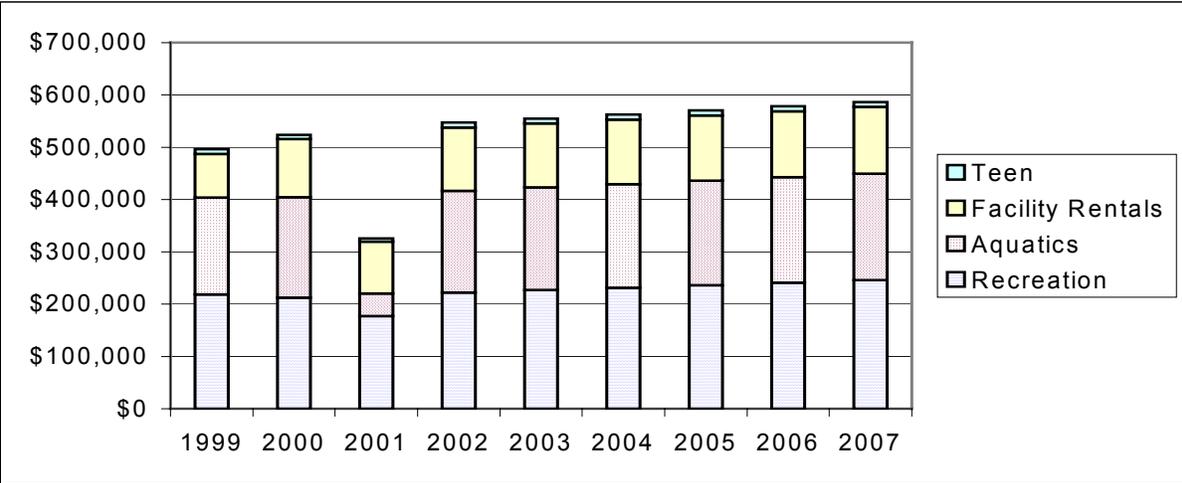
As the City of Shoreline has developed its recreation and aquatics programs over the past several years, we have continued to enjoy increases in revenue of 30% for 1998, 15% for 1999, and 5% for 2000. This was due to an increasing number of programs being offered and the number of participants as the City's programs became established. This growth in revenue appears to be stabilizing.

Projected 2002 revenue from parks and recreation fees is \$546,974 or just over two-percent of the total General Fund operating revenues. This is slightly less than a five-percent growth in revenue when compared with the actual collections experienced during 2000.

Capital Improvement Program (CIP) park facility projects have caused some disruption of programs in 2001. Projected revenues for 2001 are down from 2000 actual collections by \$197,522. This is mostly due to the scheduled closure of the Shoreline Pool for renovations. Aquatics is projected to lose \$149,006 during the closure, however there will also be an offsetting decrease in the amount of expenditures within aquatics. Recreation fees, facility rentals, and teen program fees are also down from 2000 by \$48,516. This is in part related to the closure of the "Rec" facility due to renovations and a drop in the level of participation. Overall, minimal growth in Parks and Recreation fee revenues are projected for years 2003-2007.

Parks and Recreation Fee Charts

| | 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|------------------------|----------------|----------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Recreation | 218,346 | 212,177 | 176,969 | 222,466 | 226,915 | 231,454 | 236,083 | 240,804 | 245,620 |
| <i>Annual Increase</i> | | (6,169) | (35,208) | 45,497 | 4,449 | 4,538 | 4,629 | 4,722 | 4,816 |
| <i>% Increase</i> | | (2.8%) | (16.6%) | 25.7% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Aquatics | 185,412 | 192,293 | 43,287 | 193,981 | 195,921 | 197,880 | 199,859 | 201,857 | 203,876 |
| <i>Annual Increase</i> | | 6,881 | (149,006) | 150,694 | 1,940 | 1,959 | 1,979 | 1,999 | 2,019 |
| <i>% Increase</i> | | 3.7% | (77.5%) | 348.1% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Facility Rentals | 83,458 | 111,050 | 99,463 | 121,186 | 122,398 | 123,622 | 124,858 | 126,107 | 127,368 |
| <i>Annual Increase</i> | | 27,592 | (11,587) | 21,723 | 1,212 | 1,224 | 1,236 | 1,249 | 1,261 |
| <i>% Increase</i> | | 33.1% | (10.4%) | 21.8% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |
| Teen Programs | 9,098 | 7,695 | 5,974 | 9,341 | 9,341 | 9,341 | 9,341 | 9,341 | 9,341 |
| <i>Annual Increase</i> | | (1,403) | (1,721) | 3,367 | 0 | 0 | 0 | 0 | 0 |
| <i>% Increase</i> | | (15.4%) | (22.4%) | 56.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total | 496,314 | 523,215 | 325,693 | 546,974 | 554,575 | 562,296 | 570,141 | 578,109 | 586,205 |



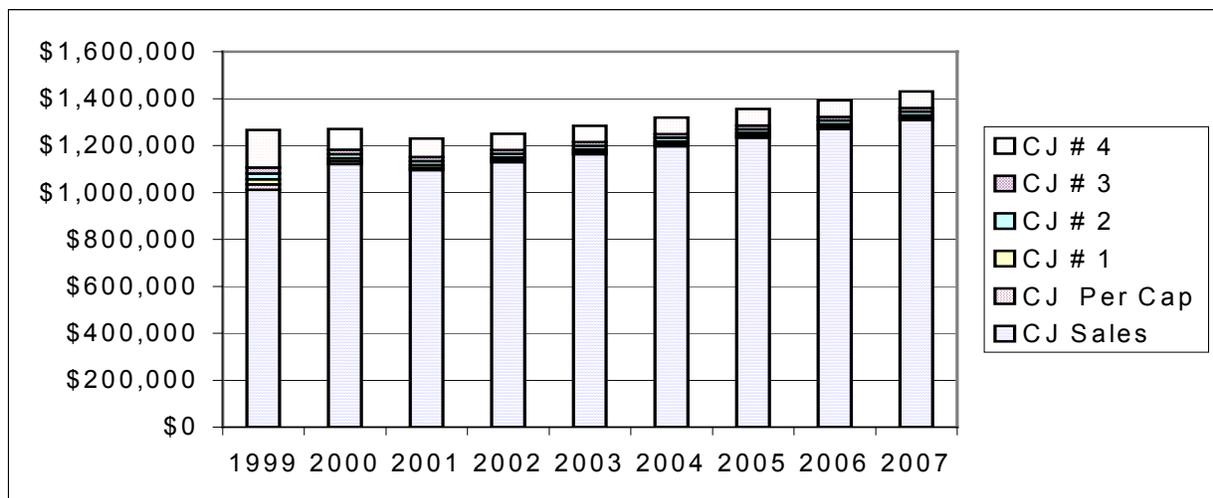
Criminal Justice Funding

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 2002 revenue for Criminal Justice is \$1,250,643 or five-percent of the total General Fund operating revenues. This represents an increase of \$20,652 or slightly less than two-percent. Total 2001 projected revenue is \$1,229,991, which is down from 2000 criminal justice funding of \$1,269,971. Since the state portion of the funding comes from its General Fund and is subject to change due to the economic and legislative climate, we are projecting that those categories will remain flat. For the Criminal Justice Retail Sales tax, we are only projecting a growth rate of three-percent. This tax is dependent upon the stability of retail sales, but it is also distributed based upon population.

Criminal Justice Funding Charts

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Actual | Actual | Projected | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| Retail Sales - Criminal Justice | 1,011,200 | 1,120,941 | 1,096,106 | 1,128,989 | 1,162,859 | 1,197,745 | 1,233,677 | 1,270,687 | 1,308,808 |
| State - CJ - Per Capita | 23,044 | 12,427 | 9,565 | 9,567 | 9,567 | 9,567 | 9,567 | 9,567 | 9,567 |
| State - CJ - Innovative Law Enforce. #1 | 21,433 | 12,753 | 11,635 | 10,923 | 10,923 | 10,923 | 10,923 | 10,923 | 10,923 |
| State - CJ - At-Risk Children #2 | 25,464 | 17,897 | 16,628 | 15,605 | 15,605 | 15,605 | 15,605 | 15,605 | 15,605 |
| State - CJ - Domestic Violence #3 | 25,519 | 17,889 | 16,628 | 15,605 | 15,605 | 15,605 | 15,605 | 15,605 | 15,605 |
| State - CJ - City Law Enforce. #4 | 159,110 | 88,064 | 79,429 | 69,954 | 69,954 | 69,954 | 69,954 | 69,954 | 69,954 |
| Total | 1,265,770 | 1,269,971 | 1,229,991 | 1,250,643 | 1,284,513 | 1,319,399 | 1,355,331 | 1,392,341 | 1,430,462 |

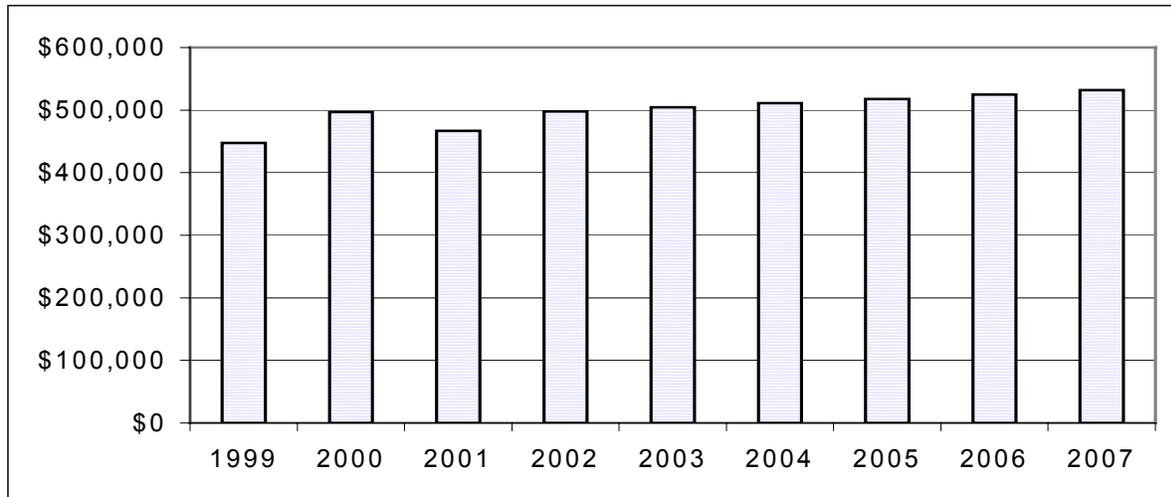


Liquor Excise Tax & Board Profits

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 2002 revenue from these two sources is \$497,922, which is an increase of \$31,353 over 2001 projected revenue. This represents about two-percent 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%.

Liquor Tax Charts

| 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|-----------------|-------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 447,685 | 496,756 | 466,569 | 497,922 | 504,426 | 511,061 | 517,828 | 524,730 | 531,771 |
| Annual Increase | 49,071 | (30,187) | 31,353 | 6,504 | 6,634 | 6,767 | 6,902 | 7,041 |
| % Increase | 11.0% | (6.1%) | 6.7% | 1.3% | 1.3% | 1.3% | 1.3% | 1.3% |



Grants

In 2001, Shoreline is projected to receive \$613,894 in grant funding from a variety of sources to support health and human services programs, planning work, recycling programs, and parks and teen programs. In 2000, the City received \$244,449 in grant funding in the General Fund. For 2002, the City is expecting to receive \$399,429. For the years 2003 through 2007, the City is assuming minimal growth in grants received for general operating programs.

Development Services Fund Revenues

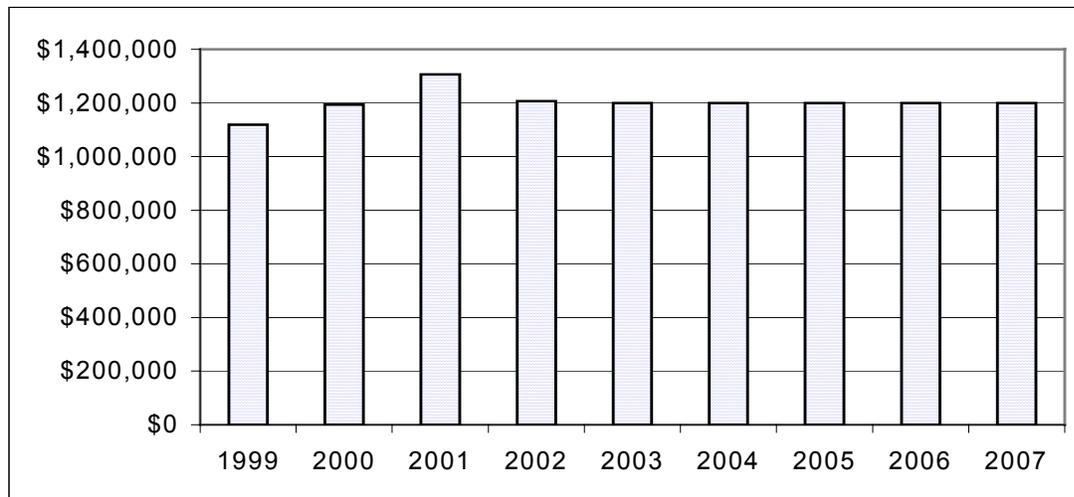
Development Permit Fees

Fees are charged for a variety of development permits obtained through the City's Planning and Development Services Department. In 2000, development fee revenues were \$1,193,829, an increase of \$75,307 over 1999 fees, due to an increase in the hourly rate for service that is charged by the City. Projected 2001 revenues of \$1,306,000 are an increase of \$112,171 or 9.4% over 2000 collections. All right-of-way activities will transfer from Planning and Development Services to Public Works in 2002. This results in a shift in right-of-way permit revenue of \$110,000. Taking this transfer into consideration, 2002 revenues are growing by \$10,150 or less than one-percent. For 2002 and beyond, revenue is projected to remain fairly flat due to the forecasted recession for the area. Permit activity during 2001 has already dropped off significantly as developers wait to see the full impacts of the recession.

A portion of the development permit fees is set aside as a reserve to pay for the anticipated servicing of these permits over the next three years, since permit fees are collected in advance. In this way, the City ensures support for the costs of servicing permits that are already issued, even if future permit revenues drop in response to a decrease in development activity.

Development Permit Fee Charts

| 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|----------------------------|------------------------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1,118,522 | 1,193,829 | 1,306,000 | 1,206,150 | 1,202,850 | 1,202,850 | 1,202,850 | 1,202,850 | 1,202,850 |
| <i>Annual Increase</i> | 75,307 | 112,171 | (99,850) | (3,300) | 0 | 0 | 0 | 0 |
| <i>% Increase</i> | 6.7% | 9.4% | (7.6%) | (0.3%) | 0.0% | 0.0% | 0.0% | 0.0% |



Street and Arterial Fund Revenues

The major revenue sources for maintenance of the City's streets are fuel tax and county vehicle license fees. Also, beginning in 2002, right-of-way permit fees will be received in the Street Fund. These three sources alone however, are not sufficient, so the General Fund must subsidize the City's street maintenance programs. In 2001 this subsidy will be \$1,544,822. It will decrease slightly to \$1,420,529 in 2002, but is expected to continue to grow each year thereafter, since operating expenditures are increasing at a rate greater than the projected growth in revenues.

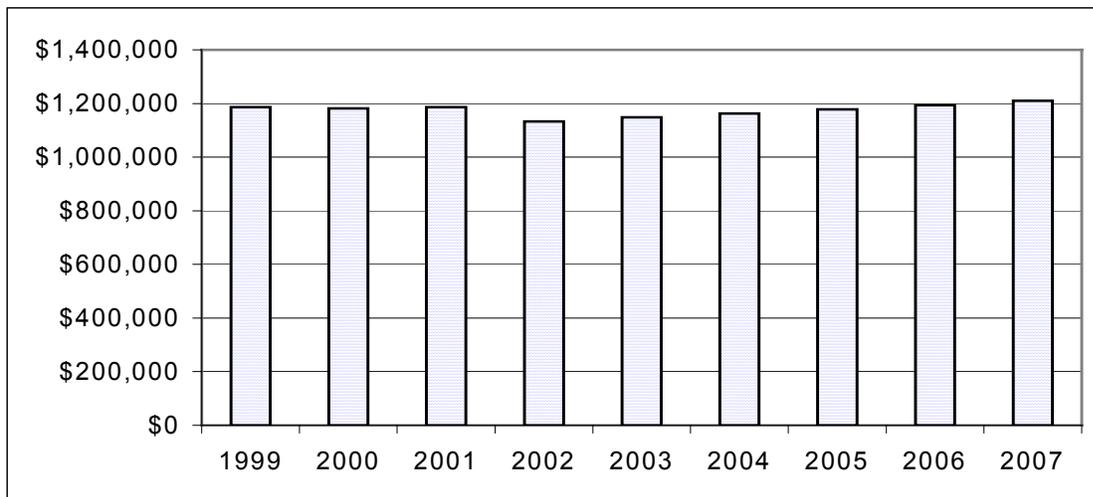
Fuel Tax

State collected gas and diesel tax is shared with cities and towns on a per capita basis to be used for street and arterial repairs and maintenance. In 2000, a total of \$1,181,156 was collected. It is anticipated that for 2001 the revenue will be slightly higher at \$1,186,085. Projected fuel tax revenues for 2002 are \$1,132,945. This is 4.5% lower than projected 2001 revenue, due to a decrease in the consumption of fuel throughout the state. The tax is a flat amount per gallon sold. Consumption of gasoline has fallen as the price per gallon has risen and the consumption of diesel fuel has fallen as the economy has slowed. For 2003 through 2007 a modest growth rate of 1.3% is forecast.

Approximately 68% of the revenue may be spent on street maintenance and the remaining funds are restricted to construction, improvement and repair of arterials and city streets. Fuel tax estimates are received annually from the State.

Fuel Tax Charts

| 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|----------------------------|------------------------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1,186,010 | 1,181,156 | 1,186,085 | 1,132,945 | 1,147,882 | 1,163,042 | 1,178,426 | 1,194,039 | 1,209,885 |
| <i>Annual Increase</i> | (4,854) | 4,929 | (53,140) | 14,938 | 15,159 | 15,384 | 15,613 | 15,846 |
| <i>% Increase</i> | (0.4%) | 0.4% | (4.5%) | 1.3% | 1.3% | 1.3% | 1.3% | 1.3% |

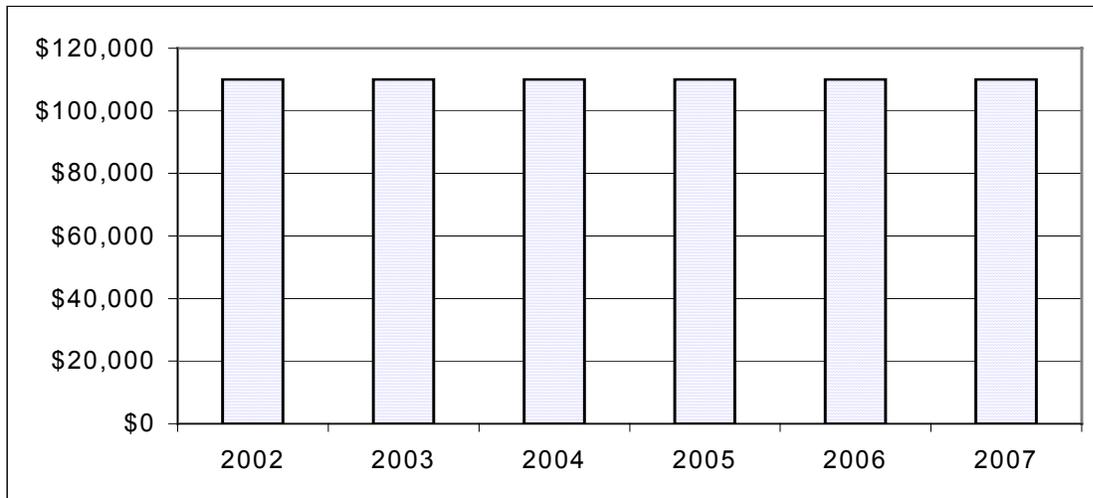


Right-of-Way Permit Fees

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 has been transferred in to the City's Street Fund. No growth has been built into the forecasts for the future years.

Right-of-Way Charts

| 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|-----------------|-------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | | 110,000 | 110,000 | 110,000 | 110,000 | 110,000 | 110,000 |
| Annual Increase | | | | 0 | 0 | 0 | 0 | 0 |
| % Increase | | | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

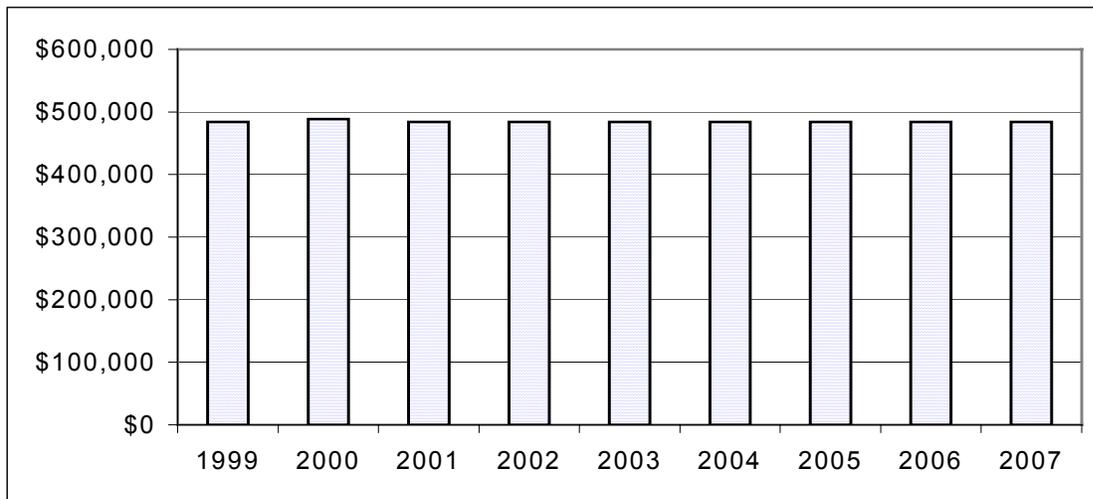


Vehicle License Fee

King, Snohomish, Douglas, and Pierce Counties have chosen to levy the optional Vehicle License Fee. These funds are collected by the State and distributed to the counties, cities and towns. These funds must be used for transportation purposes, such as street and road improvements and public transportation. In 2000, Shoreline received \$488,577 in vehicle license fee revenues and projected 2001 revenue is \$484,073. For 2002 through 2007, forecasted license fees remain flat at \$484,073 annually.

Vehicle License Fee Charts

| 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|------------------------|-------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 484,073 | 488,577 | 484,073 | 484,073 | 484,073 | 484,073 | 484,073 | 484,073 | 484,073 |
| <i>Annual Increase</i> | 4,504 | (4,504) | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>% Increase</i> | 0.9% | (0.9%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |



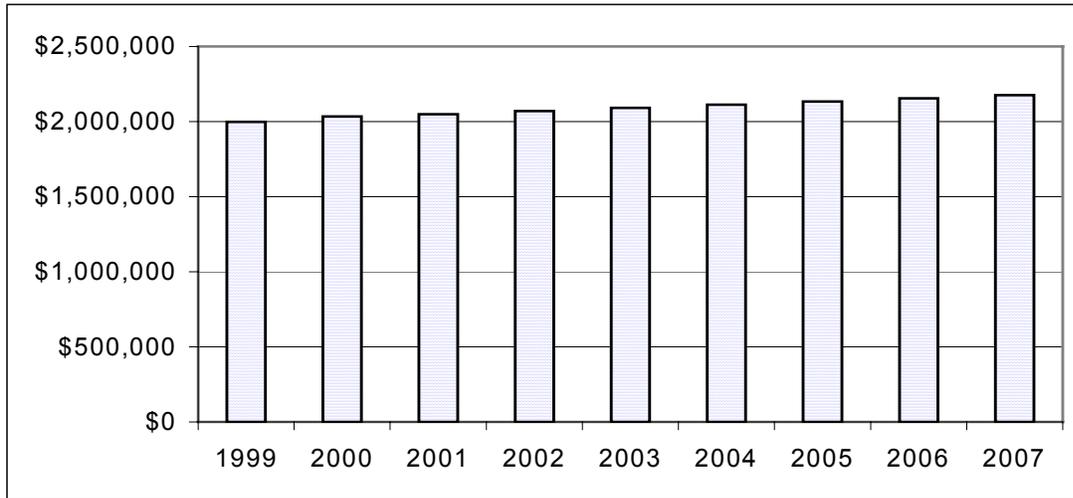
Surface Water Management Fund Revenues

Surface Water Drainage Fee

Funds for operational and capital drainage programs come from residential and commercial user charges. Single-family residents are charged a flat annual fee of \$85.02 per year, per parcel of land. 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. 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 2000, the City received \$2,033,339 in drainage revenues and projected 2001 revenues are \$2,049,414. We currently anticipate receiving a slightly higher level of \$2,069,907 in 2002. This represents growth of about 1%, which we expect to continue through 2007.

Surface Water Drainage Fee Charts

| 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|------------------------|----------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1,997,698 | 2,033,339 | 2,049,413 | 2,069,907 | 2,090,606 | 2,111,512 | 2,132,628 | 2,153,954 | 2,175,493 |
| <i>Annual Increase</i> | 35,641 | 16,074 | 20,494 | 20,699 | 20,906 | 21,115 | 21,326 | 21,540 |
| <i>% Increase</i> | 1.8% | 0.8% | 1.0% | 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. In 2000, Shoreline received \$1,485,512 in real estate excise tax revenues. In 2001, the City is projected to receive \$1,203,192. The 2002 projected revenue remains at \$1,203,192.

There is no reliable method to predict this revenue source from year-to-year. The average revenue has been between \$1.0 million and \$1.3 million per year. In any given year, a single large commercial property sale could cause revenues to spike upward. For this reason, we are forecasting future revenues to remain fairly flat through 2007.

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, capital element. 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.

Real Estate Excise Tax (REET) Charts

| 1999 Actual | 2000 Actual | 2001 Projected | 2002 Forecast | 2003 Forecast | 2004 Forecast | 2005 Forecast | 2006 Forecast | 2007 Forecast |
|------------------------|----------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1,390,990 | 1,485,512 | 1,203,192 | 1,203,192 | 1,203,192 | 1,203,192 | 1,203,192 | 1,203,192 | 1,203,192 |
| <i>Annual Increase</i> | 94,522 | (282,320) | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>% Increase</i> | 6.8% | (19.0%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

