

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Preview and Discussion of Preliminary 2018 Budget and update on 2017 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 2017 revenues and expenditures through the second quarter, a preview of the 2018 proposed preliminary budget, and an update to the long-term operating budget financial projections. The 2018 proposed preliminary budget is balanced and continues to allocate resources that support the Council’s goals and priorities. The City Manager will present the 2018 Proposed Budget and 2018 – 2023 Capital Improvement Plan to the City Council on October 9, with adoption scheduled for November 20, 2017.

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 2018 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 2018 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 **JAT**

INTRODUCTION

Staff is preparing the City Manager's 2018 Proposed Budget, 2018 – 2023 Capital Improvement Plan, 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 2018 budget process. The 2018 budget adoption schedule is, as follows:

<u>Topic</u>	<u>Meeting Date</u>
Preview of Proposed Preliminary 2018 Budget	September 18
Transmittal of Proposed 2018 Budget	October 9
Department Budget Reviews	October 16
Continued Department & CIP Reviews	October 23
Public Hearing on Revenue Sources & 2018 Property Tax Levy	November 6
Public Hearing on 2018 Budget & CIP	November 13
Adoption of 2018 Property Tax Levy	November 20
Adoption of 2018 Budget	November 20

BACKGROUND

2017 Operating Budget

Projected 2017 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 2017 revenues, excluding transfers in, of \$42.248 million will be less than the current budgeted revenues, as amended in the third quarter, by \$226,000. The most significant projections for under collected revenues embedded in staff's year-end estimates are:

- a \$506,000 reduction in the amount of reimbursement from Sound Transit for the work performed in 2017 as the project continues into 2018;
- a \$260,000, or -2.1%, reduction in property tax revenues as the year-over-year growth in assessed valuation for the City was less than 8%, not 10% as originally indicated by the King County Assessor's Office; and,
- a \$78,000, or 17.4%, reduction in traffic infraction revenue.

The most significant projections for over-collected revenue in excess of budget, offsetting much of the above include:

- Development revenue (+\$167,000, or +7.9%), mostly as a result of a higher mechanical fees/permits, land use fees/permits, and plan check fees, as well as one-time permit revenues related to some of the Shoreline School District's projects.

- Receipts from sales tax are projected to be \$270,000, or 3.4%, more. Receipts from the retail trade sector are projected to be slightly more than the budget projection (+\$57,000, or +1.1%) and receipts from the construction sector are projected to be \$184,000, or 19.3%, more than the budget projection. Utility Tax and Franchise Fees receipts are anticipated to be \$105,000, or 1.2%, more. Park and recreation revenue receipts are anticipated to be \$67,000 more.

It is projected that 2017 expenditures, excluding transfers between the General and Street Funds, of \$45.905 million will be less than the current budgeted expenditures by \$3.485 million, with no anticipated need to use any funds from the operational contingency or insurance reserve. While the 2017 current budget includes the use of \$7.318 million of fund balance; current estimates anticipate the use of only \$2.260 million

The General Fund is projected to end 2017 with \$10.800 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 \$854,000, which will be well above the minimum required balance of \$249,000.

2017 Operating Budget Savings Recommendation:

As will be discussed later in this report, the 2018 supplemental budget requests include one-time requests to support the Council's adopted goals and priorities. Staff anticipates that some of the projected one-time savings from 2017 will be used to fund one-time supplemental requests in 2018 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 2018 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.

2018 Proposed Preliminary Budget

At this time the 2018 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 2018 proposed preliminary budget increases the number of regular full-time equivalent (FTE) positions in the City's personnel complement by 8.20 FTE. This number includes the conversion of three positions identified as on-going extra help to

regular positions, both a City Manager and City Council priority. The addition also includes several positions necessary to support priority projects, some with dedicated funding, as well as those needed to support the Surface Water Master Plan as discussed below.

Extra Help Conversion: The functions of the following positions have been performed by Extra Help in recent years but the conversion to regular positions is necessary to ensure the efficient delivery of services. Given the on-going nature of the need for these positions, the City Manager is recommending that they be considered regular benefited positions. Staff had also been reviewing capacity that would come with the Ronald Wastewater District (RWD) assumption over the last two years, and has determined that there would not be capacity from the unification of RWD and the City to fulfill the demand for these positions.

- *1.00 FTE GIS Technician for the Administrative Services Department (General Fund: \$70,800):* The City has been utilizing one-time funding for extra help for GIS support for the asset management system (Cityworks) until the staff capacity resulting from assumption of Ronald Wastewater District could be fully analyzed. The Wastewater Utility staffing model developed shows there is no capacity to absorb the City's GIS support needed to update Cityworks assets in the GIS database, as well as provide support to the City's other geospatial requests (research, maps, etc.). This position is budgeted in 2018 with an April 1 start date. The full annual cost for the position will be approximately \$90,500.
- *0.50 FTE IT Systems Specialist (General Fund: \$51,200 ongoing):* The Administrative Services Department has utilized one-time funding for Extra Help since 2015 to address a work backlog and current workload demand. The addition of the 0.50 FTE IT Systems Specialist will provide stability, consistency, and speed to the delivery of critical desktop services to enable other City staff to perform their job functions. This position is budgeted in 2018 with a January 1 start date.
- *0.50 FTE Public Disclosure Specialist (General Fund: \$41,500):* In 2015, the City experienced a significant increase in public records requests, and the workload has remained constant. In 2016 and 2017, one-time extra help was utilized to help address the increased volume of public records requests, which has improved the City's response time on complex requests and has allowed the City Clerk time to work on other essential duties. This request will provide the City with an appropriate staffing level to handle the volume of records requests and make it possible to perform thorough searches for responsive records, provide the fullest assistance to requestors, and deliver records in a timely manner. The position will also focus on process improvement and begin developing a mature records management program that addresses electronic records. This position is budgeted in 2018 with a January 1 start date.

Positions Necessary for Specific Projects: The following positions are needed to accomplish specific projects. While not all of them are term-limited, should the future

demand for these positions diminish and supporting revenue not be available, the positions would be eliminated.

- *1.00 FTE Combination Inspector* (General Fund: \$78,300 ongoing / \$26,900 one-time): Increased permit volumes and complexity since 2012 and enhanced stormwater standards have resulted in performing more inspections. Additionally, the Shoreline School District will require one time inspection services for the replacement of three schools and one major remodel in 2018-2021. The City will also need inspection resources for the Lynnwood Link Extension project starting in mid/late 2018-2023. This resource would be supported by permit revenues. Start-up costs include a vehicle for the position. This position is budgeted in 2018 with an April 1 start date. The full annual cost for the position will be approximately \$100,400.
- *1.00 FTE Construction Inspector* (General Fund: \$86,700 ongoing / \$30,400 one-time – funded through Sound Transit Expedited Permitting and Reimbursement Agreement): Additional right-of-way (ROW) construction inspection resources are needed to provide inspection of Sound Transit (ST) construction activities. The cost of this position will be covered by the current ST Expedited Permitting and Reimbursement Agreement and an anticipated amendment or separate agreement with ST for construction services staffing from spring 2018 through 2022 or early 2023. Construction of the light rail system is currently planned to start in spring of 2018 and is estimated to require 1.00 FTE of ROW construction inspection services starting in spring of 2018 for inspection of work within the City ROW related to construction of the light rail system. Based on the length of the construction activity and the anticipated future need due to increased development and capital construction this position is being requested as a permanent FTE in Public Works and not a term-limited position. Start-up costs include a vehicle for the position. This position is budgeted in 2018 with an April 1 start date. The full annual cost for the position will be approximately \$111,500.
- *Financial System Replacement Backfill – 1.00 FTE Staff Accountant* (Term-Limited through 12/31/2019; General Fund: \$103,800): This creates a limited term position for a limited term employee who has been underfilling the Finance Manager vacancy. With the transition of Ronald staff the Finance Manager position will be filled and a limited term position is necessary to continue this important backfilling function. In essence this action is needed to make sure the FTE count that will exist in 2018 is authorized. The work in 2018 will focus on backfill support to Accounting and Budget staff during the implementation of the Financial and Human Resources system (e.g., routine operations, business process improvements, system configuration and testing, etc.). The position is anticipated to be necessary through the system stabilization period, possibly into 2019 if project budget is available. The costs for this position are fully supported within the existing project budget funded with the use of General Fund fund balance.

Surface Water Master Plan and Public Works Staff reallocation:

- *1.00 FTE Public Works Maintenance Worker II* (General, Street and Surface Water Funds: \$35,900 new ongoing costs / new total ongoing is \$89,900 / \$1,950 one-time): Street and surface water maintenance staffing levels have remained unchanged since 2012. However, during this time period work priorities and focus of the work group has changed as a result of external regulatory drivers, standard practices and internal initiatives to implement asset and computerized maintenance management programs (Cityworks). These considerations are directing work efforts to specific activities resulting in fewer productive hours available to apply to other equally important work activities. This position is allocated 20% in the General Fund, 60% in the Street Fund, and 20% in the Surface Water Fund. This position is also associated with delivery of the proactive management strategy of the 2017 Surface Water Master Plan (staff report available here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport080717-9a.pdf>). The full annual cost for this position will be approximately \$89,900 with \$54,000 offset by specific reductions in the operating budgets of the General (\$17,000), Street (\$20,000) and Surface Water (\$17,000) funds.
- *1.00 FTE Public Works Sr. Maintenance Worker* (Street and Surface Water Funds: \$98,600 ongoing / \$33,500 one-time): This position is associated with delivery of the proactive management strategy of the 2017 Surface Water Master Plan (staff report available here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport080717-9a.pdf>) and is allocated 10% in the Street Fund and 90% in the Surface Water Fund. Start-up costs include a vehicle for the position.
- *1.00 FTE Engineering Technician* (Surface Water Fund: \$94,600): This position is associated with delivery of the proactive management strategy of the 2017 Surface Water Master Plan (staff report available here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport080717-9a.pdf>) and is allocated 100% in the Surface Water Fund.
- *1.00 FTE Engineer 1 – Surface Water* (Surface Water Fund: \$123,800): This position is associated with delivery of the proactive management strategy of the 2017 Surface Water Master Plan (staff report available here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport080717-9a.pdf>) and is allocated 100% in the Surface Water Fund.

Part Time Position Adjustments: The following positions were added to the budget in 2017 at 0.50 FTE each. Further evaluation of the workload and need for these positions revealed that a 0.60 FTE allocation is the more appropriate staffing level.

- *Increase of 0.10 FTE to Cultural Diversity Coordinator* (General Fund: \$11,600): The increase of the position from 0.50 FTE to 0.60 FTE will allow for a constant level of service. As the Cultural Diversity Coordinator's program fills out the

internal support aspects of the program, time spent flexing to attend, and production of ten to twelve outward facing events annually (such as Culture Share, Celebrate Shoreline or Immigration Forums), results in the need to be gone during typical work week hours.

- *Increase of 0.10 FTE to Administrative Assistant I (Spartan Recreation Center)* (General Fund: \$8,700): This proposal will increase a 0.50 FTE Administrative Assistant I to 0.60 FTE. The 2016 budget provided for the conversion of extra-help to a 0.50 FTE to provide at least one regular staff position at Spartan Gym during all operating hours. As schedules were finalized it was determined that there was still a four hour gap on Saturdays without regular staffing coverage. The increase in the number of hours for this position will address this. This cost is offset by a \$10,000 reduction to other line-items in the department's budget.

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

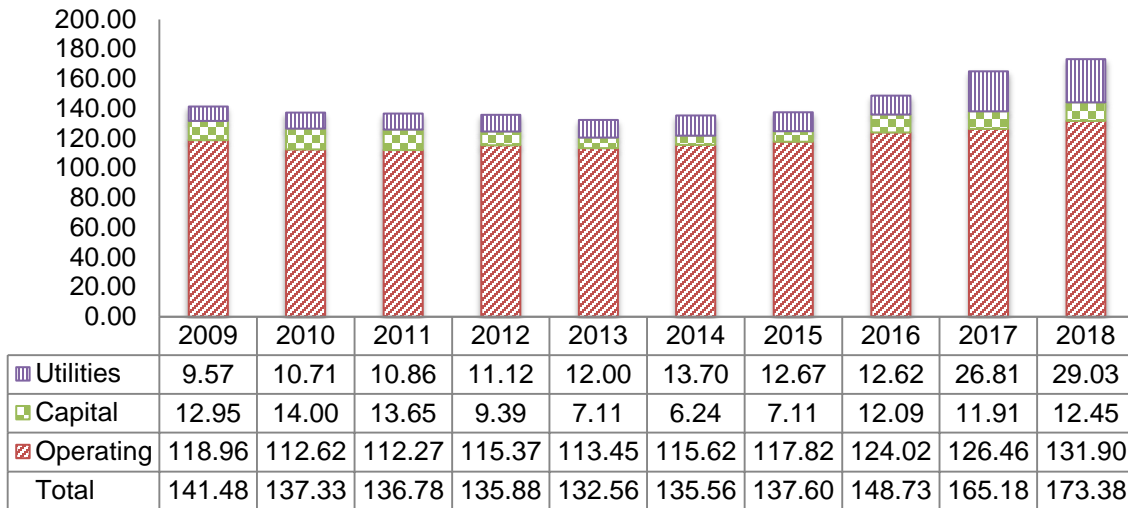
City of Shoreline Regular FTE Summary by Department											
Department	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
										Prop.	Changes
City Manager ^c	9.50	9.50	8.75	8.75	13.00	13.00	13.00	13.00	16.75	18.50	1.75
City Clerk	3.80	4.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Community Services ^a	9.68	8.68	8.68	10.18	8.68	8.68	8.68	8.68	8.68	8.78	0.10
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, d, e}	18.20	18.50	18.70	21.20	21.20	21.20	21.45	21.45	21.45	24.65	3.20
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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Planning & Community Development ^c	27.00	24.35	24.35	20.45	20.00	20.00	21.00	22.00	23.00	24.00	1.00
Parks, Recreation & Cultural Services	27.30	27.30	27.30	27.80	27.68	28.68	29.48	30.60	31.30	31.40	0.10
Public Works	29.43	28.29	28.14	30.38	24.00	24.30	25.45	34.38	31.31	31.14	(0.17)
Surface Water Utility	9.57	10.71	10.86	11.12	12.00	13.70	12.55	12.62	12.69	14.78	2.09
Wastewater Utility	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14.00	14.13	0.13
Total FTE	141.48	137.33	136.78	135.88	132.56	135.56	137.60	148.73	165.18	173.38	8.20
Staffing for Sound Transit Lynnwood Link Extension Project ^c								4.00	3.75	4.75	1.00
Net FTE	141.48	137.33	136.78	135.88	132.56	135.56	137.60	144.73	161.43	168.63	7.20

- a. Includes 0.50 FTE funded by the Emergency Management Program Grant since 2008
 b. Excludes term-limited 1.00 FTE IT Projects Manager for 2016 - June 2019
 c. Excludes term-limited 1.00 FTE Senior Planner for 2017 - 2019
 d. Excludes term-limited 1.00 FTE Staff Accountant for 2018
 e. Excludes term-limited 0.37 FTE increase for Finance Technician for 2018 - 2020

The 2018 changes reflect those amendments approved by Council in 2017 that added non-utility personnel; the reallocation of existing City staff; staffing increases discussed in this staff report; and, changes in allocation of City staff and staff transitioned from Ronald Wastewater District to reflect the proportion of time that will be spent on wastewater functions versus other City functions.

The following chart exhibits the changes in staffing levels for operating, capital, and utility funds since 2009:

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 2018 proposed preliminary budget will include a recommended 2.70% COLA based on 90% of the June-to-June change in the CPI-U of 3.00%.
- Health Benefits:** The City obtains medical plans through the Association of Washington Cities (AWC) and the AWC is terminating the medical plans the City offered in 2017 on January 1, 2018. The next best available medical plans from the AWC will replace the 2017 medical plans January 1, 2018. The City Manager has recommended that the City maintain its monthly contribution toward employee health benefits at the 2017 levels, which are a maximum of \$1,876 and a minimum of \$1,003 per month. In order to do so an amendment to Shoreline Municipal Code 2.30.040 will be brought to the City Council for consideration during the 2018 budget process.

Extra Help Salary Table: The extra help salary table has been adjusted to accommodate minimum wage mandated by Initiative 1433, passed by voters in November 2016. I-1433 sets the minimum wage at \$11.50 in 2018, \$12.00 in 2019, and \$13.50 in 2020. The proposed adjustment to the City’s table set the lowest hourly rate at \$13 in 2018, which should provide that all Extra Help classifications will meet minimum wage requirements by 2020 as the table is adjusted annually by CPI. This will also allow for a smoother transition in adjusting fees for recreation fees, such as day camp registration, to off-set the anticipated increase in personnel costs of those programs. Following the full implementation of I-1433 in 2020, the State minimum wage will be adjusted annually by 100% of CPI. The City Manager anticipates recommending that as I-1433 is implemented over the next few years, that the City’s policy be modified to

provide COLA at 100% of CPI-U instead of the current 90%, to maintain equity between the two tables.

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 2018 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 infrastructure to continue the delivery of highly-valued public services
- *Goal 3:* Continue preparation for regional mass transit in Shoreline
- *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:

- *Implementation of Climate Action Plan* (Council Goal 2, Council Goal 5; General Fund: \$80,000): This request funds projects that implement the Climate Action Plan (CAP) recommendations to meet greenhouse gas emission (GHG) reduction targets adopted by Council through the plan. This item will also be utilized to implement sustainability initiatives that may or may not have GHG reduction benefits, such as improving local water quality and riparian habitat by certifying Shoreline as a Salmon Safe city.
- *Inventory of the Availability and Utilization of Parking in Light Rail Station Subareas* (Council Goal 2; General Fund: \$25,000/year for 2018-2021): This request will fund the inventory of existing parking availability and utilization within one quarter mile of the N 145th Street and N 185th Street light rail station subareas. The results will inform the City's implementation of a parking program for the subareas in 2021, which could include a Residential Parking Zone program, time limited parking, metered parking, or some combination.

Ongoing Programs:

- *Human Services* (Council Goal 4; General Fund: \$29,500): This request will increase funding for human services as Council directed staff at the May 14, 2016 meeting (staff report available here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2016/staffreport031416-9a.pdf>) to commit 0.80% of recurring General Fund revenues (resources less use of fund balance and grants). In 2019, the amount will be increased to 0.85% of net recurring General Fund revenues.

- *K9 Deputy and police dog* (\$196,800 ongoing / \$16,000 one-time): Shoreline Police Department serves a population of over 55,000 residents but does not have a K9 Unit. The City has not added a new police position since 2007. Since 2013, we have seen police response times for Priority X calls increase by 1.26 minutes and calls for service have increased by 21.0%. Currently, when a K9 is needed for tracking a suspect, building searches, narcotics detection, etc., it calls for a King County Sheriff's Office (KCSO) K9. There is usually a significant delay in the response from a KCSO K9 unit as they are typically responding from the Precinct-4 area (Burien) or Precinct-3 area (Maple Valley). Shoreline also uses K9 units from Edmonds PD and Lynwood PD when appropriate and available. The longer the response time, the more difficult it is to hold containment and make an arrest.

The City Manager is recommending inclusion of a K9 unit in the 2017 proposed budget. A Shoreline K9 unit would add an FTE to the staffing of Shoreline PD, drive a marked Shoreline police vehicle and wear a Shoreline uniform. The officer would likely work a late dayshift, early swing-shift hours when activity is high and a timely response is beneficial. When not performing K9 duties the officer would handle typical calls for service adding service to patrol staffing levels.

The K9 would be cross trained for tracking and narcotics detection. Once the initial training has been successfully completed, there is weekly obedience and skills training provided by the Sheriff's Office. Ideally we would want to select a dog that is social and can be used to enhance public relations at certain events. The K9 unit would assist other cities under mutual aid, we would set parameters to keep the unit close and available to serve Shoreline.

Organization Goals, City Asset Maintenance & Efficiencies:

One-Time Funding Requests:

- *Citywide Organizational Development and Employee Training* (General Fund: \$100,000):
 - *Continuous Improvement Organizational Development:* The City's Leadership Team has developed an 18-month roadmap to advance *Continuous Improvement*. Council funded activities outlined in the plan for 2017 and the Leadership Team have already observed the impact of this work. This funding will allow engagement of a consultant to complete the work identified for 2018, including leadership training, two targeted process improvement efforts, and a Citywide training targeted on tools needed to better engage with process improvement efforts.
 - *Employee Training and Development:* This funding will build a program upon current management and supervisory skills to support the City's leadership in managing people and programs effectively. Topics may include, but not be limited to: performance management, motivation, team development, interpersonal and communication skills, time management skills, ethics, and the legal landscape of supervision and management.
 - *Diversity & Inclusion Staff Training:* This funding will allow staff to participate in a training and a series of activities designed to improve their

individual and the City's capability, as a whole, to engage and support diverse community members, and to "enhance opportunities for community engagement."

- *City Manager's Internship Program* (Extra Help; July 2018 – June 2019; General Fund: \$28,900): This request will fund a pilot internship program providing an individual interested in local government management the opportunity to support the work of the City Manager's Office and support other departments throughout the City.
- *Code Enforcement Legal Support* (Code Abatement Fund: \$15,000): There are currently over 40 open code enforcement cases on properties that have received a formal Notice and Order from the Code Enforcement Officer where the property owner has not taken the appropriate and timely steps to obtain permits or correct the violation. The next step in the resolution process for these code enforcement cases is to start legal proceedings through the City Attorney's Office. These legal proceedings, up to and including abatement of the property by the City, are needed to continue the code enforcement process of bringing properties into compliance with the code. The City Attorney's Office currently has limited capacity to address this backlog of non-responsive code enforcement cases. Historically, appropriations in the Code Abatement Fund were used to abate code enforcement violations; however, recent changes allow the funds to be used for other code abatement purposes. This additional funding will allow for the use of contracted code enforcement services to supplement the City's Code Enforcement Officer and legal services to supplement the capacity in the City Attorney's Office to prepare and file legal actions to close-out code enforcement cases. The cost for this item is fully supported by the use of Code Abatement Fund fund balance.
- *Confined Space Entry Needs Assessment Plan and Equipment:*
 - *Confined Space Entry Equipment Needs Assessment Plan* (Surface Water and Wastewater Funds: \$15,000): Confined space entry operations require specialized entry, monitoring and rescue equipment. To guide in the selection of this equipment this funding (split 50% each in the Surface Water and Wastewater Funds) will allow staff to hire an industrial safety and health or engineering consultant to review common and unique stormwater and wastewater confined space entry areas. A Confined Space Entry Equipment Needs Assessment Plan will be completed that identifies and lists specific equipment needed for manhole entry, wastewater dry and wet well entry, vaults, and detention barrels and other confined spaces.
 - *Confined Space Equipment Acquisition and Installation* (Surface Water and Wastewater Funds: \$30,000): Following the completion of the Confined Space Entry Equipment Needs Assessment Plan, this funding (split 50% each in the Surface Water and Wastewater Funds) will allow staff to acquire and install recommended equipment in order to work safely in confined spaces. It is anticipated that a modular-based

equipment system will be recommended for use across surface water and wastewater confined spaces.

- *Americans with Disabilities Act of 1990 (ADA) Transition Plan, Phase 2 – Condition Assessment & Plan Completion* (General Fund: \$198,000): In 2016, the City began the first phase of work to create an ADA Transition Plan. The plan, which is required by the ADA, will establish the City's priorities, timeline and budget for bringing pedestrian facilities in the City's right-of-way into compliance with ADA standards. This funding will provide additional professional services, extra help staffing and project administration to gather condition assessment data that will be required for the City Council's adoption of a Transition Plan. Approximately 2,057 extra help hours (utilized by hiring four extra help to work in two, part time, two-person teams) will be required to complete the condition assessment in 2018. In 2016, the City selected Perteet, Inc. to provide consultant services for development of the Transition Plan, which includes public outreach work in concert with the City's Sidewalk Prioritization Plan. This request puts in motion an amendment to Perteet's contract for assisting with public outreach, performing data analysis and quality control, prioritization of proposed repair projects, and preparation of draft and final ADA Transition Plans.

Other One-Time Requests:

- *Strategy to Support Aging Adults in Shoreline* (General Fund: \$45,000): The Shoreline-Lake Forest Park Senior Center has requested additional funding the last two budget cycles due to shortfalls. Through staff conversations with the Senior Center Executive Director in early 2017 it was concluded that any additional funds in 2018 would be best used to support a sustainability strategy for service delivery to aging adults in Shoreline. Strategic Action Initiative #4 in the Parks, Recreation and Open Space (PROS) Plan calls to 'develop a strategic plan by 2019 for meeting the aging adult recreation needs of Shoreline'. In order to best do this the City must assess what services this population will need in the future and who is best positioned in the community to provide those services.

This funding will retain a consultant to lead a process with City staff, current Senior Center leadership and community stakeholders charged with developing a vision and road map for serving aging adults in Shoreline. The work will include three segments: current service gap assessment, gap analysis which identifies options, and strategy development with stakeholders.

Technology Investments:

One-Time Funding Requests:

- *Web Accessibility Training* (Council Goal 4, General Fund: \$25,000): This funding will engage WebAIM to evaluate the accessibility of the City's website for people with a variety of disabilities. Visual impairments are the biggest obstacle for people using a website. Training for staff on web accessibility in general and how to create documents to ensure they are accessible to people with primary visual impairments will also be provided.

- *Cityworks Asset Backlog* (Geographic Information Systems Extra Help; General Fund: \$15,000): Extra Help was funded in 2017 to address an estimated 3,000 hour backlog of CAD drawings that require updates to the GIS database. This update is needed so that the assets are available to manage in Cityworks. This work will not be completed in 2017; therefore, this funding is needed to finish addressing the backlog in 2018.
- *Telephone System Upgrade* (General Fund: \$10,000): The telephone devices used by the City are no longer supported. Addressing a component of the 2018-2020 Strategic Technology Plan, this funding will provide support for 'soft phones' (i.e., the separate telephone device is replaced by software and a headset on the computer). Moving staff to a 'soft phone' will allow the City to build an inventory to address any failures of the remaining telephone devices and the ability to use Skype for Business (part of the Office 365 suite) for video conferencing.
- *Define Requirements for CIP Project Management Tool* (General Fund: \$30,000): The number of CIP projects has increased, as well as the staff to manage those projects. The Public Works department is in the process of standardizing and improving its processes and procedures through targeted process improvement initiatives. Once that work is completed, Public Works will be requesting an automated tool to support those standardized processes, thereby addressing a component of the 2018-2020 Strategic Technology Plan. This funding will allow the City to engage a consultant to assist with the documentation of requirements to be used for a Request for Proposal process to select an automated tool.
- *EOC Technology Improvements* (General Fund: \$10,000): Currently the City of Shoreline's Emergency Operations Center (EOC) is located in a multi-use room at Shoreline Fire Department Station 61 and is currently not included in the City's technology cycle. Several essential pieces of technology including displays and audio/visual control have failed or are nearing end of life. Replacements and improvements of these items are needed for the City of Shoreline to be able to adequately provide emergency operations during a disaster.

One-Time Capital Improvement Plan General Fund Support:

The 2017-2022 Capital Improvement Plan (CIP) utilized \$3.183 million in General Fund contributions to support the following projects:

- *General Capital Fund:*
 - *Police Station at City Hall* (\$1.783 million in 2017)
- *Roads Capital Fund:*
 - *160th & Greenwood/Innis Arden* (\$125,000 in 2017)
 - *185th Street Corridor Study* (\$500,000 in 2017)
 - *Design of Westminster Way and N 155th Street Improvements* (\$150,000 in 2017)
 - *Design of Trail Along the Rail* (\$275,000 in 2017)
 - *Design of the 147th/148th Non-Motorized Bridge* (\$350,000 in 2017)

The timing of various projects has shifted and is reflected in the attached fund summaries (Attachment C). At this time the previously programmed use of General Fund contributions has shifted accordingly with the timing of certain projects. The proposed 2018-2023 CIP reflects this shift and requires an additional contribution from the General Fund to the General Capital Fund for the *Police Station at City Hall* project (\$471,505 in 2018). This need is the result of lower-than-anticipated seizure revenue to be deposited in the State Drug Enforcement Forfeiture fund and remediation mitigation revenues previously discussed with the City Council in May. The General Fund has sufficient fund balance to provide this additional contribution.

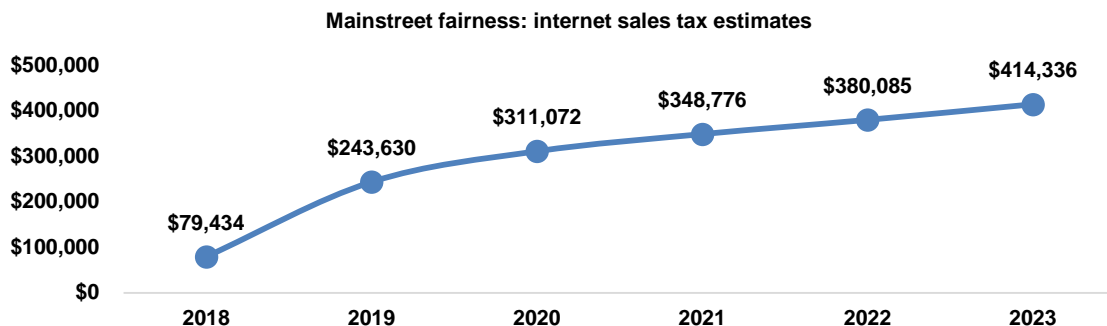
2018 Operating Budget Revenues

2018 Property Tax Levy:

The King County Assessor’s Office has not yet released preliminary assessed valuation (AV) for the City, but staff is estimating an increase of 9.8% based on available information. This increase will allow the City to take advantage of the provision in Proposition 1 to increase the property tax levy by the June-to-June percentage change in the CPI-U index, which equals 2.99%. With the inclusion of new construction AV estimated at \$45.972 million, the resulting estimated 2018 property tax levy would be \$12.760 million while the projected levy rate would decline from the current \$1.39000 to an estimated \$1.30689 per \$1,000 of assessed valuation. The preliminary estimate for City property taxes that will be collected in 2018 totals \$12,759,858, assumes a 100% collection rate, and is \$489,025, or 4.0%, more than the projected 2017 tax collections.

2018 General Fund Operating Revenues:

- **Sales Tax Revenue:** Projected revenue of \$8.428 million reflects increases over the 2017 budget and 2017 revised projection by \$458,400, or 5.8%, and \$188,600, or 2.3%, respectively. The year-over-year increase is inclusive of the additional internet sales tax collections resulting from the provisions in HB 2186 and SB 5929. The estimates shown in the chart below were provided by the Department of Revenue.



- **Criminal Justice Sales Tax Revenue:** Projected revenue of \$1.571 million reflects increases over the 2017 budget and 2017 revised projection by \$93,800, or 6.3%, and \$48,600, or 3.2%, 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 \$8.952 million reflects increases over the 2017 budget and 2017 revised projection by \$225,000, or 2.6%, and \$120,000, or 1.4%, respectively.
- *Gambling Taxes:* For 2018, staff projects that gambling taxes from card room and pull-tab activity will remain steady at the 2017 level of \$1.587 million.
- *Development Revenue:* Development revenues are expected to be nearly double the 2017 budget as a result of an increase in the base level of development activity (+334,000, or 24.2%) and the receipt of \$1,011,750 for the Shoreline School District's projects.
- *Liquor Excise Tax:* Staff projects, based on the most recent per capita estimates, that the City will receive \$250,200 in 2017, which is slightly less than 2016 receipts, and \$270,900 in 2018, which is an increase of \$20,700, or 8.3%, over the 2017 revised projection.

2018 Operating Budget One Time Resources:

- *Street Fund:* The Gas Tax does not provide sufficient resources for our streets crews to perform the services that the citizens expect from our existing transportation network; therefore, the General Fund provides the Street Fund a subsidy to ensure resources are available. As was noted above, the Street Fund is projected to end 2017 with a fund balance of \$885,352, which will be well above the minimum required balance of \$249,000. The 2018 proposed budget will include the transfer of fund balance to the General Fund that is not budgeted to be used in either 2017 or 2018, or required to maintain the 2018 minimum required reserve of \$254,700. The City Manager intends to set these monies aside in reserve for future improvements to a maintenance facility.
- *Vehicle Operations & Maintenance Fund:* The fund balance in the Vehicle Operations & Maintenance Fund has grown beyond the level that is needed to fund a \$20,000 contingency. The 2018 proposed budget will include transfers of fund balance to the General, Street, Roads Capital and Surface Water funds. The City Manager intends to set the monies transferred to the General and Street funds aside in reserve for future improvements to a maintenance facility.

Fee Schedules

- *Fee Schedules:* Generally, fees included in the fee schedules 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 2018 proposed budget will be increased by 2.99%. The text in the fee schedules may have changed with deletions shown as ~~strike through~~ and additions shown as **bold**.
- *Park, Aquatic and Recreation Fees:* The Parks, Recreation and Cultural Services (PRCS) Department performed a comprehensive cost recovery evaluation in 2015 identifying cost recovery objectives for the various PRCS fees. Since that time

PRCS performs cost recovery evaluation on a subset of their fees annually to ensure that fees continue to meet identified objectives and stay competitive in the market. Fees not evaluated each year are adjusted by CPI-U as described above.

- *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 were calculated using a three-year average of the WSDOT CCI in 2017. WSDOT no longer maintains its CCI and has instead moved to a new CCI model that uses a different methodology. The new CCI has 2017 and beyond forecasts which would be more real time than that which has been used in the past. The three-year average (2014-2016) results in a year-over-year percentage change of -0.4%. Given the negative percentage change, the City Manager recommends there be no change to the fees for 2018.
- *Surface Water Management Rates:* The City Council provided direction to staff to pursue the Proactive Management Strategy for the Surface Water Utility Master Plan update. Staff continues to analyze the financial impacts of the Proactive Management Strategy and will present the resulting rates in the Surface Water Management Rate Table included in the 2018 Proposed Budget book.

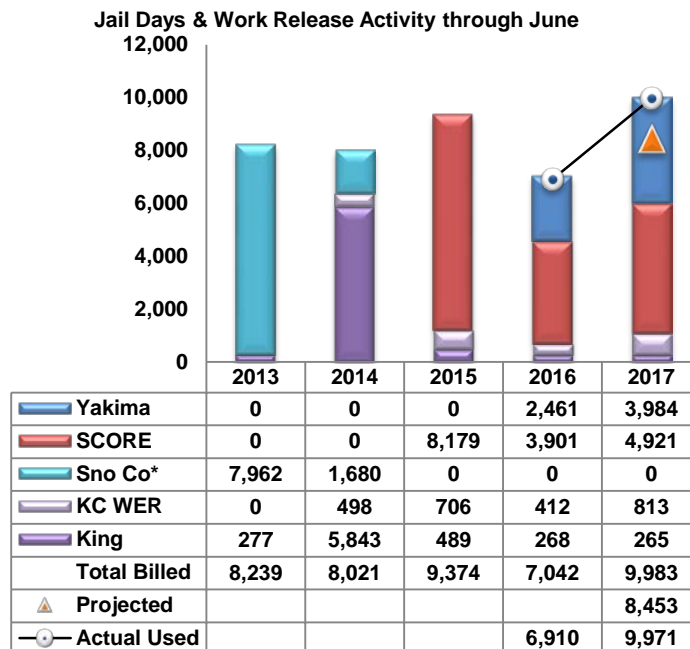
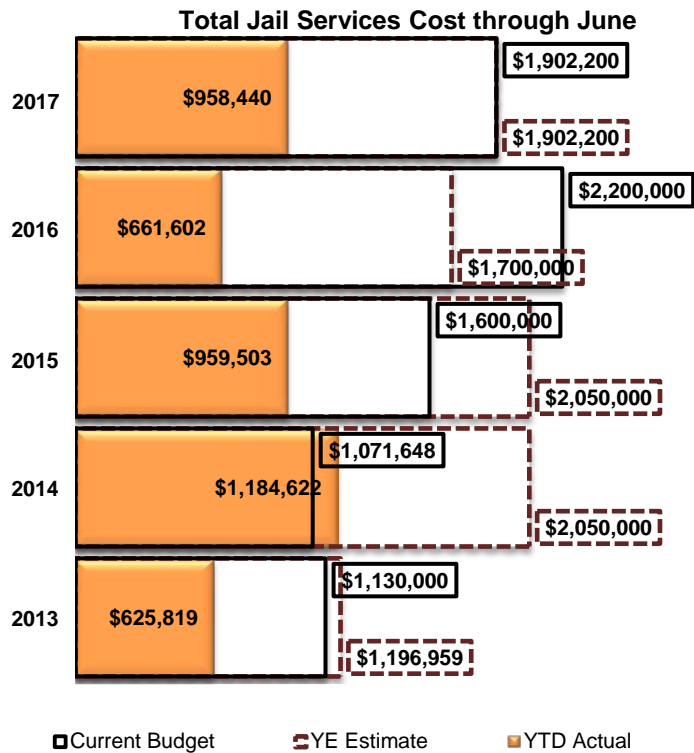
Major Contracted Programs

- *Jail Activity:* Projections for the 2018 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 2017, projected jail housing days and costs are estimated to be in line with the activity level originally budgeted at 19,000 housing days as 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%

For the first half of 2017, the City's jail services costs were more than those for 2016 by 44.9% but less than those for 2015 and 2014 by 0.1% and 19.1%, respectively. It seems, given increases in the total number of billed jail days as compared to 2014, 2015, and 2016 of 21.9%, 5.8% and 38.3%, respectively, that this year's trends seem to be more in line with the budget projection than year's past. The number of billed jail beds is 8.5% more than the year-to-date projection. With that, jail days cost is slightly under the year-to-date budget projection (-0.4%).



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. The daily cost for housing inmates at Yakima is roughly half that for SCORE. Transferring sentenced inmates to Yakima and using 3,984 beds through June, or an average of 22.0 beds per day, saved \$204,200 in housing costs.

While the use of jail services from SCORE will be maximized by housing 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 are currently underway for the contract that will affect 2018. As the level of COLA for 2018 is not known, staff projects that the 2018 police services contract will total \$11.856 million, which is 2.6% more than the 2017 police services contract. This contract represents 26.8% of the City's operating budget excluding transfers out. The first detailed estimate will be provided by KCSO in late September or early October. For future years (2019 onward), staff has assumed an annual escalator between 2.8% and 3.2%.

2018 – 2023 Capital Improvement Plan (CIP)

The 2018 proposed budget will include the proposed 2018-2023 CIP. Its development included staff's review of the current 2017-2022 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 a master plan is complete for Parks, Recreation and Open Space, nearly complete for Surface Water and underway for Transportation. These 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.

2018 – 2027 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, 2016 and 2017 proposed budgets, as well as amendments to those 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 2018 budget process. The 2018 preliminary budget projects a surplus of \$2.261 million.

Below is a comparison of the September 2017 forecast and the April 2017 forecast projected operating budget surplus/(gap) for each year of the 10-year period of 2018 through 2027:

Projected Surplus / (Gap)	2018 Proposed	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
April 2017	19,231	(374,613)	(400,589)	(354,256)	(492,126)
Sept. 2017	2,260,682	247,128	(196,519)	(327,467)	(140,030)
Change	2,241,451	621,741	204,070	26,789	352,096

Projected Surplus / (Gap)	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
April 2017	(1,140,831)	(714,320)	(727,481)	(840,018)	(847,281)
Sept. 2017	(504,555)	(765,959)	(661,053)	(797,602)	(797,717)
Change	636,276	(51,639)	66,428	42,416	49,564

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 April 2017 forecast presented 2019 and beyond ending the year with revenues at 101% and expenditures at 98% of projected estimates. While this aligns with the City's historical revenue collections and expenditures, the forecast presented in this report restates those years to present the forecast at 100% for revenues and expenditures. The September 2017 model update for 2018 is projecting a \$2.242 million increase in the amount of surplus, which is mostly attributable to the aforementioned one-time revenue from the Shoreline School District's projects and transfers from the Street Fund and Vehicle Operations and Maintenance Fund.

In the model presented with the 10 YFSP in June 2014, potential gaps were noted beginning in 2018. In the April 2017 model, potential gaps were noted beginning in 2019. The September 2017 update projects budget gaps pushed out to 2020 as a result of implementing several of the strategies adopted in the 10YFSP.

As was noted above, much of the surplus in 2018 results from the receipt of permit revenue for the Shoreline School District's projects. Several of the positions added to the City's personnel complement in late 2017 and in the 2018 budget will work directly on these projects. The City Manager plans to budget the use of fund balance (permit revenues) to cover the cost of these positions and expedited review contracts between 2018 and 2021 as reflected in the table below, and matching the associated revenue to the expense for accounting purposes. In this model, potential budget gaps do not appear until 2021.

Projected Surplus / (Gap)	2018 Proposed	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
April 2017	19,231	(374,613)	(400,589)	(354,256)	(492,126)
Sept. 2017	689,076	681,919	164,846	(149,712)	(514,305)
Change	669,845	1,056,532	565,435	204,544	(22,179)

Projected Surplus / (Gap)	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
April 2017	(1,140,831)	(714,320)	(727,481)	(840,018)	(847,281)
Sept. 2017	(504,555)	(765,959)	(661,053)	(797,602)	(797,717)
Change	636,276	(51,639)	66,428	42,416	49,564

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 was noted above, the preliminary 2018 property tax levy is anticipated to increase from the 2017 levy by \$0.460 million, or 3.7%, and from 2017 projected collections by \$0.489 million, or 4.0%, due to a recommended 2.99% inflationary increase in the levy plus new construction. The City's assessed valuation is currently estimated to increase by 9.8% in 2018 and by 7.4% in 2019, slowing to a growth rate of between 1.5% and 3.4% for 2020 to 2023.

The levy lid lift approved by Shoreline voters limits the growth in the annual property tax levy to the rate of inflation plus new construction. Once the levy lid lift expires in 2022, 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 3.7% in 2018 and 2.8% in 2019, with average increases of 1.8% for 2020-2027. Below is a comparison of the September 2017 forecast as compared to the forecast presented in the April 2017 amendments to the 2017 budget:

	2018	2019	2020	2021	2022
Projection	Proposed	Forecast	Forecast	Forecast	Forecast
April 2017	12,715,140	13,049,652	13,390,581	13,752,300	14,119,649
Sept. 2017	12,759,858	13,112,277	13,455,727	13,802,778	14,157,267
Change	44,718	62,625	65,146	50,478	37,618

	2023	2024	2025	2026	2027
Projection	Forecast	Forecast	Forecast	Forecast	Forecast
April 2017	14,318,038	14,518,732	14,722,371	14,925,667	15,127,421
Sept. 2017	14,352,374	14,549,638	14,749,555	14,949,148	15,147,281
Change	34,336	30,906	27,184	23,481	19,860

- **Sales Tax:** The projection for sales tax for 2018 has increased by 1.9% from the previous 2018 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 2017 forecast to the forecast presented in the April 2017 amendments to the 2017 budget:

	2018	2019	2020	2021	2022
Projection	Proposed	Forecast	Forecast	Forecast	Forecast
April 2017	8,270,305	8,551,685	8,823,239	9,094,184	9,361,104
Sept. 2017	8,428,191	8,853,591	9,176,229	9,499,130	9,821,654
Change	157,886	301,906	352,990	404,946	460,550

	2023	2024	2025	2026	2027
Projection	Forecast	Forecast	Forecast	Forecast	Forecast
April 2017	9,680,467	9,994,661	10,323,168	10,666,969	11,015,355
Sept. 2017	10,163,744	10,518,966	10,884,689	11,262,802	11,652,994
Change	483,277	524,305	561,521	595,833	637,639

- *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 2018 to 2027. Projected revenue over the ten year period is up compared to the forecast presented in the April 2017 amendments to the 2017 budget. This is mostly due to increasing projected revenue from building permit fees, land use fees, and plan check fees. Building permit fees have been increased from an annual base of \$557,000 in the April 2017 forecast to \$1.112 million in the September 2017 forecast. Plan check fees were increased from an annual base of \$524,500 in the April 2017 forecast to a new base of \$600,000 in the September 2017 forecast. Below is a comparison of the September 2017 forecast to the forecast presented in the April 2017 amendments to the 2017 Budget:

Projection	2018 Proposed	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
April 2017	1,257,105	1,224,155	1,166,314	1,115,747	1,074,281
Sept. 2017	2,716,028	1,532,304	1,454,127	1,421,530	1,425,337
Change	1,458,923	308,149	287,813	305,783	351,056

Projection	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
April 2017	1,051,485	1,029,476	1,011,079	999,136	976,980
Sept. 2017	1,414,152	1,379,160	1,344,192	1,297,169	1,250,432
Change	362,667	349,684	333,113	298,033	273,452

- *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 2.94% for 2019 through 2027. The salary forecast assumes 25% of employees will receive an annual step increase in 2019 through 2020 and 20% will receive an increase in 2021 through 2027.
- *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 2019 through 2027. The projected increase for 2018 is 4.8%.
- *Public Employee Retirement System (PERS) Contribution Rates*: PERS contribution rates have decreased from those included in the April 2017 forecast at 12.92% to 12.70%. The impact on PERS contributions is shown in the following table:

Projection	2018 Proposed	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
April 2017	1,398,520	1,443,570	1,488,779	1,531,784	1,575,466
Sept. 2017	1,460,511	1,512,591	1,556,562	1,600,986	1,598,317
Change	61,991	69,021	67,783	69,202	22,851

Projection	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
April 2017	1,620,233	1,666,341	1,713,887	1,763,045	1,813,931
Sept. 2017	1,548,218	1,655,731	1,704,371	1,754,662	1,806,542
Change	(72,015)	(10,610)	(9,516)	(8,383)	(7,389)

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

As noted above, while the 2017 amended budget anticipated the use of \$7.318 million of fund balance; current estimates anticipate the use of only \$2.260 million. The General Fund is projected to end 2017 with \$10.800 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 \$854,000, which will be well above the minimum required balance of \$249,000.

The preliminary operating budget proposes programming fund balance for the following items:

- Operational Contingency and Insurance Reserve, which are not typically used during the year,
- One-time supplemental requests described earlier in this report (funded by savings from 2017); and,
- One-time capital contributions as reflected in the proposed 2018-2023 CIP fund summaries.

The programmed use of fund balance is anticipated to be offset by the projected surplus of \$2.261 million, which is mostly attributable to the aforementioned one-time revenue from the Shoreline School District's projects and transfers from the Street Fund and Vehicle Operations and Maintenance Fund. Historically the City collects more revenues and expends less than the budgeted appropriations. The General Fund is projected to end 2018 with \$10.020 million of fund balance, which will be well above the minimum required balance of \$4.093 million. The Street Fund is projected to end 2018 with \$255,000, which is the minimum required balance.

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 2017 is projected to be \$5.151 million. The General Fund will not be required to transfer any funds to the Revenue Stabilization Fund until 2021 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 \$69,700 and \$147,500 per year between 2021 and 2027.

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 the City Council independent of the budget process and incorporated by budget amendments; however, the 10 YFSM revenue assumptions include revenue and associated costs from Sound Transit through 2022.

SUMMARY

It is projected that 2017 operating budget expenditures, excluding transfers between the General and Street funds, of \$45.905 million will be less than the current budgeted expenditures by \$3.485 million, with no anticipated need to use any funds from the operational contingency or insurance reserve. While the 2017 current budget anticipates the use of \$7.318 million of fund balance, current estimates anticipate the use of only \$2.260 million. The General Fund is projected to end 2017 with \$10.800 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 \$854,000, which will be well above the minimum required balance of \$249,000.

In addition to the one-time supplemental requests totaling \$1.324 million and capital contributions totaling \$633,000 discussed in this report, the 2018 preliminary budget also includes \$1.093 million from fund balance for the Operational Contingency and Insurance Reserve. Including these items would bring the total use of fund balance to \$3.050 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 2018-2023 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 transmit the 2018 Proposed Budget and 2018-2023 CIP to the City Council on October 9.

RECOMMENDATION

No action is required by the City Council. This item is for informational purposes and to provide the City Council with preliminary 2018 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: 2018-2023 Capital Improvement Plan Fund Summaries



2017 SECOND QUARTER FINANCIAL REPORT

PERFORMANCE AT A GLANCE

GENERAL FUND REVENUES	Compared to 2017 Budget	Compared to 2016 Actual	Reference
Property Tax Revenue	● WARNING ●	▲ POSITIVE ▲	Page 5
Sales Tax Revenue	▲ POSITIVE ▲	▲ POSITIVE ▲	Page 6, 7
Utility Tax Revenue	● WARNING ●	▲ POSITIVE ▲	Page 11
Development Revenue	▲ POSITIVE ▲	▲ POSITIVE ▲	Page 12
Parks and Recreation Revenue	▲ POSITIVE ▲	▲ POSITIVE ▲	Page 13
Investment Income	▲ POSITIVE ▲	▲ POSITIVE ▲	Page 14
NON-GENERAL FUND REVENUES			
Surface Water Fees	▼ NEGATIVE ▼	● WARNING ●	Page 16
Fuel Tax	▼ NEGATIVE ▼	● WARNING ●	Page 17
Real Estate Excise Tax	▲ POSITIVE ▲	▲ POSITIVE ▲	Page 19

This report reflects revenue collections and expenditures through June 30, 2017. The above table reflects differences when compared to the current budget.

- General Fund receipts are 12.5% more than the year-ago level and 5.0% more than the budget's year-to-date projection. Expenditures are 5.2% more than the year-ago level and 1.2% less than the budget's year-to-date projection. The table above shows a warning for property tax because the allowable levy is less than the projection used for the budget as the year-over-year assessed value growth was less than the 10% estimate provided by King County. Utility tax shows a warning due to a decline in year-over-year telecommunications tax receipts. See pages 3-14 for details.
- Surface Water Utility (SWM) Fund receipts are 1.9% less than the year-ago level and 5.6% less than budget's year-to-date projection. SWM fund expenditures are 4.5% more than the year-ago level and 17.0% less than budget. See page 16 for details.
- Street Fund receipts are 1.9% less than the year-ago level and expenditures are 10.6% more than the year-ago level. Fuel tax revenue receipts for the second quarter of 2017, in the amount of \$554,025, are \$9,431, or 1.7%, less than the year-ago level and 5.8% less than budget's year-to-date projection. See page 18 for details.
- Real estate excise tax receipts are exceeding 2017 budget by 68.5% and are 63.8% more than the year-ago level. See page 19 for details.

Key to revenue trend indicators:

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

CITY FINANCIAL OVERVIEW

Revenues

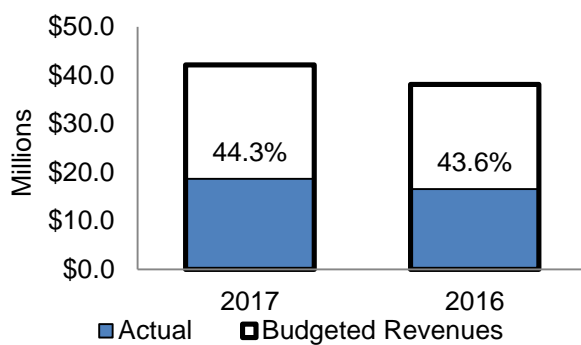
Fund	2017 Current Budgeted Revenues	2017 2nd Quarter Actual	2017 % of Current Budget	2016 Current Budgeted Revenues	2016 2nd Quarter Actual	2016 % of Current Budget	2017 v. 2016 \$ Variance	2017 v. 2016 % Variance
General Fund	\$42,133,257	\$18,676,844	44.3%	\$38,113,541	\$16,602,086	43.6%	2,074,758	12.5%
Street Fund	\$1,521,225	\$713,436	46.9%	\$1,442,468	\$727,542	50.4%	-14,106	-1.9%
Code Abatement Fund	\$80,550	\$207,648	257.8%	\$80,550	\$24,783	30.8%	182,865	737.9%
State Drug Enforcement Fund	\$18,243	\$1,643	9.0%	\$18,243	\$22,943	125.8%	-21,300	-92.8%
Public Arts Fund	\$8,000	\$1,094	13.7%	\$6,500	\$3,913	60.2%	-2,819	-72.0%
Federal Drug Enforcement Fund	\$13,200	\$1,162	8.8%	\$28,200	\$691	2.5%	471	68.2%
Property Tax Equalization Fund	\$0	\$1,148	0.0%	\$0	\$2,761	0.0%	-1,613	-58.4%
Federal Crime Forfeitures Fund	\$201,500	\$3,160	1.6%	\$978,500	\$5,992	0.6%	-2,832	-47.3%
Transportation Impact Fee	\$200,000	\$198,635	99.3%	\$200,000	\$189,283	94.6%	9,352	4.9%
Unltd Tax GO Bond Fund	\$1,700,000	\$894,465	52.6%	\$1,700,000	\$900,430	53.0%	-5,965	-0.7%
Limited Tax GO Bond 2009 Fund	\$1,662,817	\$1,150,072	69.2%	\$1,277,047	\$1,065,108	83.4%	84,964	8.0%
Limited Tax GO Bond 2013 Fund	\$260,948	\$60,188	23.1%	\$260,948	\$62,719	24.0%	-2,531	-4.0%
General Capital Fund	\$6,615,365	\$1,259,539	19.0%	\$8,167,893	\$826,107	10.1%	433,432	52.5%
City Facility-Major Maint. Fund	\$124,044	\$60,243	48.6%	\$782,784	\$505,562	64.6%	-445,319	-88.1%
Roads Capital Fund	\$15,290,734	\$2,172,438	14.2%	\$15,082,587	\$4,396,436	29.1%	-2,223,998	-50.6%
Surface Water Utility Fund	\$4,697,023	\$2,085,418	44.4%	\$6,724,986	\$2,125,715	31.6%	-40,297	-1.9%
Vehicle Operations/ Maint. Fund	\$438,123	\$442,383	101.0%	\$256,216	\$256,617	100.2%	185,766	72.4%
Equipment Replacement Fund	\$443,487	\$395,204	89.1%	\$518,767	\$507,588	97.8%	-112,384	-22.1%
Unemployment Fund	\$0	\$272	0.0%	\$0	\$172	0.0%	100	58.1%
Total Budgeted Revenue	\$75,408,516	\$28,324,992	37.6%	\$75,639,230	\$28,226,448	37.3%	98,544	0.3%
Budget Use of Fund Balance	\$16,017,863	\$0	0.0%	\$12,948,830	\$0	0.0%	0	0.0%
Total Budgeted Resources	\$91,426,379	\$28,324,992	31.0%	\$88,588,060	\$28,226,448	31.9%	98,544	0.3%

Expenditures

Fund	2017 Current Budget	2017 2nd Quarter Actual	2017 % of Current Budget	2016 Current Budget	2016 2nd Quarter Actual	2016 % of Current Budget	2017 v. 2016 \$ Variance	2017 v. 2016 % Variance
General Fund	\$48,016,220	\$16,898,956	35.2%	\$44,441,147	\$16,059,798	36.1%	\$839,158	5.2%
Street Fund	\$1,721,485	\$843,747	49.0%	\$1,713,773	\$762,708	44.5%	\$81,039	10.6%
Code Abatement Fund	\$100,000	\$0	0.0%	\$100,000	\$24,430	24.4%	-\$24,430	-100.0%
State Drug Enforcement Fund	\$214,043	\$225	0.1%	\$168,243	\$9,254	5.5%	-\$9,029	-97.6%
Public Arts Fund	\$96,203	\$25,991	27.0%	\$84,216	\$10,757	12.8%	\$15,234	141.6%
Federal Drug Enforcement Fund	\$300,397	\$0	0.0%	\$263,000	\$1,288	0.5%	-\$1,288	-100.0%
Property Tax Equalization Fund	\$500,799	\$500,799	100.0%	\$691,313	\$0	0.0%	\$500,799	0.0%
Federal Crime Forfeitures Fund	\$803,220	\$123,984	15.4%	\$2,802,444	\$159,531	5.7%	-\$35,547	-22.3%
Transportation Impact Fee	\$221,400	\$0	0.0%	\$359,775	\$179,888	50.0%	-\$179,888	-100.0%
Unltd Tax GO Bond Fund	\$1,710,375	\$50,843	3.0%	\$1,710,375	\$181,188	10.6%	-\$130,345	-71.9%
Limited Tax GO Bond 2009 Fund	\$1,662,817	\$563,009	33.9%	\$1,663,417	\$573,309	34.5%	-\$10,300	-1.8%
Limited Tax GO Bond 2013 Fund	\$260,948	\$60,188	23.1%	\$260,948	\$62,719	24.0%	-\$2,531	-4.0%
General Capital Fund	\$9,147,892	\$1,159,669	12.7%	\$9,141,524	\$1,059,298	11.6%	\$100,371	9.5%
City Facility-Major Maint. Fund	\$96,000	\$39,347	41.0%	\$886,754	\$510,405	57.6%	-\$471,058	-92.3%
Roads Capital Fund	\$17,897,364	\$1,875,407	10.5%	\$16,474,476	\$1,937,788	11.8%	-\$62,381	-3.2%
Surface Water Utility Fund	\$6,241,652	\$2,058,607	33.0%	\$7,356,193	\$1,969,530	26.8%	\$89,077	4.5%
Vehicle Operations/ Maint. Fund	\$453,123	\$196,595	43.4%	\$271,216	\$55,019	20.3%	\$141,576	257.3%
Equipment Replacement Fund	\$701,787	\$345,755	49.3%	\$483,768	\$136,592	28.2%	\$209,163	153.1%
Unemployment Fund	\$17,500	\$2,358	13.5%	\$17,500	\$710	4.1%	\$1,648	232.1%
Total Budgeted Expenditures	\$90,163,225	\$24,745,479	27.4%	\$88,890,082	\$23,694,212	26.7%	\$1,051,267	4.4%

GENERAL FUND REVENUE ANALYSIS:

TOTAL GENERAL FUND REVENUE SUMMARY



2017 Current Budget		\$49,251,330
2017 Budgeted Revenue		\$42,133,257
2017 Second Quarter Actual Revenue		\$18,676,844
2017 % of Budgeted Revenue Received		44.3%
2016 Budgeted Revenue		\$38,113,541
2016 Second Quarter Actual Revenue		\$16,602,086
2016 % of Budgeted Revenue Received		43.6%
2017 v. 2016 \$ Change		\$2,074,758
2017 v. 2016 % Change	↑	12.5%

The difference between 2017 Current Budget and 2017 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 in 2017 reflects a year-over-year increase of 12.5%. The following pages present a detailed analysis of various General Fund revenue sources. The following are highlights comparing 2017 to 2016 for the General Fund:

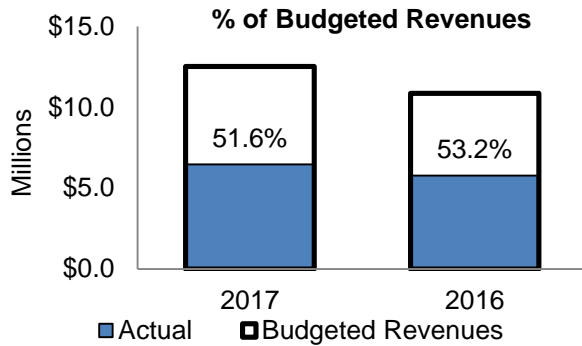
- Property tax receipts are 12.0% more than those for 2016, which is largely attributable to the successful passage of the Levy Lid Lift in November 2016.
- The sales tax rate for the second quarter of 2017 is 10.0%, with the City's portion accounting for 0.85% of the rate. The Regional Transit Authority Tax increased the sales tax rate by 0.5% to 10.0% on April 1, 2017. The City's portion remains at 0.85%. Sales tax receipts, which reflect activity from December 2016 through April 2017, are more than the budget's year-to-date projection by 5.9% and 2016 collections by 5.1%. Much of the year-over-year increase is from Construction Sector receipts, which are 20.6% more than the year-ago level.
- The year-over-year change for Intergovernmental Revenue receipts is largely due to reimbursement from Sound Transit per the Expedited Permitting and Reimbursement Agreement. The first bill to Sound Transit was paid in the fourth quarter of 2016 and the balance of the reimbursement is anticipated to be received in 2017 and 2018 as work on the project continues.
- Utility Tax and Franchise Fee receipts are more than the year-ago level by 4.3% but less than the year-to-date budget projection by 2.2%. Collections from the Telecommunications sector are 9.5% less than the year-ago level.
- Parks and Recreation receipts are 21.0% more than the year-ago level. The year-over-year increase was anticipated and is attributable to the closure of the Shoreline Pool as major maintenance and improvements to extend its life were being performed in 2016.

GENERAL FUND REVENUE DETAIL

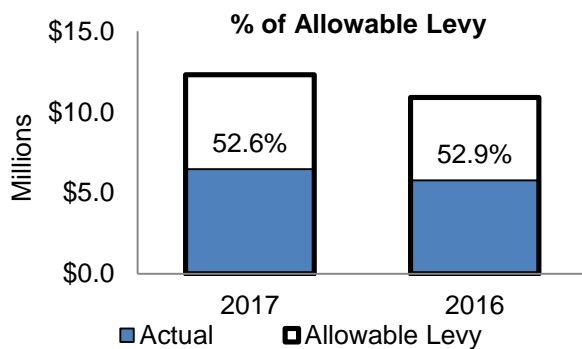
General Fund Resource	2017 Current Budget	2017 Second Quarter Actual Revenue	2017 % of Current Budget Received	2016 Current Budget	2016 Second Quarter Actual Revenue	2016 % of Current Budget Received	2017 v. 2016 \$ Change	2017 v. 2016 % Change
Budgeted Fund Balance	\$7,118,073	\$0	0.0%	\$6,327,606	\$0	0.0%	\$0	0.0%
Property Tax	\$12,531,317	\$6,468,840	51.6%	\$10,860,481	\$5,775,816	53.2%	\$693,024	12.0%
Sales Tax	\$7,969,800	\$3,415,859	42.9%	\$7,747,700	\$3,250,781	42.0%	\$165,078	5.1%
Local Criminal Justice	\$1,476,779	\$731,169	49.5%	\$1,403,619	\$718,230	51.2%	\$12,939	1.8%
Utility Tax & Franchise Fee Revenue								
<i>Natural Gas</i>	\$906,500	\$523,192	57.7%	\$906,500	\$399,692	44.1%	\$123,500	30.9%
<i>Garbage</i>	\$559,360	\$135,992	24.3%	\$548,880	\$138,577	25.2%	-\$2,585	-1.9%
<i>Cable TV</i>	\$1,960,150	\$628,369	32.1%	\$1,903,020	\$628,366	33.0%	\$3	0.0%
<i>Telecommunications</i>	\$1,421,640	\$379,442	26.7%	\$1,421,640	\$419,226	29.5%	-\$39,784	-9.5%
<i>Storm Drainage</i>	\$272,449	\$129,172	47.4%	\$240,275	\$131,949	54.9%	-\$2,777	-2.1%
<i>Water</i>	\$800,510	\$226,647	28.3%	\$780,700	\$216,145	27.7%	\$10,502	4.9%
<i>Sewer</i>	\$884,800	\$441,500	49.9%	\$859,022	\$428,500	49.9%	\$13,000	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	\$6,805,409	\$2,464,314	36.2%	\$6,660,037	\$2,362,455	35.5%	\$101,859	4.3%
SCL Contract Payment	\$1,921,700	\$884,059	46.0%	\$1,838,980	\$766,963	41.7%	\$117,096	15.3%
Gambling Tax Revenue	\$1,587,425	\$379,663	23.9%	\$1,587,425	\$382,866	24.1%	-\$3,203	-0.8%
Development Revenue	\$1,673,778	\$1,329,493	79.4%	\$1,456,000	\$1,183,378	81.3%	\$146,115	12.3%
Park and Recreation Revenue	\$1,752,317	\$787,834	45.0%	\$1,494,998	\$651,225	43.6%	\$136,609	21.0%
Intergovernmental Revenue	\$2,496,401	\$601,053	24.1%	\$1,013,800	\$480,827	47.4%	\$120,226	25.0%
Grant Revenue	\$708,705	\$74,944	10.6%	\$844,749	\$48,860	5.8%	\$26,084	53.4%
Fines and Licenses	\$650,225	\$118,627	18.2%	\$642,072	\$113,184	17.6%	\$5,443	4.8%
Miscellaneous Revenue	\$813,493	\$328,953	40.4%	\$781,006	\$307,387	39.4%	\$21,566	7.0%
Interest Income	\$70,600	\$76,094	107.8%	\$70,600	\$49,734	70.4%	\$26,360	53.0%
Operating Transfers In	\$1,675,308	\$1,015,943	60.6%	\$1,712,074	\$510,380	29.8%	\$505,563	99.1%
Total General Fund Revenue	\$49,251,330	\$18,676,844	37.9%	\$44,441,147	\$16,602,086	37.4%	\$2,074,758	12.5%
Total General Fund Revenue excl. Budgeted Fund Balance	\$42,133,257	\$18,676,844	44.3%	\$38,113,541	\$16,602,086	43.6%	\$2,074,758	12.5%

GENERAL FUND REVENUE ANALYSIS:

PROPERTY TAX



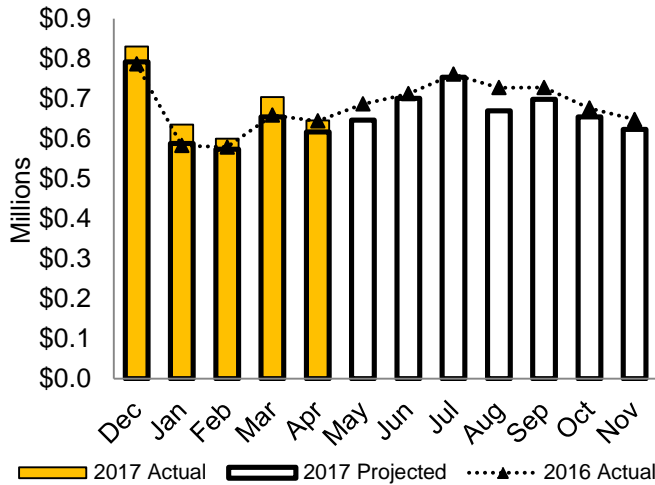
2017 Current Budget		\$12,531,317
2017 Second Quarter Actual Revenue		\$6,468,840
2017 % of Current Budget Received		51.6%
2016 Current Budget		\$10,860,481
2016 Second Quarter Actual Revenue		\$5,775,816
2016 % of Current Budget Received		53.2%
2017 v. 2016 \$ Change		\$693,024
2017 v. 2016 % Change	↑	12.0%



The year-over-year increase of 12.0% is largely attributable to the successful passage of the Levy Lid Lift in November 2016. Receipts for 2017 and 2016 as a percentage of the budgeted projection are 51.6% and 53.2%, respectively. In terms of the allowable levy, which in many cases is different than the budgeted projection, receipts for 2017 and 2016 are at 52.6% and 52.9%, respectively, indicating that collections are on track with historical trends.

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



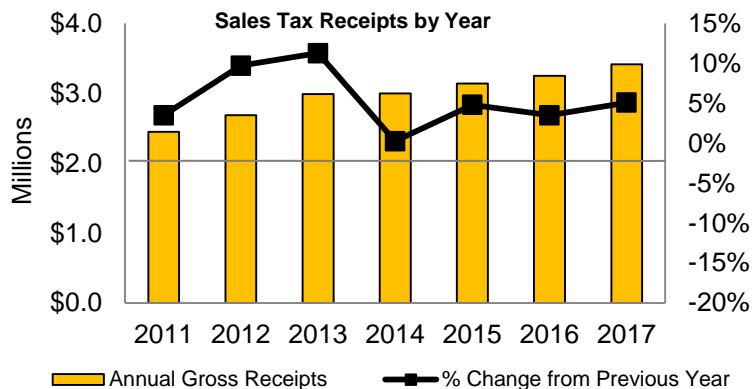
2017 Current Budget **\$7,969,800**

Sales tax revenue: December - April

Sales Activity	2016	2017
December (Prior Year)	\$786,417	\$830,653
January	\$582,409	\$635,543
February	\$578,999	\$600,093
March	\$658,721	\$703,715
April	\$644,235	\$645,855
Year to date	\$3,250,781	\$3,415,859
\$ Change		\$165,078
% Change		5.1%

The tax rate for the first quarter of 2017 was 9.5%, with the City's portion accounting for 0.85% of the rate. The Regional Transit Authority Tax increased the sales tax rate by 0.5% to 10.0% on April 1, 2017 to expand and improve transit facilities in King, Pierce, and Snohomish Counties. The City's portion remained at 0.85%.

Sales Tax receipts, which reflect activity from December 2016 through April 2017, are more than the budget's year-to-date projection by \$191,665, or 5.9%, and 2016 collections by \$165,078, or 5.1%. The following chart and table reflects a comparison of sales tax receipts by year:



Year	Second Quarter Revenue	% Change from Previous Year
2011	\$2,449,079	3.5%
2012	\$2,686,899	9.7%
2013	\$2,989,414	11.3%
2014	\$2,996,802	0.2%
2015	\$3,140,737	4.8%
2016	\$3,250,781	3.5%
2017	\$3,415,859	5.1%

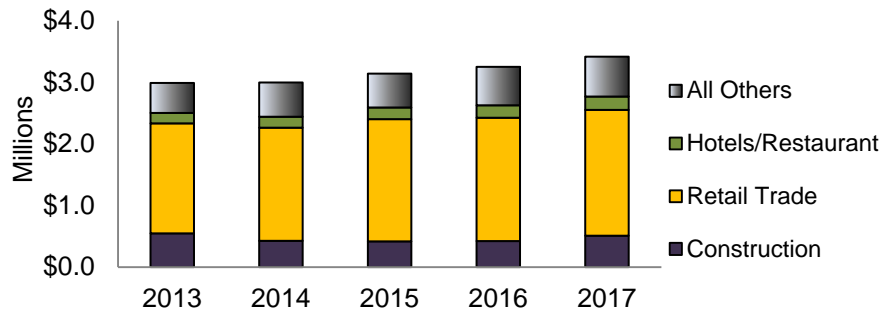
The tables on the following page help illustrate the performance of various sectors. The first table presents a condensed view of the four primary categories of Construction; Retail Trade; Hotels and Restaurants; and All Others. The second table presents a breakdown of the Retail Trade category and highlights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

Receipts from the Construction sector are more than the year-ago level by 20.6%. In 2016 and 2017 there were no collections related to one-time activity. Historically, annual 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.

Receipts in the Retail Trade sector Food & Beverage Stores Retail category are \$28,251 less than the year-ago level. Receipts in 2016 were \$35,813 more than those for the same period of 2015 resulting from prior period corrections for a local business that were remitted with the receipts for December 2015. Taking this into account, receipts for 2017 are \$5,262, or 4.7%, more than those for 2016, which is in line with historical level of activity.

GENERAL FUND REVENUE ANALYSIS (continued):

Annual Sales Tax Revenue Comparison by Sector



SALES TAX BY PRIMARY CATEGORY: December-April

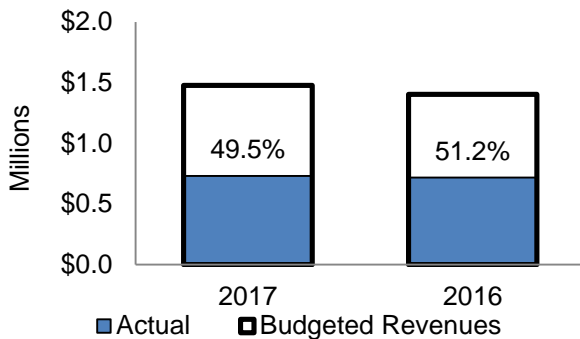
Sector	2013	2014	2015	2016	2017
Construction	\$547,618	\$426,346	\$417,634	\$422,412	\$509,563
\$ Change		-\$121,271	-\$8,712	\$4,778	\$87,151
% Change		-22.1%	-2.0%	1.1%	20.6%
Retail Trade	\$1,785,747	\$1,836,766	\$1,984,114	\$2,002,154	\$2,042,360
\$ Change		\$51,019	\$147,348	\$18,039	\$40,206
% Change		2.9%	8.0%	0.9%	2.0%
Hotels/Restaurant	\$169,076	\$177,728	\$189,333	\$202,095	\$216,791
\$ Change		\$8,652	\$11,604	\$12,762	\$14,696
% Change		5.1%	6.5%	6.7%	7.3%
All Others	\$486,973	\$555,962	\$549,656	\$624,120	\$647,145
\$ Change		\$68,989	-\$6,305	\$74,464	\$23,025
% Change		14.2%	-1.1%	13.5%	3.7%
Total Revenue	\$2,989,414	\$2,996,802	\$3,140,737	\$3,250,781	\$3,415,859
\$ Change		\$302,515	\$7,387	\$143,935	\$110,044
% Change		11.3%	0.2%	4.8%	3.5%

SALES TAX BY RETAIL TRADE CATEGORY: December-April

Retail Trade	2014 Dec- Apr	2015 Dec- Apr	2015v.2014 \$ Change	2016 Dec- Apr	2016v.2015 \$ Change	2017 Dec- Apr	2017v.2016 \$ Change
Motor Veh. & Parts Dealer	\$500,090	\$544,247	\$44,157	\$571,770	\$27,523	\$595,026	\$23,256
Furn. & Home Furnishings	\$26,705	\$22,164	-\$4,541	\$25,683	\$3,520	\$29,673	\$3,990
Electronics and Appliances	\$37,247	\$44,337	\$7,090	\$49,951	\$5,614	\$41,743	-\$8,208
Building Material & Garden	\$247,899	\$318,992	\$71,093	\$296,002	-\$22,989	\$311,940	\$15,938
Food & Beverage Stores	\$104,808	\$110,241	\$5,432	\$146,054	\$35,813	\$117,802	-\$28,251
Health & Personal Care	\$70,264	\$83,629	\$13,365	\$95,253	\$11,623	\$100,746	\$5,493
Gasoline Stations	\$29,486	\$30,729	\$1,242	\$28,190	-\$2,539	\$29,555	\$1,365
Clothing & Accessories	\$20,810	\$24,800	\$3,990	\$30,785	\$5,985	\$35,963	\$5,178
Sporting Goods, Hobby	\$36,146	\$37,418	\$1,271	\$32,572	-\$4,845	\$35,725	\$3,153
General Merch. Stores	\$574,845	\$587,343	\$12,497	\$525,543	-\$61,799	\$519,709	-\$5,834
Misc. Store Retailers	\$112,102	\$98,635	-\$13,468	\$101,422	\$2,787	\$117,213	\$15,791
Nonstore Retailers	\$76,362	\$81,582	\$5,220	\$98,929	\$17,347	\$107,266	\$8,336
Total Revenue	\$1,836,766	\$1,984,114	\$147,348	\$2,002,154	\$18,039	\$2,042,360	\$40,206

GENERAL FUND REVENUE ANALYSIS (continued):

LOCAL CRIMINAL JUSTICE SALES TAX

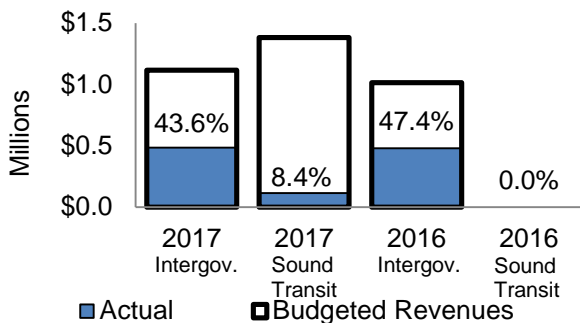


2017 Current Budget		\$1,476,779
2017 Second Quarter Actual Revenue		\$731,169
2017 % of Current Budget Received		49.5%
2016 Current Budget		\$1,403,619
2016 Second Quarter Actual Revenue		\$718,230
2016 % of Current Budget Received		51.2%
2017 v. 2016 \$ Change		\$12,939
2017 v. 2016 % Change	➔	1.8%

Local Criminal Justice Sales Tax receipts are 1.8% more than the year-ago level. Thus far this year 49.5% of the amount budgeted has been received as compared to 51.2% received during the same period last year. Receipts are \$5,926, or 0.8%, more than the year-to-date budget 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. The Puget Sound Economic Forecaster estimated that retail sales throughout King County would increase year-over-year by 6.9%. Sales tax collected throughout King County was actually 3.2% higher than the year-ago level.

INTERGOVERNMENTAL REVENUE

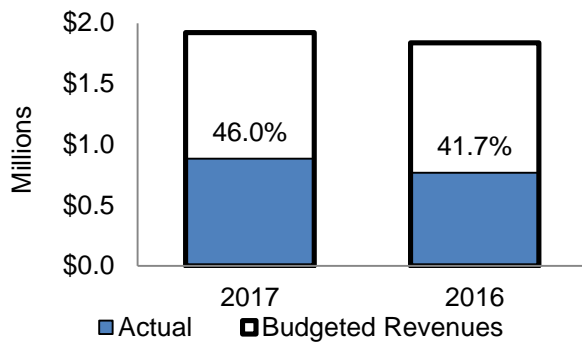


2017 Current Budget		\$2,496,401
2017 Second Quarter Actual Revenue		\$601,053
2017 % of Current Budget Received		24.1%
2016 Current Budget		\$1,013,800
2016 Second Quarter Actual Revenue		\$480,827
2016 % of Current Budget Received		47.4%
2017 v. 2016 \$ Change		\$120,226
2017 v. 2016 % Change	↑	25.0%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, liquor board profits, and reimbursement from Sound Transit per the Expedited Permitting and Reimbursement Agreement. The first bill to Sound Transit was paid in the fourth quarter of 2016 and the balance of the reimbursement is anticipated to be received in 2017 and 2018 as work on the project continues. Total receipts are 25.0% more than the year-ago level. Receipts from sources other than Sound Transit reimbursements total \$4,817 and are 1.0% more than the year-ago level.

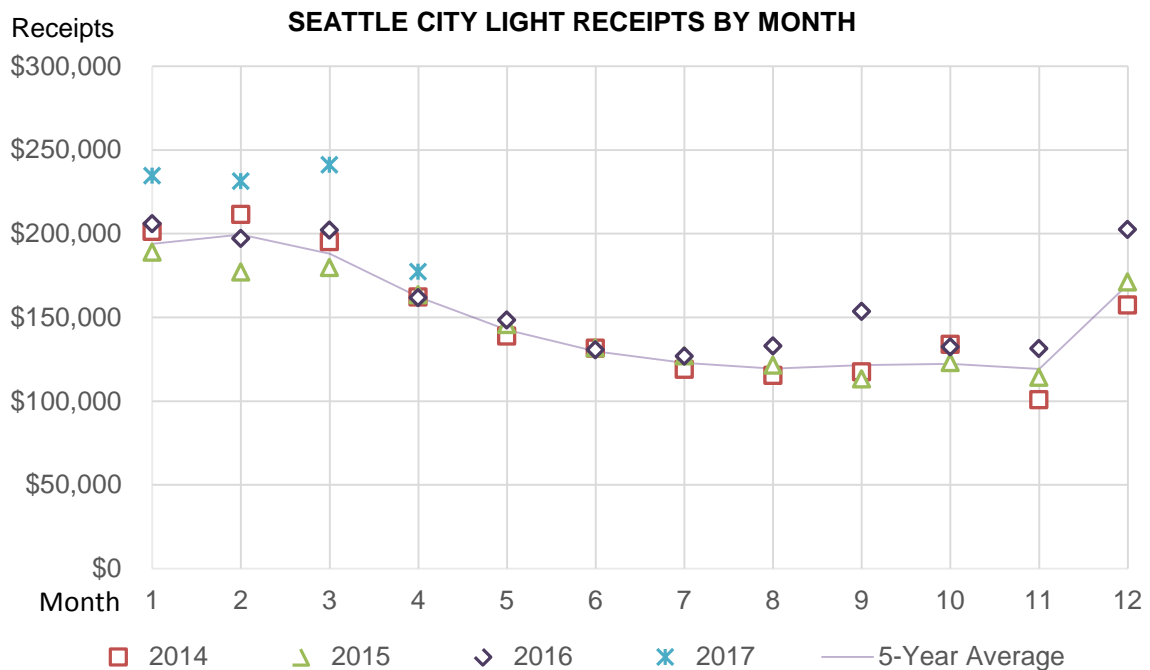
GENERAL FUND REVENUE ANALYSIS (continued):

SEATTLE CITY LIGHT CONTRACT PAYMENT



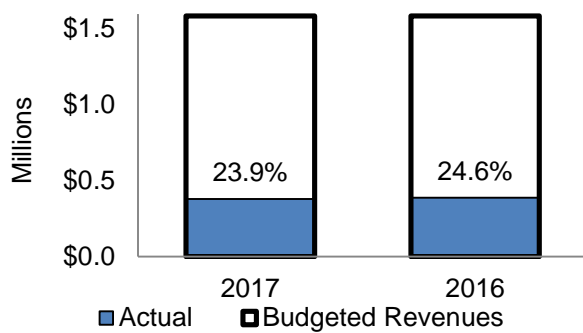
2017 Current Budget		\$1,921,700
2017 Second Quarter Actual Revenue		\$884,059
2017 % of Current Budget Received		46.0%
2016 Current Budget		\$1,838,980
2016 Second Quarter Actual Revenue		\$766,963
2016 % of Current Budget Received		41.7%
2017 v. 2016 \$ Change		\$117,096
2017 v. 2016 % Change	↑	15.3%

The City's agreement with Seattle City Light imposes a six percent contract fee on total electrical revenues. Activity presented in this report includes receipts for the month of April. Receipts are 15.3% more than the year-ago level and 12.9% more than the year-to-date projection. The chart below shows receipts for January through April 2017 and all of the last three years.



GENERAL FUND REVENUE ANALYSIS (continued):

GAMBLING TAX REVENUE



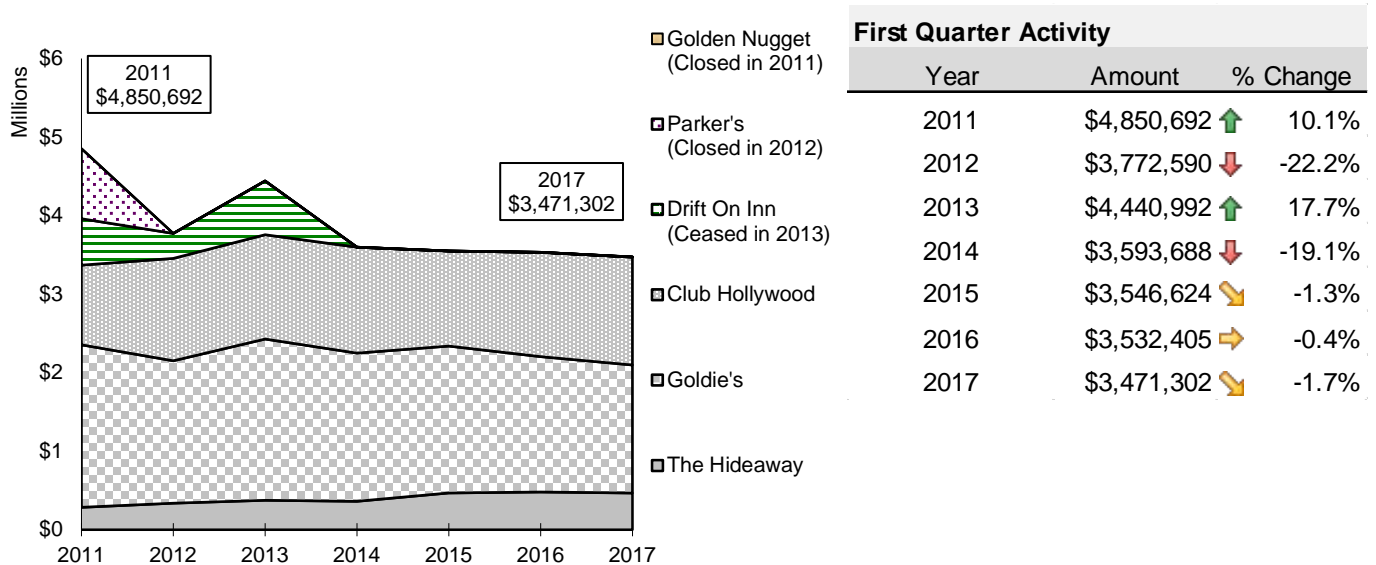
2017 Current Budget		\$1,587,425
2017 Second Quarter Actual Revenue		\$379,663
2017 % of Current Budget Received		23.9%
2016 Current Budget		\$1,587,425
2016 Second Quarter Actual Revenue		\$389,927
2016 % of Current Budget Received		24.6%
2017 v. 2016 \$ Change		-\$10,264
2017 v. 2016 % Change		-2.6%

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 and pull-tabs pay 5% of all gross receipts.

Total gambling receipts, including late payment penalties, in the amount of \$379,663, are 2.6% lower than 2016 collections of \$389,927. It was reported in the 2016 Year End Financial Report that Jersey's Great Food & Spirits had not paid third and fourth quarter taxes. Full payment for those taxes has since been received as of May 1; however, first quarter 2017 taxes have not yet been paid. A letter was sent in May requesting payment.

Receipts attributable to taxes on gambling activity reported, in the amount of \$375,522, are less than the year-ago level (\$381,547) by 1.6%.

Receipts from pull-tab activity increased 1.0% year-over-year while card room activity declined 1.7%. The chart below exhibits the last seven years of gross receipts reported by card rooms in Shoreline.

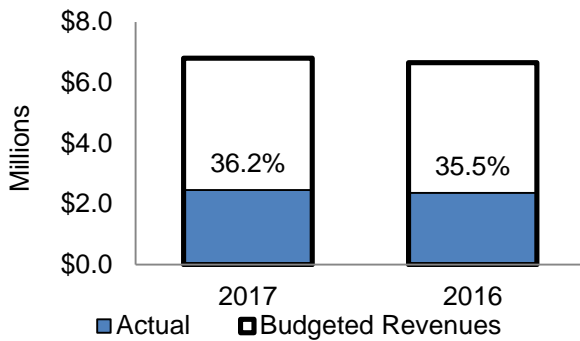


First Quarter Activity			
Year	Amount		% Change
2011	\$4,850,692	↑	10.1%
2012	\$3,772,590	↓	-22.2%
2013	\$4,440,992	↑	17.7%
2014	\$3,593,688	↓	-19.1%
2015	\$3,546,624	↘	-1.3%
2016	\$3,532,405	↔	-0.4%
2017	\$3,471,302	↘	-1.7%

Source: Washington State Gambling Commission

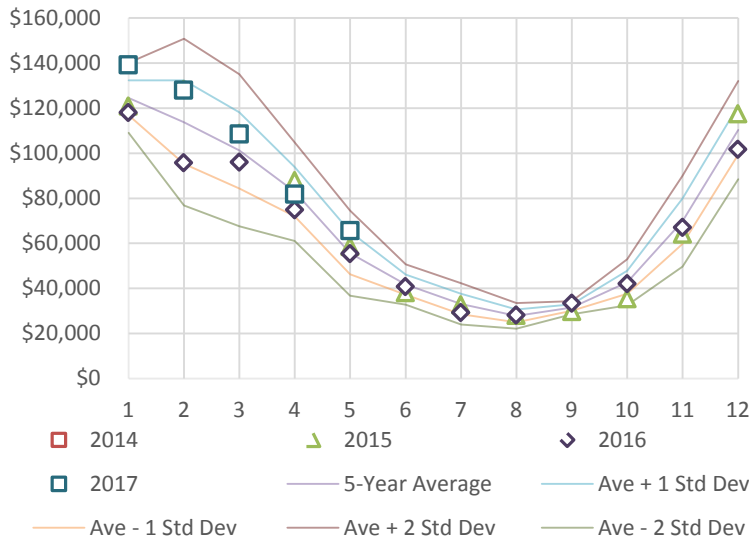
GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



2017 Current Budget		\$6,805,409
2017 Second Quarter Actual Revenue		\$2,464,314
2017 % of Current Budget Received		36.2%
2016 Current Budget		\$6,660,037
2016 Second Quarter Actual Revenue		\$2,362,455
2016 % of Current Budget Received		35.5%
2017 v. 2016 \$ Change		\$101,859
2017 v. 2016 % Change	↑	4.3%

NATURAL GAS RECEIPTS BY MONTH



Overall Utility Tax and Franchise Fee receipts are more than the year-ago level by 4.3% but less than the year-to-date budget projection by 2.2%.

Natural gas tax receipts are 30.9% more than the year-ago level and reflect billings for the months of January through May.

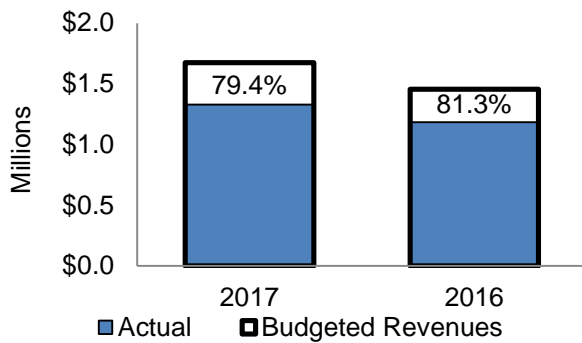
Telecommunications tax receipts are less than the year-ago level and budget projection by 9.5% and 10.7%, respectively.

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.

Revenue Source	2017 Current Budget	2017 Second Quarter Actual Revenue	2017 % of Current Budget Received	2016 Current Budget	2016 Second Quarter Actual Revenue	2016 % of Current Budget Received	2017 v. 2016 \$ Change	2017 v. 2016 % Change
Natural Gas	\$906,500	\$523,192	57.7%	\$906,500	\$399,692	44.1%	\$123,500 ↑	30.9%
Garbage	\$559,360	\$135,992	24.3%	\$548,880	\$138,577	25.2%	-\$2,585 ↓	-1.9%
Cable TV	\$1,960,150	\$628,369	32.1%	\$1,903,020	\$628,366	33.0%	\$3 →	0.0%
Telecommunications	\$1,421,640	\$379,442	26.7%	\$1,421,640	\$419,226	29.5%	-\$39,784 ↓	-9.5%
Storm Drainage	\$272,449	\$129,172	47.4%	\$240,275	\$131,949	54.9%	-\$2,777 ↓	-2.1%
Water	\$800,510	\$226,647	28.3%	\$780,700	\$216,145	27.7%	\$10,502 ↑	4.9%
Sewer	\$884,800	\$441,500	49.9%	\$859,022	\$428,500	49.9%	\$13,000 ↑	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	\$6,805,409	\$2,464,314	36.2%	\$6,660,037	\$2,362,455	35.5%	\$101,859 ↑	4.3%

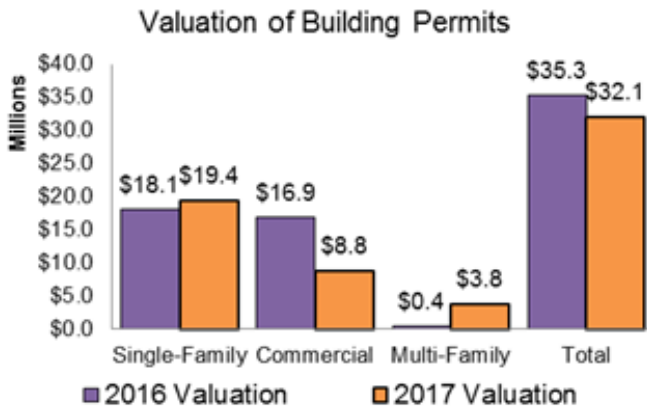
GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE



2017 Current Budget		\$1,673,778
2017 Second Quarter Actual Revenue		\$1,329,493
2017 % of Current Budget Received		79.4%
2016 Current Budget		\$1,456,000
2016 Second Quarter Actual Revenue		\$1,183,378
2016 % of Current Budget Received		81.3%
2017 v. 2016 \$ Change		\$146,115
2017 v. 2016 % Change	↑	12.3%

Development revenue receipts exhibit a year-over-year increase of \$146,115, or 12.3%, and are more than Planning & Community Development's projection by 96.3%.



Local development activity in 2017, in terms of the number of building permits pulled for new construction and remodels is equal to the level in 2016, with an increase in single family construction and a decrease in commercial resulting in an overall decrease in valuation from 2016.

In 2017, there have been 15 more permits issued for new single-family residences, with a value that is \$1.4 million more, as compared to the year-ago level. There have been 15 fewer permits issued for commercial / multi-family construction (new and remodels), with a value that is \$4.6 million less, than the year-ago level.

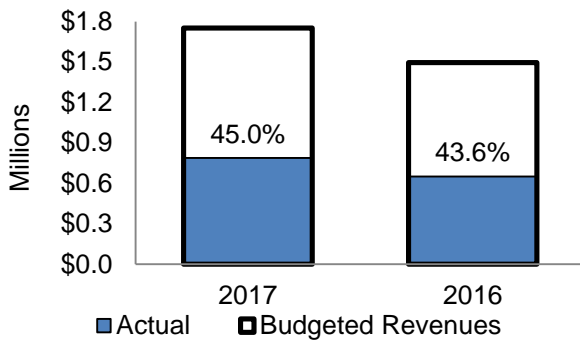
Valuation of 193 building permits for new construction and remodels totals \$32.1 million and is comprised of 60.6% residential and 39.4% commercial / multi-family valuation. In 2016, valuation of 193 permits totaled \$35.3 million and was comprised of 51.1% residential and 48.9% commercial / multi-family construction.

PERMITS BY TYPE

PERMIT TYPE	2014	2015	2016	2017	# Chg	% Chg	2008-2017
Building Permits / Plan Check	252	256	369	313	(56)	-15.2%	
Mechanical	252	245	315	316	1	0.3%	
Fire Systems	76	46	54	57	3	5.6%	
Land Use / SEPA Review	38	28	33	57	24	72.7%	
Plumbing	109	87	110	62	(48)	-43.6%	
Electrical	583	603	609	584	(25)	-4.1%	
Total	1,310	1,265	1,490	1,389	(101)	-6.8%	

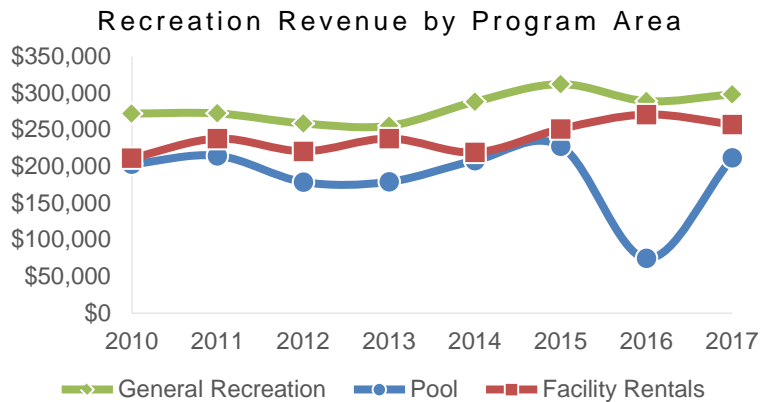
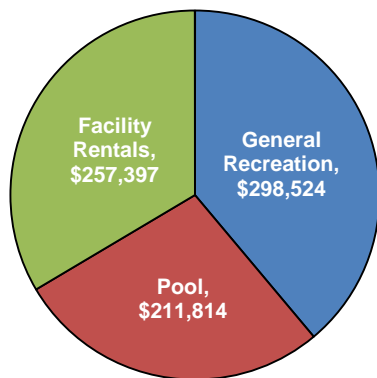
GENERAL FUND REVENUE ANALYSIS:

PARKS AND RECREATION REVENUE



2017 Current Budget		\$1,752,317
2017 Second Quarter Actual Revenue		\$787,834
2017 % of Current Budget Received		45.0%
2016 Current Budget		\$1,494,998
2016 Second Quarter Actual Revenue		\$651,225
2016 % of Current Budget Received		43.6%
2017 v. 2016 \$ Change		\$136,609
2017 v. 2016 % Change	↑	21.0%

Parks and Recreation revenue receipts are 21.0% more than the year-ago level. The year-over-year increase was anticipated and is attributable to the closure of the Shoreline Pool as major maintenance and improvements to extend its life were being performed in 2016.



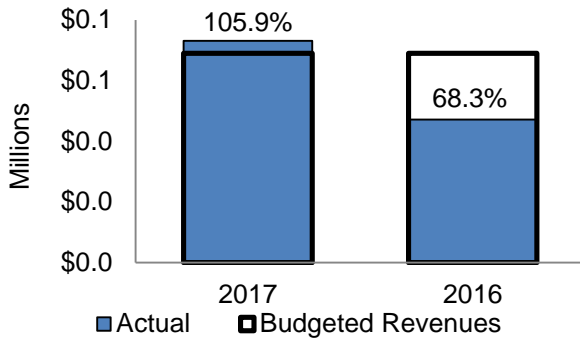
Recreation Revenue by Program Area*: January - June

Year	Gen Rec		Pool % of Total	Fac Rent		Total Revenue
	General Recreation*	% of Total		Facility Rentals	% of Total	
2010	\$272,218	39.6%	29.6%	\$211,343	30.8%	\$686,635
2011	\$272,341	37.6%	29.6%	\$238,018	32.8%	\$724,963
2012	\$258,745	39.3%	27.2%	\$220,772	33.5%	\$658,299
2013	\$255,506	38.0%	26.6%	\$238,188	35.4%	\$672,767
2014	\$288,416	40.3%	29.1%	\$219,223	30.6%	\$715,714
2015	\$312,340	39.5%	28.8%	\$251,266	31.8%	\$791,284
2016	\$289,211	45.6%	11.7%	\$270,910	42.7%	\$634,647
2017	\$298,524	38.9%	27.6%	\$257,397	33.5%	\$767,735

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

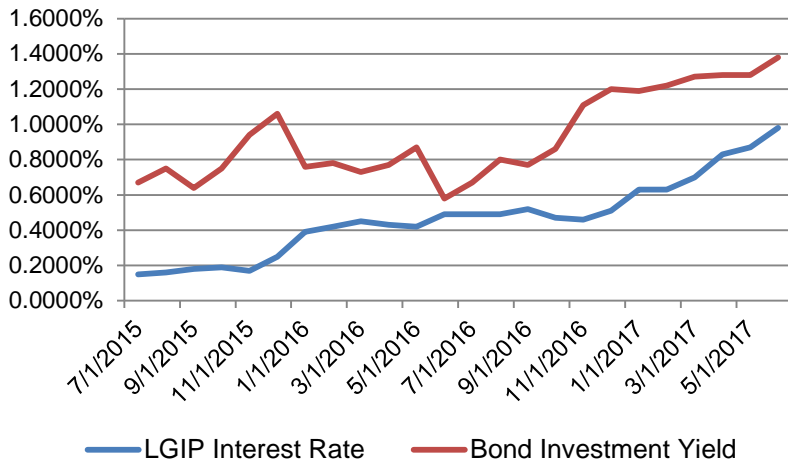
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT INCOME



2017 Current Budget		\$69,000
2017 Second Quarter Actual Revenue		\$73,093
2017 % of Current Budget Received		105.9%
2016 Current Budget		\$69,000
2016 Second Quarter Actual Revenue		\$47,126
2016 % of Current Budget Received		68.3%
2017 v. 2016 \$ Change		\$25,967
2017 v. 2016 % Change	↑	55.1%

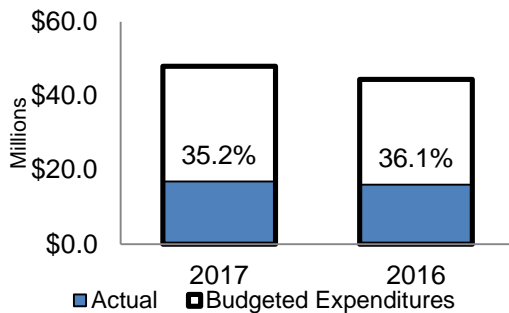
Investment earnings are more than the year-ago level by 55.1%. The City's investment policy adheres to strict standards prescribed by federal law, state statutes, local ordinances, and allows the City to develop an investment model to maximize its investment returns within the primary objectives of safety and liquidity.



Month, Year	LGIP Interest Rate	Bond Investment Yield
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%
Jul-16	0.4912%	0.6700%
Aug-16	0.4851%	0.8000%
Sep-16	0.5167%	0.7700%
Oct-16	0.4736%	0.8600%
Nov-16	0.4621%	1.1100%
Dec-16	0.5067%	1.2000%
Jan-17	0.6303%	1.1900%
Feb-17	0.6312%	1.2200%
Mar-17	0.7010%	1.2700%
Apr-17	0.8299%	1.2800%
May-17	0.8694%	1.2800%
Jun-17	0.9786%	1.3800%
24 Mo. Ave.	0.4691%	0.9304%

EXPENDITURE ANALYSIS:

GENERAL FUND EXPENDITURES



2017 Current Budget	\$48,016,220
2017 Second Quarter Actual Expenditures	\$16,898,956
2017 % of Current Budget Expended	35.2%
2016 Current Budget	\$44,441,147
2016 Second Quarter Actual Expenditures	\$16,059,798
2016 % of Current Budget Expended	36.1%
2017 v. 2016 \$ Change	\$839,158
2017 v. 2016 % Change	↑ 5.2%

Total expenditures including Transfers Out, representing expenditure of 35.2% of the Current Budget, are 5.2% more than the year-ago level. Departments spent \$16.206 million, or 37.8%, of the Current Budget excluding Transfers Out. This level of expenditures is 8.3% more than the year-ago level. Much of the year-over-year difference is attributable to the following:

- The Light Rail Stations program in the City Manager's Office Department did not exist in the first half of 2016, and
- Jail services costs in the Criminal Justice Department are 41.8% more than those for the same period of 2016 but less than they were for 2015 and 2014 by 2.2% and 20.8%, respectively. It seems, given increases in the total number of billed jail days as compared to the last three years, this year's trends seem to be more in line with the budget projection than years' past. The number of billed jail beds is 8.5% more than the year-to-date projection but jail days costs is slightly under the year-to-date budget projection (-0.4%). Thus far the City has used 3,984 jail beds total, or an average of 22.0 beds per day, at Yakima County Jail. Housing those inmates at Yakima rather than SCORE has saved the City approximately \$204,000.

The General Fund transferred \$0.693 million, or 13.6%, of its budgeted support to other funds. This level is \$0.407 million, or 37.0%, less than the year-ago level. In 2016 there was a \$0.445 million transfer to the City Facilities-Major Maintenance Fund for the Shoreline Pool Long-Term Maintenance Project.

Department	2017 Current Budget	2017 Second Quarter Actual Expenditures	2017 % of Current Budget Expended	2016 Current Budget	2016 Second Quarter Actual Expenditures	2016 % of Current Budget Expended	2017 v. 2016 \$ Change	2017 v. 2016 % Change
City Council	\$240,592	\$127,594	53.0%	\$231,968	\$114,915	49.5%	\$12,679	11.0%
City Manager's Office ¹	\$3,769,429	\$1,403,308	37.2%	\$2,381,654	\$1,130,321	47.5%	\$272,987	24.2%
City Attorney	\$825,590	\$371,417	45.0%	\$657,674	\$290,473	44.2%	\$80,944	27.9%
Community Services ²	\$1,637,107	\$734,938	44.9%	\$1,691,601	\$596,123	35.2%	\$138,816	23.3%
Administrative Services ³	\$5,799,316	\$2,024,744	34.9%	\$5,155,418	\$2,169,554	42.1%	-\$144,810	-6.7%
Citywide	\$2,344,510	\$715,777	30.5%	\$1,871,299	\$627,580	33.5%	\$88,197	14.1%
Human Resources	\$471,496	\$214,285	45.4%	\$454,488	\$208,103	45.8%	\$6,182	3.0%
Police	\$12,141,260	\$4,448,027	36.6%	\$11,951,743	\$4,513,616	37.8%	-\$65,588	-1.5%
Criminal Justice	\$3,068,384	\$919,658	30.0%	\$3,190,826	\$687,672	21.6%	\$231,986	33.7%
Parks	\$6,290,917	\$2,509,545	39.9%	\$5,748,895	\$2,216,488	38.6%	\$293,057	13.2%
Planning & Community Development	\$3,070,587	\$1,345,814	43.8%	\$3,058,266	\$1,211,135	39.6%	\$134,679	11.1%
Public Works	\$3,251,570	\$1,390,487	42.8%	\$3,162,949	\$1,193,853	37.7%	\$196,634	16.5%
Departmental Expenditures	\$42,910,758	\$16,205,596	37.8%	\$39,556,781	\$14,959,832	37.8%	\$1,245,764	8.3%
Operating Transfers Out	\$5,105,462	\$693,360	13.6%	\$4,884,366	\$1,099,967	22.5%	-\$406,606	-37.0%
Total Expenditures	\$48,016,220	\$16,898,956	35.2%	\$44,441,147	\$16,059,798	36.1%	\$839,158	5.2%

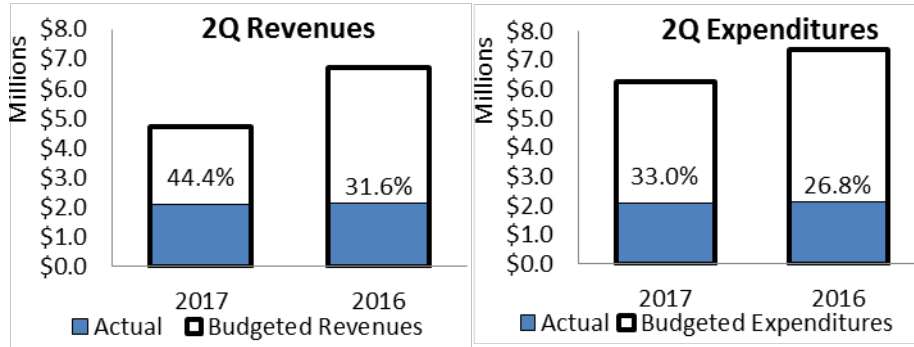
1. City Manager's Office includes City Clerk, Communications, Intergovernmental Relations, Economic Development, and Property Management.

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

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

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

SURFACE WATER UTILITY FUND



	Revenue	Expenditure
2017 Budgeted Use of Fund Balance	\$1,544,629	N/A
2017 Budget	\$4,697,023	\$6,241,652
2017 Second Quarter Actual	\$2,085,418	\$2,058,607
2017 % of Current Budget *	44.4%	33.0%
2016 Current Budget	\$6,724,986	\$7,356,193
2016 Second Qtr Actual	\$2,125,715	\$1,969,530
2016 % of Current Budget *	31.6%	26.8%
2017 v. 2016 \$ Var.	-\$40,297	\$89,077
2017 v. 2016 % Var.	-1.9%	4.5%

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.

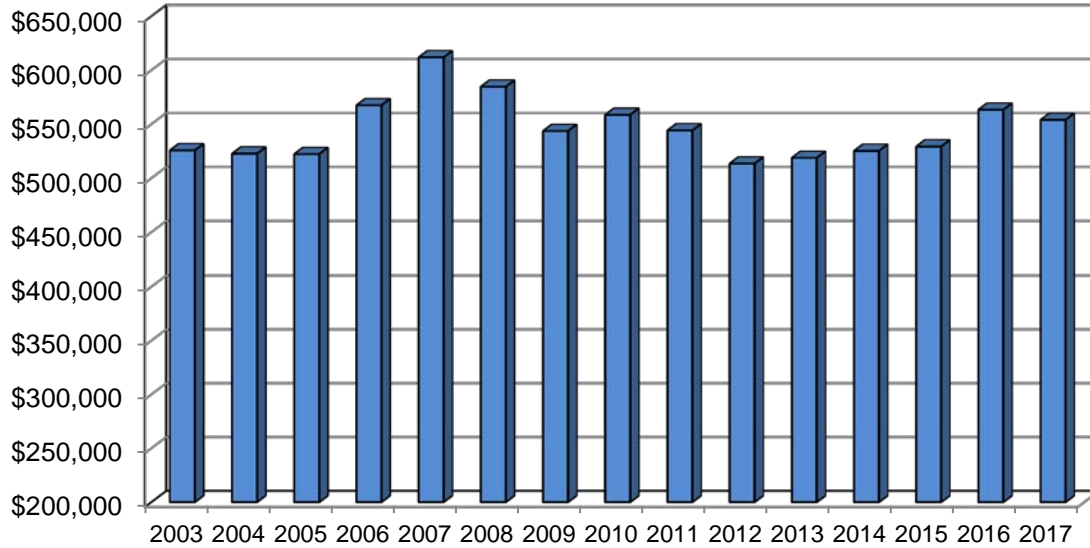
Receipts through June, in the amount of \$2,085,418, are \$40,297, or 1.9%, lower than the year-ago level. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled \$2,069,213 and are \$42,460, or 2.0%, below the year-ago level. The decrease in fee revenue is due to the exemption of Shoreline School District’s properties in 2017, which were not exempt in 2016.

Expenditures, including transfers out, through June totaled \$2,058,607 and are \$89,077, or 4.5%, more than the year-ago level. Capital projects are \$337,809, or 25.9%, less than the year-ago level. Capital expenditures differences between the current year and previous year are impacted by the timing of construction schedules. SWM Operations expenditures in 2017 total \$1,205,654, which is \$13,477, or 1.1% more than year-ago levels.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND FUEL TAX

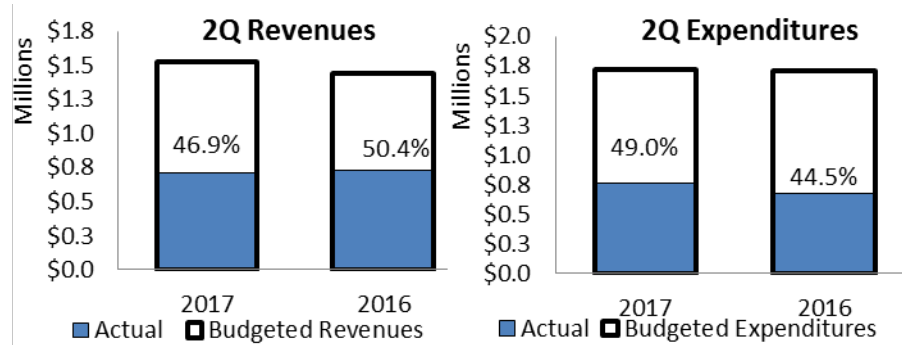
Fuel Tax Historical Second Quarter Comparison



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 \$554,025 and are \$9,431, or 1.7%, lower than the year-ago level. According to Municipal Research and Services Center's (MRSC) 2018 Budget Suggestions, Washington has seen steady employment numbers but growth in personal income is trending slightly down. Due to these factors and more fuel efficient vehicles, the result is a reduction in overall fuel tax forecasts.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND



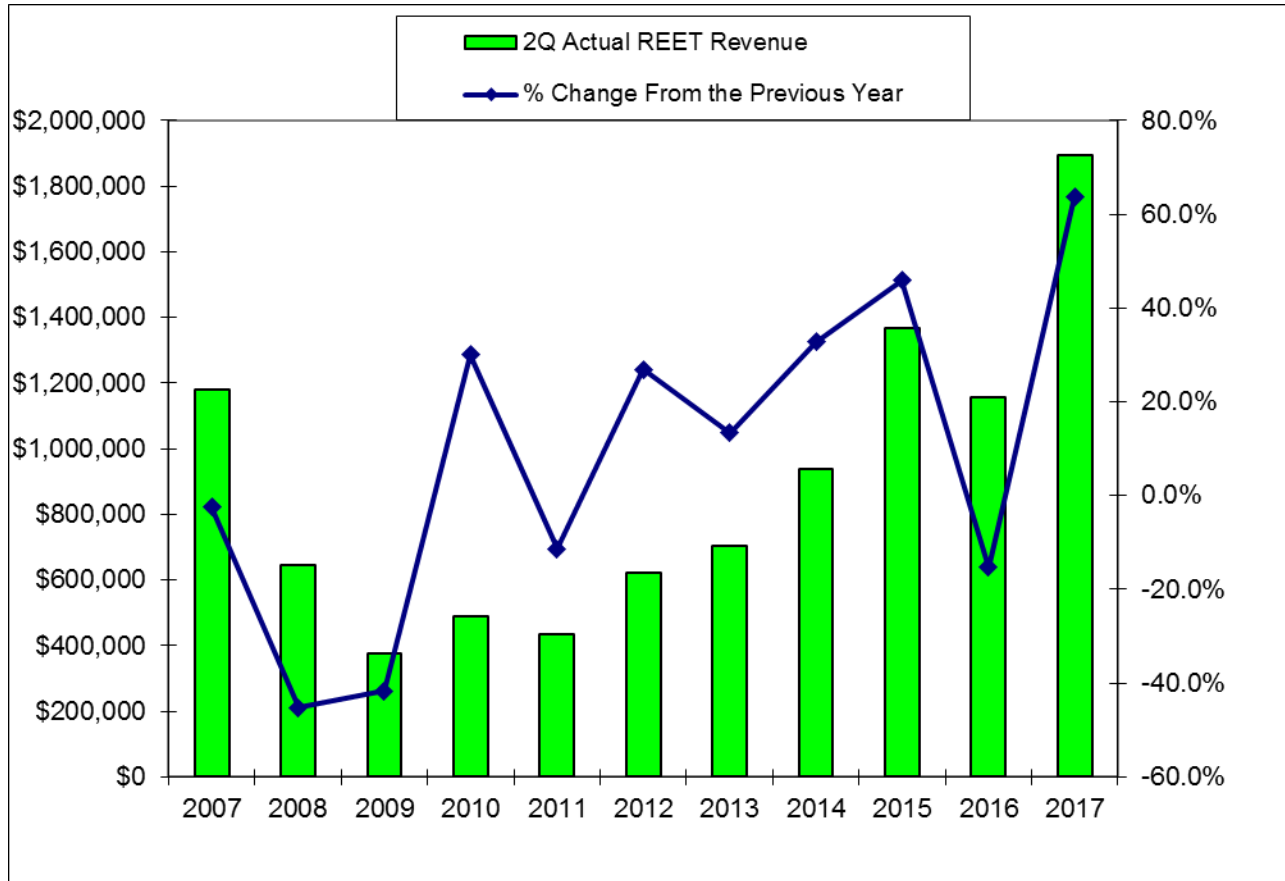
	Revenue	Expenditure
2017 Budgeted Use of Fund Balance	\$200,260	N/A
2017 Budget	\$1,521,225	\$1,721,485
2017 2nd Quarter Actual	\$713,436	\$843,747
2017 % of Current Budget *	46.9%	49.0%
2016 Current Budget	\$1,442,468	\$1,713,773
2016 2nd Qtr Actual	\$727,542	\$762,708
2016 % of Current Budget *	50.4%	44.5%
2017 v. 2016 \$ Var.	-\$14,106	\$81,039
2017 v. 2016 % Var.	-1.9%	10.6%

Motor vehicle fuel tax revenue receipts for the second quarter of 2016 are \$554,025 and are \$9,431, or 1.7%, less than the year-ago level. Receipts, including transfers in, through June totaled \$713,436 and are \$14,106, or 1.9%, lower than the year-ago level.

Expenditures, including transfers out, through June totaled \$843,747 and are \$81,039, or 10.6%, more than the year-ago level. This is attributed to a higher expenditure in salary and benefits, which was planned for the beginning of the year and will subside throughout the year.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

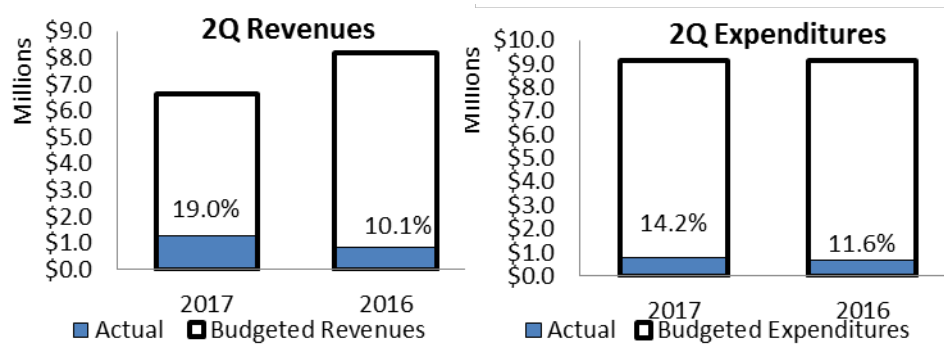
REAL ESTATE EXCISE TAX (REET)



Real Estate Excise Tax (REET) revenue receipts through June totaled \$1,895,699 and are \$738,079, or 63.8%, more than receipts for the same period in 2016. Receipts through June are ahead of expected 2017 budgeted amounts by \$770,757, or 68.5%.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

GENERAL CAPITAL FUND



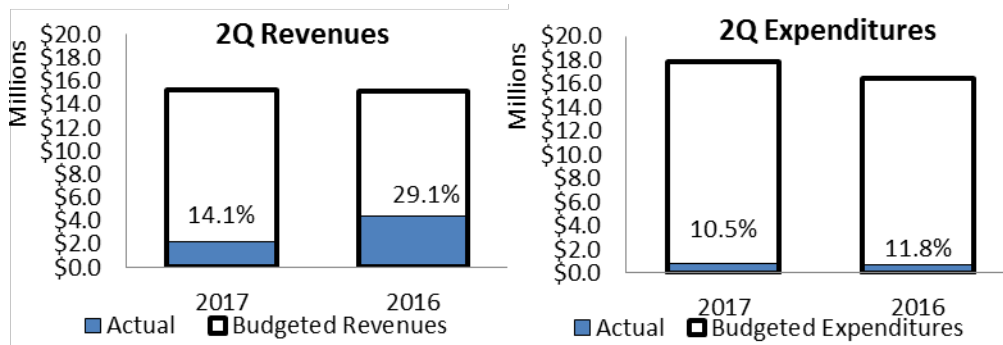
	Revenue	Expenditure
2017 Budgeted Use of Fund Balance	\$2,532,527	N/A
2017 Budget	\$6,615,365	\$9,147,892
2017 2nd Quarter Actual	\$1,259,539	\$1,159,669
2017 % of Current Budget *	19.0%	12.7%
2016 Current Budget	\$8,167,893	\$9,141,524
2016 2nd Qtr Actual	\$826,107	\$1,059,298
2016 % of Current Budget *	10.1%	11.6%
2017 v. 2016 \$ Var.	\$433,432	\$100,371
2017 v. 2016 % Var.	52.5%	9.5%

Receipts through June, in the amount of \$1,259,539, are \$433,432, or 52.5%, higher than the year-ago level. The year-over-year change is mainly attributable to higher collections in REET, which accounts for \$369,040 of the 2016 comparable difference.

Expenditures through June, including transfers out, totaled \$1,159,669 and are \$100,371, or 9.5%, more than the same period in 2016. Capital expenditures differences between the current year and previous year, as well as compared to current budget, are impacted by the timing of construction schedules.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

ROADS CAPITAL FUND



	Revenue	Expenditure
2017 Budgeted Use of Fund Balance	\$2,606,630	N/A
2017 Budget	\$15,290,734	\$17,897,364
2017 2nd Quarter Actual	\$2,172,438	\$1,875,407
2017 % of Current Budget *	14.2%	10.5%
2016 Current Budget	\$15,082,587	\$16,474,476
2016 2nd Qtr Actual	\$4,396,436	\$1,937,788
2016 % of Current Budget *	29.1%	11.8%
2017 v. 2016 \$ Var.	-\$2,223,998	-\$62,381
2017 v. 2016 % Var.	-50.6%	-3.2%

Receipts through June, in the amount of \$2,172,438, are \$2,223,998, or 50.6%, lower than the year-ago level. This reduction is mainly due to a reduction in revenue related to the completed Aurora Avenue project.

Through the first six months of 2017, TBD vehicle license fees totaled \$343,246, which is \$2,359, or 0.7%, less than collections over the same period in 2016.

Expenditures through June, in the amount of \$1,875,407, are \$62,381, or 3.2%, lower than the year-ago level. Expenditures are impacted by the timing of construction schedules. Activity in Roads Capital Fund projects typically increase in the third quarter of the year. Related expenditures will be reflected in the 2017 Third Quarter Financial Report.

2017 Second Quarter INVESTMENT REPORT

June 30, 2017

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, 2017, the City's investment portfolio, excluding the State Investment Pool and deposits in OpusBank, had a current weighted average rate of return of 1.2698%. This is better than the State Investment Pool's current rate of return of 0.9786%. In an effort to get better return than the State Investment Pool, the City has opened interest earning checking accounts with OpusBank. As of June 30, the City held one account with \$10M deposit and no withdraw restrictions that earns 1.0499% return, and a second account with \$2M deposit and one year commitment earning 1.0499% return. Staff regularly monitors the City's short term investments, cash flow needs, and market conditions to maximize the City's investments and maintain appropriate liquidity. Total investment interest earnings through June were \$141,729 which is about 64% of total budgeted 2017 investment earnings of \$221,213.

As of June 30, 2017, the City's investment portfolio had a fair value of nearly \$38.12 million. Approximately 32% of the investment portfolio was held in U.S. government instrumentality securities, and 36% was held in the Washington State Investment Pool, and 32% was held in OpusBank. The City's investment portfolio valued at cost as of June 30, 2017, was slightly over \$38.13 million. The difference between the cost and the market value of the portfolio represents either the loss or the gain of the portfolio if the City were to liquidate investments as of the day that the market value is stated. This would only be done if the City needed to generate cash. The City holds all of its investments until the scheduled maturity date, and therefore when the investments mature the principal market value should equal the cost of the investment. The City also holds sufficient investments within the State Pool 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.

INVESTMENT REPORT - continued:

LGIP Cash and Investment Balances June 30, 2017

Instrument Type	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/Loss	Market Value 6/30/2017
FHLMC 1.25	313379DT3	PiperJaffray	06/21/17	06/08/18	5,205,000	5,204,480	1.2600%	-697	5,203,782
FICO STRIP PRIN SER D-P	31771KAH0	Time Value Investment	09/29/15	08/03/18	1,500,000	1,456,388	1.0400%	19,526	1,475,913
FFCB 1.09	3133EFFL6	Time Value Investment	09/29/15	09/28/18	500,000	500,000	1.0900%	-2,049	497,952
FFCB 1.375	3133EFSW8	Alamo Capital	12/21/15	12/21/18	1,000,000	999,000	1.3750%	1,018	1,000,018
FNMA 1.250	3136G3EA9	Financial Northwestern	03/29/16	03/29/19	1,000,000	999,500	1.2500%	-4,897	994,603
FNMA 1.250	3136G4AP8	PiperJaffray	12/31/16	09/30/19	2,000,000	2,000,000	1.2500%	-17,588	1,982,412
FHLMC 1.0	3134GBEB4	1st Empire	03/31/17	03/27/20	1,000,000	999,700	1.7000%	-1,895	997,805
Sub Total - Investments					\$12,205,000	\$12,159,067		-\$6,582	\$12,152,485
OpusBank 3285						2,057,057	1.0499%		2,057,057
OpusBank Interest Checking 6272						10,095,754	1.0499%		10,095,754
State Investment Pool						13,819,358	0.9786%		13,819,358
Sub Total - State Investment Pool and Opus Bank Interest Checking						25,972,169			25,972,169
Total LGIP + Opus Bank Interest Checking + Investments						\$38,131,236		-\$6,582	\$38,124,654

Current Average Maturity Excluding the State Investment Pool (days)	527
Current Weighted Average Yield to Maturity Excluding the State Pool	1.2698%
Current Yield to Maturity State Investment Pool	0.9786%
Basis Points in Excess (Below Benchmark)	29

Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker	Percentage	Amount at Cost
FFCB	3.9%	1,497,970	1,499,000	Alamo Capital	2.6%	999,000
FHLB	0.0%	0	0	Financial Northwestern	16.3%	6,203,980
FHLMC	16.3%	6,201,587	6,204,180	1st Empire	2.6%	999,700
FNMA	7.8%	2,977,015	2,999,500	Time Value Investment	5.1%	1,956,388
FICO STRIP PRIN SER D-P	3.9%	1,475,913	1,456,388	PiperJaffray	5.2%	2,000,000
OpusBank Interest Checking	31.9%	12,152,811	12,152,811	OpusBank Interest Checking	31.9%	12,152,811
State Investment Pool	36.2%	13,819,358	13,819,358	State Investment Pool	36.2%	13,819,358
Total LGIP + Investments	100%	\$38,124,654	\$38,131,236	Total Investments	100%	\$38,131,236

Investments by Fund	Investments at Cost as of 6/30/2017	LGIP State Investment Pool + Opus Bank Interest Checking as of 6/30/2017	Total LGIP + OpusBank Interest Checking + Investments at Cost by Fund as of 6/30/2017	Unrecognized Gain/Loss as of 6/30/2017	Total Market Value of Investments by Fund as of 6/30/2017	Investment Earnings Budget 2017	Investment Earnings Actual 2017	Over/Under Budget
001 General	4,906,158	10,593,841	15,499,999	-2,791	15,497,207	69,000	73,093	4,093
101 Street	230,291	676,196	906,487	200	906,687	2,500	4,403	1,903
107 Code Abatement	27,255	296,176	323,431	-4	323,427	550	1,100	550
108 Asset Seizure	48,267	154,210	202,477	-6	202,470	0	783	783
109 Public Arts	31,997	281,014	313,011	-4	313,007	0	1,094	1,094
112 Fed Drug Enforcement	60,303	238,473	298,776	-8	298,768	200	1,162	962
115 Property Tax Equalization	0	4,315	4,315	0	4,315	0	1,148	1,148
116 Fed Crim Forfeit	580,726	132,680	713,406	-78	713,328	1,500	3,160	1,660
117 Transportation Impact Mitigation	47,063	1,111,947	1,159,010	-6	1,159,003	0	4,696	4,696
190 Revenue Stabilization	4,150,194	451,161	4,601,355	0	4,601,355	0	0	0
301 General Capital	368,817	2,064,573	2,433,390	-49	2,433,340	35,987	10,326	-25,661
312 City Fac-Mjr Maint	0	83,519	83,519	0	83,519	12	243	231
330 Roads Capital	212,088	4,711,514	4,923,602	-28	4,923,574	61,690	17,195	-44,495
330 Transportation Benefit District	0	693,778	693,778	0	693,778	0	2,389	2,389
401 Surface Water Utility Fund	140,829	2,852,797	2,993,626	-19	2,993,607	41,774	9,968	-31,806
501 Vehicle Oper/Maint	73,047	379,063	452,110	-10	452,101	0	1,464	1,464
503 Equip Dep Replace	1,266,742	1,191,587	2,458,329	-3,776	2,454,554	8,000	9,235	1,235
505 Unemployment	15,290	55,325	70,616	-2	70,614	0	272	272
Total Investments	\$12,159,067	\$25,972,169	\$38,131,236	-\$6,582	\$38,124,654	\$221,213	\$141,729	-\$79,484

10 YEAR FINANCIAL SUSTAINABILITY MODEL

Attachment B

OPERATING BUDGET
TEN YEAR FORECAST

	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
Baseline Model:					
Beginning Operating Funds Fund Balance	\$11,653,876	\$11,113,270	\$11,286,677	\$11,090,158	\$10,566,172
Baseline Revenues:					
Taxes					
Property	12,759,858	13,112,277	13,455,727	13,802,778	14,157,267
Sales and Use	9,998,734	10,469,197	10,844,259	11,229,740	11,614,690
Gambling	1,587,425	1,587,425	1,587,425	1,587,425	1,587,425
Utility	4,064,894	4,151,551	4,240,158	4,325,127	4,411,395
Other	7,200	7,200	7,200	7,200	7,200
Franchise/Utility Contract Payments	4,886,800	4,990,836	5,097,034	5,199,528	5,303,479
Licenses and Permits	3,193,303	2,014,982	1,942,304	1,914,885	1,923,911
Intergovernmental	3,854,234	3,161,938	3,164,161	3,230,528	3,298,455
Charges for Services	1,579,349	1,639,541	1,671,126	1,700,873	1,730,858
Fines and Forfeitures	404,000	404,000	404,000	404,000	404,000
Interest Income	73,100	145,094	152,031	147,315	134,739
Miscellaneous Revenues	804,038	810,752	817,584	824,018	830,504
Total Baseline Revenue	43,212,935	42,494,794	43,383,010	44,373,417	45,403,924
Baseline Operating Expenditures:					
Salaries & Benefits	17,333,370	17,772,911	18,350,421	18,940,846	19,252,140
Supplies	835,818	825,254	825,254	825,254	825,254
Services & Charges	8,306,896	6,816,721	7,053,128	7,249,913	7,548,693
Intergovernmental	15,324,737	15,642,851	16,090,226	16,554,160	17,034,150
Interfund	605,902	613,285	620,833	627,975	635,206
Budgeted Contingency	1,148,338	25,000	25,000	25,000	25,000
Capital Outlay	13,650	-	-	-	-
Total Baseline Operating Expenditures	43,568,711	41,696,022	42,964,862	44,223,147	45,320,444
Baseline Revenue Over (Under) Expenditures	(355,776)	798,772	418,148	150,269	83,481
Baseline Other Financing Sources (Uses):					
Operating Transfers In	2,580,142	1,509,457	1,524,032	1,537,926	1,539,900
Transfers Out	3,858,310	2,134,822	2,138,699	2,212,181	2,287,398
Gain / (Use) of Operating Funds Fund Balance	(1,633,944)	173,407	(196,519)	(523,986)	(664,017)
Baseline Ending Operating Funds Fund Balance	\$10,019,932	\$11,286,677	\$11,090,158	\$10,566,172	\$9,902,155
Required Operating Funds Fund Balance	\$4,348,045	\$4,338,803	\$4,361,848	\$4,387,065	\$4,413,210
Over (Under) Required Operating Funds Fund Balance	\$5,671,887	\$6,947,875	\$6,728,310	\$6,179,107	\$5,488,945
10 YFSM:					
Beginning Operating Funds Fund Balance	\$11,653,876	\$11,113,270	\$11,286,677	\$11,090,158	\$10,566,172
Total 10YFSM Revenues & Transfers In	45,793,077	44,004,251	45,356,113	46,370,456	47,413,263
Total 10YFSM Operating Expenditures & Transfers Out	47,427,021	43,830,844	44,201,490	45,506,622	46,655,684
Gain / (Use) of Operating Funds Fund Balance	(1,633,944)	173,407	1,154,622	863,834	757,578
10YFSM Ending Operating Funds Fund Balance	\$10,019,932	\$11,286,677	\$12,441,300	\$11,953,992	\$11,323,750
Required Operating Funds Fund Balance	\$4,348,045	\$4,338,803	\$4,361,848	\$4,387,065	\$4,413,210
Over (Under) Required Operating Funds Fund Balance	\$5,671,887	\$6,947,875	\$8,079,452	\$7,566,927	\$6,910,540

Assumptions:

Inflation	2.45%	2.41%	2.41%	2.23%	2.20%
Annual Revenue Growth	3.60%	-1.66%	2.09%	2.28%	2.32%
Annual Regular Levy Assessed Value Change	10.34%	7.84%	1.87%	3.00%	3.37%
Annual Sales & Use Tax Change	3.20%	3.06%	2.96%	3.33%	3.23%
General Fees & Licenses Increases	1.96%	1.93%	1.93%	1.78%	1.76%
Investment Interest Rate	1.78%	2.38%	2.40%	2.40%	2.40%
Building Permit Charge	-8.56%	-6.24%	-5.10%	-2.24%	0.27%
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	12.70%	12.92%	12.92%	12.92%	12.92%
Health Benefit Escalator	4.52%	6.50%	6.50%	6.50%	6.50%
Regular Salary Escalator	3.70%	3.17%	3.17%	2.80%	2.78%
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)	100.00%	100.00%	98.00%	98.00%	98.00%
Annual Expenditure Growth	-0.20%	-4.30%	3.04%	2.93%	2.48%
Contribution to / (Refund From) Revenue Stabilization Fund	\$0	\$0	\$0	\$69,665	\$143,164
New Maintenance Costs for Completed Capital Projects	TBD	TBD	TBD	TBD	TBD

10 YEAR FINANCIAL SUSTAINABILITY MODEL

Attachment B

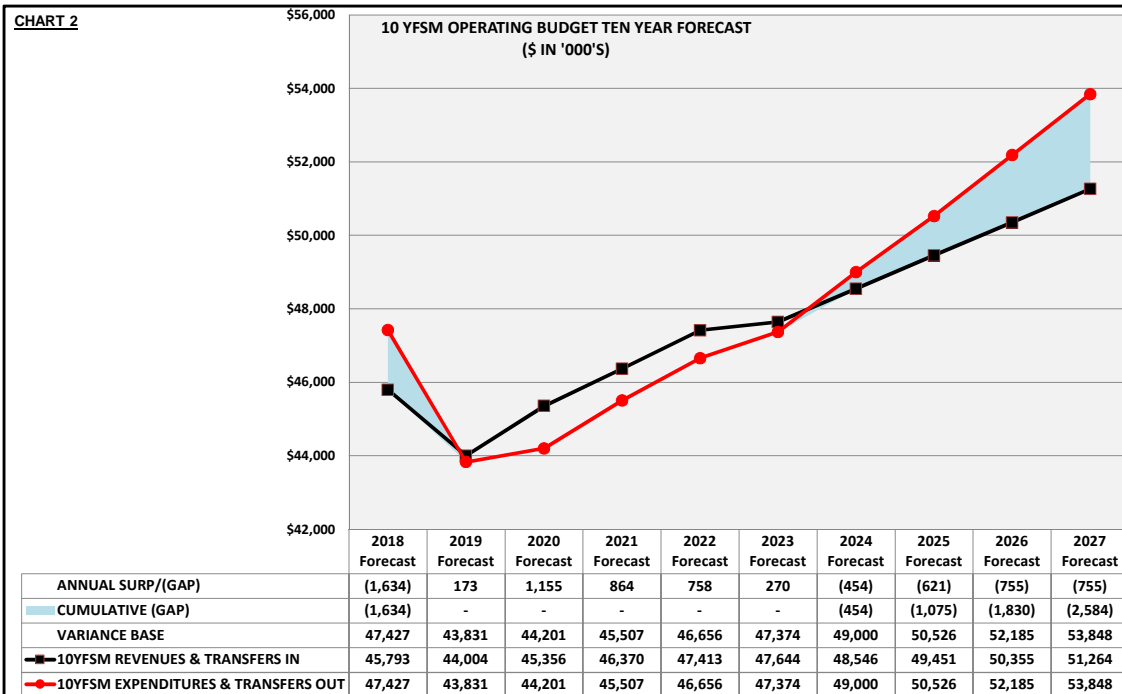
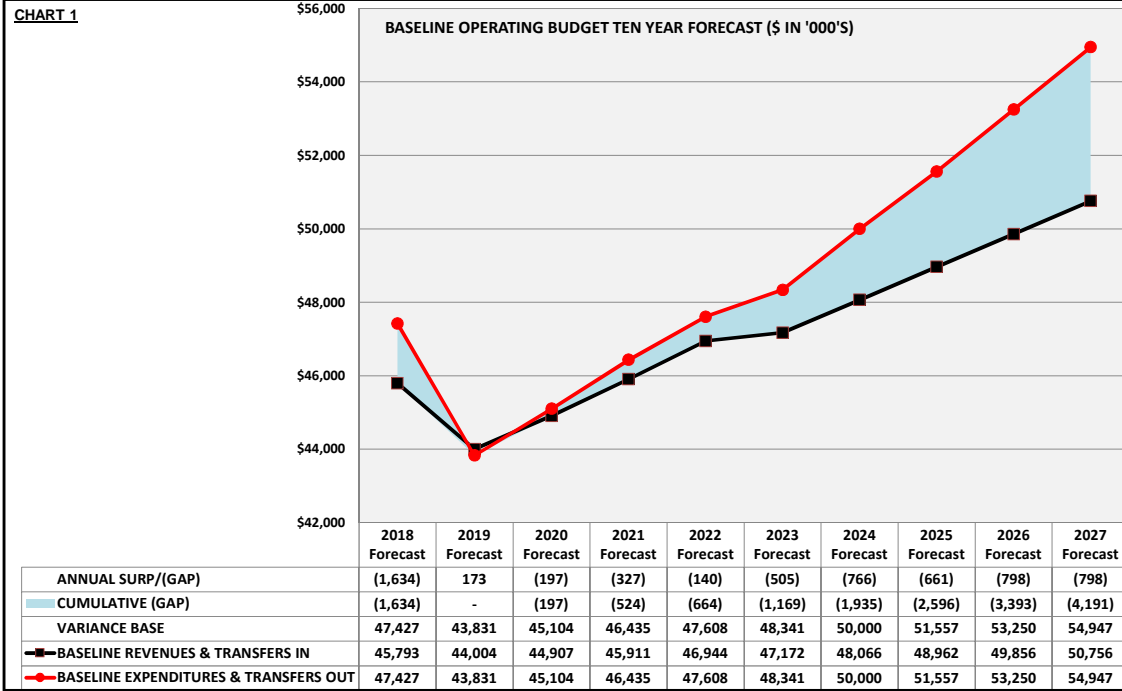
OPERATING BUDGET
TEN YEAR FORECAST

	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Baseline Model:					
Beginning Operating Funds Fund Balance	\$9,902,155	\$8,733,583	\$6,799,052	\$4,203,467	\$810,281
Baseline Revenues:					
Taxes					
Property	14,352,374	14,549,638	14,749,555	14,949,148	15,147,281
Sales and Use	12,025,463	12,452,745	12,893,162	13,349,235	13,820,782
Gambling	1,587,425	1,587,425	1,587,425	1,587,425	1,587,425
Utility	4,500,601	4,596,150	4,694,591	4,795,960	4,900,081
Other	7,200	7,200	7,200	7,200	7,200
Franchise/Utility Contract Payments	5,410,590	5,524,416	5,641,325	5,761,340	5,884,258
Licenses and Permits	1,918,106	1,888,900	1,859,870	1,818,934	1,778,418
Intergovernmental	2,716,547	2,767,358	2,819,411	2,872,723	2,927,268
Charges for Services	1,761,759	1,795,003	1,829,111	1,864,079	1,899,814
Fines and Forfeitures	404,000	404,000	404,000	404,000	404,000
Interest Income	118,803	90,757	44,328	(17,966)	(99,402)
Miscellaneous Revenues	837,188	844,379	851,756	859,320	867,050
Total Baseline Revenue	45,640,056	46,507,972	47,381,735	48,251,398	49,124,175
Baseline Operating Expenditures:					
Salaries & Benefits	19,209,617	19,996,977	20,721,548	21,481,472	22,277,774
Supplies	843,254	825,254	825,254	825,254	825,254
Services & Charges	7,816,557	8,166,255	8,442,642	8,794,730	9,096,427
Intergovernmental	17,531,101	18,046,324	18,582,233	19,137,080	19,711,475
Interfund	642,691	650,778	659,113	667,698	676,514
Budgeted Contingency	25,000	25,000	25,000	25,000	25,000
Capital Outlay	-	-	-	-	-
Total Baseline Operating Expenditures	46,068,220	47,710,588	49,255,790	50,931,235	52,612,444
Baseline Revenue Over (Under) Expenditures	(428,163)	(1,202,616)	(1,874,056)	(2,679,837)	(3,488,269)
Baseline Other Financing Sources (Uses):					
Operating Transfers In	1,532,411	1,557,768	1,580,098	1,604,920	1,631,833
Transfers Out	2,272,819	2,289,683	2,301,627	2,318,269	2,334,468
Gain / (Use) of Operating Funds Fund Balance	(1,168,572)	(1,934,531)	(2,595,584)	(3,393,187)	(4,190,904)
Baseline Ending Operating Funds Fund Balance	\$8,733,583	\$6,799,052	\$4,203,467	\$810,281	(\$3,380,623)
Required Operating Funds Fund Balance	\$4,423,595	\$4,446,752	\$4,470,168	\$4,493,647	\$4,517,337
Over (Under) Required Operating Funds Fund Balance	\$4,309,988	\$2,352,300	(\$266,701)	(\$3,683,366)	(\$7,897,960)
10 YFSM:					
Beginning Operating Funds Fund Balance	\$9,902,155	\$8,733,583	\$6,799,052	\$4,203,467	\$810,281
Total 10YFSM Revenues & Transfers In	47,644,192	48,546,397	49,451,451	50,354,880	51,263,568
Total 10YFSM Operating Expenditures & Transfers Out	47,374,218	49,000,265	50,526,269	52,184,514	53,847,974
Gain / (Use) of Operating Funds Fund Balance	269,973	(453,868)	(1,074,818)	(1,829,633)	(2,584,406)
10YFSM Ending Operating Funds Fund Balance	\$10,172,128	\$8,279,715	\$5,724,234	\$2,373,834	(\$1,774,125)
Required Operating Funds Fund Balance	\$4,423,595	\$4,446,752	\$4,470,168	\$4,493,647	\$4,517,337
Over (Under) Required Operating Funds Fund Balance	\$5,748,533	\$3,832,963	\$1,254,066	(\$2,119,813)	(\$6,291,462)

Assumptions:

Inflation	2.23%	2.36%	2.38%	2.39%	2.40%
Annual Revenue Growth	0.52%	1.90%	1.88%	1.84%	1.81%
Annual Regular Levy Assessed Value Change	3.82%	4.04%	3.98%	3.98%	3.80%
Annual Sales & Use Tax Change	3.43%	3.48%	3.48%	3.50%	3.51%
General Fees & Licenses Increases	1.79%	1.89%	1.90%	1.91%	1.92%
Investment Interest Rate	2.40%	2.40%	2.40%	2.40%	2.40%
Building Permit Charge	-0.78%	-2.47%	-2.54%	-3.50%	-3.60%
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	2.81%	2.92%	2.94%	2.95%	2.96%
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	1.65%	3.57%	3.24%	3.40%	3.30%
Contribution to / (Refund From) Revenue Stabilization Fund	\$146,709	\$144,632	\$146,209	\$145,356	\$147,493
New Maintenance Costs for Completed Capital Projects	TBD	TBD	TBD	TBD	TBD

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



City of Shoreline 2018 - 2023 Capital Improvement Plan
 Program Summary
 General Capital Fund

	PRIOR-YRS	2017CB	2017E	2018E	2019E	2020E	2021E	2022E	2023E	6-YEAR TOTAL	TOTAL PROJECT
PROJECT EXPENDITURES											
<u>PARKS MAINTENANCE PROJECTS</u>											
BOEING CREEK-SHOREVIEW PARK TRAIL R&R	-	-	-	-	250,000	1,642,000	-	-	-	1,892,000	1,892,000
KING COUNTY, TRAILS AND OPEN SPACE REPLACEMENT LEVY	71,099	67,028	33,038	85,000	-	-	-	-	-	85,000	189,137
KRUCKEBERG ENV ED CENTER (RESIDENCE STABILIZATION)	-	-	-	-	265,000	-	-	-	-	265,000	265,000
PARK ECOLOGICAL RESTORATION PROGRAM	34,487	60,000	50,000	80,000	80,000	-	-	-	-	160,000	244,487
PARKS REPAIR AND REPLACEMENT	2,226,859	290,600	396,600	238,597	250,528	263,054	265,816	275,000	275,000	1,567,995	4,191,454
RICHMOND BEACH COMMUNITY PARK WALL REPAIR	-	-	-	-	-	-	25,000	-	1,129,000	1,154,000	1,154,000
RB SALTWATER PARK FIRE SUPPRESSION LINE	-	-	-	-	-	-	25,000	-	466,000	491,000	491,000
TURF & LIGHTING REPAIR AND REPLACEMENT	153,764	1,743,736	1,436,145	1,700,000	-	1,200,000	-	-	-	2,900,000	4,489,909
<u>FACILITIES PROJECTS</u>											
CITY MAINTENANCE FACILITY	3,268,825	329,924	329,260	263,000	-	-	-	-	-	263,000	3,861,085
POLICE STATION AT CITY HALL	1,996,777	5,549,848	5,110,938	1,711,713	-	-	-	-	-	1,711,713	8,819,428
<u>PARKS DEVELOPMENT PROJECTS</u>											
OUTDOOR MULTI-USE SPORT COURT	-	-	-	75,000	-	-	-	-	-	75,000	75,000
PARKS FACILITIES RECREATION AMENITIES PLAN	-	125,000	25,000	125,000	125,000	-	-	-	-	250,000	275,000
PROS PLAN IMPLEMENTATION	-	-	-	118,311	-	-	-	-	-	118,311	118,311
<u>PROJECTS TO BE COMPLETED IN CURRENT YEAR (2017)</u>											
PARKS, RECREATION AND OPEN SPACE UPDATE	61,680	68,320	10,000	-	-	-	-	-	-	-	71,680
POOL & RECREATION FACILITY MASTER PLANNING	96,292	18,708	8,717	-	-	-	-	-	-	-	105,009
REGIONAL TRAIL SIGNAGE	79,067	80,000	57,993	-	-	-	-	-	-	-	137,060
<u>NON-PROJECT SPECIFIC</u>											
GENERAL CAPITAL ENGINEERING	740,103	105,000	105,000	105,000	85,000	85,000	85,000	85,000	85,000	530,000	1,375,103
COST ALLOCATION CHARGES	-	45,782	45,782	23,501	30,000	30,000	30,000	30,000	30,000	173,501	219,283
CITY HALL DEBT SERVICE PAYMENT	-	663,946	663,946	662,546	677,546	663,250	683,250	663,782	663,782	4,014,156	4,678,102
TOTAL EXPENDITURES	8,728,952	9,147,892	8,272,419	5,187,668	1,763,074	3,883,304	1,114,066	1,053,782	2,648,782	15,650,676	32,652,047
REVENUES											
REAL ESTATE EXCISE TAX	-	1,195,965	1,693,142	1,368,768	1,449,263	1,529,005	1,609,641	1,692,370	1,779,363	9,428,410	
SOCCER FIELD RENTAL CONTRIBUTION	-	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	780,000	
INVESTMENT INTEREST	-	35,987	46,197	35,987	1,603	11,506	49	12,052	27,467	88,664	
SALE OF CURRENT POLICE STATION	-	1,800,000	2,100,000	-	-	-	-	-	-	-	
FUTURE FUNDING	-	-	-	-	265,000	1,642,000	-	-	-	1,907,000	
GENERAL FUND CONTRIBUTION	-	1,832,796	832,796	1,521,505	50,000	50,000	50,000	50,000	50,000	1,771,505	
PARK IMPACT FEES	-	-	-	50,000	125,000	-	-	-	-	175,000	
KC TRAIL LEVY FUNDING RENEWAL	-	110,000	120,000	120,000	120,000	-	-	-	-	240,000	
KING CONSERVATION DISTRICT GRANT	-	20,000	54,138	45,000	45,000	-	-	-	-	90,000	
RECREATION & CONSERVATION OFFICE	-	250,000	250,000	-	-	-	-	-	-	-	
REMEDIATION MITIGATION CLAIMS	-	-	154,000	-	-	-	-	-	-	-	
STATE AND FEDERAL DRUG FORFEITURE FUND	-	437,397	837,294	-	-	-	-	-	-	-	
TREASURY SEIZURE FUND	-	603,220	838,818	-	-	-	-	-	-	-	
TREASURY SEIZURE FUND - POTENTIAL	-	200,000	200,000	-	-	-	-	-	-	-	
YOUTH & AMATEUR SPORTS GRANT	-	-	-	25,000	-	-	-	-	-	25,000	
TOTAL REVENUES		6,615,365	7,256,385	3,296,260	2,185,866	3,362,511	1,789,690	1,884,422	1,986,830	14,505,579	
BEGINNING FUND BALANCE											
TOTAL REVENUES			3,007,656	1,991,622	100,214	523,006	2,214	547,837	1,248,478	1,991,622	
RESTRICTED AMOUNT FOR TURF REPLACEMENT			7,256,385	3,296,260	2,185,866	3,362,511	1,789,690	1,884,422	1,986,830	14,505,579	
TOTAL EXPENDITURES			-	-	-	-	130,000	130,000	130,000	390,000	
ENDING FUND BALANCE	3,007,656		1,991,622	100,214	523,006	2,214	547,837	1,248,478	456,525	456,525	
IMPACT ON OPERATING BUDGET			-	2,000	2,000	2,000	2,000	2,000	2,000		

City of Shoreline 2018 - 2023 Capital Improvement Plan
 Program Summary
 City Facility Major Maintenance Fund

	PRIOR-YRS	2017CB	2017E	2018E	2019E	2020E	2021E	2022E	2023E	6-YEAR TOTAL	TOTAL PROJECT
PROJECT EXPENDITURES											
<i>GENERAL FACILITIES</i>											
CITY HALL LONG-TERM MAINTENANCE	-	32,000	32,000	10,000	77,904	84,182	68,400	40,000	-	280,486	312,486
CITY HALL PARKING GARAGE LONG-TERM MAINTENANCE	119,349	-	-	-	16,128	-	-	-	-	16,128	135,477
DUCT CLEANING	-	10,000	10,000	33,900	10,000	13,350	10,000	13,350	10,000	90,600	100,600
<i>PARKS FACILITIES</i>											
PARKS RESTROOMS LONG-TERM MAINTENANCE	-	19,000	26,884	-	-	-	25,632	10,682	-	36,314	63,198
SHORELINE POOL LONG-TERM MAINTENANCE	1,130,171	20,000	20,047	20,000	20,000	20,000	20,000	20,000	20,000	120,000	1,270,218
RICHMOND HIGHLANDS COMMUNITY CENTER LONG-TERM MAINTENANCE	251,722	15,000	15,000	80,313	-	2,000	-	40,000	-	122,313	389,035
SPARTAN RECREATION CENTER	15,563	-	-	9,000	-	4,500	-	-	-	13,500	29,063
TOTAL EXPENDITURES	1,516,805	96,000	103,931	153,213	124,032	124,032	124,032	124,032	30,000	679,341	2,300,077
REVENUES											
GENERAL FUND OPERATING TRANSFER		124,032	124,032	124,032	124,032	124,032	124,032	124,032	124,032	744,192	
INVESTMENT INTEREST		12	12	883	1,314	1,835	1,875	1,917	1,959	9,783	
TOTAL REVENUES		124,044	124,044	124,915	125,346	125,867	125,907	125,949	125,991	753,975	
BEGINNING FUND BALANCE											
TOTAL REVENUES			90,285	110,398	82,100	83,414	85,249	87,124	89,041	110,398	
TOTAL EXPENDITURES			124,044	124,915	125,346	125,867	125,907	125,949	125,991	753,975	
ENDING FUND BALANCE	90,285		110,398	82,100	83,414	85,249	87,124	89,041	185,032	185,032	
IMPACT ON OPERATING BUDGET			-	-	-	-	-	-	-		

City of Shoreline 2018 - 2023 Capital Improvement Plan
 Program Summary
 Roads Capital Fund

	PRIOR-YRS	2017CB	2017E	2018E	2019E	2020E	2021E	2022E	2023E	6-YEAR TOTAL	TOTAL PROJECT
PROJECT EXPENDITURES											
<u>REPAIR AND REPLACEMENT</u>											
Pedestrian / Non-Motorized Projects											
TRAFFIC SAFETY IMPROVEMENTS	1,721,696	193,828	193,452	160,775	163,814	167,005	175,355	184,123	193,329	1,044,401	2,959,550
System Preservation Projects											
ANNUAL ROAD SURFACE MAINTENANCE PROGRAM	13,205,047	2,673,964	2,592,145	2,300,000	1,120,000	2,100,000	1,120,000	2,100,000	1,350,000	10,090,000	25,887,192
AURORA MEDIAN RETROFITS	-	-	-	-	-	175,000	-	-	-	175,000	175,000
CURB RAMP, GUTTER AND SIDEWALK MAINTENANCE PROGRAM	2,277,297	331,817	190,000	190,000	190,000	200,000	200,000	200,000	200,000	1,180,000	3,647,297
COMPLETE STREETS- PED/BIKE GAPS	-	-	250,000	-	-	-	-	-	-	-	250,000
MERIDIAN AVE N & N 155TH ST SIGNAL IMPROV	3,796	355,133	599,525	-	-	-	-	-	-	-	603,321
TRAFFIC SIGNAL REHABILITATION PROGRAM	1,518,407	170,863	170,863	121,551	127,628	134,010	140,711	147,746	155,133	826,779	2,516,049
<u>CAPACITY CONSTRUCTION</u>											
Pedestrian / Non-Motorized Projects											
147TH/148TH NON-MOTORIZED BRIDGE	-	500,000	200,000	300,000	-	-	-	-	-	300,000	500,000
ECHO LAKE SAFE ROUTES TO SCHOOL	115,043	450,305	479,000	5,624	-	-	-	-	-	5,624	599,667
TRAIL ALONG THE RAIL	19,028	275,000	260,000	140,972	-	-	-	-	-	140,972	420,000
Safety / Operations Projects											
145TH CORRIDOR - 99TH TO I5	18,624	4,535,095	4,034,178	1,437,281	-	-	-	-	-	1,437,281	5,490,083
145TH AND I5 INTERCHANGE	0	3,395,000	2,000,000	2,500,000	500,000	7,986,000	8,187,000	-	-	19,173,000	21,173,000
185TH CORRIDOR STUDY	8,275	556,814	150,000	375,000	-	-	-	-	-	375,000	533,275
N 175TH ST - STONE AVE N TO I5	-	1,640,000	-	1,640,000	2,460,000	-	-	-	-	4,100,000	4,100,000
RICHMOND BEACH RE-CHANNELIZATION	-	200,000	30,000	330,000	-	-	-	-	-	330,000	360,000
WESTMINSTER AND 155TH IMPROVEMENTS	8,581	441,419	400,000	100,000	2,610,000	-	-	-	-	2,710,000	3,118,581
<u>PROJECTS TO BE COMPLETED IN CURRENT YEAR (2017)</u>											
160TH AND GREENWOOD/INNIS ARDEN INTERSECTION	-	125,000	125,000	-	-	-	-	-	-	-	125,000
AURORA AVENUE NORTH 192ND - 205TH	41,006,003	208,630	360,705	-	-	-	-	-	-	-	41,366,708
BIKE SYSTEM IMPLEMENTATION	49,702	593,023	592,376	-	-	-	-	-	-	-	642,078
EINSTEIN SAFE ROUTE TO SCHOOL	667,345	8,745	5,762	-	-	-	-	-	-	-	673,107
INTERURBAN TRAIL/BURKE-GILMAN CONNECTORS	116,490	438,009	403,058	-	-	-	-	-	-	-	519,548
RADAR SPEED SIGNS	473	119,983	16,322	127,716	-	-	-	-	-	127,716	144,511
<u>NON-PROJECT SPECIFIC</u>											
ROADS CAPITAL ENGINEERING	2,149,480	360,000	360,000	370,000	385,000	395,000	405,000	415,000	415,000	2,385,000	4,894,480
TRANSPORTATION MASTER PLAN UPDATE	-	260,000	120,000	105,000	400,000	50,000	-	-	-	555,000	675,000
COST ALLOCATION CHARGES	-	64,736	64,736	57,194	55,000	50,000	50,000	50,000	50,000	312,194	376,930
TOTAL EXPENDITURES	62,885,288	17,897,364	13,597,122	10,261,113	8,011,442	11,257,015	10,278,066	3,096,869	2,363,462	45,267,967	121,750,378
REVENUES											
REAL ESTATE EXCISE TAX	-	1,195,965	1,693,142	1,368,768	1,449,263	1,529,005	1,609,641	1,692,370	1,779,363	9,428,410	
INVESTMENT INTEREST	-	61,690	61,690	28,635	39,569	22,335	5,885	13,450	819	110,694	
GENERAL FUND CONTRIBUTION	-	1,848,401	1,191,587	941,982	244,822	241,938	239,403	236,924	236,924	2,141,993	
CMAQ	-	32,527	22,105	-	-	-	-	-	-	-	
CONNECTING WASHINGTON	-	-	-	-	-	7,986,000	8,187,000	-	-	16,173,000	
FEDERAL - STP	-	8,991,458	6,359,608	5,379,464	2,127,900	-	-	-	-	7,507,364	
FTA - RAPID RIDE	-	3,261	6,763	-	-	-	-	-	-	-	
GRANTS FROM PRIVATE SOURCES	-	-	-	-	-	-	-	-	-	-	
HIGHWAY SAFETY IMPROVEMENT PROGRAM (HSIP)	-	518,640	340,570	119,513	-	-	-	-	-	119,513	
PRIVATE DONATIONS	-	-	-	-	1,630,000	-	-	-	-	1,630,000	
SAFE ROUTES TO SCHOOL	-	391,760	416,260	-	-	-	-	-	-	-	
TRANSPORTATION IMPROVEMENT BOARD	-	125,000	361,630	-	-	-	-	-	-	-	
TRANSPORTATION BENEFIT DISTRICT	-	1,497,359	1,497,359	1,222,280	830,000	830,000	830,000	830,000	830,000	5,372,280	
TRANSPORTATION IMPACT FEES	-	221,400	-	221,400	332,100	-	-	-	-	553,500	
WSDOT - PEDESTRIAN & BICYCLE SAFETY PROGRAM	-	403,273	403,058	-	-	-	-	-	-	-	
TOTAL REVENUES		15,290,734	12,353,772	9,282,042	6,653,654	10,609,278	10,871,929	2,772,744	2,847,106	43,036,754	
BEGINNING FUND BALANCE											
TOTAL REVENUES			12,353,772	9,282,042	6,653,654	10,609,278	10,871,929	2,772,744	2,847,106		
TOTAL EXPENDITURES			13,597,122	10,261,113	8,011,442	11,257,015	10,278,066	3,096,869	2,363,462		
RESTRICTED AMOUNT FOR GRANT MATCHING				127,291	100,000	100,000	250,000	250,000	250,000	1,077,291	
ENDING FUND BALANCE	4,822,747		3,579,397	2,473,035	1,015,247	267,510	611,374	37,249	270,893		
IMPACT ON OPERATING BUDGET			119,350	14,351	119,474	119,519	119,519	119,519	119,519		

City of Shoreline 2018 - 2023 Capital Improvement Plan
 Program Summary
 Surface Water Utility Fund

	PRIOR-YRS	2017CB	2017E	2018E	2019E	2020E	2021E	2022E	2023E	6-YEAR TOTAL	TOTAL PROJECT
PROPOSED UTILITY RATE INCREASE				27.0%	15.0%	10.0%	10.0%	5.0%	5.0%		
SWM RATE RESIDENTIAL SF HOME ANNUAL FEE		\$168.81	\$214.38	\$246.54	\$271.19	\$298.31	\$313.23	\$328.89			
PROJECT EXPENDITURES											
CAPACITY											
6TH AVE NE AND NE 200TH ST FLOOD REDUCTION PROJECT	-	-	-	-	-	-	24,761	-	-	24,761	24,761
10TH AVE NE DRAINAGE IMPROVEMENTS	-	250,000	5,000	-	-	-	281,377	258,518	1,570,179	2,110,074	2,110,074
18TH AVENUE NW AND NW 204TH DRAINAGE SYSTEM CONNECTION	-	-	-	-	-	-	16,883	-	-	16,883	16,883
25TH AVE NE DITCH IMPROV BETWEEN NE 177TH AND 178TH STREET	-	-	-	-	-	-	158,697	-	-	158,697	158,697
25TH AVE. NE FLOOD REDUCTION IMPROVEMENTS	327,286	629,861	229,222	51,500	502,367	54,636	56,275	348,328	2,089,592	3,102,698	3,659,206
HERON CREEK CULVERT CROSSING AT SPRINGDALE CT NW	-	-	-	-	-	-	-	130,998	134,928	265,926	265,926
LACK OF SYSTEM AND PONDING ON 20TH AVENUE NW	-	-	-	-	-	-	91,166	-	-	91,166	91,166
NE 148TH INFILTRATION FACILITIES	89,675	11,704	5,000	-	-	-	431,070	11,593	-	442,663	537,338
NW 195TH PLACE AND RICHMOND BEACH DRIVE FLOODING	-	-	-	-	-	-	-	432,989	445,978	878,967	878,967
NW 197TH PL AND 15TH AVE NW FLOODING	-	-	-	-	-	-	7,879	-	-	7,879	7,879
SPRINGDALE CT. NW & RIDGEFIELD RD DRAINAGE IMPROV	-	-	-	-	-	-	-	315,902	325,379	641,281	641,281
STABILIZE NW 16TH PLACE STORM DRAINAGE IN RESERVE M	-	-	-	-	-	-	-	-	33,433	33,433	33,433
REPAIR AND REPLACEMENT											
HIDDEN LAKE DAM REMOVAL	177,023	30,085	67,000	267,800	275,834	1,657,667	22,510	23,185	23,881	2,270,877	2,514,900
NE 177TH STREET DRAINAGE IMPROVEMENTS	-	-	-	-	-	-	10,130	-	-	10,130	10,130
NW 196TH PL & 21ST AVE. NW INFRASTRUCTURE IMPROVEMENTS	-	-	-	-	-	-	93,417	-	-	93,417	93,417
PUMP STATION 26 IMPROVEMENTS	-	-	-	117,420	218,545	-	-	-	-	335,965	335,965
PUMP STATION 30 UPGRADES	-	-	-	92,700	-	-	-	-	-	92,700	92,700
PUMP STATION MISCELLANEOUS IMPROVEMENTS	-	-	-	199,820	-	587,887	-	-	-	787,707	787,707
STORMWATER PIPE REPLACEMENT PROGRAM	1,220,697	235,000	429,376	76,416	477,409	327,821	1,272,272	463,750	1,743,157	4,360,825	6,010,898
SURFACE WATER SMALL PROJECTS	2,412,889	250,000	280,000	309,000	318,270	327,818	562,754	579,637	597,026	2,694,505	5,387,394
OTHER											
12TH AVE NE INFILTRATION POND RETROFITS	-	-	-	-	-	-	42,769	-	-	42,769	42,769
BOEING CREEK REGIONAL STORMWATER FACILITY STUDY	4,228	195,772	196,000	22,937	64,430	-	-	-	-	87,367	287,595
BOEING CREEK RESTORATION PROJECT	20,406	101,595	34,000	-	-	-	56,275	-	-	56,275	110,681
CLIMATE IMPACTS AND RESILIENCY STUDY	-	-	-	-	84,872	-	-	-	-	84,872	84,872
STORM CREEK EROSION MANAGEMENT STUDY	-	-	-	82,400	-	-	-	-	-	82,400	82,400
SURFACE WATER MASTER PLAN	246,518	403,482	253,276	-	-	-	-	289,819	298,513	588,332	1,088,126
SYSTEM CAPACITY MODELING STUDY	-	-	-	-	318,270	-	-	-	-	318,270	318,270
PROJECTS TO BE COMPLETED IN CURRENT YEAR (2017)											
THORNTON CREEK BASIN CONDITION ASSESSMENT	-	150,000	150,000	-	-	-	-	-	-	-	150,000
NON-PROJECT SPECIFIC											
SURFACE WATER CAPITAL ENGINEERING	2,399,558	182,000	182,000	196,833	202,738	208,820	215,085	221,537	228,183	1,273,196	3,854,574
COST ALLOCATION CHARGES	1,002,567	204,105	204,105	205,958	212,137	218,501	225,056	231,807	238,762	1,332,221	2,538,893
TOTAL CAPITAL EXPENDITURES	3,673,277	2,643,604	2,034,979	1,622,784	2,674,872	3,383,150	3,568,376	3,308,063	7,729,011	22,286,256	32,222,082
REVENUES											
INVESTMENT INTEREST	-	41,774	10,044	15,155	82,922	84,577	39,831	249,787	210,281	682,552	682,552
DOE STORMWATER PRE-CONSTRUCTION GRANT	-	250,000	-	-	-	-	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	665,388
KING COUNTY FLOOD REDUCTION GRANT	-	-	26,646	-	370,469	-	-	-	-	370,469	370,469
WA STATE STORMWATER FINANCIAL ASSISTANCE PROGRAM	-	-	-	-	-	-	290,625	-	-	290,625	290,625
FUTURE FUNDING - BONDS	-	-	-	4,700,000	-	-	11,850,000	-	-	16,550,000	16,550,000
TOTAL CAPITAL REVENUES		402,672	147,588	4,826,053	564,289	195,475	12,541,354	360,685	321,179	18,809,034	
BEGINNING FUND BALANCE											
TOTAL CAPITAL REVENUES			3,239,856	1,894,387	5,182,616	3,844,419	1,810,499	11,353,936	9,558,215	1,894,387	
TOTAL CAPITAL EXPENDITURES			147,588	4,826,053	564,289	195,475	12,541,354	360,685	321,179	18,809,034	
SURFACE WATER FEES			2,034,979	1,622,784	2,674,872	3,383,150	3,568,376	3,308,063	7,729,011	22,286,256	
OPERATING GRANTS			4,219,070	5,363,577	6,174,282	6,798,502	7,485,830	7,867,981	8,269,642	41,959,814	
PUBLIC WORKS DEBT SERVICE PAYMENT			50,000	-	-	-	-	-	-	-	
AMOUNT RESTRICTED - LOAN MAINTENANCE FACILITY DEBT SERVICE			344,431	334,638	333,004	331,372	329,740	328,107	-	1,322,223	
NEW DEBT SERVICE			119,086	119,086	119,086	119,086	119,086	119,086	119,086	714,516	
STORMWATER PIPE REPL DEBT SERVICE PAYMENT			-	377,376	377,376	377,376	1,328,845	1,328,845	1,328,845	5,118,663	
TOTAL DEBT SERVICE			182,391	158,352	158,352	158,352	158,352	158,352	158,352	950,112	
TOTAL OPERATING EXPENDITURES			645,908	612,076	987,818	986,186	984,554	1,934,390	1,606,283	8,105,514	
ENDING FUND BALANCE	3,239,856	1,894,387	5,182,616	3,844,419	1,810,499	11,353,936	9,558,215	3,570,783	3,570,783		
MINIMUM REQUIRED RESERVE (20% OF OPERATING REVENUES)			853,814	1,072,715	1,234,856	1,359,700	1,497,166	1,573,596	1,653,928		
VARIANCE ABOVE MINIMUM REQUIRED RESERVE			1,040,573	4,109,901	2,609,563	450,799	9,856,770	7,984,618	1,916,855		
SURFACE WATER MASTER PLAN FUND BALANCE TARGETS:											
MINIMUM OPERATING EXPENDITURE TARGET (120 DAYS)			1,024,133	1,410,674	1,451,740	1,532,118	1,637,583	1,680,013	1,723,712		
MINIMUM CAPITAL EXPENDITURE TARGET (2% OF ASSETS)			430,802	463,258	516,755	584,418	655,786	721,947	876,527		
MINIMUM DEBT SERVICE TARGET (ONE NEW DEBT SERVICE PAYMENT)			-	377,376	377,376	377,376	1,328,845	1,328,845	1,328,845		
SURFACE WATER MASTER PLAN FUND BALANCE TARGET			1,454,935	2,251,307	2,345,871	2,493,912	3,622,213	3,730,805	3,929,084		
VARIANCE ABOVE/(BELOW) MINIMUM FUND BALANCE TARGET:			439,452	2,931,309	1,498,548	(683,413)	7,731,273	5,827,409	(358,301)		
IMPACT ON OPERATING BUDGET											