



2009 SECOND QUARTER FINANCIAL REPORT

August 2009

PERFORMANCE AT A GLANCE

	YEAR TO DATE TREND	COMPARED TO PROJECTIONS	REFERENCE
GENERAL FUND REVENUES			
Property Tax Revenue	◀NEUTRAL▶	0.28%	Page 4
Sales Tax Revenue	◀NEUTRAL▶	1.24%	Page 5, 6
Utility Tax Revenue	◀NEUTRAL▶	1.24%	Page 8
Development Revenue	▼NEGATIVE▼	-28.80%	Page 9
Gambling Tax Revenue	▼NEGATIVE▼	-14.40%	Page 10
Interest Revenue	▼NEGATIVE▼	-80.50%	Page 12
EXPENDITURES			
General Fund Expenditures		-4.85%	Page 13
NON-GENERAL FUND REVENUES			
Surface Water Fees	◀NEUTRAL▶	-0.99%	Page 14
Fuel Tax Revenue	▼NEGATIVE▼	-5.23%	Page 16
Real Estate Excise Tax Revenue	▲POSITIVE▲	3.01%	Page 16

Key to revenue trend indicators:

- ◀NEUTRAL▶ = Variance of -1% to +2% compared to projections.
- ▲POSITIVE▲ = Positive variance of >+2% compared to projections.
- WARNING● = Negative variance of -1% to -4% compared to projections.
- ▼NEGATIVE▼ = Negative variance of >-4% compared to projections.

CITY FINANCIAL OVERVIEW

EXECUTIVE SUMMARY

The 2009 second quarter revenue results confirmed that Shoreline is still feeling the effects of the current economic recession. Specifically general fund revenues are \$273,749 or 1.98% below already lowered projections. In the first quarter there was particular concern about the strength of the City's sales tax revenue, local criminal justice sales tax revenue, development revenue, interest income and gambling tax revenue. After six months of data those concerns have been confirmed as development revenue is \$164,652 or 28.8% below projections, gambling revenue is \$93,218 or 14.4% below projections and interest income is \$112,836 or 80.5% below projections. Sales tax revenue is just slightly over projections by only 1.24% respectively. We will continue to closely monitor all general fund revenue trends to determine if additional revenue adjustments are necessary. Staff has already determined that development revenue projections need to be reduced by an additional \$200,000 to \$250,000. Investment interest may also need to be adjusted as it is not expected that interest rates will rebound by year end.

General fund departmental expenditures during the first half of 2009 were \$9,454,178, under projected expenditures of \$9,935,879 by \$481,701 or 4.85%. Most of this under-expenditure is in the City Attorney, Finance, Citywide and Public Works departments.

Revenues

	2009 Budget	2009 Projected	2009 Q2 Projected	2009 Q2 Actual	\$ Variance	% Variance
General Fund	\$31,647,820	\$30,381,139	\$13,808,376	\$13,534,627	-\$273,749	-1.98%
Street	\$2,692,629	\$2,692,629	\$204,724	\$194,171	-\$10,553	-5.15%
Code Abatement	\$100,000	\$87,500	\$43,750	\$16,042	-\$27,708	-63.33%
Asset Seizure	\$21,500	\$21,500	\$10,750	\$39,825	\$29,075	270.47%
Public Arts	\$114,500	\$1,250	\$625	\$919	\$294	47.04%
Unltd Tax GO Bond	\$1,700,000	\$1,700,000	\$850,000	\$866,048	\$16,048	1.89%
Gen Cap	\$36,165,554	\$24,503,178	\$891,640	\$875,954	-\$15,686	-1.76%
City Facility-Major Maint.	\$59,985	\$16,453	\$8,227	\$4,811	-\$3,416	-41.52%
Roads Cap	\$41,189,313	\$22,762,606	\$9,747,012	\$9,716,545	-\$30,467	-0.31%
Surface Water Utility	\$7,086,314	\$3,663,244	\$1,750,531	\$1,684,039	-\$66,491	-3.80%
Vehicle Operations/ Maint	\$145,359	\$145,359	\$142,452	\$141,968	-\$484	-0.34%
Equipment Replacement	\$320,741	\$272,873	\$199,873	\$183,636	-\$16,237	-8.12%
Unemploy. Fund	\$10,000	\$7,500	\$6,250	\$5,340	-\$910	-14.56%
Totals	\$41,426,763	\$36,737,012	\$15,763,630	\$15,412,837	-\$350,793	-2.23%

Expenditures

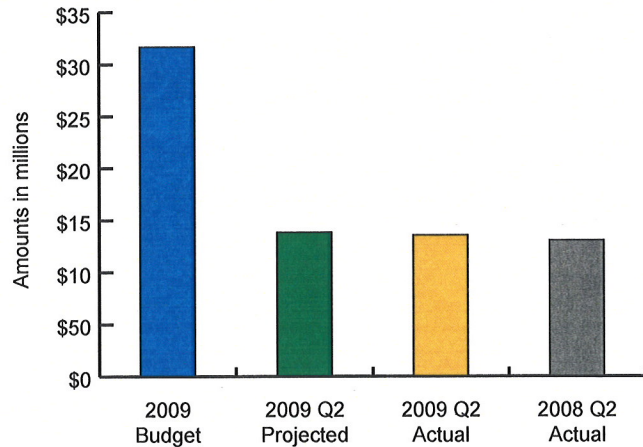
	2009 Budget	2009 Projected	2009 Q2 Projected	2009 Q2 Actual	\$ Variance	% Variance
General Fund	\$31,647,805	\$30,842,815	\$9,935,879	\$9,454,178	-\$481,701	-4.85%
Street	\$2,582,164	\$2,582,164	\$1,191,534	\$1,206,177	\$14,643	1.23%
Code Abatement	\$100,000	\$100,000	\$0	\$0	\$0	\$0
Asset Seizure	\$21,500	\$21,500	\$10,750	\$20,495	\$9,745	90.65%
Public Arts	\$114,500	\$114,500	\$37,785	\$28,947	-\$8,838	-23.39%
Unltd Tax GO Bond	\$1,676,850	\$1,676,850	\$338,229	\$338,229	\$0	0.00%
Gen Cap	\$36,165,556	\$33,630,030	\$2,127,616	\$1,939,407	-\$188,209	-8.85%
City Facility-Major Maint.	\$55,953	\$55,953	\$18,464	\$6,090	-\$12,374	-67.02%
Roads Cap	\$41,189,313	\$23,684,727	\$11,253,833	\$10,152,727	-\$1,101,106	-9.78%
Surface Water Utility	\$7,086,315	\$7,086,315	\$134,675	\$382,430	\$247,755	183.97%
Vehicle Operations/ Maint	\$142,959	\$142,959	\$71,480	\$78,171	\$6,692	9.36%
Equipment Replacement	\$245,204	\$245,204	\$122,602	\$32,327	-\$90,275	-73.63%
Unemploy. Fund	\$10,000	\$10,000	\$5,000	\$5,069	\$69	1.38%
Totals	\$41,316,294	\$40,511,294	\$11,262,088	\$11,042,785	-\$219,303	-1.9%

GENERAL FUND REVENUE DETAIL

Revenue Source	2009 Budget	2009 Projected Revenue	2009 2nd Quarter Projected	2009 2nd Quarter Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2008 2nd Quarter Actual
Budgeted Fund Balance	\$1,266,681	\$0	\$0	\$0	\$0	0%	\$0
Property Tax	\$7,406,509	\$7,406,509	\$3,821,759	\$3,832,410	\$10,651	0.28%	\$3,738,572
Sales Tax	\$6,196,236	\$6,196,236	\$2,484,176	\$2,514,978	\$30,802	1.24%	\$2,705,145
Local Criminal Justice	\$1,109,432	\$1,109,432	\$553,607	\$533,505	-\$20,102	-3.63%	\$632,066
Utility Tax & Franchise Fee Revenue							
Natural gas	\$1,033,581	\$1,033,581	\$611,880	\$699,040	\$87,160	14.24%	\$605,857
Garbage	\$475,000	\$475,000	\$130,625	\$124,391	-\$6,234	-4.77%	\$44,839
Cable TV	\$1,414,000	\$1,414,000	\$469,110	\$487,854	\$18,744	4.00%	\$467,347
Telecommunications	\$1,800,000	\$1,800,000	\$720,000	\$640,030	-\$79,970	-11.11%	\$644,855
Storm Drainage	\$191,000	\$191,000	\$102,949	\$102,224	-\$725	-0.70%	\$94,483
Water	\$610,000	\$610,000	\$146,400	\$158,622	\$12,222	0.00%	\$149,308
Sewer	\$695,521	\$695,521	\$347,761	\$348,000	\$240	0.07%	\$338,000
Utility Tax & Franchise Fee Revenue Subtotal	\$6,219,102	\$6,219,102	\$2,528,724	\$2,560,161	\$31,437	1.24%	\$2,344,689
SCL Contract Payment	\$1,467,500	\$1,467,500	\$601,675	\$613,098	\$11,423	1.90%	\$386,398
Gambling Tax Revenue	\$1,908,500	\$1,908,500	\$646,325	\$553,107	-\$93,218	-14.42%	\$494,688
Development Revenue	\$1,002,000	\$1,002,000	\$571,462	\$406,810	-\$164,652	-28.81%	\$684,732
Park Revenue	\$1,391,855	\$1,391,855	\$627,428	\$663,559	\$36,131	5.76%	\$644,141
State Revenue	\$858,240	\$858,240	\$431,239	\$408,021	-\$23,218	-5.38%	\$393,808
Grant Revenue	\$337,144	\$337,144	\$53,424	\$53,422	-\$2	0.00%	\$23,564
Fines and Licenses	\$28,850	\$28,850	\$44,046	\$44,906	\$860	1.95%	\$57,938
Miscellaneous Revenue	\$311,027	\$311,027	\$121,541	\$140,515	\$18,974	15.61%	\$131,530
Interest Income	\$374,000	\$374,000	\$140,120	\$27,284	-\$112,836	-80.53%	\$185,261
Operating Transfers In	\$1,770,744	\$1,770,744	\$1,182,851	\$1,182,851	\$0	0.00%	\$628,618
Total General Fund Revenue	\$31,647,820	\$30,381,139	\$13,808,376	\$13,534,627	-\$273,749	-1.98%	\$13,051,150

GENERAL FUND REVENUE ANALYSIS:

TOTAL GENERAL FUND REVENUE



2009 Budget	\$31,647,820
2009 2nd Quarter Projected	\$13,808,376
2009 2nd Quarter Actual	\$13,534,627
2nd Quarter \$ Variance	-\$273,749
2nd Quarter % Variance	-1.98%
2008 2nd Quarter Actual	\$13,051,150
Change from 2008	3.7%

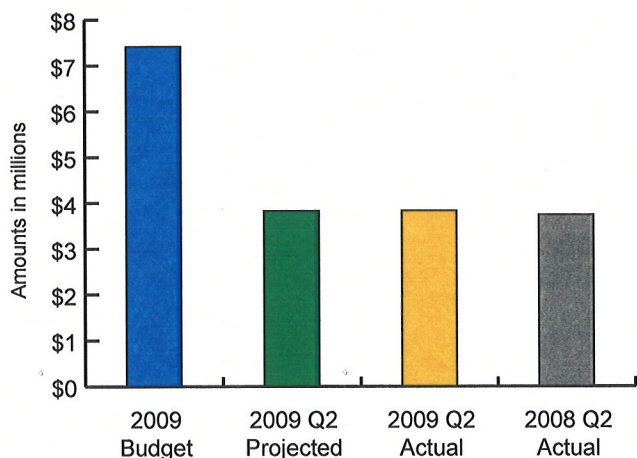
Second quarter 2009 actual general fund revenue of \$13,534,627 is under projected revenue by \$273,749 or 1.98%. Earlier this year, projections for four revenue categories were reduced. Local sales tax revenue was lowered by \$894,216 or 12.61%; criminal justice sales tax was lowered by \$252,318 or 18.53%; gambling tax revenue was lowered by \$100,000 or 5.26%; and permit revenue was lowered by \$454,425 or 27.9%. These four categories continue to struggle through the second quarter reflecting both state and national trends as a result of the recession. Through the first half local sales tax revenue is ahead of the new target by just \$30,802 or 1.24%; local criminal justice sales tax revenue is behind the new target by \$20,102 or 3.63%; permit revenue is behind reduced projections by \$164,652 or 28.81%; and gambling revenue is below lowered projections by \$93,218 or 14.42%. Staff has determined that development revenue projections will need to be reduced by an additional \$200,000 to \$250,000 for 2009.

On the positive side the following revenues are performing ahead of original projections:

- Property tax collections by \$10,651 or 0.28%
- Utility taxes and franchise fees by \$31,437 or 1.24%
- Seattle City Light contract payment by \$11,423 or 1.90%
- Recreation fee revenue by 36,131 or 5.76%

On the negative side state shared revenue through June is below projections by \$23,218 or 5.38% as collections from liquor excise tax and liquor board profits are down. Interest revenue is also significantly below projections as a result of the significant drops in the investment interest rates. It is probable that interest projections will need to be lowered for 2009.

PROPERTY TAX

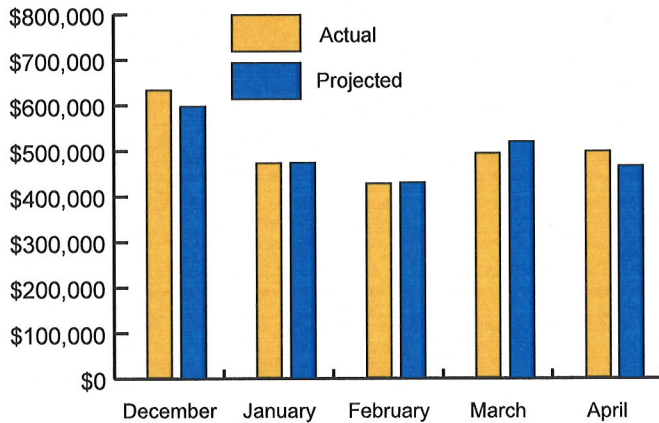


2009 Budget	\$7,406,509
2009 2nd Quarter Projected	\$3,821,759
2009 2nd Quarter Actual	\$3,832,410
2nd Quarter \$ Variance	\$10,651
2nd Quarter % Variance	0.28%
2008 2nd Quarter Actual	\$3,738,572
Change from 2008	2.5%

Property tax collections of \$3,832,410 exceeded projections of \$3,821,759 by \$10,651 or 0.28%. This category has not yet been adversely affected by current economic conditions.

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



2009 Budget

\$6,196,236

Sales tax revenue:
December 2008 through April 2009

Sales Activity	Projected	Actual
December 2008	\$597,083	\$630,850
January 2009	\$473,213	\$470,876
February 2009	\$429,384	\$425,759
March 2009	\$518,891	\$491,816
April 2009	\$465,605	\$495,677
Year to date	\$2,484,176	\$2,514,978

\$ Variance (December-April)

\$30,802

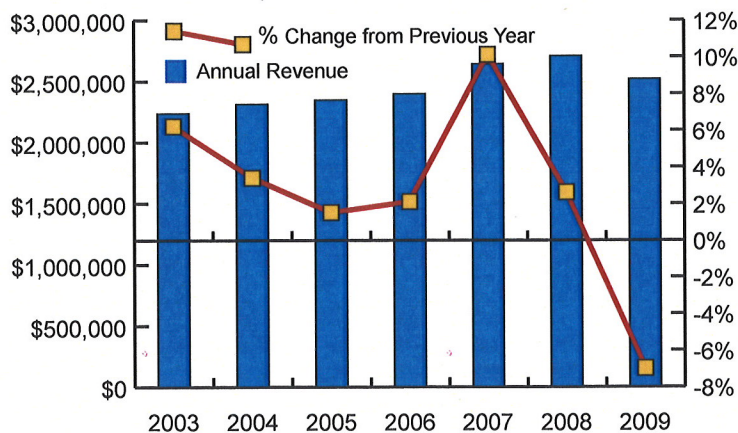
% Variance (December-April)

1.24%

Due to declining retail sales activity, the 2009 projected sales tax revenue was lowered in April from \$7,090,452 to \$6,196,236 a reduction of \$894,216 or 12.61%. As a result of the current economic recession, sales tax activity in Shoreline has fallen by 7.9% compared to 2008 levels. Specifically retail sales are down by \$149,390 or 9.19%; hotel and restaurant sales are down by \$10,781 or 6.7%. Retail sales are being adversely affected by the downturn in automotive sales sector, home and building materials sector and general merchandise stores; collectively these industry areas account for roughly 70% of all retail sales and compared to 2008 are down by \$142,580 or 11.9%. On the other hand, construction related sales are up \$32,628 or 7.9%. Construction sales tax revenue continued to get a bump from the Echo Lake Multi Family project and the Sky Nursery remodel. Both of these projects will soon be completed and collectively these projects generate roughly \$25,000 per month in sales tax revenue. There are no projects currently underway or envisioned in the near future that will provide this same revenue stream in the construction sector, and therefore we anticipate a drop in the construction related sales tax.

The new sales tax revenue target for 2009 is \$6,196,236 and through the first half of 2009 (includes December of 2008) revenue of \$2,514,978 is \$30,802 or 1.24% ahead of the lowered projections. This revenue variance is relatively small and at this time we are keeping a close eye on sales tax activity to see if we have hit the bottom and revenue has stabilized or if the decline will continue.

Annual Sales Tax Revenue Comparison



Annual Sales Tax Revenue

Year	Revenue for Dec. - April	% Change from Previous Year
2003	\$2,234,713	6.20%
2004	\$2,310,734	3.40%
2005	\$2,345,268	1.49%
2006	\$2,394,883	2.10%
2007	\$2,637,769	10.10%
2008	\$2,705,090	2.60%
2009	\$2,514,978	-7.00%