

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Preview and Discussion and of Preliminary 2017 Budget and update on 2016 Revenues and Expenses
DEPARTMENT:	Administrative Services
PRESENTED BY:	Sara Lane, Administrative Services Director Rick Kirkwood, Budget Supervisor Tricia Juhnke, City Engineer
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:

Tonight staff will provide an update on 2016 revenues and expenditures through the second quarter, a preview of the 2017 proposed preliminary budget, and an update to the long-term operating budget financial projections. The 2017 proposed preliminary budget is balanced and continues to allocate resources that support the Council's goals and priorities. The City Manager will present the 2017 Proposed Budget and 2017 – 2022 Capital Improvement Plan to the City Council on October 10, with adoption scheduled for November 21, 2016.

The City continues to maintain a healthy financial position. As a result of the Council's strong financial policies, diligent financial management, and conservative budget planning, the City continues to maintain its AA+ bond rating and a Standard & Poor's (S&P) ratings outlook of "stable." The City has had several years of clean audit opinions with no findings from the State Auditor's Office. The 2017 budget will continue to be in compliance with the City's financial and reserve policies.

RECOMMENDATION

No action is required by the City Council. This item is for informational purposes and to provide the City Council with a preview of the 2017 proposed preliminary budget. Staff anticipates that Council may provide additional budget direction to the City Manager as a result of this review.

Approved By: City Manager **DT**

City Attorney **MK**

INTRODUCTION

Staff is preparing the City Manager's 2017 Proposed Budget and updating long-term financial projections as part of the budget process. Tonight's discussion will provide an opportunity for staff to share the latest financial projections, and introduce some of the major policy issues that will be discussed during the 2017 budget process. The 2017 budget adoption schedule is, as follows:

<u>Topic</u>	<u>Meeting Date</u>
Preview of Proposed Preliminary 2017 Budget	September 19
Transmittal of Proposed 2017 Budget	October 10
Department Budget Reviews	October 17
Continued Department & CIP Reviews	October 24
Public Hearing on 2017 Budget & CIP	November 7
Public Hearing on Revenue Sources & 2017 Property Tax Levy	November 14
Adoption of 2017 Property Tax Levy	November 21
Adoption of 2017 Budget	November 21

BACKGROUND

2016 Operating Budget

Projected 2016 Operating (General and Street Funds) Budget Savings

Routine monitoring and reporting on the City's actual revenues and expenditures is a critical part of the City's financial planning process. As discussed below, departments have prepared detailed estimates of revenues and expenditures for the current fiscal year. The City's Second Quarter Financial Report provides more details and is available as Attachment A.

It is projected that 2016 revenues of \$40.424 million will be more than the current budgeted revenues by \$469,000. One of the most significant revenue increases will come from development revenue (\$291,500), mostly as a result of a higher level of mechanical fees/permits, land use fees/permits, and plan check fees. Receipts from sales tax are projected to be \$110,000, or 1.4%, more. Receipts from the retail trade sector are projected to be slightly lower than the budget projection (-\$17,000, or -0.03%) but receipts from the construction sector are projected to be \$119,000, or 12.8%, more than the budget projection. Other revenues that are anticipated to increase from the current budget are park and recreation revenue (\$62,000), gas tax revenue (\$57,000), property tax revenue (\$48,000), and grant revenue (\$35,000). Some revenue sources are projected to be lower than the budget projection, including utility tax and franchise fees (\$-91,000, or 1.4%), and miscellaneous revenue (-\$79,000, or -10.1%). The variance for miscellaneous revenue is largely attributable to the cancellation of a contract for the Department of Social and Health Services/Fircrest partnership that would have covered 50% of the fully-loaded cost of a Shoreline police officer.

It is projected that 2016 expenditures of \$44.288 million will be less than the current budgeted expenditures by \$2.036 million, with no anticipated need to use any funds from the operational contingency or insurance reserve.

While the 2016 current budget anticipates the use of \$6.409 million of fund balance, current estimates anticipate the use of only \$3.864 million. The General Fund is projected to end 2016 with \$8.832 million of fund balance, which will be well above the minimum required balance of \$3.965 million. The Street Fund is projected to end 2016 with \$865,000, which will be well above the minimum required balance of \$246,000.

2016 Operating Budget Savings Recommendation

As will be discussed later in this report, the 2017 supplemental budget requests include one-time requests to support the Council's adopted goals and priorities. Staff anticipates that projected one-time savings from 2016 will be used to fund one-time supplemental requests in 2017 or other one-time needs as approved by the City Council.

DISCUSSION

Overall Financial Health

The City continues to maintain a healthy financial position. As a result of the Council's strong financial policies, diligent financial management, and conservative budget planning, the City continues to maintain its AA+ bond rating and a Standard & Poor's (S&P) ratings outlook of "stable." The City has had several years of clean audit opinions with no findings from the State Auditor's Office. The 2017 budget will continue to be in compliance with the City's financial and reserve policies with projected ending General Fund and Street Fund reserves in excess of requirements by \$2.199 million and \$416,000, respectively.

2017 Proposed Preliminary Budget

At this time the 2017 proposed preliminary budget is balanced in all funds. The City Manager will be recommending new expenditures that will support the accomplishment of Council goals and priorities.

Personnel

The 2017 budget proposes to reduce the number of regular full-time equivalent (FTE) positions in the City's personnel complement by 0.30 FTE, as follows:

- *Reduce 1.00 FTE Administrative Assistant 1 for the Public Works Department to 0.50 FTE (-\$39,819):* This position was previously approved by Ordinance No. 753 amending the 2016 budget per the Sound Transit Staffing Agreement at 1.00 FTE; however, it has since been determined that this position will be filled at 0.50 FTE.
- *Increase 0.80 FTE Park Maintenance Worker I to 1.00 FTE (\$15,903):* The City of Shoreline's park system has an extensive surface water utility network that is integral to the health of the City's overall stormwater system. A number of watersheds, creeks, lakes and Puget Sound frontage systems are located within park boundaries. To maintain this stormwater utility infrastructure within the park system, routine maintenance and capital/construction improvements are needed. Parks maintenance staff have not previously tended to these maintenance needs

at the high level of service now mandated by NPDES. The 0.20 FTE increase for this position will provide the labor hours needed to assume the additional maintenance duties. The additional expenditure related to the FTE increase will be off-set by rent revenue paid by the Surface Water Utility for park properties used for detention facilities.

The history of the City's personnel compliment is shown in the *City of Shoreline Regular FTE Summary by Department* chart below:

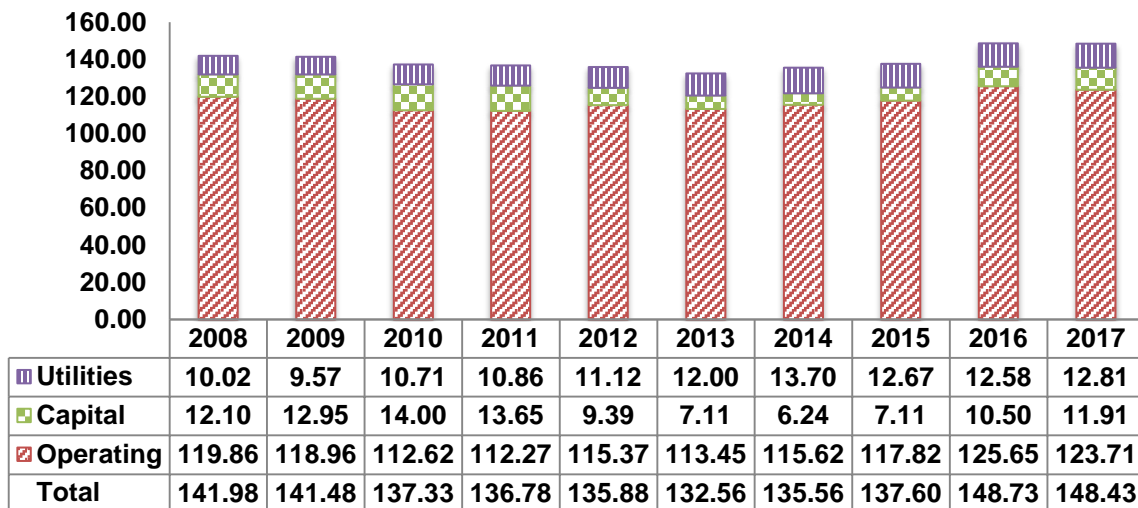
City of Shoreline Regular FTE Summary by Department											
Department	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Prop.	2017 Changes
City Manager	9.50	9.50	9.50	8.75	8.75	13.00	13.00	13.00	13.00	13.00	0.00
City Clerk	3.80	3.80	4.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Community Services ^a	9.68	9.68	8.68	8.68	10.18	8.68	8.68	8.68	8.68	8.68	0.00
City Attorney	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00
Administrative Services ^b	18.10	18.20	18.50	18.70	21.20	21.20	21.20	21.45	21.45	21.45	0.00
Human Resources	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00
Police	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Planning & Community Development	28.50	27.00	24.35	24.35	20.45	20.00	20.00	21.00	22.00	22.00	0.00
Parks, Recreation & Cultural Services	27.30	27.30	27.30	27.30	27.80	27.68	28.68	29.48	30.60	30.80	0.20
Public Works	38.10	39.00	39.00	39.00	41.50	36.00	38.00	38.00	47.00	46.50	(0.50)
Total FTE	141.98	141.48	137.33	136.78	135.88	132.56	135.56	137.60	148.73	148.43	(0.30)
Grant Funded Capital Positions									2.00	2.00	0.00
Staffing for Sound Transit Lynnwood Link Extension Project									4.00	3.50	(0.50)
Net FTE	141.98	141.48	137.33	136.78	135.88	132.56	135.56	137.60	142.73	142.93	0.20

a. Includes 0.50 FTE funded by the Emergency Management Program Grant since 2008

b. Excludes term-limited 1.00 FTE IT Projects Manager in 2016 & 2017

The following chart exhibits the changes in staffing levels for operating, capital, and utility funds since 2008:

CHART 8 City of Shoreline Regular FTE Summary by Fund Type



Salary and Benefit Considerations

- *2017 Market Adjustment - Cost of Living Adjustment (COLA):* The City's practice has been to use 90% of the June-to-June percentage change of the Seattle/Tacoma/Everett June Consumer Price Index-All Urban Consumer (CPI-U) to determine the annual market adjustment. The City Manager's 2017 Proposed Budget will include a recommended 1.60% COLA based on 90% of the June-to-June change in the CPI-U of 1.78%.
- *Health Benefits:* 2017 health insurance premiums will be finalized in September by the Association of Washington Cities (AWC). At this time, AWC is projecting a 2% to 6% increase in medical premiums and no change for dental premiums. Based on the City's current benefit policy this is projected to result in an overall increase in health benefit costs of 4.5%.
- *Contingency for Minimum Wage Initiative 1433 (\$116,237):* The 2017 proposed preliminary budget includes a contingency in the event that I-1433 is approved by Washington voters. I-1433 would raise the State's minimum wage to \$11 per hour in 2017 with minimum wage moving to \$13.50 per hour by 2020. It would also allow workers to accrue up to seven days of paid "sick and safe" leave per year for those who do not get sick leave. It would be earned at a rate of one hour for every 40 hours worked. Although the City currently provides paid sick leave for regular employees, the initiative would require the City to initiate a sick leave program for extra-help and seasonal employees.

Council Goal Investments

The City Manager is recommending various supplemental requests to meet organizational priorities that allow for the effective delivery of priority public services and completion of council goals. The City Manager's 2017 Proposed Budget will include a recommendation to fund the following items with projected one-time savings used to fund one-time supplemental requests:

Council Goals:

- **Goal 1:** Strengthen Shoreline's economic base to maintain the public services that the community expects
- **Goal 2:** Improve Shoreline's utility, transportation, and environmental infrastructure
- **Goal 3:** Prepare for two Shoreline light rail stations
- **Goal 4:** Expand the City's focus on equity and inclusion to enhance opportunities for community engagement
- **Goal 5:** Promote and enhance the City's safe community and neighborhood programs and initiatives

One-Time Funding Requests:

- *Update "forevergreen" sustainability indicator tracking website (Council Goal 2, Council Goal 4; \$40,000):* The forevergreen site was launched in 2012, with the intention that it would be updated periodically to reflect new programs and data. The City's interdepartmental Green Team requests that 2017 be a year that the City and community carbon footprints are recalculated and that the forevergreen site be updated to include this data, in addition to incorporating information from the 2013 Climate Action Plan, the 2014 Carbon Wedge Analysis, the 2015

completion of the Aurora Corridor Project, the 2016 Solarize program, and other initiatives. The requested amount would also provide the ability to analyze other options for tracking metrics of sustainability and develop messaging to communicate about sustainability and climate action initiatives with City staff and the community.

- *Diversity and Inclusion Citywide Training & Community Outreach* (Council Goal 4; \$20,000): This request will fund professional services for the development and delivery of community events that focus on community diversity, engagement and inclusion as well as training for City staff on issues of diversity, inclusion, and racial equity.

Ongoing Programs:

- *Shoreline Farmers Market* (Council Goal 1, \$7,000): This request increases funding for the City's contract with the Shoreline Farmers Market Association (SFMA). A \$7,000 annual increase from \$25,000 to a total of \$32,000 will primarily help extend the seasonal Market manager position, allowing the Manager to solicit additional sponsorships and grants to further grow and enhance the Market.
- *Human Services* (Council Goal 4, \$52,648): This request will increase funding for human services as Council directed staff at the May 14, 2016 meeting ([staff report](#)) to commit 0.75% of recurring General Fund revenues (resources less use of fund balance and grants). In 2018, the amount will be increased to 0.80% of net recurring General Fund revenues. These increases were included in the two-year competitive human service funding program approved by the City Council on August, 15, 2016.

Organization Goals, City Asset Maintenance & Efficiencies

One-Time Funding Requests:

- *Continuous Improvement Organizational Development* (2017: \$60,000): The City Manager has identified Continuous Improvement and creating a Lean Culture as a key component of the City's organizational values and goals. This involves a culture focus that will build an organization where continual and intentional improvement becomes a part of the City's DNA. Characteristics of a Lean Culture include developing high levels of customer satisfaction, employee engagement, trust and respect, collaboration/teamwork, effective and efficient processes and high quality work. Organizations embracing these values and demonstrating them through effective work processes are often described as "healthy," "high-performing," and "great places to work."

Developing this culture is a multi-year process as the goal is to have all departments, managers, supervisors and every employee throughout the organization enabled with process improvement skills including the ability to build and sustain a continuous improvement environment. Assuming that the City Council supports this request in the 2017 budget, the 2018 proposed budget will include funds to continue this effort, but the City Manager anticipates that 2018 continuation will be at a lower dollar amount than the 2017 request.

The State Auditor's Office has been advocating and supporting efforts of organizations to focus on development of this type of organizational culture. The Citizen Advisory Committees that the City has utilized in developing recommendations for the City's long-term financial sustainability have reinforced the need to focus on a culture that embraces efficiency and a focus on continuous improvement. Local organizations that have started implementing programs that support continuous improvement and Lean Culture have been able to improve efficiencies and customer satisfaction. Most notably King County including the Department of Records and Licensing has successfully provided organizational development that has led to demonstrated efficiency improvements.

The work program for 2017 will likely include: leadership standard work (actions, tools and behaviors incorporated in the daily work of leaders), value stream mapping, staff training on tools for process improvement, and initiation of process mapping. In order to do this, the City needs to avail itself of the knowledge and experience of a company that specializes in infusing tools, training and processes to assist the City as it begins its journey towards continuous process improvement.

- *Public Disclosure Specialist* (Extra Help; \$28,744): Continuation of the Public Disclosure Specialist extra help position is needed to work on processing public records requests. The extra help has improved the City's response time on complex requests and is buying the City Clerk's time back to work on other essential duties. Currently the City Clerk's Office is devoting around 1.25 FTE on public disclosure in 2016 as shown in the table below:

Position	FTE	Time	# Requests	Categories (Complex / Routine)
Public Records Specialist	0.5	100%	71	49% / 51%
Records Coordinator	1.0	40%	53	0% / 100%
City Clerk	1.0	20%	17	24% / 76%
Deputy City Clerk	1.0	5%	15	13% / 87%
Administrative Assistant II	1.0	10%	Administrative work for requests	

- *Computer Support Specialist* (Extra Help; \$38,562): Work requests to Information Technology have increased over the past year by 20%. That workload has been absorbed between the full-time Computer Support Specialist and the Computer Support Specialist extra help. Both positions are at capacity at this time. The ongoing need for this support will be further evaluated following the assumption of Ronald Wastewater.
- *Geographic Information Systems* (Extra Help; \$50,018): Use of geospatial data for the support of City initiatives and support for the City's asset management system is increasing year-over-year. In order to maintain accurate asset inventory and support for maps and other demographic information required to support key City initiatives, augmentation of the City's existing GIS staffing is needed. While this is an ongoing body of work, the resources that will be

transitioned to the City as a result of the Ronald Wastewater District assumption must be evaluated.

- *User experience analysis, content strategy development and training, and new features for website redesign* (\$29,000): The City's website was last redesigned in 2008 – for websites, that's a lifetime ago. The current contract with the City's website provider provides for a basic redesign of the website at no charge. However, before the City engages in the redesign, staff would like to look at how people are using the website and understand where difficulties are in navigation to better redesign the website for the greatest impact. The website provider offers usability testing and content strategy development and training that will help the City make the most of its redesign.
- *Microfilming of Payroll Records* (\$15,500): Payroll records are required to be archived and retained for sixty years. The state also requires that records be microfilmed to extend their useful life. The 2016 budget and future budgets include \$3,000 to address this ongoing need; however, there are approximately six years of payroll records that need to be microfilmed. The request to address this backlog was included in the 2016 proposed budget but was removed in favor of additional support for Human Services. The intent was to bring this item back in the 2017 budget.
- *Contract Network Support* (\$28,100): In 2015, a consultant performed an assessment of the City's technical infrastructure, and advised the City that there was insufficient staffing to support the technical infrastructure. This assessment was borne out when the Network Administrator resigned, and an assessment of the state of the infrastructure was performed. Projects were not fully completed, and IT is still working to finish these projects with contracted assistance. The City has replaced the Network Administrator, but requires the support of contracted network engineers to complete existing projects and allow the new staff member to focus on operational stabilization and learning the City's environment. This request increases funding for network services from \$13,200 to a total of \$45,000. Approximately \$16,900 of this increase will be offset by one-time cost deferrals, thus the increase in funding totals \$28,100. This will provide support for one year in order to complete the initiatives that are in process.
- *Americans with Disabilities Act of 1990 (ADA) Transition Plan Facilities Inventory* (\$56,879): The necessary next step toward implementing the ADA Transition Plan is to inventory all pedestrian facilities (curb ramps, sidewalks, driveways and crossings) within the City's right-of-way. This request would provide extra help staff (\$55,279), equipment (\$1,300) and tools (\$300) required to complete the inventory within approximately one year. Extra help staff (variable; <29 hours/week) will work in a two-person team to measure and record the condition of pedestrian facilities, using tablet computers to record the facility condition into Cityworks (the City's Asset Management software) for analysis and prioritization as estimated below:

Facility	Estimated No. or Length	Avg. Time (Minutes) per Facility	Total Time (Hours)
Curb Ramps (EA)	1,759	18	528
Sidewalks (Mile)	78	120	156
Driveways (EA)	4,072	10	679
Crossings (EA)	5,852	12	1,171
Pedestrian Signals (EA)	126	14	30

- *On-Call Consultant Services* (\$50,000): This request will allow the Public Works Department to effectively deliver City Council Goals and provide resources necessary to support projects and services. This funding will be available to provide supplemental support and/or technical expertise required on an “as needed” basis to support a number of complex projects Public Works staff will work on such as light rail, utility assumption, corridor/project improvements, Transit System Integration Planning and emerging issues or requests from the City Council and City Manager. This is the same level of funding that was provided in the 2016 Adopted Budget.
- *Point Wells Professional Services Support* (\$26,000): Consultant services are needed in 2017 to support review of the Point Wells DEIS material (peer review of traffic modeling, utilities, geotechnical and other transportation elements) which is expected to be published in December 2016 or later.

Other One-Time Requests:

- The 2016 proposed budget was amended by Council to include a \$26,000 one-time contribution to the Shoreline-Lake Forest Park Senior Center to backfill revenue lost due to an expiring grant (\$16,000) and catering revenue shortfall (\$10,000). This funding is not included in the 2017 proposed preliminary budget at this time. In the last week, the Senior Center has asked that the City provide this one-time funding again in 2017 as a suitable way to backfill the lost revenue has not yet been found and the only other alternative would be to reduce services. Staff is looking for Council direction with regard to this request from the Senior Center.

Ongoing Programs:

- *Professional Services – Ronald Wastewater District and Sound Transit* (Ongoing \$20,000; One-Time \$15,000): The base level funding for supplemental professional services in the City Attorney’s Office has consistently been below those needed for the last few years. These services are used to assist in various legal matters. As such, the City Manager is recommending a base adjustment of \$20,000 for on-going purposes. Additional funds are needed for legal support to pursue continued litigation related to the Ronald Wastewater District assumption in Snohomish County as well as continued negotiations with Sound Transit. This is estimated at an additional one-time \$15,000 in 2017 to address these issues.

Technology Investments

One-Time Funding Requests:

- *Financial and Human Resources System Replacement* (\$1,200,000 one-time; \$17,950 ongoing): The City’s current financial system, acquired in 1998, is aging.

It is currently built on outdated technology and programming languages. With the introduction of utilities and the need to provide utility billing, and the need to integrate other City systems (recreation, permit, and asset management) to our financial system, it is necessary to either upgrade our current system or migrate to a new system. This project was planned as the final major system implementation as part of the City's adopted strategic technology plan. Because a final selection has not been made the request is based on estimates from vendor responses to the City's Request for Proposal (RFP) and will be subject to change following selection and contract negotiations. This request also includes an additional ongoing projected increase of \$17,950 for annual maintenance.

Audio/Visual Upgrades (\$70,030): The audio/visual components in the Council Chambers are well beyond their useful life. Emergency repairs were completed in 2016, and this project will complete the modernization of the remaining Chamber components. This request will also address the upgrade of the audio/visual components in the City Hall's most frequently used conference rooms to support better viewing of electronically displayed data.

- *Upgrade Police Special Emphasis Team Video Equipment (\$17,700):* The Special Emphasis Team (SET) utilizes several forms of electronic and photographic equipment to complete investigations. This equipment is necessary to document criminal investigations and there's significant cost to purchase and maintain it. To help minimize the cost, Shoreline Police have partnered with several agencies within the King County Sheriff's Office who provides technicians to maintain, install, and oversee the inventory. Shoreline has participated in the program for several years. It has been advantageous to meet its investigative needs. SET currently has two cameras in the inventory that have become obsolete and need to be replaced. Additionally, SET is seeking to add an additional lens to the inventory. The new technology gives the ability to capture quality video during hours of darkness. This appropriation will be funded by the use of drug seizure funds.

Budget Neutral Requests

One-Time Funding Request:

- *Ronald Wastewater Assumption Costs (\$192,900):* The Public Works, Administrative Services, City Clerk and City Attorney departments have identified the need for outsourced support to aid in evaluating and developing policies and procedures related to the assumption of the Ronald Wastewater District. All direct costs associated with the assumption will be reimbursed by the utility upon assumption. The anticipated amount of direct assumption costs and associated revenue is estimated at \$192,900.

Ongoing Programs:

- *Camp Shoreline Expansion - Outdoor July Site (\$9,914):* Camp Shoreline is the summer camp offered by the City. In 2016 Camp Shoreline expanded to include an outdoor camp experience at Hamlin Park in August which was met with capacity enrollment. This request expands capacity at Camp Shoreline to meet the ongoing demand and has a revenue offset of \$11,610.

One-Time Capital Improvement Plan General Fund Support

In 2015, staff proposed utilizing \$3.1 million in General Fund contributions to support a variety of projects that would be difficult to fund within the various capital funds. The 2016-2021 Capital Improvement Plan (CIP) utilized these funds for the following projects:

- *General Capital Fund:*
 - *Police Station at City Hall* (\$1.0 million in 2016)
- *City Facilities / Major Maintenance Fund:*
 - *Shoreline Pool Long-Term Maintenance* (\$0.6 million in 2016)
- *Roads Capital Fund:*
 - *185 Street Corridor Study* (\$0.6 million in 2016)
 - *Design of Westminster Way and N 155th Street Improvements* (\$0.25 million in 2016 and 0.05 million in 2017)
 - *Grant Match* (\$0.2 million in 2016 and \$0.4 million in 2017)

The 2017-2022 CIP proposes to increase the level of funding for the Police Station at City Hall project and offsets the 2017 General Fund contribution of \$400,000 included in the current CIP with Real Estate Excise Tax (REET) in order to support two new projects in the Roads Capital Fund as follows:

- *General Capital Fund:*
 - *Police Station at City Hall* (\$0.503 million in 2017)
- *Roads Capital Fund:*
 - *Design of Westminster Way and N 155th Street Improvements* (\$0.05 million in 2017)
 - *Design of Bike Trail Along I-5 right-of-way adjacent to the Light Rail Alignment* (\$0.275 million in 2017)
 - *N 160th St. and Greenwood Ave N / NW Innis Arden Way Intersection* (\$0.125M in 2017)

2017 Operating Budget Revenues

2017 Property Tax Levy (Shoreline Proposition No. 1 – Maintenance and Operations Levy)

The 2017 preliminary budget assumes the following:

- Shoreline's assessed valuation (AV) will increase 10.0% per the estimate provided by the King County Assessor's Office in July;
- the passage of Shoreline Proposition No. 1 in November;
- the levy rate will be reset to \$1.39 per \$1,000 AV; and,
- the property tax levy will total \$12.531 million.

The above factors result in the City receiving \$1.458 million of additional property tax when compared with a return to the 1% limit imposed by State law. Should voters not approve the Levy Lid Lift renewal in November; staff will present Council with options and recommendations for adopting a balanced budget.

2017 General Fund Operating Revenues

- *Sales Tax Revenue:* Projected revenue of \$7.970 million reflects increases over the 2016 budget and 2016 revised projection by \$222,100, or 2.9%, and \$112,100, or 1.4%, respectively.
- *Criminal Justice Sales Tax Revenue:* Projected revenue of \$1.477 million reflects increases over the 2016 budget and 2016 revised projection by \$73,000, or 5.2%, and \$60,000, or 4.2%, respectively. The projection for this revenue source is based on taxable sales and population estimates for King County.
- *Utilities Taxes, Franchise Fees and Seattle City Light (SCL) Contract Revenue:* Projected revenue of \$8.727 million reflects increases over the 2016 budget and 2016 revised projection by \$228,000, or 2.7%, and \$319,000, or 3.8%, respectively. Receipts in 2016 are in line with the budget projection for all categories except for Natural Gas, which is likely due to reduced demand for natural gas due to a mild winter and spring.
- *Gambling Taxes:* For 2017, staff projects that gambling taxes from card room and pull-tab activity will remain steady at the 2016 level of \$1.587 million.
- *Development Revenue:* The City completed a Cost of Service and Cost Recovery evaluation of the Permitting and Inspection fee revenues in 2016. Staff presented recommendations on proposed permitting cost recovery objectives on April 25, 2016 and those recommendations have been incorporated in the 2017 Fee Schedule and revenue projections. As a result, development revenues are expected to increase over the 2016 budget by \$218,000, or 15.1%. The majority of this increase is occurring in plan check fee revenue, which is projected to increase by \$112,000, or 27.0%. Building permit revenue is projected to increase by \$33,500, or 6.4%, and right-of-way fee revenue is projected to increase by \$40,000, or 16.0%.
- *Liquor Excise Tax:* Staff projects, based on the most recent per capita estimates, that the City will receive \$248,000 in 2016, an increase of \$101,000 over 2015 receipts, and \$257,000 in 2017, which is an increase of \$9,000, or 3.6%, over the 2016 revised projection.

2017 General Fund One Time Resources

- *Property Tax Equalization:* The Property Tax Equalization fund was created was to accumulate and disburse proceeds from the City's maintenance and operations levy over the six year levy period. Because the levy period is complete, the balance of this fund, \$501,000, is being transferred to the General Fund providing a one-time transfer.

Fee Schedules

- *Fee Schedules:* Generally fees included in the fee are increased from the current year's level by the June-to-June percentage change of the Seattle / Tacoma / Bremerton Consumer Price Index-All Urban Consumer (CPI-U). Unless otherwise discussed below, many fees presented in the 2017 proposed budget will be

increased by 1.60%, which is 90% of the June-to-June percentage change of the CPI-U of 1.78%.

- *Planning and Community Development:* The City completed a Cost of Service and Cost Recovery evaluation of the Permitting and Inspection fee revenues in 2016. Staff presented recommendations on proposed permitting cost recovery objectives on April 25, 2016 and those recommendations have been incorporated in the 2017 Fee Schedule.
- *Transportation Impact Fees:* When adopted in November 2014, Ordinance No. 690 included an escalator for the Transportation Impact Fees using the Washington State Department of Transportation’s Construction Cost Index (WSDOT CCI). Due to large variations from year-to-year, fees are now being calculated using a three year average of the WSDOT CCI. The current three-year average for the WSDOT CCI has the fees increasing by 6.16% from \$6,804.62 per trip to \$7,224.12 per trip.

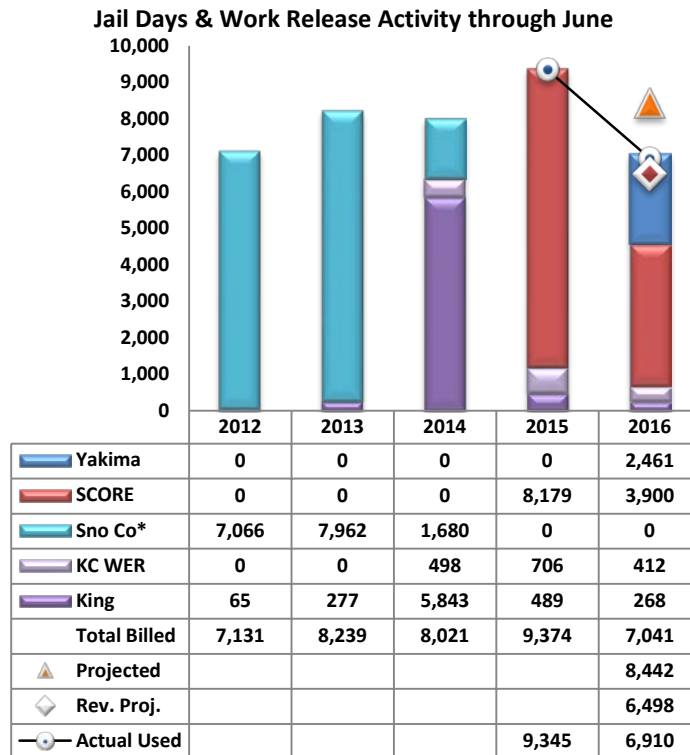
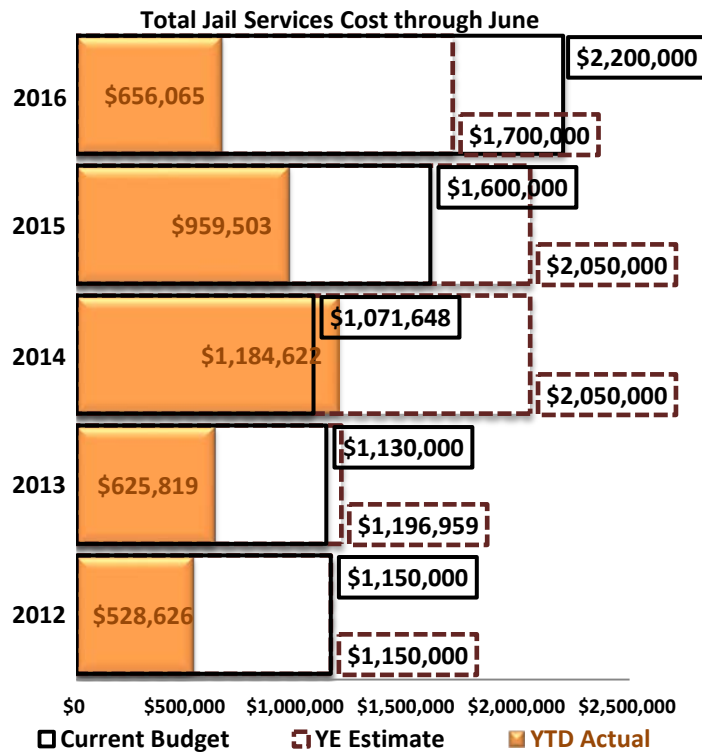
Major Contracted Programs

- *Jail Activity:* Projections for the 2017 budget, along with future forecasts, are based on activity trends over the last couple of years, the number of guaranteed beds at the South Correctional Entity (SCORE), and an inflation rate factor outlined in the interlocal agreement (ILA) with King County.

Beginning in 2016, inmates serving a sentence longer than three days are being housed at Yakima County Jail. The current contract with SCORE is being continued as the City’s primary booking facility. In 2016, projected jail housing days and costs are estimated to be lower than the activity level originally budgeted of 20,245 housing days as shown in the table below:

Facility	Activity	%	Cost	%
King County Housing	612	3.6%	\$92,977	5.8%
King County Work Release	728	4.2%	\$77,262	4.8%
SCORE	11,080	64.3%	\$1,163,428	72.9%
Yakima	4,808	27.9%	\$263,238	16.5%
Total Jail Services	17,228	100.0%	\$1,596,905	100.0%

For the first half of 2016, the City’s jail services costs were lower than those for 2015 and 2014 by 31.6% and 44.6%, respectively, given decreases in the total number of billed jail and work release days of 24.9% and 12.2%, respectively.



A significant portion of the savings can also be attributed to transferring a portion of the City's sentenced jail population to the Yakima County Jail beginning in January 2016. The daily cost for housing inmates at Yakima is roughly half that for SCORE. Transferring sentenced inmates to Yakima and using 2,461 beds

through June, or an average of 13.5 beds per day, saved \$117,000, or 17.9%, in housing costs.

To ensure that housing sentenced inmates at Yakima County Jail has a positive net impact on the City’s budget, the number of guaranteed beds at SCORE for which the City is billed (regardless if they are used or not) was reduced. Projected jail housing days and costs for 2017 are shown in the table below:

Facility	Activity	%	Cost	%
King County Housing	875	4.6%	\$164,789	8.7%
King County Work Release	1,500	7.9%	\$209,655	11.0%
SCORE	11,150	58.7%	\$1,212,943	63.8%
Yakima	5,475	28.8%	\$314,744	16.5%
Total Jail Services	19,000	100.0%	\$1,902,131	100.0%

While the use of jail services from SCORE will be maximized by housing 58.7% of inmates being held pre-disposition that are not eligible for work release, the overall projected cost, including housing, medical, booking, etc. of \$2.000 million will still result in an decrease of 9.1% from the 2016 adopted budget.

- *Police Contract:* Negotiations for the King County Sheriff’s Office (KCSO) guild contract will be underway later this year for the contract that will affect 2017. As the level of COLA for 2017 is not known, staff projects that the 2017 police services contract will total \$11.563 million, which is 3.0% more than the 2016 police services contract. This contract represents 25.5% of the City’s operating budget. The first detailed estimate will be provided by KCSO in late September or early October. For future years (2017 onward), staff has assumed an annual escalator between 2.8% and 3.1%.

2017 – 2022 Capital Improvement Plan (CIP)

The 2017 proposed budget will include the proposed 2017-2022 CIP. Its development included staff’s review of the current 2016-2021 CIP, Council direction, the City’s various master plans, and projected available revenues. As Council is aware, there are limited capital funds available for the many capital needs of the City. It is worth noting that master plans for Parks, Recreation and Cultural Services, Surface Water, and Transportation are all underway and will impact programming of future capital projects. New projects recommended in the CIP are funded through a combination of increased revenues, grants, and in some instances General Fund contributions. Attachment C to this staff report provides the fund summaries for all four capital funds. Significant issues, changes, and new projects are discussed below.

General Capital Fund

New Projects:

- *Ridgecrest Park Master Plan* (\$100,000): Sound Transit’s Lynnwood Link line will impact the western edge of Ridgecrest Park. The impacts will be mitigated by creating entrance improvements to the park. The master planning process will build on the entrance improvements to enhance other areas of the park and

identify other improvements. Design and construction cost estimates will follow the master planning effort.

Other key issues:

- *Police Station at City Hall:* The project is now fully funded as it prepares to move towards construction. The remaining funding comes from a combination of increased projections of the sale of the existing police station, additional General Fund contribution and use of REET.
- *North Maintenance Facility:* After the City Council presentation on the NMF in February 2016, staff and the Council were concerned about the level of uncertainty in key areas of the work with a “high cost risk” in the project planning and design. To address this concern TCF Architects was commissioned to further the project design with a focus on increasing understanding and project certainty on elements with a high cost risk and update the project estimate. As a result of this review the projected cost for project has increased by approximately \$6 million, primarily as a result of the soil conditions and high water table of the site. Design, permitting and construction are now estimated at \$21.9 to \$23.4 million, depending on the configuration. As Council is aware, there is no funding source for construction/debt-service. The City Manager is recommending that we move forward with final design and permitting over the next two years (approximately \$2.2 million), with a design focus on phased construction. Funding for the final design will come from a combination of one-time Operating Budget savings and REET collections. Although currently not reflected in the General Capital Fund Summary in Attachment C, this will be reflected in the Proposed 2017-2022 CIP. Future CIP updates will address funding for construction of the facility. Unfortunately this means that Public Works and Parks maintenance will continue to be operated from Hamlin, which is undersized for the City’s maintenance needs, along with separation of the Ronald Wastewater District facility until the NMF can be constructed. As such, under current assumptions, I would not anticipate full completion of the NMF until 2021 or later.

City Facilities-Major Maintenance Fund

New Projects:

- *Duct Cleaning* (\$90,600): This project establishes an ongoing program for initial and ongoing cleaning of air ducts in the pool, community centers and other buildings. This project increases the life span of systems, reduces future maintenance, saves energy, and improves air quality for staff and users of the facilities.

Roads Capital Fund

New Projects:

- *Aurora LED Light Conversion* (\$215,000): This project will convert lighting on the first segment of Aurora Ave N to LED. The remaining sections of Aurora have already converted lighting to LED.
- *Light Rail Bike Trail* (\$335,000): This project includes a feasibility study and preliminary design for a future trail under and/or adjacent to the light rail. This

project is starting in 2016 in order to align with Sound Transit's schedule for design of the Lynnwood Link project. General Fund contribution is proposed to fund this project.

- *NE 145th St. and I-5 Interchange Design* (\$4,520,000): This project has received grant funding through Puget Sound Regional Council to design improvements at the NE 145th St. and I-5 interchange.
- *N 160th St. and Greenwood Ave N / NW Innis Arden Way Intersection* (\$125,000): This project will develop conceptual plans and proceed with preliminary design for modifications to this intersection. Staff is working collaboratively with the Shoreline Community College and Shoreline School District in the concept planning and design. General Fund contribution is proposed to fund this project.
- *Aurora Median Retrofits* (\$175,000): This project will modify several median areas to replace cobbles and vegetation with stamped concrete or other mechanisms that will reduce the cost of maintenance and reduce safety concerns for maintenance.

Other Issues:

- *Grant Match*: Based on Council direction, REET is utilized for the grant match program. The proposed CIP offsets the 2017 General Fund contribution of \$400,000 included in the current CIP with REET and includes an additional \$100,000 per year in 2017-2019 and \$250,000 per year from 2020-2022 to fund the program. This sets aside \$1.4 million in REET for grant match over the duration of the CIP. A portion of this funding will be used for the match of the 145th and I-5 interchange, leaving approximately \$1.1 million in match for future grant opportunities. However, REET is a variable revenue that tends to increase and decrease with the economy. As such, there is risk relying on this revenue to fund the grant match program.
- *Annual Road Surface Maintenance*: Funding for this program has been increased to meet the overlay and maintenance needs identified in the 2014 asphalt pavement condition assessment. This program includes repaving of N 175th St. (from I-5 to 15th Ave NE) in 2018 to eliminate the current ongoing maintenance needs resulting from the previous bituminous surface treatment (BST) of the roadway. This program will alternate by year overlay and BST improvements.
- *N 145th SR99 to I5*: An additional \$900,000 was added to this project for early acquisition of Right of Way as opportunities may present themselves.

Surface Water Utility Fund

New Projects:

- *Boeing Creek Restoration Project*: Based on Council's direction regarding the Hidden Lake Dam Removal this project will develop concepts and pursue funding for wide-scaled improvements along Boeing Creek.

Other Issues:

- *Proposed Rate Increase:* The proposed 2017 rate increase in surface water fees is 5% based on the 2011 Surface Water Master Plan: This changes the rate for a single family residence from \$152 per year to \$160 per year. The 2017 update to the Master Plan will include a rate study including future rates needed to meet capital needs and level of service standards.

2017 – 2026 10 Year Financial Sustainability Model Operating Budget Projections

Council reviewed and accepted the Ten Year Financial Sustainability Plan (10 YFSP) on June 16, 2014. The Ten Year Financial Sustainability Model (10 YFSM) has since been utilized in presenting the long-term financial projections for the 2015 and 2016 proposed budgets, as well as amendments to the 2015 and 2016 budgets. In staff’s opinion, the model is having the effect on budget planning that was desired by the Council as the Administrative Services Department is monitoring the City’s progress in relation to the Financial Sustainability Model. Staff has recently updated the model as part of the 2017 budget process. The 2017 preliminary budget projects a surplus of \$1.269 million with the successful renewal of the 2017 Property Tax Levy and the use of remaining property tax equalization fund. Below is a comparison of the September 2016 forecast and the April 2016 forecast projected operating budget surplus/(gap) for each year of the 10-year period of 2017 t:

Projected Surplus / (Gap)	2017 Proposed	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast
April 2016	1,958,894	1,723,038	1,274,301	857,083	493,682
Sept. 2016	1,268,799	219,983	1,091,755	718,810	405,352
Change	(690,095)	(1,503,055)	(182,546)	(138,273)	(88,330)

Projected Surplus / (Gap)	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
April 2016	98,697	(735,334)	(575,450)	(586,080)	(694,027)
Sept. 2016	3,404	(1,023,322)	(564,266)	(583,848)	(650,532)
Change	(95,293)	(287,988)	11,184	2,232	43,495

The update for the budget process includes incorporating changes to the projected revenue and expenditure forecast based upon updated economic indicators and actual experience. The September 2016 model update for 2017, including the assumption the Levy Lid Lift will pass in November, is projecting a \$690,000 decrease in the amount of surplus from the spring update. The April 2016 forecast presented 2017 ending the year with revenues at 101% and expenditures at 98% of projected estimates, which aligns with the City’s historical revenue and expenditure collections. As 2017 becomes the budget year, the projections for revenues and expenditures are presented at 100% for budgetary purposes. Typically this shift is tempered by higher growth in revenues but given the moderate level of growth expected in 2017, the shift is more apparent. As a result the practice of presenting the first forecast year (the first year after the budget year) is being changed to forecasting at 100% for both revenues and expenditures similar to the projection for the budget year. This will serve to minimize the swings from forecast to budget.

In the model presented with the 10 YFSP in June 2014, potential gaps were noted beginning in 2018. In the spring 2016 model, potential gaps were noted beginning in 2019. The September 2016 update projects budget gaps pushed out to 2023 as a result of implementing several of the strategies adopted in the 10YFSP including the assumption that voters will approve renewal of the Levy Lid Lift.

Long-Term Budget Trends and Assumptions in the 10YFSP Model

Below are some of the major assumptions used in the most recent projections:

- **Property Tax:** As noted above, the preliminary 2017 property tax levy is anticipated to increase from 2016 by \$1.623 million if voters approve Shoreline Proposition No. 1. The City’s assessed valuation is currently estimated to increase by 10.0% in 2017 and by 3.84% in 2018, slowing to a growth rate of between 3.7% and 4.3% for 2019 to 2022. **The April 2016 Forecast did not include an assumption that the Levy Lid Lift (Proposition No. 1) would be renewed in November.**

The levy lid lift as proposed (Shoreline Proposition No. 1) will reset the levy rate for 2017 at \$1.39 per 1,000 AV and limit the growth in the annual property tax levy in subsequent years to the rate of inflation plus new construction. The levy lid lift expires in 2022, and without another renewal by the voters, the annual levy will only be allowed to grow by new construction plus the statutory 1.0% limit. As a result of all of the information above, property tax revenue is forecast to increase by 3.1% in 2018, with average increases of 2.1% for 2019-2026. Below is a comparison of the September 2016 forecast to the April 2016 forecast presented with the April 2016 amendments to the 2016 budget:

Projection	2017 Proposed	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast
April 2016	11,073,433	11,243,491	11,408,409	11,550,266	11,711,478
Sept. 2016	12,531,317	12,923,844	13,292,731	13,639,232	14,006,516
Change	1,457,884	1,680,353	1,884,322	2,088,966	2,295,038

Projection	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
April 2016	11,875,756	12,043,802	12,213,722	12,386,078	12,558,079
Sept. 2016	14,379,434	14,580,176	14,783,226	14,989,225	15,194,883
Change	2,503,678	2,536,374	2,569,504	2,603,147	2,636,805

If Proposition No. 1 is not approved by voters in November 2017, the property tax collection forecast will need to be reduced significantly, more in-line with the April 2016 forecast.

- **Sales Tax:** The projection for sales tax for 2017 has decreased slightly from the previous forecast based upon the updated retail sales growth assumptions for the Puget Sound area and Shoreline’s recent experience. Shoreline assumes that taxable sales will increase at 75% of the growth assumptions for the Puget Sound region, in keeping with past forecasting practices. Below is a comparison of the September 2016 forecast to the forecast presented in the April 2016 amendments to the 2016 budget:

Projection	2017 Proposed	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast
April 2016	7,993,687	8,219,907	8,450,880	8,702,094	8,917,504
Sept. 2016	7,969,800	8,268,907	8,550,829	8,822,804	9,073,766
Change	(23,887)	49,000	99,948	120,710	156,262

Projection	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
April 2016	9,143,173	9,432,637	9,724,886	9,992,893	10,280,113
Sept. 2016	9,338,049	9,658,393	9,994,661	10,311,238	10,653,411
Change	194,877	225,756	269,775	318,346	373,297

- *Gambling Tax*: Staff has assumed no growth in future years in tax collections so a baseline of \$1.587 million is assumed.
- *Development Revenue*: Development activity is based upon projected permit activity for the Puget Sound area for 2017 to 2026. Projected revenue over the ten year period is up compared to the forecast presented in the April 2016 amendments to the 2016 budget. This is mostly due to increasing projected revenue from building permit fees, land use fees and plan check fees as a result of implementing rate adjustments recommended as part of the Cost of Service study discussed earlier in this report. Building permit fees have been increased from an annual base of \$523,500 in the April 2016 forecast to \$557,000 in the September 2016 forecast. Plan check fees were increased from an annual base of \$413,000 in the April 2016 forecast to a new base of \$524,500 in the September 2016 forecast. Below is a comparison of the September 2016 forecast to the forecast presented in the April 2016 amendments to the 2016 budget:

Projection	2017 Proposed	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast
April 2016	1,449,825	1,411,888	1,394,135	1,386,695	1,365,688
Sept. 2016	1,660,278	1,552,825	1,525,607	1,473,478	1,428,614
Change	210,453	140,937	131,472	86,783	62,926

Projection	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
April 2016	1,328,595	1,289,761	1,257,521	1,220,868	1,186,817
Sept. 2016	1,392,853	1,375,839	1,359,728	1,347,358	1,341,597
Change	64,258	86,078	102,207	126,491	154,780

- *Market Adjustment (Cost of Living Adjustment) and Step Increases*: Cost of living adjustments and step increases are projected to increase salaries and wages by an average of 2.90% for 2018 through 2026. The salary forecast assumes 25% of employees will receive an annual step increase in 2018 through 2020 and 20% will receive an increase in 2021 through 2026.
- *Health Benefits*: Costs are projected with an annual escalator of 6.5% for all health benefits which includes medical, dental, life and long term disability coverage for 2018 through 2026. The projected increase for 2017 is 4.5%.

- *Public Employee Retirement System (PERS) Contribution Rates:* PERS contribution rates have decreased from those included in the April 2016 forecast. The following table shows the rates projected by the Office of the State Actuary:

PERS Employer Contribution	Current Rate	Effective 7/1/2017-6/30/2019
Legislative Approved Rates	11.18%	
State Actuary Projected Rates		12.67%

The table below displays the rates that were included in the April 2016 forecast:

PERS Employer Contribution	Effective 2017
10-Year Financial Sustainability Plan	12.92%

The impact on PERS contributions is shown in the following table:

Projection	2017 Proposed	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast
April 2016	1,378,046	1,394,430	1,438,182	1,483,108	1,525,163
Sept. 2016	1,252,600	1,398,520	1,443,570	1,488,779	1,531,784
Change	(125,446)	4,090	5,387	5,672	6,621
Projection	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
April 2016	1,568,670	1,611,987	1,656,567	1,702,520	1,749,865
Sept. 2016	1,575,466	1,620,233	1,666,341	1,713,887	1,763,045
Change	6,796	8,246	9,774	11,366	13,180

Projected Operating (General and Street Funds) Budget Ending Fund Balance

As noted above, while the 2016 amended budget anticipated the use of \$6.409 million of fund balance; current estimates anticipate the use of \$3.864 million. The General Fund is projected to end 2016 with \$8.832 million of fund balance, which will be well above the minimum required balance of \$3.965 million. The Street Fund is projected to end 2016 with \$865,000, which will be well above the minimum required balance of \$246,000.

During 2017, the preliminary operating budget proposes programming \$4.053 million of fund balance for the following items:

- \$791,000 for the Operational Contingency and \$255,000 for the Insurance Reserve, which are not typically used during the year,
- \$2.054 million for one-time supplemental requests (funded by savings from 2016); and,
- \$953,000 of one-time capital contributions.

The programmed use of fund balance is anticipated to be offset by the projected surplus of \$1.269 million, resulting in an estimated 2017 ending fund balance of \$6.912 million. Historically the City collects more revenues and expends less than the budgeted

appropriations. The General Fund is projected to end 2017 with \$6.245 million of fund balance, which will be well above the minimum required balance of \$4.046 million. The Street Fund is projected to end 2017 with \$667,000 of fund balance, which will be well above the minimum required balance of \$251,000.

Revenue Stabilization Fund

The City's Revenue Stabilization Fund was created as a reserve to cover revenue shortfalls resulting from unexpected economic changes or recessionary periods. The City's reserve policy establishes that the balance of the fund equal 30% of economically sensitive revenues. The fund balance at the end of 2016 is projected to be \$5.151 million. The General Fund will not be required to transfer any funds to the Revenue Stabilization Fund until 2018 as the projected fund balance is already sufficient to meet the 30% target. Long range projections indicate that the General Fund will need to transfer between \$195 and \$144,000 per year between 2018 and 2026.

Long-Term Financial Assumptions

Staff will continue to monitor revenue and expenditure trends to identify any change in the assumptions for projecting the budget over the next ten years. Attachment B has a table summarizing the current budget projections and the base assumptions.

Financial Impact of Sound Transit Lynnwood Link Extension

Council approved the agreement for the Expedited Permitting and Reimbursement Agreement with Sound Transit for the Lynnwood Link Project (commonly referred to as the Staffing Agreement). The expenditures and revenues associated with this agreement are incorporated into the budget and projected to be equal, having a net zero impact on the City's net position. The Staffing Agreement only applies to the design and permitting stage of the project and does not address staffing for the actual construction stage of the project or other items or issues identified in the term sheet. Staff anticipates negotiating additional agreements to address the costs and mitigation associated with future phases of the Lynnwood Link Project. Given the timing of the work, future agreements will likely continue to be presented to Council independent of the budget process and incorporated by budget amendments; however, the 10 YFSM revenue assumptions include revenue from Sound Transit through 2022.

SUMMARY

It is projected that 2016 operating budget expenditures of \$44.288 million will be less than the current budgeted expenditures by \$2.036 million, with no anticipated need to use any funds from the operational contingency or insurance reserve. While the 2016 current budget anticipates the use of \$6.409 million of fund balance, current estimates anticipate the use of only \$3.864 million. The General Fund is projected to end 2016 with \$8.832 million of fund balance, which will be well above the minimum required balance of \$3.965 million. The Street Fund is projected to end 2016 with \$865,000, which will be well above the minimum required balance of \$246,000.

In addition to the one-time supplemental requests totaling \$2.054 million and capital contributions totaling \$953,000 discussed in this report, the 2017 preliminary budget also includes \$1.046 million from fund balance for the Operational Contingency and

Insurance Reserve. Including these items would bring the total use of fund balance to \$4.053 million.

As the City Council is aware, the City tends to budget revenues slightly under actual results, and expenditures slightly above actual results. As a result staff anticipates that actual use of fund balance will ultimately be less than budgeted. While these results cannot occur indefinitely, staff will continue to work to address projected budget gaps using and updating the 10 YFSM developed per the 10 YFSP.

Staff believes that the proposed 2017-2022 CIP reflects the priorities of the Council; however, there are a number of projects that are considered to be 'underfunded'. In addition other projects, although important, have not been funded in the proposed CIP.

Please remember that the numbers presented in this report are in many cases still based on rough estimates. More details will come in over the next few weeks, refining some of the numbers discussed this evening. Ultimately the City Manager will provide the 2017 Proposed Budget and 2017-2022 CIP to the City Council on October 10.

RECOMMENDATION

No action is required by the City Council. This item is for informational purposes and to provide the City Council with preliminary 2017 budget information. Staff anticipates that Council may provide additional budget direction to the City Manager as a result of this overview.

ATTACHMENTS

Attachment A: Second Quarter Financial Report

Attachment B: 10 Year Financial Sustainability Model Operating Budget Ten Year Forecast

Attachment C: 2017-2022 Capital Improvement Plan Fund Summaries



2016 SECOND QUARTER FINANCIAL REPORT

September 2016

PERFORMANCE AT A GLANCE

GENERAL FUND REVENUES	Compared to 2015 Second Quarter Actual	Reference
Property Tax Revenue	▲ POSITIVE ▲	Page 5
Sales Tax Revenue	▲ POSITIVE ▲	Page 6, 7
Utility Tax Revenue	● WARNING ●	Page 11
Development Revenue	▲ POSITIVE ▲	Page 12
Parks and Recreation Revenue	▼ NEGATIVE ▼	Page 13
Investment Income	▲ POSITIVE ▲	Page 14
NON-GENERAL FUND REVENUES		
Surface Water Fees	▲ POSITIVE ▲	Page 18
Fuel Tax	▲ POSITIVE ▲	Page 21
Real Estate Excise Tax	▼ NEGATIVE ▼	Page 22

This report reflects revenue collections and expenditures through June 30, 2016. Because of the cyclical nature of revenues and expenditures, the percentage collected varies by type. The above table reflects variances when compared to year-to-date projections for the second quarter. As you can see from the chart, revenues are close to or ahead of projections with the exception of Utility Tax Revenue, which is primarily impacted by a late payment.

Key to revenue trend indicators:

- ▲ POSITIVE ▲ = Positive variance of >+2% compared to projections.
- ◀ NEUTRAL ▶ = Variance of -1% to +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

Revenues

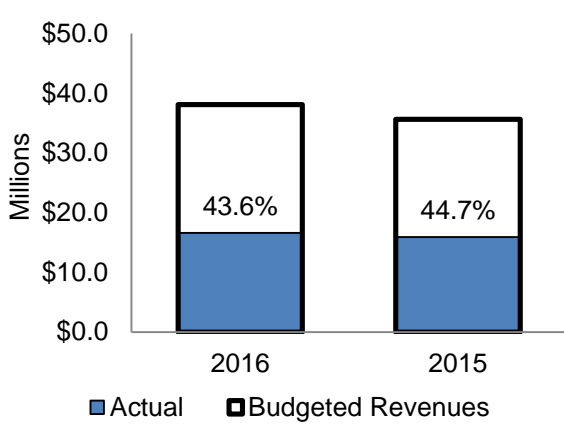
Fund	2016 Current Budgeted Revenues	2016 2nd Quarter Actual	2016 % of Current Budget	2015 Current Budgeted Revenues	2015 2nd Quarter Actual	2015 % of Current Budget	2016 v. 2015 \$ Variance	2016 v. 2015 % Variance
General Fund	\$38,113,541	\$16,602,086	43.6%	\$35,648,691	\$15,929,836	44.7%	\$672,250	4.2%
Street Fund	\$1,442,468	\$727,540	50.4%	\$1,569,007	\$691,115	44.0%	\$36,425	5.3%
Code Abatement Fund	\$80,550	\$24,783	30.8%	\$80,550	\$5,611	7.0%	\$19,172	341.7%
State Drug Enforcement Fund	\$18,243	\$22,943	125.8%	\$13,800	\$2,117	15.3%	\$20,826	983.8%
Public Arts Fund	\$6,500	\$3,913	60.2%	\$5,000	\$154	3.1%	\$3,759	2440.9%
Federal Drug Enforcement Fund	\$28,200	\$691	2.5%	\$20,750	\$7,010	33.8%	-\$6,319	-90.1%
Property Tax Equalization Fund	\$0	\$2,761	0.0%	\$0	\$814	0.0%	\$1,947	239.2%
Federal Crime Forfeitures Fund	\$978,500	\$5,992	0.6%	\$38,945	\$234,576	602.3%	-\$228,584	-97.4%
Revenue Stabilization Fund	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0	0.0%
Transportation Impact Fee	\$200,000	\$189,283	0.0%	\$0	\$182,481	0.0%	\$6,802	3.7%
Unltd Tax GO Bond Fund	\$1,700,000	\$900,430	53.0%	\$1,700,000	\$899,823	52.9%	\$607	0.1%
Limited Tax GO Bond 2009 Fund	\$1,277,047	\$1,065,108	83.4%	\$1,276,847	\$1,149,681	90.0%	-\$84,573	-7.4%
Limited Tax GO Bond 2013 Fund	\$260,948	\$62,719	24.0%	\$260,823	\$169,135	0.0%	-\$106,416	0.0%
General Capital Fund	\$8,167,893	\$826,106	10.1%	\$3,173,261	\$806,662	16.5%	\$19,444	2.4%
City Facility-Major Maint. Fund	\$782,784	\$505,562	64.6%	\$25,449	\$110,137	432.8%	\$395,425	359.0%
Roads Capital Fund	\$15,082,857	\$4,396,435	29.1%	\$21,450,709	\$5,230,547	24.4%	-\$834,112	-15.9%
Surface Water Utility Fund	\$6,724,986	\$2,125,714	31.6%	\$5,846,408	\$1,930,436	33.0%	\$195,278	10.1%
Vehicle Operations/ Maint. Fund	\$256,216	\$256,617	100.2%	\$278,950	\$263,950	94.6%	-\$7,333	-2.8%
Equipment Replacement Fund	\$518,767	\$507,588	97.8%	\$1,071,528	\$335,185	31.3%	\$172,403	51.4%
Unemployment Fund	\$0	\$172	0.0%	\$0	\$52	0.0%	\$120	230.8%
Total Budgeted Revenue	\$75,639,500	\$28,226,443	37.3%	\$74,165,928	\$27,949,322	37.7%	\$277,121	1.0%
Budget Use of Fund Balance	\$12,948,830	\$0	0.0%	\$10,395,647	\$0	0.0%	\$0	0.0%
Total Budgeted Resources	\$88,588,330	\$28,226,443	31.9%	\$84,561,575	\$27,949,322	33.1%	277,121	1.0%

Expenditures

Fund	2016 Current Budget	2016 2nd Quarter Actual	2016 % of Current Budget	2015 Budget	2015 2nd Quarter Actual	2015 % of Current Budget	2016 v. 2015 \$ Variance	2016 v. 2015 % Variance
General Fund	\$44,441,147	\$16,059,798	36.1%	\$38,152,434	\$10,726,814	28.1%	\$5,332,985	49.7%
Street Fund	\$1,713,773	\$762,704	44.5%	\$1,569,007	\$672,100	42.8%	\$90,604	13.5%
Code Abatement Fund	\$100,000	\$24,430	24.4%	\$100,000	\$5,500	5.5%	\$18,930	344.2%
State Drug Enforcement Fund	\$168,243	\$9,254	5.5%	\$13,800	\$9,976	72.3%	-\$722	-7.2%
Public Arts Fund	\$84,216	\$10,757	12.8%	\$54,408	\$12,951	23.8%	-\$2,194	-16.9%
Federal Drug Enforcement Fund	\$263,000	\$1,288	0.5%	\$65,750	\$3,393	5.2%	-\$2,105	-62.0%
Property Tax Equalization Fund	\$691,313	\$0	0.0%	\$0	\$0	0.0%	0	0.0%
Federal Crime Forfeitures Fund	\$2,802,444	\$159,531	5.7%	\$534,358	\$0	0.0%	\$159,531	0.0%
Revenue Stabilization Fund	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0	0.0%
Transportation Impact Fee	\$359,775	\$179,888	0.0%	\$0	\$0	0.0%	\$179,888	0.0%
Unltd Tax GO Bond Fund	\$1,710,375	\$181,188	10.6%	\$1,712,175	\$204,642	12.0%	-\$23,454	-11.5%
Limited Tax GO Bond 2009 Fund	\$1,663,417	\$573,309	34.5%	\$1,663,217	\$583,316	35.1%	-\$10,007	-1.7%
Limited Tax GO Bond 2013 Fund	\$260,948	\$62,719	24.0%	\$260,823	\$65,189	25.0%	-\$2,470	0.0%
General Capital Fund	\$9,141,524	\$1,059,302	11.6%	\$3,552,919	\$1,281,721	36.1%	-\$222,419	-17.4%
City Facility-Major Maint. Fund	\$886,754	\$510,405	57.6%	\$348,525	\$99,757	28.6%	\$410,648	411.6%
Roads Capital Fund	\$16,474,476	\$1,937,790	11.8%	\$23,749,289	\$7,572,116	31.9%	-\$5,634,326	-74.4%
Surface Water Utility Fund	\$7,356,193	\$5,488,545	74.6%	\$6,191,834	\$1,979,881	32.0%	\$3,508,664	177.2%
Vehicle Operations/Maint. Fund	\$271,216	\$55,019	20.3%	\$278,950	\$84,697	30.4%	-\$29,678	-35.0%
Equipment Replacement Fund	\$483,768	\$136,592	28.2%	\$954,714	\$27,324	2.9%	\$109,268	399.9%
Unemployment Fund	\$17,500	\$710	4.1%	\$17,500	\$946	5.4%	-\$236	0.0%
Totals	\$88,890,082	\$27,213,229	30.6%	\$79,219,703	\$23,330,323	29.5%	\$3,882,907	16.6%

GENERAL FUND REVENUE ANALYSIS:

TOTAL GENERAL FUND REVENUE SUMMARY



2016 Current Budget		\$44,441,147
2016 Budgeted Revenues		\$38,113,541
2016 Second Quarter Actual Revenue		\$16,602,086
2016 % of Current Budget Received		43.6%
2015 Budgeted Revenues		\$35,648,691
2015 Second Quarter Actual Revenue		\$15,929,836
2015 % of Current Budget Received		44.7%
2016 v. 2015 \$ Change		\$672,250
2016 v. 2015 % Change		4.2%

The difference between 2016 Current Budget and 2016 Budgeted Revenues reflects the planned use of Fund Balance for one time investments as provided in the City's financial policies. General Fund revenue received through the second quarter of 2016 totals \$16,602,086 and reflects a year-over-year increase of \$672,250, or 4.2%. The following pages present a detailed analysis of various General Fund revenue sources. Staff has revised the year-end projection for budgeted revenues based on the latest information available and receipts for 2016 are estimated to be \$412,542, or 1.1%, more than the budget projection. The following are highlights comparing 2016 to 2015 for the General Fund:

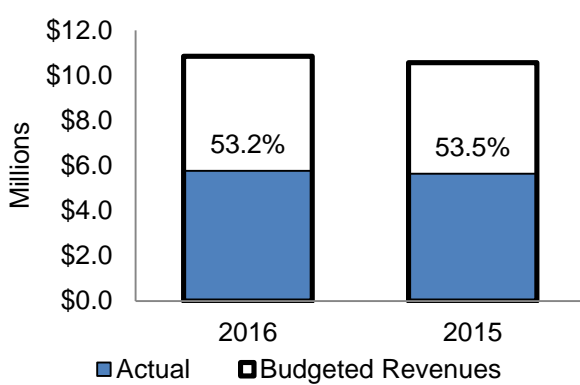
- Property tax receipts are 2.2% more than those for 2015.
- Sales tax receipts are 3.5% more than those for 2015.
- Utility tax and franchise fee revenues are 2.8% less than the year-ago level. The year-over-year difference appears to be attributable partly to reduced demand for natural gas, perhaps due to a mild winter and spring, and a decrease in the amount of telecommunications utility tax collected.
- The year-over-year increase of \$400,025 in Development Revenue is attributable to higher local development activity in 2016 as compared to 2015, in terms of the number of building permits pulled for new construction and remodels as well as their valuation.
- The year-over-year change for Intergovernmental Revenue receipts is largely due to higher receipts from the distribution of liquor excise taxes.

GENERAL FUND REVENUE DETAIL

Revenue Source	2016 Current Budget	2016 Second Quarter Actual Revenue	2016 % of Current Budget Received	2015 Current Budget	2015 Second Quarter Actual Revenue	2015 % of Current Budget Received	2016 v. 2015 \$ Change	2016 v. 2015 % Change
Budgeted Fund Balance	\$6,327,606	\$0	0.0%	\$2,503,743	\$0	0.0%	\$0	0.0%
Property Tax	\$10,860,481	\$5,775,816	53.2%	\$10,570,659	\$5,653,559	53.5%	\$122,257	2.2%
Sales Tax	\$7,747,700	\$3,250,781	42.0%	\$7,320,000	\$3,140,737	42.9%	\$110,044	3.5%
Local Criminal Justice	\$1,403,619	\$718,230	51.2%	\$1,276,154	\$654,745	51.3%	\$63,485	9.7%
Utility Tax & Franchise Fee Revenue								
Natural Gas	\$906,500	\$399,692	44.1%	\$889,590	\$442,997	49.8%	-\$43,305	-9.8%
Garbage	\$548,880	\$138,577	25.2%	\$538,648	\$135,102	25.1%	\$3,475	2.6%
Cable TV	\$1,903,020	\$628,366	33.0%	\$1,760,845	\$626,842	35.6%	\$1,524	0.2%
Telecommunications	\$1,421,640	\$419,226	29.5%	\$1,503,000	\$466,430	31.0%	-\$47,204	-10.1%
Storm Drainage	\$240,275	\$131,949	54.9%	\$214,571	\$119,462	55.7%	\$12,487	10.5%
Water	\$780,700	\$216,145	27.7%	\$754,197	\$222,966	29.6%	-\$6,821	-3.1%
Sewer	\$859,022	\$428,500	49.9%	\$834,002	\$416,000	49.9%	\$12,500	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	\$6,660,037	\$2,362,455	35.5%	\$6,494,853	\$2,429,799	37.4%	-\$67,344	-2.8%
SCL Contract Payment	\$1,838,980	\$766,963	41.7%	\$1,993,063	\$709,251	35.6%	\$57,712	8.1%
Gambling Tax Revenue	\$1,587,425	\$382,866	24.1%	\$1,586,625	\$389,927	24.6%	-\$7,061	-1.8%
Development Revenue	\$1,456,000	\$1,183,378	81.3%	\$1,319,750	\$783,353	59.4%	\$400,025	51.1%
Park and Rec. Revenue	\$1,500,998	\$654,611	43.6%	\$1,603,216	\$810,537	50.6%	-\$155,926	-19.2%
Intergov. Revenue	\$1,013,800	\$480,827	47.4%	\$894,991	\$398,399	44.5%	\$82,428	20.7%
Grant Revenue	\$844,749	\$48,860	5.8%	\$319,101	\$78,939	24.7%	-\$30,079	-38.1%
Fines and Licenses	\$642,072	\$113,184	17.6%	\$644,000	\$114,939	17.8%	-\$1,755	-1.5%
Miscellaneous Revenue	\$775,006	\$304,001	39.2%	\$574,665	\$242,914	42.3%	\$61,087	25.1%
Interest Income	\$70,600	\$49,734	70.4%	\$70,600	\$32,229	45.7%	\$17,505	54.3%
Operating Transfers In	\$1,712,074	\$510,380	29.8%	\$981,014	\$490,508	50.0%	\$19,872	4.1%
Total General Fund Resources	\$44,441,147	\$16,602,086	37.4%	\$38,152,434	\$15,929,836	41.8%	\$672,250	4.2%
Total General Fund Revenue excl. Budgeted Fund	\$38,113,541	\$16,602,086	43.6%	\$35,648,691	\$15,929,836	44.7%	\$672,250	4.2%

GENERAL FUND REVENUE ANALYSIS:

PROPERTY TAX

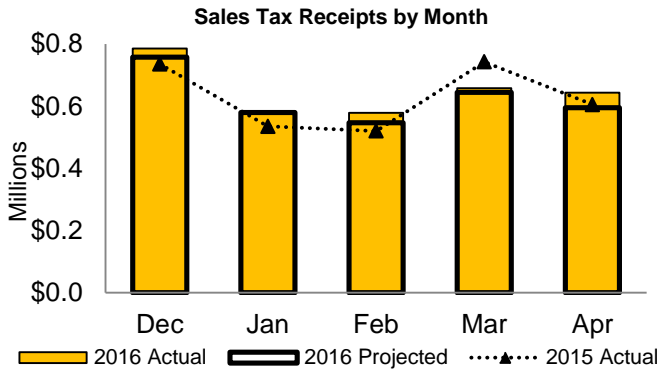


2016 Current Budget	\$10,860,481
2016 Second Quarter Actual Revenue	\$5,775,816
2016 % of Current Budget Received	53.2%
2015 Current Budget	\$10,570,659
2015 Second Quarter Actual Revenue	\$5,653,559
2015 % of Current Budget Received	53.5%
2016 v. 2015 \$ Change	\$122,257
2016 v. 2015 % Change	2.2%

Property tax payments are due to King County in April and October. The county then must remit the City's portion resulting in the majority of collections occurring in the second and fourth quarters. In addition to the year-over-year change noted above, Property Tax receipts are greater than the year-to-date projection by \$45,770, or 0.8%. During the first half of 2016 the City has received \$133,649 in delinquent taxes from previous years that were not factored into the budget projection. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be \$47,979, or 0.4%, more than the budget projection.

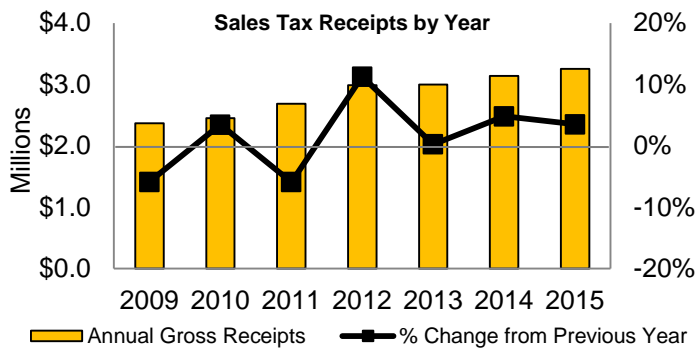
GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



2016 Current Budget		\$7,747,700
Sales tax revenue: December - April		
Sales Activity	2015	2016
December	\$736,315	\$786,417
January	\$535,619	\$582,409
February	\$520,543	\$578,999
March	\$742,842	\$658,721
April	\$605,418	\$644,235
Year to date	\$3,140,737	\$3,250,781
\$ Change		\$110,044
% Change		3.5%

Sales Tax receipts, which reflect activity from December 2015 through April 2016, total \$3,250,781 and are at 42% of our annual budget which is above the year-to-date projection by \$124,422, or 4.0%, and above 2015 collections by \$110,044, or 3.5%. It is important to note that the total for March 2015 includes \$112,769 worth of tax returns that were miscoded by a local business for the months of November 2014 through February 2015. The following chart and table reflects a comparison of sales tax receipts by year:



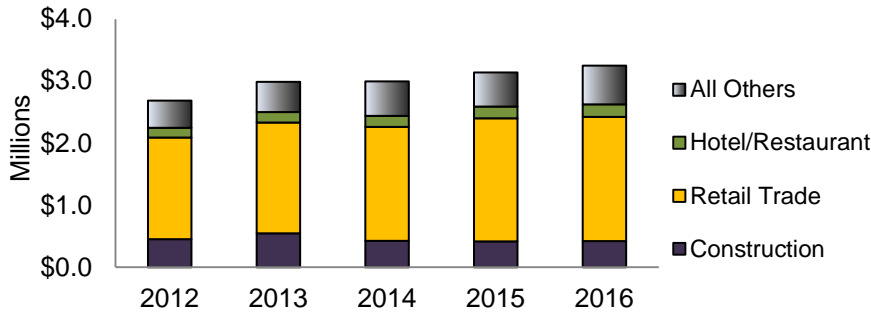
Year	Second Quarter Revenue	% Change from Previous Year
2009	\$2,514,978	2.5%
2010	\$2,367,206	-5.9%
2011	\$2,449,079	3.5%
2012	\$2,686,899	-5.9%
2013	\$2,989,414	11.3%
2014	\$2,996,802	0.2%
2015	\$3,140,737	4.8%
2016	\$3,250,781	3.5%

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. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be \$110,000, or 1.4%, more than the budget projection.

Receipts from the Construction sector are more than the year-ago level by 1.1%. In 2016 there were no collections related to one-time activity in the second quarter. Historically, second quarter one-time activity accounted for \$17,286, or 4.1%, in 2015; \$73,968, or 17.3%, in 2014; \$239,724, or 43.8%, in 2013; and \$279,579, or 24.1%, in 2012. Removing one-time activity from the calculation reveals a year-over-year increase of 5.5%.

GENERAL FUND REVENUE ANALYSIS (continued):

Annual Sales Tax Revenue Comparison by Sector



SALES TAX BY PRIMARY CATEGORY – Annual

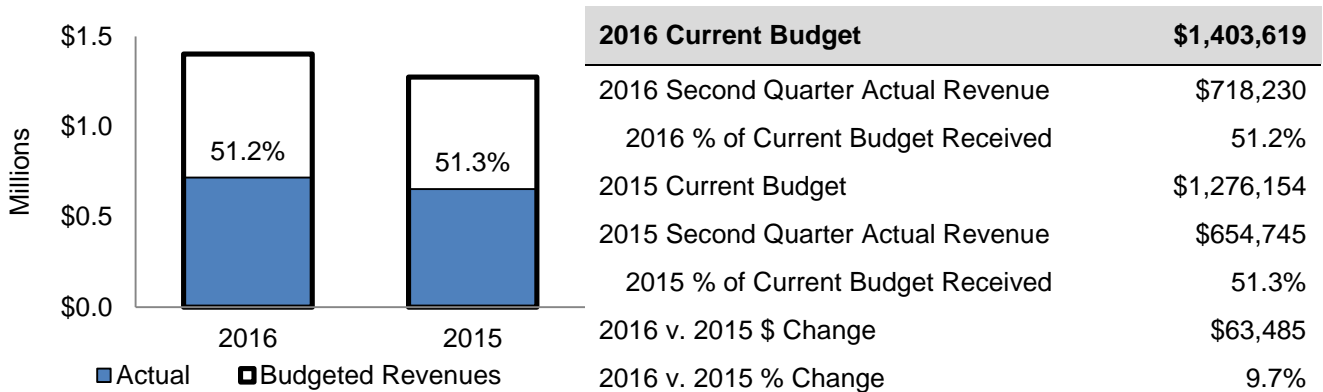
Sector	2012	2013	2014	2015	2016
Construction	\$453,298	\$547,618	\$426,346	\$417,634	\$422,412
Retail Trade	\$1,638,357	\$1,785,747	\$1,836,766	\$1,984,114	\$2,002,154
Hotel/Restaurant	\$157,154	\$169,076	\$177,728	\$189,333	\$202,095
All Others	\$438,090	\$486,973	\$555,962	\$549,656	\$624,120
Total	\$2,686,899	\$2,989,414	\$2,996,802	\$3,140,737	\$3,250,781
\$ Change from previous year	\$81,873	\$302,515	\$7,388	\$143,935	\$110,044
% Change from previous year	3.5%	11.3%	0.2%	4.8%	3.5%

SALES TAX BY CATEGORY

	2012 Dec- Apr	2013 Dec- Apr	2013 v. 2012 \$ Change	2014 Dec- Apr	2014 v. 2013 \$ Change	2015 Dec- Apr	2015 v. 2014 \$ Change	2016 Dec- Apr	2016 v. 2015 \$ Change
Retail Trade									
Motor Vehicle and Parts Dealer	\$412,438	\$459,052	\$46,614	\$500,090	\$41,038	\$544,247	\$44,157	\$571,770	\$27,523
Furniture and Home Furnishings	\$21,743	\$22,525	\$782	\$26,705	\$4,180	\$22,164	-\$4,541	\$25,683	\$3,519
Electronics and Appliances	\$41,521	\$37,660	-\$3,861	\$37,247	-\$413	\$44,337	\$7,090	\$49,951	\$5,614
Building Material and Garden	\$204,228	\$249,927	\$45,699	\$247,899	-\$2,028	\$318,992	\$71,093	\$296,002	-\$22,990
Food and Beverage Stores	\$105,847	\$105,461	-\$386	\$104,808	-\$653	\$110,241	\$5,433	\$146,054	\$35,813
Health and Personal Care Store	\$63,890	\$67,751	\$3,861	\$70,264	\$2,513	\$83,629	\$13,365	\$95,253	\$11,624
Gasoline Stations	\$29,406	\$29,686	\$280	\$29,486	-\$200	\$30,729	\$1,243	\$28,190	-\$2,539
Clothing and Accessories	\$19,090	\$20,486	\$1,396	\$20,810	\$324	\$24,800	\$3,990	\$30,785	\$5,985
Sporting Goods, Hobby, Books	\$35,445	\$33,821	-\$1,624	\$36,146	\$2,325	\$37,418	\$1,272	\$32,572	-\$4,846
General Merchandise Stores	\$543,082	\$583,267	\$40,185	\$574,845	-\$8,422	\$587,343	\$12,498	\$525,543	-\$61,800
Miscellaneous Store Retailers	\$107,380	\$110,388	\$3,008	\$112,102	\$1,714	\$98,635	-\$13,467	\$101,422	\$2,787
Non-store Retailers	\$54,287	\$65,723	\$11,436	\$76,364	\$10,641	\$81,579	\$5,215	\$98,929	\$17,350
Total Revenue	\$1,638,357	\$1,785,747	\$147,390	\$1,836,766	\$51,019	\$1,984,114	\$147,348	\$2,002,154	\$18,040

GENERAL FUND REVENUE ANALYSIS (continued):

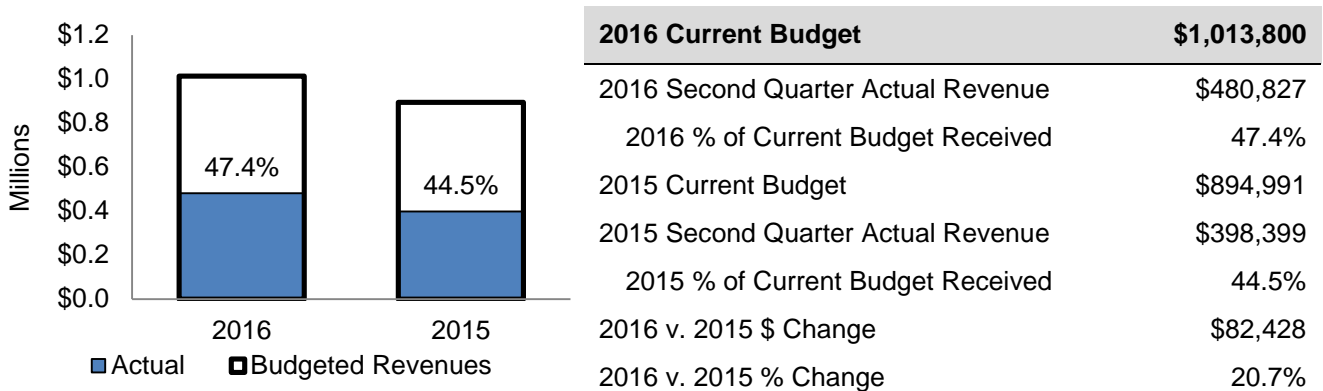
LOCAL CRIMINAL JUSTICE SALES TAX



Local Criminal Justice Sales Tax receipts through June, in the amount of \$718,230, are \$63,485, or 9.7%, more than the year-ago level. Thus far this year 51.2% of the amount budgeted has been received as compared to 51.3% received during the same period last year. Receipts are \$29,700, or 4.3%, more than the year-to-date projection.

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. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be \$13,099, or 0.9%, more than the budget projection.

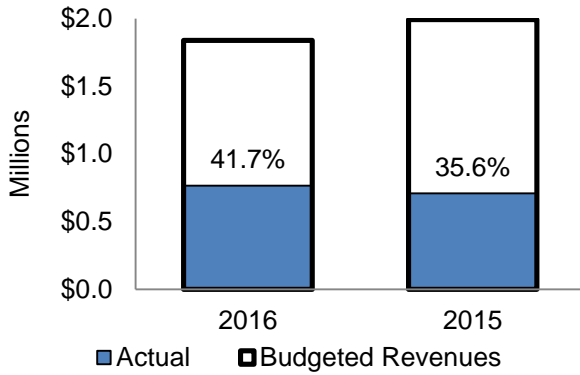
INTERGOVERNMENTAL REVENUE



Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, and liquor board profits. Receipts through June, in the amount of \$480,827, are \$82,428, or 20.7%, more than the year-ago level. Receipts are \$19,382, or 4.2%, more than the year-to-date projection. Both differences are largely due to higher collections of liquor excise tax revenues and the collection of marijuana enforcement revenues, which is new for 2016 and was anticipated in the budget. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be \$812, or 0.4%, less than the budget projection.

GENERAL FUND REVENUE ANALYSIS (continued):

SEATTLE CITY LIGHT CONTRACT PAYMENT

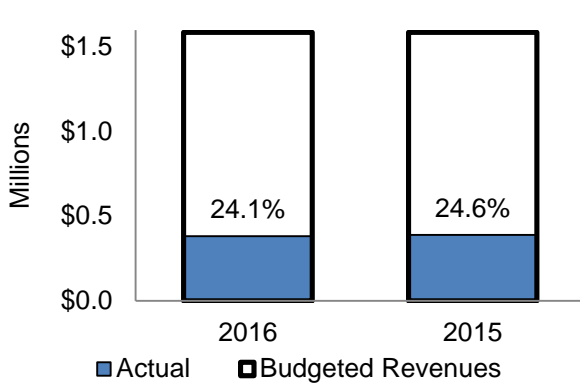


2016 Current Budget	\$1,838,980
2016 Second Quarter Actual Revenue	\$766,963
2016 % of Current Budget Received	41.7%
2015 Current Budget	\$1,993,063
2015 Second Quarter Actual Revenue	\$709,251
2015 % of Current Budget Received	35.6%
2016 v. 2015 \$ Change	\$57,712
2016 v. 2015 % Change	8.1%

Receipts, in the amount of \$766,963, are \$57,712, or 8.1%, more than the year-ago level but \$8,345, or 1.1%, less than the second quarter projection. Staff has not revised the year-end projection based on the latest information available.

GENERAL FUND REVENUE ANALYSIS (continued):

GAMBLING TAX REVENUE

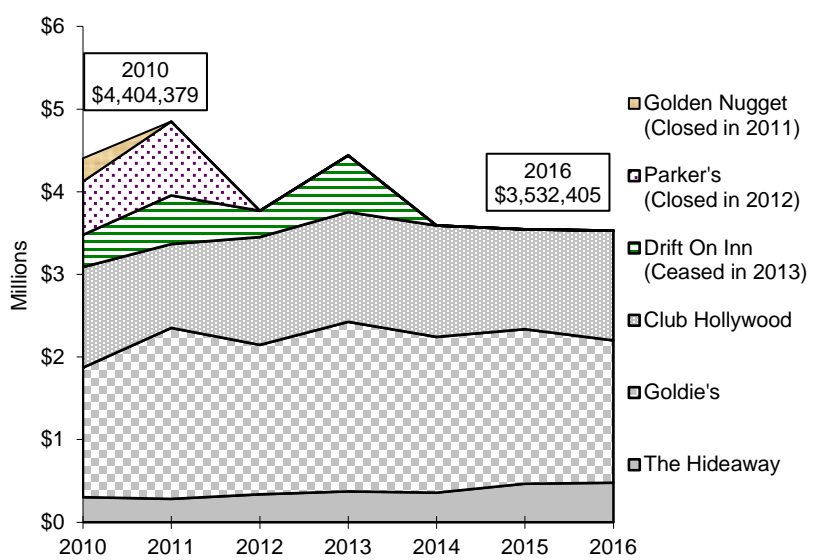


2016 Current Budget		\$1,587,425
2016 Second Quarter Actual Revenue		\$382,866
2016 % of Current Budget Received		24.1%
2015 Current Budget		\$1,586,625
2015 Second Quarter Actual Revenue		\$389,927
2015 % of Current Budget Received		24.6%
2016 v. 2015 \$ Change		-\$7,061
2016 v. 2015 % Change		-1.8%

Gambling tax receipts presented in this report largely reflect only those taxes calculated on first quarter gambling activity, since second quarter gambling tax returns are not due to the City until July 30. Card rooms pay ten percent of gross yearly receipts over \$10,000.

Receipts attributable to taxes on gambling activity reported through the second quarter, in the amount of \$381,547, are less than the year-ago level and year-to-date projection by 1.8% and 1.2%, respectively. Total receipts, inclusive of taxes on gambling activity and payments on promissory notes, in the amount of \$382,866, are less than 2015 collections by 1.8% due to the year-over-year decline in pull-tab and cardroom activity of 15.8% and 0.4%, respectively. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be \$5,436, or 0.3%, less than the budget projection. The chart below exhibits the last seven years of gross receipts reported by card rooms in Shoreline.

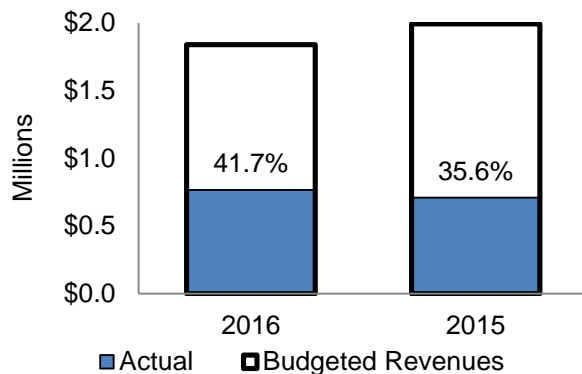
Second Quarter Activity 2010 - 2016		
Year	Amount	% Change from Previous Year
2010	\$4,404,379	1.6%
2011	\$4,850,692	10.1%
2012	\$3,772,590	-22.2%
2013	\$4,440,992	17.7%
2014	\$3,593,688	-19.1%
2015	\$3,546,624	-1.3%
2016	\$3,532,405	-0.4%



Source: Washington State Gambling Commission

GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



2016 Current Budget	\$6,660,037
2016 Second Quarter Actual Revenue	\$2,362,455
2016 % of Current Budget Received	35.5%
2015 Current Budget	\$6,494,853
2015 Second Quarter Actual Revenue	\$2,429,799
2015 % of Current Budget Received	37.4%
2016 v. 2015 \$ Change	-\$67,344
2016 v. 2015 % Change	-2.8%

Overall Utility Tax and Franchise Fee receipts, in the amount of \$2,362,455, are \$67,344, or 2.8%, less than the year-ago level. In addition to the year-over-year change, receipts are \$68,161, or 2.8%, less than the year-to-date projection.

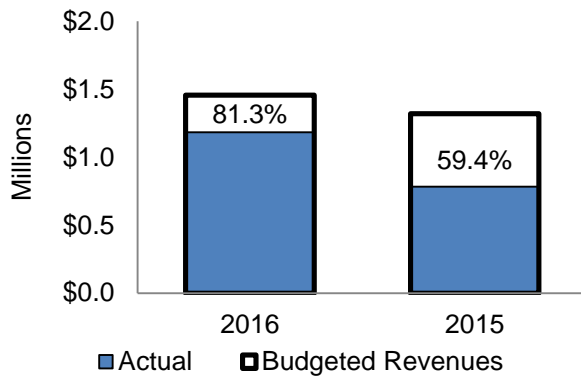
Natural gas tax receipts are 9.8% less than those collected during the same period in 2015. Lower monthly payments point to reduced demand for natural gas, perhaps due to a mild winter and spring. Garbage tax receipts are 2.6% more than those collected during the same period in 2015. Cable television tax receipts are slightly more (0.2%) than those collected during the same period in 2015. Telecommunications tax receipts decreased from 2015 collections by 10.1% but are 1.4% less than the year-to-date projection. This category has steadily declined for several years. Water franchise fee receipts are 3.1% less than those collected during the same period in 2015 but 4.4% more than the year-to-date projection. Based on the latest information available, staff has only revised the year-end projection for the natural gas category and total utility tax and franchise receipts for 2016 are estimated to be \$90,650, or 1.4%, less than the budget projection.

It is important to note that activity through the second quarter presented in this report does not reflect second quarter payments for the garbage utility tax and water and cable franchise fees. Second quarter payments for these items are typically received in late July.

Utility	2016 Current Budget	2016 2Q Actual Revenue	2016 % of Current Budget Received	2015 Current Budget	2015 2Q Actual Revenue	2015 % of Current Budget Received	2016 v. 2015 \$ Change	2016 v. 2015 % Change
Natural Gas	\$906,500	\$399,692	44.1%	\$889,590	\$442,997	49.8%	-\$43,305	-9.8%
Garbage	\$548,880	\$138,577	25.2%	\$538,648	\$135,102	25.1%	\$3,475	2.6%
Cable TV	\$1,903,020	\$628,366	33.0%	\$1,760,845	\$626,842	35.6%	\$1,524	0.2%
Telecommunications	\$1,421,640	\$419,226	29.5%	\$1,503,000	\$466,430	31.0%	-\$47,204	-10.1%
Storm Drainage	\$240,275	\$131,949	54.9%	\$214,571	\$119,462	55.7%	\$12,487	10.5%
Water	\$780,700	\$216,145	27.7%	\$754,197	\$222,966	29.6%	-\$6,821	-3.1%
Sewer	\$859,022	\$428,500	49.9%	\$834,002	\$416,000	49.9%	\$12,500	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	\$6,660,037	\$2,362,455	35.5%	\$6,494,853	\$2,429,799	37.4%	-\$67,344	-2.8%

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE



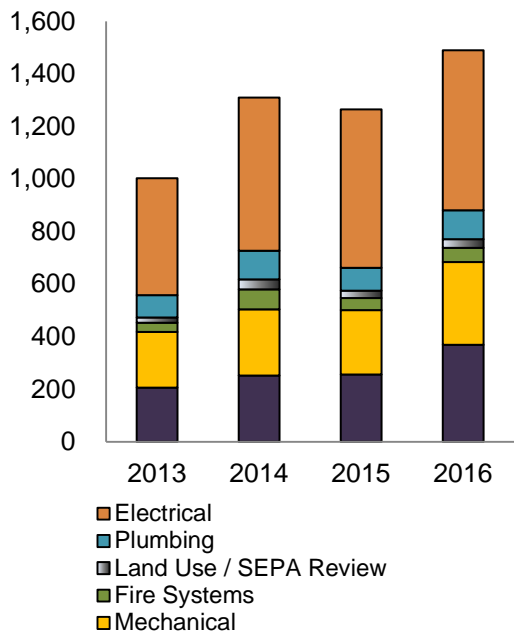
2016 Current Budget		\$1,456,000
2016 Second Quarter Actual Revenue		\$1,183,378
2016 % of Current Budget Received		81.3%
2015 Current Budget		\$1,319,750
2015 Second Quarter Actual Revenue		\$783,353
2015 % of Current Budget Received		59.4%
2016 v. 2015 \$ Change		\$400,025
2016 v. 2015 % Change		51.1%

Development revenue receipts, in the amount of \$1,183,378, exhibit a year-over-year increase of \$400,025, or 51.1%. Local development activity in 2016, in terms of the number of building permits pulled for new construction and remodels as well as their valuation in 2016, are higher than the year-ago level. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be \$291,500, or 20.0%, more than the budget projection.

Valuation of 193 building permits for new construction and remodels issued through June totals \$35.4 million and is comprised 51.1% of residential and 48.9% commercial/multi-family valuation. The majority of the commercial/multi-family valuation is for the Everett Clinic's addition/remodel valued at \$1.1 million and tenant improvements valued at \$8 million.

Thus far in 2016, there have been 27 more permits issued for new single-family residences with a value that is \$7.2 million more, as compared to the year-ago level. There have been 11 more permits issued for commercial/multi-family construction (new and remodels), with a value that is \$8.8 million less, than the year-ago level.

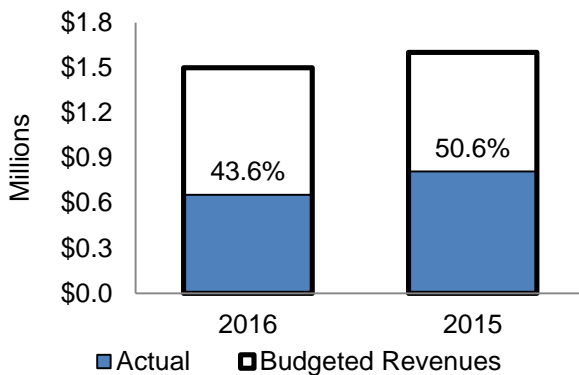
PERMITS BY TYPE



PERMIT TYPE	2013	2014	2015	2016	# Change	% Change
Building Permits / Plan Check	206	252	256	369	113	44.1%
Mechanical	212	252	245	315	70	28.6%
Fire Systems	35	76	46	54	8	17.4%
Land Use / SEPA Review	20	38	28	33	5	17.9%
Plumbing	85	109	87	110	23	26.4%
Electrical	445	583	603	609	6	1.0%
Total	1,003	1,310	1,265	1,490	225	17.8%

GENERAL FUND REVENUE ANALYSIS (continued):

PARK AND RECREATION REVENUE

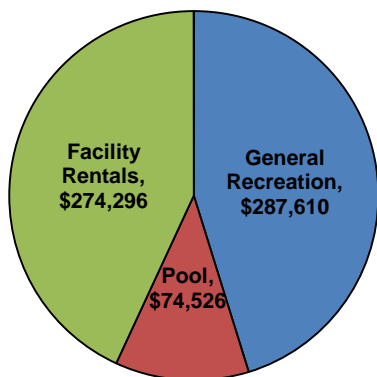


2016 Current Budget		\$1,500,998
2016 Second Quarter Actual Revenue		\$654,611
2016 % of Current Budget Received		43.6%
2015 Current Budget		\$1,603,216
2015 Second Quarter Actual Revenue		\$810,537
2015 % of Current Budget Received		50.6%
2016 v. 2015 \$ Change		-\$155,926
2016 v. 2015 % Change		-19.2%

Park and Recreation revenue receipts, in the amount of \$654,611, are \$155,926, or 19.2%, less than the year-ago level but \$32,265, or 5.2%, more than the year-to-date projection. The year-over-year decrease was anticipated and is attributable to the closure of the Shoreline Pool as major maintenance and improvements to extend its life were being performed. Staff adjusted budget projections to account for this and receipts are 1.9% more than the year-to-date projection. Compared to the first half of 2015, the first half of 2016 witnessed a decrease in revenues from the pool (-67.3%) due to the pool closure and an increase in revenues from facility rentals (+7.8%) due to more rentals of the recreation centers. General Recreation witnessed a decrease of 7.6% from 2015 mostly due to less revenue being generated by the Summer Playground. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be \$61,681, or 4.1%, more than the budget projection.

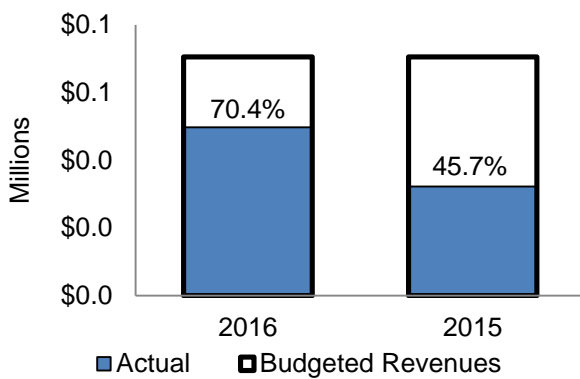
Year	General Recreation*	Gen Rec % of Total	Pool	Pool % of Total	Facility Rentals	Fac. Rent % of Total	Total Revenue
2009	\$218,921	34.1%	\$212,571	33.1%	\$211,292	32.9%	\$642,784
2010	\$269,102	39.4%	\$203,074	29.7%	\$211,343	30.9%	\$683,519
2011	\$268,804	37.2%	\$214,604	29.7%	\$238,778	33.1%	\$722,186
2012	\$255,050	38.7%	\$178,782	27.1%	\$224,922	34.1%	\$658,754
2013	\$251,268	37.3%	\$179,073	26.6%	\$243,169	36.1%	\$673,510
2014	\$285,469	39.7%	\$208,075	29.0%	\$224,773	31.3%	\$718,317
2015	\$311,345	39.2%	\$227,678	28.7%	\$254,567	32.1%	\$793,590
2016	\$287,610	45.2%	\$74,526	11.7%	\$274,296	43.1%	\$636,432

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



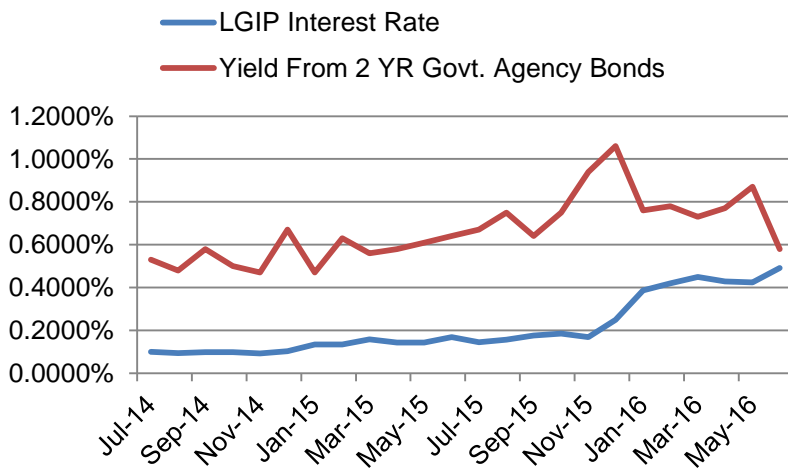
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT INCOME



2016 Current Budget		\$70,600
2016 Second Quarter Actual Revenue		\$49,734
2016 % of Current Budget Received		70.4%
2015 Current Budget		\$70,600
2015 Second Quarter Actual Revenue		\$32,229
2015 % of Current Budget Received		45.7%
2016 v. 2015 \$ Change		\$17,505
2016 v. 2015 % Change		54.3%

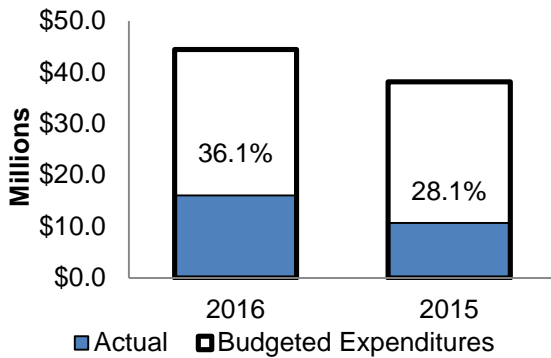
Investment earnings through June totaled \$49,734 and are more than the year-ago level by \$17,505, or 54.3%. Staff has revised the year-end projection based on the latest information available and receipts for 2016 are estimated to be \$15,748, or 22.3%, more than the budget projection.



Month	LGIP Interest Rate	Bond Investment Yield
Jul-14	0.0999%	0.5300%
Aug-14	0.0943%	0.4800%
Sep-14	0.0982%	0.5800%
Oct-14	0.0984%	0.5000%
Nov-14	0.0928%	0.4700%
Dec-14	0.1031%	0.6700%
Jan-15	0.1347%	0.4700%
Feb-15	0.1347%	0.6300%
Mar-15	0.1577%	0.5600%
Apr-15	0.1430%	0.5800%
May-15	0.1428%	0.6100%
Jun-15	0.1688%	0.6400%
Jul-15	0.1453%	0.6700%
Aug-15	0.1561%	0.7500%
Sep-15	0.1766%	0.6400%
Oct-15	0.1854%	0.7500%
Nov-15	0.1682%	0.9400%
Dec-15	0.2499%	1.0600%
Jan-16	0.3874%	0.7600%
Feb-16	0.4201%	0.7800%
Mar-16	0.4488%	0.7300%
Apr-16	0.4287%	0.7700%
May-16	0.4242%	0.8700%
Jun-16	0.4907%	0.5800%
24 Month Average	0.2146%	0.6675%

EXPENDITURE ANALYSIS:

GENERAL FUND EXPENDITURES



2016 Current Budget	\$44,441,147
2016 Second Quarter Actual Expenditures	\$16,059,798
2016 % of Current Budget Expended	36.1%
2015 Current Budget	\$38,152,434
2015 Second Quarter Actual Expenditures	\$10,726,814
2015 % of Current Budget Expended	28.1%
2016 v. 2015 \$ Change	\$5,332,985
2016 v. 2015 % Change	49.7%

Departments have spent \$14,959,832, or 37.8%, of the Current Budget excluding transfers out, which is \$5,012,265, or 50.4%, more than the year-ago level. This is largely due to the timing of billing from King County Sheriff's Office for the police contract in 2015. Invoices for the months of January through May 2015 totaling \$4.3 million were not received and paid until July 2015. Expenditures including transfers out totaled \$16,059,798, or 36.1%, of the Current Budget. This level is \$5,332,985, or 49.7%, more than the year-ago level.

Another significant item worth mentioning is that jail services costs for the first half of 2016 were lower than those for 2015 and 2014 by 31.6% and 44.6%, respectively, given decreases in the total number of billed jail and work release days of 24.9% and 12.2%, respectively. The year-to-date savings can also be attributable to the City's use of 2,461 jail beds total, or an average of 13.5 beds per day, at Yakima County Jail. Housing those inmates at Yakima rather than SCORE saved the City \$117,000, or 17.9%.

As a percentage of the budget, departmental expenditures through the first half (37.8%) are more than those for 2015 (27.8%) and total expenditures (36.1%) are more than those for 2015 (28.1%). It is projected that 2016 expenditures of \$42.592 million will be less than the current budgeted expenditures by \$2.018 million, with no anticipated need to use any funds from the operational contingency or insurance reserve.

EXPENDITURE ANALYSIS:

GENERAL FUND EXPENDITURES

Department	2016 Current Budget	2016 Q2 Actual Expenditures	2016 % of Current Budget Expended	2015 Current Budget	2015 Q2 Actual Expenditures	2015 % of Current Budget Expended	2016 v. 2015 \$ Change	2016 v. 2015 % Change
City Council	\$231,968	\$114,915	49.5%	\$228,226	\$111,557	48.9%	\$3,358	3.0%
City Manager's Office ¹	\$2,381,654	\$1,130,321	47.5%	\$2,263,794	\$954,711	42.2%	\$175,610	18.4%
City Attorney	\$657,674	\$290,473	44.2%	\$611,384	\$261,461	42.8%	\$29,011	11.1%
Community Services ²	\$1,691,601	\$596,123	35.2%	\$1,596,656	\$586,484	36.7%	\$9,638	1.6%
Administrative Services ³	\$5,155,418	\$2,169,554	42.1%	\$4,132,944	\$1,786,333	43.2%	\$383,220	21.5%
Citywide	\$1,871,299	\$627,580	33.5%	\$1,933,297	\$684,818	35.4%	-\$57,238	-8.4%
Human Resources	\$454,488	\$208,103	45.8%	\$516,738	\$226,114	43.8%	-\$18,011	-8.0%
Police	\$11,951,743	\$4,513,616	37.8%	\$10,918,878	\$36,614	0.3%	\$4,477,002	12,227.5%
Criminal Justice	\$3,190,826	\$687,672	21.6%	\$2,581,291	\$837,789	32.5%	-\$150,117	-17.9%
Parks	\$5,748,895	\$2,216,488	38.6%	\$5,363,220	\$2,176,412	40.6%	\$40,076	1.8%
Planning & Community Development	\$3,058,266	\$1,211,135	39.6%	\$2,765,194	\$1,196,300	43.3%	\$14,835	1.2%
Public Works	\$3,162,949	\$1,193,853	37.7%	\$2,930,680	\$1,088,973	37.2%	\$104,880	9.6%
Departmental Expenditures	\$39,556,781	\$14,959,832	37.8%	\$35,842,302	\$9,947,567	27.8%	\$5,012,265	50.4%
Operating Transfers Out	\$4,884,366	\$1,099,967	22.5%	\$2,310,132	\$779,247	33.7%	\$320,720	41.2%
Total Expenditures	\$44,441,147	\$16,059,798	36.1%	\$38,152,434	\$10,726,814	28.1%	\$5,332,985	49.7%

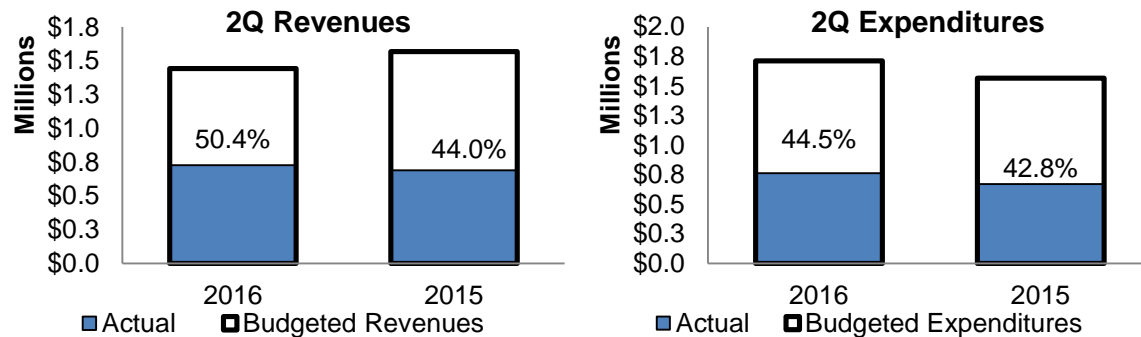
1. City Manager's Office includes City Manager's Office, City Clerk, Communications, Intergovernmental Relations, Economic Development, and Property Management

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

3. Administrative Services includes Finance, Budget, Information Systems, and Fleet & Facilities.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND



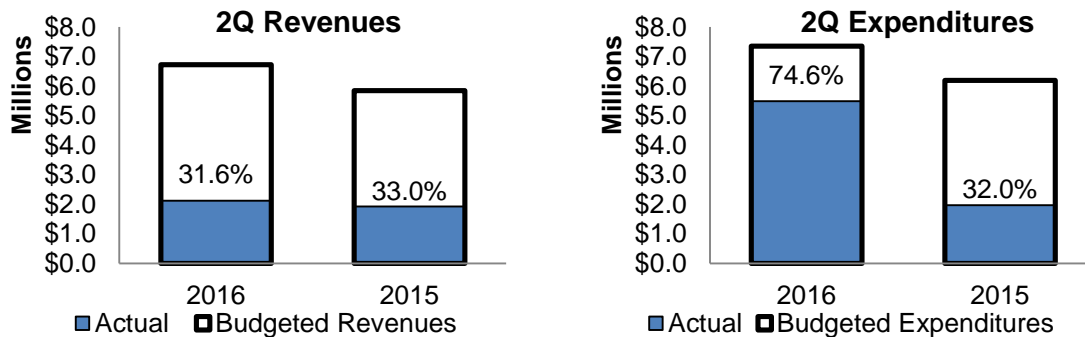
	Revenue	Expenditures
2016 Budgeted Use of Fund Balance	\$271,305	N/A
2016 Current Budget	\$1,442,468	\$1,713,773
2016 2nd Quarter Actual	\$727,540	\$762,704
2016 % of Current Budget	50.4%	44.5%
2015 Budget	\$1,569,007	\$1,569,007
2015 2nd Quarter Actual	\$691,115	\$672,100
2015 % of Current Budget	44.0%	42.8%
2016 v. 2015 \$ Var.	\$36,425	\$90,604
2016 v. 2015 % Var.	5.3%	13.5%

Receipts, including transfers in, through June totaled \$727,540 and are \$36,425, or 5.3%, higher than the year-ago level. The additional fuel tax receipts from the state are due, mainly, to the transportation bill, ESSB 5987, passed in 2015, that provided an increase in fuel tax for cities and counties. Motor vehicle fuel tax revenue receipts for the second quarter of 2016 are \$563,456, 6.4%, more than the year-ago level. The revenues of 2016 are projected to end at \$1,499,149; hence, 2016 second quarter ended 50.2% of year-end estimates.

Expenditures, including transfers out, through June totaled \$762,704 and are \$90,604, or 13.5%, more than the year-ago level. This difference is mainly due to a 2016 one-time increase in vehicle replacement. Expenditures are estimated to total \$1,696,156 at the end of 2016; hence, the second quarter of 2016 ended at 45.0% of year-end estimates.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

SURFACE WATER UTILITY FUND



	Revenue	Expenditures
2016 Budgeted Use of Fund Balance	\$631,207	N/A
2016 Current Budget	\$6,724,986	\$7,356,193
2016 2nd Quarter Actual	\$2,125,714	\$5,488,545
2016 % of Current Budget	31.6%	74.6%
2015 Budget	\$5,846,408	\$6,191,834
2015 2nd Quarter Actual	\$1,930,436	\$1,979,881
2015 % of Current Budget	33.0%	32.0%
2016 v. 2015 \$ Var.	\$195,278	\$3,508,664
2016 v. 2015 % Var.	10.1%	177.2%

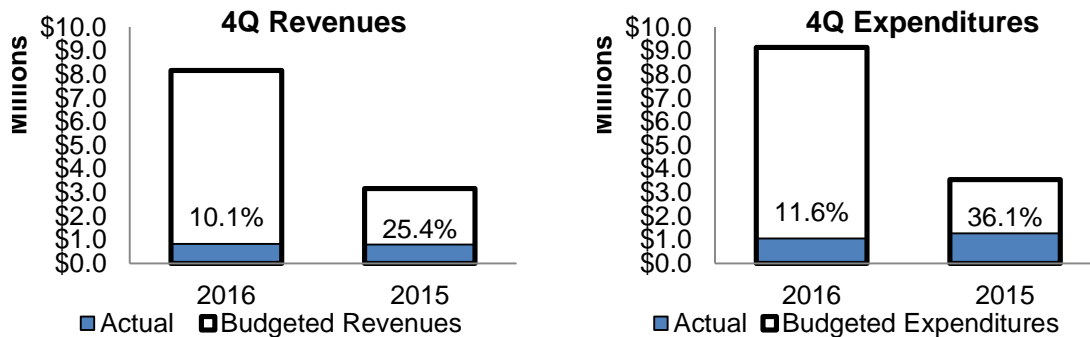
The Surface Water Utility Fund (SWM) includes on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Receipts through June, in the amount of \$2,125,714, are \$195,278, or 10.1%, higher than the year-ago level. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled \$2,111,673 and are \$207,570, or 10.9%, above the year-ago level. While fees were expected to be higher due to the scheduled increase in fee rates, the noted increase is due to a miscoding of fee revenues in 2015 that were corrected in the fourth quarter of 2015. The difference will decrease by the end of 2016, and are projected to end at the budgeted amount.

Expenditures, including transfers out, through June totaled \$5,488,545 and are \$3,508,664, or 177.2%, more than the year-ago level. Capital projects are \$3,460,292, or 612.3%, more than the year-ago level and the operating programs are \$7,977, or 0.7%, lower than the year-ago levels. Expenditure differences between the current year and previous year are impacted by the timing of construction schedules.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

GENERAL CAPITAL FUND



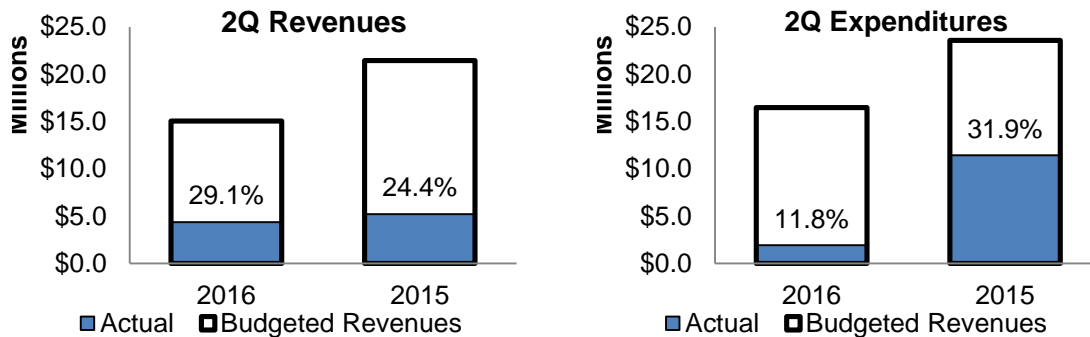
	Revenue	Expenditures
2016 Budgeted Use of Fund Balance	\$973,631	N/A
2016 Current Budget	\$8,167,893	\$9,141,524
2016 2nd Quarter Actual	\$826,106	\$1,059,302
2016 % of Current Budget	10.1%	11.6%
2015 Budget	\$3,173,261	\$3,552,919
2015 2nd Quarter Actual	\$806,662	\$1,281,721
2015 % of Current Budget	25.4%	36.1%
2016 v. 2015 \$ Var.	\$19,444	-\$222,419
2016 v. 2015 % Var.	2.4%	-17.4%

Receipts through June, in the amount of \$826,106, are \$19,444, or 2.4%, higher than the year-ago level. Receipts from the King County Trail Levy totaling \$45,231 are below 2015 second quarter numbers by \$7,762, or 14.6%. Many revenue sources are based on construction expenditures, which, as noted below, are impacted by the timing of construction schedules.

Expenditures through June, including transfers out, totaled \$1,059,302 and are \$222,419, or 17.4%, less than the same period in 2015. Expenditures are impacted by the timing of construction schedules.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

ROADS CAPITAL FUND



	Revenue	Expenditures
2016 Budgeted Use of Fund Balance	\$1,391,889	N/A
2016 Current Budget	\$15,082,857	\$16,474,476
2016 2nd Quarter Actual	\$4,396,435	\$1,937,790
2016 % of Current Budget	29.1%	11.8%
2015 Budget	\$21,450,709	\$23,749,289
2015 2nd Quarter Actual	\$5,230,547	\$7,572,116
2015 % of Current Budget	24.4%	31.9%
2016 v. 2015 \$ Var.	-\$834,112	-\$5,634,326
2016 v. 2015 % Var.	-15.9%	-74.4%

Receipts through June, in the amount of \$4,396,435, are \$834,112, or 15.9%, lower than the year-ago level. The decrease is due to REET revenues being lower than last year and a reduction in funds from the Highway Safety Improvement Program (HSIP) during this period.

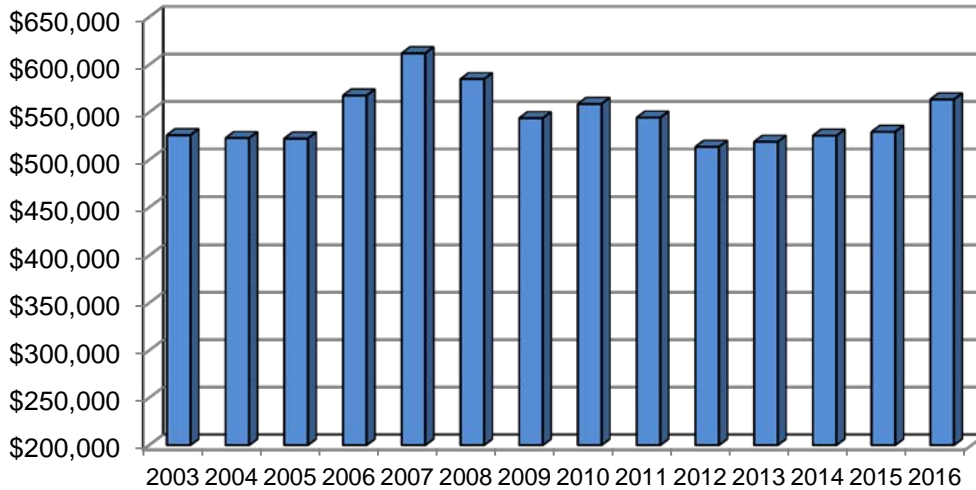
Through the first six months of 2015, Transportation Benefit District (TBD) vehicle license fees totaled \$345,604, which is \$12,766, or 3.8%, more than collections over the same period in 2015. We are projecting TBD revenue to come in at budget for 2016.

Expenditures through June, in the amount of \$1,937,790, are \$5,634,326, or 74.4%, lower than the year-ago level. Expenditures are impacted by the timing of construction schedules. This year the decrease is primarily due to the Aurora Corridor Improvements project hold on the curb ramps, sidewalks, and gutters program in 2016 until additional resources are hired, and a delay in the Annual Road Surface Maintenance program for approval by WSDOT.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND FUEL TAX

Fuel Tax Historical Second Quarter Comparison



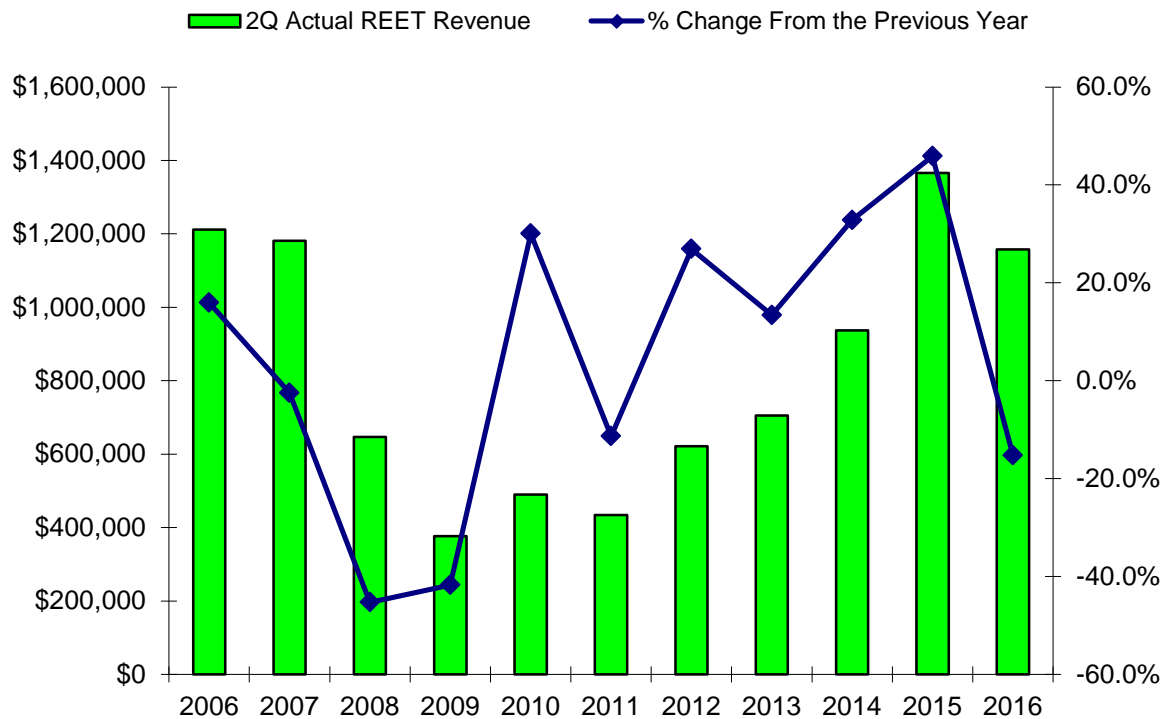
**Fuel Tax Historical
2nd Quarter 2003-2016**

2003	\$525,826
2004	\$522,751
2005	\$522,371
2006	\$567,577
2007	\$611,951
2008	\$584,780
2009	\$543,744
2010	\$558,745
2011	\$544,273
2012	\$513,598
2013	\$518,862
2014	\$525,271
2015	\$529,358
2016	\$563,456

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 June totaled \$563,456 and are \$34,098, or 6.4%, higher than the year-ago level. Fuel Tax revenues are currently at 47.9% of budget and 45.7% of 2016 year-end estimates. In previous years, there is a monthly increase in fuel tax revenues in the summer months; hence, the reason the first six months are below 50% of year-end estimates.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

REAL ESTATE EXCISE TAX (REET)



REET: Annual Collected 2006-2016

	Revenue	\$ Change from Previous Year	%Change from Previous Year
2006	\$1,211,482	\$166,536	15.9%
2007	\$1,181,604	-\$29,878	-2.5%
2008	\$646,678	-\$534,926	-45.3%
2009	\$376,842	-\$269,836	-41.7%
2010	\$490,104	\$113,262	30.1%
2011	\$434,516	-\$55,588	-11.3%
2012	\$621,962	\$131,858	26.9%
2013	\$705,296	\$83,334	13.4%
2014	\$936,710	\$231,414	32.8%
2015	\$1,366,206	\$429,496	45.9%
2016	\$1,157,620	-\$208,586	-15.3%

Real Estate Excise Tax (REET) revenue receipts through June totaled \$1,157,620 and are \$208,586, or 15.3%, less than receipts for the same period in 2015. There were 56, or 10.5%, fewer real estate transactions through the second quarter of 2016 than in the same period in 2015.

Based on current trends, REET collections appear to be on track to collect over the budgeted amount (split between the General Capital Fund and Roads Capital Fund). Staff will continue to monitor REET revenue receipts as transactions have been down compared to last year and there appears to be a cooling in the housing market.

INVESTMENT REPORT (continued):

LGIP Cash and Investment Balances June 30, 2016

Instrument Type	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 6/30/16
FHLB 0.75	3130A16D5	FinancialNorthwestern	03/26/14	03/24/17	1,000,000	994,000	0.9537%	9,683	1,003,683
FHLMC 1.0	3137EADH9	FinancialNorthwestern	06/14/14	06/29/17	1,000,000	1,000,000	1.0000%	3,889	1,003,889
FICO STRIP PRIN SER D-P	31771KAH0	Time Value Investment	09/29/15	08/03/18	1,500,000	1,456,388	1.0400%	18,611	1,474,998
FHLB 1.25	3130A67L5	Alamo Capital	08/24/15	08/24/18	1,000,000	999,600	1.2636%	1,136	1,000,736
FFCB 1.09	3133EFFL6	Time Value Investment	09/29/15	09/28/18	500,000	500,000	1.0900%	493	500,493
FFCB 1.375	3133EFSW8	Alamo Capital	12/21/15	12/21/18	1,000,000	999,000	1.4090%	3,741	1,002,741
FNMA 1.250	3136G3EA9	FinancialNorthwestern	03/29/16	03/29/19	1,000,000	999,500	1.2670%	2,869	1,002,369
Sub Total Investments					7,000,000	6,948,488		40,421	6,988,909
OpusBank Interest Checking 6272						10,029,833	0.5000%		10,029,833
OpusBank Interest Checking 3285						7,007,983	0.6500%		7,007,983
State Investment Pool						9,598,009	0.4907%		9,598,009
Sub Total - State Investment Pool and Opus Bank Interest Checking						26,635,824			26,635,824
Total LGIP + Opus Bank Interest Checking + Investments						\$33,584,312		\$40,421	\$33,624,733

Current Average Maturity Excluding the State Investment Pool (days)	697
Current Weighted Average Yield to Maturity Excluding the State Pool	1.1434%
Current Yield to Maturity State Investment Pool	0.4907%
Basis Points in Excess (Below) Benchmark	65

Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker	Percentage	Amount at Cost
FFCB	4.5%	1,503,234	1,499,000	Alamo Capital	6.0%	1,998,600
FHLB	6.0%	2,004,419	1,993,600	Financial Northwestern	8.9%	2,993,500
FHLMC	3.0%	1,003,889	1,000,000	ProEquities	0.0%	0
FNMA	3.0%	1,002,369	999,500	Time Value Investment	5.8%	1,956,388
FICO STRIP PRIN SER D-P	4.4%	1,474,998	1,456,388			
OpusBank Interest Checking	50.7%	17,037,816	17,037,816	OpusBank Interest Checking	50.7%	17,037,816
State Invest. Pool + Opus Bank Interest Checking	28.5%	9,598,009	9,598,009	State Investment Pool	28.6%	9,598,009
Total LGIP + Investments	100%	\$33,624,733	\$33,584,312	Total Investments	100%	\$33,584,312

Investments by Fund

Fund	Investments at Cost as of 6/30/2016	LGIP State Investment Pool and Opus Bank Interest Checking as of 6/30/2016	Total LGIP + OpusBank Interest Checking + Investments at Cost by Fund as of 6/30/2016	Unrecognized Gain/(Loss) as of 6/30/2016	Total Market Value of Investments by Fund as of 6/30/2016	Investment Earnings Budget 2016	Investment Earnings Actual 2016	Over/(Under) Budget
001 General	2,140,994	11,360,662	13,501,656	35,751	13,537,407	69,000	47,126	021,874
101 Street	200,000	719,027	919,027	749	919,776	2,500	4,264	1,764
107 Code Abatement	0	136,564	136,564	0	136,564	550	352	0198
108 Asset Seizure	0	202,511	202,511	0	202,511	0	495	495
109 Public Arts	0	167,124	167,124	0	167,124	0	413	413
112 Fed. Drug Enforcement	0	279,544	279,544	0	279,544	200	691	491
115 Property Tax Equalization	0	1,122,934	1,122,934	0	1,122,934	0	2,761	2,761
116 Federal Criminal Forfeit.	0	2,327,254	2,327,254	0	2,327,254	1,500	5,991	4,491
117 Transportation Impact Mitigation	0	189,997	189,997	0	189,997	0	604	604
190 Revenue Stabilization	3,900,994	542,744	4,443,738	0	4,443,738	0	0	0
301 General Capital	0	2,513,054	2,513,054	0	2,513,054	31,384	4,082	027,302
312 City Fac-Mjr. Maint.	0	34,228	34,228	0	34,228	449	151	0298
330 Roads Capital	0	2,660,172	2,660,172	0	2,660,172	37,415	3,631	033,784
330 Transportation Benefit District	0	683,220	683,220	0	683,220	0	1,873	1,873
401 Surface Water Utility Fund	0	1,799,458	1,799,458	0	1,799,458	18,877	3,507	015,370
501 Vehicle Oper/Maint	0	357,183	357,183	0	357,183	250	652	402
503 Equipment Dep. Replace	706,500	1,469,877	2,176,377	3,921	2,180,298	8,000	6,250	01,750
505 Unemployment	0	70,270	70,270	0	70,270	0	172	172
Total Investments	\$6,948,488	\$26,635,824	\$33,584,312	\$40,421	\$33,624,733	\$170,125	\$83,018	-\$87,107

Second Quarter 2016 Investment Report**June 30, 2016**

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 June 30, 2016, the City's investment portfolio, excluding the State Investment Pool and deposits in OpusBank, had a current weighted average rate of return of 1.1434%. This is better than the State Investment Pool's current rate of return of 0.4907%. In an effort to get better return than the State Investment Pool, the City maintains two interest earning checking accounts with Opus Bank. One account with \$10M deposit and no withdraw restrictions earns 0.50% return, and the second account with \$7M deposit and one year commitment earns 0.65% return. Total investment interest earnings through June were \$83,018 which is about 49% of total budgeted 2016 investment earnings of \$170,125.

During the past few years, the economy was slowly recovering and there were some expectations that the Federal Reserve might raise the interest rate at the end of 2015. But that expectation did not materialize, then the Brexit occurred and it caused interest rates to tumble. As a result, the three year Treasurer yield dropped from 1.31% on January 1, 2016 to 0.71% on June 30, 2016. In the meantime, two of City's investments in Government Agency Bonds were called and they were not reinvested because the interest rate was in a state of flux. Staff is monitoring the market conditions, and its cash flow needs to determine the best timing to commit additional funds to investing in the coming quarters of 2016.

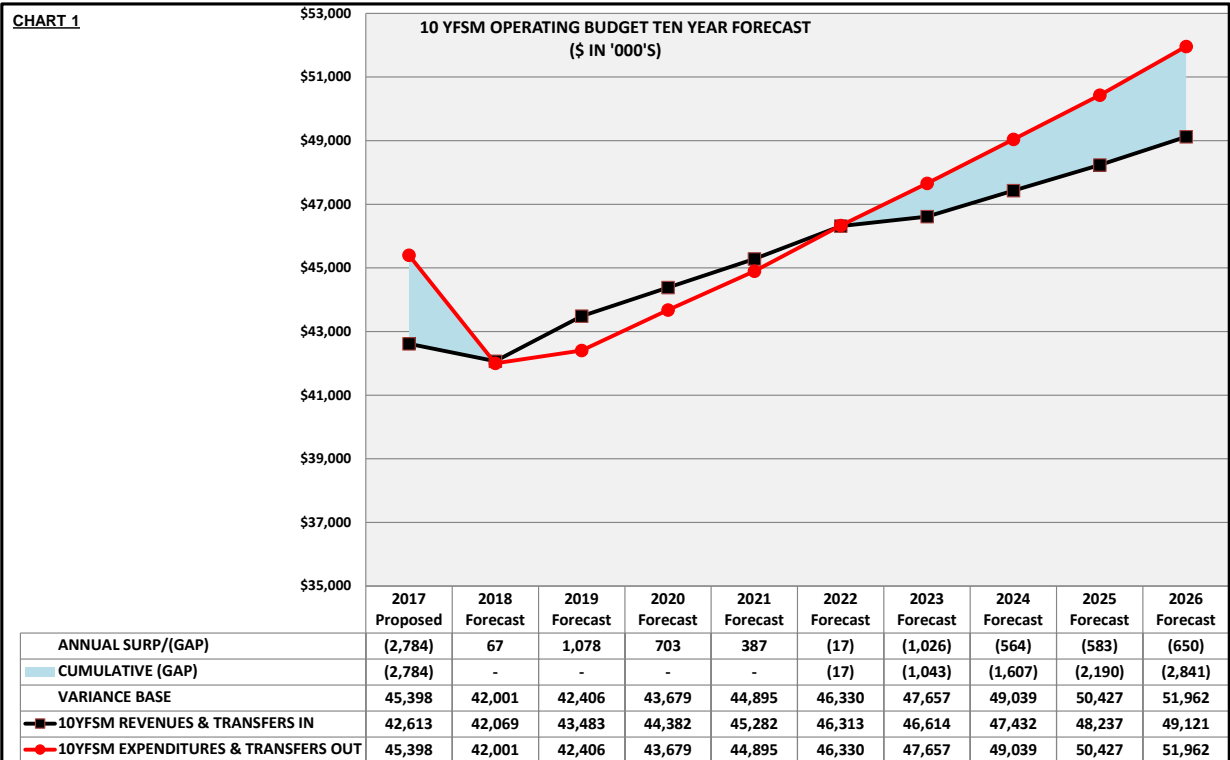
As of June 30, 2016, the City's investment portfolio had a fair value of nearly \$33.62 million. Approximately 21% of the investment portfolio was held in U.S. government instrumentality securities, and 29% was held in the Washington State Investment Pool, and 50% was held in OpusBank. The City's investment portfolio valued at cost as of June 30, 2016, was slightly over \$33.58 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, unless the issue "calls" the bonds early, 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 and OpusBank to allow for immediate cash liquidation if needed. Investments within the State Pool and \$10M in OpusBank can be liquidated on any given day with no penalty.

10 YEAR FINANCIAL SUSTAINABILITY MODEL
OPERATING BUDGET
TEN YEAR FORECAST

		2017	2018	2019	2020	2021
		Proposed	Forecast	Forecast	Forecast	Forecast
10 YFSM	10 YFSM:					
	Beginning Operating Funds Fund Balance	\$9,696,568	\$7,958,385	\$8,045,988	\$7,863,398	\$7,299,663
	Total 10YFSM Revenues & Transfers In	42,613,314	42,068,620	43,483,488	44,381,846	45,282,193
	Total 10YFSM Operating Expenditures & Transfers Out	45,397,717	42,001,231	42,405,793	43,679,070	44,895,046
	Gain / (Use) of Operating Funds Fund Balance	(2,784,403)	67,389	1,077,694	702,776	387,148
	10YFSM Ending Operating Funds Fund Balance	<u>\$6,912,165</u>	<u>\$8,025,774</u>	<u>\$9,123,682</u>	<u>\$8,566,174</u>	<u>\$7,686,811</u>
	Required Operating Funds Fund Balance	\$4,297,084	\$4,295,474	\$4,314,424	\$4,331,509	\$4,348,641
Over (Under) Required Operating Funds Fund Balance	\$2,615,080	\$3,730,300	\$4,809,258	\$4,234,664	\$3,338,170	

Assumptions:

Inflation	1.78%	2.47%	2.42%	2.37%	2.32%
Annual Revenue Growth	6.16%	-0.12%	2.40%	2.11%	2.07%
Annual Regular Levy Assessed Value Change	10.00%	5.44%	3.40%	3.42%	3.08%
Annual Sales & Use Tax Change	4.35%	3.44%	3.78%	3.19%	3.18%
General Fees & Licenses Increases	1.42%	1.97%	1.94%	1.89%	1.86%
Investment Interest Rate	0.85%	1.60%	2.18%	2.20%	2.20%
Building Permit Charge	-3.69%	1.19%	-2.62%	-4.72%	-4.34%
Revenue Collection (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Revenue Collection (10YFSM)	100.00%	100.00%	101.00%	101.00%	101.00%
PERS Employer Contribution Rate	11.93%	12.92%	12.92%	12.92%	12.92%
Health Benefit Escalator	4.52%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator	3.55%	3.22%	3.18%	3.13%	2.89%
Police Contract Escalator	3.00%	3.50%	3.50%	3.50%	3.50%
Expenditure Percentage (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Expenditure Percentage (10YFSM)	100.00%	100.00%	98.00%	98.00%	98.00%
Annual Expenditure Growth	5.82%	-5.65%	2.90%	3.20%	2.94%
Contribution to / (Refund From) Revenue Stabilization Fund	\$0	\$16,656	\$128,055	\$111,473	\$106,659
New Maintenance Costs for Completed Capital Projects	\$0	\$139,654	\$129,984	\$130,029	\$130,242
Property Tax Equalization Funds Used	\$500,799	\$0	\$0	\$0	\$0



**10 YEAR FINANCIAL SUSTAINABILITY MODEL
OPERATING BUDGET
TEN YEAR FORECAST**

		2022	2023	2024	2025	2026
		Forecast	Forecast	Forecast	Forecast	Forecast
10 YFSM	10 YFSM:					
	Beginning Operating Funds Fund Balance	\$6,415,311	\$6,398,188	\$5,354,905	\$3,747,950	\$1,557,779
	Total 10YFSM Revenues & Transfers In	46,312,675	46,614,185	47,432,290	48,236,575	49,120,910
	Total 10YFSM Operating Expenditures & Transfers Out	46,329,798	47,657,468	49,039,245	50,426,746	51,961,549
	Gain / (Use) of Operating Funds Fund Balance	(17,123)	(1,043,283)	(1,606,955)	(2,190,171)	(2,840,639)
	10YFSM Ending Operating Funds Fund Balance	\$6,398,188	\$5,354,905	\$3,747,950	\$1,557,779	(\$1,282,860)
	Required Operating Funds Fund Balance	\$4,366,355	\$4,371,639	\$4,387,166	\$4,402,425	\$4,419,241
Over (Under) Required Operating Funds Fund Balance	\$2,031,833	\$983,266	(\$639,216)	(\$2,844,646)	(\$5,702,100)	

Assumptions:

Inflation	2.28%	2.27%	2.27%	2.28%	2.30%
Annual Revenue Growth	2.10%	0.66%	1.79%	1.73%	1.87%
Annual Regular Levy Assessed Value Change	3.62%	3.66%	3.68%	3.78%	3.71%
Annual Sales & Use Tax Change	3.37%	3.27%	3.46%	3.58%	3.61%
General Fees & Licenses Increases	1.82%	1.81%	1.82%	1.83%	1.84%
Investment Interest Rate	2.20%	2.20%	2.20%	2.20%	2.20%
Building Permit Charge	-3.72%	-2.12%	-2.09%	-1.79%	-1.18%
Revenue Collection (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Revenue Collection (10YFSM)	101.00%	101.00%	101.00%	101.00%	101.00%
PERS Employer Contribution Rate	12.92%	12.92%	12.92%	12.92%	12.92%
Health Benefit Escalator	6.50%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator	2.85%	2.84%	2.85%	2.85%	2.87%
Police Contract Escalator	3.50%	3.50%	3.50%	3.50%	3.50%
Expenditure Percentage (Baseline)	100.00%	100.00%	100.00%	100.00%	100.00%
Expenditure Percentage (10YFSM)	98.00%	98.00%	98.00%	98.00%	98.00%
Annual Expenditure Growth	3.09%	2.96%	3.02%	2.98%	3.14%
Contribution to / (Refund From) Revenue Stabilization Fund	\$113,690	\$134,614	\$138,280	\$133,451	\$151,208
New Maintenance Costs for Completed Capital Projects	\$162,749	\$195,257	\$227,764	\$260,271	\$292,778
Property Tax Equalization Funds Used	\$0	\$0	\$0	\$0	\$0

City of Shoreline 2017 - 2022 Capital Improvement Plan
 Program Summary
 General Capital Fund

	PRIOR-YRS	2016CB	2016E	2017E	2018E	2019E	2020E	2021E	2022E	6-YEAR TOTAL	TOTAL PROJECT
PROJECT EXPENDITURES											
<i>PARKS PROJECTS</i>											
BALLINGER NEIGHBORHOOD PARKS	-	-	-	-	150,000	-	-	-	-	150,000	150,000
KING COUNTY, TRAILS AND OPEN SPACE REPLACEMENT LEVY	34,495	36,000	36,000	70,000	110,000	110,000	-	-	-	290,000	360,495
PARK AT TOWN CENTER	121,430	-	-	-	50,000	200,000	-	-	-	250,000	371,430
PARK ECOLOGICAL RESTORATION PROGRAM	3	36,323	36,323	60,000	-	-	-	-	-	60,000	96,326
PARKS REPAIR AND REPLACEMENT	2,060,243	229,980	229,980	227,236	238,597	250,528	263,054	265,816	275,000	1,520,231	3,810,454
PARKS, RECREATION AND OPEN SPACE UPDATE	12,449	87,551	87,551	30,000	-	-	-	-	-	30,000	130,000
REGIONAL TRAIL SIGNAGE	72,699	85,906	5,906	80,000	-	-	-	-	-	80,000	158,605
RIDGECREST PARK MASTER PLAN	-	-	-	100,000	-	-	-	-	-	100,000	100,000
TURF & LIGHTING REPAIR AND REPLACEMENT	2,845	194,655	194,655	1,700,000	290,000	-	-	-	-	1,990,000	2,187,500
<i>FACILITIES PROJECTS</i>											
NORTH MAINTENANCE FACILITY	3,030,837	567,912	517,912	50,000	-	-	-	-	-	50,000	3,598,749
POLICE STATION AT CITY HALL	225,649	6,986,304	1,789,200	5,531,779	215,000	-	-	-	-	5,746,779	7,761,628
POOL & RECREATION FACILITY MASTER PLANNING	-	115,000	115,000	-	-	-	-	-	-	-	115,000
RECREATION FACILITIES EXTERIOR SECURITY LIGHTING	-	-	-	25,000	-	-	-	-	-	25,000	25,000
<i>PROJECTS TO BE COMPLETED IN CURRENT YEAR (2016)</i>											
SHORELINE VETERAN'S RECOGNITION	51,721	33,279	34,605	-	-	-	-	-	-	-	86,326
<i>NON-PROJECT SPECIFIC</i>											
GENERAL CAPITAL ENGINEERING	647,518	80,091	85,650	105,000	85,000	85,000	85,000	85,000	85,000	530,000	1,263,168
COST ALLOCATION CHARGES	-	23,977	23,977	45,782	30,000	30,000	30,000	30,000	30,000	195,782	219,759
CITY HALL DEBT SERVICE PAYMENT	-	664,546	664,546	663,946	662,546	677,546	663,250	663,250	663,782	3,994,320	4,658,866
TOTAL EXPENDITURES	6,259,888	9,141,524	3,821,305	8,688,743	1,831,143	1,353,074	1,041,304	1,044,066	1,053,782	15,012,112	25,093,305
REVENUES											
REAL ESTATE EXCISE TAX	-	1,038,146	1,160,493	1,195,965	1,261,315	1,286,415	1,393,487	1,446,024	1,537,797	8,121,003	-
SOCCER FIELD RENTAL CONTRIBUTION	-	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	780,000	-
INVESTMENT INTEREST	-	31,384	31,384	35,987	10,274	8,894	19,223	33,551	50,058	157,987	-
SALE OF CURRENT POLICE STATION	-	1,065,000	-	1,800,000	-	-	-	-	-	1,800,000	-
LIMITED TAX GENERAL OBLIGATION BOND 2013	-	-	-	-	-	-	-	-	-	-	-
FUTURE GRANTS	-	-	-	-	-	-	-	-	-	-	-
FUTURE FUNDING	-	-	-	-	-	-	-	-	-	-	-
GENERAL FUND CONTRIBUTION	-	1,050,000	50,000	1,832,796	50,000	50,000	50,000	50,000	50,000	2,082,796	-
KC - 4CULTURE DEV.AUTH.	-	20,000	20,000	-	-	-	-	-	-	-	-
KC TRAIL LEVY FUNDING RENEWAL	-	110,000	41,906	190,000	110,000	110,000	-	-	-	410,000	-
KING CONSERVATION DISTRICT GRANT	-	36,323	36,323	20,000	-	-	-	-	-	20,000	-
PRIVATE DONATIONS	-	13,279	7,465	-	-	-	-	-	-	-	-
RECREATION & CONSERVATION OFFICE	-	-	-	250,000	145,000	200,000	-	-	-	595,000	-
STATE AND FEDERAL DRUG FORFEITURE FUND	-	400,000	-	437,397	-	-	-	-	-	437,397	-
TREASURY SEIZURE FUND	-	2,802,444	1,789,200	585,151	-	-	-	-	-	585,151	-
TREASURY SEIZURE FUND - POTENTIAL	-	-	-	200,000	-	-	-	-	-	200,000	-
TOTAL REVENUES		6,696,576	3,266,771	6,677,296	1,706,589	1,785,309	1,592,710	1,659,575	1,767,855	15,189,334	
BEGINNING FUND BALANCE											
TOTAL REVENUES		224207	2,953,678	2,399,144	387,697	263,143	565,378	986,784	1,472,293	2,399,144	
RESTRICTED AMOUNT FOR TURF REPLACEMENT						130,000	130,000	130,000	130,000	520,000	
TOTAL EXPENDITURES			3,821,305	8,688,743	1,831,143	1,353,074	1,041,304	1,044,066	1,053,782	15,012,112	
ENDING FUND BALANCE	2,953,678		2,399,144	387,697	263,143	565,378	986,784	1,472,293	2,056,366	2,056,366	
IMPACT ON OPERATING BUDGET			-	10,100	10,303	10,510	10,510	10,723	10,897		

City of Shoreline 2017 - 2022 Capital Improvement Plan
 Program Summary
 City Facility Major Maintenance Fund

	PRIOR-YRS	2016CB	2016E	2017E	2018E	2019E	2020E	2021E	2022E	6-YEAR TOTAL	TOTAL PROJECT
PROJECT EXPENDITURES											
<i>GENERAL FACILITIES</i>											
POLICE STATION LONG-TERM MAINTENANCE		-	-	-	-	-	-	-	-	-	-
CITY HALL LONG-TERM MAINTENANCE		-	-	32,000	10,000	77,904	84,182	68,400	40,000	312,486	312,486
CITY HALL PARKING GARAGE LONG-TERM MAINTENANCE	119,349	-	-	-	-	16,128	-	-	-	16,128	135,477
DUCT CLEANING		-	-	10,000	33,900	10,000	13,350	10,000	13,350	90,600	90,600
ROOF REPLACE & MAJOR REPAIR		89,670	89,670	-	-	-	-	-	-	-	89,670
<i>PARKS FACILITIES</i>											
PARKS RESTROOMS LONG-TERM MAINTENANCE		-	-	19,000	-	-	-	25,632	10,682	55,314	55,314
SHORELINE POOL LONG-TERM MAINTENANCE	451,162	768,584	768,584	20,000	20,000	20,000	20,000	20,000	20,000	120,000	1,339,746
RICHMOND HIGHLANDS COMMUNITY CENTER LONG-TERM MAINTENANCE	246,675	2,000	2,000	15,000	74,613	-	2,000	-	40,000	131,613	380,288
SPARTAN RECREATION CENTER	12,110	6,500	6,500	-	9,000	-	4,500	-	-	13,500	32,110
TOTAL EXPENDITURES	829,297	866,754	866,754	96,000	147,513	124,032	124,032	124,032	124,032	739,641	2,435,692
REVENUES											
GENERAL FUND OPERATING TRANSFER		124,032	124,032	124,032	124,032	124,032	124,032	124,032	124,032	744,192	
GENERAL FUND CONTRIBUTION		658,303	658,303							-	
SHORELINE SCHOOL DISTRICT										-	
INVESTMENT INTEREST		449	449	12	765	208	216	224	231	1,658	
TOTAL REVENUES		782,784	782,784	124,044	124,797	124,240	124,248	124,256	124,263	745,850	
BEGINNING FUND BALANCE											
TOTAL REVENUES			84,800	830	28,874	6,159	6,367	6,583	6,807	830	
TOTAL EXPENDITURES			782,784	124,044	124,797	124,240	124,248	124,256	124,263	745,850	
ENDING FUND BALANCE	84,800		830	28,874	6,159	6,367	6,583	6,807	7,039	7,039	
IMPACT ON OPERATING BUDGET			-	-	-	-	-	-	-		

City of Shoreline 2017 - 2022 Capital Improvement Plan
 Program Summary
 Roads Capital Fund

	PRIOR-YRS	2016CB	2016E	2017E	2018E	2019E	2020E	2021E	2022E	6-YEAR TOTAL	TOTAL PROJECT
PROJECT EXPENDITURES											
<u>REPAIR AND REPLACEMENT</u>											
Pedestrian / Non-Motorized Projects											
TRAFFIC SAFETY IMPROVEMENTS	1,584,689	172,954	172,954	157,881	160,775	163,814	167,005	175,355	184,123	1,008,953	2,766,596
System Preservation Projects											
ANNUAL ROAD SURFACE MAINTENANCE PROGRAM	13,036,866	2,336,320	250,000	2,592,145	2,200,137	1,110,000	843,000	1,120,000	1,250,000	9,115,282	22,402,148
AURORA LED LIGHT CONVERSION	-	-	-	-	215,000	-	-	-	-	215,000	215,000
CURB RAMP, GUTTER AND SIDEWALK MAINTENANCE PROGRAM	2,266,597	236,419	152,517	190,000	190,000	190,000	200,000	200,000	200,000	1,170,000	3,589,114
TRAFFIC SIGNAL REHABILITATION PROGRAM	1,413,233	162,339	162,339	115,763	121,551	127,628	134,010	140,711	147,746	787,409	2,362,981
<u>CAPACITY CONSTRUCTION</u>											
Pedestrian / Non-Motorized Projects											
25TH AVE. NE SIDEWALKS	-	60,000	-	-	112,000	483,000	-	-	-	595,000	595,000
BIKE SYSTEM IMPLEMENTATION	-	642,725	57,000	585,725	-	-	-	-	-	585,725	642,725
ECHO LAKE SAFE ROUTES TO SCHOOL	3,376	514,124	116,000	405,000	5,624	-	-	-	-	410,624	530,000
INTERURBAN TRAIL/BURKE-GILMAN CONNECTORS	108,482	436,017	10,000	436,017	-	-	-	-	-	436,017	554,499
LIGHT RAIL BIKE TRAIL	-	-	60,000	275,000	-	-	-	-	-	275,000	335,000
Safety / Operations Projects											
145TH CORRIDOR - 99TH TO I5	62	2,447,977	300,000	4,253,657	1,437,281	-	-	-	-	5,690,938	5,991,000
145TH AND I5 INTERCHANGE	-	-	20,000	3,375,000	1,125,000	-	-	-	-	4,500,000	4,520,000
160TH AND GREENWOOD/INNIS ARDEN INTERSECTION	-	-	-	125,000	-	-	-	-	-	125,000	125,000
185TH CORRIDOR STUDY	89	600,000	65,000	500,000	135,000	-	-	-	-	635,000	700,089
AURORA AVENUE NORTH 192ND - 205TH	38,754,105	4,821,217	2,367,366	208,630	-	-	-	-	-	208,630	41,330,101
AURORA MEDIAN RETROFITS	-	-	-	-	175,000	-	-	-	-	175,000	175,000
MERIDIAN AVE N & N 155TH ST SIGNAL IMPROV	-	58,929	58,929	300,000	-	-	-	-	-	300,000	358,929
N 175TH ST - STONE AVE N TO I5	-	2,665,000	-	1,640,000	2,460,000	-	-	-	-	4,100,000	4,100,000
RADAR SPEED SIGNS	-	120,456	25,000	95,456	-	-	-	-	-	95,456	120,456
RICHMOND BEACH RE-CHANNELIZATION	-	-	-	200,000	-	-	-	-	-	200,000	200,000
WESTMINSTER AND 155TH IMPROVEMENTS	-	250,000	150,000	300,000	-	-	-	-	-	300,000	450,000
<u>PROJECTS TO BE COMPLETED IN CURRENT YEAR (2016)</u>											
10TH AVENUE NW BRIDGE	168,854	383,207	372,000	-	-	-	-	-	-	-	540,854
145TH CORRIDOR STUDY	477,333	128,884	172,667	-	-	-	-	-	-	-	650,000
AURORA AVENUE NORTH-145TH TO 192ND SAFETY IMPROVEMENTS	433,574	3,543	7,472	-	-	-	-	-	-	-	441,046
EINSTEIN SAFE ROUTE TO SCHOOL	666,828	43,793	9,263	-	-	-	-	-	-	-	676,091
NE 195TH SEPARATED TRAIL	536,081	10,000	500	-	-	-	-	-	-	-	536,581
<u>NON-PROJECT SPECIFIC</u>											
ROADS CAPITAL ENGINEERING	1,920,776	215,805	240,000	360,000	370,000	385,000	395,000	405,000	415,000	2,330,000	4,490,776
TRANSPORTATION MASTER PLAN UPDATE	-	100,000	60,000	200,000	100,000	-	-	-	-	300,000	360,000
COST ALLOCATION CHARGES	-	64,767	64,767	64,736	64,736	50,000	50,000	50,000	50,000	329,472	394,239
TOTAL EXPENDITURES	61,370,945	16,474,476	4,893,774	16,380,010	8,872,104	2,509,442	1,789,015	2,091,066	2,246,869	33,888,506	100,153,225
REVENUES											
REAL ESTATE EXCISE TAX	-	1,038,146	1,160,493	1,195,965	1,261,315	1,286,415	1,393,487	1,446,024	1,537,797	8,121,003	-
INVESTMENT INTEREST	-	37,415	37,415	61,690	42,064	9,843	97	12,898	17,565	144,157	-
GENERAL FUND CONTRIBUTION	-	1,804,179	1,169,179	1,300,955	282,812	244,822	241,938	239,403	236,924	2,546,854	-
CMAQ	-	346,673	873,056	32,527	-	-	-	-	-	32,527	-
FEDERAL - STP	-	6,009,695	384,998	8,693,338	4,899,389	-	-	-	-	13,592,727	-
FTA - RAPID RIDE	-	599,236	619,223	3,261	-	-	-	-	-	3,261	-
HIGHWAY SAFETY IMPROVEMENT PROGRAM (HSIP)	-	1,793,945	1,004,907	434,711	-	-	-	-	-	434,711	-
KING COUNTY METRO	-	172,860	89,762	-	-	-	-	-	-	-	-
SAFE ROUTES TO SCHOOL	-	516,763	492,263	12,500	-	-	-	-	-	12,500	-
TRANSPORTATION IMPROVEMENT BOARD	-	289,601	282,321	125,000	-	-	-	-	-	125,000	-
TRANSPORTATION BENEFIT DISTRICT	-	1,031,824	236,138	1,497,359	858,327	780,000	780,000	780,000	780,000	5,475,686	-
UTILITY REIMBURSEMENTS	-	633,486	371,788	-	-	-	-	-	-	-	-
TRANSPORTATION IMPACT FEES	-	359,775	-	221,400	332,100	-	-	-	-	553,500	-
WSDOT - PEDESTRIAN & BICYCLE SAFETY PROGRAM	-	448,989	17,273	403,273	-	-	-	-	-	403,273	-
TOTAL REVENUES		15,082,587	6,822,545	13,981,979	7,676,007	2,321,080	2,415,522	2,478,325	2,572,286	31,445,199	
BEGINNING FUND BALANCE											
TOTAL REVENUES			2,183,867	4,112,638	1,587,316	291,218	2,857	379,364	516,623		
TOTAL EXPENDITURES			6,822,545	13,981,979	7,676,007	2,321,080	2,415,522	2,478,325	2,572,286		
RESTRICTED AMOUNT FOR GRANT MATCHING			4,893,774	16,380,010	8,872,104	2,509,442	1,789,015	2,091,066	2,246,869	1,077,291	
ENDING FUND BALANCE	2,183,867		4,112,638	1,587,316	291,218	2,857	379,364	516,623	592,041		
IMPACT ON OPERATING BUDGET			70,760	9C-52 19,351	119,351	119,474	119,519	119,519	119,519		

City of Shoreline 2017 - 2022 Capital Improvement Plan
 Program Summary
 Surface Water Utility Fund

	PRIOR-YRS	2016CB	2016E	2017E	2018E	2019E	2020E	2021E	2022E	6-YEAR TOTAL	TOTAL PROJECT
<i>PROPOSED UTILITY RATE INCREASE</i>			4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%		
<i>SWM RATE RESIDENTIAL SF HOME ANNUAL FEE</i>			152	160	168	176	185	194	204		
PROJECT EXPENDITURES											
<i>CAPACITY</i>											
10TH AVE NE DRAINAGE IMPROVEMENTS	-	250,000	2,500	250,000	-	-	-	600,000	30,000	880,000	882,500
25TH AVE. NE FLOOD REDUCTION IMPROVEMENTS	217	880,000	341,930	615,000	370,000	2,817,853	-	-	-	3,802,853	4,145,000
BOEING CREEK REGIONAL STORMWATER FACILITY STUDY	-	200,000	50,000	150,000	-	-	-	-	-	150,000	200,000
NE 148TH INFILTRATION FACILITIES	81,907	368,886	7,500	11,701	365,000	-	-	-	-	376,701	466,108
<i>REPAIR AND REPLACEMENT</i>											
GOHEEN REVETMENT REPAIR	399,929	20,626	20,626	11,500	6,000	6,000	6,000	-	-	29,500	450,055
HIDDEN LAKE DAM REMOVAL	109,513	61,213	60,212	30,085	160,000	70,000	850,000	-	-	1,110,085	1,279,810
BOEING CREEK RESTORATION PROJECT	-	-	43,000	79,000	-	-	-	-	-	79,000	122,000
STORMWATER PIPE REPLACEMENT PROGRAM	757,869	657,103	583,530	235,000	40,000	400,000	50,000	520,000	50,000	1,295,000	2,636,399
SURFACE WATER SMALL PROJECTS	2,369,025	215,723	215,723	250,000	-	-	-	-	-	250,000	2,834,748
<i>OTHER</i>											
SURFACE WATER MASTER PLAN	-	500,000	250,000	400,000	-	-	-	-	-	400,000	650,000
THORNTON CREEK BASIN CONDITION ASSESSMENT	-	100,000	-	150,000	150,000	-	-	-	-	300,000	300,000
<i>PROJECTS TO BE COMPLETED IN CURRENT YEAR (2016)</i>											
BALLINGER CREEK DRAINAGE STUDY (LYONS CREEK BASIN)	179,632	4,000	4,000	-	-	-	-	-	-	-	183,632
MCALFEER CREEK BASIN PLAN	391,945	4,000	4,000	-	-	-	-	-	-	-	395,945
PUGET SOUND DRAINAGES BASIN PLAN	173,569	271,432	271,432	-	-	-	-	-	-	-	445,001
<i>NON-PROJECT SPECIFIC</i>											
SURFACE WATER CAPITAL ENGINEERING	2,190,242	158,013	160,000	182,000	191,100	200,655	210,688	221,222	232,283	1,237,948	3,588,190
COST ALLOCATION CHARGES	812,119	190,448	190,448	204,105	200,000	200,000	200,000	200,000	200,000	1,204,105	2,206,672
TOTAL CAPITAL EXPENDITURES	3,747,507	3,881,444	2,204,901	2,568,391	1,482,100	3,694,508	1,316,688	1,541,222	512,283	11,115,192	20,786,060
REVENUES											
INVESTMENT INTEREST		18,877	18,877	42,729	41,011	52,799	37,083	40,124	42,732	256,478	
DEPARTMENT OF ECOLOGY BIENNIAL STORMWATER CAPACITY GRANT		-	-	-	-	-	-	-	-	-	
DEPARTMENT OF ECOLOGY STORMWATER RETROFIT GRANT		-	-	-	-	-	-	-	-	-	
DOE STORMWATER PRE-CONSTRUCTION GRANT		250,000	-	250,000	-	-	-	-	-	250,000	
KING COUNTY FLOOD ZONE DISTRICT OPPORTUNITY		110,898	110,898	110,898	110,898	110,898	110,898	110,898	110,898	665,388	
WA STATE STORMWATER FINANCIAL ASSISTANCE PROGRAM		290,625	-	-	290,625	-	-	-	-	290,625	
FUTURE FUNDING - BONDS		2,000,000	2,000,000	-	-	2,000,000	-	-	-	2,000,000	
TOTAL CAPITAL REVENUES		2,670,400	2,129,775	403,627	442,534	2,163,697	147,981	151,022	153,630	3,462,491	
BEGINNING FUND BALANCE			2,095,313	2,848,599	1,547,588	1,562,088	1,090,677	1,180,127	1,256,819	2,848,599	
TOTAL CAPITAL REVENUES			403,627	442,534	2,163,697	147,981	151,022	153,630		3,462,491	
TOTAL CAPITAL EXPENDITURES			2,204,901	2,568,391	1,482,100	3,694,508	1,316,688	1,541,222	512,283	11,115,192	
SURFACE WATER FEES			4,004,586	4,540,815	4,767,856	5,006,249	5,256,561	5,519,389	5,795,359	30,886,230	
OPERATING GRANTS		50,000	50,000	-	-	-	-	-	-	-	
PUBLIC WORKS DEBT SERVICE PAYMENT		344,431	344,431	344,431	335,902	334,269	332,637	332,637	332,637	2,012,513	
AMOUNT RESTRICTED - LOAN MAINTENANCE FACILITY DEBT SERVICE		119,086	119,086	119,086	119,086	119,086	119,086	119,086	119,086	714,516	
STORMWATER PIPE REPL DEBT SERVICE PAYMENT		182,391	-	182,391	182,391	364,783	364,783	364,783	364,783	1,823,914	
TOTAL DEBT SERVICE		645,908	463,517	645,908	637,379	818,138	816,506	816,506	816,506	4,550,943	
TOTAL OPERATING EXPENDITURES		2,828,841	2,762,657	3,031,154	3,076,412	3,128,711	3,181,899	3,235,991	3,291,003	18,945,169	
ENDING FUND BALANCE	2,095,313		2,848,599	1,547,588	1,562,088	1,090,677	1,180,127	1,256,819	2,586,016	2,586,016	
MINIMUM REQUIRED RESERVE (20% OPER REV)			810,917	908,163	953,571	1,001,250	1,051,312	1,103,878	1,159,072		
DEBT SERVICE/FUND BALANCE RATIO (MINIMUM 1.25)				2.40	2.45	1.33	1.45	1.54	3.17		
VARIANCE ABOVE MINIMUM REQUIRED RESERVE			2,037,682	639,425	608,517	89,427	128,814	152,941	1,426,944		
IMPACT ON OPERATING BUDGET			-	-	10,000	-	-	-	-		