

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: 2003 Second Quarter Financial Report
DEPARTMENT: Finance
PRESENTED BY: Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

Attached is the 2003 second quarter financial report which summarizes the financial activities the city's major funds. This report is provided to keep the Council informed of the financial issues and the financial position of the City. The Executive Summary section of the report provides a high level overview. More detailed information on specific revenue and expenditures is provided following the Executive Summary.

FINANCIAL IMPACT:

The following table provides a summary of the financial results for all City funds for the first half of 2003:

Fund	2003 Revenues				2003 Expenditures			
	Current Budget	2nd Qtr Projected	2nd Qtr Actual	2nd Qtr Variance	Current Budget	2nd Qtr Projected	2nd Qtr Actual	2nd Qtr Variance
General Fund	\$ 26,626,418	\$ 10,866,817	\$ 11,189,568	\$ 322,751	\$ 26,626,418	\$ 11,331,254	\$ 10,949,683	\$ (381,571)
Street Fund	2,967,040	1,346,181	1,356,489	10,308	2,967,040	1,290,847	1,329,973	39,126
Arterial Street Fund	358,905	179,453	167,528	(11,925)	358,905	179,453	179,453	-
Surface Water Fund	2,910,882	1,368,199	1,327,990	(40,209)	2,910,882	1,289,746	1,271,710	(18,036)
General Reserve Fund	167,370	83,685	41,843	(41,842)	-	-	-	-
Development Services Fund	1,859,545	908,765	936,457	27,692	1,859,545	935,258	871,170	(64,088)
Code Abatement Fund	100,000	50,000	500	(49,500)	100,000	23,139	17,040	(6,099)
Asset Seizure Fund	29,851	14,926	4,386	(10,540)	29,851	4,186	10,215	6,029
Public Arts Fund	40,065	-	-	-	-	-	-	-
General Capital Fund	2,805,595	1,592,040	1,579,278	(12,762)	2,689,698	605,663	334,999	(270,664)
Roads Capital Fund	9,602,055	950,264	653,228	(297,036)	9,602,055	1,076,583	933,974	(142,609)
Surface Water Capital Fund	1,626,937	541,512	560,236	18,724	1,181,463	460,153	229,699	(230,454)
Vehicle Operations Fund	55,000	41,750	41,507	(243)	55,000	10,894	23,655	12,761
Equipment Replacement Fund	324,473	285,512	284,647	(865)	148,111	21,896	16,370	(5,526)
Unemployment Fund	10,000	10,000	10,000	-	10,000	5,000	4,213	(787)
	49,484,136	18,239,104	18,153,657	(85,447)	48,538,968	17,234,072	16,172,154	(1,061,918)

RECOMMENDATION

No action is required by the Council. This item is provided for informational purposes.

Approved By: City Manager  City Attorney 

ATTACHMENTS

Attachment A – 2003 Second Quarter Financial Report

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Attachment A



2003 Second Quarter Financial Report

Prepared by the Finance Department

for the

Fiscal Year January 1, 2003 – December 31, 2003

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EXECUTIVE SUMMARY

General Fund

Revenue totaling \$11,189,569 through the first half of the year was \$322,752 or 3.0% above projected revenue of \$10,866,817. Collections exceeded projections in all categories except Grants and Miscellaneous revenue, which includes Investment Earnings. Interest rates continue to be lower than originally anticipated. Property tax collections are ahead of projections by 1.1%, sales taxes are up by 4.8%, criminal justice sales tax collections are above projections by 0.2%, state distributed revenues are up by 6.1%, utility tax and franchise fees are ahead by 2.9% and parks and recreation fees are above projections by 11.8%.

Actual 2003 expenditures through June were \$10,949,683, \$488,214 or 4.3% below projected expenditures of \$11,437,897. Most departments are spending below projected levels. Savings in salaries have occurred in Planning & Development Services and City Attorney departments due to staff vacancies. The City is continuing to see significant savings in the jail contract as a direct result of a new police program aimed at reducing the number of bookings into the King County jail by performing more processing functions during arrests at the Shoreline precinct rather than the jail.

Development Services Fund

Development Services Fund revenues are ahead of projections. Plan check fees and land use fees/permits are up. First half permit activity is ahead when compared to 2002. Land use/SEPA reviews are up by nearly 17% and permit reviews by 27% over 2002 activity levels.

Expenditures are behind projections by \$64,088 or 6.9%. We anticipate this trend to continue as Development Services continues to hold down costs to stay in line with current permit revenue.

Street Fund

Street Fund revenue was ahead of projections by only \$10,308 through the first half of the year. Right-of-way fees and fuel tax collections are ahead of projections. Investment earnings continue to be under projections as the interest rate is much lower than originally budgeted.

Street Fund expenditures are ahead of projections by \$39,126 or 4.7%. Street maintenance activity is occurring at a quicker pace than earlier years.

Surface Water Management Fund

Revenues in the Surface Water Management Fund are behind projections by 3.0%. Storm drainage fees are slightly behind projections by 2% and investment earnings are also down.

Expenditures are under projections by \$18,036, which is only about a 1% variance.

Capital Funds

In the General Capital Fund, the major sources of revenue are a contribution from the General Fund, real estate excise tax and investment earnings. Funding from the General Fund is on target and real estate excise tax collections are ahead of projections

by \$34,393. Investment earnings, however, as in the other funds are down by \$47,155. Expenditures are under projections, but are expected to increase as the busy construction season gets underway.

In the Roads Capital Fund, major revenue sources are also Contributions from the General Fund and Arterial Street Fund (fuel tax), real estate excise tax, grants and investment earnings. Revenues are being received as expected in all cases except investment earnings. Expenditures are running behind projections, but are expected to increase as the year progresses.

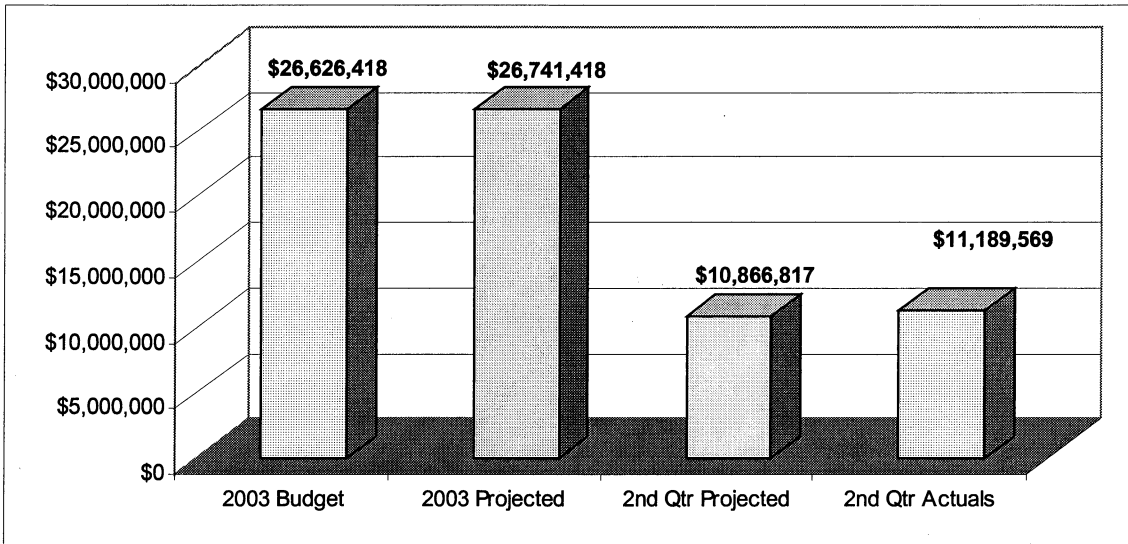
In the Surface Water Capital Fund, the major revenue sources are storm drainage fees and loans from the state's Public Works Trust Fund. Through the first half of the year, revenues are slightly ahead of projections. Expenditures are behind projections as project work continues.

Summary of Key Operating Funds

The following table provides a summary of the financial results for the key City operating funds for first half of 2003.

Fund	2003 Revenues				2003 Expenditures			
	Current Budget	2nd Qtr Projected	2nd Qtr Actual	2nd Qtr Variance	Current Budget	2nd Qtr Projected	2nd Qtr Actual	2nd Qtr Variance
General Fund	\$ 26,626,418	\$ 10,866,817	\$ 11,189,568	\$ 322,751	\$ 26,626,418	\$ 11,331,254	\$ 10,949,683	\$ (381,571)
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Arterial Street Fund	358,905	179,453	167,528	(11,925)	358,905	179,453	179,453	-
Surface Water Fund	2,910,882	1,368,199	1,327,990	(40,209)	2,910,882	1,289,746	1,271,710	(18,036)
General Reserve Fund	167,370	83,685	41,843	(41,842)	-	-	-	-
Development Services Fund	1,859,545	908,765	936,457	27,692	1,859,545	935,258	871,170	(64,088)
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Public Arts Fund	40,065	-	-	-	-	-	-	-
General Capital Fund	2,805,595	1,592,040	1,579,278	(12,762)	2,689,698	605,663	334,999	(270,664)
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Unemployment Fund	10,000	10,000	10,000	-	10,000	5,000	4,213	(787)
	49,484,136	18,239,104	18,153,657	(85,447)	48,538,968	17,234,072	16,172,154	(1,061,918)

General Fund Revenue

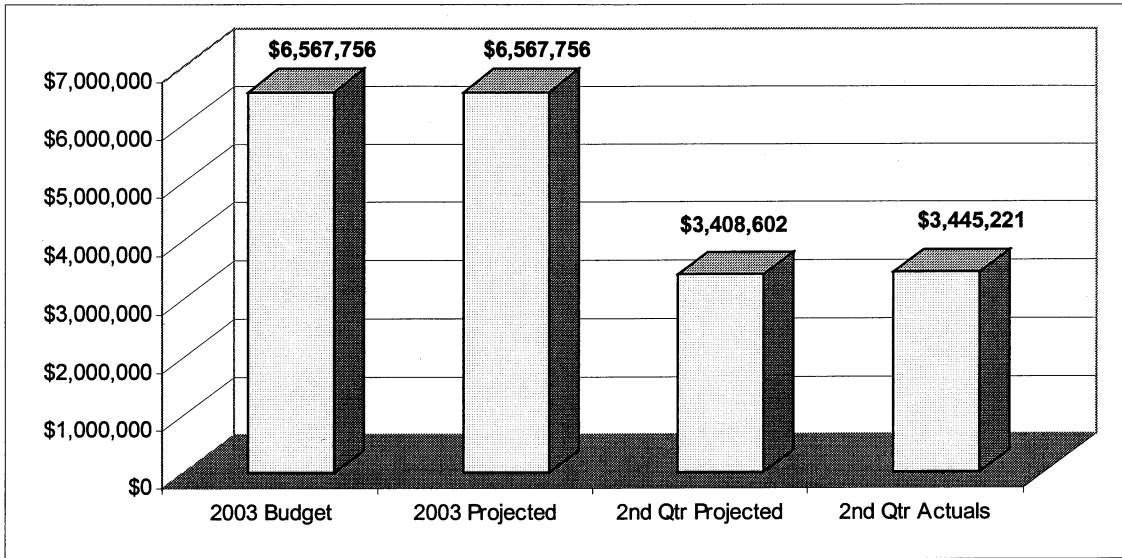


Actual revenue collections of \$11,189,569 through the second quarter of 2003 were \$322,752 or 3.0% above projections of \$10,866,817. Revenue collections exceeded projections in all categories except Grants and Miscellaneous revenue, which includes Investment Earnings. Interest rates continue to be lower than originally anticipated. Property tax collections are ahead of projections by \$36,619, sales taxes are up by \$101,712, criminal justice sales tax collections are above projections by \$1,203, state distributed revenues are up by \$28,004, utility tax and franchise fees are ahead by \$58,625 and parks and recreation fees are above projections by \$45,322. At this time 2003 projected revenue has been increased by \$115,000 to reflect the additional amount of sales tax collected as a result of on-going auditing.

The chart below details each revenue category for the General Fund for first half of 2003. The first column is the adopted 2003 revenue amount. The second column represents the revised projection, if applicable, for each category. The third column displays the projected revenue through the first half of the year. The fourth column displays the actual revenues through June. The fifth column shows the variance between second quarter projections and actual collections. The last column displays the variance in percentage terms.

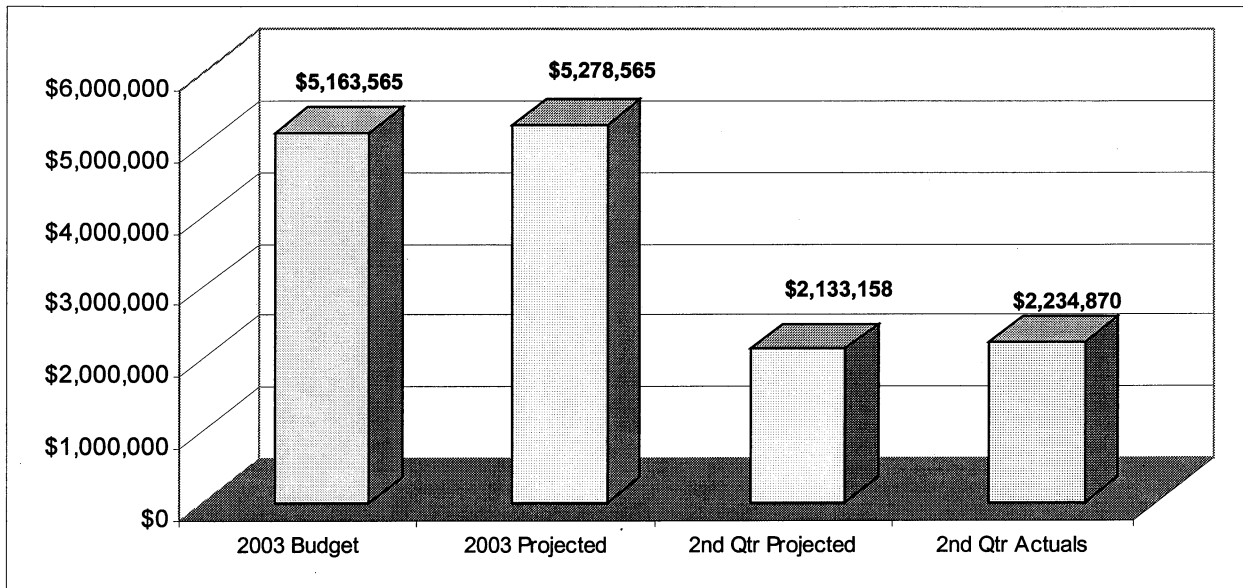
	2003 Budget	2003 Projected	2nd Qtr Projected	2nd Qtr Actuals	Variance Actuals v. Projected	% Variance
Budgeted Fund Balance	2,288,477	2,288,477	-	-	-	0.0%
Property Tax	6,567,756	6,567,756	3,408,602	3,445,221	36,619	1.1%
Sales Tax	5,163,565	5,278,565	2,133,158	2,234,870	101,712	4.8%
Criminal Justice Sale Tax	1,000,000	1,000,000	490,291	491,494	1,203	0.2%
Utility Tax/Franchise Fee Category					-	0.0%
Natural Gas Utility Tax	581,685	581,685	307,013	296,490	(10,523)	-3.4%
Sanitation Utility Tax	295,000	295,000	127,158	163,152	35,994	28.3%
Cable TV Utility Tax	80,000	80,000	31,792	24,936	(6,856)	-21.6%
Telephone/Cell Utility Tax	1,320,000	1,320,000	546,535	626,025	79,490	14.5%
Electricity Franchise Fee	1,025,000	1,025,000	518,253	492,281	(25,972)	-5.0%
Water Franchise Fee	450,325	450,325	135,098	116,425	(18,673)	-13.8%
Sewer Franchise Fee	550,000	550,000	275,000	275,000	-	0.0%
Cable TV Franchise Fee	400,000	400,000	100,000	105,165	5,165	5.2%
Utility Tax/Franchise Fee Subtotal	4,702,010	4,702,010	2,040,849	2,099,474	58,625	2.9%
Gambling Tax	2,500,000	2,500,000	625,000	663,649	38,649	6.2%
State Revenue	740,350	740,350	458,309	486,313	28,004	6.11%
Parks & Recreation Revenue	647,987	647,987	383,736	429,058	45,322	11.81%
Fines & Forfeitures	101,000	101,000	43,393	69,184	25,791	59.43%
Grants & Misc. Revenue	754,377	754,377	246,250	231,700	(14,550)	-5.91%
Transfers-In	2,160,896	2,160,896	1,037,230	1,038,606	1,376	0.13%
Total General Fund Revenue	26,626,418	26,741,418	10,866,817	11,189,569	322,752	3.0%

Property Tax Revenue



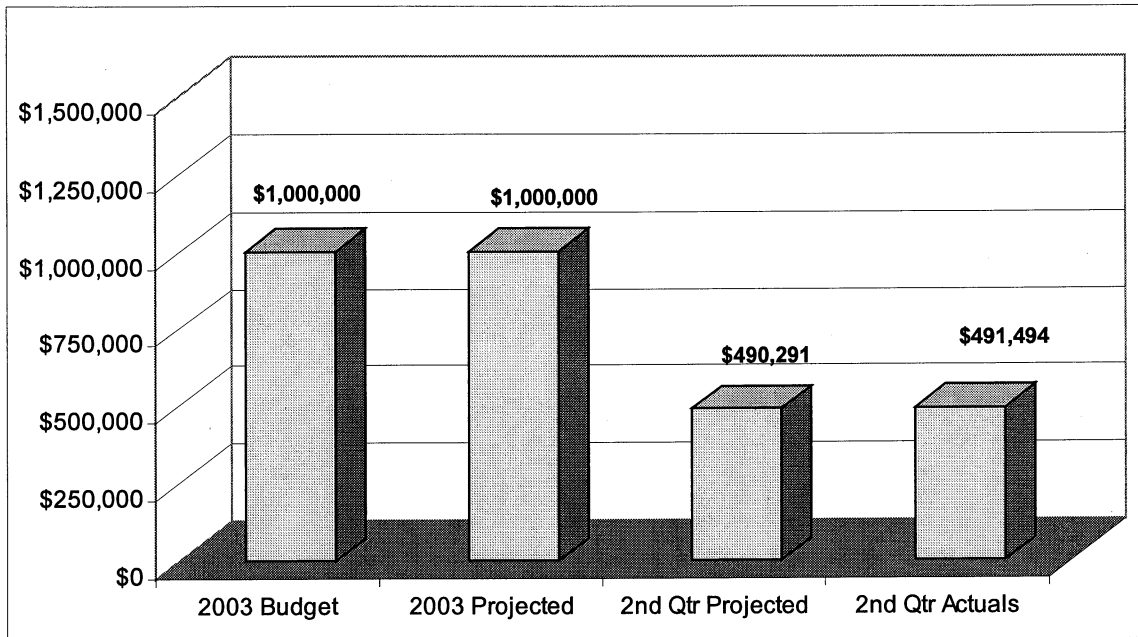
Property tax collections of \$3,408,602 exceeded projections of \$3,445,221 by \$36,619 or 1.1%. No change has been made in the 2003 projected revenue in this category as the adopted budget for this tax is based upon the property tax levy adopted by Council. Only 98% of the levy is expected to be collected due to an anticipated 2% rate of delinquencies. Through the first half of each year, the City typically receives about 52% of the annual collections. At this time no change is being made in total projected revenue.

Sales Tax Revenue



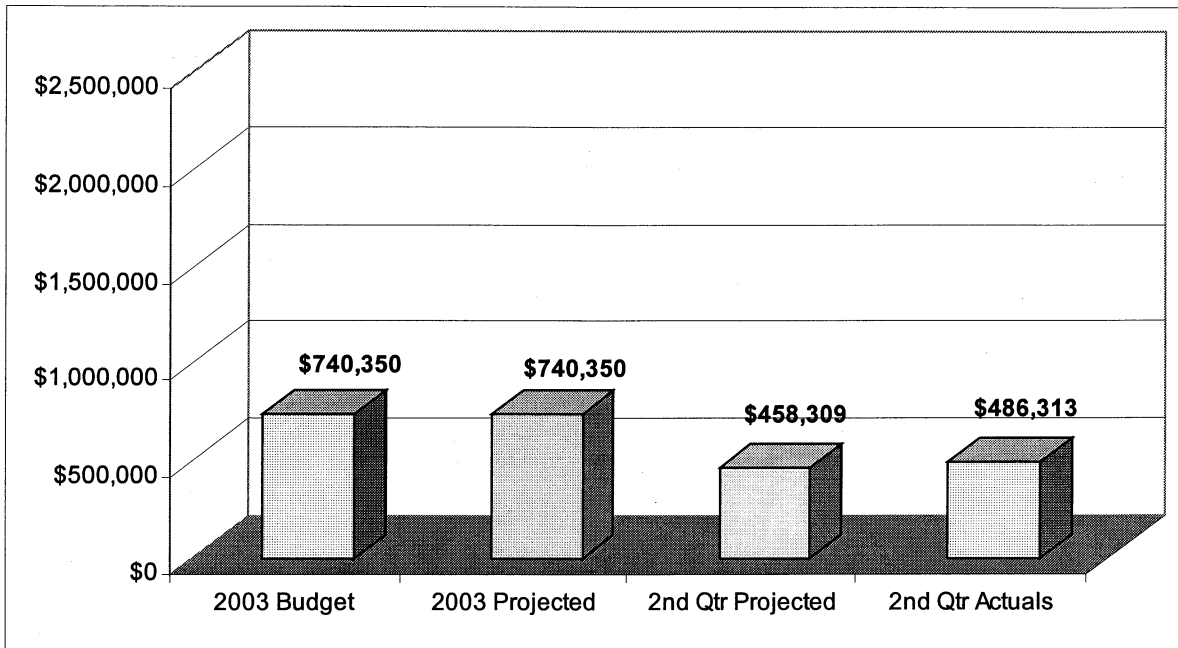
Sales tax collections of \$2,133,158 were ahead of projections of \$2,133,158 by \$101,712 or 4.8%. Most of this increase is due to auditing efforts capturing sales tax that was being remitted to the City of Seattle. Otherwise, sales tax collections remain fairly flat over 2002. The 2003 projected revenue for this category is being increased by \$115,000 to \$5,278,565. This reflects the additional tax collected as a result of earlier sales tax audits.

Criminal Justice Sales Tax Revenue



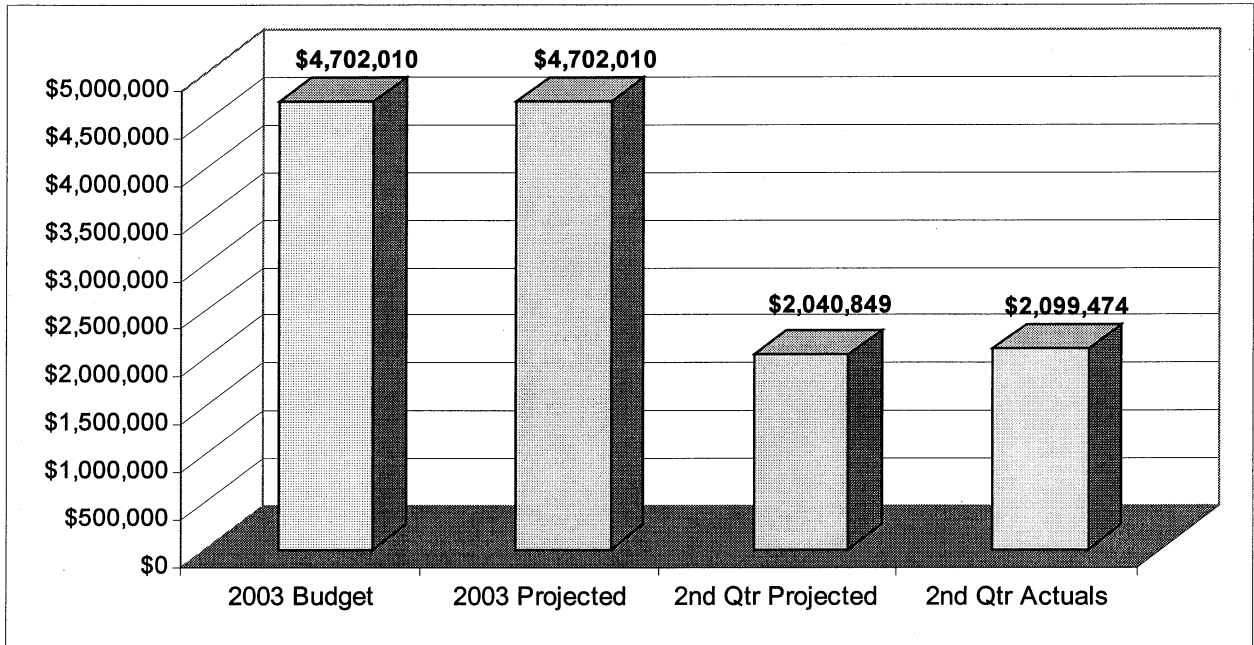
Local Criminal Justice Sales Tax of \$491,494 is ahead of projected revenue of \$490,291 by only \$1,203 or 0.2%. This category differs from sales tax because it results from a distribution by the County and is collected on a countywide basis. The distribution amount is based on a city's population and the amount of sales tax collected through all of King County. No changes are being made to the projected annual revenue for this category.

State Revenue



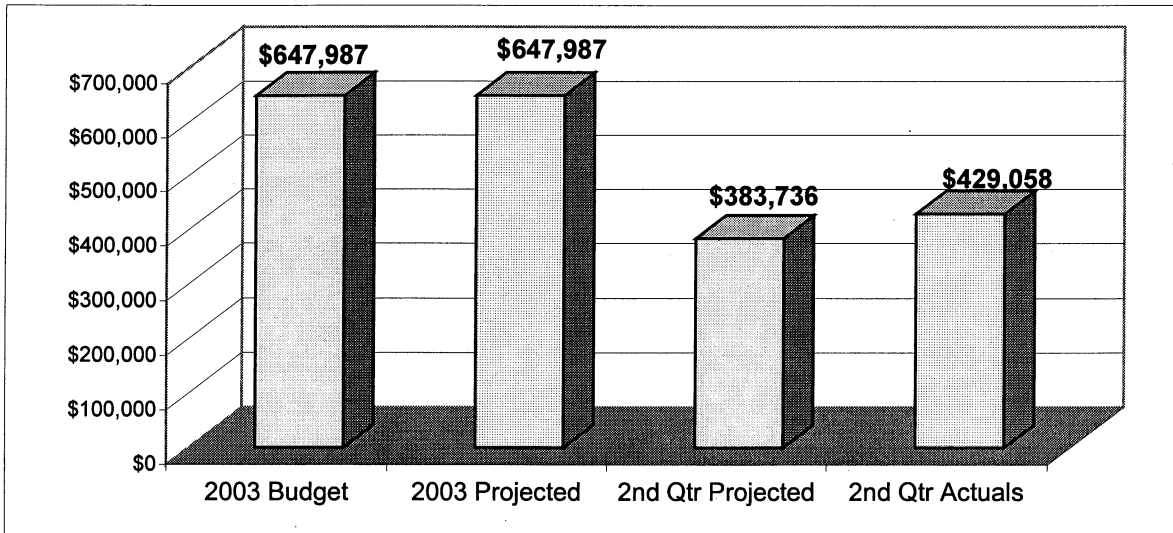
State Revenue of \$486,313 exceeded projections of \$458,309 by \$28,004 or 6.11%. Most of this increase is due to an additional distribution of liquor board profits from 2002. Even with this additional revenue from liquor board profits, no change is being made to the total projected revenue for category as we are experiencing under-collections in other state revenues.

Utility Tax and Franchise Fee Revenue



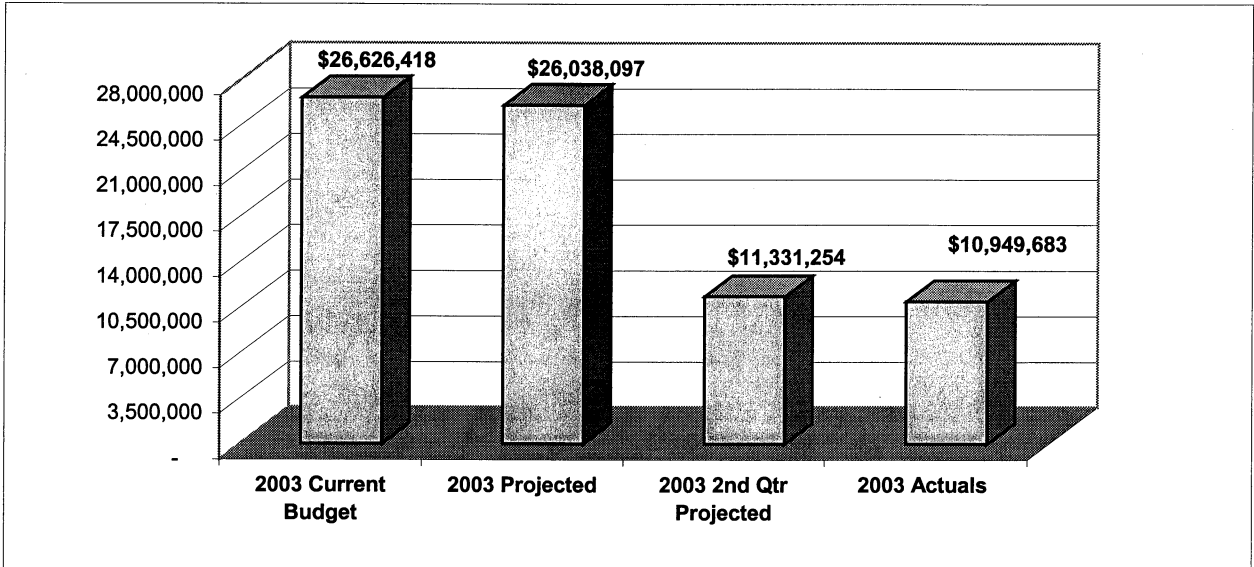
Utility tax and franchise fee revenue of \$2,099,474 exceeded projections of \$2,040,849 by \$58,625 or 2.9%. Utility tax from Natural Gas is slightly behind projections, since the winter months were slightly warmer than average, however, with a recent rate increase, we expect to collect the budgeted revenue for this category. Sanitation revenues are above projections by \$35,994 or 28.3%. While refuse collections rates were increased at the beginning of the year for inflation, most of the increase in revenue is due to auditing efforts last year. Now all applicable revenue is being coded correctly to the City of Shoreline. Growth continues in the Telephone/Cell phone category. Through June, collections are ahead of projections by \$79,490 or 14.5%. Cable television utility tax and franchise fees as well as sewer franchise fees are very close to projections. Water franchise fees are slightly behind projections by \$18,673 or 13.8%. Both Seattle Public Utilities and Shoreline Water District instituted rate increase earlier this year, therefore, we are expecting collections to equal budget. At this time no change is being made to total projected revenue since there is no overall trend in the category.

Parks and Recreation Fee Revenue



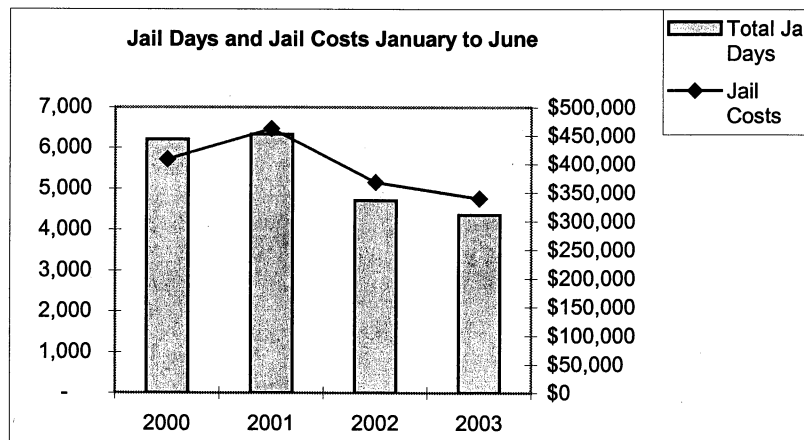
Parks and Recreation Fee revenue of \$429,058 was above projections of \$383,736 by \$45,322 or 11.81%. Revenues are up in all categories. Aquatics revenue is \$15,000 ahead of projections. Facility rentals are ahead by \$18,000 and general recreation revenue by \$12,000. Swim lessons and pool admissions are up due to an increased level of participation. The general recreation revenues reflect a projected increase in attendance and program offerings at the Spartan Gym and the Rec Center. With the implementation of the new recreation software, there have been some changes in the billing and recording of revenue. Some revenues are being billed and received earlier than in the past. This change may account for some of the variance with projections, since the projections are based upon historical revenue patterns. At this time, revenues are expected to be at or near the original budget. Therefore, the 2003 projected revenue will not be modified at this time.

General Fund Expenditures

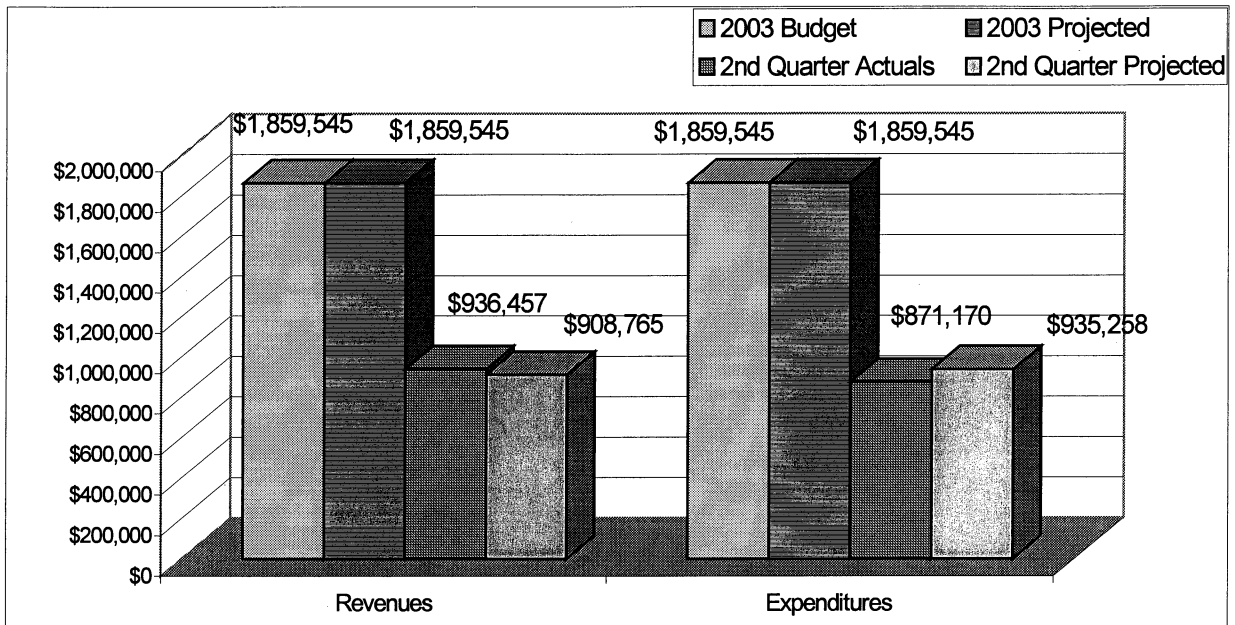


Departmental expenditures during the first half of 2003 were \$10,949,683, under projected expenditures of \$11,331,254 by \$381,571 or 3.4%. Contributing to the under-expenditure are continued savings in the Jail contract (\$147k), Planning and Development Services (\$210k), Public Works (\$97k) and City Attorney (\$85k). The cost savings in Planning and Development Services and City Attorney are related to savings in salaries due to staff vacancies and under-spending in professional service contracts. Police expenditures are ahead of projections (\$362k) due to more timely billings by King County for the police services contract. At this time 2003 projected expenditures have been revised downward by \$588,321 as we do not expect to spend any of the citywide contingency or insurance reserve.

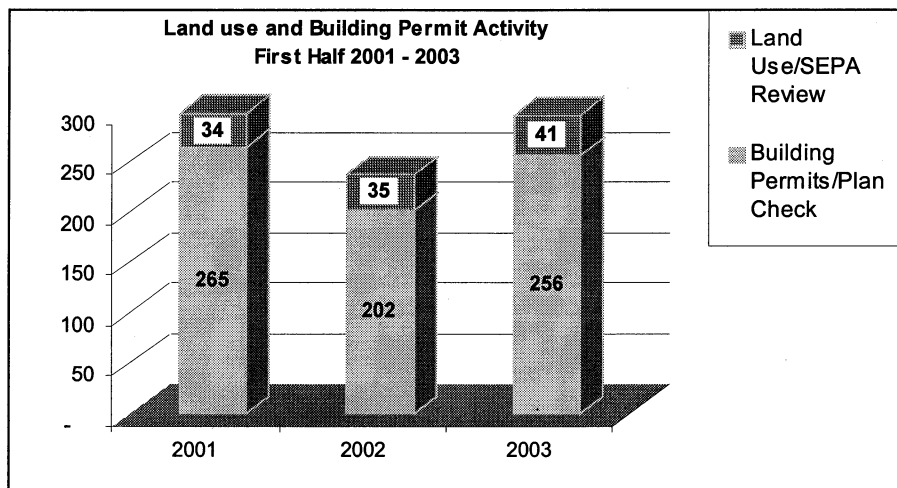
Current trends in Jail expenditures suggest that the City could have significant savings. The use of available housing at the Yakima and Renton jails has resulted in savings since the daily maintenance charge for those facilities is much lower than the King County jail.



Development Services Fund

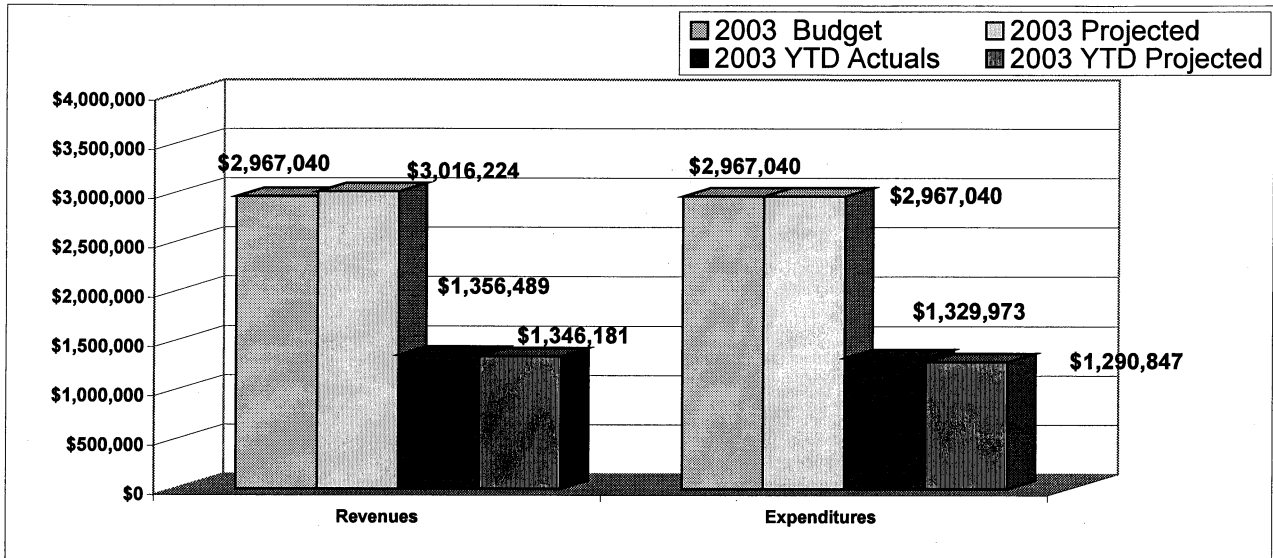


After the first half of 2003, Development Services Fund revenues of \$936,457 are now ahead of projected revenue of \$908,765 by \$27,692 or 3.0%. Plan check fees and land use fees/permits are up by 20% and 11% respectively or nearly \$43,000. Building and structure fees/permits are still down by 11.8% or \$28,515. This is the first quarter in the last 2 ½ years that overall permit revenues have been above projections. 2003 first half permit activity is ahead when compared to 2002. Land use/SEPA reviews are up by nearly 17% and permit reviews by 27%. We will continue to monitor activity to determine if this is a new positive trend.



Expenditures are behind projections by \$64,088 or 6.9%. A vacant planner position has been held open since permit activity has been down. This has kept expenditures at or below the level of permit revenue.

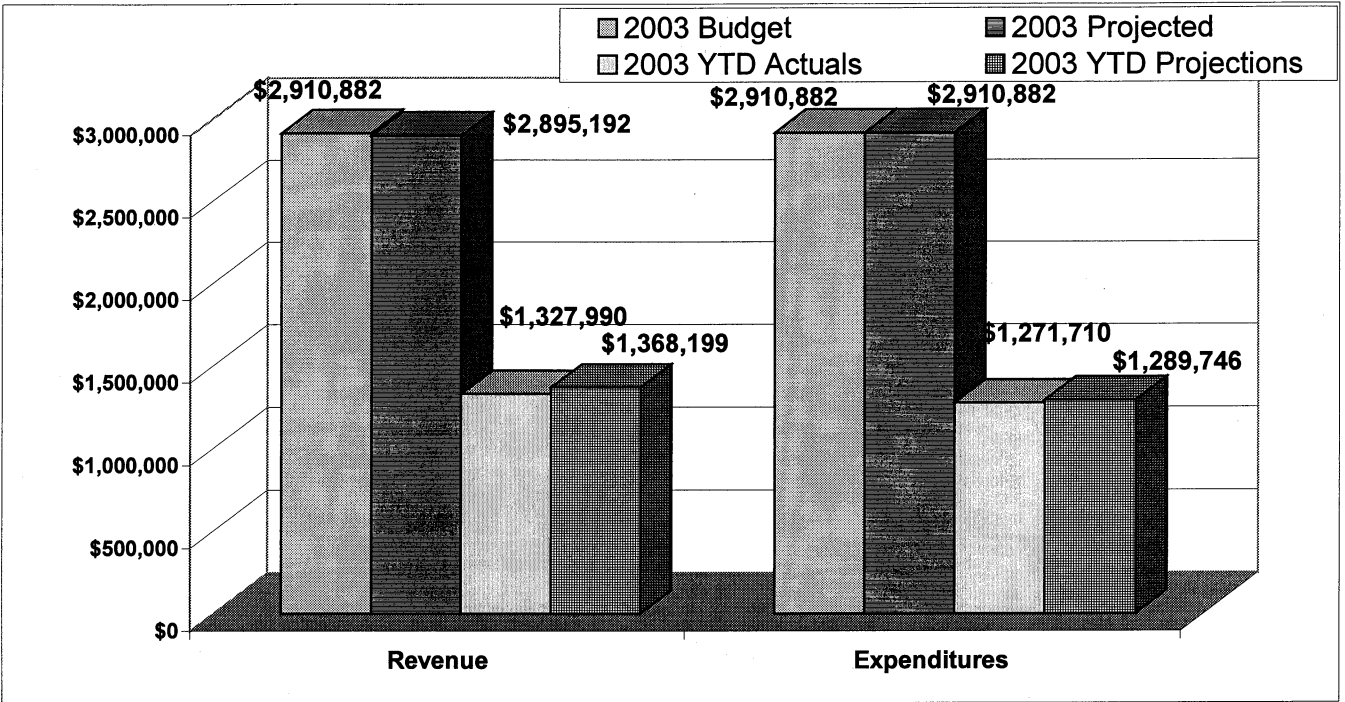
Street Fund



Street Fund revenue through the first half of 2003 was \$1,356,489, ahead of projections of \$1,346,181 by only \$10,308, which is less than a 1% variance. Right-of-way fees are up by \$7,155 or 14.6% and fuel tax is ahead of projections by \$6,142 or 1.7%. Investment earning continue to be under projections by \$7,687 as the interest rate is much lower than originally budgeted. 2003 projected revenue has been increased by \$49,184 to reflect several grants that have been received that were not included in the original budget. Projections for investment earning have been reduced to reflect lower interest rates.

Street Fund expenditures are ahead of projections by \$39,126 or 4.7%. Street maintenance activity is occurring at a quicker pace than earlier years. No changes have been made to the 2003 projected expenditures at this time.

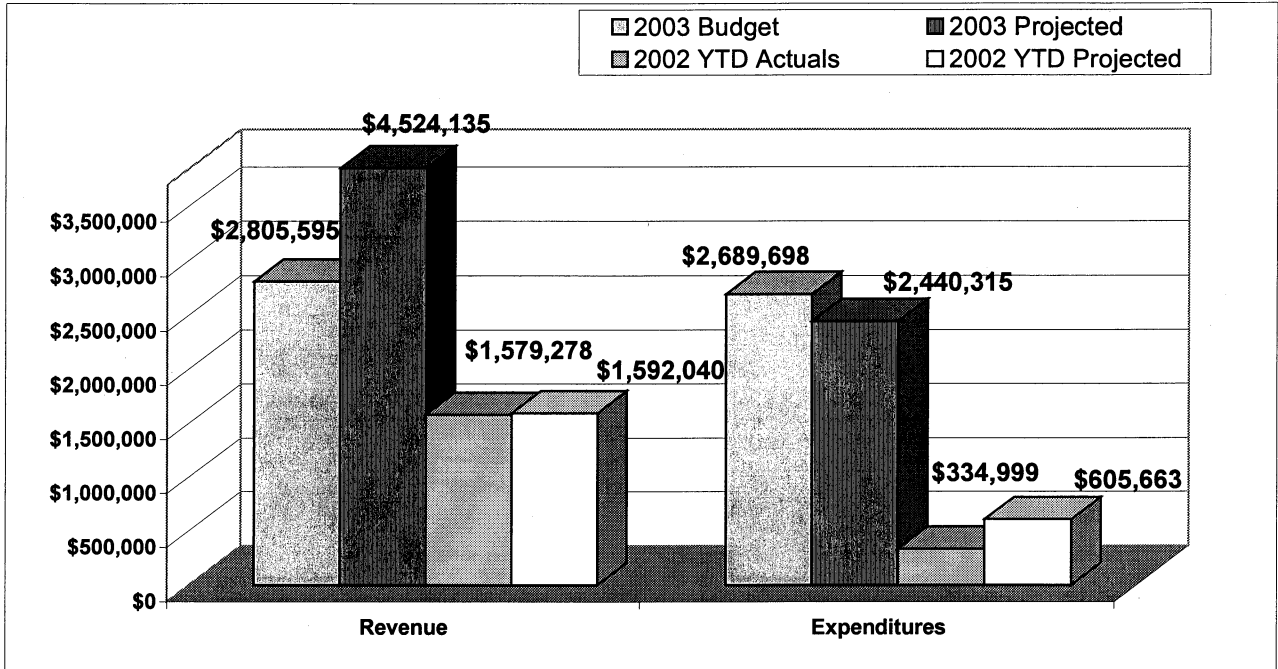
Surface Water Management Fund



Revenues in the Surface Water Management Fund of \$1,327,960 are behind projections of \$1,368,199 by \$40,209 or 3.0%. Storm Drainage fees are behind projections by \$31,057 or 2% and investment earning are down by \$9,152. 2003 projected revenue has been lowered slightly to \$2,895,192 down from \$2,910,882. This change reflects lower interest rates, which are impacting investment earnings.

Expenditures are under projections by \$18,036, which is only about a 1% variance. No changes have been made to the 2003 projected expenditures at this time.

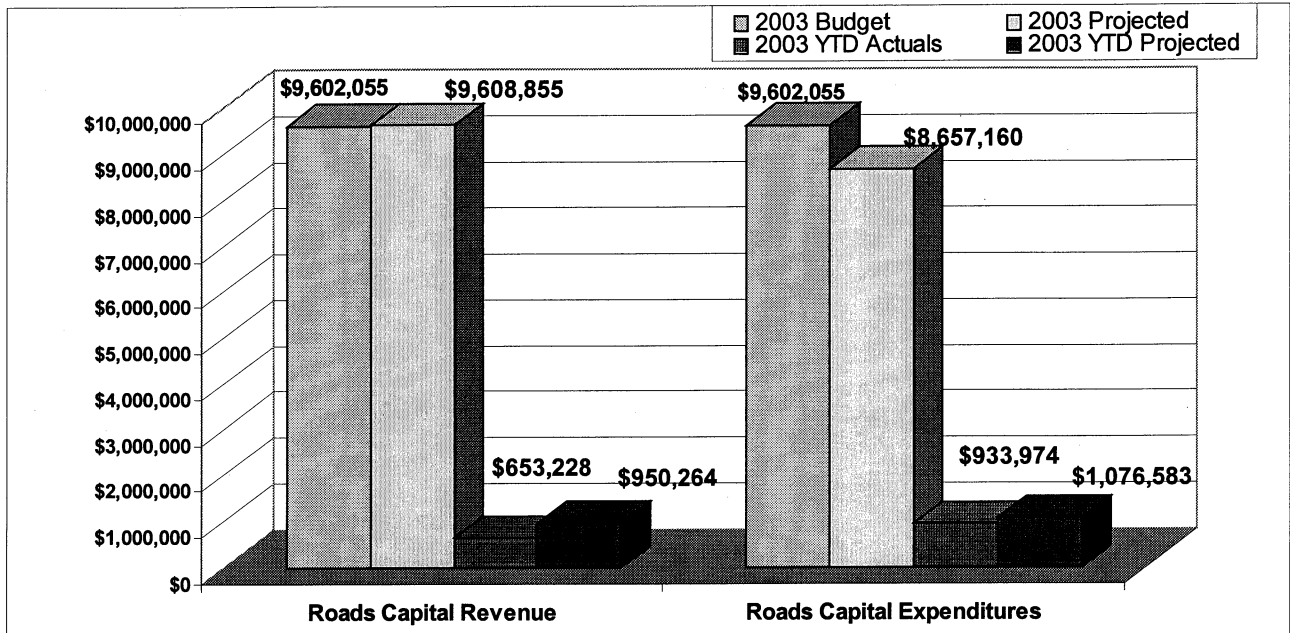
General Capital Fund



Revenues of \$1,579,278 are slightly behind projected revenue of \$1,592,040 by \$12,762 or 1%. Real estate excise tax collections are ahead of projections by \$34,393 or 13%. Investment earnings, however, are below projections by \$47,155. 2003 projected revenues have been increased to match revisions that were included in the recently adopted 2004 – 2009 Capital Improvement Plan (CIP). Projected real estate excise tax collections were increased by \$8,831, investment earnings were reduced by \$90,291 and the contribution from the General Fund was increased by \$1,800,000. This represents savings in the General Fund from 2002 that will be used to fund the City Hall project in the future.

Capital expenditures are much more difficult to project than revenues since each project has its own unique timeline. Typically through June, we would expect that about 25% of project budgets would be spent which would equal \$672,425. Through the first half of 2003, \$334,999 has been spent, which is under projections of \$605,663 by \$270,664. Overall, 2004 projected expenditures have been reduced from the original budget of \$2,689,698 to \$2,440,315. This change reflects the 2003 projected expenditures included in the 2004 – 2009 CIP. The majority of the lower expenditures is due to a delay in the Spartan Gym project which is being managed by the Shoreline School District. A major portion of the work that was planned for 2003 will now occur in 2004.

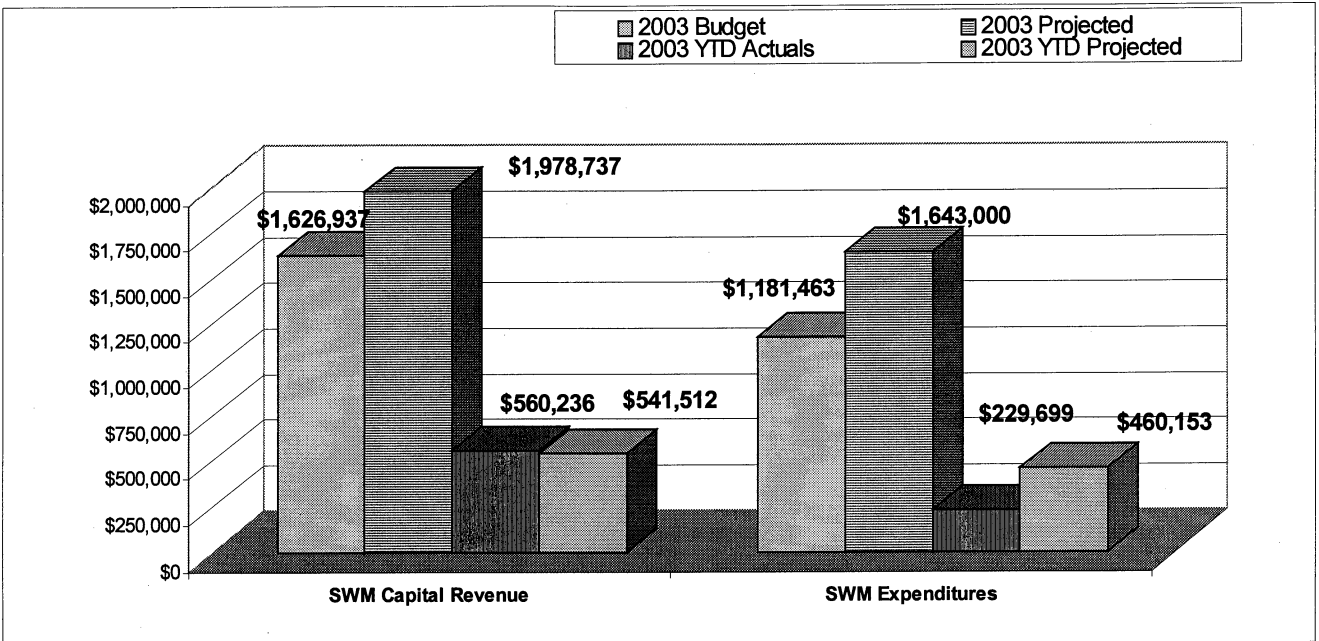
Roads Capital Fund



Year-to-date revenues of \$653,228 are below projected revenue of \$950,264 by \$297,036. Investment earnings are below projections by \$193,705. The remainder of the variance is due to the lag in grant reimbursements. 2003 projected revenue has been revised to match the 2004-2009 CIP. Real estate excise tax was increased by \$8,831, investment earnings were reduced by \$348,551, the contribution from the General Fund was increased by \$108,219 to increase the funding level for the Annual Road Surface Maintenance program and various grant revenues have been increased by \$238,301. All of these changes result in an overall change in projected revenues of only \$6,800.

Projected 2003 expenditures have been lowered from the original budget by \$944,895 to \$8,657,160. This change reflects the projections included in the 2004 – 2009 CIP. Expenditures through June totaling \$933,970 are under projections of \$1,076,583 by \$142,609 or 13%.

Surface Water Capital Fund



Revenues of \$560,236 are slightly ahead of projected revenues of \$541,512 by \$18,724. The main sources of revenue for this fund are an operating transfer from the Surface Water Management Fund (storm drainage fees) and Public Works Trust Fund Loans (PWTFL) from the state. Projected 2003 revenues have been increased by \$351,800 to reflect proceeds from the PWTFL for the Ronald Bog Drainage Improvement project being received earlier than originally expected..

Projected 2003 expenditures have been revised upwards from \$1,181,463 to \$1,643,000 as adopted in the 2004 – 2009. This increase reflects accelerated activity on the Ronald Bog Drainage Improvements project. Expenditures through June of \$229,699 are behind projected expenditures of \$460,153 by \$230,454.