

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: 2005 Fourth Quarter Financial Report
DEPARTMENT: Finance
PRESENTED BY: Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

Attached is the 2005 fourth quarter financial report. This report summarizes the financial activities during 2005 for all City funds. It 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.

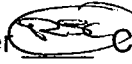
FINANCIAL IMPACT:

The following table provides a summary of the financial results for all City funds for 2005:

Fund	Revenues					Expenditures					
	2005 Budget	2005 Projected	2005 Actuals	Variance Actuals v. Projected	% Variance	2005 Budget	2005 Projected	2005 Actuals	2005 Carryovers	Variance Actuals v. Projected	% Variance
General Fund	\$31,107,620	\$26,697,529	\$27,779,704	\$1,082,176	4.1%	\$31,002,551	\$30,227,116	\$29,478,068	\$146,948	-\$602,100	-2.0%
Streets	\$2,385,333	\$2,294,931	\$2,374,546	\$79,615	3.5%	\$2,385,333	\$2,386,507	\$2,224,860	\$89,774	-\$71,773	-3.0%
SWM OPS	\$3,071,187	\$2,512,192	\$2,602,140	\$89,948	3.6%	\$2,898,600	\$2,898,600	\$2,735,229	\$180,851	\$17,480	0.6%
General Capital	\$17,803,307	\$5,750,263	\$5,630,623	-\$119,640	-2.1%	\$17,295,500	\$5,858,386	\$1,500,626	\$5,297,530	\$939,770	16.0%
Roads Capital	\$32,117,088	\$18,063,240	\$15,858,887	-\$2,204,353	-12.2%	\$35,915,742	\$23,291,879	\$18,004,564	\$6,488,069	\$1,200,754	5.2%
SWM Capital	\$2,203,824	\$2,200,439	\$1,914,377	-\$286,062	-13.0%	\$3,864,626	\$2,901,084	\$2,501,820	\$356,512	-\$42,752	-1.5%
Arterial Street Fund	\$353,358	\$355,193	\$391,928	\$36,735	10.3%	\$353,358	\$353,358	\$348,545	\$0	-\$4,813	-1.4%
General Reserve Fund	\$154,193	\$169,193	\$189,350	\$20,157	11.9%	\$0	\$0	\$0	\$0	\$0	0.0%
Code Abatement Fund	\$162,500	\$91,790	\$100,312	\$8,522	9.3%	\$100,000	\$44,016	\$19,717	\$0	-\$24,289	-55.2%
Asset Seizure Fund	\$23,500	\$7,300	\$10,774	\$3,474	47.6%	\$23,000	\$2,077	\$9,387	\$0	\$7,310	351.9%
Public Arts Fund	\$543,598	\$345,478	\$232,827	-\$112,651	-32.6%	\$193,995	\$0	\$15,000	\$0	\$15,000	0.0%
Vehicle Operations Fund	\$79,574	\$71,356	\$73,950	\$2,594	3.6%	\$79,324	\$71,824	\$78,981	\$0	\$7,157	10.0%
Facility - Major Maintenance Fund	\$244,000	\$244,000	\$244,548	\$548	0.2%	\$124,000	\$88,000	\$83,826	\$0	-\$4,174	-4.7%
Equipment Replacement Fund	\$326,963	\$283,379	\$307,148	\$23,769	8.4%	\$225,720	\$97,750	\$223,907	\$0	\$126,157	129.1%
Unemployment	\$22,650	\$21,400	\$13,229	-\$8,171	-38.2%	\$21,400	\$21,400	\$15,425	\$0	-\$5,975	-27.9%
Totals	\$90,598,695	\$59,107,683	\$57,724,344	-\$1,383,339	-2.3%	\$94,483,149	\$68,241,997	\$57,240,055	\$12,559,684	\$1,557,742	2.3%

RECOMMENDATION

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

Approved By: City Manager  City Attorney _____

ATTACHMENTS

Attachment A – 2005 Fourth Quarter Financial Report

Attachment A



2005 Year End Financial Report

Prepared by the Finance Department

For

Fiscal Year January 1, 2005 – December 31, 2005

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EXECUTIVE SUMMARY

General Fund

2005 actual General Fund revenue totaled \$27,779,704 which was greater than 2005 projected revenue of \$26,697,529 by \$1,082,176 or 4.05%. This is an increase of 4.3% over total 2004 revenues of \$26,623,282. The variance in actual revenue collections compared to projections can primarily be attributed to better than expected revenue from sales tax of \$296,455, telecommunications utility tax revenue of \$249,406, electricity contract payment of \$182,547, cable TV franchise fee revenue of \$66,925 and natural gas utility tax revenue of \$53,099. These revenue sources make up 78% of the revenue increase.

The 2005 actual expenditures were \$29,478,068 and the 2005 carry-overs were \$146,948 for a total 2005 expenditure of \$29,625,016. This is \$602,100 or 1.99% below projected expenditures of \$30,227,116.

The projected 2005 ending fund balance is \$9,499,941. This includes all revenue and expenditure activity and the requested carryovers. This is \$1,684,272 more in fund balance than was originally projected.

Street Fund

Actual revenues for 2005 were \$2,374,546, just \$79,615 or 3.47% above projected revenue. Right-of-way fee revenue was above projections by \$102,045 due to permits issued to King County Wastewater Treatment for work related to the Brightwater project. Fuel tax collections were below projections by \$4,401. Interest earnings were less than projections by \$9,236.

The 2005 actual expenditures were \$2,224,960 and the 2005 carry-overs were \$89,774 for a total 2005 expenditure of \$2,314,734. This is \$71,773 or 3.29% below projected expenditures of \$2,386,507.

The projected 2005 ending fund balance is \$678,490. This includes all revenue and expenditure activity and the requested carryovers. This is \$151,387 increase in fund balance than was originally projected.

Surface Water Management Fund

Actual revenues for 2005 were \$2,602,140 this was \$89,948 or 3.6% more than projected revenue of \$2,513,192. Storm drainage fees were \$28,911 less than projected, but interest earning were \$33,032 greater than expected.

The 2005 actual expenditures were \$2,735,229 and the 2005 carry-overs were \$180,851 for a total 2005 expenditure of \$2,916,080. This is \$17,480 or 0.60% above projected expenditures of \$2,898,600.

The projected 2005 ending fund balance is \$2,672,350. This includes all revenue and expenditure activity and the requested carryovers. This is \$224,532 less in fund balance than was originally projected. Original projections did not include \$297,000

budgeted to be used in support of drainage work on the North City Business District/15th Avenue Improvements project.

Capital Improvement Funds

General Capital

Actual revenues for 2005 were \$5,630,623 this is \$119,640 or 2.1% below projected revenues of \$5,750,263. Real Estate Excise Tax (REET) collections were \$247,554 above projections but grant revenue was below projections due to date differences in grant allocation.

The 2005 actual expenditures were \$1,500,626 and the 2005 carry-overs were \$5,297,530 for a total 2005 expenditure of \$6,798,156. This is \$939,770 or 16% above projected expenditures of \$5,858,386. The projected 2005 ending fund balance is \$6,812,559. This includes all revenue and expenditure activity and the requested carryovers. The large carryover request is related to the City Hall project which was delayed. This is \$1,059,410 less in fund balance than was originally projected. The South Woods property acquisition and the soccer fields upgrade project, originally scheduled to start in 2006, actually began during 2005.

Roads Capital

Actual revenues for 2005 were \$15,858,887. This is \$2,204,353 or 12.20% below projected revenues of \$18,063,240. This revenue decrease is due primarily to grant revenue not being received as projected since roads projects were not completed as scheduled. However, these grants are expected to be received in 2006 as the project work continues. Staff has requested that \$4,190,199 in grant revenue be carried over into 2006. REET collections were \$247,554 ahead of projections for the same reason that REET collections exceeded projections in the General Capital Fund.

The 2005 actual expenditures were \$18,004,564 and the 2005 carry-overs were \$6,488,069 for a total 2005 expenditure of \$24,492,633. This is \$1,200,759 or 5.1% above projected expenditures of \$23,291,879. The projected 2005 ending fund balance is \$10,792,842. This includes all revenue and expenditure activity and the requested carryovers. This is an \$785,092 increase in fund balance than was originally projected.

Surface Water Capital

Actual revenues for 2005 were \$1,914,377 this is \$286,062 or 13% below projected revenues of \$2,200,439. Revenues were below projections primarily because the Boeing Creek stormwater project will occur in 2006 instead of 2005. This project is primarily being funded from mitigation monies received from King County. These monies will not be recognized as revenue until the expenditures for the project are incurred.

The 2005 actual expenditures were \$2,501,820 and the 2005 carry-overs were \$356,512 for a total 2005 expenditure of \$2,858,332. This is \$42,752 or 1.5% below projected expenditures of \$2,901,084. The projected 2005 ending fund balance is \$2,343,704. This includes all revenue and expenditure activity and the requested carryovers. This is \$199,962 less in fund balance than was originally projected.

All Funds Summary

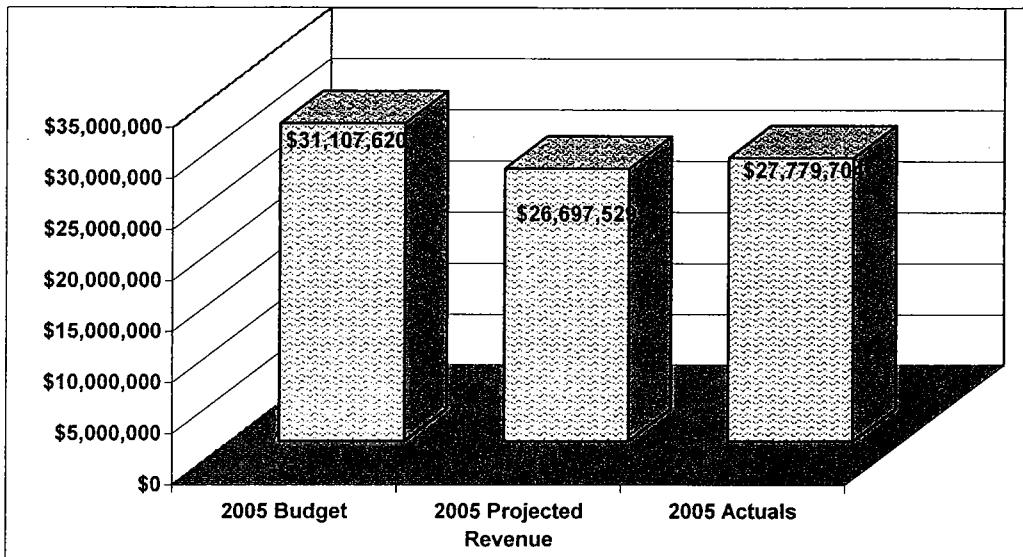
The following table provides a summary of the financial results for all City funds for 2005 and includes the 2005 carryover. The second chart shows the estimated ending fund balances for 2005:

Fund	Revenues					Expenditures					
	2005 Budget	2005 Projected	2005 Actuals	Variance Actuals v. Projected	% Variance	2005 Budget	2005 Projected	2005 Actuals	2005 Carryovers	Variance Actuals v. Projected	% Variance
General Fund	\$31,107,620	\$26,697,529	\$27,779,704	\$1,082,176	4.1%	\$31,002,551	\$30,227,116	\$29,478,068	\$146,948	-\$602,100	-2.0%
Streets	\$2,385,333	\$2,294,931	\$2,374,546	\$79,615	3.5%	\$2,385,333	\$2,386,507	\$2,224,960	\$89,774	-\$71,773	-3.0%
SWM OPS	\$3,071,187	\$2,512,192	\$2,602,140	\$89,948	3.6%	\$2,898,600	\$2,898,600	\$2,735,229	\$180,851	\$17,480	0.6%
General Capital	\$17,803,307	\$5,750,263	\$5,630,623	-\$119,640	-2.1%	\$17,295,500	\$5,858,386	\$1,500,626	\$5,297,530	\$939,770	16.0%
Roads Capital	\$32,117,088	\$18,063,240	\$15,858,887	-\$2,204,353	-12.2%	\$35,915,742	\$23,291,879	\$18,004,564	\$6,488,069	\$1,200,754	5.2%
SWM Capital	\$2,203,824	\$2,200,439	\$1,914,377	-\$286,062	-13.0%	\$3,864,626	\$2,901,084	\$2,501,820	\$356,512	-\$42,752	-1.5%
Arterial Street Fund	\$353,358	\$355,193	\$391,928	\$36,735	10.3%	\$353,358	\$353,358	\$348,545	\$0	-\$4,813	-1.4%
General Reserve Fund	\$154,193	\$169,193	\$189,350	\$20,157	11.9%	\$0	\$0	\$0	\$0	\$0	0.0%
Code Abatement Fund	\$162,500	\$91,790	\$100,312	\$8,522	9.3%	\$100,000	\$44,016	\$19,717	\$0	-\$24,299	-55.2%
Asset Seizure Fund	\$23,500	\$7,300	\$10,774	\$3,474	47.6%	\$23,000	\$2,077	\$9,387	\$0	\$7,310	351.9%
Public Arts Fund	\$543,598	\$345,478	\$232,827	-\$112,651	-32.6%	\$193,995	\$0	\$15,000	\$0	\$15,000	0.0%
Vehicle Operations Fund	\$79,574	\$71,356	\$73,950	\$2,594	3.6%	\$79,324	\$71,824	\$78,981	\$0	\$7,157	10.0%
Facility - Major Maintenance Fund	\$244,000	\$244,000	\$244,548	\$548	0.2%	\$124,000	\$88,000	\$83,826	\$0	-\$4,174	-4.7%
Equipment Replacement Fund	\$326,963	\$283,379	\$307,148	\$23,769	8.4%	\$225,720	\$97,750	\$223,907	\$0	\$126,157	129.1%
Unemployment	\$22,650	\$21,400	\$13,229	-\$8,171	-38.2%	\$21,400	\$21,400	\$15,425	\$0	-\$5,975	-27.9%
Totals	\$90,598,695	\$59,107,683	\$57,724,344	-\$1,383,339	-2.3%	\$94,483,149	\$68,241,997	\$57,240,055	\$12,559,684	\$1,557,742	2.3%

Fund Balance Overview

All City Funds	2005 Beginning Fund Balance	2005 Actual Revenue	2005 Actual Expenditures	Ending Fund Balance	Net Carryovers	2005 Projected Ending Fund Balance
General Fund	\$11,345,253	\$27,779,704	\$29,478,068	\$9,646,889	\$146,948	\$9,499,941
Streets	\$618,678	\$2,374,546	\$2,224,960	\$768,264	\$89,774	\$678,490
SWM OPS	\$2,986,290	\$2,602,140	\$2,735,229	\$2,853,201	\$180,851	\$2,672,350
General Capital	\$7,980,092	\$5,630,623	\$1,500,626	\$12,110,089	\$5,297,530	\$6,812,559
Roads Capital	\$15,236,389	\$15,858,887	\$18,004,564	\$13,090,712	\$2,297,870	\$10,792,842
SWM Capital	\$3,244,311	\$1,914,377	\$2,501,820	\$2,656,868	\$313,164	\$2,343,704
Arterial Street Fund	\$15,535	\$391,928	\$348,545	\$58,918	\$0	\$58,918
General Reserve Fund	\$1,970,996	\$189,350	\$0	\$2,160,346	\$0	\$2,160,346
Code Abatement Fund	\$38,321	\$100,312	\$19,717	\$118,916	\$0	\$118,916
Asset Seizure Fund	\$20,335	\$10,774	\$9,387	\$21,722	\$0	\$21,722
Public Arts Fund	\$61,040	\$232,827	\$15,000	\$278,867	\$0	\$278,867
Vehicle Operations Fund	\$52,602	\$73,950	\$78,981	\$47,571	\$0	\$47,571
Facility - Major Maintenance Fund	\$0	\$244,548	\$83,826	\$160,722	\$0	\$160,722
Equipment Replacement Fund	\$1,168,020	\$307,148	\$223,907	\$1,251,261	\$0	\$1,251,261
Unemployment	\$72,154	\$13,229	\$15,425	\$69,958	\$0	\$69,958
Totals	\$44,810,016	\$57,724,344	\$57,240,055	\$45,294,305	\$8,326,137	\$36,968,168

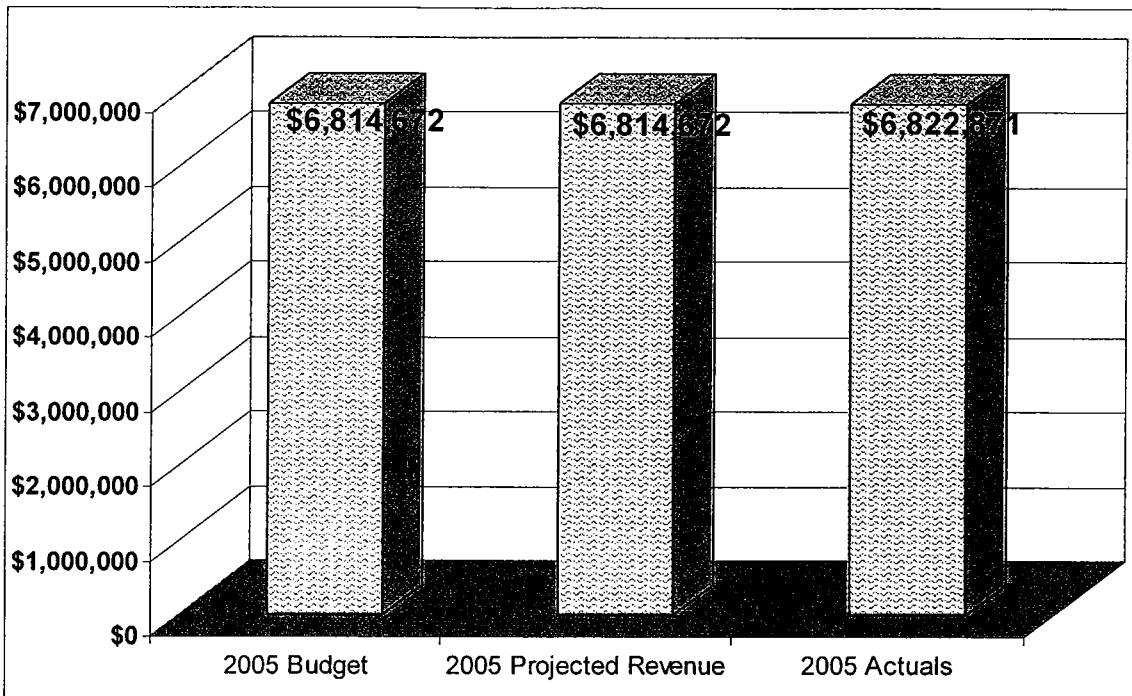
General Fund Revenue



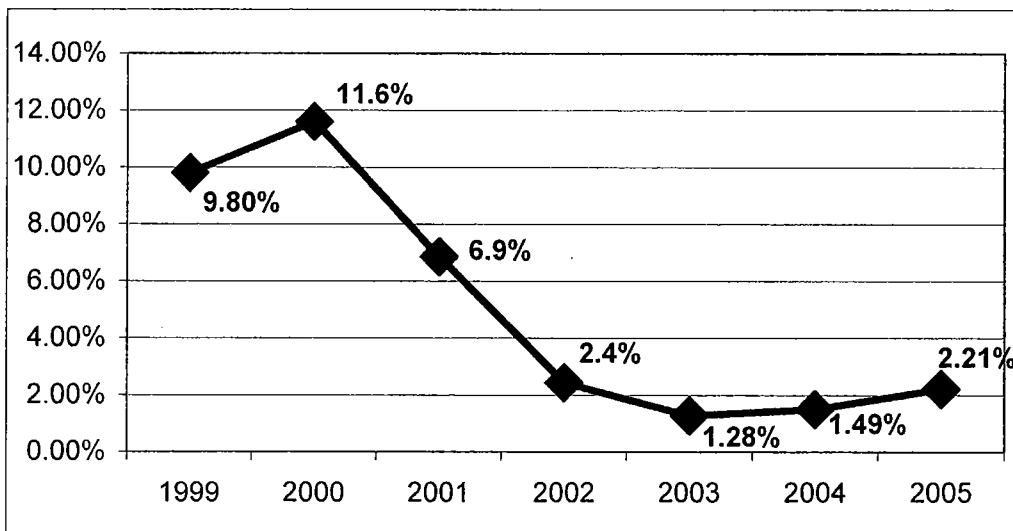
2005 actual General Fund revenue totaled \$27,779,704 which was greater than 2005 projected revenue of \$26,697,529 by \$1,082,176 or 4.05%. This is an increase of 4.3% over total 2004 revenues of \$26,623,282. The variance in actual revenue collections compared to projections can primarily be attributed to better than expected revenue from sales tax of \$296,455, telecommunications utility tax revenue of \$249,406, electricity contract payment of \$182,547, cable TV franchise fee revenue of \$66,925 and natural gas utility tax revenue of \$53,099. These revenue sources make up 78% of the revenue increase. The table below compares budget, projected, and actual general fund revenue collections for 2005. Specific detail about these revenues can be found later in this report.

Revenue Source	2005 Budget	2005 Projected Revenue	2005 Actuals	\$\$ Variance Actuals v. Projected	% Variance
Budgeted Fund Balance	\$5,375,396	\$0	\$0	NA	NA
Property Tax	\$6,814,672	\$6,814,672	\$6,822,871	\$8,199	0.12%
Sales Tax	\$5,500,000	\$5,700,000	\$5,996,455	\$296,455	5.20%
Criminal Justice Sale Tax	\$1,040,000	\$1,040,000	\$1,111,984	\$71,984	6.92%
<i>Utility Tax/Franchise Fee Category</i>					
Natural Gas Utility Tax	\$610,000	\$784,235	\$837,334	\$53,099	6.77%
Sanitation Utility Tax	\$300,000	\$300,000	\$325,538	\$25,538	8.51%
Cable TV Utility Tax	\$84,000	\$84,000	\$90,029	\$6,029	7.18%
Telephone/Cell Utility Tax	\$1,320,000	\$1,400,000	\$1,649,406	\$249,406	17.81%
Water Franchise Fee	\$450,325	\$561,976	\$610,943	\$48,967	8.71%
Sewer Franchise Fee	\$618,000	\$618,000	\$621,000	\$3,000	0.49%
Storm Drainage Utility Tax	\$149,532	\$149,532	\$145,749	-\$3,783	-2.53%
Cable TV Franchise Fee	\$420,000	\$420,000	\$486,925	\$66,925	15.93%
Utility Tax/Franchise Fee Subtotal	\$3,951,857	\$4,317,743	\$4,766,924	\$449,181	10.40%
Electricity Contract Payment	\$700,000	\$850,000	\$1,032,547	\$182,547	21.48%
Gambling Tax	\$2,982,500	\$2,982,500	\$3,003,002	\$20,502	0.69%
State Revenue	\$752,006	\$752,006	\$751,779	-\$227	-0.03%
Permit Revenue	\$1,078,500	\$1,196,500	\$1,336,654	\$140,154	11.71%
Parks & Recreation Revenue	\$832,760	\$918,809	\$944,939	\$26,130	2.84%
Fines & Forfeitures	\$135,530	\$85,055	\$67,297	-\$17,758	-20.88%
Grants & Misc. Revenue	\$616,309	\$613,654	\$508,086	-\$105,568	-17.20%
Investment Interest	\$167,500	\$266,000	\$302,597	\$36,597	13.76%
Transfers-In	\$1,160,590	\$1,160,590	\$1,134,569	-\$26,021	-2.24%
Total General Fund Revenue	\$31,107,620	\$26,697,529	\$27,779,704	\$1,082,176	4.05%

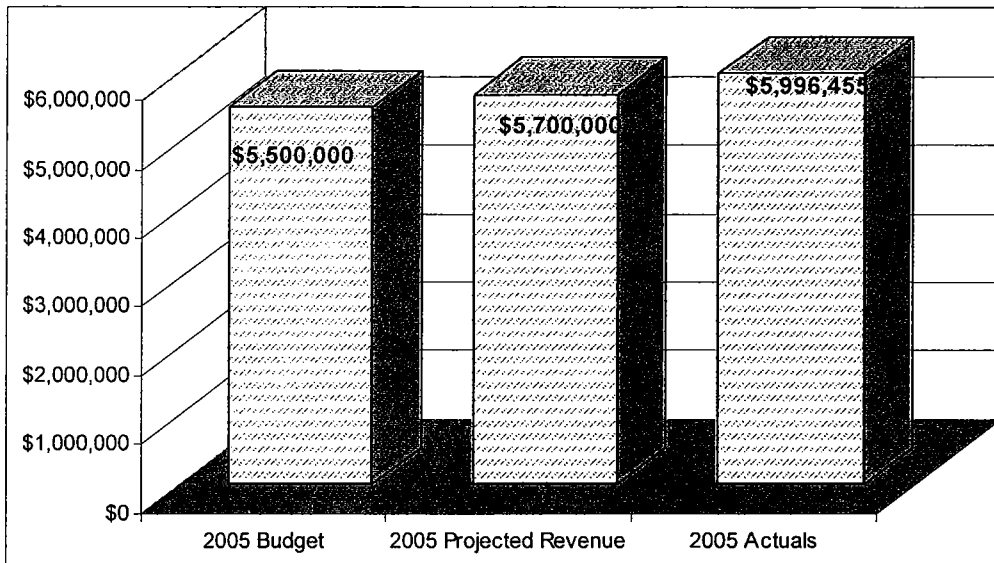
Property Tax Revenue



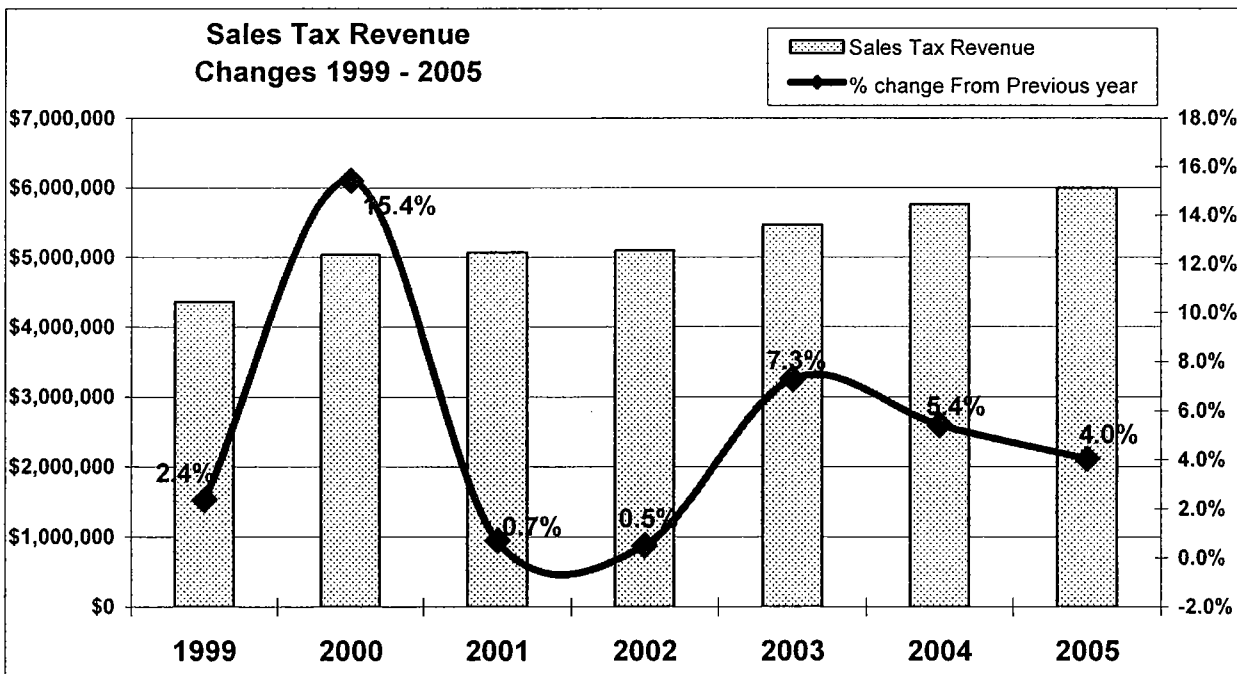
Property tax collections of \$6,822,871 were above projections but only by \$8,199 or 0.12%. This is an increase over 2004 collections of \$147,309 or 2.2%. The graph below highlights the ongoing and fairly rapid decline of property tax revenue growth, in real dollars, from 1999 through 2005. This decline is primarily a result of the 1% levy growth limitation imposed by passage of Initiative 695.



Sales Tax Revenue



Sales tax revenue came in at \$5,996,455, \$296,455 or 5.2% over adjusted 2005 projections of \$5,700,000. This is an increase of \$233,324 or 4% over 2004 collections. As this chart illustrates, sales tax revenue for 2005 shows a modest increase over 2004 with growth of 4%.



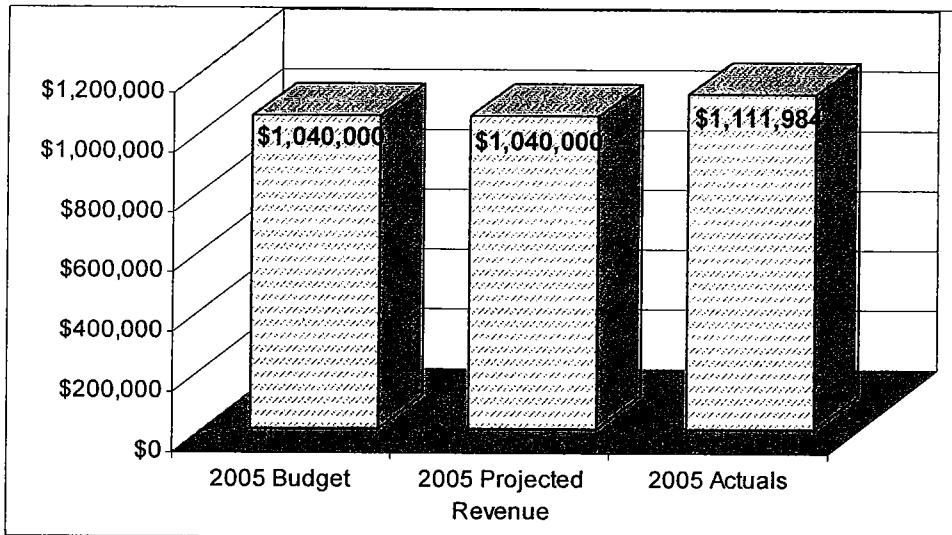
It is important to analyze sales tax growth by primary business sector to determine if the sales tax growth is a result of increased retail sales, growth in construction, growth in services or a combination. Growth in a single sector, such as construction, could indicate revenue that should be considered one-time growth. On the other hand, growth in retail related sales could indicate a growing demand in on-going sales. In looking at the change in sales tax revenue from 2004 to 2005 by business industry it appears the primary source of growth was related to

construction. This table shows a comparison of the various business sector retail sales tax collections for 2004 and 2005.

Business Sector	2005	2004	\$\$ Variance 2005 v. 2004	% Change
Retail Trade	\$3,799,945	\$3,820,494	-\$20,550	-0.54%
Construction	\$806,626	\$623,466	\$183,160	29.38%
Accommodation and Food Services	\$352,697	\$330,862	\$21,835	6.60%
Information/Telecommunications	\$225,436	\$206,930	\$18,505	8.94%
Repair/Maint & Laundry Services	\$178,104	\$160,429	\$17,674	11.02%
Real Estate, Rental, Leasing	\$132,925	\$111,764	\$21,160	18.93%
Wholesale Trade	\$121,031	\$108,308	\$12,723	11.75%
Arts, Entertain, Recreation	\$99,678	\$100,824	-\$1,146	-1.14%
Admin, Supp, Remed Svcs	\$94,186	\$83,297	\$10,889	13.07%
Prof, Sci, Technical Svcs	\$65,232	\$35,903	\$29,329	81.69%
Manufacturing	\$37,054	\$41,909	-\$4,854	-11.58%
Finance and Insurance	\$26,100	\$30,084	-\$3,984	-13.24%
Health Care Social Assistance	\$11,045	\$12,499	-\$1,454	-11.63%
Public Administration	\$8,419	\$9,688	-\$1,269	-13.10%
Educational Services	\$7,942	\$10,236	-\$2,294	-22.41%
Transportation and Warehousing	\$7,668	\$7,533	\$135	1.79%
Agriculture, Forestry, Fishing	\$1,344	\$1,617	-\$273	-16.86%
Utilities	\$879	\$1,151	-\$272	-23.64%
Mining	\$754	\$1,498	-\$744	-49.68%
Misc/Other	\$17,388	\$62,633	-\$45,245	-72.24%
	\$5,996,455	\$5,763,130	\$233,324	4.05%

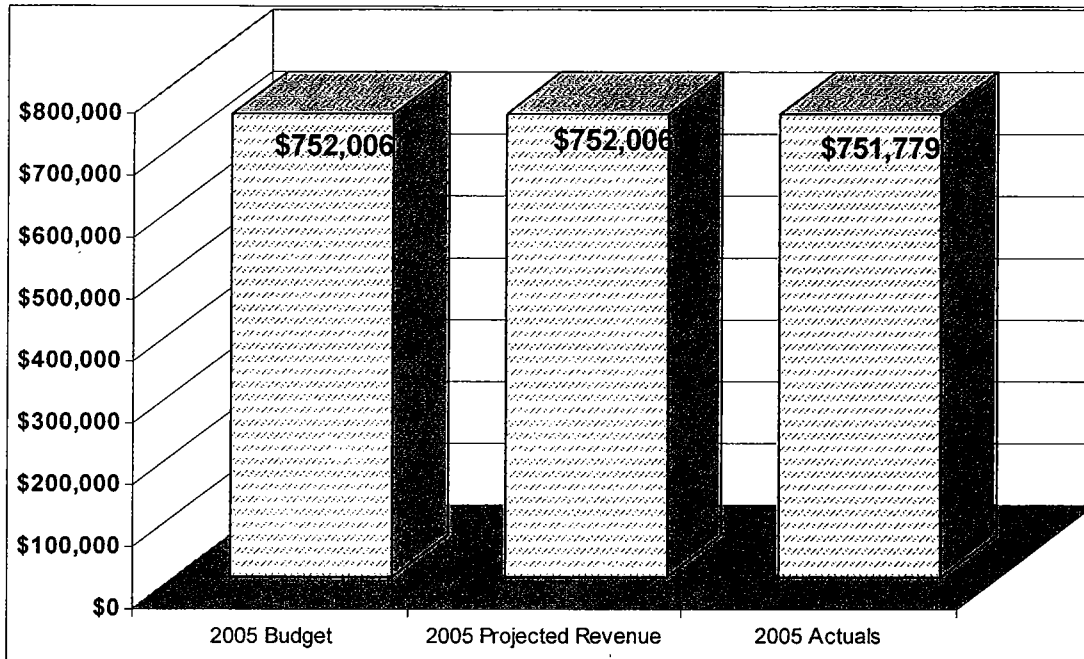
Retail sales tax activity actually decreased by 0.54% from 2004 to 2005, while construction related sales tax activity increased by 29.38% or \$183,160. The growth in construction related sale tax accounted for nearly 79% of sales tax revenue growth in 2005.

Criminal Justice Sales Tax Revenue



Local criminal justice sales tax collections of \$1,111,984 are above projected revenue of \$1,040,000 by \$71,984 or 6.9%. This is an increase over 2004 of \$76,659 or 7.4%. This shows increased level of retail sales within King County as a whole. This category differs from sales tax because it represents sales tax collected throughout King County and consequently does not necessarily reflect the sales tax experience within Shoreline. This tax is distributed based on city population.

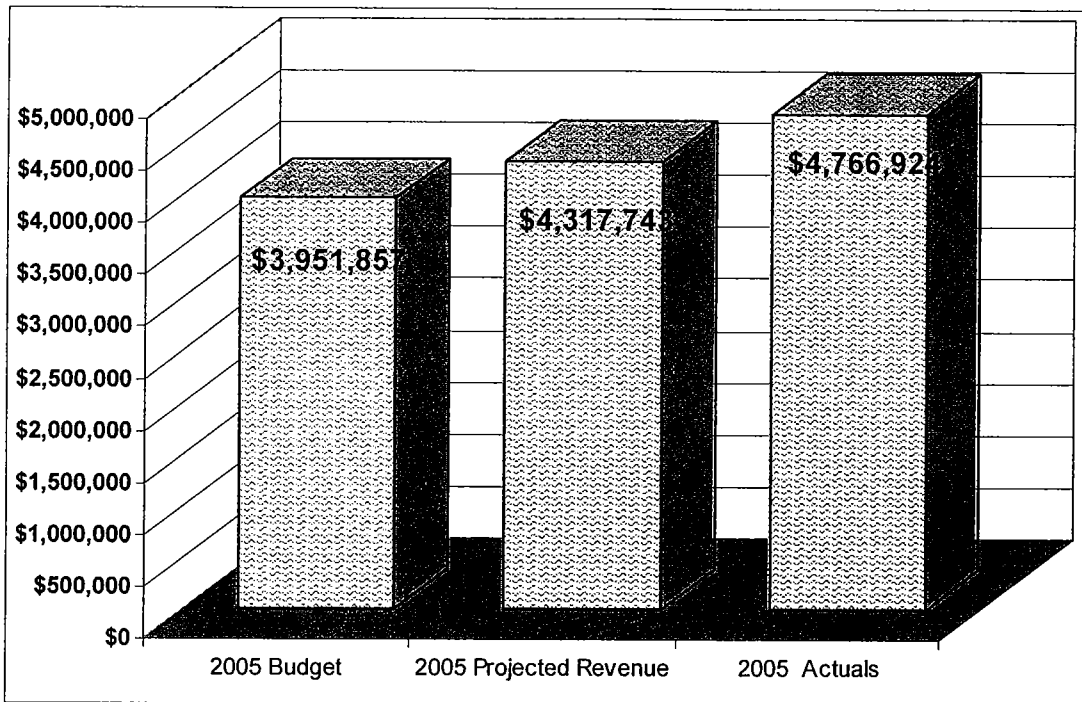
State Revenue



State Revenues of \$751,779 are just below projected revenue of \$752,006. This is a decrease from the amount of revenue received during 2004. Revenue is down by \$11,637 or 1.5%. Revenues from this category have decreased slightly over the past few years as the level of state support for criminal justice programs has declined.

This category includes leasehold excise tax, criminal justice funds, liquor board profits and liquor excise tax.

Utility Tax and Franchise Fee Revenue



Utility tax and franchise fee revenue of \$4,766,924 exceeded projected revenue of \$4,317,743 by \$449,181 or 10.4%. Total collections in 2004 were \$4,065,888. Surface water utility tax was collected for the first time in 2005, which accounted for some of the growth from 2004 to 2005. The total surface water utility tax collection for 2005 was \$145,749.

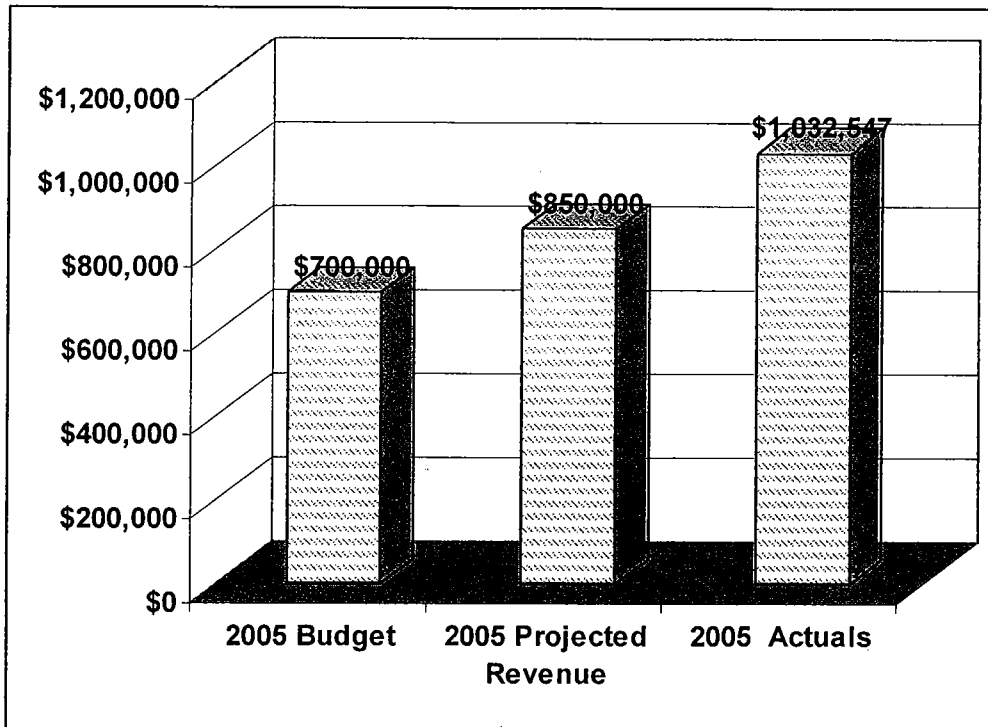
The increase in actual revenue collections as compared to projected revenue for 2005 is due primarily to the following:

- Cellular and Telephone revenue exceeded projections by \$249,406 or 12.2%
- Natural Gas revenue was up from projections by \$53,099 or 6.8% due in part to a rate increase that went into effect late in 2005.
- Cable TV franchise fee revenue was up by \$66,925 or 16%.

The table immediately below lists all of the City's utility revenue producers and revenue activity for 2005.

Revenue Source	2005 Budget	2005 Projected Revenue	2005 Actual	\$\$ Variance Actual v. Projected	% Variance
Natural Gas Utility Tax	\$610,000	\$784,235	\$837,334	\$53,099	6.77%
Sanitation Utility Tax	\$300,000	\$300,000	\$325,538	\$25,538	8.51%
Cable TV Utility Tax	\$84,000	\$84,000	\$90,029	\$6,029	7.18%
Telephone/Cell Utility Tax	\$1,320,000	\$1,400,000	\$1,649,406	\$249,406	17.81%
Water Franchise Fee	\$450,325	\$561,976	\$610,943	\$48,967	8.71%
Sewer Franchise Fee	\$618,000	\$618,000	\$621,000	\$3,000	0.49%
Storm Drainage Utility Tax	\$149,532	\$149,532	\$145,749	-\$3,783	-2.53%
Cable TV Franchise Fee	\$420,000	\$420,000	\$486,925	\$66,925	15.93%
Total Utility Revenue	\$3,951,857	\$4,317,743	\$4,766,924	\$449,181	10.40%

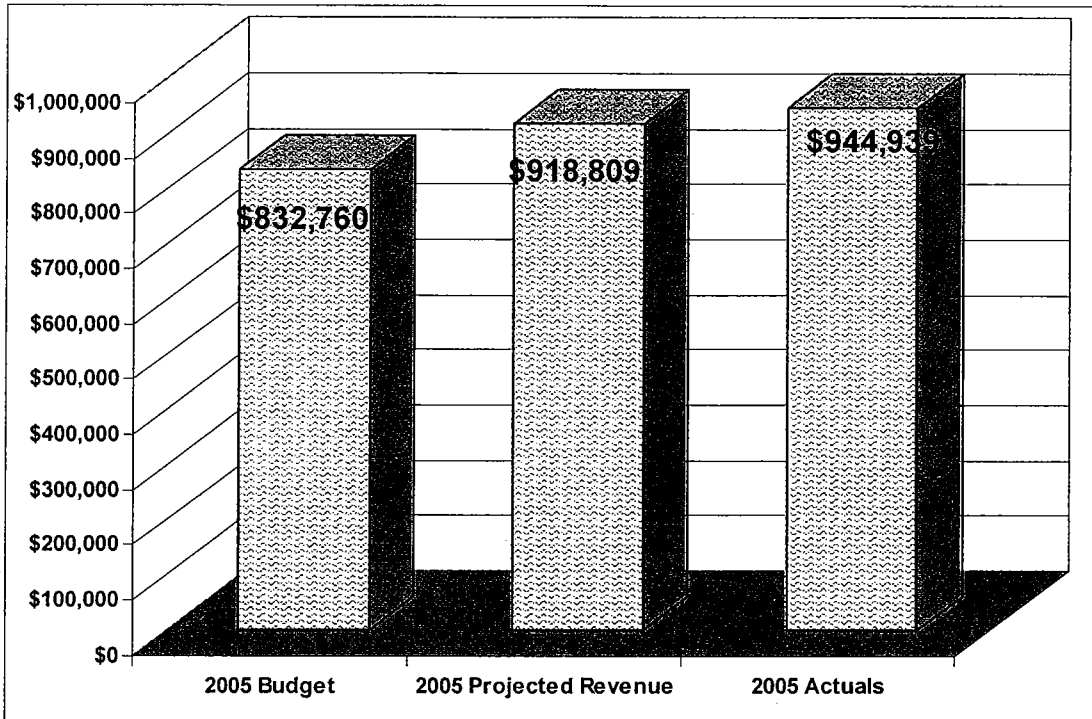
Electricity Contract Payment



The City has an agreement with Seattle City Light that provides for the payment of 6% of the revenue earned from the power portion of electric revenues from Shoreline rate payers. Electric rates are composed of power costs and distribution costs. The power costs represent approximately 50% of the electric rate revenues.

The City's 2005 budget assumed that the electricity contract payment revenue would decrease as Seattle City Light had indicated that they would be reducing their electric rates in 2005. This did not occur and therefore rates remained constant. This accounted for the difference between actual collections and those originally budgeted and then updated in July 2005. Total collections in 2005 of \$1,032,547 exceeded projections of \$850,000 by \$182,547 or 21%. Total collections in 2004 were \$1,066,780.

Parks and Recreation Fee Revenue



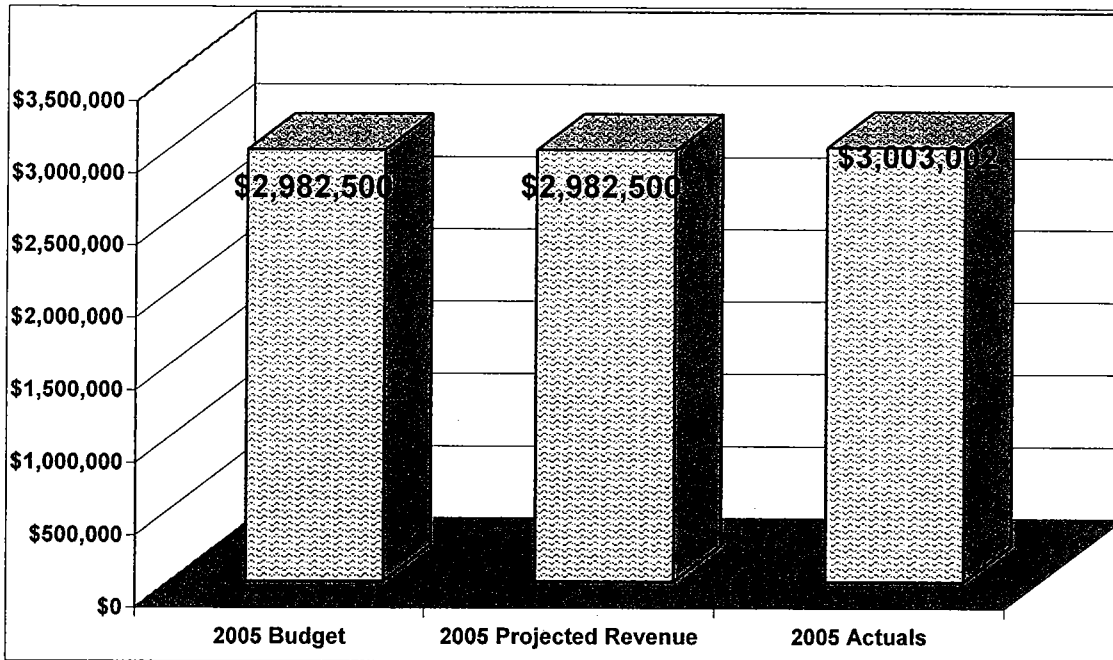
Parks' revenue collections of \$944,939 exceeded projected revenue of \$918,809 by \$26,130 or 2.9%. Revenue in this category totaled \$796,176 in 2004. 2005 saw an increase of 148,763 or 18.7%.

This category includes revenue generated by the Shoreline pool, general recreation classes and programs which includes all preschool, youth and adult programming, athletic field and facility rentals, teen programming and activities, Spartan Gym drop-in and monthly passes and vending machine and merchandise sales.

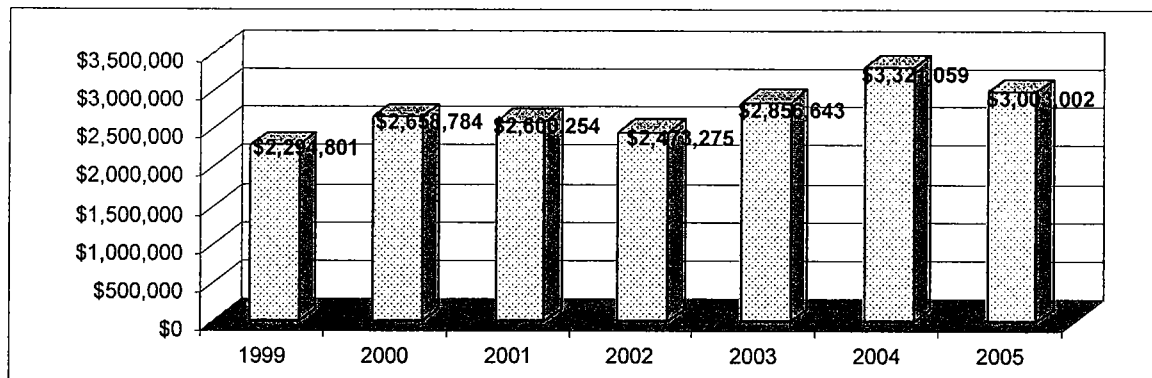
The difference in actual revenue collections compared to projections is primarily a result of the following:

- General recreation revenues (revenue generated from class and sport fees) totaled \$400,386 in 2005. Projected revenue in this category was \$360,527 and the original 2005 budget totaled \$310,700. At the same time that revenue growth occurred, the use of the City's scholarship program increased, with \$32,225 in scholarships provided in 2005.
- Park facility rental revenue totaled \$200,189 in 2005. Projected revenue was \$187,935 and the original 2005 budget estimate was \$167,074.
- Aquatic related revenue totaled \$351,507 which was only \$500 greater than projections. The original 2005 budget estimated aquatic revenue at \$338,766.

Gambling Tax Revenue



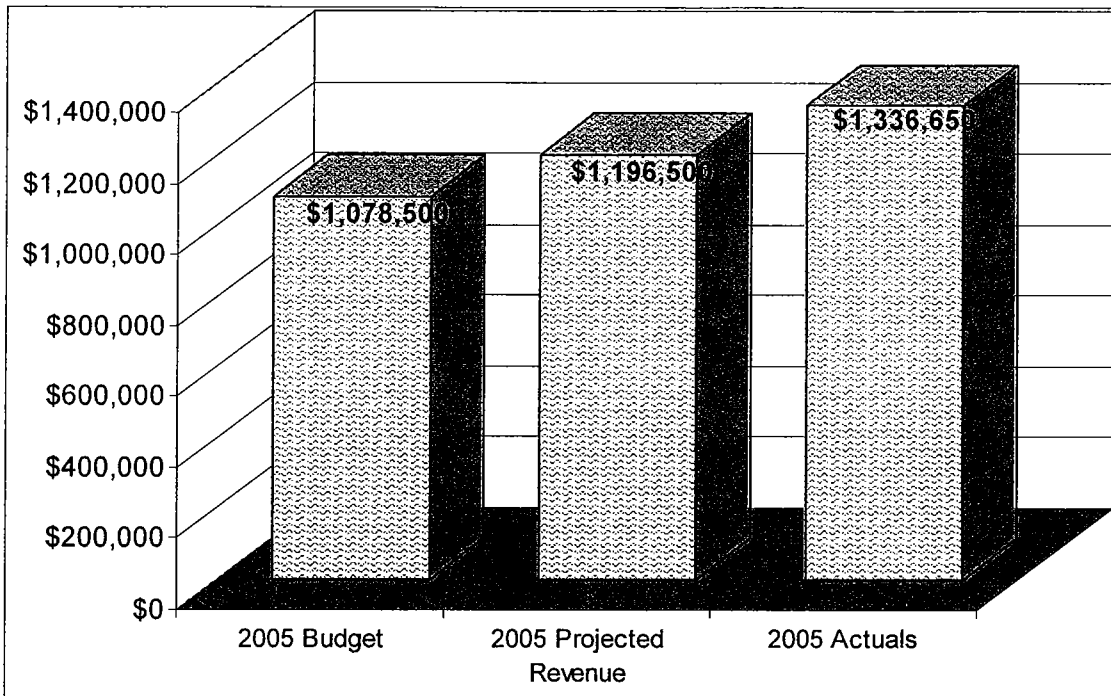
Gambling tax revenue of \$3,003,002 was \$20,502 or 0.7% below projected revenue. However, in comparison to 2004 gambling tax revenue, 2005 gambling tax revenue decreased by \$318,058 or 9.6%. The table immediately below highlights gambling revenue trends over the past seven years.



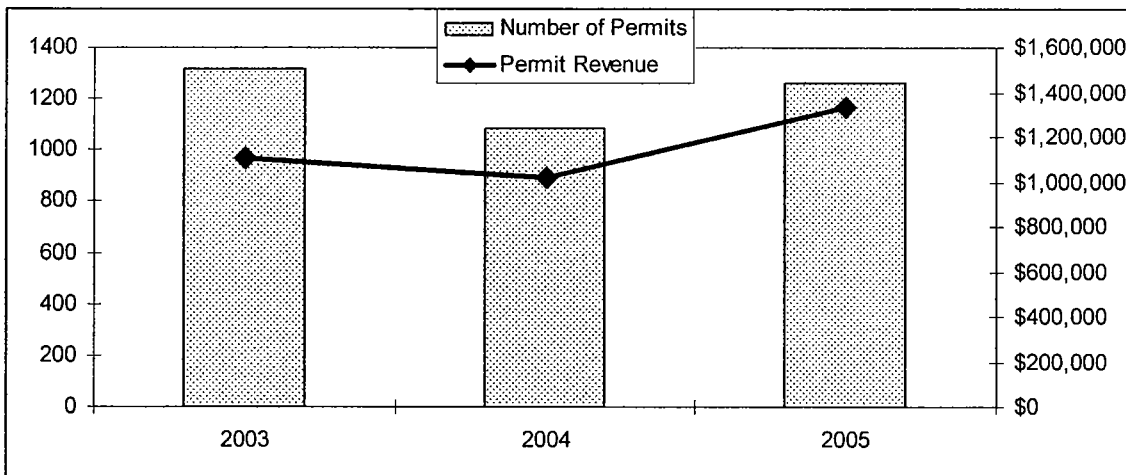
Gambling tax revenue is generated from three primary sources: card rooms, pull tabs, and bingo. The following table compares the revenue collections from each of these sources for 2003 through 2005.

	2003	2004	2005	\$ Change from 2004 to 2005	% Variance
Cardroom	\$2,501,812	\$2,991,084	\$2,712,877	-\$278,207	-9.30%
Pull Tabs	\$302,782	\$271,090	\$247,598	-\$23,492	-8.67%
Bingo & Amusement Games	\$50,687	\$58,886	\$42,529	-\$16,357	-27.78%
Total	\$2,855,281	\$3,321,060	\$3,003,004	-\$318,056	-9.58%

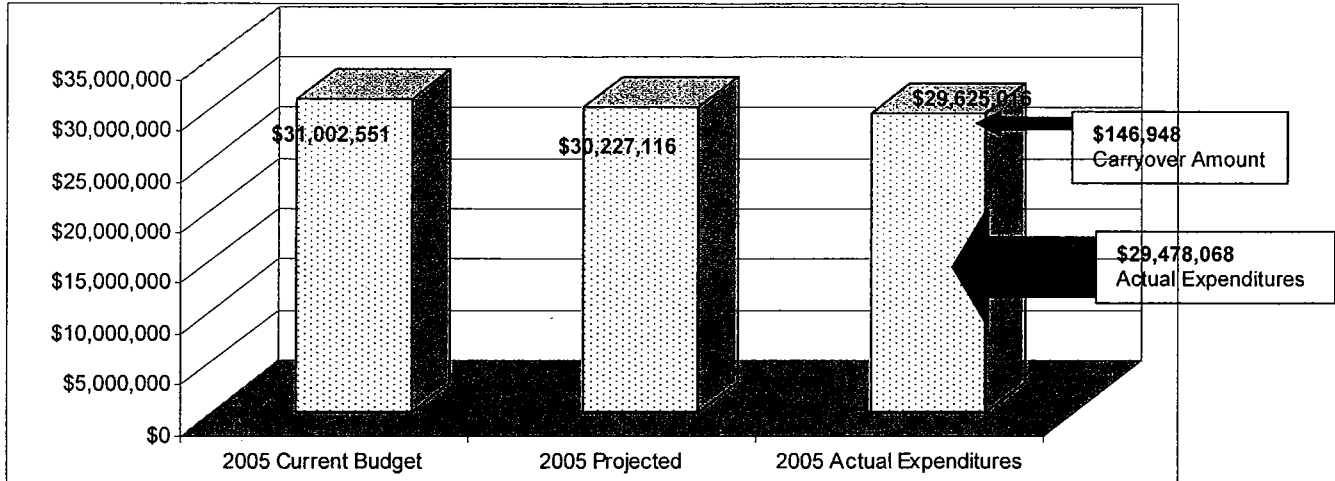
Permit Revenue



Permit revenue of \$1,336,654 was \$140,154 or 11.7% above projected revenue. 2005 included four large development projects North City Apartments (88 unit development), replacement of the King County Transfer station, Whitman Townhomes (23 unit development) and the Fred Meyer remodel.



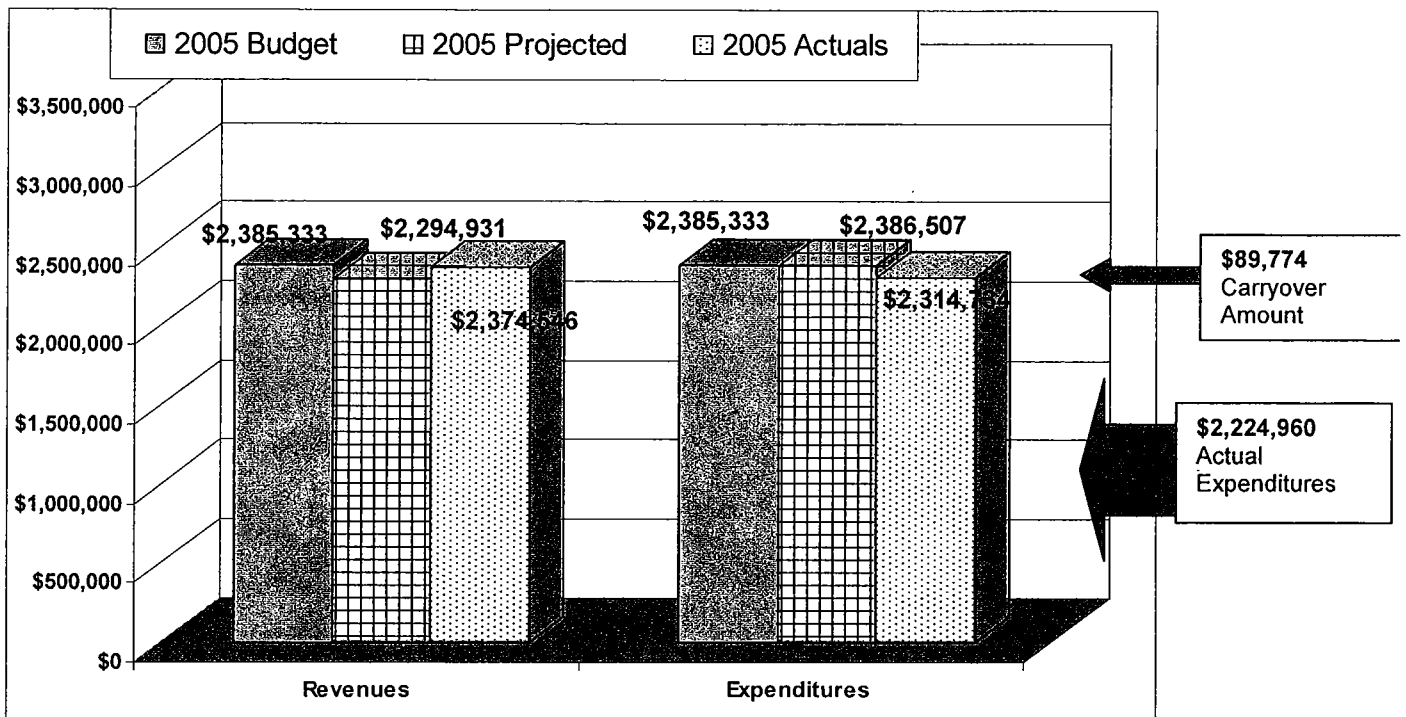
General Fund Expenditures



The 2005 actual expenditures were \$29,478,068 and the 2005 carry-overs were \$146,948 for a total 2005 expenditure of \$29,625,016. This is \$602,100 or 1.99% below projected expenditures of \$30,227,116. The following table displays the 2005 expenditure results of each department within the General Fund including carryovers. As highlighted by the table below, all but two of the City programs were under budget. In 2005 jail costs came in \$205,449 over projections due to an increase in jail usage. This trend began in August and continued through the rest of 2005.

Department	2005 Current Budget	2005 Projected	2005 Actual Expenditures	2005 Carryover	Actual Expenditures + Carryovers	\$\$ Variance	% Variance
City Council	\$162,969	\$168,718	\$165,667	\$0	\$165,667	-\$3,051	-1.81%
City Manager's Office	\$709,278	\$705,576	\$733,323	\$0	\$733,323	\$27,747	3.93%
City Clerks Office	\$361,482	\$353,349	\$351,677	\$0	\$351,677	-\$1,672	-0.47%
C&IR	\$568,178	\$551,575	\$492,994	\$16,335	\$509,329	-\$42,246	-7.66%
City Attorney	\$329,867	\$327,467	\$301,146	\$0	\$301,146	-\$26,321	-8.04%
Human Services	\$599,980	\$583,414	\$564,456	\$0	\$564,456	-\$18,958	-3.25%
Finance	\$2,415,119	\$2,375,035	\$2,212,168	\$28,250	\$2,240,418	-\$134,617	-5.67%
Citywide	\$127,760	\$750,907	\$721,546	\$0	\$721,546	-\$29,361	-3.91%
Human Resource Services	\$368,463	\$358,015	\$344,954	\$0	\$344,954	-\$13,061	-3.65%
Jail Contract	\$865,000	\$815,000	\$1,020,449	\$0	\$1,020,449	\$205,449	25.21%
District Court Contract	\$5,000	\$0	\$0	\$0	\$0	\$0	0.00%
Prosecuting Attorney	\$118,000	\$118,000	\$115,086	\$0	\$115,086	-\$2,915	-2.47%
Public Defense	\$137,000	\$137,000	\$136,461	\$0	\$136,461	-\$539	-0.39%
Domestic Violence	\$43,219	\$43,219	\$30,042	\$0	\$30,042	-\$13,177	-30.49%
Police	\$7,812,611	\$7,736,448	\$7,619,918	\$0	\$7,619,918	-\$116,530	-1.51%
Parks	\$3,552,834	\$3,518,312	\$3,393,447	\$69,151	\$3,462,598	-\$55,714	-1.58%
Economic Development	\$193,984	\$186,984	\$155,258	\$20,259	\$175,517	-\$11,467	-6.13%
PADS	\$2,289,166	\$2,274,893	\$2,076,650	\$2,500	\$2,079,150	-\$195,743	-8.60%
Customer Response Team	\$416,291	\$386,844	\$375,106	\$0	\$375,106	-\$117,388	-3.03%
Public Works	\$1,553,121	\$1,553,121	\$1,411,905	\$10,453	\$1,422,358	-\$130,763	-8.42%
Department Totals	\$23,719,312	\$22,943,877	\$22,222,251	\$146,948	\$22,369,199	-\$574,677	-2.50%
General Transfers Out	\$7,283,239	\$7,283,239	\$7,255,817	\$0	\$7,255,817	-\$27,422	-0.38%
General Fund Total	\$31,002,551	\$30,227,116	\$29,478,068	\$146,948	\$29,625,016	-\$602,100	-1.99%

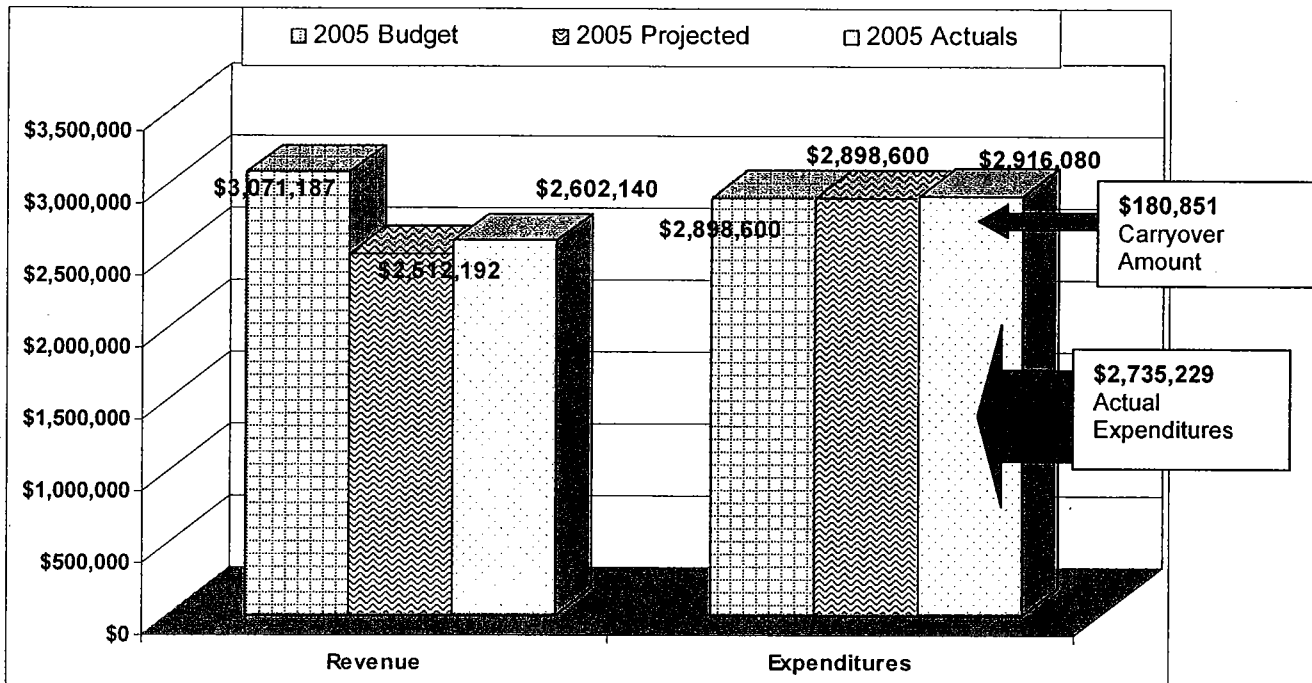
Street Fund



Actual revenues for 2005 were \$2,374,546, just \$79,615 or 3.47% above projected revenue. Right-of-way fee revenue was above projections by \$102,045 due to permits issued to King County Wastewater Treatment for work related to the Brightwater project. Fuel tax collections were below projections by \$4,401. Interest earnings were less than projections by \$9,236.

The 2005 actual expenditures were \$2,224,960 and the 2005 carry-overs were \$89,774 for a total 2005 expenditure of \$2,314,734. This is \$71,773 or 3% below projected expenditures of \$2,386,507. The projected 2005 ending fund balance is \$678,490. This includes all revenue and expenditure activity and the requested carryovers. This is \$151,387 increase in fund balance than was originally projected.

Surface Water Management Fund

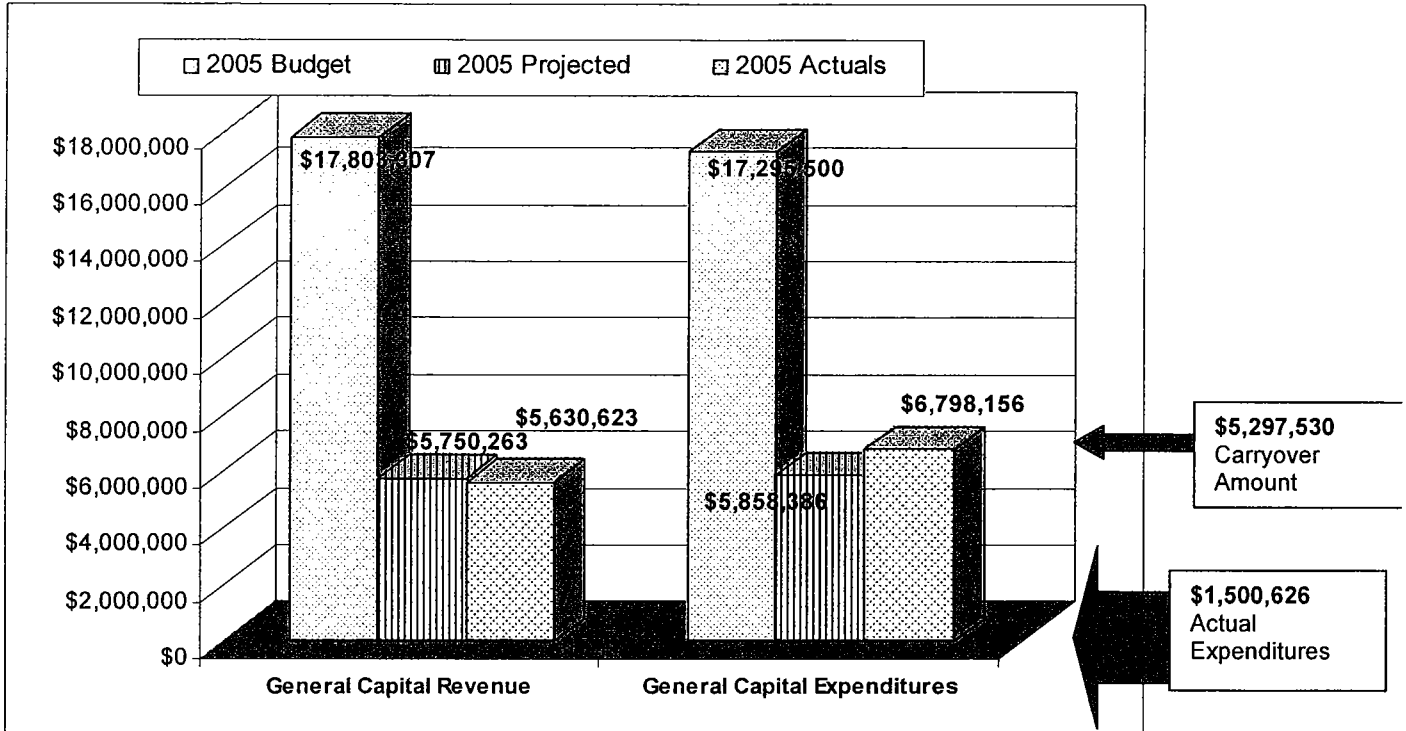


Actual revenues for 2005 were \$2,602,140 this was \$89,948 or 3.6% more than projected revenue of \$2,512,192. Storm drainage fees were \$28,911 less than projected, but interest earning were \$33,032 greater than expected.

The 2005 actual expenditures were \$2,735,229 and the 2005 carry-overs were \$180,851 for a total 2005 expenditure of \$2,916,080. This is \$17,480 or 0.60% above projected expenditures of \$2,898,600. The 2005 actual expenditures include \$17,213 in compensated absence expense. This expenditure represents the value of the earned vacation leave that employees gained in 2005, but are not expected to use until 2006. This expenditure represents an accounting adjustment that is required by generally accepted accounting principals (GAAP) to be made before completing the 2005 financial statements. The City does not budget for this expenditure. Accounting for this expenditure in accordance with GAAP results in total 2005 expenditures with carryovers exceeding the 2005 budget by slightly more than \$17,000.

The projected 2005 ending fund balance is \$2,672,350. This includes all revenue and expenditure activity and the requested carryovers. This is \$224,532 less in fund balance than was originally projected. Original projections did not include \$297,000 budgeted to be used in support of drainage work on the North City Business District/15th Avenue Improvements project.

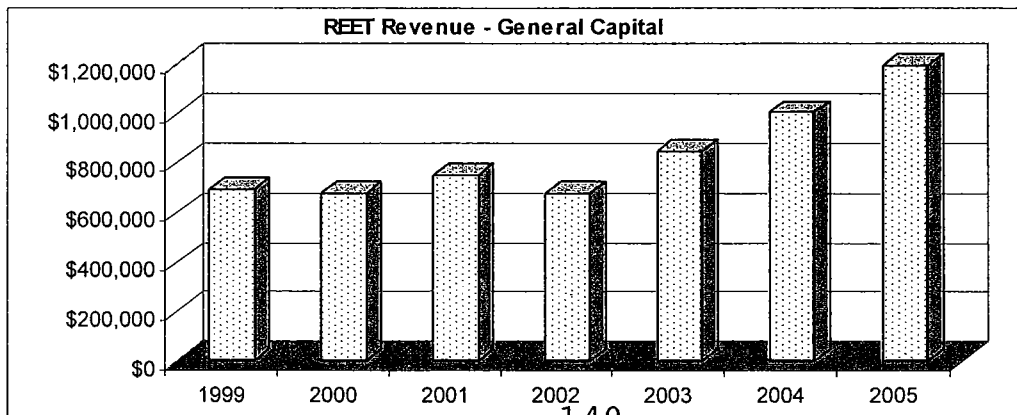
General Capital Fund



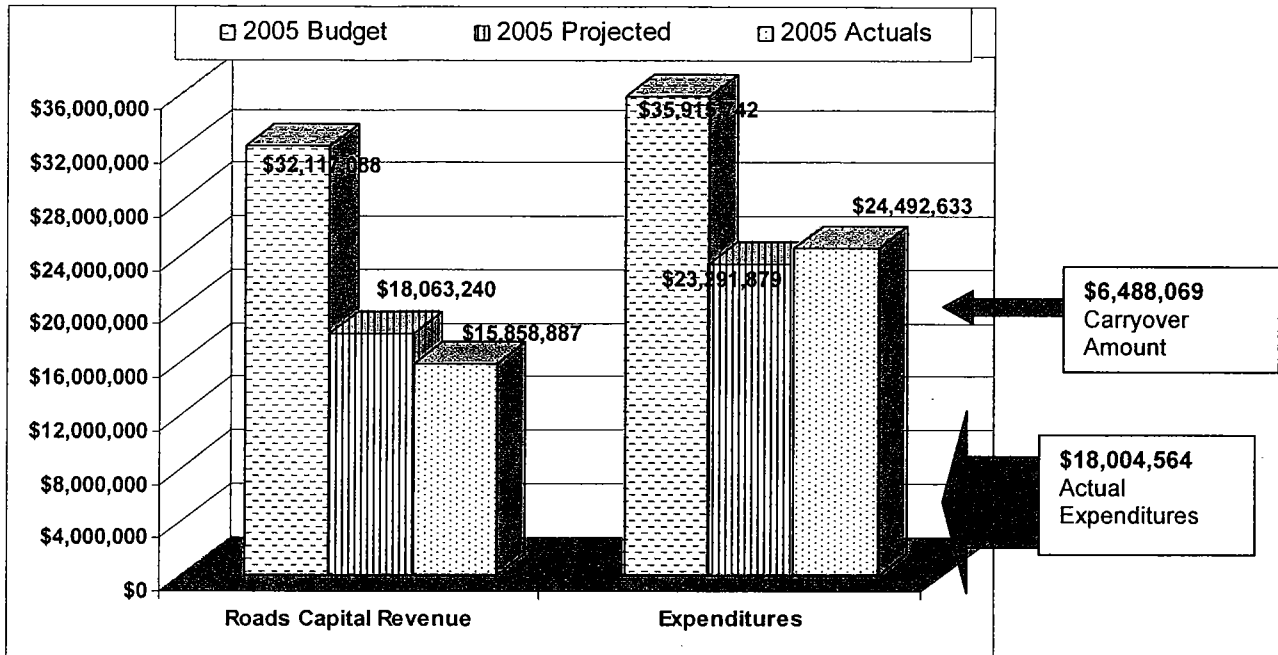
Actual revenues for 2005 were \$5,630,623 this is \$119,640 or 2.1% below projected revenues of \$5,750,263. Real Estate Excise Tax (REET) collections were \$247,554 above projections but grant revenue was below projections due to date differences in grant allocation.

The 2005 actual expenditures were \$1,500,626 and the 2005 carry-overs were \$5,297,530 for a total 2005 expenditure of \$6,798,156. This is \$939,770 or 16% above projected expenditures of \$5,858,386. The projected 2005 ending fund balance is \$6,812,559. This includes all revenue and expenditure activity and the requested carryovers. This is \$1,059,410 less in fund balance than was originally projected. The South Woods property acquisition and the soccer fields upgrade project were begun early during 2005. They were originally expected to begin in 2006.

The City has seen substantial growth in REET revenue during 2004 and 2005. This is reflective of the "hot" real estate market and high number of home purchases that has occurred during this time period. This trend has been experienced throughout most of the United States. In 2005 we saw the number of transactions increase by 11% to 2,164 sales. Total value of the real estate sales increased by 31% to \$545,032,417. The average value of a transaction increased by 18% to \$251,863.41. We are expecting a slow down in the number of real estate sales in 2006, which will result in reduced REET collections as compared to 2005.

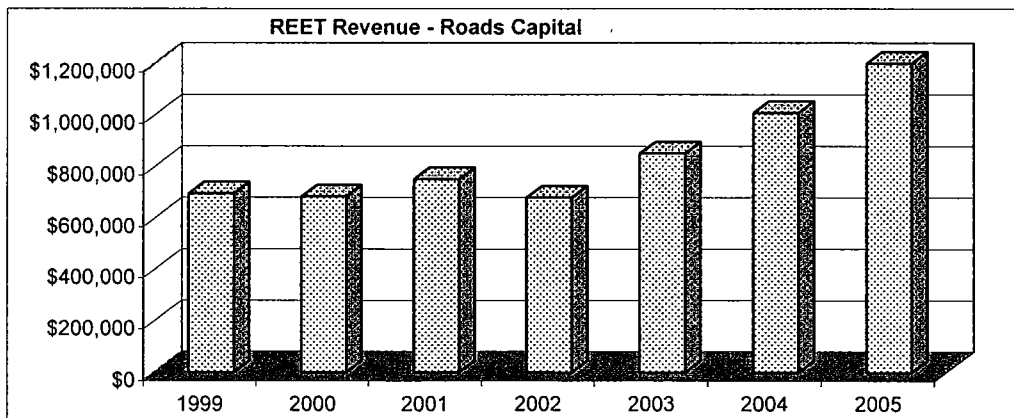


Roads Capital Fund

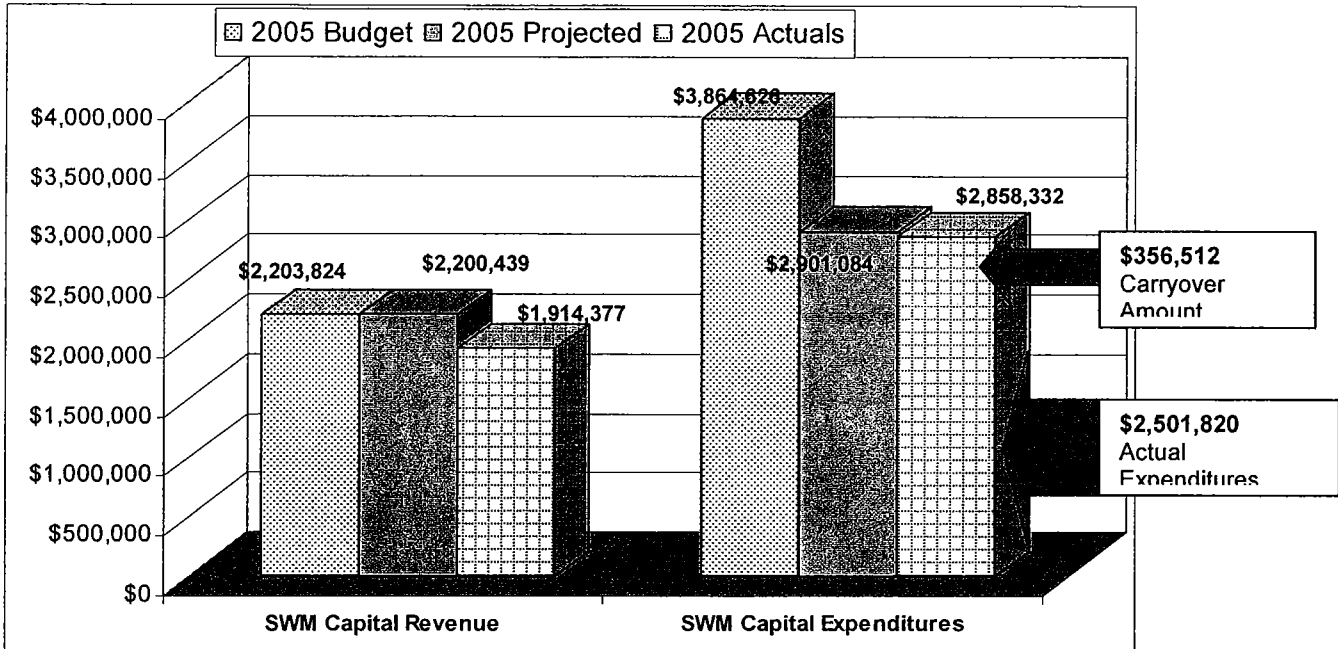


Actual revenues for 2005 were \$15,858,887. This is \$2,204,353 or 12.20% below projected revenues of \$18,063,240. This revenue decrease is due primarily to grant revenue not being received as projected since roads projects were not completed as scheduled. However, these grants are expected to be received in 2006 as the project work continues. Staff has requested that \$3,904,304 in grant revenue be carried over into 2006. REET collections were \$247,554 ahead of projections for the same reason that REET collections exceeded projections in the General Capital Fund.

The 2005 actual expenditures were \$18,004,564 and the 2005 carry-overs were \$6,488,069 for a total 2005 expenditure of \$24,492,633. This is \$1,200,759 or 5.1% above projected expenditures of \$23,291,879. The projected 2005 ending fund balance is \$10,792,842. This includes all revenue and expenditure activity and the requested carryovers. This is \$785,092 more in fund balance than was originally projected.



Surface Water Capital Fund



Actual revenues for 2005 were \$1,914,377 this is \$286,062 or 13% below projected revenues of \$2,200,439. Revenues were below projections primarily because the Boeing Creek stormwater project will occur in 2006 instead of 2005. This project is primarily being funded from mitigation monies received from King County. These monies will not be recognized as revenue until the expenditures for the project are incurred.

The 2005 actual expenditures were \$2,501,820 and the 2005 carry-overs were \$356,512 for a total 2005 expenditure of \$2,858,332. This is \$42,752 or 1.5% below projected expenditures of \$2,901,084. The projected 2005 ending fund balance is \$2,343,704. This includes all revenue and expenditure activity and the requested carryovers. This is \$199,962 less in fund balance than was originally projected.

City of Shoreline
Investment Report
December 31, 2005

The City's investment policy adheres to strict standards prescribed by federal law, state statutes, local ordinances, and allows the City to develop an investment model to maximize its investment returns within the primary objectives of safety and liquidity.

Our yield objectives are very important and, pursuant to policy, the basis used by the City to determine whether the market yields are being achieved is through the use of a comparable benchmark. Our benchmark has been identified as the annual average of the Washington State Local Government Investment Pool, which had been the City's primary mode of investment prior to adopting our Investment Policy. As of December 31, 2005, the City's investment portfolio, excluding the State Investment Pool, had a weighted average rate of return of 3.39%. This exceeds the 2005 average rate of return from the State Investment Pool of 3.17% by 22 basis points. Total investment interest earnings for 2005 were \$1,191,661, \$351,535 greater than budgeted.

Throughout 2005 investment interest rates continued to increase. In January 2005 the State Investment Pool rate of return was 2.22%. By December 2005 the State Investment Pool rate of return rose to 4.16%. This is a significant increase when compared to December 2004, when the Pool's investment rate was 2.07%.

As of December 31, 2005, the City's investment portfolio had a fair value of \$29,503,873. Approximately 66% of the investment portfolio was held in U.S. government instrumentality securities and 34% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of December 31, 2005, was \$29,575,738. The difference between the cost and the market value of the portfolio represents either the loss or the gain of the portfolio if the City were to liquidate investments as of the day that the market value is stated. This would only be done if the City needed to generate cash. The City holds all of its investments until the scheduled maturity date, and therefore when the investments mature the principal market value should equal the cost of the investment. The City also holds sufficient investments within the State Pool to allow for immediate cash liquidation if needed. Investments within the State Pool can be liquidated on any given day with no penalty.

The City continued to implement a ladder philosophy in its investment portfolio throughout 2005 as maturities were matched with our future cash flow projections. A ladder portfolio approach helps assure that the City will, in the long run, receive a market average rate of return.

The following page provides a summary of the City's investment portfolio as of December 31, 2005.

**Investment Balances
December 31, 2005**

Instrument Type	Settlement Date	Maturity Date	Investment Cost	Yield To Maturity	Market Value 12/31/2005	Unrealized
						Gain/(Loss) as of 12/31/05
FHLMC (Freddie Mac)	02/24/04	02/24/06	5,000,000	2.1400%	4,982,450	(17,550)
FHLB (Fed Home Loan Bank)	05/24/05	05/24/07	2,000,000	3.2500%	1,992,500	(7,500)
FNMA (Fannie Mae)	05/27/05	05/17/07	2,499,000	4.0410%	2,475,000	(24,000)
FNMA (Fannie Mae)	06/21/05	06/02/06	1,987,022	3.7120%	1,987,500	478
FNMA (Fannie Mae)	06/21/05	09/29/06	1,957,324	3.8020%	1,961,875	4,551
FHLB (Fed Home Loan Bank)	06/21/05	12/14/06	1,985,024	3.9000%	1,973,750	(11,274)
FHLB (Fed Home Loan Bank)	07/25/05	07/13/07	1,990,200	4.2617%	1,975,620	(14,580)
FHLB (Fed Home Loan Bank)	07/27/05	07/27/07	2,000,000	3.7000%	1,998,010	(1,990)
State Investment Pool			10,157,168	4.1605%	10,157,168	
Sub Total			29,575,738		29,503,873	(71,865)

Average Maturity Excluding the
State Investment Pool (days)

623

Weighted Average Yield to
Maturity Excluding the State
Pool

3.39%

2005 Average Yield to Maturity
State Investment Pool

3.17%

Basis Points in Excess (Below)
Benchmark

22

Note: Yield to Maturity for the State Investment Pool is a 12 month average.

Portfolio Diversification

Instrument Type	Percentage	Amount at	Broker	Percentage	Amount at
		Market Value			Cost
Certificate of Deposit	0%	0	Bank of America	32%	9,433,070
FHLMC (Freddie Mac)	17%	4,982,450	Piper Jaffray	34%	9,913,635
FNMA (Fannie Mae)	22%	6,424,375	Gilford Securities	0%	0
FHLB (Fed Home Loan Bank)	27%	7,939,880	Shorebank	0%	0
State Investment Pool	34%	10,157,168	State Investment Pool	34%	10,157,168
Total Investments	100%	29,503,873	Total Investments	100%	29,503,873

Investments by Fund

Fund	Investments at		State	Total Investments by Fund as of 12/31/05	Investment	Investment	Over/(Under) Budget
	Cost as 12/31/05	Market Value as of 12/31/05	Investment Pool as of 12/31/05		Earnings Budget 2005	Earnings Actual 2005	
001 General	6,190,128	6,159,169	342,551	6,501,720	157,500	286,142	128,642
101 Street	360,932	356,275	180,354	536,629	12,500	8,306	(4,194)
102 Arterial Street	-	62	0	62	-	45,754	45,754
103 Surface Water Admin	1,547,066	1,542,836	1,377,785	2,920,621	62,500	94,533	32,033
104 Reserve	814,473	812,227	1,328,993	2,141,220	-	35,157	35,157
107 Code Abatement	36,798	36,711	78,577	115,288	2,500	1,802	(698)
108 Asset Seizure	13,988	13,955	7,684	21,639	500	4,160	3,660
109 Public Arts	18,850	18,791	259,944	278,735	4,625	1,306	(3,319)
301 General Capital	3,995,252	3,983,938	3,375,677	7,359,615	200,000	248,469	48,469
312 City Fac-Mjr Maint	34,348	34,177	70,645	104,822	-	548	548
330 Roads Capital	3,584,390	3,572,850	1,008,610	4,581,460	325,000	234,252	(90,748)
340 SWM-Capital	2,284,294	2,279,051	1,337,405	3,616,456	50,000	194,833	144,833
501 Vehicle Oper/Maint	26,497	26,433	2,669	29,102	1,250	4,098	2,848
503 Equip Dep Replace	465,706	464,502	760,921	1,225,423	22,500	29,072	6,572
505 Unemployment	45,848	45,727	25,352	71,079	1,250	3,229	1,979
Total Investments	19,418,569	19,346,705	10,157,168	29,503,873	840,125	1,191,661	351,536