

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussing the 2018 Year-End Financial Report
DEPARTMENT:	Administrative Services
PRESENTED BY:	Sara Lane, Administrative Services Director Rick Kirkwood, Budget & Tax Manager
ACTION:	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

The 2018 Year-End Financial Report is attached to this staff report as Attachment A. This report summarizes the financial activities during 2018 for all City funds with detailed information provided on the General Fund, Street Fund, Surface Water Utility Fund, General Capital Fund and Roads Capital Fund. Additionally, the report includes the year end summary for the City's Transportation Impact Fee and Park Impact Fee collections and expenditures.

This report is provided to keep the City Council informed of the financial issues and the financial position of the City.

RESOURCE/FINANCIAL IMPACT:

The table on page 2 of the 2018 Year-End Financial Report provides a summary of the financial results for all City funds for 2018.

RECOMMENDATION

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

ATTACHMENTS

Attachment A: 2018 Year-End Financial Report

Approved By: City Manager **DT** City Attorney **MK**



2018 FOURTH QUARTER FINANCIAL REPORT

PERFORMANCE AT A GLANCE

GENERAL FUND REVENUES	COMPARED TO 2018 BUDGET	COMPARED TO 2017 ACTUAL	REFERENCE
PROPERTY TAX REVENUE	◀NEUTRAL▶	▲ POSITIVE ▲	PAGE 10
SALES TAX REVENUE	▲ POSITIVE ▲	▲ POSITIVE ▲	PAGE 11, 12
UTILITY TAX, FRANCHISE FEE & CONTRACT PAYMENT REVENUE	▼ NEGATIVE ▼	▼ NEGATIVE ▼	PAGE 14, 15
DEVELOPMENT REVENUE	▲ POSITIVE ▲	▲ POSITIVE ▲	PAGE 16
PARKS AND RECREATION REVENUE	▲ POSITIVE ▲	▲ POSITIVE ▲	PAGE 17
INVESTMENT INCOME	▲ POSITIVE ▲	▲ POSITIVE ▲	PAGE 18, 24, 25
NON-GENERAL FUND REVENUES			
FUEL TAX	▲ POSITIVE ▲	▲ POSITIVE ▲	PAGE 19
REAL ESTATE EXCISE TAX	▲ POSITIVE ▲	▼ NEGATIVE ▼	PAGE 22
SURFACE WATER FEES	◀NEUTRAL▶	▲ POSITIVE ▲	PAGE 23

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.

This report reflects revenue collections and expenditures through December 31, 2018. The above table reflects differences when compared to the current budget's projection and the prior year's actual.

- General Fund receipts are 9.7% more than 2017. Expenditures are 4.6% more than 2017 with departmental expenditures more than 2017 by 7.0% and operating transfers out less by 21.3%. See pages 8-18 for details. Utility Tax, Franchise Fee and Contract Payment receipts are less than the budget projection and 2017 by 7.5% and 2.6%, respectively.
- As part of the fiscal year 2017 state audit, the State Auditor's Office recommended a change to the City's standard practice of accruing revenues received for a prior fiscal year that are received by January 31 of the current year back to that prior fiscal year. The revised accrual procedure will include accruing prior fiscal year revenues distributed by the state to the City through February 28 of the current year back to the prior year to align with BARS guidance on revenue recognition periods. For example, the impact for 2018 will include reporting thirteen periods of prior year sales tax revenues (received between February 2018 through February 2019) as opposed to the normal twelve periods as reflected in some of the tables and charts on pages 11 and 12. This change is reflected in receipts for other revenues, such as: Local Criminal Justice Tax, Intergovernmental, Gas Tax, et al. Future reports will reflect twelve months of prior fiscal year revenue for comparison purposes.
- Street Fund receipts are 16.0% more than 2017 as a result of the revised accrual procedure discussed above. Fuel Tax revenue receipts are 15.7% more than 2017. See page 19 for details. Operating expenditures, excluding transfers out, are 4.1% less than 2017. It is important to note that the transfers out included a one-time transfer of \$630,645 to the General Fund, which was planned for in the 2018 Final Budget. Per the Adopted Budget, these monies will be in reserve for future improvements for the City's maintenance facility. The General Fund contribution was reduced because the fund has sufficient fund balance to meet its operational needs at the beginning of the 2019-2020 biennium.
- Revenue receipts are 2.7% less than the year-end estimate, which is attributable to surface water fees coming in just slightly more than budgeted and grant revenues coming in 62.9% less-than-anticipated. Surface water fees are 37.1% more than 2017 as a result of the rate increase to support the Surface Water Master Plan. Surface Water Utility operations expended 63.5% of the Operating Budget, which is 32.1% more than 2017. Capital projects expended 82.1% of the Capital Budget. See page 23 for details.
- Real Estate Excise Tax revenue receipts are 9.7% less than 2017. See page 22 for details.
- More information on each budget by fund and the scope and timing of capital projects, including updated estimates, can be found in the City's 2019-2020 Adopted Biennial Budget and 2019-2024 Capital Improvement Plan book on pp. 251-276 and 302-415, respectively available at the following link:
<http://www.shorelinewa.gov/home/showdocument?id=42538>



2018 FOURTH QUARTER FINANCIAL REPORT

ALL FUNDS BUDGET AND YEAR-OVER-YEAR COMPARISON OVERVIEW

RESOURCES

FUND	2018 Current Budgeted Revenues	2018 Fourth Quarter Actual	2018 % of Current Budget	2017 Current Budgeted Revenues	2017 Fourth Quarter Actual	2017 % of Current Budget	2018 v. 2017 \$ Change	2018 v. 2017 % Change
General Fund	\$43,004,250	\$44,329,784	103.1%	\$41,251,836	\$40,399,021	97.9%	\$3,930,762	9.7%
Street Fund	1,296,037	1,465,749	113.1%	1,276,822	1,263,849	99.0%	201,900	16.0%
Code Abatement Fund	80,550	16,268	20.2%	80,550	214,892	266.8%	(198,624)	-92.4%
State Drug Enforcement Fund	18,243	14,522	79.6%	18,243	467,488	2562.6%	(452,966)	-96.9%
Public Arts Fund	5,000	10,537	210.7%	8,000	6,365	79.6%	4,172	65.5%
Federal Drug Enforcement Fund	13,000	631	4.9%	13,200	2,317	17.6%	(1,686)	-72.8%
Property Tax Equalization Fund	0	0	0.0%	0	0	0.0%	0	0.0%
Federal Crime Forfeitures Fund	0	0	0.0%	201,500	145,922	72.4%	(145,922)	-100.0%
Transportation Impact Fee	200,000	952,660	476.3%	200,000	1,004,387	502.2%	(51,727)	-5.2%
Park Impact Fee	50,000	31,781	63.6%	0	0	0.0%	31,781	0.0%
Revenue Stabilization Fund	0	0	0.0%	0	0	0.0%	0	0.0%
Unltd Tax GO Bond Fund	1,680,742	1,673,831	99.6%	1,700,000	1,682,952	99.0%	(9,121)	-0.5%
Limited Tax GO Bond 2009 Fund	320,000	362,655	113.3%	353,254	360,311	102.0%	2,344	0.7%
Limited Tax GO BAN 2018 Fund	0	0	0.0%	0	0	0.0%	0	0.0%
Limited Tax GO Bond 2013 Fund	0	0	0.0%	0	0	0.0%	0	0.0%
General Capital Fund*	1,662,975	2,084,028	123.8%	2,317,477	2,333,343	100.7%	(249,315)	-10.7%
City Facility-Major Maint. Fund*	883	1,345	152.3%	12	856	7132.8%	489	57.1%
Roads Capital Fund*	4,782,989	3,842,395	80.3%	10,609,800	5,560,598	52.4%	(1,718,203)	-30.9%
Surface Water Utility Fund*	6,074,200	5,907,519	97.3%	4,184,519	4,308,638	103.0%	1,598,881	37.1%
Wastewater Utility Fund	2,297,901	1,922,872	83.7%	441,904	448,013	101.4%	1,474,859	329.2%
Vehicle Operations/ Maint. Fund	503,786	457,235	90.8%	438,123	441,611	100.8%	15,625	3.5%
Equipment Replacement Fund	505,627	466,105	92.2%	443,487	371,702	83.8%	94,403	25.4%
Unemployment Fund	0	1,109	0.0%	0	629	0.0%	480	76.4%
TOTAL REVENUE	\$62,516,183	\$63,541,026	101.6%	\$63,538,728	\$59,012,894	92.9%	\$4,528,132	7.7%
Proceeds from Capital Assets	\$2,105,700	\$30,571	1.5%	\$2,100,000	\$93,215	4.4%	(\$62,644)	-67.2%
Transfers In	7,503,327	5,846,112	77.9%	7,539,749	7,307,378	96.9%	(1,461,266)	-20.0%
Other Financing Sources	29,700,000	245,231	0.8%	0	0	0.0%	245,231	0.0%
Budgeted Use of Fund Balance	12,964,930	0	0.0%	16,725,379	0	0.0%	0	0.0%
TOTAL RESOURCES	\$114,790,140	\$69,662,940	60.7%	\$89,903,856	\$66,413,488	73.9%	\$3,249,453	4.9%

EXPENDITURES

FUND	2018 Current Budgeted Expenditures	2018 Fourth Quarter Actual	% of Current Budget	2017 Current Budgeted Expenditures	2017 Fourth Quarter Actual	2017 % of Current Budget	2018 v. 2017 \$ Change	2018 v. 2017 % Change
General Fund	\$45,210,942	\$39,799,975	88.0%	\$43,187,838	\$37,184,187	86.1%	\$2,615,788	7.0%
Street Fund	1,447,258	1,123,244	77.6%	1,397,482	1,171,024	83.8%	(47,780)	-4.1%
Code Abatement Fund	130,000	0	0.0%	100,000	4,000	4.0%	(4,000)	-100.0%
State Drug Enforcement Fund	18,243	6,471	35.5%	19,043	14,592	76.6%	(8,121)	-55.7%
Public Arts Fund	195,246	56,193	28.8%	96,203	75,836	78.8%	(19,643)	-25.9%
Federal Drug Enforcement Fund	58,000	47,923	82.6%	58,000	0	0.0%	47,923	0.0%
Property Tax Equalization Fund	0	0	0.0%	0	0	0.0%	0	0.0%
Federal Crime Forfeitures Fund	0	0	0.0%	0	0	0.0%	0	0.0%
Transportation Impact Fee	0	0	0.0%	0	0	0.0%	0	0.0%
Park Impact Fee	0	0	0.0%	0	0	0.0%	0	0.0%
Revenue Stabilization Fund	0	0	0.0%	0	0	0.0%	0	0.0%
Unltd Tax GO Bond Fund	1,697,925	1,695,216	99.8%	1,710,375	1,702,971	99.6%	(7,755)	-0.5%
Limited Tax GO Bond 2009 Fund	1,661,417	1,659,217	99.9%	1,662,817	1,661,094	99.9%	(1,877)	-0.1%
Limited Tax GO BAN 2018 Fund	200,000	0	0.0%	0	0	0.0%	0	0.0%
Limited Tax GO Bond 2013 Fund	260,635	260,295	99.9%	260,948	260,545	99.8%	(250)	-0.1%
General Capital Fund*	30,481,121	5,325,670	17.5%	7,562,691	5,886,115	77.8%	(560,445)	-9.5%
City Facility-Major Maint. Fund*	181,742	178,548	98.2%	103,931	103,930	100.0%	74,618	71.8%
Roads Capital Fund*	5,874,956	3,741,676	63.7%	12,747,386	5,242,135	41.1%	(1,500,459)	-28.6%
Surface Water Utility Fund*	6,565,430	4,982,436	75.9%	5,194,077	4,899,579	94.3%	82,857	1.7%
Wastewater Utility Fund	2,297,901	2,029,495	88.3%	441,904	323,423	73.2%	1,706,072	527.5%
Vehicle Operations/ Maint. Fund	523,786	388,057	74.1%	453,123	426,214	94.1%	(38,157)	-9.0%
Equipment Replacement Fund	336,844	328,674	97.6%	701,787	683,074	97.3%	(354,400)	-51.9%
Unemployment Fund	17,500	15,508	88.6%	17,500	3,896	22.3%	11,612	298.1%
TOTAL DEPARTMENTAL EXPENDITURES	\$97,158,946	\$61,638,595	63.4%	\$75,715,105	\$59,642,613	78.8%	\$1,995,983	3.3%
Transfers Out	7,505,657	5,846,112	77.9%	9,474,453	7,307,378	77.1%	(1,461,266)	-20.0%
TOTAL EXPENDITURES	\$104,664,603	\$67,484,707	64.5%	\$85,189,558	\$66,949,991	78.6%	\$534,717	0.8%

* CIP Funds "Current Budget" reflects the Revised Estimate presented in the 2019-2024 CIP



2018 FOURTH QUARTER FINANCIAL REPORT

Attachment A



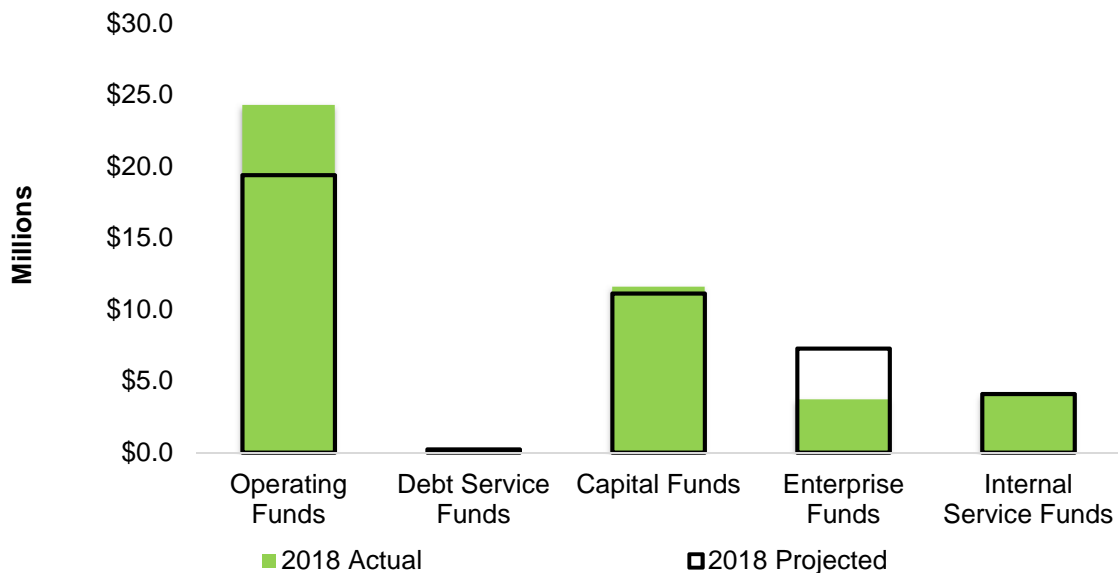
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2018 FOURTH QUARTER FINANCIAL REPORT

FUND BALANCE OVERVIEW

FUND TYPE Fund Title	Beginning Fund Balance	Plus: Revenues	Plus: Other Financing Sources	Less: Expenditures	Less: Transfers Out	Equals: Ending Fund Balance	Projected Ending Fund Balance	Variance from Projection
OPERATING FUNDS:								
General Fund	\$14,049,641	\$44,329,784	\$2,049,209	\$39,799,975	\$2,814,808	\$17,813,850	\$13,233,643	\$4,580,208
Revenue Stabilization Fund	5,150,777	0	0	0	0	5,150,777	5,150,777	0
Property Tax Equalization Fund	0	0	0	0	0	0	0	0
Street Fund	996,276	1,465,749	155,697	1,123,244	917,631	576,847	407,540	169,307
Code Abatement Fund	378,830	16,268	0	0	0	395,098	378,830	16,268
State Drug Enforcement Fund	465,730	14,522	0	6,471	399,897	73,884	66,454	7,430
Public Arts Fund	326,775	10,537	2,283	56,193	0	283,403	139,387	144,016
Federal Drug Enforcement Fund	69,543	631	0	47,923	0	22,251	24,653	(2,402)
Federal Crime Forfeitures Fund	0	0	0	0	0	0	0	0
Sub-Total Operating Funds	\$21,437,572	\$45,837,490	\$2,207,189	\$41,033,805	\$4,132,336	\$24,316,110	\$19,401,284	\$4,914,827
DEBT SERVICE FUNDS:								
Unltd Tax GO Bond Fund	\$2,276	\$1,673,831	\$20,000	\$1,695,216	\$0	\$892	\$2,276	(\$1,384)
Limited Tax GO Bond 2009 Fund	21,455	362,655	1,276,417	1,659,217	0	1,310	21,455	(20,145)
Limited Tax GO Bond 2013 Fund	470	0	260,125	260,295	0	300	470	(170)
Limited Tax GO BAN 2018 Fund	0	0	0	0	0	0	200,000	(200,000)
Sub-Total Debt Service Funds	\$24,201	\$2,036,486	\$1,556,542	\$3,614,728	\$0	\$2,502	\$224,201	(\$221,700)
CAPITAL FUNDS:								
General Capital Fund*	\$3,820,110	\$2,084,028	\$1,368,633	\$5,325,670	\$686,047	\$1,261,054	\$2,559,319	(\$1,298,265)
City Facility-Major Maint. Fund*	111,244	1,345	124,032	178,548	0	58,073	54,417	3,656
Roads Capital Fund*	6,468,370	3,842,395	739,617	3,741,676	59,477	7,249,229	6,468,370	780,859
Transportation Impact Fee	2,058,935	952,660	0	0	9,426	3,002,169	2,037,535	964,634
Park Impact Fee	0	31,781	0	0	0	31,781	0	31,781
Sub-Total Capital Funds	\$12,458,659	\$6,912,210	\$2,232,282	\$9,245,893	\$754,950	\$11,602,307	\$11,119,641	\$482,666
ENTERPRISE FUNDS:								
Surface Water Utility Fund*	\$3,409,745	\$5,907,519	\$70,359	\$4,982,436	\$710,310	\$3,694,877	\$6,976,694	(\$3,281,817)
Wastewater Utility Fund	124,590	1,922,872	0	2,029,495	0	17,967	291,055	(273,088)
Sub-Total Enterprise Funds	\$3,534,335	\$7,830,391	\$70,359	\$7,011,930	\$710,310	\$3,712,844	\$7,267,749	(\$3,554,905)
INTERNAL SERVICE FUNDS:								
Vehicle Operations/ Maint. Fund	\$292,623	\$457,235	\$0	\$388,057	\$248,516	\$113,285	\$99,668	\$13,617
Equipment Replacement Fund	3,703,663	466,105	55,543	328,674	0	3,896,637	3,941,769	(45,132)
Unemployment Fund	72,595	1,109	0	15,508	0	58,196	55,095	3,101
Sub-Total Internal Service Funds	\$4,068,881	\$924,449	\$55,543	\$732,239	\$248,516	\$4,068,118	\$4,096,532	(\$28,414)
ALL FUNDS TOTAL	\$41,523,648	\$63,541,026	\$6,121,915	\$61,638,595	\$5,846,112	\$43,701,881	\$42,109,407	\$1,592,475





2018 FOURTH QUARTER FINANCIAL REPORT

Attachment A

DESCRIPTION OF VARIANCE (>10%) OF ENDING FUND BALANCE IN OPERATING, CAPITAL AND ENTERPRISE FUND BALANCE:

General Fund: The 2018 ending fund balance is \$4.580 million, or 34.6%, more than the projected 2018 ending fund balance. Compared to the year-end estimate, receipts are \$1.098 million, or 2.5%, more but departmental expenditures are \$2.983 million, or 7.0%, less. Some areas experiencing savings include: budgeted contingencies, police services contract and jail housing. The year-end estimate anticipated it would transfer \$1.252 million to the General Capital and Roads Capital funds, of which 97.7% was transferred.

Street Fund: The 2018 ending fund balance is \$0.169 million, or 41.5%, more than the projected 2018 ending fund balance. Compared to the year-end estimate, receipts are \$0.151 million, or 11.5%, more but operational expenditures are \$0.187 million, or 14.2%, less. The year-end estimate anticipated it would receive \$0.281 million from the General Fund, of which only \$0.101 million was transferred because the ending fund balance is sufficient to meet its operational needs at the beginning of the 2019-2020 biennium.

State Drug Enforcement Fund: The 2018 ending fund balance is \$0.007 million, or 11.2%, more than the projected 2018 ending fund balance. Compared to the year-end estimate, receipts are \$4,342, or 23.0%, less but departmental expenditures are \$11,772, or 35.5%, less. The year-end estimate anticipated it would transfer \$399,897 to the General Capital Fund for the Police Station at City Hall project, of which the full amount was transferred.

Public Arts Fund: The 2018 ending fund balance is \$0.144 million, or 103.3%, more than the projected 2018 ending fund balance. Compared to the year-end estimate, receipts are \$2,837, or 36.8%, more but departmental expenditures are \$138,895, or 71.2%, less due to a delay in the installation of a permanent art piece. Transfers to the Public Arts Fund are booked in 2017 from General Capital Fund for the Police Station at City Hall and Regional Trail Signage projects and from the Roads Capital Fund for the Complete Streets-Ped/Bike Gaps project.

General Capital Fund: The 2018 ending fund balance is \$1.298 million, or 50.7%, less than the projected 2018 ending fund balance. Compared to the year-end estimate, all resources, inclusive of other financing sources, are \$24.771 million, or 87.8%, less and capital expenditures are \$25.156 million, or 82.5%, less. The year-end estimate anticipated it would receive \$24.800 million in bond proceeds and acquire property for the Community and Aquatics Center, but the bonds were not issued and the property was not acquired in 2018.

Roads Capital Fund: The 2018 ending fund balance is \$0.780 million, or 12.1%, more than the projected 2018 ending fund balance. Compared to the year-end estimate, receipts are \$0.941 million, or 19.7%, less but capital expenditures are \$2.133 million, or 36.3%, less. The year-end estimate anticipated it would receive \$0.759 million from the General Fund, of which 96.2% was transferred to support staffing and Curb Ramp, Gutter and Sidewalk, Trail Along the Rail, .147th/148th Non-Motorized Bridge, 160th and Greenwood/Innis Arden, 185th Corridor Study, and Westminster and 155th Improvements projects.

Transportation Impact Fees Fund: The 2018 ending fund balance is \$0.965 million, or 47.3%, more than the projected 2018 ending fund balance. Compared to the year-end estimate, receipts are \$0.753 million, or 376.3%, more but transfers to the Roads Capital Fund are \$0.212 million, or 95.7%, less. The year-end estimate anticipated it would transfer \$0.221 million to the Roads Capital Fund, of which 4.1% was transferred to support the N 175th St – Stone Ave to I-5 project.

Park Impact Fees Fund: The 2018 ending fund balance is \$0.032 million more than the projected 2018 ending fund balance. Compared to the year-end estimate, receipts are \$0.018 million, or 36.4%, less but transfers to the General Capital Fund are \$0.050 million, or 100.0%, less. The year-end estimate anticipated it would transfer \$0.050 million to the General Capital Fund, of which 0.0% was transferred to support the Outdoor Multi-Use Sport Court project.

Surface Water Utility Fund: The 2018 ending fund balance is \$3.282 million, or 50.7%, less than the projected 2018 ending fund balance. Compared to the year-end estimate, receipts are \$0.167 million, or 2.7%, less and expenditures are \$1.583 million, or 24.1%, less. The year-end estimate anticipated it would receive \$4.700 million in bond proceeds but the City only needed \$500,000 in 2018. The balance of the bond proceeds will be received in 2019 and 2020.

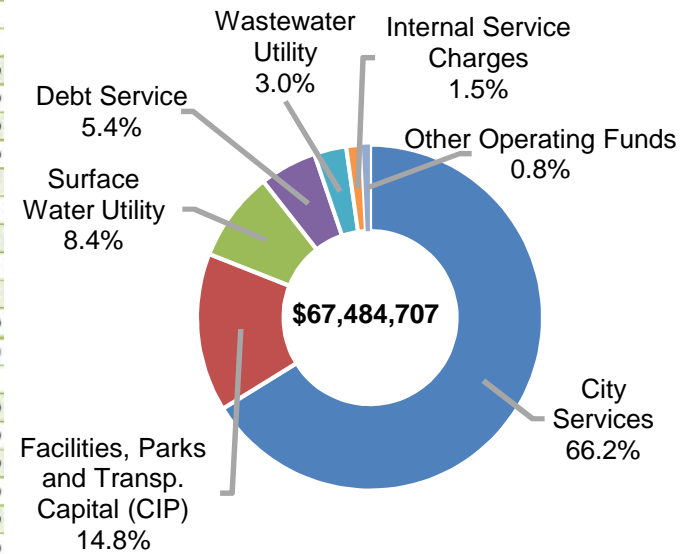
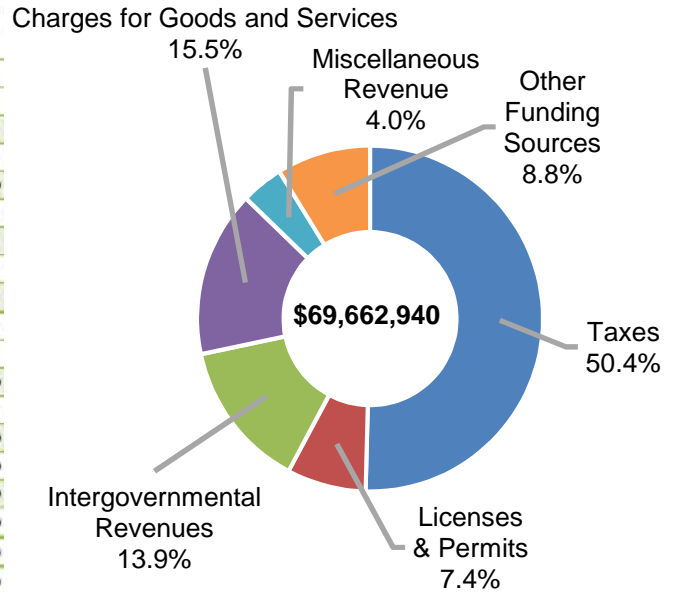
Wastewater Utility Fund: The 2018 ending fund balance is \$0.273 million, or 93.8%, less than the projected 2018 ending fund balance. Compared to the year-end estimate, receipts are \$0.375 million, or 16.3%, less and expenditures are \$0.102 million, or 4.8%, less.



2018 FOURTH QUARTER FINANCIAL REPORT

SOURCES AND USES OVERVIEW

RESOURCES BY TYPE	2018 Current Budget	2018 Year-End Estimate	2018 Actual	Variance from Year-End Estimate
BEGINNING FUND BALANCE	\$41,023,648	\$41,023,648	\$41,023,648	
REVENUES:				
Taxes	\$32,836,389	\$33,561,460	\$35,122,431	\$1,560,971
Licenses & Permits	4,820,117	4,763,562	5,157,101	393,539
Intergovernmental Revenues	20,643,557	12,435,151	9,673,971	(2,761,180)
Charges for Goods and Services	10,402,167	10,058,762	10,826,222	767,460
Fines and Forfeits	404,000	404,000	471,536	67,536
Miscellaneous Revenues	1,361,481	1,306,673	1,617,229	310,556
Investment Earnings	161,227	165,908	672,536	506,628
Total Revenues	\$70,628,938	\$62,695,516	\$63,541,026	\$845,510
OTHER FINANCING SOURCES:				
Proceeds from Capital Assets	2,105,700	2,105,700	30,571	(2,075,129)
Transfers In General Fund Overhead	1,077,991	1,077,991	1,077,991	0
Transfers In General Fund Capital Support	2,574,807	1,626,141	1,597,287	(28,854)
Transfers In General Fund Support	437,213	281,092	143,525	(137,567)
Other Transfers In	3,413,316	3,148,666	3,027,309	(121,357)
Other Financing Sources	29,700,000	29,700,000	245,231	(29,454,769)
Total Other Financing Sources	\$39,309,027	\$37,939,590	\$6,121,915	(\$31,817,675)
TOTAL FUNDING SOURCES	\$150,961,613	\$141,658,754	\$110,686,589	(\$30,972,166)
Uses by Fund Type	2018 Current Budget	2018 Year-End Estimate	2018 Actual	Variance from Year-End Estimate
USES:				
OPERATING BUDGET				
Salaries & Benefits	\$17,844,562	\$17,139,918	\$16,980,305	(\$159,613)
Supplies	1,360,871	1,483,068	1,105,893	(377,174)
Other Services & Charges	9,955,631	9,459,297	7,538,664	(1,920,633)
Intergovernmental Services	15,677,557	15,301,360	14,504,675	(796,685)
Interfund Payments/Charges	605,902	605,902	607,445	1,543
Budgeted Contingency	1,118,418	0	0	0
Capital Outlays	95,259	102,937	186,237	83,300
Debt Services - Principal	0	0	0	0
Debt Services - Interest	0	0	0	0
Transfers Out	5,132,293	4,028,306	3,732,439	(295,867)
Sub-Total Operating Uses	\$51,790,493	\$48,120,787	\$44,655,658	(\$3,465,130)
ALL OTHER FUNDS				
Other Operating Funds	801,386	681,228	510,483	(170,745)
Debt Service	3,819,977	3,619,977	3,614,728	(5,249)
Facilities, Parks and Roads Capital (CIP)	50,293,588	37,552,460	10,000,843	(27,551,617)
Surface Water Utility	7,597,735	7,275,740	5,692,746	(1,582,994)
Wastewater Utility	2,297,901	2,131,436	2,029,495	(101,941)
Internal Service Funds	1,126,646	1,051,085	980,755	(70,330)
Sub-Total All Other Funds	\$65,937,233	\$52,311,926	\$22,829,050	(\$29,482,877)
TOTAL USES	\$117,727,726	\$100,432,714	\$67,484,707	(\$32,948,006)
ENDING FUND BALANCE	\$74,257,536	\$82,249,689	\$43,201,881	\$1,975,841





2018 FOURTH QUARTER FINANCIAL REPORT

Attachment A



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2018 FOURTH QUARTER FINANCIAL REPORT

GENERAL FUND BUDGET AND YEAR-OVER-YEAR COMPARISON OVERVIEW

RESOURCES

General Fund Resource	2018 Current Budget	2018 Fourth Quarter Actual Revenue	% of 2018 Current Budget	2017 Current Budget	2017 Fourth Quarter Actual Revenue	% of 2017 Current Budget	Operating 2018 v. 2017 \$ Change	Operating 2018 v. 2017 % Change
Property Tax	\$12,759,858	\$12,644,231	99.1%	\$12,531,317	\$12,172,701	97.1%	\$471,530	3.9%
Sales Tax	8,428,191	10,414,951	123.6%	7,969,800	8,629,376	108.3%	1,785,575	20.7%
Local Criminal Justice	1,570,543	1,960,448	124.8%	1,476,779	1,524,609	103.2%	435,839	28.6%
Gambling Tax, Utility Tax, Franchise Fee & Contract Payments	10,539,119	9,845,493	93.4%	10,314,534	10,049,376	97.4%	(203,883)	-2.0%
Development Revenue	3,009,528	3,490,490	116.0%	2,412,675	2,846,875	118.0%	643,615	22.6%
Park and Recreation Revenue	1,770,687	1,880,684	106.2%	1,752,317	1,799,502	102.7%	81,182	4.5%
Intergovernmental Revenue	2,459,756	1,906,410	77.5%	2,496,401	1,523,977	61.0%	382,433	25.1%
Grant Revenue	1,166,308	409,251	35.1%	763,695	355,956	46.6%	53,296	15.0%
Fines and Licenses	601,275	673,379	112.0%	650,225	633,098	97.4%	40,281	6.4%
Miscellaneous Revenue	628,385	714,244	113.7%	813,493	688,792	84.7%	25,452	3.7%
Interest Income	70,600	390,201	552.7%	70,600	174,757	247.5%	215,444	123.3%
Total Revenues	\$43,004,250	\$44,329,784	103.1%	\$41,251,836	\$40,399,021	97.9%	\$3,930,762	9.7%
Proceeds from Capital Assets	0	15,814	0.0%	0	2,571	0.0%	13,243	515.1%
Operating Transfers In	1,833,395	1,833,395	100.0%	1,675,308	1,537,226	91.8%	296,169	19.3%
Other Financing Sources	0	200,000	0.0%	0	0	0.0%	200,000	0.0%
Budgeted Use of Fund Balance	6,173,934	0	0.0%	0	0	0.0%	0	0.0%
Total Resources	\$51,011,579	\$46,378,992	90.9%	\$42,927,144	\$41,938,818	97.7%	\$4,440,174	10.6%

EXPENDITURES & TRANSFERS

Department	2018 Current Budget	2018 Fourth Quarter Actual Revenue	% of 2018 Current Budget	2017 Current Budget	2017 Fourth Quarter Actual Revenue	% of 2017 Current Budget	Operating 2018 v. 2017 \$ Change	Operating 2018 v. 2017 % Change
City Council	\$248,652	\$226,141	90.9%	\$247,942	\$232,857	93.9%	(\$6,716)	-2.9%
City Manager's Office ¹	4,055,298	3,105,438	76.6%	3,827,536	2,870,306	75.0%	235,133	8.2%
City Attorney	861,437	741,136	86.0%	825,590	826,688	100.1%	(85,552)	-10.3%
Community Services ²	1,768,029	1,664,931	94.2%	1,641,211	1,573,771	95.9%	91,160	5.8%
Administrative Services ³	6,284,873	5,317,942	84.6%	5,862,899	4,250,815	72.5%	1,067,127	25.1%
Citywide	1,980,831	1,142,763	57.7%	2,307,160	1,109,809	48.1%	32,953	3.0%
Human Resources	499,237	465,766	93.3%	471,496	451,664	95.8%	14,102	3.1%
Police	12,346,618	11,607,461	94.0%	12,141,260	11,186,563	92.1%	420,899	3.8%
Criminal Justice	3,133,059	2,620,087	83.6%	3,068,384	2,841,598	92.6%	(221,511)	-7.8%
Parks	7,091,753	6,372,949	89.9%	6,298,747	5,967,427	94.7%	405,521	6.8%
Planning & Community Development	3,621,742	3,377,000	93.2%	3,182,400	2,900,172	91.1%	476,828	16.4%
Public Works	3,319,413	3,158,361	95.1%	3,313,213	2,972,517	89.7%	185,844	6.3%
Departmental Expenditures	\$45,210,942	\$39,799,975	88.0%	\$43,187,838	\$37,184,187	86.1%	\$2,615,788	7.0%
Operating Transfers Out	4,202,736	2,814,808	67.0%	5,115,462	3,574,900	69.9%	(760,092)	-21.3%
Total Expenditures	\$49,413,678	\$42,614,783	86.2%	\$48,303,300	\$40,759,086	84.4%	\$1,855,696	4.6%

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

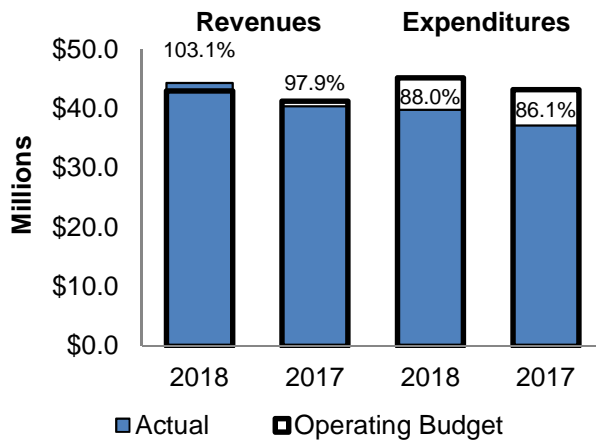
2. Community Services includes Neighborhoods, Customer Response Team, Emergency Management Planning, and Human Services.

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



2018 FOURTH QUARTER FINANCIAL REPORT

GENERAL FUND FINANCIAL OVERVIEW



General Fund	Resources	Expenditures
2018 Current Budget	\$51,011,579	\$49,413,678
Less Budgeted Use of Fund Balance	6,173,934	N/A
Less Budgeted Transfers	1,833,395	4,202,736
Operating Budget	\$43,004,250	\$45,210,942
Actual Operating Receipts/Expenditures	\$44,329,784	\$39,799,975
% of Budgeted Revenues/Expenditures	103.1%	88.0%
2017 Current Budget	\$50,103,168	\$48,303,300
Less Budgeted Use of Fund Balance	7,176,024	N/A
Less Budgeted Transfers	1,675,308	5,115,462
Operating Budget	\$41,251,836	\$43,187,838
Actual Operating Receipts/Expenditures	\$40,399,021	\$37,184,187
% of Budgeted Revenues/Expenditures	97.9%	86.1%
Operating 2018 v. 2017 \$ Change	\$3,930,762	\$2,615,788
Operating 2018 v. 2017 % Change	9.7%	7.0%

The Current Budget reflects the planned use of Fund Balance for one-time investments and transfers in from other funds as provided in the City's financial policies. Operating Receipts/Expenditures reflects revenues or expenditures to provide services accounted for within that fund.

Revenues

General Fund revenue received reflects an increase of 9.7% over 2017. Without account for the revised accrual procedure noted on the first page of this report, General Fund receipts came in \$253,262, or 0.6%, more than budget and \$25,531, or 0.06%, more than revised projections. The following pages present a detailed analysis of various General Fund revenue sources. The following are highlights comparing 2018 to 2017 for the General Fund:

- Property tax receipts are 3.9% more than those for 2017.
- Sales tax receipts reflecting activity from December 2017 through November 2018 are more than the budget's year-to-date projection by 12.8% and 2017 collections by 10.2%. Total receipts, reflecting the revised accrual procedure noted on the first page of this report, are 20.7% more than 2017 collections.
- Intergovernmental Revenue receipts are 25.1% more than 2017. Receipts from sources other than Sound Transit reimbursements total \$1,277,494 and are 24.4% more than the 2017 due to the revised accrual procedure noted on the first page of this report.
- Utility Tax, Franchise Fee and Contract Payment receipts are less than the budget projection and 2017 by 7.5% and 2.6%, respectively.
- Local development activity in 2018, in terms of the number of building permits pulled for new construction and remodels, is less than 2017; however, the valuation is \$48.0 million more. This results in increased permit fees collected. Additionally, some permit revenue from the Shoreline School District projects has been deferred but will be posted in 2019.

Expenditures

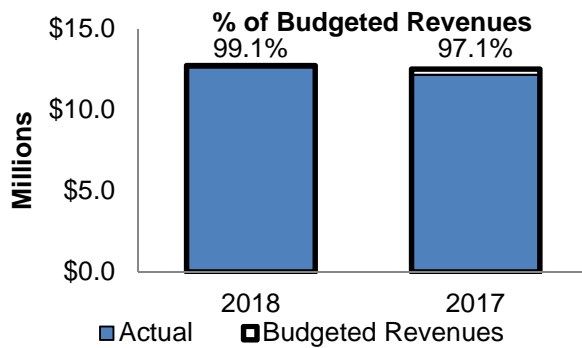
Departments spent \$39.800 million, or 88.0%, of the Operating Budget. This level of expenditures is 7.0% more than 2017 level. The General Fund transferred \$2.8 million, or 67.0%, of its budgeted support to other funds. This level is 21.3% less than 2017, largely due to timing of support needed for capital projects.

Total expenditures, including transfers out, representing expenditure of 86.2% of the Current Budget, are 4.6% more than 2017.

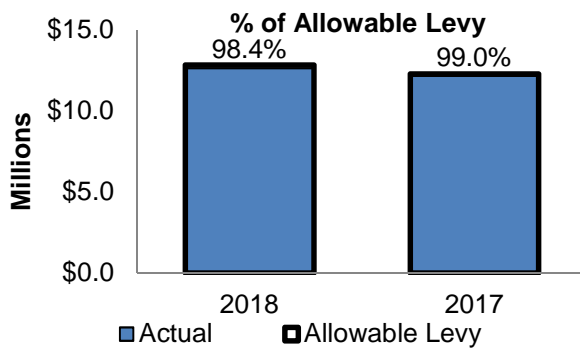


2018 FOURTH QUARTER FINANCIAL REPORT

PROPERTY TAX



2018 Current Budget	\$12,759,858
2018 Fourth Quarter Actual Revenue	\$12,644,231
2018 % of Current Budget Received	99.1%
2017 Current Budget	\$12,531,317
2017 Fourth Quarter Actual Revenue	\$12,172,701
2017 % of Current Budget Received	97.1%
2018 v. 2017 \$ Change	\$471,530
2018 v. 2017 % Change	3.9%



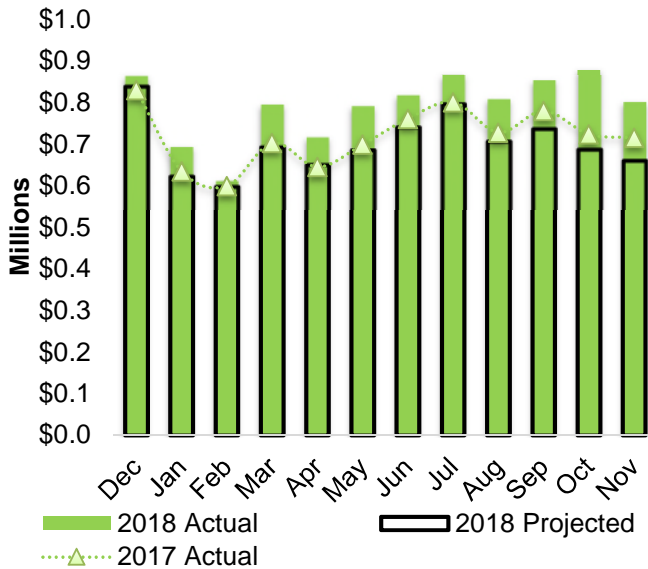
Property tax payments are due to King County in April and October. The County then must remit the City's portion resulting in the majority of collections occurring in the second and fourth quarters. Receipts for 2018 and 2017 as a percentage of the budgeted projection are at 99.1% and 97.1%, respectively. In terms of the allowable levy, which in many cases is different than the budgeted projection, receipts for 2018 and 2017 are 98.4% and 99.0%, respectively, which indicates that some taxpayers may be delinquent.



2018 FOURTH QUARTER FINANCIAL REPORT

SALES TAX

Sales Tax receipts presented in the chart and table below and on the next page reflect activity from December 2017 through November 2018 and are more than the budget's projection by \$1,080,822, or 12.8%, and 2017 collections by \$879,637, or 10.2%. Receipts from the Construction sector are more than the year-ago level by 42.2% but the Retail Trade sector saw minimal growth at 1.7%. Staff believes the increase in the All Others category is largely the result of the additional internet sales tax collections resulting from the Marketplace Fairness Act, which required internet and out-of-state retailers to collect sales taxes effective January 1, 2018.

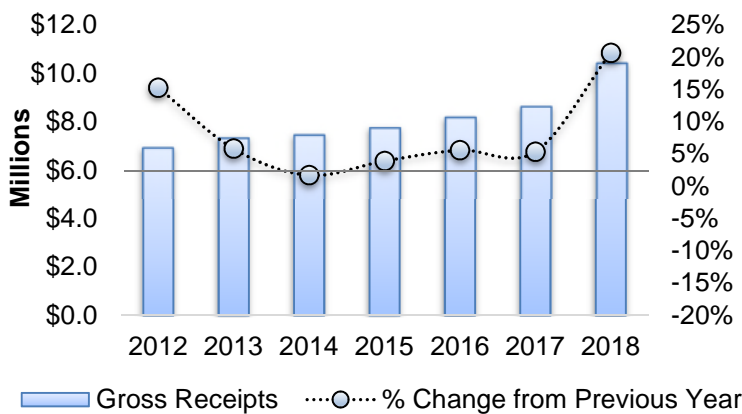


2018 Current Budget **\$8,428,191**

Sales tax revenue: December - November

Sales Activity	2017	2018
December	\$830,653	\$864,879
January	635,543	694,368
February	600,093	613,044
March	703,715	796,123
April	645,855	717,917
May	699,799	792,214
June	761,881	818,455
July	801,787	866,669
August	728,834	809,099
September	780,513	854,746
October	724,607	878,983
November	716,095	802,515
Year to date	\$8,629,376	\$9,509,013
\$ Change		\$879,637
% Change		10.2%

The following chart and table reflects a comparison of sales tax receipts by year with 2018 reflecting the revised accrual procedure noted on the first page of this report:



Year	Fourth Quarter Actual Revenue	% Change from Previous Year
2012	\$6,932,874	15.3%
2013	\$7,336,805	5.8%
2014	\$7,462,886	1.7%
2015	\$7,756,235	3.9%
2016	\$8,189,740	5.6%
2017	\$8,629,376	5.4%
2018	\$10,414,951	20.7%

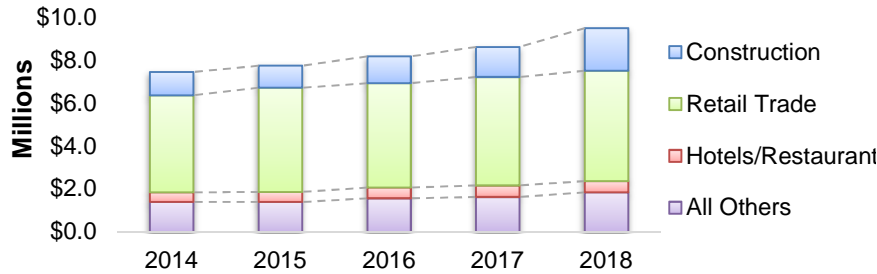


2018 FOURTH QUARTER FINANCIAL REPORT

SALES TAX (CONTINUED)

This page illustrates the performance of various sectors for the period of December 2017 through November 2018, which does not reflect the revised accrual procedure noted on the first page of this report. The chart and first table present a view of the four primary categories followed by a breakdown of the Retail Trade category.

SALES TAX BY PRIMARY CATEGORY: DECEMBER – NOVEMBER



Sector	2014	2015	2016	2017	2018
Construction	\$1,088,201	\$1,029,064	\$1,250,022	\$1,399,914	\$1,991,289
\$ Change		(\$59,137)	\$220,958	\$149,892	\$591,375
% Change		-5.4%	21.5%	12.0%	42.2%
Retail Trade	\$4,528,070	\$4,857,283	\$4,866,734	\$5,057,999	\$5,142,810
\$ Change		\$329,214	\$9,451	\$191,264	\$84,811
% Change		7.3%	0.2%	3.9%	1.7%
Hotels/Restaurant	\$440,339	\$473,001	\$501,086	\$538,542	\$528,382
\$ Change		\$32,662	\$28,085	\$37,456	(\$10,160)
% Change		7.4%	5.9%	7.5%	-1.9%
All Others	\$1,406,276	\$1,396,886	\$1,571,898	\$1,632,922	\$1,846,532
\$ Change		(\$9,390)	\$175,012	\$61,024	\$213,610
% Change		-0.7%	12.5%	3.9%	13.1%
Total Revenue	\$7,462,886	\$7,756,235	\$8,189,740	\$8,629,376	\$9,509,013
\$ Change		\$293,348	\$433,505	\$439,636	\$879,637
% Change		3.9%	5.6%	5.4%	10.2%

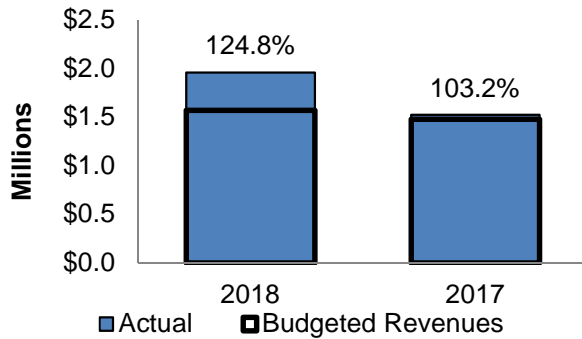
SALES TAX BY RETAIL TRADE CATEGORY: DECEMBER – NOVEMBER

Retail Trade	2015 Dec- November	2016 Dec- November	2016v.2015 \$ Change	2017 Dec- November	2017v.2016 \$ Change	2018 Dec- November	2018v.2017 \$ Change
Motor Veh. & Parts Dealer	\$1,350,157	\$1,383,558	\$33,401	\$1,406,119	\$22,560	\$1,314,403	(\$91,716)
Furn. & Home Furnishings	58,847	65,877	7,030	71,996	6,119	81,746	9,750
Electronics and Appliances	111,503	105,294	(6,209)	114,803	9,510	112,687	(2,117)
Building Material & Garden	787,425	773,383	(14,042)	848,902	75,519	880,704	31,801
Food & Beverage Stores	263,631	315,552	51,921	296,053	(19,499)	318,243	22,190
Health & Personal Care	211,545	231,800	20,255	247,638	15,838	255,614	7,976
Gasoline Stations	75,269	73,372	(1,897)	77,960	4,587	73,113	(4,847)
Clothing & Accessories	59,628	75,375	15,747	84,421	9,046	96,547	12,127
Sporting Goods, Hobby	84,163	78,834	(5,329)	79,950	1,115	90,428	10,478
General Merch. Stores	1,424,571	1,282,598	(141,973)	1,304,339	21,742	1,285,210	(19,130)
Misc. Store Retailers	236,280	245,312	9,032	268,982	23,670	454,966	185,984
Nonstore Retailers	194,265	235,779	41,514	256,836	21,057	179,150	(77,686)
Total Retail Trade	\$4,857,283	\$4,866,734	\$9,451	\$5,057,999	\$191,264	\$5,142,810	\$84,811



2018 FOURTH QUARTER FINANCIAL REPORT

LOCAL CRIMINAL JUSTICE TAX

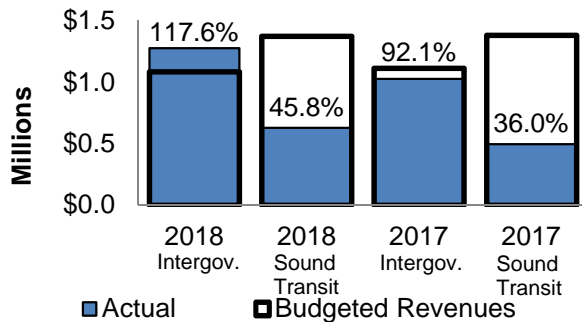


2018 Current Budget	\$1,570,543
2018 Fourth Quarter Actual Revenue	\$1,960,448
2018 % of Current Budget Received	124.8%
2017 Current Budget	\$1,476,779
2017 Fourth Quarter Actual Revenue	\$1,524,609
2017 % of Current Budget Received	103.2%
2018 v. 2017 \$ Change	\$435,839
2018 v. 2017 % Change	28.6%

Local Criminal Justice Sales Tax receipts are 28.6% more than 2017 as a result of the revised accrual procedure noted on the first page of this report. Receipts are 24.8% more than the year-to-date budget projection, largely due to the revised accrual procedure noted on the first page of this report.

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.

INTERGOVERNMENTAL REVENUE



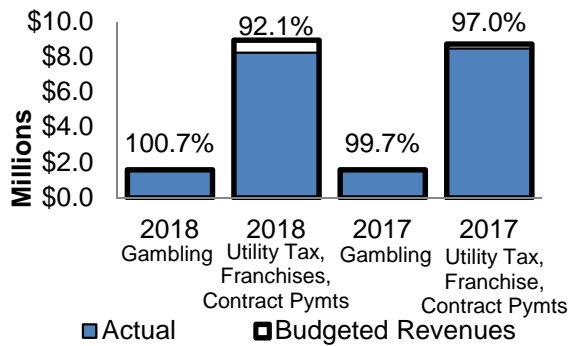
2018 Current Budget	\$2,459,756
2018 Fourth Quarter Actual Revenue	\$1,906,410
2018 % of Current Budget Received	77.5%
2017 Current Budget	\$2,496,401
2017 Fourth Quarter Actual Revenue	\$1,523,977
2017 % of Current Budget Received	61.0%
2018 v. 2017 \$ Change	\$382,433
2018 v. 2017 % Change	25.1%

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. Total receipts are 25.1% more than 2017. The first bill to Sound Transit was paid in the fourth quarter of 2016, 71.0% of the year-end estimate has been reimbursed in 2018, and the balance of the reimbursement is anticipated to be received in 2019 as work on the project continues. Receipts from sources other than Sound Transit reimbursements total \$1,277,494 represent 110.2% of the 2018 year-end estimates and are 24.4% more than 2017 due to the revised accrual procedure noted on the first page of this report.



2018 FOURTH QUARTER FINANCIAL REPORT

GAMBLING TAX, UTILITY TAX, FRANCHISE FEE & CONTRACT PAYMENTS



2018 Current Budget	\$10,539,119
2018 Fourth Quarter Actual Revenue	\$9,845,493
2018 % of Current Budget Received	93.4%
2017 Current Budget	\$10,314,534
2017 Fourth Quarter Actual Revenue	\$10,049,376
2017 % of Current Budget Received	97.4%
2018 v. 2017 \$ Change	(\$203,883)
2018 v. 2017 % Change	-2.0%

The City levies tax on gross operating revenues for gambling and utility operations as shown in the table below. The City's agreement with Seattle City Light imposes a six percent contract fee on total electrical revenues. The City also has franchises with water and cable services with fees imposed at 6% and 5%, respectively. The Shoreline Municipal Code should be consulted to determine if specific deductions and credits are allowed.

Gambling	Rate on Gross Revenue (For-Profit)	Rate on Gross Revenue (Non-Profit)
Amusement Games	2.0%	2.0%
Bingo/Raffles	5.0%	5.0%
Card Rooms	10.0%	10.0%
Pull Tabs/Punch Boards	5.0%	10.0%
Utility	Rate on Gross Revenue	Effective Rate on Billed Charges
Cable	6.0%	6.0%
Natural Gas	6.0%	6.7%
Telephone/Cellular/Pager	6.0%	6.4% to 6.6%
Solid Waste	6.0%	6.5%
Storm Drainage	6.0%	6.0%

Total gambling receipts, including late payment penalties, in the amount of \$1,598,224 are 1.0% more than 2017 collections. Revenue from pull tab/punch board activity has declined year-over-year.

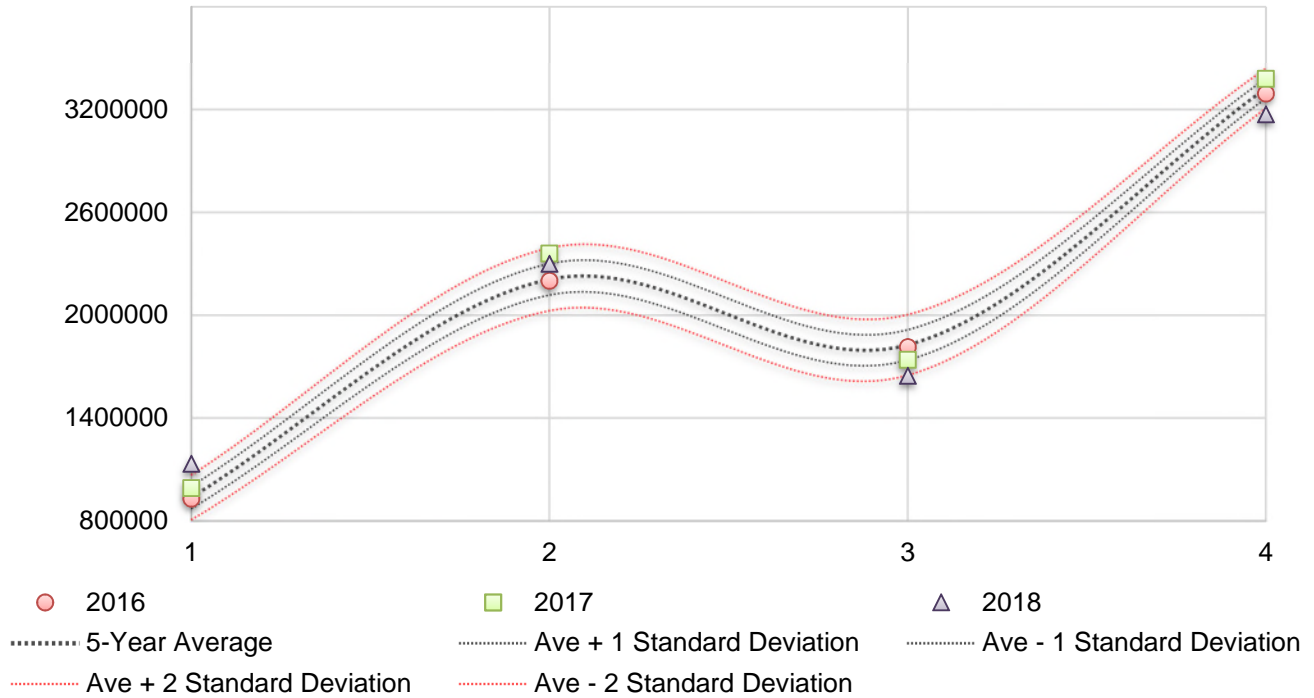
Utility Tax, Franchise Fee and Contract Payment receipts, in the amount of \$8,247,269, are less than the budget projection and 2017 by 7.5% and 2.6%, respectively.



2018 FOURTH QUARTER FINANCIAL REPORT

GAMBLING TAX, UTILITY TAX, FRANCHISE FEE & CONTRACT PAYMENTS

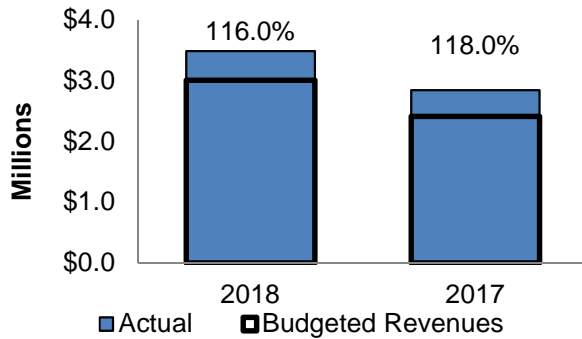
The chart below shows the five-year average plus or minus one- and two-standard deviations with the projection for fourth quarter receipts totaling between \$3,204,049 and \$3,436,060. Fourth quarter receipts totaled \$3,172,282.





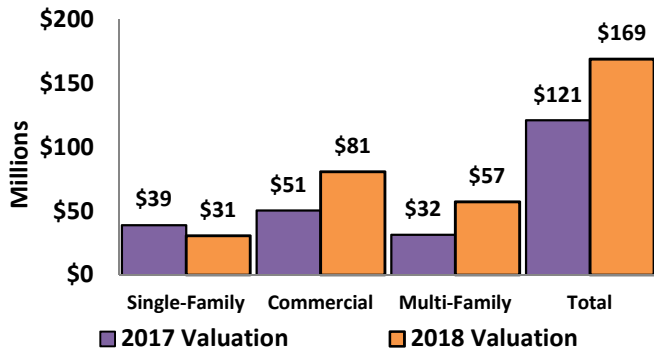
2018 FOURTH QUARTER FINANCIAL REPORT

DEVELOPMENT REVENUE



2018 Current Budget	\$3,009,528
2018 Fourth Quarter Actual Revenue	\$3,490,490
2018 % of Current Budget Received	116.0%
2017 Current Budget	\$2,412,675
2017 Fourth Quarter Actual Revenue	\$2,846,875
2017 % of Current Budget Received	118.0%
2018 v. 2017 \$ Change	\$643,615
2018 v. 2017 % Change	22.6%

Valuation of Building Permits

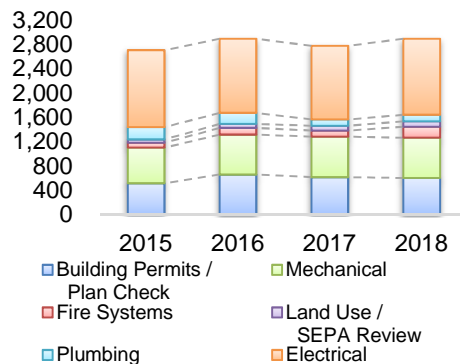


Development revenue receipts are 22.6% above 2017 receipts and are more than the budget projection by 27.5%. Total permits processed are 117, or 4.2%, more.

Local development activity in 2018, in terms of the number of building permits pulled for new construction and remodels, is less than the year-ago level but valuation is significantly higher. In 2018, 38 fewer permits have been issued for new single-family residences, with a value that is \$8.2 million less, as compared to 2017. Eighteen more permits have been issued for commercial / multi-family construction (new and remodels), with a value that is \$56.1 million more than 2017.

Valuation of 347 building permits for new construction and remodels totals \$169.1 million and is comprised of 18.2% residential and 81.8% commercial / multi-family valuation. In 2017 valuation of 367 permits totaled \$121.1 million and was comprised of 32.2% residential and 67.8% commercial / multi-family construction.

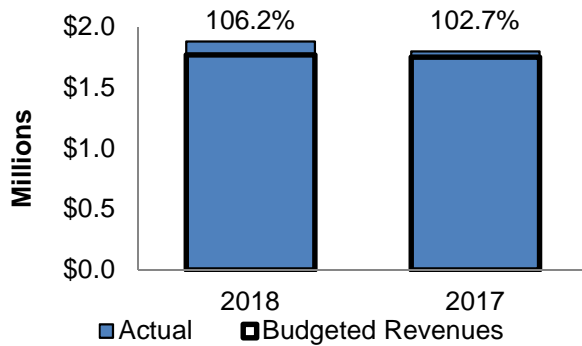
PERMIT TYPE	2015	2016	2017	2018	# Change	% Change
Building Permits / Plan Check	519	662	620	606	(14)	-2.3%
Mechanical	585	656	665	661	(4)	-0.6%
Fire Systems	79	110	100	181	81	81.0%
Land Use / SEPA Review	56	65	79	89	10	12.7%
Plumbing	202	182	102	107	5	4.9%
Electrical	1,264	1,216	1,210	1,249	39	3.2%
Total	2705	2,891	2,776	2,893	117	4.2%





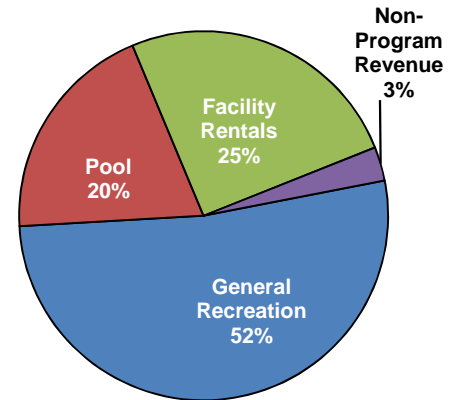
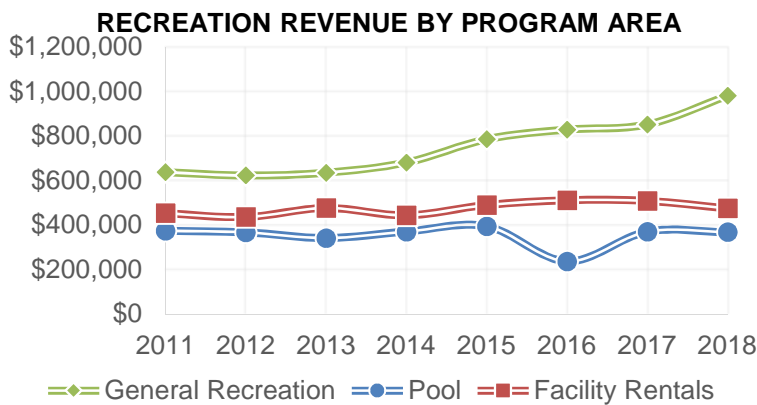
2018 FOURTH QUARTER FINANCIAL REPORT

PARKS AND RECREATION REVENUE



2018 Current Budget	\$1,770,687
2018 Fourth Quarter Actual Revenue	\$1,880,684
2018 % of Current Budget Received	106.2%
2017 Current Budget	\$1,752,317
2017 Fourth Quarter Actual Revenue	\$1,799,502
2017 % of Current Budget Received	102.7%
2018 v. 2017 \$ Change	\$81,182
2018 v. 2017 % Change	4.5%

Parks and Recreation revenue receipts are 4.5% more than 2017 with receipts for general recreation programs more by 15.1%. Receipts for facility rentals and the Shoreline Pool are less than 2017 by 6.6% and 0.6%, respectively. The decrease for facility rentals is largely attributable to less revenue from adult grass/dirt field rentals, due to renovations at Twin Ponds Park.



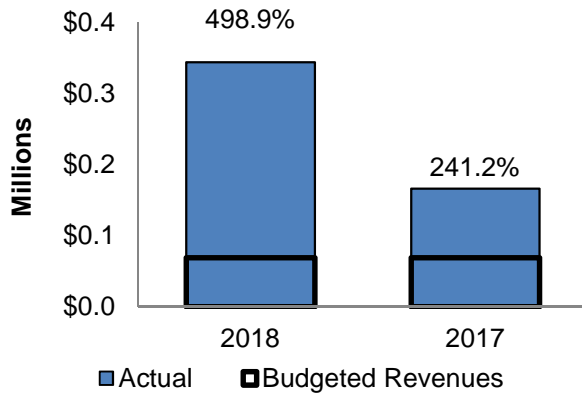
Revenue by Program Area:

Year	General Recreation	Gen Rec % of Total	Pool	Pool % of Total	Facility Rentals	Fac Rent % of Total	Total Program Revenue	Non-Program Revenue	Total Revenue
2011	\$637,929	43.5%	\$374,828	25.6%	\$453,393	30.9%	\$1,466,150	\$35,575	\$1,501,725
2012	\$622,996	43.6%	\$367,770	25.8%	\$436,651	30.6%	\$1,427,417	\$71,370	\$1,498,787
2013	\$635,767	43.7%	\$342,378	23.5%	\$477,255	32.8%	\$1,455,400	\$91,740	\$1,547,140
2014	\$681,718	45.5%	\$371,070	24.8%	\$444,438	29.7%	\$1,497,226	\$86,036	\$1,583,262
2015	\$786,086	47.0%	\$395,456	23.7%	\$490,501	29.3%	\$1,672,042	\$90,716	\$1,762,758
2016	\$829,493	52.5%	\$237,277	15.0%	\$512,083	32.4%	\$1,578,853	\$69,463	\$1,648,316
2017	\$852,094	49.2%	\$370,920	21.4%	\$508,922	29.4%	\$1,731,935	\$67,567	\$1,799,502
2018	\$980,872	53.8%	\$368,669	20.2%	\$475,189	26.0%	\$1,824,729	\$55,955	\$1,880,684



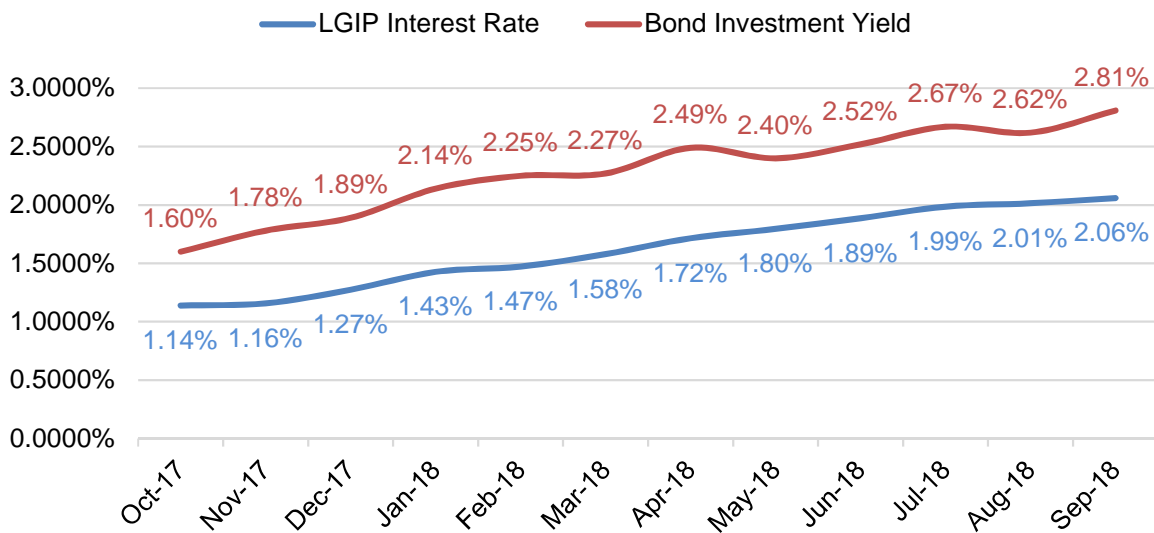
2018 FOURTH QUARTER FINANCIAL REPORT

INVESTMENT INCOME



2018 Current Budget	\$69,000
2018 Fourth Quarter Actual Revenue	\$344,243
2018 % of Current Budget Received	498.9%
2017 Current Budget	\$69,000
2017 Fourth Quarter Actual Revenue	\$166,443
2017 % of Current Budget Received	241.2%
2018 v. 2017 \$ Change	\$177,799
2018 v. 2017 % Change	106.8%

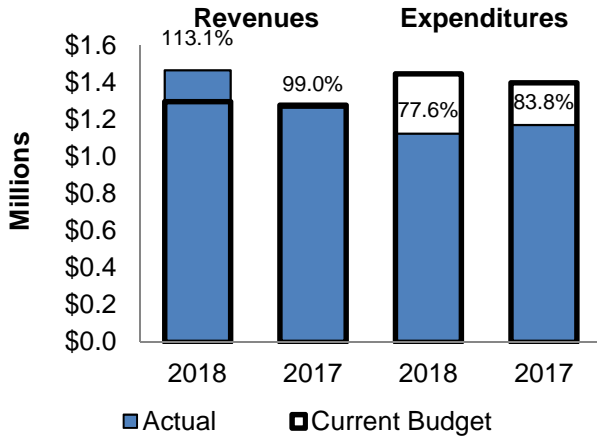
Investment earnings are more than 2017 by 106.8% as a result of rising interest rates. The City’s investment policy adheres to strict standards as prescribed by federal law, state statutes, and local ordinances, and allows the City to develop an investment model to maximize its investment returns with the primary objectives of safety and liquidity.





2018 FOURTH QUARTER FINANCIAL REPORT

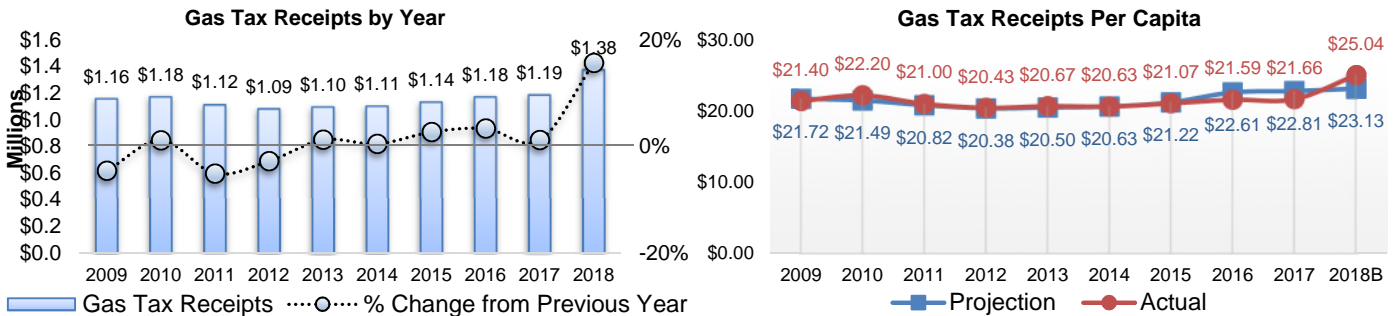
STREET FUND



Street Fund	Resources	Expenditures
2018 Current Budget	\$2,376,815	\$2,376,815
Less Budgeted Use of Fund Balance	588,738	N/A
Less Budgeted Transfers	492,040	929,557
Operating Budget	\$1,296,037	\$1,447,258
Operating Receipts/Expenditures	\$1,465,749	\$1,123,244
% of Budgeted Revenues/Expenditures	113.1%	77.6%
2017 Current Budget	\$1,721,485	\$1,721,485
Less Budgeted Use of Fund Balance	200,260	N/A
Less Budgeted Transfers	244,403	324,003
Operating Budget	\$1,276,822	\$1,397,482
Operating Receipts/Expenditures	\$1,263,849	\$1,171,024
% of Budgeted Revenues/Expenditures	99.0%	83.8%
Operating 2018 v. 2017 \$ Change	\$201,900	(\$47,780)
Operating 2018 v. 2017 % Change	16.0%	-4.1%

Total receipts, excluding transfers in, are 16.0% more than the year-ago level as a result of the revised accrual procedure noted on the first page of this report. Without account for the revised accrual procedure noted on the first page of this report, Street Fund receipts came in \$83,316, or 6.4%, more than budget and \$64,595, or 4.9%, more than revised projections.

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 are 15.7% more than 2017. Without accounting for the revised accrual, Gas Tax receipts came in \$101,161, or 8.5%, more than 2017, \$18,549, or 1.5%, more than budget, \$172, or 0.01%, less than revised projections, and at \$23.47 per capita, which is equal to revised estimates.

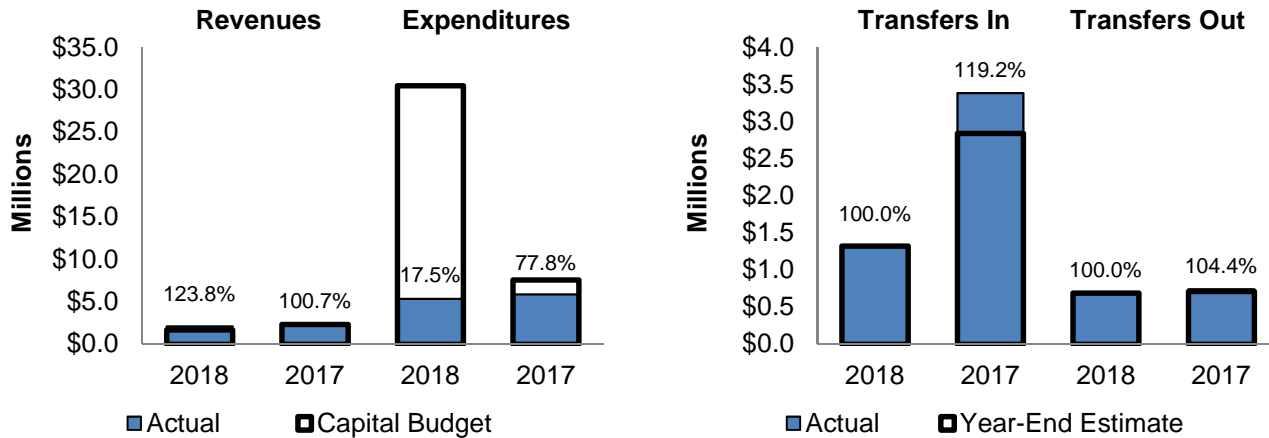


Operating expenditures, excluding transfers out, are 4.1% less than the year-ago level. Expenditures, including transfers out, are 36.0% more than the year-ago level. This is largely attributable to a one-time transfer of \$630,645, which was planned for in the 2018 Final Budget, to transfer fund balance in excess of the Street Fund's minimum required balance of \$254,700 back to the General Fund. The City Manager intends to set these monies aside in reserve for future improvements to a maintenance facility.



2018 FOURTH QUARTER FINANCIAL REPORT

GENERAL CAPITAL FUND



General Capital Fund	Resources	Expenditures
2018 Year-End Estimate	\$29,906,377	\$31,167,168
Less Other Sources & Transfers	28,223,402	686,047
Capital Budget	\$1,682,975	\$30,481,121
Actual Capital Receipts/Expenditures	\$2,084,028	\$5,325,670
% of Estimated Revenues/Expenditures	123.8%	17.5%
2017 Year-End Estimate	\$7,256,385	\$8,272,419
Less Other Sources & Transfers	4,938,908	709,728
Capital Budget	\$2,317,477	\$7,562,691
Actual Capital Receipts/Expenditures	\$2,333,343	\$5,886,115
% of Estimated Revenues/Expenditures	100.7%	77.8%
Capital 2018 v. 2017 \$ Change	(\$249,315)	(\$560,445)
Capital 2018 v. 2017 % Change	-10.7%	-9.5%

Revenue receipts are 23.8% more than the year-end estimate, which is largely attributable to Real Estate Excise Tax receipts coming in 12.6% more-than-anticipated and a \$204,000 settlement related to the Turf & Lighting Repair and Replacement project. The year-over-year change in Transfers In is mainly attributable to transfers in totaling \$943,637 from the General Fund in support of the Police Station at City Hall project. General Fund contributions to the General Capital Fund are 58.3% less than 2017. Transfers Out are comprised of transfers to the General Fund for overhead and the Limited Tax General Obligation Bond Fund for City Hall debt service payments. Transfers Out for 2017 were 4.4% more as additional transfers to the Public Arts Fund were booked from the Police Station at City Hall and Regional Trail Signage projects.

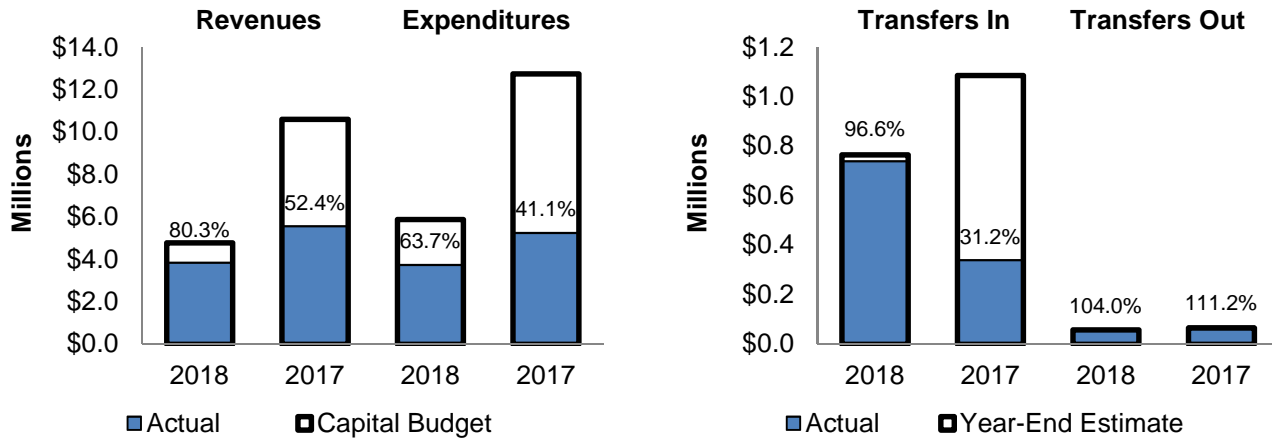
Capital projects expended 82.5% less than the year-end estimate. The adopted budget and year-end estimate anticipated it would receive \$24.800 million in bond proceeds and acquire property for the Community and Aquatics Center, but the bonds were not issued and the property was not acquired. Other capital expenditures are impacted by the timing of construction schedules.

More information on the scope and timing of capital projects, including updated estimates, can be found on pp. 302-324 of the City's 2019-2020 Adopted Biennial Budget and 2019-2024 Capital Improvement Plan book available at the following link: <http://www.shorelinewa.gov/home/showdocument?id=42538>



2018 FOURTH QUARTER FINANCIAL REPORT

ROADS CAPITAL FUND



Roads Capital Fund	Resources	Expenditures
2018 Year-End Estimate	\$5,548,784	\$5,932,150
Less Budgeted Transfers	765,795	57,194
Capital Budget	\$4,782,989	\$5,874,956
Actual Capital Receipts/Expenditures	\$3,842,395	\$3,741,676
% of Estimated Revenues/Expenditures	80.3%	63.7%
2017 Year-End Estimate	\$11,696,387	\$12,812,122
Less Budgeted Transfers	1,086,587	64,736
Capital Budget	\$10,609,800	\$12,747,386
Actual Capital Receipts/Expenditures	\$5,560,598	\$5,242,135
% of Estimated Revenues/Expenditures	52.4%	41.1%
Capital 2018 v. 2017 \$ Change	(\$1,718,203)	(\$1,500,459)
Capital 2018 v. 2017 % Change	-30.9%	-28.6%

Revenue receipts are 19.7% less than the year-end estimate, which is largely attributable to Real Estate Excise Tax receipts coming in 12.6% more-than-anticipated but grant revenue coming in 86.9% less than anticipated. General Fund contributions to the Roads Capital Fund are 115.0% more than 2017. The 2018 budget includes one-time transfers from the General Fund in support of the following capital projects listed in the table below. Funds are transferred from the General Fund as expenditures are incurred by the projects.

Project	Current Budget	Amount Spent YTD	Budgeted General Fund Support	GF Support Transferred
Trail Along the Rail	\$339,002	\$9,885	\$213,030	\$9,885
147th/148th Non-Motorized Bridge	\$499,945	\$3,962	\$349,945	\$3,962
160th and Greenwood/Innis Arden	\$105,000	\$3,453	\$105,000	\$3,453
185th Corridor Study	\$515,691	\$188,847	\$515,691	\$188,847
Westminster and 155th Improvements	\$482,017	\$482,732	\$273,436	\$273,436

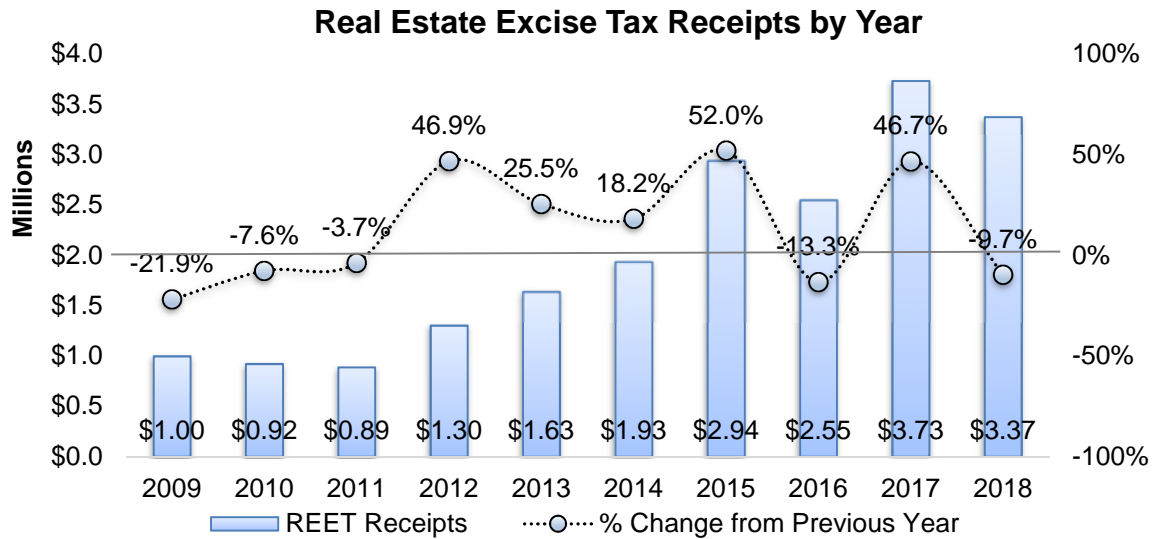
Capital projects expended 20.8% of the adopted budget but 63.7% less than the year-end estimate as budget estimates for the 145th Corridor – 99 to I5 and 145th and I5 Interchange projects were too high and construction was delayed on the Annual Road Surface Maintenance Program and Meridian Ave N & N 155th Street Signal Improvement Projects. Transfers Out are comprised of transfers to the General Fund for overhead and the Public Arts Fund from eligible projects. In 2017, the Interurban Trail/Burke-Gilman Connectors and Echo Lake Safe Routes to School projects were determined to be eligible. In 2018, the Complete Streets-Ped/Bike Gaps project was determined to be eligible. Capital expenditures are impacted by the timing of construction schedules. More information on the scope and timing of capital projects, including updated estimates, can be found on pp. 344-375 of the City's 2019-2020 Adopted Biennial Budget and 2019-2024 Capital Improvement Plan book available at the following link:

<http://www.shorelinewa.gov/home/showdocument?id=42538>



2018 FOURTH QUARTER FINANCIAL REPORT

REAL ESTATE EXCISE TAX

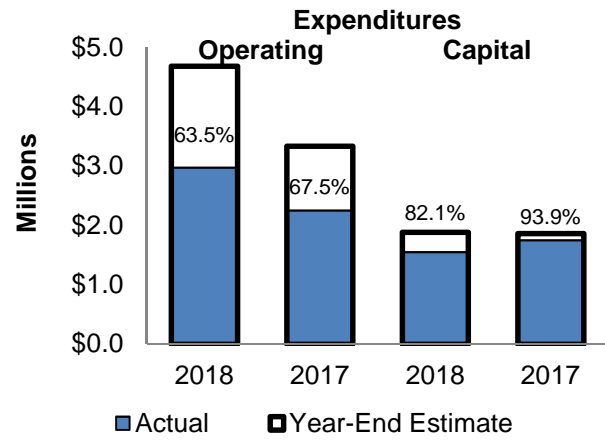
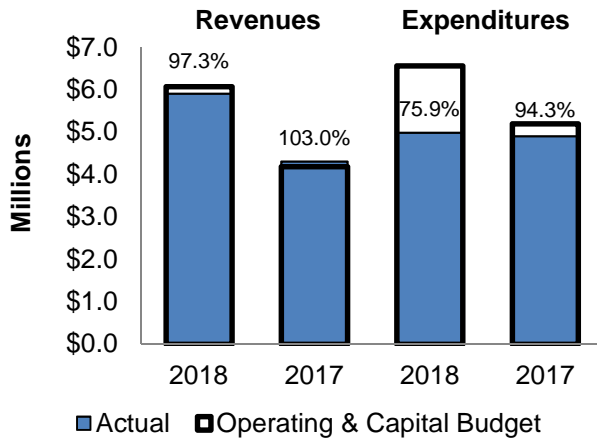


Real Estate Excise Tax (REET) revenue receipts, in the amount of \$3,372,574, are \$360,651, or 9.7%, less than 2017, but more than the budget projection and revised estimates by 23.2% and 12.6%, respectively. The number of transactions through the fourth quarter are down 11.2% as compared to 2017. Of these transactions, 101 had a value that is greater than \$1 million and accounted for 32.3% of the valuation/taxes. That is, 10.6% of transactions through the fourth quarter accounted for 32.3% of the valuation/taxes.



2018 FOURTH QUARTER FINANCIAL REPORT

SURFACE WATER UTILITY FUND



Surface Water Utility Fund	Resources	Expenditures
2018 Year-End Estimate	\$10,842,689	\$7,275,740
Less Other Sources & Transfers	4,768,489	710,310
Operating & Capital Budget	\$6,074,200	\$6,565,430
Actual Oper.+Cap. Receipts/Expenditures	\$5,907,519	\$4,982,436
% of Estimated Revenues/Expenditures	97.3%	75.9%
2017 Year-End Estimate	\$4,184,519	\$5,850,151
Less Other Sources & Transfers	0	656,074
Operating & Capital Budget	\$4,184,519	\$5,194,077
Actual Oper.+Cap. Receipts/Expenditures	\$4,308,638	\$4,899,579
% of Estimated Revenues/Expenditures	103.0%	94.3%
2018 v. 2017 \$ Change	\$1,598,881	\$82,857
2018 v. 2017 % Change	37.1%	1.7%

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

Revenue receipts are 2.7% less than the year-end estimate, which is attributable to storm drainage fees coming in 0.0% more-than-anticipated and grant revenues coming in 62.9% less-than-anticipated. The Surface Water Utility received \$500,000 from bonds issued in 2018, which are not reflected as revenue above but are available to deliver projects as identified in the Surface Water Master Plan. SWM ongoing revenues include storm drainage fees and investment interest earnings.

Surface Water Utility operations expended 63.5% of the year-end estimate for the Operating Budget, which is 32.1% more than 2017. Capital projects expended 82.1% of the year-end estimate for the Capital Budget. Capital expenditures are impacted by the timing of construction schedules.

More information on the scope and timing of capital projects, including updated estimates, can be found on pp. 380-415 of the City's 2019-2020 Adopted Biennial Budget and 2019-2024 Capital Improvement Plan book available at the following link: <http://www.shorelinewa.gov/home/showdocument?id=42538>



2018 FOURTH QUARTER FINANCIAL REPORT

Attachment A

INVESTMENT REPORT: DECEMBER 31, 2018

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 (LGIP), which had been the City's primary mode of investment prior to adopting our Investment Policy. As of December 31, 2018, the City's investment portfolio, excluding the State Investment Pool had a current weighted average rate of return of 1.999%. This is slightly less than 2.3699% the rate of return of the State Investment Pool. Returns lower than LGIP are to be expected in a rising rate market, since the LGIP typically carries shorter term investments, allowing them to reinvest more quickly. However, as the City's fixed term investments mature, reinvestment rates for potential new fixed term investments are analyzed to determine if they will produce higher returns than the current LGIP rate. In a declining rate market, the City generally will outperform the benchmark.

Total annual investment interest earnings through December 31, 2018 were \$630,522 which is 332% of \$190,050 (2018's total budgeted investment earnings). The better than expected investment earning is a reflection that the economy is doing well and it helped to push interest rates up steadily. For example, the interest rate for the State Investment Pool on January 1, 2018 was 1.4268% and on December 31, 2018 it was 2.3699%.

As of December 31, 2018, the City's investment portfolio had a fair value of nearly \$36.9 million. Approximately 67% of the investment portfolio was held in U.S. government instrumentality securities, and 33% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of December 31, 2018 was slightly over \$37 million. The difference between the cost and the market value of the portfolio represents either the loss or the gain of the portfolio if the City were to liquidate investments as of the day that the market value is stated. This would only be done if the City needed to generate cash. The City holds all of its investments until the scheduled maturity date, and therefore when the investments mature the principal market value should equal the cost of the investment. The City also holds sufficient investments within the State Pool to allow for immediate cash liquidation if needed.



2018 FOURTH QUARTER FINANCIAL REPORT

LGIP Cash and Investment Balances

Investment Instruments	CUSIP #	BROKER	Settlement		Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 12/31/18
			Date	Maturity Date					
TREASURY 0.875	912828TH3	PiperJaffray	06/22/18	07/31/19	1,000,000	983,580	2.3854%	6,811	990,391
FHLB 1.18	3134G8L80	PiperJaffray	11/10/17	02/19/19	2,000,000	1,988,820	1.6243%	8,058	1,996,878
FNMA 1.250	3136G3EA9	Northw estern	03/29/16	03/29/19	1,000,000	999,500	1.2500%	(2,488)	997,012
FHLB 2.25	3130AEA G5	PiperJaffray	05/04/18	05/03/19	1,000,000	1,000,000	2.2500%	(863)	999,137
FHLB 4.375	3133XTY Y6	PiperJaffray	05/02/18	06/14/19	1,000,000	1,022,530	2.3174%	(14,483)	1,008,047
FFCB 1.18	3133EGPD1	PiperJaffray	11/08/17	08/01/19	2,000,000	1,983,300	1.6712%	840	1,984,140
FHLB 1.55	3130ACJ88	1st Empire	11/02/17	09/27/19	2,000,000	1,996,626	1.6400%	(12,646)	1,983,980
FNMA 1.250	3136G4AP8	PiperJaffray	12/31/16	09/30/19	2,000,000	2,000,000	1.2500%	(20,738)	1,979,262
FNMA 1.0	3135G0R39	PiperJaffray	04/25/18	10/24/19	1,000,000	979,490	2.4054%	7,368	986,858
FNMA 1.0	3135G0R39	PiperJaffray	04/25/18	10/24/19	1,000,000	979,490	2.4054%	7,368	986,858
FHLB 1.375	3130AA3R7	PiperJaffray	06/27/18	11/15/19	1,000,000	985,140	2.4054%	3,587	988,727
FNMA 1.20	3136G3TF2	PiperJaffray	07/16/18	12/30/19	1,000,000	980,780	2.5533%	5,028	985,808
FFCB 1.55	3133EG3J2	PiperJaffray	08/13/18	01/10/20	1,020,000	1,005,924	2.5533%	3,826	1,009,750
FHLMC 1.0	3134GBEB4	1st Empire	03/31/17	03/27/20	1,000,000	999,700	1.7000%	(10,775)	988,925
FNMA 1.37	3136G0T43	PiperJaffray	11/08/18	04/17/20	1,000,000	978,750	2.8851%	6,362	985,112
FHLMC 1.75	3134GBYR7	Security	07/27/17	07/27/20	1,000,000	1,000,350	1.7145%	(13,388)	986,962
FHLMC 2.85	3134GSYC3	PiperJaffray	09/28/18	09/28/20	1,000,000	1,000,000	2.8500%	466	1,000,466
FNMA 1.875	3136G4QF3	Time Value Investment	10/30/17	10/30/20	2,000,000	1,999,680	1.8805%	(30,542)	1,969,138
FHLB 2	3030ACU36	Time Value Investment	12/11/17	12/11/20	1,000,000	997,684	2.0800%	(11,717)	985,967
FHLB 2.125	3130ACZD9	Northw estern	12/29/17	12/29/20	1,000,000	1,000,000	2.1250%	(11,194)	988,806
Sub Total - Investments					\$ 25,020,000	\$ 24,881,344		\$ (79,120)	\$ 24,802,224
State Investment Pool						12,122,128	2.3699%		12,122,128
Total LGIP + Investments						\$ 37,003,472		\$ (79,120)	\$ 36,924,352

Portfolio Diversification

Instrument Type	Percentage	Amount at	
		Cost	Market Value
FFCB	8.1%	\$ 2,989,224	\$ 2,993,890
FHLB	24.2%	8,990,800	8,951,542
FHLMC	8.1%	3,000,050	2,976,353
FNMA	24.1%	8,917,690	8,890,048
TREASURY	2.7%	983,580	990,391
State Investment Pool	32.8%	12,122,128	12,122,128
Total LGIP + Investments	100%	\$ 37,003,472	\$ 36,924,352

Broker	Percentage	Amount at	
		Cost	Market Value
Financial Northw estern	5.4%	1,999,500	1,985,818
1st Empire	8.1%	2,996,326	2,972,905
Time Value Investment	8.1%	2,997,364	2,955,105
PiperJaffray	42.9%	15,887,804	15,901,434
Multi-Bank Security	2.7%	1,000,350	986,962
State Investment Pool	32.8%	12,122,128	12,122,128
Total LGIP + Investments	100%	\$ 37,003,472	\$ 36,924,352

Investments by Fund

Fund	Investments at Cost as of 12/31/2018	LGIP State Investment Pool as of 12/31/2018	Total LGIP + Investments as of 12/31/2018	Unrecognized Gain/(Loss) as of 12/31/2018	Total Market Value of Investments by Fund as of 12/31/2018	2018		
						Budgeted Investment Earnings	2018 Actual Investment Earnings	Over/(Under) Budget
001 General	\$ 10,869,074	\$ 4,664,356	\$ 15,533,430	\$ (34,562)	\$ 15,498,868	\$ 69,000	\$ 344,243	\$ 275,243
101 Street	294,559	130,699	425,258	(968)	424,289	2,500	7,282	4,782
107 Code Abatement	243,918	104,675	348,592	(776)	347,817	550	6,231	5,681
108 Asset Seizure	41,506.75	17,812.22	59,318.97	(131.99)	59,187	-	2,127	2,127
109 Public Arts	178,020	76,395	254,415	(566)	253,849	-	4,929	4,929
112 Fed Drug Enforcement	14,785	6,345	21,129	(47)	21,082	200	631	431
117 Transportation Impact Mitigation	1,977,488	848,620	2,826,108	(6,288)	2,819,820	1,500	43,719	42,219
118 Parks Impact Fees	22,498	9,655	32,153	(72)	32,082	-	205	205
190 Revenue Stabilization	3,263,603	1,596,252	4,859,855	(10,346)	4,849,509	-	-	-
301 General Capital	-	1,613,734	1,613,734	(2,736)	1,610,998	35,987	27,178	(8,809)
312 City Fac-Mjr Maint	5,290	2,270	7,560	(17)	7,544	883	1,345	462
330 Roads Capital	4,229,934	1,446,044	5,675,978	(10,715)	5,665,263	29,656	89,777	60,121
331 Trans Bene Dist	812,384	348,627	1,161,010	(2,583)	1,158,427	-	19,165	19,165
401Surface Water Utility Fund	1,444,753	620,002	2,064,754	(4,594)	2,060,160	41,774	34,093	(7,681)
405 Wastew ater Fund	197,426	84,724	282,150	(628)	281,522	-	5,622	5,622
501 Vehicle Oper/Maint	57,630	24,731	82,361	(183)	82,178	-	3,867	3,867
503 Equip Dep Replace	1,185,330	508,673	1,694,003	(3,769)	1,690,234	8,000	39,000	31,000
505 Unemployment	43,145	18,515	61,660	(137)	61,523	-	1,109	1,109
Total Investments	\$ 24,881,344	\$ 12,122,128	\$ 37,003,472	\$ (79,120)	\$ 36,924,352	\$ 190,050	\$ 630,522	\$ 440,472

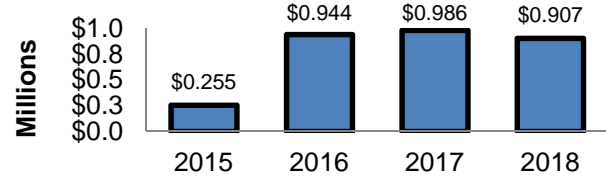


2018 FOURTH QUARTER FINANCIAL REPORT

TRANSPORTATION IMPACT FEES (PIF) 2018 ANNUAL FINANCIAL REPORT

Chapter 3.80 of the City of Shoreline’s municipal code establishes impact fees for transportation. The following annual report provides information and data on the amount of Transportation Impact fees collected, earned or received and the transportation improvements that were financed in whole or in part by these impact fees, as required by article 3.80.100.

- **Transportation Impact Fees Collected:** In 2018, the City collected \$907,336 in Transportation Impact Fees. The chart to the right exhibits TIF revenue collections from 2015 – 2018 and Attachment A provides a detailed report of the source and the amount of all moneys collected, earned or received.



- **Transportation Impact Fees Utilized:** As of December 31, 2018, \$9,426 of Transportation Impact Fees have been utilized to finance the N 175th (Stone Ave N to I-5). The 2019-2024 includes \$162,000 in funding for the N 175th (Stone Ave N to I-5) project:
- **Transportation Impact Fee Exemptions:** The following table provides information on projects that have been exempted of all transportation impact fees:

Transportation Impact Fee Exemptions				
Permit #	Name	Year	Amount	Category
125831	Walgreens	2016	Addition & Remodel	\$2,938.17
124972	Starbuck’s Parcel 6	2016	New Building	\$129,083.64
125727	Dr. Spain	2016	Addition & Remodel	\$19,417.92
SFR17-0442	Michele Tucker Salon	2017	New Building	\$1,292.72
COM17-0273	Hamlin Park Building Mod	2017	Addition & Remodel	\$21,820.70
COM17-0587	One Cup Coffee Drive Through	2017	Addition & Remodel	\$3,575.52
125711	Health Lab	2016	Light Industrial	\$4,622.40
COM17-1604	Wilson Vet	2017	Medical Dental Office	\$38,832.10
COM17-1613	Dr. Abano	2017	Medical Dental Office	\$12,444.00
COM18-0303	Starbucks TI	2018	Coffee/donut shop	\$26,264.72
TIF Exemptions Total				\$260,291.89

Transportation Impact Fee Exemptions for Community Based Services Agencies				
Permit #	Name	Year	Amount	Category
123511	Hopeline	2016	Addition & Remodel	\$25,638.82
125935	Jacob’s Well Phase III, 3-Story Building	2018	Apartment	\$38,786.33
			Day Care Center	\$88,494.08
TIF Exemptions for Community Based Services Agencies Total				\$152,919.23

Per SMC 3.80.070 Exemptions, the amount of impact fees not collected from Community-Based Human Services Agencies and Business Exemptions shall be paid from public funds other than the impact fee account.

Summary of Other Public Funds		
Growth Project	Source	Amount
N 175 th (Stone Way to I5)	STP – federal funds	\$3,546,500



2018 FOURTH QUARTER FINANCIAL REPORT

Attachment A

PARK IMPACT FEES (PIF) 2018 ANNUAL FINANCIAL REPORT

Chapter 3.70 of the City of Shoreline's municipal code establishes impact fees for parks, open space and recreation facilities starting January 1, 2018. The following annual report provides information and data on the amount of Park Impact fees collected, earned or received and the parks projects proposed to be financed in whole or in part by these impact fees, as required by article 3.70.120.

- Park Impact Fees Collected: In 2018, the City collected \$31,576 in Park Impact Fees. The table below depicts TIF revenue collections
- Park Impact Fees Utilized: As of December 31, 2018, no Park Impact Fees have been utilized to finance any Parks, Open Space or Recreation Facility projects. The table below provides information on projects that are expected to be financed in whole or in part by Park Impact Fees:

Projects to be financed by PIF based on 2018-2024 CIP	
Project	Estimated PIF Funding
Outdoor Multi-Use Sports Court	\$50,000
Parks Facilities Recreation Amenities	\$125,000

- Park Impact Fee Exemptions: No projects were exempted in 2018.



2018 FOURTH QUARTER FINANCIAL REPORT

Attachment A



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