

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: 2007 First Quarter Financial Report
DEPARTMENT: Finance
PRESENTED BY: Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

Attached is the 2007 first quarter financial report. This report summarizes first quarter financial activities for the City's operating funds: General, Streets, and Surface Water Utility. The City's capital funds have not had enough revenue or expenditure activity to warrant any discussion at this time. This report is provided to keep the Council informed of the financial issues and the financial position of the City. The Executive Summary section of the report provides a high level overview. More detailed information on specific revenue and expenditures is provided following the Executive Summary.

FINANCIAL IMPACT:

The following table provides a summary of the financial results for the City's operating funds for the first quarter of 2007:

Operating Funds	Revenues					Expenditures				
	2007 Budget	1st Quarter Projected	1st Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance Actuals v. Projected	2007 Budget	1st Quarter Projected	1st Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance Actuals v. Projected
General Fund	\$28,622,699	\$3,677,668	\$3,861,183	\$183,515	4.99%	\$28,926,401	\$4,518,053	\$4,383,276	-\$134,777	-2.98%
Streets	\$2,422,087	\$521,038	\$537,366	\$16,328	3.13%	\$2,556,529	\$598,605	\$534,053	-\$64,552	-10.78%
SWM OPS	\$6,277,263	\$223,159	\$231,484	\$8,325	3.73%	\$6,742,785	\$900,021	\$543,222	-\$356,799	-39.64%
Totals	\$37,322,049	\$4,421,865	\$4,630,033	\$208,168	4.71%	\$38,225,715	\$6,016,680	\$5,460,551	-\$556,128	-9.24%

RECOMMENDATION

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

Approved By: City Manager  City Attorney _____

ATTACHMENTS

Attachment A – 2007 First Quarter Financial Report



2007 First Quarter Financial Report

Prepared by the Finance Department

for the

Fiscal Year January 1, 2007 – December 31, 2007

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EXECUTIVE SUMMARY

General Fund

First Quarter 2007 actual revenue collections were \$3,861,183, \$183,516 or 4.99% above projected first quarter revenue of \$3,667,668. At this time revenues are tracking slightly above projections. Given that it is so early in the year we can not assume that this trend will or will not continue throughout the year.

Through the first three months of 2007 we expect to receive only 12% of budgeted 2007 revenues and as a result it is too early to project any significant revenue trends, outside of the revenues mentioned above. This is due in large part to the many revenue sources that pay on a quarterly basis and none of those payments are received in the first quarter. These revenues are namely gambling tax, cable TV franchise, water franchise and some larger telephone providers that pay utility tax. Nonetheless it is still encouraging that the City is on the positive side of the revenue picture.

Departmental expenditures for first quarter were \$4,383,276, \$134,777 or 2.98% below projected expenditures of \$4,518,053. At this time it is too early to draw any real conclusions in the expenditure trends.

Street Fund

First quarter 2007 actual revenue collections were \$537,366, \$16,328 or 3.13% above projected first quarter revenue of \$521,038, due to higher than projected Right Of Way fee revenue.

Actual first quarter expenditures were \$534,053, \$64,552 or 10.78% below projected expenditures of \$598,605. This is due to a delay in King County billing for street work and Seattle City Light billing for street lights.

Surface Water Utility

First quarter 2007 actual revenue collections were \$231,484, just \$8,325 slightly above projected revenue of \$223,159. Very little revenue activity occurs for this fund in first quarter, as the City's storm drainage fees, which account for the majority of the fund revenue, are not collected until April and October.

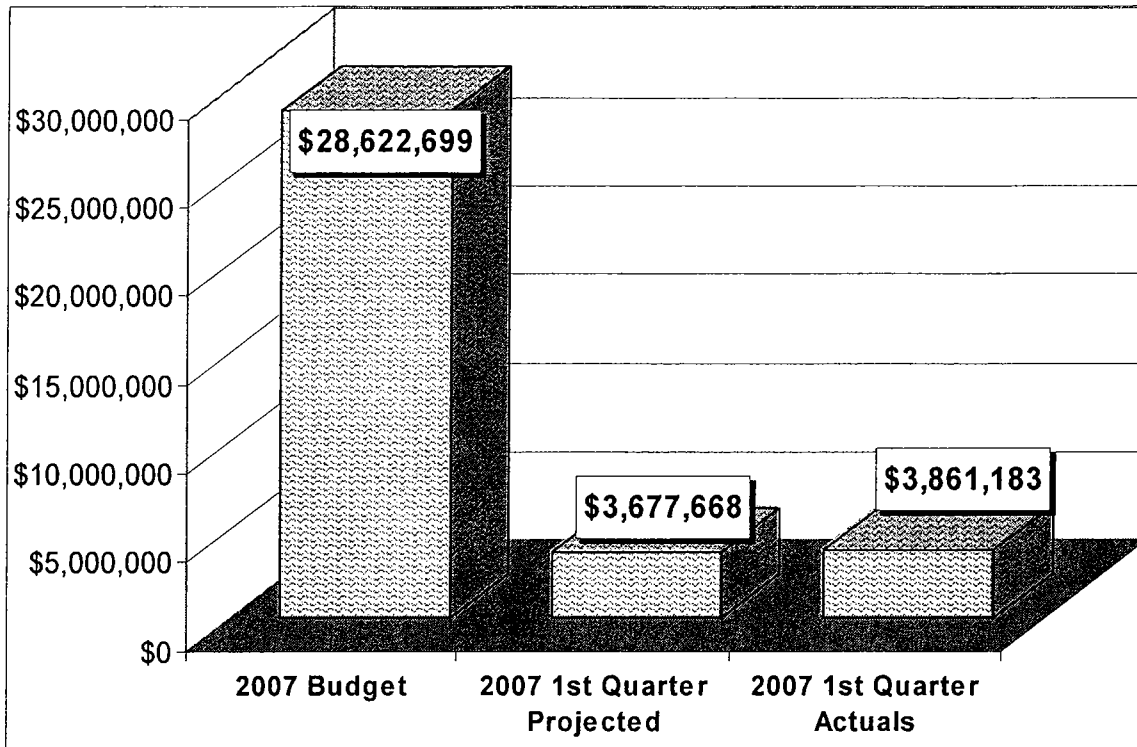
Actual first quarter expenditures were \$543,222, \$356,799 or 39.64% below projected expenditures of \$900,021.

Summary of Key Operating Funds

The following table provides a summary of the financial results for the City's three operating funds for first quarter of 2006. At this time other City funds do not have enough revenue or expenditure activity to warrant any discussion.

Operating Funds	Revenues					Expenditures				
	2007 Budget	1st Quarter Projected	1st Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance Actuals v. Projected	2007 Budget	1st Quarter Projected	1st Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance Actuals v. Projected
General Fund	\$28,622,699	\$3,677,668	\$3,861,183	\$183,515	4.99%	\$28,926,401	\$4,518,053	\$4,383,276	-\$134,777	-2.98%
Streets	\$2,422,087	\$521,038	\$537,366	\$16,328	3.13%	\$2,556,529	\$598,605	\$534,053	-\$64,552	-10.78%
SWM OPS	\$6,277,263	\$223,159	\$231,484	\$8,325	3.73%	\$6,742,785	\$900,021	\$543,222	-\$356,799	-39.64%
Totals	\$37,322,049	\$4,421,865	\$4,630,033	\$208,168	4.71%	\$38,225,715	\$6,016,680	\$5,460,551	-\$556,128	-9.24%

General Fund Revenue



First Quarter 2007 actual revenue collections were \$3,861,183, \$183,516 or 4.99% above projected first quarter revenue of \$3,667,668. At this time revenues are tracking slightly above projections. Given that it is so early in the year we cannot assume that this trend will or will not continue throughout the year.

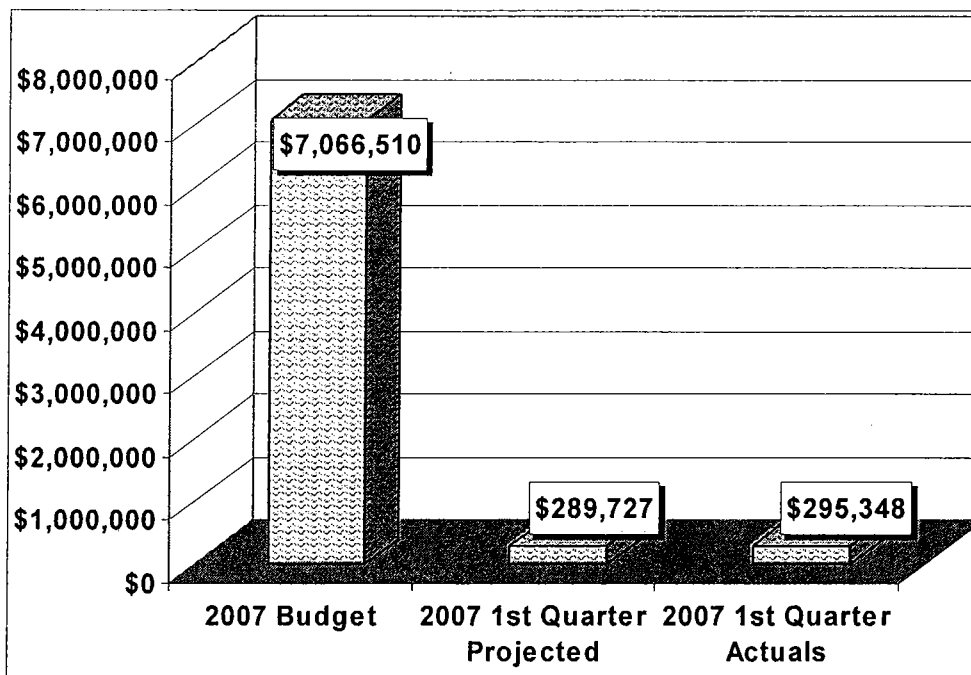
Through the first three months of 2007 we expect to receive only 12% of budgeted 2007 revenues and as a result it is too early to project any significant revenue trends, outside of the revenues mentioned above. This is due in large part to the many revenue sources that pay on a quarterly basis and none of those payments are received in the first quarter. These revenues are namely gambling tax, cable TV franchise, water franchise and some larger telephone providers that pay utility tax. Nonetheless it is still encouraging that the City is on the positive side of the revenue picture.

To develop an accurate forecasting system revenue collection trends have been established for each revenue category to determine the expected portion of annual collections for each quarter. The trends are based upon the history of collections within Shoreline and the factoring of variables such as rate changes, economic conditions and usage. This is necessary because many revenues are not collected equally throughout the year.

The chart below details each revenue category for the General Fund for first quarter of 2007. The first column is the adopted 2007 revenue amount. The second column represents the anticipated first quarter projected revenue. The third column displays the actual revenue received through the first quarter. The fourth column shows the variance between first quarter projections and actual collections. The last column displays the variance in percentage terms.

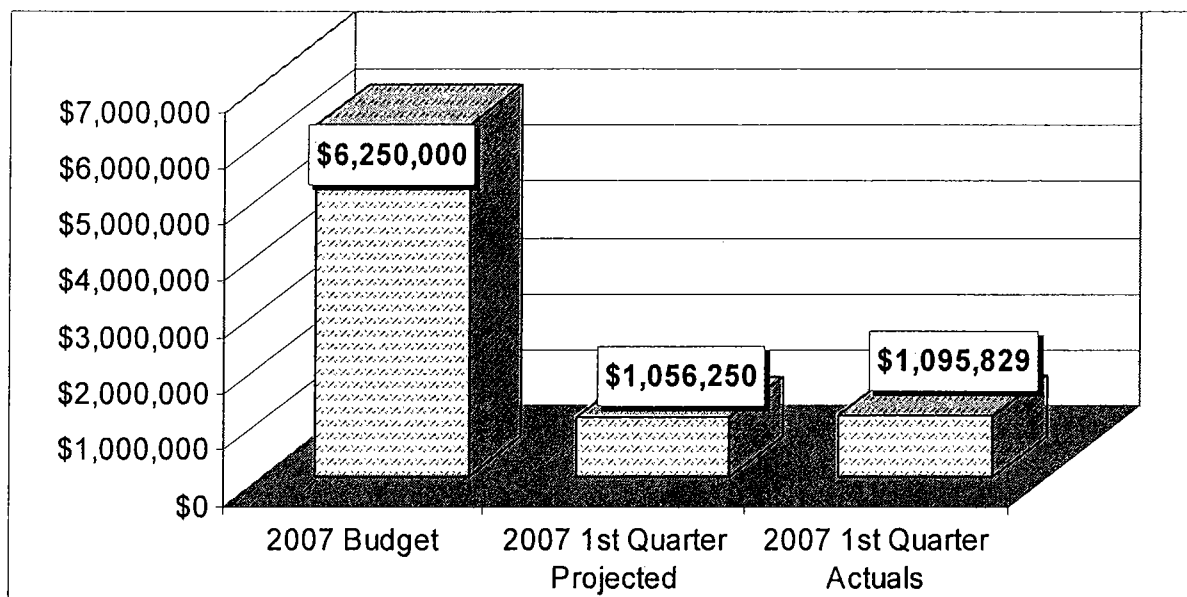
Revenue Source	2007 Budget	2007 1st Quarter Projected	2007 1st Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance
Budgeted Fund Balance	\$671,500	\$0	\$0	\$0	0.00%
Property Tax	\$7,066,510	\$289,727	\$295,348	\$5,621	1.94%
Sales Tax	\$6,250,000	\$1,056,250	\$1,095,829	\$39,579	3.75%
Criminal Justice Sale Tax	\$1,224,500	\$311,493	\$314,465	\$2,972	0.95%
<i>Utility Tax/Franchise Fee Category</i>					
Natural Gas Utility Tax	\$1,045,000	\$261,250	\$316,906	\$55,656	21.30%
Sanitation Utility Tax	\$340,000	\$52,335	\$49,687	-\$2,648	-5.06%
Cable TV Utility Tax	\$530,000	\$16,595	\$18,071	\$1,476	8.90%
Telephone/Cell Utility Tax	\$1,555,000	\$160,165	\$190,457	\$30,292	18.91%
Water Franchise Fee	\$565,000	\$56,500	\$0	-\$56,500	-100.00%
Sewer Franchise Fee	\$655,595	\$163,899	\$164,000	\$101	0.06%
Storm Drainage Utility Tax	\$177,000	\$7,509	\$9,141	\$1,632	21.73%
Cable TV Franchise Fee	\$98,000	\$0	\$0	\$0	0.00%
<i>Utility Tax/Franchise Fee Subtotal</i>	\$4,969,362	\$718,253	\$748,262	\$30,009	4.18%
Electricity Contract Payment	\$1,000,000	\$109,000	\$112,202	\$3,202	2.94%
Gambling Tax	\$2,134,500	\$0	\$3,004	\$3,004	100.00%
State Revenue	\$744,304	\$181,610	\$169,918	-\$11,692	-6.44%
Permit Revenue	\$1,293,935	\$388,181	\$431,359	\$43,179	11.12%
Parks & Recreation Revenue	\$1,128,506	\$240,372	\$256,270	\$15,898	6.61%
Fines & Licenses/Forfeitures	\$34,530	\$10,359	\$30,778	\$20,419	197.11%
Grants & Misc. Revenue	\$647,250	\$61,450	\$80,430	\$18,981	30.89%
Investment Interest	\$411,355	\$49,363	\$61,706	\$12,343	25.01%
Transfers-In	\$1,046,447	\$261,612	\$261,612	\$0	0.00%
Total General Fund Revenue	\$28,622,699	\$3,677,668	\$3,861,183	\$183,516	4.99%

Property Tax Revenue



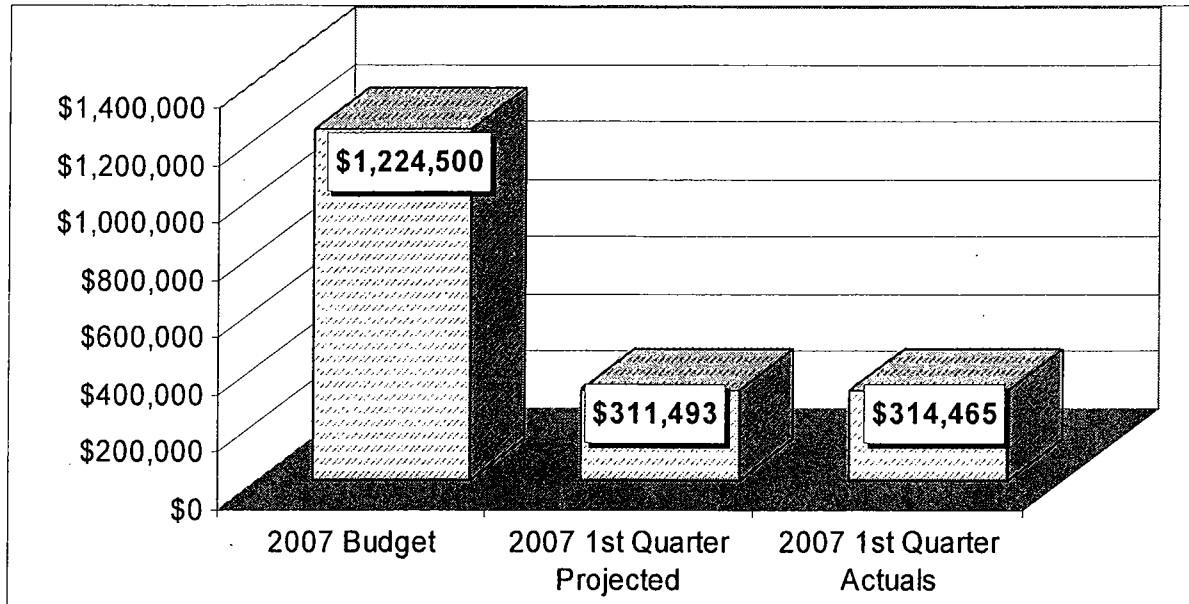
During the first quarter of each year, the City typically receives only 4% of the annual collections, since the first property tax payment is not due until April 30th.

Sales Tax Revenue



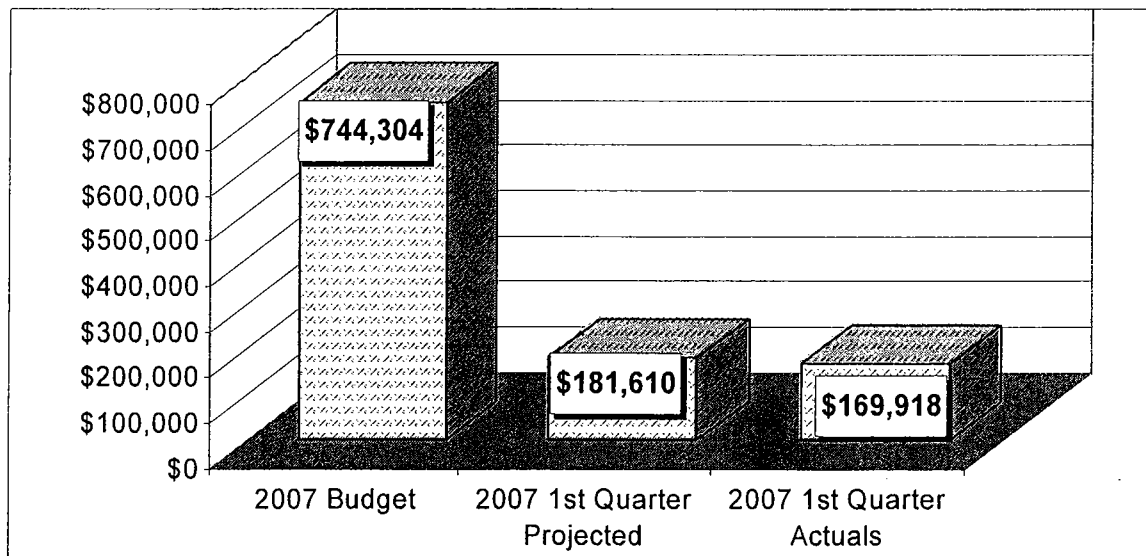
Actual sales tax revenue came in at \$1,095,829 or 3.75% above projections. First quarter sales tax revenue includes only December 2006 and January 2007 revenue due to the two-month time lag for the State Department of Revenue to process the tax returns.

Criminal Justice Sales Tax Revenue



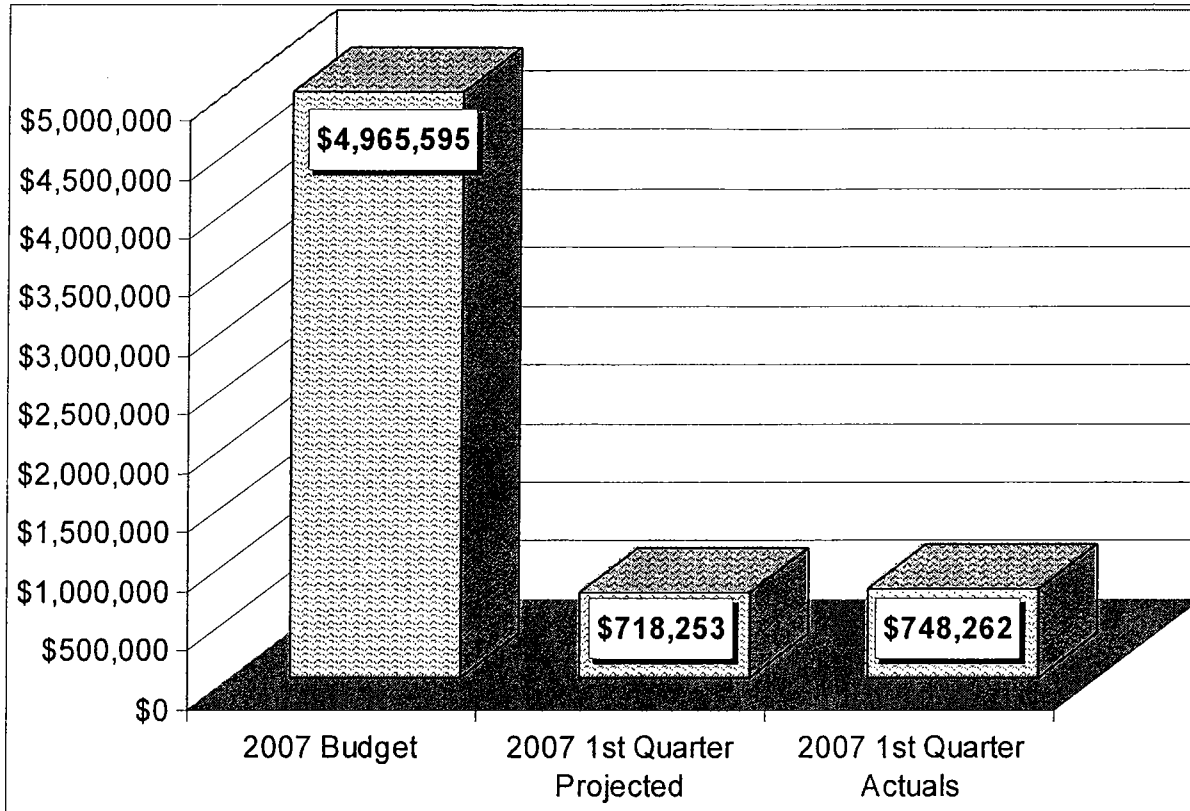
Local Criminal Justice Sales Tax of \$314,465 is ahead of projected revenue of \$311,493 by \$2,972 or 0.95%. This category differs from sales tax because it results from a distribution by the County and is collected on a countywide basis. The distribution amount is based on a city's population and the amount of sales tax collected through all of King County.

State Revenue



State Revenue of \$169,918 is below projections of \$181,610 by \$11,692 or 6.44%. This category includes leasehold excise tax, criminal justice funds, liquor board profits and liquor excise tax.

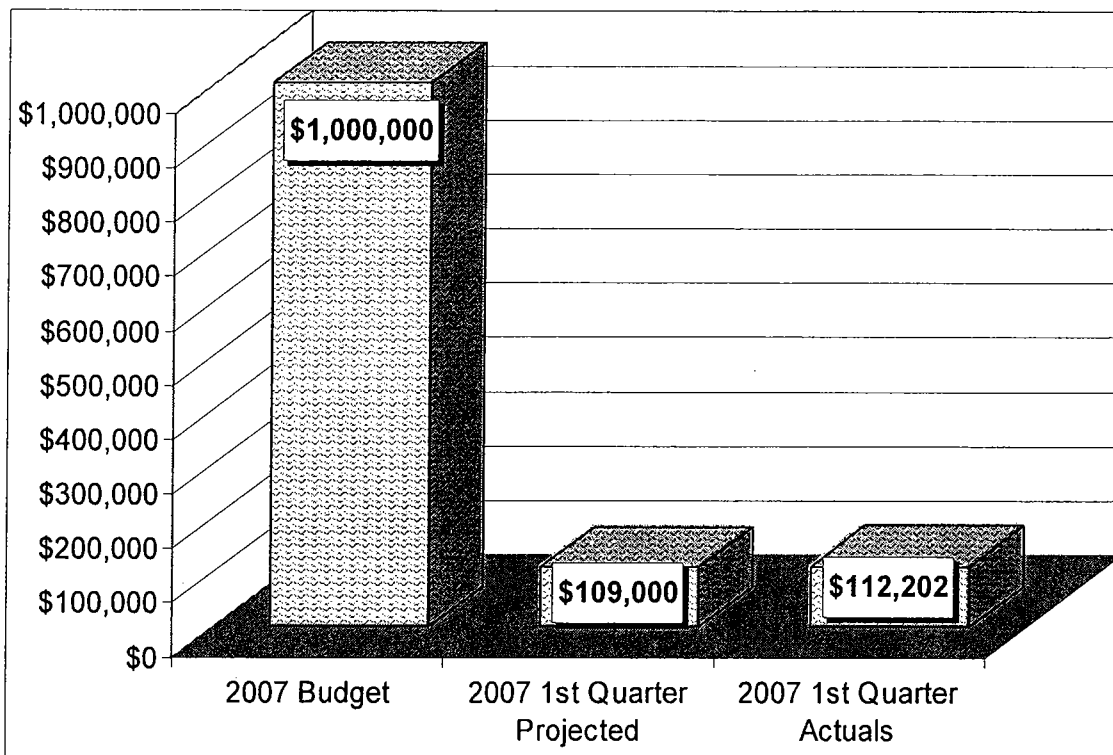
Utility Tax and Franchise Fee Revenue



Utility tax and franchise fee revenue of \$748,262 is above projected revenue of \$718,253 by \$30,009 or 4.18%, due to better than expected revenue in natural gas of \$55,656 and telephone/cell phone \$30,292. At this time no adjustments are being made in projected revenue. We are optimistic that revenues in this category will remain strong and an adjustment could be made when more revenue is received. Due to a later than expected water franchise fee payment from Seattle Public Utility (SPU) the report shows a negative \$56,500 variance. We anticipate that in the future those payments will be received at the amount budgeted.

Utility Tax and Franchise Fees	2007 Budget	2007 1st Quarter Projected	2007 1st Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance
Natural Gas Utility Tax	\$1,045,000	\$261,250	\$316,906	\$55,656	21.30%
Sanitation Utility Tax	\$340,000	\$52,335	\$49,687	-\$2,648	-5.06%
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Telephone/Cell Utility Tax	\$1,555,000	\$160,165	\$190,457	\$30,292	18.91%
Water Franchise Fee	\$565,000	\$56,500	\$0	-\$56,500	-100.00%
Sewer Franchise Fee	\$655,595	\$163,899	\$164,000	\$101	0.06%
Storm Drainage Utility Tax	\$177,000	\$7,509	\$9,141	\$1,632	21.73%
Cable TV Franchise Fee	\$530,000	\$0	\$0	\$0	100.00%
Total Utility Revenue	\$4,965,595	\$718,253	\$748,262	\$30,009	4.18%

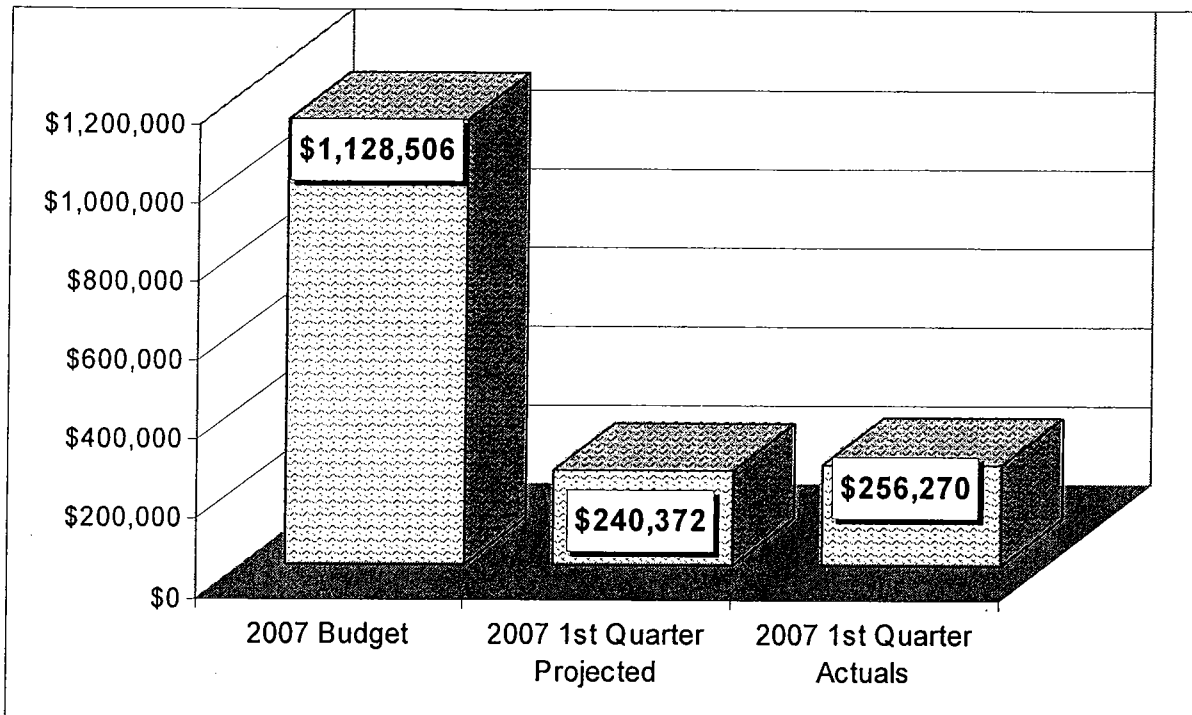
Electrical Contract Payment



The City has an agreement with Seattle City Light that provides for the payment of 6% of the revenue earned from the power portion of electric revenues from Shoreline rate payers. Electric rates are composed of power costs and distribution costs. The power costs represent approximately 65% of the electric rate revenues.

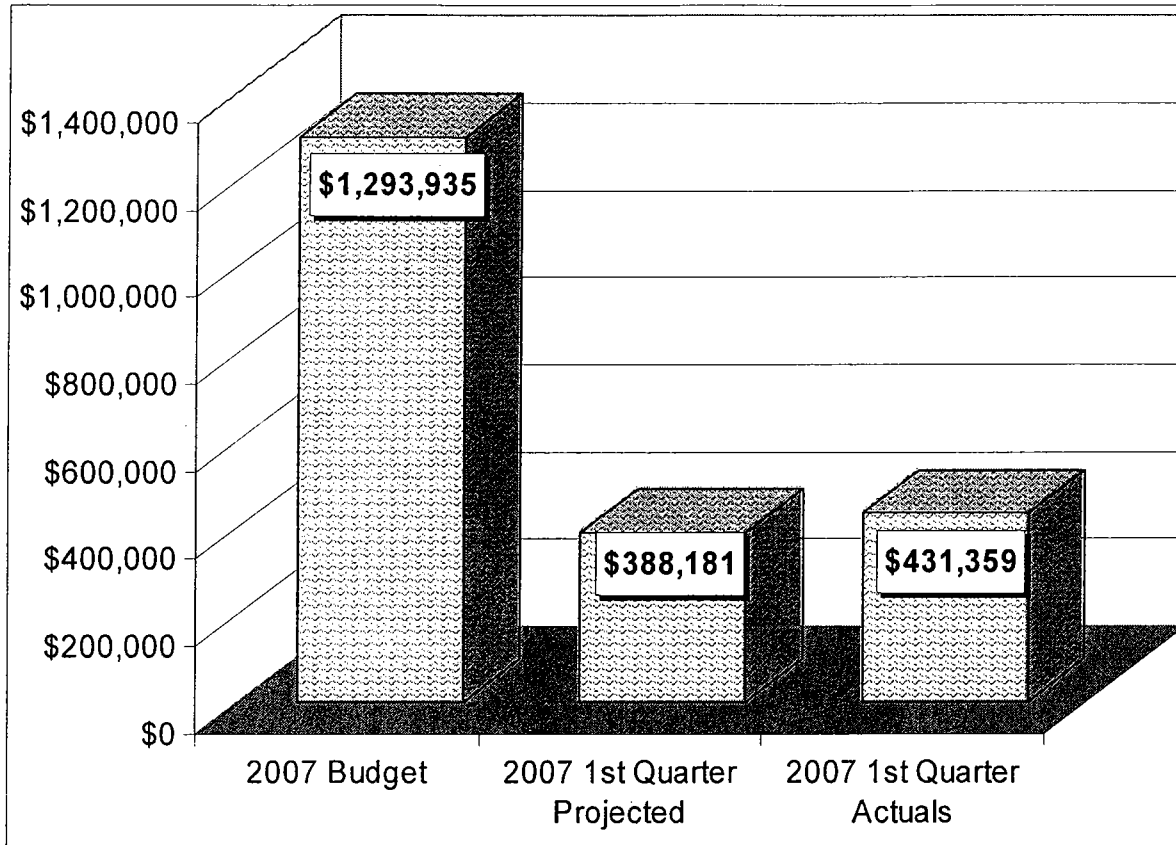
Electrical contract payment revenue of \$112,202 is just slightly above projected revenue of \$109,000.

Parks and Recreation Fee Revenue

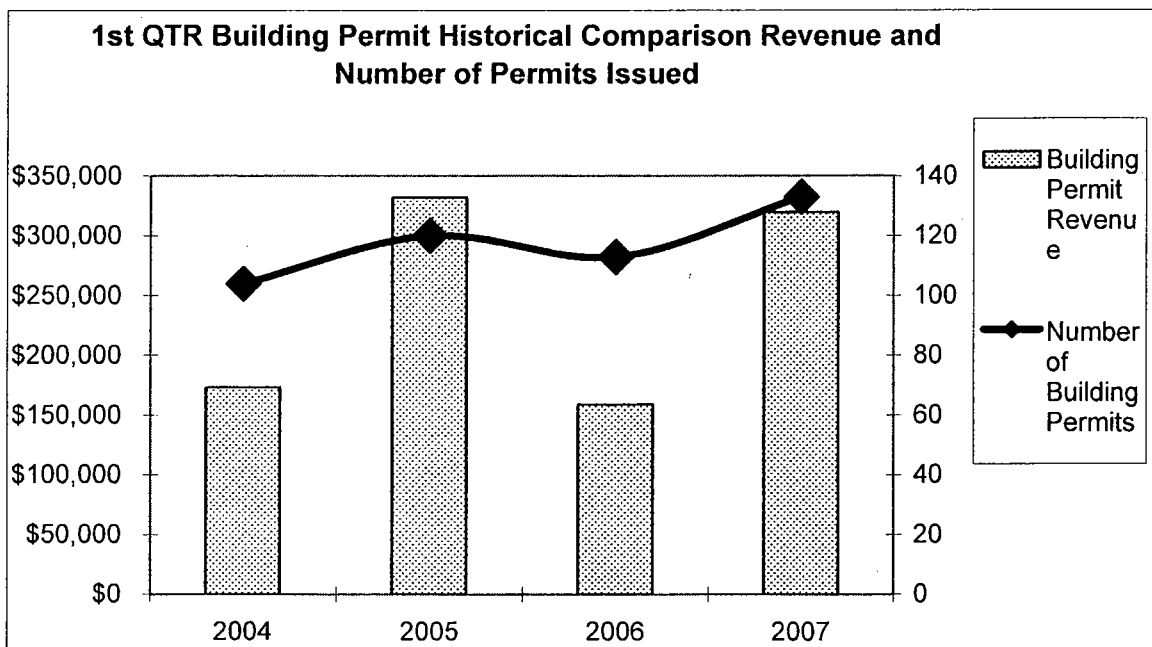


Parks and Recreation Fee revenue of \$256,270 was above projections of \$240,372 by \$15,898 or 6.6%. This increase is due to stronger than expected revenue from facility/field rentals, swimming pool drop-in admissions and swim lessons.

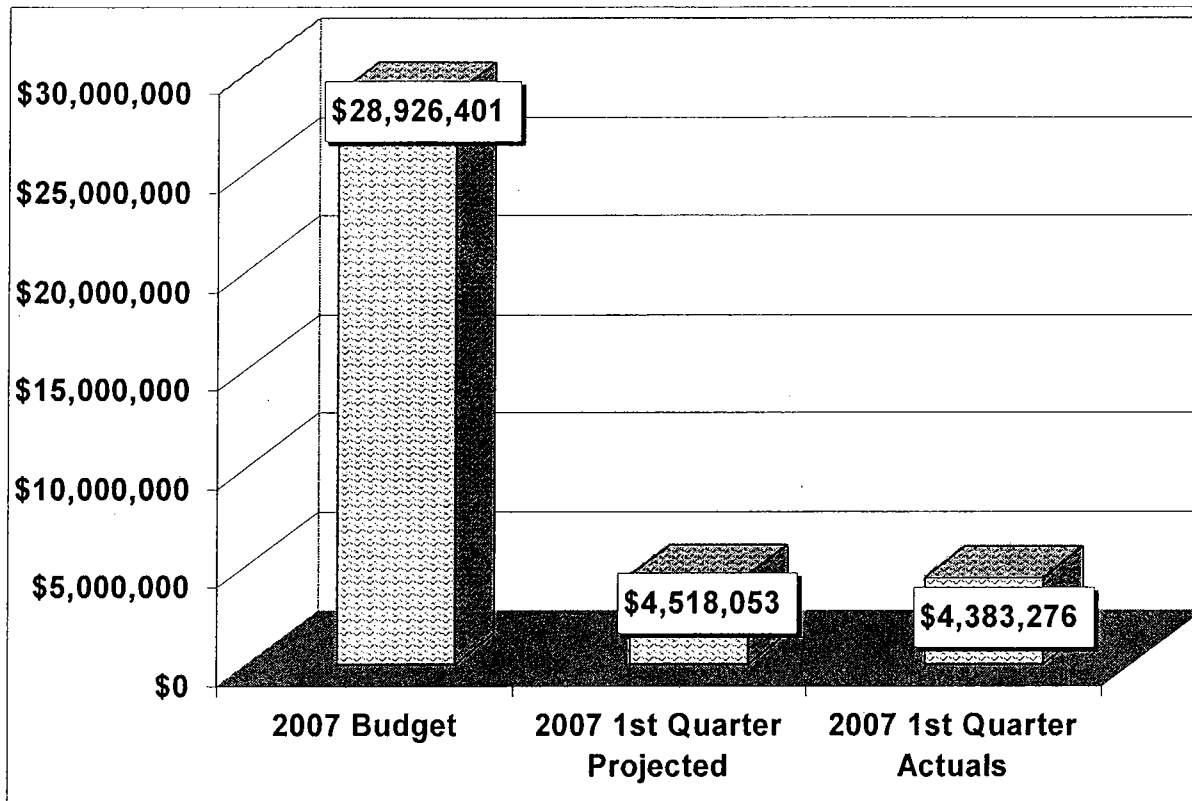
Permit Revenue



Permit revenue of \$431,359 was above projections of \$388,181 by \$43,179 or 11.12%. Driving this first quarter variance is an increase in the number of building permits and the value of the projects being permitted. 2007 permit revenue is \$124,362 or 40.63% ahead of first quarter 2006. The graph below illustrates the number of building permits issued and the revenue generated by those permits for 2004 – 2007.

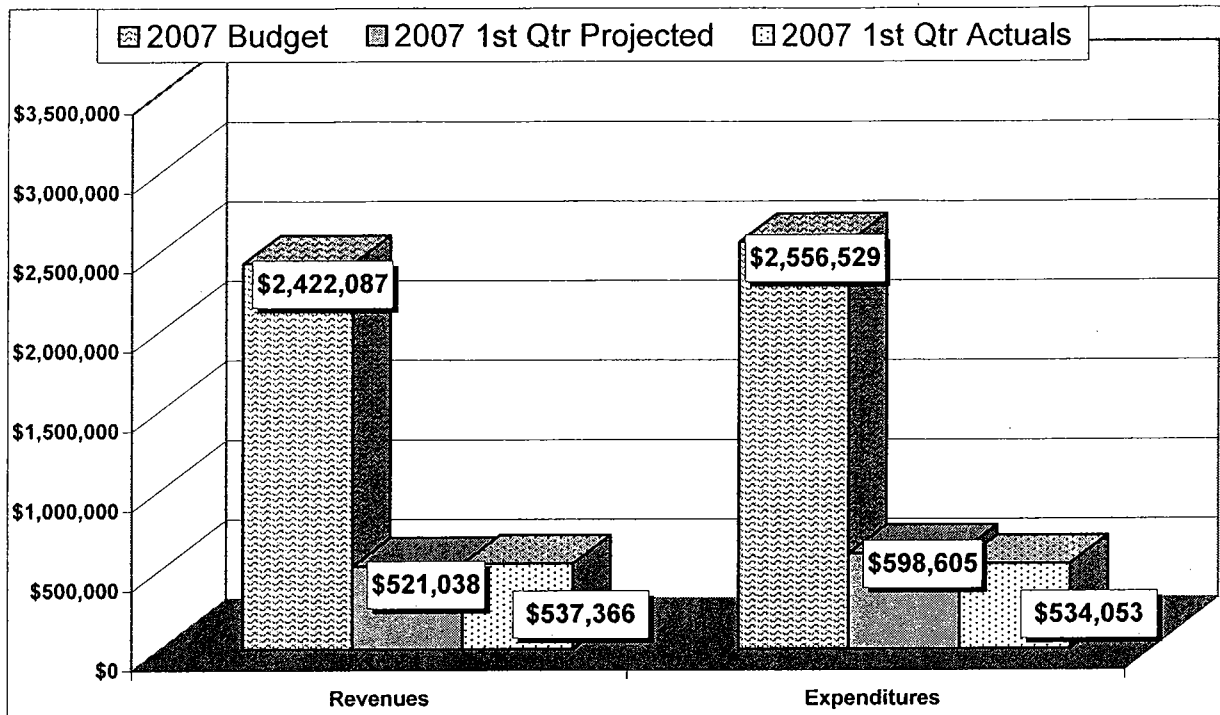


General Fund Expenditures



Departmental expenditures for first quarter were \$4,383,276, \$134,777 or 2.98% below projected expenditures of \$4,518,053. The uncertainty in the timing of billing and in start dates for the various professional and intergovernmental service contracts makes it difficult to accurately forecast first quarter expenditures. As a result it is too early to draw any real conclusions in the expenditure trends.

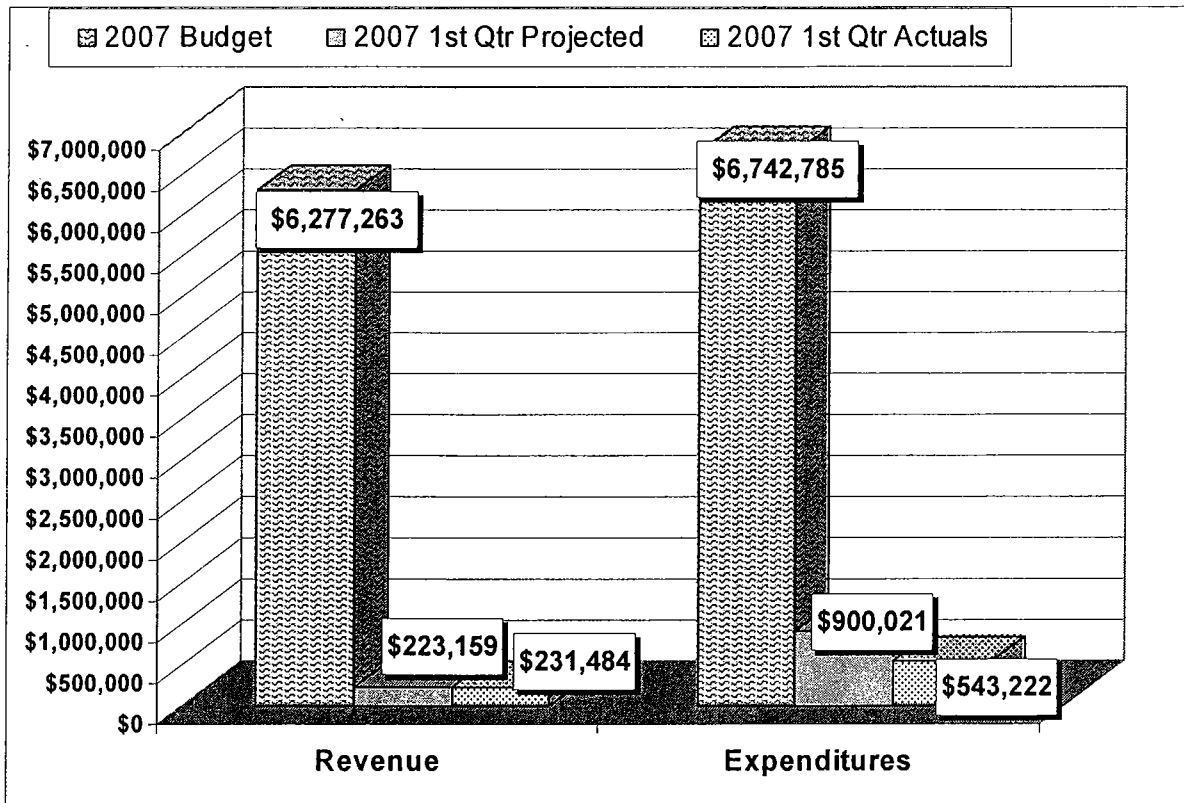
Street Fund



First quarter 2007 actual revenue collections were \$537,366, \$16,328 or 3.13% above projected first quarter revenue of \$521,038, due to better than expected Right Of Way fee revenue.

Actual first quarter expenditures were \$534,053, \$64,552 or 10.78% below projected expenditures of \$598,605. This is due to a delay in King County billing for street work and Seattle City Light billing for street lights.

Surface Water Utility



First quarter 2007 actual revenue collections were \$231,484, just \$8,325 slightly above projected revenue of \$223,159. Very little revenue activity occurs for this fund in first quarter, the City's Storm Drainage fee which accounts for the majority of revenue are not paid until April and October.

Actual first quarter expenditures were \$543,222, \$356,799 or 39.64% below projected expenditures of \$900,021.

City of Shoreline
Cash and Investments
March 31, 2007

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 annual average of the Washington State Local Government Investment Pool, which has been the City's primary mode of investment prior to adopting our Investment Policy.

Our in-house investment activity through March 31, 2007, is illustrated on the following page.

**LGIP Cash and Investment Balances
March 31, 2007**

Instrument Type	Settlement Date	Maturity Date	Investment Cost	Yield To Maturity	Market Value	Unrealized
					3/31/07	Gain/(Loss) as of 3/31/07
FNMA (Fannie Mae)	05/27/05	05/17/07	2,499,000	4.0410%	2,496,100	(2,900)
FHLB (Fed Home Loan Bank)	07/25/05	07/13/07	1,990,200	4.2620%	1,993,120	2,920
FHLB (Fed Home Loan Bank)	01/05/06	11/21/07	2,003,400	4.7930%	1,997,500	(5,900)
FHLMC (Freddie Mac)	01/05/06	10/05/07	1,994,600	4.7840%	1,993,760	(840)
FHLB (Fed Home Loan Bank)	10/03/06	10/02/08	2,003,200	5.3750%	2,001,880	(1,320)
FNMA (Fannie Mae)	12/15/06	11/20/08	1,000,000	5.2500%	999,690	(310)
FHLMC (Freddie Mac)	01/26/07	06/23/08	1,183,920	5.2464%	1,189,716	5,796
FHLMC (Freddie Mac)	02/22/07	08/22/08	1,000,000	5.3000%	1,000,310	310
FHLB (Fed Home Loan Bank)	02/16/07	07/11/08	999,650	5.2720%	998,932	(718)
FHLB (Fed Home Loan Bank)	07/27/05	07/27/07	2,000,000	3.7650%	1,999,116	(884)
FHLB (Fed Home Loan Bank)	01/06/06	01/28/08	4,000,000	5.0000%	3,995,000	(5,000)
FHLB (Fed Home Loan Bank)	12/26/06	12/26/08	1,000,000	5.1000%	997,813	(2,188)
FNMA (Fannie Mae)	01/26/07	01/29/09	790,000	5.3300%	790,000	0
FHLB (Fed Home Loan Bank)	02/16/07	08/25/08	1,199,641	5.1510%	1,205,131	5,490
State Investment Pool			27,205,425	5.2372%	27,205,425	0
Sub Total			50,869,036		50,863,493	(5,543)

Average Maturity Excluding the
State Investment Pool (days) 662

Weighted Average Yield to
Maturity Excluding the State
Pool 4.8000%

Average Yield to Maturity State
Investment Pool 5.1172%

Basis Points in Excess (Below)
Benchmark (32)

Note: Yield to Maturity for the State Investment Pool is a 12 month average.

Portfolio Diversification

Instrument Type	Percentage	Amount at	Amount at Cost	Broker	Percentage	Amount at
		Market Value			Cost	Cost
Certificate of Deposit	0%	0	0	Bank of America	27%	13,674,320
FHLMC (Freddie Mac)	13%	4,183,786	4,178,520	Piper Jaffray	18%	8,989,641
FNMA (Fannie Mae)	10%	4,285,790	4,289,000	Bear Stearns	2%	999,650
FHLB (Fed Home Loan Bank)	31%	15,188,492	15,196,091	Shorebank	0%	0
State Investment Pool	46%	27,205,425	27,205,425	State Investment Pool	53%	27,205,425
Total Investments	100%	50,863,493	50,869,036	Total Investments	100%	50,869,036

Investments by Fund

Fund	Realized			Total Investments by Fund as of 03/31/2007	Investment		Over/(Under) Budget
	Investments at	Market Value	State Investment		Earnings	Investment	
	Adjusted Cost as 03/31/2007	Adjustment as of 03/31/2007	Pool as of 03/31/2007		Budget 2007	Earnings Actual 2007	
001 General	5,206,955	(11,449)	3,541,365.35	8,759,769	411,355	56,670	(354,685)
101 Street	829,349	(2,299)	217,716.23	1,049,364	35,000	3,974	(31,026)
104 Reserve	1,430,544	(3,743)	852,514.27	2,286,801	58,546	14,402	(44,144)
107 Code Abatement	91,656	(188)	56,403.26	148,247	2,500	1,345	(1,155)
108 Asset Seizure	12,559	(23)	23.56	12,605	500	145	(355)
109 Public Arts	148,267	(469)	93,225.69	241,961	-	2,099	2,099
301 General Capital	4,244,666	(9,745)	14,140,888.62	18,395,299	685,555	228,667	(456,888)
312 City Fac-Mjr Maint	118,687	(235)	76,763.43	195,686	7,972	1,451	(6,521)
330 Roads Capital	5,102,166	(4,206)	3,478,692.14	8,585,064	350,191	41,967	(308,224)
401SWM-Capital	5,417,278	(11,981)	3,825,413.71	9,254,673	372,500	78,712	(293,788)
501 Vehicle Oper/Maint	177,123	(73)	342,239.40	519,435	1,250	4,265	3,015
503 Equip Dep Replace	795,766	(2,302)	557,286.55	1,355,355	46,000	5,584	(40,416)
505 Unemployment	41,806	(77)	22,892.83	64,776	500	525	25
Total Investments	23,616,822	(46,790)	27,205,425	50,869,037	1,971,869	439,805	(1,532,064)