
Council Meeting Date: April 14, 2014

Agenda Item: 9(b)

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	2013 Fourth Quarter and Year-End Financial Report		
DEPARTMENT:	Administrative Services		
PRESENTED BY:	Robert Hartwig, Administrative Services Director		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

The 2013 year-end financial report is attached to this staff report as Attachment A. This report summarizes the financial activities during 2013 for all City funds with detailed information provided on the General Fund, Street Fund, Surface Water Utility Fund, General Capital Fund and Roads Capital Fund. This report is provided to keep the Council informed of the financial issues and the financial position of the City.

Also attached (Attachment B) is a summary of the three primary Capital Funds - General, Surface Water and Roads. The intent of this attachment is to update the Council on the progress and status of the capital projects.

RESOURCE/FINANCIAL IMPACT:

The table on page 2 of the 2013 Year-End Financial Report provides a summary of the financial results for all City funds for 2013.

RECOMMENDATION

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

Approved By: City Manager DT City Attorney IS

ATTACHMENTS

Attachment A – 2013 Year End Financial Report
Attachment B – Capital Project Summary Report



2013 YEAR END FINANCIAL REPORT

April 2014

PERFORMANCE AT A GLANCE

	ANNUAL RESULT	COMPARED TO PROJECTIONS	REFERENCE
GENERAL FUND REVENUES			
Property Tax Revenue	▲ POSITIVE ▲	2.6%	Page 4
Sales Tax Revenue	▲ POSITIVE ▲	4.9%	Pages 5-6
Utility Tax Revenue	▲ POSITIVE ▲	2.1%	Page 9
Development Revenue	▲ POSITIVE ▲	19.4%	Page 10
Gambling Tax Revenue	▲ POSITIVE ▲	2.2%	Page 11
Park and Recreation Revenue	▲ POSITIVE ▲	2.9%	Page 12
Investment Income	▲ POSITIVE ▲	57.0%	Page 13
EXPENDITURES			
General Fund Expenditures	▲ POSITIVE ▲	-4.2%	Page 14
NON-GENERAL FUND REVENUES			
Surface Water Fees	● WARNING ●	-3.0%	Page 15
Fuel Tax	◀ NEUTRAL ▶	0.8%	Page 17
Real Estate Excise Tax	▲ POSITIVE ▲	18.3%	Page 17

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

For 2013 General Fund Revenue totaled \$34,819,507, which was above projections by \$693,971, or 2%, and reflects a year-over-year increase of \$231,760, or 0.7%. General Fund expenditures totaled \$33,424,382 and were \$1,458,187, or 4.2%, less than projected expenditures.

Street Fund revenues for 2013, including transfers in, totaled \$2,119,279 and were \$63,338, or 3.1%, above projections. Street Fund expenditures, including transfers out, totaled \$1,982,173 and were \$143,278, or 6.7%, below projections.

Surface Water Utility Fund (SWM) revenues for 2013 were \$4,030,510 which was \$126,264, or 3%, below projections. SWM expenditures of \$4,142,543 were \$819,637 or 16.5% below projections.

Street Fund fuel tax revenue receipts for 2013, in the amount of \$1,101,244, were \$9,209 or 0.8%, less than the projection and exhibit a year-over-year decrease of \$14,118, or 1.3%.

Real Estate Excise Tax (REET) revenue receipts for 2013 totaling \$1,634,442 were \$252,912, or 18.3% ahead of projections and \$332,160 more than receipts for 2012.

Revenues	2013 Budget	2013 Projected	2013 Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected
General Fund	\$35,414,371	\$34,125,536	\$34,819,507	\$693,971	2.0%
Street Fund	\$2,217,696	\$2,055,941	\$2,119,279	\$63,338	3.1%
Code Abatement Fund	\$100,000	\$80,550	\$3,674	-\$76,876	-95.4%
State Drug Enforcement Fund	\$13,800	\$69,780	\$73,622	\$3,842	5.5%
Public Arts Fund	\$75,500	\$6,000	\$10,337	\$4,337	72.3%
Federal Drug Enforcement Fund	\$20,750	\$30,516	\$37,587	\$7,071	23.2%
Property Tax Equalization Fund	\$0	\$2,030	\$1,771	-\$259	-12.8%
Federal Crime Forfeitures Fund	\$147,000	\$1,231,620	\$1,206,607	-\$25,013	-2.0%
Revenue Stabilization Fund	\$0	\$3,732	\$3,112	-\$620	-16.6%
Unltd Tax GO Bond Fund	\$1,705,050	\$1,505,050	\$1,504,752	-\$298	0.0%
Limited Tax GO Bond 2009 Fund	\$1,660,567	\$1,660,567	\$1,660,019	-\$548	0.0%
General Capital Fund	\$6,044,435	\$4,838,945	\$4,942,454	\$103,509	2.1%
City Facility-Major Maint. Fund	\$218,797	\$74,866	\$74,398	-\$468	-0.6%
Roads Capital Fund	\$20,427,271	\$5,231,618	\$4,580,289	-\$651,329	-12.4%
Surface Water Utility Fund	\$5,208,385	\$4,156,774	\$4,030,510	-\$126,264	-3.0%
Vehicle Operations/ Maint. Fund	\$213,635	\$198,635	\$198,613	-\$22	0.0%
Equipment Replacement Fund	\$516,696	\$381,687	\$387,540	\$5,853	1.5%
Unemployment Fund	\$17,500	\$17,579	\$17,576	-\$3	0.0%
Totals	\$74,001,453	\$55,671,426	\$55,671,647	\$221	0.0%
Transportation Benefit District	\$919,200	\$701,317	\$766,181	\$64,864	9.2%

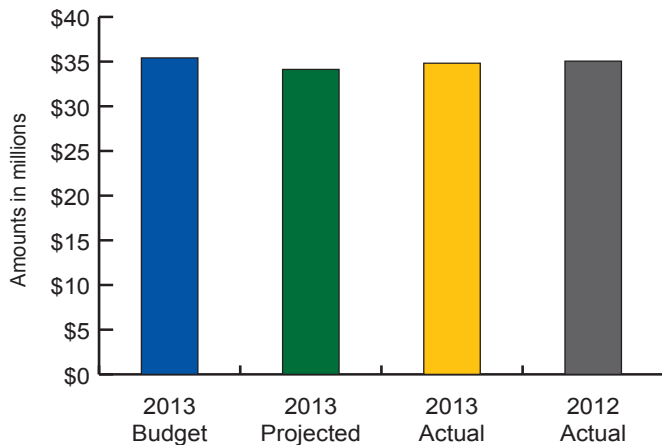
Expenditures	2013 Budget	2013 Projected	2013 Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected
General Fund	\$35,414,373	\$34,882,569	\$33,424,382	-\$1,458,187	-4.2%
Street Fund	\$2,217,696	\$2,125,451	\$1,982,173	-\$143,278	-6.7%
Code Abatement Fund	\$100,000	\$100,000	\$4,375	-\$95,625	-95.6%
State Drug Enforcement Fund	\$13,800	\$13,800	\$3,027	-\$10,773	-78.1%
Public Arts Fund	\$75,500	\$75,500	\$31,641	-\$43,859	-58.1%
Federal Drug Enforcement Fund	\$20,750	\$20,750	\$1,400	-\$19,350	-93.3%
Property Tax Equalization Fund	\$0	\$0	\$0	\$0	0.0%
Federal Crime Forfeitures Fund	\$147,000	\$146,967	\$52,604	-\$94,363	-64.2%
Revenue Stabilization Fund	\$0	\$0	\$0	\$0	0.0%
Unltd Tax GO Bond Fund	\$1,705,050	\$1,705,050	\$1,704,351	-\$699	0.0%
Limited Tax GO Bond 2009 Fund	\$1,660,567	\$1,660,567	\$1,660,019	-\$548	0.0%
General Capital Fund	\$6,044,435	\$5,234,796	\$4,422,611	-\$812,185	-15.5%
City Facility-Major Maint. Fund	\$218,797	\$218,797	\$178,687	-\$40,110	-18.3%
Roads Capital Fund	\$20,427,271	\$5,423,693	\$4,592,465	-\$831,228	-15.3%
Surface Water Utility Fund	\$5,208,385	\$4,962,180	\$4,142,543	-\$819,637	-16.5%
Vehicle Operations/ Maint. Fund	\$213,635	\$213,635	\$153,835	-\$59,800	-28.0%
Equipment Replacement Fund	\$244,090	\$244,090	\$176,831	-\$67,259	-27.6%
Unemployment Fund	\$17,500	\$17,500	\$6,476	-\$11,024	-63.0%
Totals	\$73,728,849	\$57,045,345	\$52,537,420	-\$4,507,925	-7.9%
Transportation Benefit District	\$919,200	\$919,200	\$711,533	-\$207,667	-22.6%

GENERAL FUND REVENUE DETAIL

Revenue Source	2013 Current Budget	2013 Projected Revenue	2013 Actual Revenue	\$ Variance Actual v. Projected Revenue	% Variance Actual v. Projected Revenue	2012 Annual Actual Revenue	Change from 2012
Budgeted Fund Balance	\$1,851,049	\$0	\$0	\$0	0.0%	\$0	\$0
Property Tax	\$9,409,277	\$9,409,277	\$9,654,835	\$245,558	2.6%	\$10,096,971	-\$442,136
Sales Tax	\$6,574,800	\$6,995,820	\$7,336,805	\$340,985	4.9%	\$6,932,874	\$403,931
Local Criminal Justice	\$1,171,779	\$1,171,779	\$1,182,507	\$10,728	0.9%	\$1,099,931	\$82,576
Utility Tax & Franchise Fee Revenue							
<i>Natural Gas</i>	\$966,946	\$889,590	\$885,253	-\$4,337	-0.5%	\$924,083	-\$38,830
<i>Garbage</i>	\$497,977	\$517,732	\$531,889	\$14,157	2.7%	\$502,652	\$29,237
<i>Cable TV</i>	\$1,531,846	\$1,658,749	\$1,716,006	\$57,257	3.5%	\$1,658,748	\$57,258
<i>Telecommunications</i>	\$1,704,878	\$1,569,095	\$1,503,329	-\$65,766	-4.2%	\$1,569,097	-\$65,768
<i>Storm Drainage</i>	\$201,648	\$201,648	\$198,650	-\$2,998	-1.5%	\$192,509	\$6,141
<i>Water</i>	\$715,327	\$726,877	\$859,787	\$132,910	18.3%	\$791,255	\$68,532
<i>Sewer</i>	\$786,127	\$786,127	\$787,000	\$873	0.1%	\$764,000	\$23,000
Utility Tax & Franchise Fee Revenue Subtotal	\$6,404,749	\$6,349,818	\$6,481,914	\$132,096	2.1%	\$6,402,344	\$79,570
SCL Contract Payment	\$1,829,501	\$1,829,501	\$1,754,748	-\$74,753	-4.1%	\$1,734,959	\$19,789
Gambling Tax Revenue	\$1,755,451	\$1,835,982	\$1,875,675	\$39,693	2.2%	\$2,057,956	-\$182,281
Development Revenue	\$1,174,208	\$1,241,258	\$1,481,993	\$240,735	19.4%	\$1,511,264	-\$29,271
Park and Recreation Revenue	\$1,511,160	\$1,522,033	\$1,565,768	\$43,735	2.9%	\$1,515,972	\$49,796
Intergovernmental Revenue	\$906,181	\$871,589	\$895,173	\$23,584	2.7%	\$961,250	-\$66,077
Grant Revenue	\$543,016	\$578,614	\$430,479	-\$148,135	-25.6%	\$322,438	\$108,041
Fines and Licenses	\$887,245	\$880,464	\$704,386	-\$176,078	-20.0%	\$936,518	-\$232,132
Miscellaneous Revenue	\$419,910	\$463,356	\$462,068	-\$1,288	-0.3%	\$424,046	\$38,022
Interest Income	\$30,000	\$30,000	\$47,112	\$17,112	57.0%	\$55,656	-\$8,544
Operating Transfers In	\$946,045	\$946,045	\$946,044	-\$1	0.0%	\$999,088	-\$53,044
Total General Fund Revenue	\$35,414,371	\$34,125,536	\$34,819,507	\$693,971	2.0%	\$35,051,267	-\$231,760

GENERAL FUND REVENUE ANALYSIS:

TOTAL GENERAL FUND REVENUE

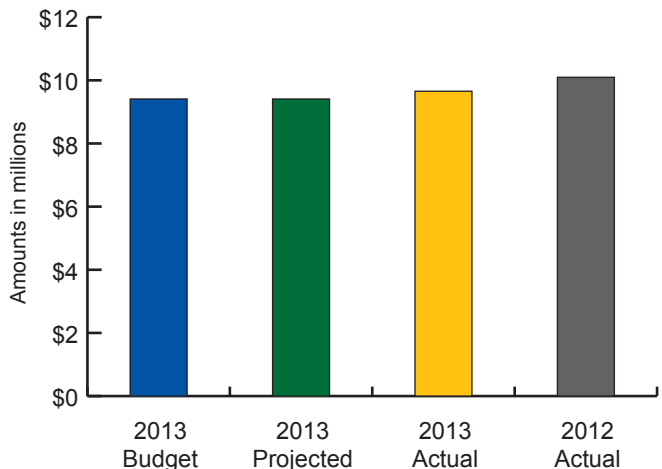


2013 Budget	\$35,414,371
2013 Projected Revenue	\$34,125,536
2013 Actual Revenue	\$34,819,507
Annual \$ Variance	\$693,971
Annual % Variance	2.0%
2012 Actual Revenue	\$35,051,267
\$ Change from 2012	-\$231,760
% Change from 2012	-0.7%

Total General Fund revenue received during 2013 totaled \$34,819,507, is above the revised projection by \$693,971, 2.0%, and reflects a year-over-year decrease of \$231,760, or 0.7%. The following highlights the most important details of this report:

- The Property Tax Levy was lower in 2013 as a result of a 5.0% drop in the assessed valuation.
- There is a higher-than-anticipated level of sales tax activity, mostly attributable to strong growth in new car sales and in the construction sector.
- Utility Tax & Franchise Fee Revenue sources are ahead of projections mostly due to higher than anticipated franchise fees from water.
- Development revenue continued to exceed projections due to both one-time major construction projects and growth in new residential construction and remodels.
- The end of taxable gambling activity at Drift on Inn is the primary factor behind the negative variance from the year-ago level for Gambling Tax revenue.
- In the Fines and Licenses category, District Court revenues were lower-than-anticipated as court filings dropped from the year-ago level.

PROPERTY TAX

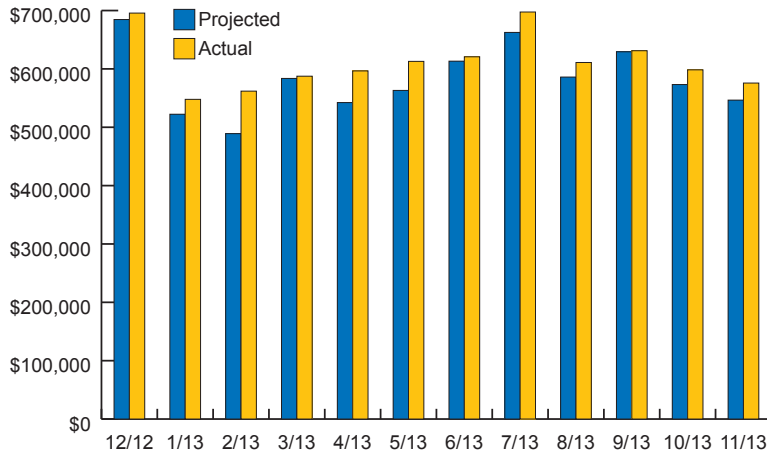


2013 Budget	\$9,409,277
2013 Projected Revenue	\$9,409,277
2013 Actual Revenue	\$9,654,835
Annual \$ Variance	\$245,558
Annual % Variance	2.6%
2012 Actual Revenue	\$10,096,971
\$ Change from 2012	-\$442,136
% Change from 2012	-4.4%

Property Tax receipts, in the amount of \$9,654,835, are higher than the projection by \$245,558, or 2.6%, but 4.4% less than those collected during the same period in 2012. The final 2013 property tax levy increased by \$68,066 over the projected amount. The City has received \$167,963 in delinquent taxes from previous years that were not factored into the budget.

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



2013 Budget	\$6,574,800
2013 Projected Budget	\$6,995,820

Sales tax revenue: December 2012 - November 2013		
Sales Activity	Projected	Actual
December 2012	\$684,583	\$695,645
January 2013	\$522,314	\$547,817
February 2013	\$489,065	\$561,895
March 2013	\$583,659	\$587,503
April 2013	\$542,277	\$596,554
May 2013	\$563,114	\$612,901
June 2013	\$613,247	\$620,742
July 2013	\$662,504	\$697,475
August 2013	\$586,021	\$610,976
September 2013	\$629,350	\$631,154
October 2013	\$573,182	\$598,396
November 2013	\$546,505	\$575,747
Year to date	\$6,995,820	\$7,336,805
\$ Variance		\$340,985
% Variance		4.9%

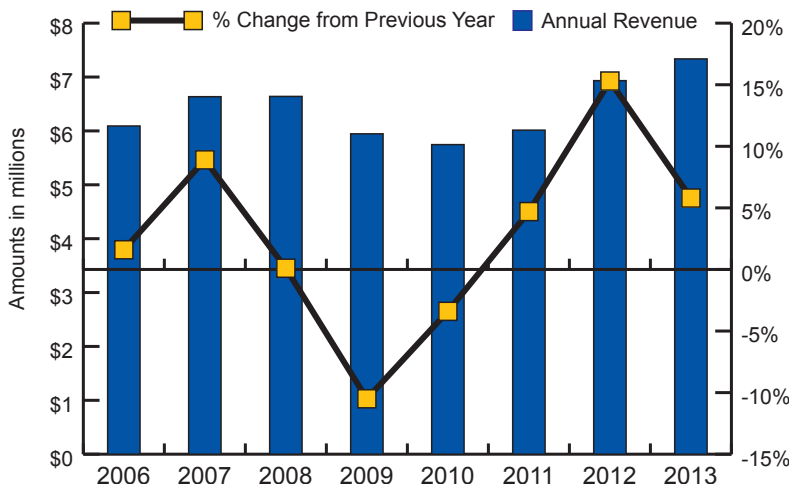
Sales tax receipts for the year, which reflect activity from December 2012 through November 2013, total \$7,336,805 and are above the revised projection by \$340,985, or 4.9%, and the year-ago level by \$403,931, or 5.8%. Both variances continue to be attributable to one-time projects in the construction sector, strong growth in new car sales in the retail trade sector, and increases in the construction of single-family residences and residential remodels.

The revised year-end projection for the Retail Trade Sector totals \$4,320,370 . Receipts are higher than the revised projection by \$47,133, or 1.1%, and the year-ago level by \$255,777, or 6.2%. Leading this upward sales tax trend when compared with 2012 are new car dealers (+13.8%) , building material and garden stores (+11.8%) , and general merchandise stores (+2.2%) . Approximately 32.0% of the total sales tax receipts come from new car dealers and general merchandise stores.

Receipts for the Construction Sector are slightly higher as compared to the same period of 2012. The majority of the receipts have come from one-time activity and it is important to note that large one-time projects in the Construction Sector are coming to an end. Of the amount collected so far this year, \$578,633, or 43.6%, is attributable to one-time activity. Of the \$1,315,397 collected through November 2012, \$778,106, or 59.2%, was attributable to one-time activity. Removing one-time activity from the calculation reveals a more relevant year-over-year increase of 39.2% .

The tables on the following page help illustrate the performance of various sectors. The first table presents a condensed view of the four primary categories of Construction; Retail Trade; Hotels and Restaurants; and, All Others. The second table presents a breakdown of the Retail Trade category and highlights specific industry economic performance in comparison to previous years.

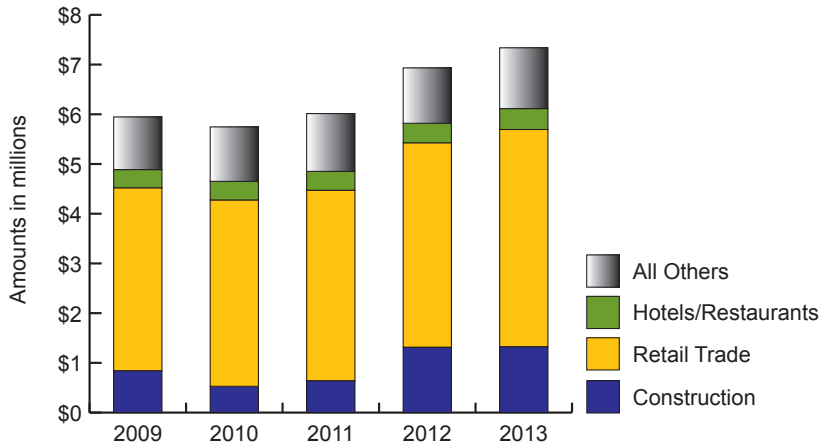
Annual Sales Tax Revenue Comparison



Annual Sales Tax Revenue Comparison		
Year	Annual Revenue	% Change from Previous Year
2006	\$6,091,545	1.6%
2007	\$6,635,052	8.9%
2008	\$6,640,320	0.1%
2009	\$5,946,181	-10.5%
2010	\$5,745,755	-3.4%
2011	\$6,014,244	4.7%
2012	\$6,932,874	15.3%
2013	\$7,336,805	5.8%

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX BY CATEGORY

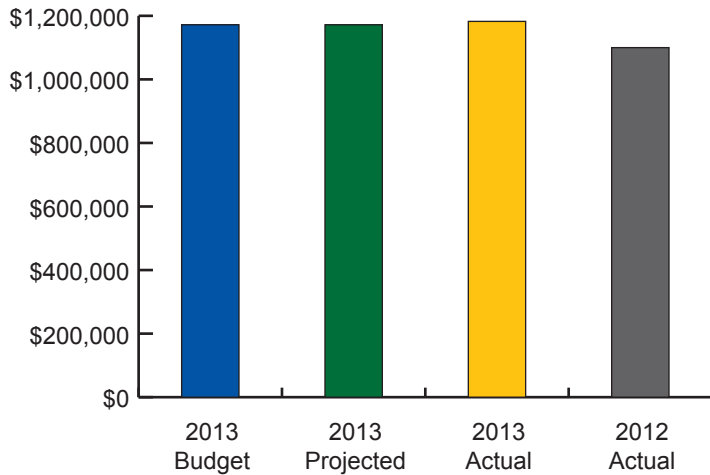


RETAIL SECTOR	2009	2010	2011	2012	2013
Construction	843,240	528,762	642,326	1,315,397	\$1,326,775
Retail Trade	3,678,181	3,748,091	3,829,648	4,111,726	\$4,367,503
Hotel and Restaurant	366,269	373,794	379,096	390,912	\$420,096
All Others	1,058,491	1,095,108	1,163,173	1,114,839	\$1,222,431
Total	\$5,946,181	\$5,745,755	\$6,014,244	\$6,932,874	\$7,336,805
\$ Variance to previous year	-694,439	-200,426	268,489	918,630	\$403,931
% Variance to previous year	-10.5%	-3.4%	4.7%	15.3%	5.8%

SALES TAX BY CATEGORY									
Retail Trade	2009 Dec-Nov	2010 Dec-Nov	2010 v. 2009 \$ Variance	2011 Dec-Nov	2011 v. 2010 \$ Variance	2012 Dec-Nov	2012 v. 2011 \$ Variance	2013 Dec-Nov	2013 v. 2012 \$ Variance
Motor Vehicle/Parts Dealer	\$816,328	\$830,699	\$14,371	\$886,376	\$55,677	\$1,016,944	\$130,568	\$1,126,163	\$109,219
Furniture, Home Furnishings	\$36,959	\$51,290	\$14,331	\$54,955	\$3,665	\$52,391	-\$2,564	\$56,861	\$4,470
Electronics and Appliances	\$70,266	\$82,643	\$12,377	\$86,164	\$3,521	\$89,633	\$3,469	\$92,316	\$2,683
Building Materials, Garden	\$563,297	\$566,978	\$3,681	\$568,887	\$1,909	\$594,639	\$25,752	\$665,036	\$70,397
Food and Beverage Stores	\$276,246	\$266,587	-\$9,659	\$255,851	-\$10,736	\$263,322	\$7,471	\$261,984	-\$1,338
Health/Personal Care Store	\$124,382	\$127,731	\$3,349	\$127,062	-\$669	\$148,724	\$21,662	\$161,275	\$12,551
Gasoline Stations	\$63,110	\$68,173	\$5,063	\$70,763	\$2,590	\$73,646	\$2,883	\$74,774	\$1,128
Clothing and Accessories	\$26,143	\$29,806	\$3,663	\$36,724	\$6,918	\$44,684	\$7,960	\$46,099	\$1,415
Sporting Goods, Hobby, Books	\$85,278	\$80,967	-\$4,311	\$79,641	-\$1,326	\$75,232	-\$4,409	\$80,310	\$5,078
General Merchandise Stores	\$1,295,736	\$1,314,807	\$19,071	\$1,306,756	-\$8,051	\$1,375,538	\$68,782	\$1,406,042	\$30,504
Miscellaneous Store Retailers	\$248,464	\$242,941	-\$5,523	\$254,677	\$11,736	\$255,055	\$378	\$251,155	-\$3,900
Nonstore Retailers	\$71,972	\$85,469	\$13,497	\$101,792	\$16,323	\$121,918	\$20,126	\$145,488	\$23,570
Total Revenue	\$3,678,181	\$3,748,091	\$69,910	\$3,829,648	\$81,557	\$4,111,726	\$282,078	\$4,367,503	\$255,777

GENERAL FUND REVENUE ANALYSIS (continued):

LOCAL CRIMINAL JUSTICE SALES TAX



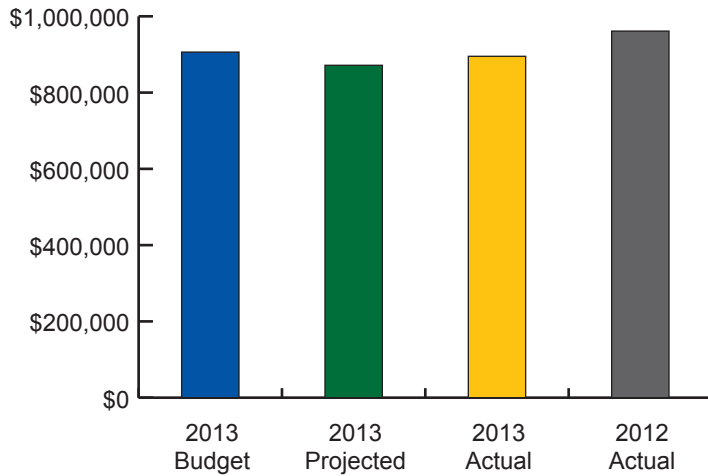
2013 Budget	\$1,171,779
2013 Projected Revenue	\$1,171,779
2013 Actual Revenue	\$1,182,507
Annual \$ Variance	\$10,728
Annual % Variance	0.9%
2012 Actual Revenue	\$1,099,931
\$ Change from 2012	\$82,576
% Change from 2012	7.5%

Local Criminal Justice Sales Tax receipts, in the amount of \$1,182,507, are \$10,728, or 0.9%, more than the projection and \$82,576, or 7.5%, above the year-ago level.

In contrast to the increase in Sales Tax receipts noted above, Local Criminal Justice Sales Tax receipts exhibited a year-over-year increase of 7.5%. The result for Local Criminal Justice Sales Tax receipts is not commensurate with the result for Sales Tax receipts because the distribution of Local Criminal Justice Sales Tax is based on the city's population and the amount of sales tax collected throughout all of King County. This continues to be an indication that sales tax activity is recovering within King County.

GENERAL FUND REVENUE ANALYSIS (continued):

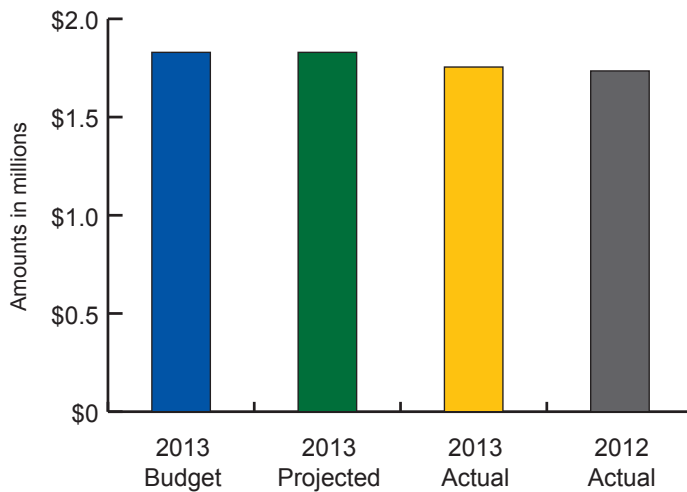
INTERGOVERNMENTAL REVENUE



2013 Budget	\$906,181
2013 Projected Revenue	\$871,589
2013 Actual Revenue	\$895,173
Annual \$ Variance	\$23,584
Annual % Variance	2.7%
2012 Actual Revenue	\$961,250
\$ Change from 2012	-\$66,077
% Change from 2012	-6.9%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, and liquor board profits. Receipts, in the amount of \$895,173, are \$23,584, or 2.7%, more than the revised projection. Distributions of the liquor excise tax during the year exceeded revised projections by \$20,238. Receipts are \$66,077, or 6.9%, lower than the year-ago level. This reflects the adoption of the state's 2013-2015 budget, which reduced the share of the liquor taxes going to the liquor excise tax fund by 50% by increasing the share deposited into the state general fund.

SEATTLE CITY LIGHT CONTRACT PAYMENT

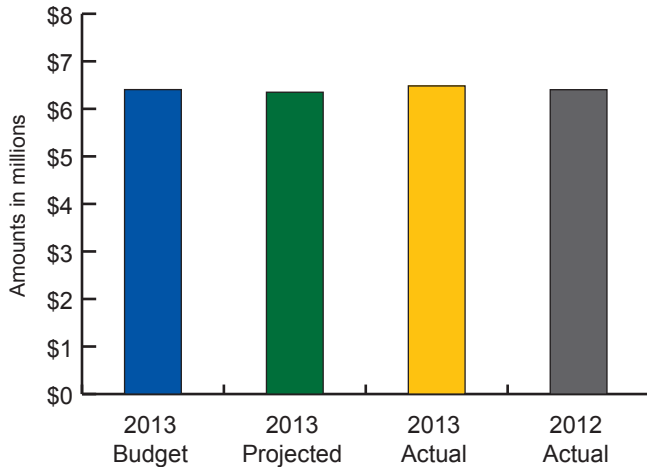


2013 Budget	\$1,829,501
2013 Projected Revenue	\$1,829,501
2013 Actual Revenue	\$1,754,748
Annual \$ Variance	-\$74,753
Annual % Variance	-4.1%
2012 Actual Revenue	\$1,734,959
\$ Change from 2012	\$19,789
% Change from 2012	1.1%

Receipts for 2013, in the amount of \$1,754,748, are \$74,753, or 4.1%, less than the projection of \$1,829,501 but \$19,789, or 1.1%, higher than the year-ago level. The 2013 budget was based on applying a 1.6% rate increase onto the 2012 estimate of \$1,800,690. Collections for 2012 totaled \$1,734,959 which was \$65,731 under estimates. Projections for 2013 should have been reduced to reflect the lower 2012 collections.

GENERAL FUND REVENUE ANALYSIS (continued):

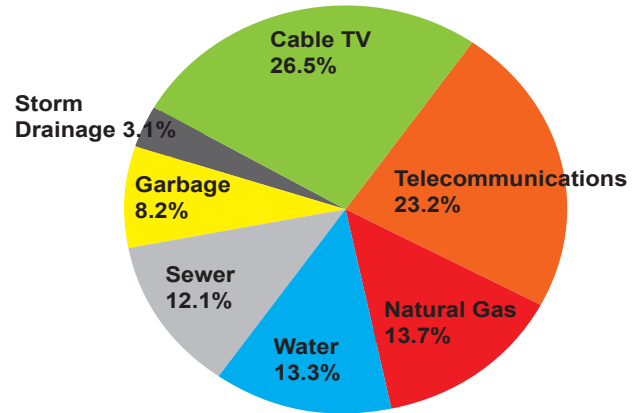
UTILITY TAX AND FRANCHISE FEE



2013 Budget	\$6,404,749
2013 Projected Revenue	\$6,349,818
2013 Actual Revenue	\$6,481,914
Annual \$ Variance	\$132,096
Annual % Variance	2.1%
2012 Actual Revenue	\$6,402,344
\$ Change from 2012	\$79,570
% Change from 2012	1.2%

Overall Utility Tax and Franchise Fee receipts, in the amount of \$6,481,914, are \$132,096, or 2.1%, more than the revised projection and exhibit a year-over-year increase of \$79,570, or 1.2%.

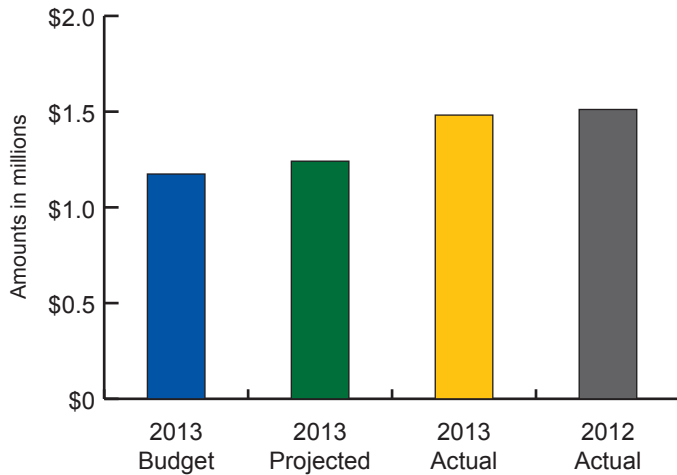
Natural gas tax receipts are slightly behind the projection by \$4,337, or 0.5%, and behind 2012 collections by \$38,830, or 4.2%. The projection factored in a warmer first quarter for 2013 as compared to 2012. Cable television tax receipts are ahead of the revised projection by \$57,257, or 3.5%, and 2012 collections by \$57,258, or 3.5%. Water franchise fee receipts are ahead of the revised projection by \$132,910, or 18.3%, and 2012 collections by \$68,532, or 8.7%. This positive variance is mostly attributable to higher rate increases by North City Water District and higher consumption than originally expected due to an unusually dry summer after the 2013 projection was developed. Telecommunications tax receipts are \$65,766, or 4.2%, behind the projection and down from 2012 collections. This category has continued to decline over the past few years as customers continue to switch from land lines to cellular service.



Revenue Source	2013 Budget	2013 Projected Revenue	2013 Actual Revenue	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2012 Actual Revenue	% of Utility Revenue Total
Natural gas	\$966,946	\$889,590	\$885,253	-\$4,337	-0.5%	\$924,083	13.7%
Garbage	\$497,977	\$517,732	\$531,889	\$14,157	2.7%	\$502,652	8.2%
Cable TV	\$1,531,846	\$1,658,749	\$1,716,006	\$57,257	3.5%	\$1,658,748	26.5%
Telecommunications	\$1,704,878	\$1,569,095	\$1,503,329	-\$65,766	-4.2%	\$1,569,097	23.2%
Storm Drainage	\$201,648	\$201,648	\$198,650	-\$2,998	-1.5%	\$192,509	3.1%
Water	\$715,327	\$726,877	\$859,787	\$132,910	18.3%	\$791,255	13.3%
Sewer	\$786,127	\$786,127	\$787,000	\$873	0.1%	\$764,000	12.1%
Utility Tax and Franchise Fee Revenue Subtotal	\$6,404,749	\$6,349,818	\$6,481,914	\$132,096	2.1%	\$6,402,344	100.0%

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE

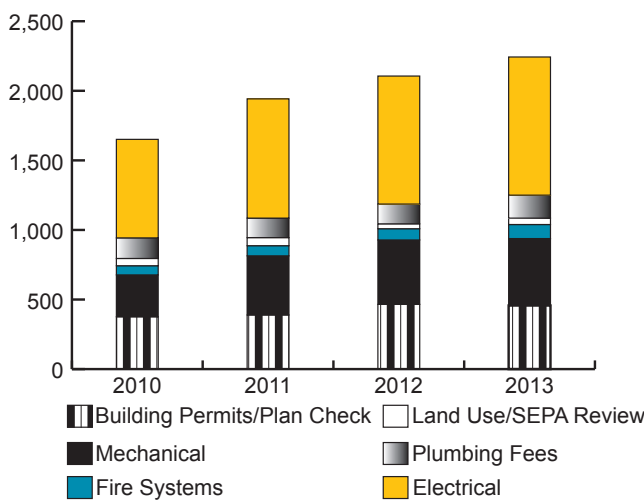


2013 Budget	\$1,174,208
2013 Projected Revenue	\$1,241,258
2013 Actual Revenue	\$1,481,993
\$ Variance	\$240,735
% Variance	19.4%
2012 Actual Revenue	\$1,511,264
\$ Change from 2012	-\$29,271
% Change from 2012	-1.9%

The projection for development revenue receipts was increased from the budget of \$1,174,208 to \$1,241,258, primarily due to increased right-of-way activity but did not anticipate the amount of one-time activity that actually occurred. Total development revenue receipts, in the amount of \$1,481,993, are \$240,735, or 19.4%, more than the revised projection but exhibit a year-over-year decrease of \$29,271, or 1.9%. Approximately \$114,000 of revenue was received from one-time projects in 2013 for the high schools, North City Family Apartments and Shoreline Star Apartments projects, but a majority was for the Shoreline Star Apartments project. Removing one-time activity from the calculation reveals a more relevant increase from the projection of \$126,696, or 10.2%. The year-over-year decrease in receipts is attributable to the fact that approximately \$387,000 of revenue was received in 2012 for these same projects (mostly for the high school and North City Family Apartments projects). Removing the receipts attributable to these large projects from the calculation reveals a more relevant year-over-year increase of \$243,608, or 21.7%.

The valuation for new construction and additions/remodels for 2013 totaled \$66.8 million, comprised of 38.9% residential, 31.5% multi-family, and 29.4% commercial valuation. This 2013 valuation is 35.1% less than the year-ago level because the valuation in 2012 included Shorecrest High School (\$39.8 million) and North City Family Apartments (\$26.9 million). Removing the valuation for these one-time projects in 2012 and that for the Shoreline Star Apartments (\$16.1 million) in 2013, reveals a more relevant year-over-year increase of \$36.2 million, or 40.1%. Other large projects that were permitted in 2013 include a remodel at King County Metro Transit (\$3.9 million), as well as new construction at International Community Health Services (\$5.7 million), US Biotek (\$2.8 million), and Chuck Olson KIA (\$2.0 million).

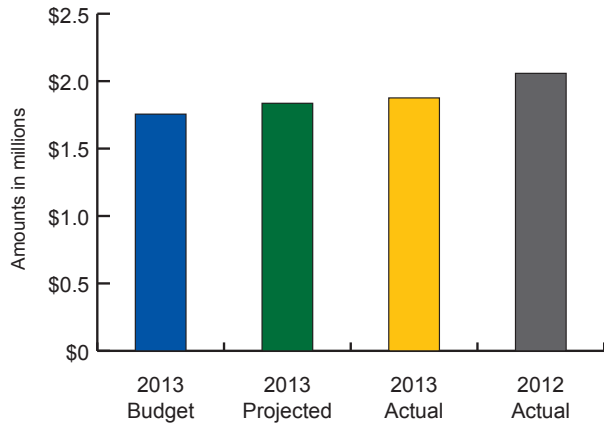
PERMITS BY TYPE January through December 2010–2013



PERMIT TYPE	2010	2011	2012	2013	#Variance 2013 v. 2012	%Variance 2013 v. 2012
Building Permits/ Plan Check	376	389	465	457	-8	-1.7%
Mechanical	301	425	463	481	18	3.9%
Fire Systems	66	73	81	101	20	24.7%
Land Use/ SEPA Review	52	58	35	46	11	31.4%
Plumbing	148	140	142	165	23	16.2%
Electrical	708	857	920	993	73	7.9%
Total	1,651	1,942	2,106	2,243	137	6.5%

GENERAL FUND REVENUE ANALYSIS (continued):

GAMBLING TAX REVENUE



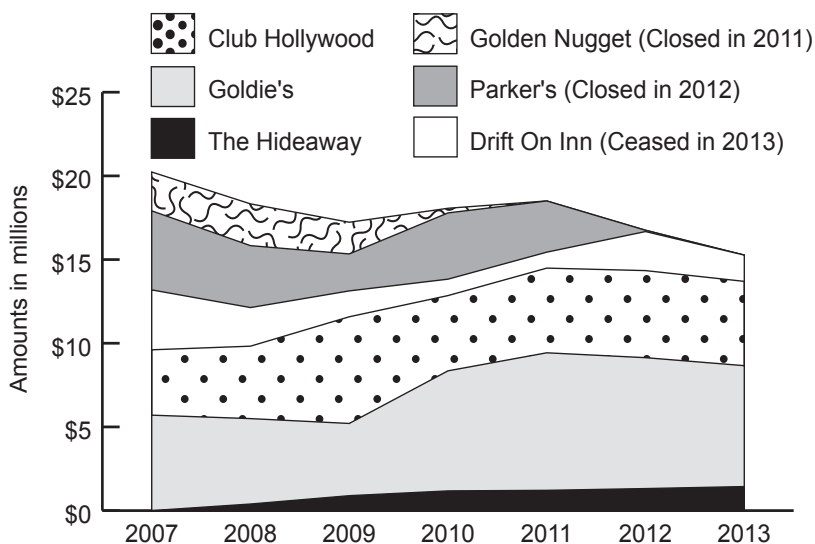
2013 Budget	\$1,755,451
2013 Projected Revenue	\$1,835,982
2013 Actual Revenue	\$1,875,675
\$ Variance	\$39,693
% Variance	2.2%
2012 Actual Revenue	\$2,057,956
\$ Change from 2012	-\$182,281
% Change from 2012	-8.9%

The year-end estimate totaling \$1,835,982 is comprised of \$1,626,265 in tax collections and \$209,717 in promissory note revenue. The projection for promissory note revenue accounts for notes with Jersey's Great Food & Spirits, Goldie's Shoreline Casino, The Hideaway and Shay's Restaurant.

Receipts total \$1,875,675 and are comprised of tax collections of \$1,651,315, which are \$25,050, or 1.5%, higher than the projection and promissory note payments of \$224,360. Total receipts are higher than the revised projection by \$39,693, or 2.2%, but lower than 2012 collections by \$182,281, or 8.9%. The end of taxable gambling activity at Drift on Inn is a common factor behind the variance from the projection and year-ago level. Staff did not factor taxes from gambling activity that occurred at the Drift on Inn before its end in late July as it was uncertain they would be paid.

The chart below exhibits a decline in the level of card room activity in Shoreline, measured by gross receipts, due to the closure of Parker's Sports Bar & Casino in 2012 and end of taxable activity at the Drift on Inn in 2013.

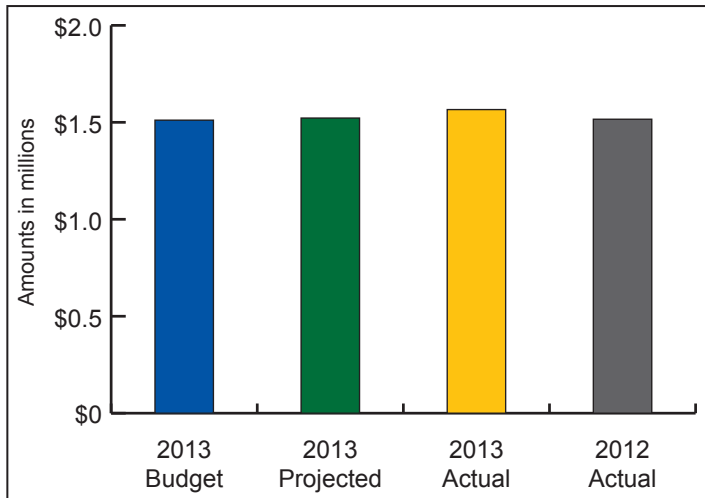
CARD ROOM RECEIPTS 2007-2013



Year	Annual Gross Receipts	% Change from Previous Year
2007	\$20,232,133	-6.9%
2008	\$18,326,645	-9.4%
2009	\$17,230,142	-6.0%
2010	\$18,065,061	4.8%
2011	\$18,502,782	2.4%
2012	\$16,751,880	-9.5%
2013 Projection	\$15,078,400	
2013 Actual	\$15,265,019	-8.9%

GENERAL FUND REVENUE ANALYSIS (continued):

PARK AND RECREATION REVENUE



2013 Budget	\$1,511,160
2013 Projected Revenue	\$1,522,033
2013 Actual Revenue	\$1,565,768
\$ Variance	\$43,735
% Variance	2.9%
2012 Actual Revenue	\$1,515,972
\$ Change from 2012	\$49,796
% Change from 2012	3.3%

The projection for Park and Recreation revenue receipts was slightly increased from the current budget of \$1,511,160 to \$1,522,033. Total receipts, in the amount of \$1,565,768, are \$43,735, or 2.9%, more than the revised projection and exhibit a year-over-year increase of \$49,796, or 3.3%. Compared to 2012, there has been higher-than-anticipated participation in preschool arts (+38.2%) and adult health and fitness (+8.0%) classes, attendance at the summer playground (+9.9%), and rentals of the Spartan Gym (+27.1%) and athletic fields (+5.7%). The closure of the pool for part of May and June while the new boiler was being installed had a negative impact on revenues for the pool program, more than offset by increases in other categories.

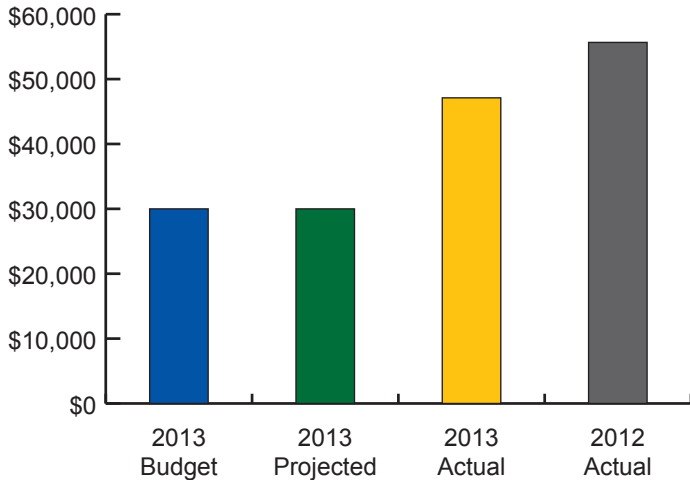
RECREATION REVENUE BY PROGRAM

Annual Recreation Revenue by Program Area 2006-2013*							
Year	General Recreation*	General Recreation % of Total	Pool	Pool % of Total	Facility Rentals	Facility Rentals % of Total	Total Revenue
2006	\$507,651	45.9%	\$358,487	32.4%	\$240,027	21.7%	\$1,106,165
2007	\$543,568	44.3%	\$361,540	29.4%	\$322,704	26.3%	\$1,227,812
2008	\$597,402	45.4%	\$383,260	29.1%	\$334,301	25.4%	\$1,314,963
2009	\$556,951	41.2%	\$372,035	27.5%	\$423,021	31.3%	\$1,352,007
2010	\$593,454	42.8%	\$367,554	26.5%	\$423,972	30.6%	\$1,384,980
2011	\$625,368	43.0%	\$374,828	25.8%	\$455,039	31.3%	\$1,455,235
2012	\$604,705	42.6%	\$367,770	25.9%	\$446,884	31.5%	\$1,419,359
2013	\$615,758	42.5%	\$342,378	23.6%	\$489,618	33.8%	\$1,447,754
\$ Variance 2013-2012	\$11,053		-\$25,392		\$42,734		\$28,395
% Variance 2013-2012	1.8%		-6.9%		9.6%		2.0%

* Excludes non-program revenue such as cell tower rental fees and special event sponsorships.

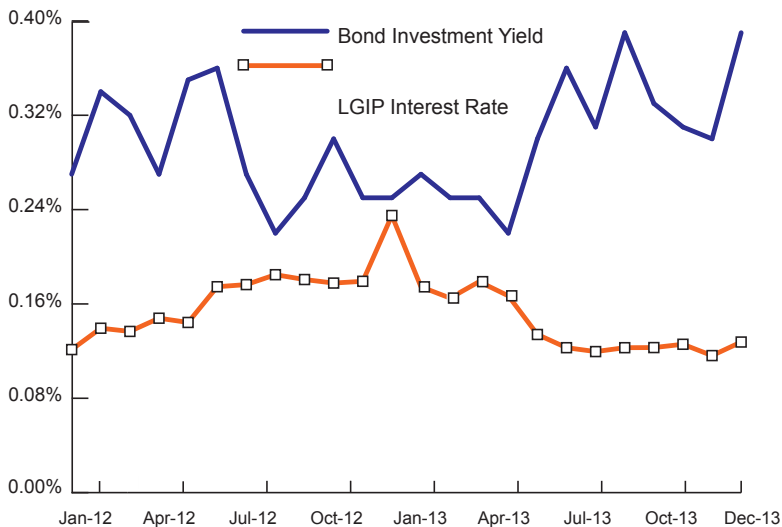
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT REVENUE



2013 Budget	\$30,000
2013 Projected Revenue	\$30,000
2013 Actual Revenue	\$47,112
\$ Variance	\$17,112
% Variance	57.0%
2012 Actual Revenue	\$55,656
\$ Change from 2012	-\$8,544
% Change from 2012	-15.4%

Interest income for 2013 totaled \$47,112 and is above the projection by \$17,112, or 57.0%. Earnings were \$8,544, or 15.4%, less than those for the same period of 2012.



Month	LGIP Interest Rate*	Bond Investment Yield
1/31/2012	0.1213%	0.2700%
2/29/2012	0.1394%	0.3400%
3/31/2012	0.1367%	0.3200%
4/30/2012	0.1479%	0.2700%
5/31/2012	0.1443%	0.3500%
6/30/2012	0.1746%	0.3600%
7/31/2012	0.1764%	0.2700%
8/31/2012	0.1848%	0.2200%
9/30/2012	0.1807%	0.2500%
10/31/2012	0.1777%	0.3000%
11/30/2012	0.1792%	0.2500%
12/31/2012	0.2350%	0.2500%
1/31/2013	0.1745%	0.2700%
2/28/2013	0.1650%	0.2500%
3/31/2013	0.1789%	0.2500%
4/30/2013	0.1669%	0.2200%
5/31/2013	0.1341%	0.3000%
6/30/2013	0.1229%	0.3600%
7/31/2013	0.1196%	0.3100%
8/31/2013	0.1229%	0.3900%
9/30/2013	0.1230%	0.3300%
10/31/2013	0.1258%	0.3100%
11/30/2013	0.1162%	0.3000%
12/31/2013	0.1277%	0.3900%
Average	0.1531%	0.2971%

*Local Government Investment Pool

EXPENDITURE ANALYSIS

GENERAL FUND EXPENDITURES

General Fund departmental expenditures for 2013, in the amount of \$30,835,739, are \$1,481,832, or 4.6%, less than projected expenditures of \$32,317,571. At this time last year, expenditures were \$1,552,919, or 4.6%, below the projection. Many of the departments are again spending below the projection even though it was anticipated expenditures would come in close to the year-end projection for most departments due to tighter budgeting. The larger expenditure variances are due to the following:

- The City Manager's Office experienced salary savings from the vacancies in Deputy City Clerk and City Clerk positions for portions of the year. Communications and Economic Development did not spend all of their professional services or supplies budgets.
- The City Attorney's Office is below projections due to staff time being charged to the Aurora Corridor Improvements project and salary savings from the Assistant City Attorney vacancy for part of the year.
- Community Services is below the projection by \$86,566, or 5.5%, largely due to the timing of \$48,329 in expenditures allowable under the Emergency Management Performance Grant (EMPG) that will be carried over to 2014.
- The Administrative Services Department is below projections due to work that will continue into 2014 for the implementation of the Asset Management system and salary savings from the vacant Budget Analyst and Central Services and IT Manager positions for portions of the year. The department also had significant savings in Professional Services and Repairs & Maintenance. The department is requesting to carryover \$218,137 of unspent Asset Management funding into 2014.
- The Human Resources Department paid a higher-than-anticipated 2013 service fee for the City's participation in the AWC Workers' Compensation Retro program based on prior year experience. The department also expended unanticipated costs for temporary help to assist with administrative work, largely due to recruiting efforts related to multiple position openings.
- Parks, Recreation & Cultural Services experienced savings resulting from the cancellation of the original landscaping contract. The new contract was not awarded until later in March which resulted in contract savings for the January through March period. The closure of the pool in May and June while the new boiler was being installed created savings in salaries and benefits for extra help employees and utilities. The department has also experienced savings in operating and program supplies as well as overtime.
- In total the Criminal Justice budget is under projections. District Court and Public Defense expenditures are under projections by \$161,834 and \$10,064 respectively, but jail expenditures exceeded projections by \$118,108. The City is experiencing a higher level of jail usage activity as compared to prior years. While the number of bookings has decreased 7.4%, the number of jail housing days has increased 10.4%. The number of bookings into Snohomish County Jail decreased in November and December as bookings were limited due to capacity and overcrowding issues. This resulted in higher costs for these months as the booking and jail day rates at King County are more than double the Snohomish County rates.
- Planning & Community Development had savings due to the Administrative Assistant vacancy and had funding for the Station Area Planning project remaining which totaled \$155,000. This balance of this project funded is requested for carryover into 2014.
- Public Works' expenditures are 15.4% below the projection. A significant portion of the variance is due to several vacancies that occurred throughout the year in the Right of Way, Engineering, and Traffic Services programs. Work on the following projects will be carried over into 2014: Environmental Services' work on the review of the solid waste contract, development of the Carbon Wedge Analysis and support of the residential recycling event programs; the Transportation Planning Program's facilitation for the Point Wells Transportation Corridor Study; and, Traffic Services implementation of the Highway Safety Improvement Program (HSIP) and development of a traffic management center.

Transfers from the General Fund to other funds are less than the projections. General Fund transfer to support City Hall Debt Service was reduced as real estate excise tax collections exceeded projections in the General Capital Fund. General Fund expenditures by departments, including transfers out, of \$33,424,382, are below the projection by \$1,458,187, or 4.2%. Once all of the requested carryovers are included, the variance is \$825,890 or 2.2%.

Department	2013 Budget	2013 Projected Expenditures	2013 Actual Expenditures	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2012 Q4 Actual Expenditures
City Council	\$191,075	\$191,765	\$185,821	-\$5,944	-3.1%	\$186,775
City Manager's Office ¹	\$2,010,639	\$1,986,698	\$1,917,014	-\$69,684	-3.5%	\$1,864,531
City Attorney	\$584,847	\$597,494	\$562,011	-\$35,483	-5.9%	\$564,419
Community Services ²	\$1,588,231	\$1,583,336	\$1,496,770	-\$86,566	-5.5%	\$1,502,876
Administrative Services ³	\$3,870,994	\$3,769,205	\$3,372,445	-\$396,760	-10.5%	\$3,213,763
Citywide	\$1,957,477	\$1,541,625	\$1,464,721	-\$76,904	-5.0%	\$1,005,921
Human Resources	\$438,751	\$434,830	\$445,127	\$10,297	2.4%	\$397,277
Police	\$10,610,317	\$10,540,562	\$10,509,624	-\$30,938	-0.3%	\$10,120,176
Criminal Justice	\$2,109,968	\$2,207,160	\$2,153,370	-\$53,790	-2.4%	\$2,106,848
Parks, Recreation and Cultural Services	\$4,995,132	\$4,979,342	\$4,757,760	-\$221,582	-4.5%	\$4,469,129
Planning and Community Development	\$2,560,379	\$2,538,657	\$2,323,144	-\$215,513	-8.5%	\$2,159,220
Public Works	\$1,948,372	\$1,946,897	\$1,647,931	-\$298,966	-15.4%	\$1,428,665
Department Expenditures	\$32,866,182	\$32,317,571	\$30,835,739	-\$1,481,832	-4.6%	\$29,019,599
Operating Transfers Out	\$2,548,191	\$2,564,998	\$2,588,643	\$23,645	0.9%	\$2,881,919
Total Expenditures	\$35,414,373	\$34,882,569	\$33,424,382	-\$1,458,187	-4.2%	\$31,901,518

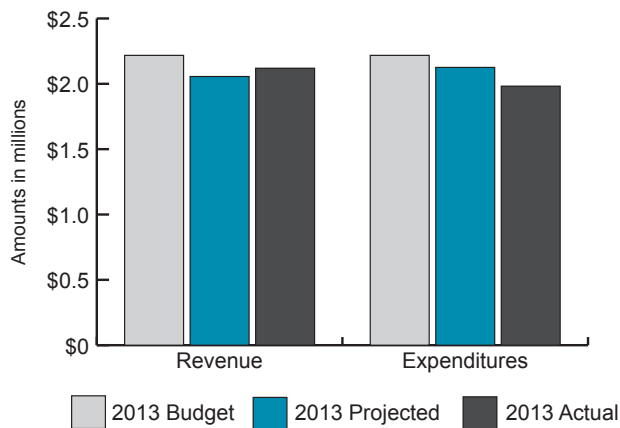
¹ City Manager's Office includes City Manager's Office, City Clerk, Communications, Intergovernmental Relations, Economic Development, and Property Management.

² Community Services includes Neighborhoods, Customer Response Team, Emergency Management Planning, and Human Services.

³ Administrative Services includes Finance, Purchasing, Information Systems and Facilities.

OTHER FUNDS REVENUE ANALYSIS:

STREET FUND

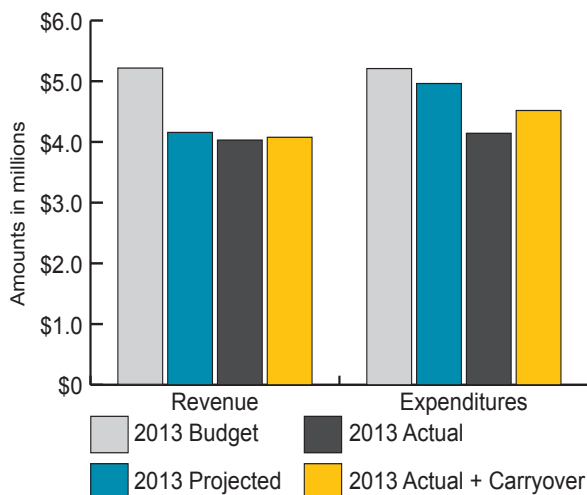


Street Fund		
	Revenue	Expenditures
2013 Budget	\$2,217,696	\$2,217,696
2013 Projected	\$2,055,941	\$2,125,451
2013 Actual	\$2,119,279	\$1,982,173
\$ Variance	\$63,338	-\$143,278
% Variance	3.1%	-6.7%

Motor vehicle fuel tax revenue receipts, in the amount of \$1,101,244, are \$9,209, or 0.8%, more than the revised projection. Investment Interest receipts for this period, in the amount of \$4,128, are \$872 less than the projection of \$5,000. In sum, Street Fund revenues, including transfers in, totaling \$2,119,279 are \$63,338, or 3.1%, above the revised projection. The General Fund transferred the original budgeted transfer to the Street Fund as there was a potential for the Street Fund to incur significant unanticipated electricity costs for streetlights and traffic signals. The funding from the General Fund that was unused remains in the Street Fund's fund balance to be used in future years to reduce the amount of General Fund subsidy.

Expenditures, including transfers out, totaling \$1,982,173 are \$143,278, or 6.7%, behind the projection. Some of the savings is from the vacancies of the Public Works Operations Manager and the Management Analyst for portions of the year. There were also significant savings in Intergovernmental Professional Services as King County Road Services were not used as originally expected.

SURFACE WATER UTILITY FUND



Surface Water Utility Fund		
	Revenue	Expenditures
2013 Budget	\$5,208,385	\$5,208,385
2013 Projected	\$4,156,774	\$4,962,180
2013 Actual	\$4,030,510	\$4,142,543
\$ Variance	-\$126,264	-\$819,637
% Variance	-3.0%	-16.5%
2013 Actual + Carryover	\$4,076,663	\$4,517,777

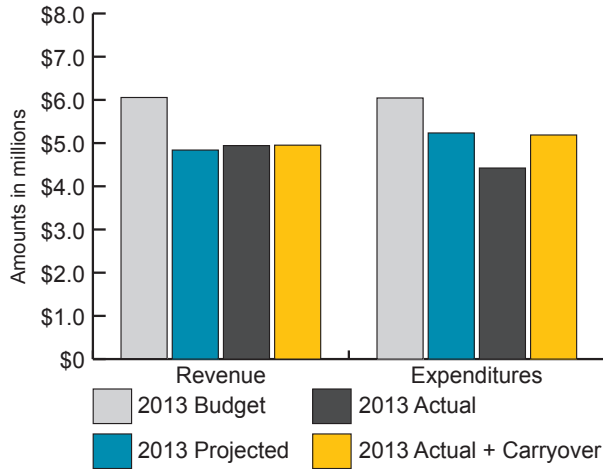
The Surface Water Utility Fund (SWM) includes both on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Revenue receipts for 2013, in the amount of \$4,030,510, are \$126,264, or 3.0%, below the projection. Most of the revenue variance is due to capital project grant revenue not being received. Project work will continue into 2014 and the revenue is recognized as expenditures are incurred. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled \$3,530,160, which is \$13,289, or 0.4%, below the projection. Investment interest earnings totaled \$5,103, which is 31.1% below the projection.

Year to date expenditures in the amount of \$4,142,543 are \$819,637, or 16.5%, behind the projection. Capital project expenditures are \$514,438, or 24.0%, behind the projection. The operational side of the SWM fund finished the year \$305,200, or 13.4%, below the projection due to salary and benefit savings due to position vacancies, as well as savings in repair and maintenance costs on the City's surface water infrastructure. This fund is requesting to carryover \$375,234 to complete work on operational and capital projects.

OTHER FUNDS REVENUE ANALYSIS (continued):

GENERAL CAPITAL FUND



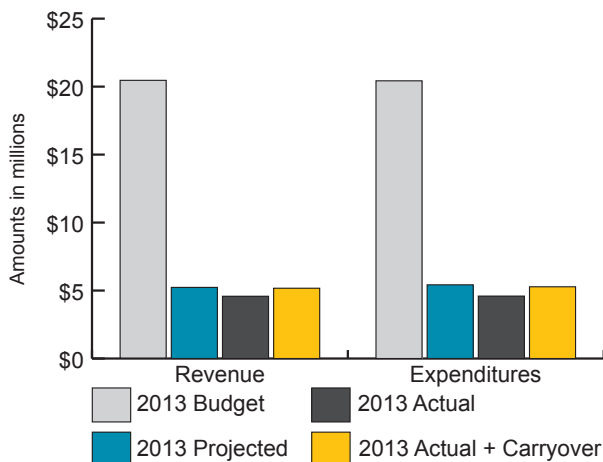
General Capital Fund

	Revenue	Expenditures
2013 Budget	\$6,044,435	\$6,044,435
2013 Projected	\$4,838,945	\$5,234,796
2013 Actual	\$4,942,454	\$4,422,611
\$ Variance	\$103,509	-\$812,185
% Variance	2.1%	-15.5%
2013 Actual + Carryover	\$4,952,076	\$5,187,549

Revenue collections for 2013 total \$4,942,454 and are ahead of the projection by \$103,509, or 2.1%. Real Estate Excise Tax (REET) collections total \$817,222 and are \$126,457, or 18.3%, above the projection. Investment earnings total \$3,935 and are 8.8% above the projection. Receipts from the King County Trail Levy totaling \$107,410 are below the projection by \$1,590, or 1.5%. This report reflects \$3.565 million in bond financing for acquisition and improvements of the Brugger's Bog Maintenance Facility, which is now referred to as the North Maintenance Facility.

Expenditures, including transfers out, total \$4,422,611 and are \$812,185, or 15.5%, below projected expenditures. Transfers out are slightly ahead of the projection due to increased collections of REET, which is transferred to the City Hall debt service fund. This report reflects the \$2.9 million expenditure to purchase the North Maintenance Facility. Expenditures in this fund are impacted by the timing of construction schedules. The majority of the expenditure variance (\$601,000) is attributable to the improvements to be constructed at the North Maintenance Facility, which will carry over into 2014. This fund is requesting to carryover a total of \$764,938 to complete work on capital projects.

ROADS CAPITAL FUND



Roads Capital Fund

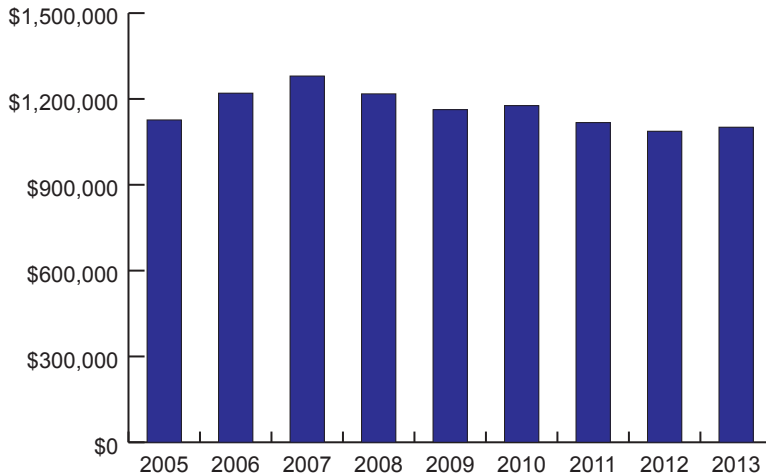
	Revenue	Expenditures
2013 Budget	\$20,427,271	\$20,427,271
2013 Projected	\$5,231,618	\$5,423,693
2013 Actual	\$4,580,289	\$4,592,465
\$ Variance	-\$651,329	-\$831,228
% Variance	-12.4%	-15.3%
2013 Actual + Carryover	\$5,170,630	\$5,278,072

The Aurora Avenue project has been delayed until 2014, which is why the revenue projection was revised downward to \$5,231,618 to reflect the delay in anticipated grant and utility reimbursements which coincide with project activity. Revenue collections for 2013 totaled \$4,580,289, which was below the revised projection by \$651,329, or 12.4%. The Annual Road Surface Maintenance project received less funding from the Transportation Benefit District (TBD) than was projected due to lower than anticipated activity in the project. Revenues are received from the TBD as they are needed by the project. The projected revenue from the Real Estate Excise Tax (REET) collections totals \$817,222 and is \$126,457, or 18.3%, above the revised projection.

Expenditures total \$4,592,465 and are \$831,228, or 15.3%, below the projection. Most of the variance for expenditures is due to delayed capital project activity. This fund is requesting to carryover \$685,607 to continue work into 2014 on several projects.

NON-GENERAL FUND REVENUE ANALYSIS:

STREET FUND FUEL TAX

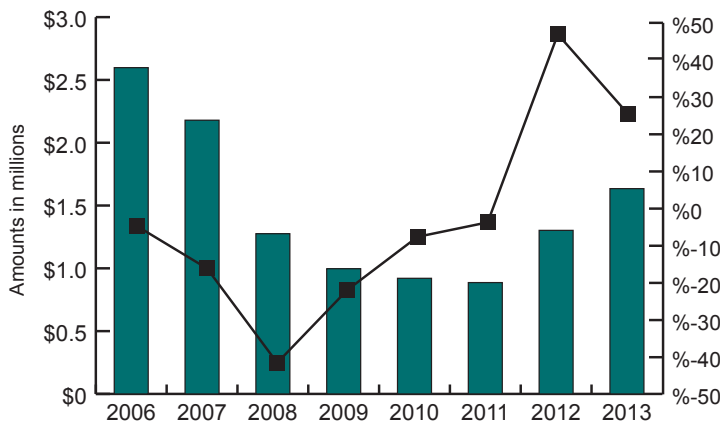


Fuel Tax: Historical Annual Comparison - Street Fund

2005	\$1,126,668
2006	\$1,220,213
2007	\$1,280,096
2008	\$1,217,850
2009	\$1,162,565
2010	\$1,176,559
2011	\$1,117,297
2012	\$1,087,126
2013	\$1,101,244

The Motor Vehicle Fuel Excise Tax, commonly referred to as Gas Tax, is levied by the state on a per gallon basis, distributed monthly on a per capita basis to the City of Shoreline, and placed in the Street Fund. Fuel Tax revenue receipts through the fourth quarter of 2013, in the amount of \$1,101,244, are \$9,209, or 0.8%, more than the projection and exhibit a year-over-year increase of \$14,118, or 1.3%.

REAL ESTATE EXCISE TAX (REET)



REET: Annual Collected 2006-2013

	Revenue	% Change from Previous Year
2006	\$2,597,703	-4.7%
2007	\$2,179,332	-16.1%
2008	\$1,275,597	-41.5%
2009	\$996,805	-21.9%
2010	\$920,596	-7.6%
2011	\$886,555	-3.7%
2012	\$1,302,282	46.9%
2013	\$1,634,442	25.5%

Real Estate Excise Tax (REET) revenue receipts for 2013, in the amount of \$1,634,442 are \$252,912, or 18.3%, more than the revised projection and \$332,160, or 25.5%, more than receipts for the same period in 2012. In 2013 there were 150 more real estate transactions with a total value that was \$60.8 million, or 23.0%, more than the year-ago level.

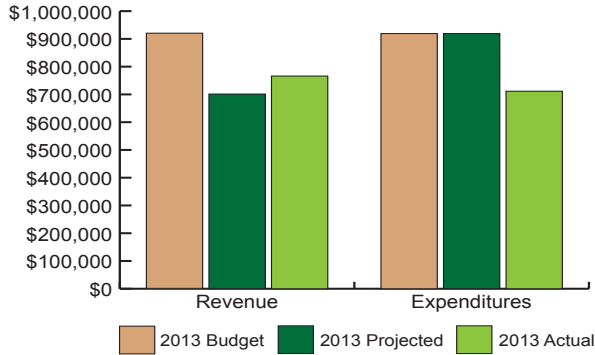
Real Estate Excise Tax 2013

2013 Budget	\$1,161,082
2013 Projected	\$1,381,530
2013 Actual	\$1,634,442
\$ Variance	\$252,912
% Variance	18.3%

There were three more high-value (>\$1 million) single family home transactions in 2013 than 2012. The total value of high-value commercial properties was down (\$16,552,479; 42.8%) from 2012. It was reported in the 2012 Year End Financial Report that the greatest impacts to revenue collections came from the transactions that occurred during the fourth quarter. In October 2012 there was one \$16.0 million commercial transaction (the sale of the Haggen property) that is the primary reason for the negative variation.

OTHER FUNDS REVENUE ANALYSIS (continued):

TRANSPORTATION BENEFIT DISTRICT



Transportation Benefit District		
	<i>Revenue</i>	<i>Expenditures</i>
2013 Budget	\$919,200	\$919,200
2013 Projected	\$701,317	\$919,200
2013 Actual	\$766,181	\$711,533
\$ Variance	\$64,864	-\$207,667
% Variance	9.2%	-22.6%

The Transportation Benefit District (TBD) was created in 2009 and began operation in 2010. The TBD generates revenue via a \$20 per vehicle fee for registered vehicles in Shoreline. The revenue covers a charge from the Roads Capital Fund that is used to fund the annual road surface maintenance program.

Through all of 2013, TBD vehicle license fees totaled \$766,062, which is \$64,922, or 9.3%, ahead of the projection. Collections for the same period of 2012 totaled \$750,431. Expenditures, mostly consisting of the charge for the Annual Road Surface Maintenance program, totaled \$711,533.

Fourth Quarter INVESTMENT REPORT December 31, 2013:

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 current yield to maturity 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, 2013, the City's investment portfolio, excluding the State Investment Pool, had a current weighted average rate of return of 0.8334%. This is better than the State Investment Pool's current rate of return of 0.1277%. Total investment interest earnings through December were \$65,200 which exceeded the budgeted 2013 investment earnings of \$62,856.

During 2007 investment interest rates began to decline. The average yield on a two year government agency bonds was 5.34% in January 2007. At the end of 2008 this rate was down to 1.1% and by the end of 2009 the rate was 1.07%. This decline continued during 2010 as at the end of December the rate was only 0.651%. The rate at the end of December 2011 was 0.40% and the rate was 0.39% at the end of December 2013.

As of December 2013, the City's investment portfolio had a fair value of nearly \$32.135 million. Approximately 9% of the investment portfolio was held in U.S. government instrumentality securities, and 91% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of December 31, 2013, was slightly over \$32.122 million. 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 over the last year. This resulted in the City being able to hold some securities at a higher interest rate during the declining interest rate environment. For example an instrument purchased in September 2013 is yielding 0.855% and will not mature until 9/27/2016. This rate of return is projected to be above the average projected rate of return from the State Pool over the same period. A laddered portfolio approach helps assure that the City will, in the long run, receive a market average rate of return.

One of the major investment instruments used in the United States and throughout the rest of the world is "mortgage-backed securities". Mortgage-backed securities are mortgages that have been sold by banks to investment banks or federally sponsored agencies such as Federal National Mortgage Association (FNMA – Fannie Mae), Federal Home Loan Mortgage Corporation (FHLMC – Freddie Mac), or Federal Home Loan Banks (FHLCB), who then rebundle the mortgages and sell them to individual investors or investors in the stock market. Mortgage-backed securities can be a fairly safe investment, if there is little risk that the mortgage borrower will default on the loan, or they can be risky investments if there is a higher risk that the borrower will default, such as the case in sub-prime mortgages. The City has purchased and currently has mortgage backed securities in its investment portfolio. This instrument has been purchased from Federal Home Loan Banks.

INVESTMENT REPORT (continued):

LGIP Cash and Investment Balances December 31, 2013

Instrument Type	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 12/31/12
FHLB 0.375	3133834R9	ProEquities	06/26/13	06/24/16	1,000,000	986,541	0.8310%	10,042	996,583
FFCB 0.87	3133ED2Z4	ProEquities	09/27/13	09/26/16	1,000,000	1,000,450	0.8550%	2,347	1,002,797
FHLB 0.78	3130A0HZ6	Multi-Bank Security	12/30/13	12/30/16	1,000,000	999,000	0.8140%	48	999,048
Sub Total - Investments					3,000,000	2,985,991		12,437	2,998,428
State Investment Pool						29,136,087	0.1277%		29,136,087
Total LGIP + Investments						\$32,122,078		\$12,437	\$32,134,515

Current Average Maturity Excluding the State Investment Pool (days)	635
Current Weighted Average Yield to Maturity Excluding the State Pool	0.8334%
Current Yield to Maturity State Investment Pool	0.1277%
Basis Points in Excess (Below) Benchmark	71

Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost
FHLB 0.375	3%	996,583	986,541
FFCB 0.87	3%	1,002,797	1,000,450
FHLB 0.78	3%	999,048	999,000
State Investment Pool	91%	29,136,087	29,136,087
Total LGIP + Investments	100%	32,134,515	32,122,078

Broker	Percentage	Amount at Cost
ProEquities	6%	1,986,991
Multi-Bank Security	3%	999,000
State Investment Pool	91%	29,136,087
Total Investments	100%	32,122,078

Investments by Fund	Investments at Cost as of 12/31/2013	LGIP State Investment Pool as of 12/31/2013	Total LGIP + Investments at Cost by Fund as of 12/31/2013	Unrecognized Gain/(Loss) as of 12/31/2013	Total Market Value of Investments by Fund as of 12/31/2013	Investment Earnings Budget 2013	Investment Earnings Actual 2013	Over/(Under) Budget
001 General	300,450	11,092,310	11,392,760	4,119	11,396,879	26,500	26,320	-180
101 Street	250,000	620,941	870,941	2,545	873,486	5,000	4,127	-873
107 Code Abatement	0	143,015	143,015	0	143,015	550	233	-317
108 Asset Seizure	0	129,371	129,371	0	129,371	0	173	173
109 Public Arts	0	215,810	215,810	0	215,810	500	373	-127
112 Fed Drug Enforcement	0	154,431	154,431	0	154,431	50	223	173
114 Transportation Benefit Dist.	0	211,481	211,481	0	211,481	60	118	58
115 Property Tax Equalization	0	1,054,828	1,054,828	0	1,054,828	0	1,771	1,771
116 Fed Crim Forfeit	0	1,596,470	1,596,470	0	1,596,470	0	1,737	1,737
190 Revenue Stabilization	1,599,000	3,531,907	5,130,907	0	5,130,907	0	3,112	3,112
301 General Capital	0	2,817,165	2,817,165	0	2,817,165	3,617	3,936	319
312 City Fac-Mjr Maint	0	152,810	152,810	0	152,810	834	366	-468
330 Roads Capital	0	2,850,896	2,850,896	0	2,850,896	6,243	6,890	647
401 Surface Water Utility Fund	0	3,055,277	3,055,277	0	3,055,277	7,402	5,102	-2,301
501 Vehicle Oper/Maint	0	122,502	122,502	0	122,502	250	229	-21
503 Equip Dep Replace	836,541	1,328,334	2,164,875	5,774	2,170,649	11,850	10,417	-1,433
505 Unemployment	0	58,538	58,538	0	58,538	0	76	76
Total Investments	\$2,985,991	\$29,136,087	\$32,122,078	\$12,437	\$32,134,515	\$62,856	\$65,200	\$2,344

CAPITAL IMPROVEMENT PLAN UPDATE

General Capital Fund

Annual Projects and Programs

Project/Program	2013 Budget	2013 Actuals	2014 Budget	Progress/Comments
Parks Repair and Replacement ¹	\$201,654	\$165,360	\$200,000	2013 - New playground equipment at Saltwater Park; improvements at Sunset Park including playground equipment repairs, vegetation and site improvements. 2014 - Restroom Improvements/upgrades at Echo Lake Park and Shoreline A/B and new playground equipment at Northcrest Park.

Projects Completed in 2013

Project	2013 Budget	2013 Actuals	Total Proj Budget	Total Proj Estimate	Progress/Comments
Kruckeberg Botanic Garden ¹	\$19,531	\$9,882	\$1,551,332	\$1,543,771	Entry, wayfinding and interpretive signs fabricated in 2013 and installed in 2014 to complete this 2006 Park Bond Project. Small portion of grant money from King County Conservation District was not used.
City Hall	\$100,000	\$64,949	\$38,819,384	\$38,784,333	High Density Storage was installed in the City Hall Records Center. The remaining funds for City Hall have been reprogrammed to the Police Station Project.
Off Leash Dog Areas ¹	\$12,424	\$10,861	\$160,000	\$160,000	The east side off-leash area was opened in July 2013 to complete this 2006 Park Bond Project.

¹ Project included in Ordinance 685, Amending the 2014 Budget for uncompleted 2013 capital projects

Current projects

Project	2013 Budget	2013 Actuals	Total Proj Budget	Total Proj Estimate	Progress/Comments
Echo Lake Park Improvements ¹	\$50,000	\$37,274	\$347,997	\$347,997	Design is complete. Construction is expected in summer 2014.
King County Parks, Trail and Open Space Levy	NA	NA	\$355,000	\$355,000	This six year levy replacement started in 2014. Priorities and use of the levy will be determined later in 2014.
Regional Trail Signage ¹	\$45,000	\$41,817	\$168,491	\$168,491	The wayfinding signage strategy was adopted by the Parks Board in March 2014. The first phase of implementation and construction will begin in late summer 2014.
Richmond Beach Saltwater Park Improvements ¹	\$16,502	\$12,093	\$2,919,112	\$2,919,112	The remaining work at Saltwater Park includes vegetation management and monitoring as required by the project permit.
Saltwater Park Pedestrian Bridge Major Repair ¹	\$25,000	\$15,660	\$305,584	\$305,584	Design is underway and will be complete in 2014. Based on requirements of Burlington Northern Santa Fe and non-peak park use, construction has been shifted from 2014 to early 2015.
Sunset School Park ¹	\$150,000	\$141,516	\$305,000	\$305,000	2014 Phase II Park Improvements will be constructed this summer including playground and field improvements.
Trail Corridors ¹	\$76,408	\$66,173	\$2,684,203	\$2,684,203	This remaining balance of this 2006 Park Bond project supports the 195 th Separated Trail and other minor trail improvements.
Shoreline Pool Repair/Replacement Needs Analysis ¹	\$40,000	\$33,320	\$50,000	\$50,000	The Needs Analysis report is being finalized. Results will be used to inform major maintenance projects to be incorporated into the Capital Facilities Fund of the CIP.
Police Station Analysis ¹	\$100,000	\$38,535	\$100,000	\$100,000	The Site Analysis was completed in 2013. Additional planning and design will continue in 2014.
Police Station	NA	NA	\$3,449,876	\$5,080,000	The design of the Police Station will proceed in 2014 including acquisition of the Grease Monkey property. The budget is being refined for future discussion with Council.
Maintenance Facility ¹	\$3,569,931	\$2,969,019	\$3,569,931	\$3,569,931	Property was purchased in 2013. Site is being used for fueling operations. Design of maintenance facility will begin in 2014.

¹ Project included in Ordinance 685, Amending the 2014 Budget for uncompleted 2013 capital projects

Roads Capital Fund

Annual Projects and Programs

Project/Program	2013 Budget	2013 Actuals	2014 Budget	Progress/Comments
Traffic Safety Improvements ¹	\$282,186	\$260,954	\$130,000	2013 -Projects include restriping turn pocket on Meridian and bike lanes on N 185 th Street. 2014 - Upgrade curb ramps to ADA standards in conjunction with Highway Safety Improvement Program grant.
Annual Road Surface Maintenance	\$1,016,116	\$703,275	\$1,500,000	2013 - Overlay of N 175 th Street from I-5 to Stone; 4.6 miles of BST improvements. 2014 - Estimated 12 miles of BST improvements and 4.4 miles of preparation for support of 2015 program.
Curb ramp, gutter and sidewalk maintenance	\$152,517	\$112,275	\$152,517	2013 - Replaced sidewalks on N 175 th Street in support of overlay project. 2014 - Determining scope for repair and replacement.
Traffic Signal Rehabilitation ¹	\$487,829	\$258,785	\$100,000	2013 - Development of new signal timings for Aurora and Citywide; implementation of fiber optic system on Aurora as part of development of Traffic Management Center. 2014 - Implementation of signal timings and continued utilization of Traffic Management Center for improving signal operations.

Projects Completed in 2013

Project	2013 Budget	2013 Actuals	Total Proj Budget	Total Proj Estimate	Progress/Comments
Briarcrest Safe Routes to School ¹	\$56,357	\$52,778	\$514,668	\$514,668	Construction of new sidewalk was completed early in 2013; project is in close out.
Sidewalk Priority Route	\$96,439	\$96,439	\$2,684,569	\$2,684,569	Construction of sidewalk at 15 th Avenue NE was completed in early 2013; project and program is closed out.
Aurora 185 th - 192 nd	\$73,291	\$107,086	\$16,031,632	\$16,069,927	Final payment was made to the Contractor and the project is in close out.
Aurora 165 th - 185 th ¹	\$1,449,176	\$1,370,761	\$48,803,984	\$48,732,658	Contract costs were finalized with the Contractor and the project is in close out.

¹ Project included in Ordinance 685, Amending the 2014 Budget for uncompleted 2013 capital projects

Current projects

Project	2013 Budget	2013 Actuals	Total Proj Budget	Total Proj Estimate	Progress/Comments
Hidden Lake Bridge ¹	\$100,000	\$30,238	\$150,000	\$136,873	Study on bridge condition is nearly complete. Results indicate the bridge is not eligible for grant funding for bridge replacement or rehabilitation because the bridge is not structurally deficient. Repairs to the bridge could extend the life of the bridge for 20 or more years.
Aurora 145 th - 192 nd Safety Improvements ¹	\$391,867	\$57,984	\$427,117	\$427,117	Construction is underway for minor safety improvements including items such as non-slip utility lids and revisions to pedestrian signal equipment.
Aurora 192 nd - 205 th ¹	\$964,031	\$1,239,925	\$44,359,401	\$44,359,401	Under construction; completion anticipated in January 2016.
NE 195 th Separated Trail ¹	\$51,900	\$49,261	\$471,950	\$471,950	Project is at approximately 60% design. Project is being coordinated with Seattle City Light regarding relocation of transmission poles. Construction is anticipated to start late 2014 with completion in 2015.
Einstein Safe Routes to School ¹	\$15,000	\$5,026	\$437,900	\$437,900	Design has started on the project. Construction scheduled to start in late 2014 with completion in 2015.
Interurban Trail/Burke Gilman Connectors ¹	\$15,000	\$199	\$544,500	%544,500	Project is in design. Scheduled for construction in Fall 2014 with completion by the end of 2014.
25 th Avenue NE Sidewalk- 195 th - 200 th	NA	NA	\$505,000	\$505,000	Design of project will start in late 2014 with construction in 2015. The project design will be coordinated with the North City Maintenance Facility and the results of the Ballinger Creek Drainage Study.
Route Development Plan for 145 th Corridor	NA	NA	\$250,000	\$250,000	Additional discussion on the scope and objectives of this project is being scheduled with Council.
Transportation Master Plan Update ¹	\$19,393	\$12,537	\$333,148	\$333,148	The TMP Update was essentially completed in 2011. However, there is on-going work regarding the implementation of Traffic Impact Fees scheduled for Council discussion in May/June 2014.

¹ Project included in Ordinance 685, Amending the 2014 Budget for uncompleted 2013 capital projects

Surface Water Capital Fund

Annual Projects and Programs

Project/Program	2013 Budget	2013 Actuals	2014 Budget	Progress/Comments
Stormwater Pipe Replacement Project	\$15,000	\$9,080	\$479,000	2013 - Consultant selection for project design. 2014 - Priorities and design for approximately 20 sites; construction in 2014.
Surface Water Small Projects	\$200,000	\$60,900	\$138,538	2013 - Analysis and start of design of project that addresses drainage at NE 148 th Street between 12 th Avenue and 15 th Avenue. 2014 - Construction.
Surface Water Green Works Projects	\$180,000	\$37,186	\$342,814	Project includes design and construction rain gardens at various locations. 2013 - Design of rain gardens at 5 th Avenue NE and NE 148 th Street, and Densmore Avenue and 188 th Street. 2014 - Construction of above rain gardens; design and construction of rain gardens at two other locations.

Projects Completed in 2013

Project	2013 Budget	2013 Actuals	Total Proj Budget	Total Proj Estimate	Progress/Comments
Hidden Lake Dredging ¹	\$175,000	\$111,711	\$175,000	\$136,920	Dredging was completed in September 2013.
Boeing Creek and Storm Creek Basin Plans	\$50,000	\$33,053	\$368,928	\$351,981	Basin Plans were completed in 2013. Priorities identified in plan are being utilized to define Stormwater Pipe Replacement Program.
Pump Station 25	\$137,881	\$138,272	\$559,409	\$559,800	Construction completed in early 2013.
North Fork Thornton Creek LID Stormwater Retrofit ¹	\$751,430	\$690,062	\$840,000	\$824,003	Construction completed in Fall 2013. Plant establishment will continue through 2014.
Meridian Park Wetland Drainage Improvement	\$208,000	\$271,643	\$325,424	\$365,075	Construction was completed in December 2013 except for plant establishment and monitoring, which will continue into 2014. Final costs exceeded original budget as a result of conditions encountered during construction.

¹ Project included in Ordinance 685, Amending the 2014 Budget for uncompleted 2013 capital projects

Current projects

Project	2013 Budget	2013 Actuals	Total Proj Budget	Total Proj Estimate	Progress/Comments
Ballinger Creek Drainage Study and McAleer Creek Basin Plan ¹	\$130,000	\$141	\$530,000	\$530,000	Basin plans will be completed in Fall 2014.
Goheen Revetment Repair and Stream Enhancement	\$99,023	\$100,399	\$400,000	\$400,000	Project is at 90% design. Final permits should be issued by May. Construction will be in August – Sept 2014.
Hidden Lake Maintenance Study	NA	NA	\$100,000	\$100,000	A consultant agreement has been executed to begin this study with completion anticipated in Fall 2014.

¹ Project included in Ordinance 685, Amending the 2014 Budget for uncompleted 2013 capital projects