



# 2014 FIRST QUARTER FINANCIAL REPORT

June 2014

## PERFORMANCE AT A GLANCE

GENERAL FUND REVENUES	COMPARED TO 2014 PROJECTIONS	REFERENCE
Property Tax Revenue	▲ POSITIVE ▲	Page 3
Sales Tax Revenue	◀ NEUTRAL ▶	Pages 4-5
Utility Tax Revenue	▲ POSITIVE ▲	Page 8
Development Revenue	▲ POSITIVE ▲	Page 9
Park and Recreation Revenue	● WARNING ●	Page 10
Investment Income	● WARNING ●	Page 11
EXPENDITURES		
General Fund Expenditures	▲ POSITIVE ▲	Page 12
NON-GENERAL FUND REVENUES		
Surface Water Fees	▲ POSITIVE ▲	Page 14
Fuel Tax	▲ POSITIVE ▲	Page 15
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### Key to revenue trend indicators:

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

# CITY FINANCIAL OVERVIEW

## GENERAL FUND REVENUE SUMMARY

Total General Fund revenue receipts for the first quarter of 2014 were \$4.7 million (13.0% of Budget). This is \$0.5 million (12.3%) above the first quarter of 2013, when revenues were 11.8% of budget.

Significant differences include:

Property Tax receipts (\$0.7 million) were \$244,000 (56.0%) higher than 2013. The variance is a result of the City receiving a large property tax payment distribution earlier than normal in the first quarter. Assuming no further timing differences, it is expected that the variances will be very small by the end of the second quarter.

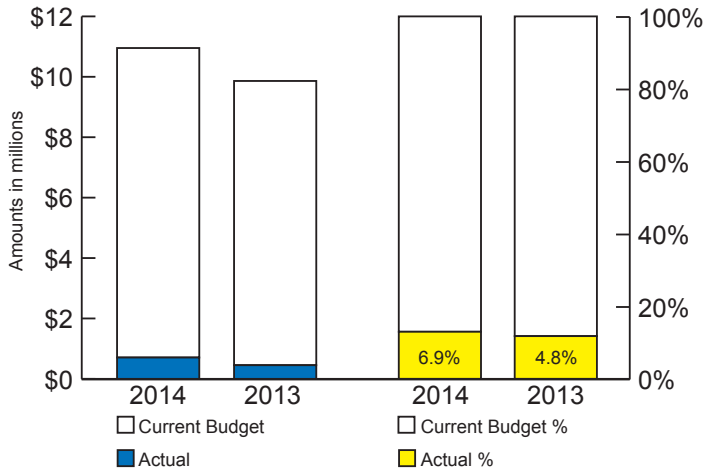
Natural gas tax receipts (\$249,000) were \$111,000 (80.9%) higher than 2013 as only one payment was received from Puget Sound Energy in the first quarter of 2013. Had PSE's second payment been received on time in 2013, receipts for the first quarter of 2014 would be 2.6% less than the year-ago level.

Development revenue receipts (\$391,000) were \$74,000 (23.2%) higher than 2013. The year-over-year increase in receipts is attributable to higher-than anticipated receipts for building permits, mechanical fees/permits, land use fees/permits, and right-of-way fees/permits.

Revenue Source	2014 Current Budget	2014 First Quarter Actual Revenue	2014 % of Current Budget Received	2013 Current Budget	2013 First Quarter Actual Revenue	2013 % of Current Budget Received	2014 v. 2013 \$ Variance
Budgeted Fund Balance	\$1,971,662	\$0	0.0%	\$1,851,049	\$0	0.0%	\$0
Property Tax	\$10,245,815	\$706,915	6.9%	\$9,409,277	\$453,009	4.8%	\$253,906
Sales Tax	\$6,739,000	\$1,266,540	18.8%	\$6,574,800	\$1,243,462	18.9%	\$23,078
Local Criminal Justice	\$1,224,532	\$316,022	25.8%	\$1,171,779	\$295,301	25.2%	\$20,721
<b>Utility Tax &amp; Franchise Fee Revenue</b>							
<i>Natural Gas</i>	\$889,590	\$248,812	28.0%	\$966,946	\$137,510	14.2%	\$111,302
<i>Garbage</i>	\$528,086	\$155	0.0%	\$497,977	\$139	0.0%	\$16
<i>Cable TV</i>	\$1,658,749	\$150,710	9.1%	\$1,531,846	\$145,658	9.5%	\$5,052
<i>Telecommunications</i>	\$1,569,095	\$169,329	10.8%	\$1,704,878	\$149,132	8.7%	\$20,197
<i>Storm Drainage</i>	\$207,697	\$15,609	7.5%	\$201,648	\$11,326	5.6%	\$4,283
<i>Water</i>	\$754,197	\$0	0.0%	\$715,327	\$0	0.0%	\$0
<i>Sewer</i>	\$809,711	\$202,000	24.9%	\$786,127	\$196,000	24.9%	\$6,000
<b>Utility Tax &amp; Franchise Fee Revenue Subtotal</b>	\$6,417,125	\$786,615	12.3%	\$6,404,749	\$639,765	10.0%	\$146,850
SCL Contract Payment	\$1,912,728	\$201,337	10.5%	\$1,829,501	\$189,582	10.4%	\$11,755
Gambling Tax Revenue	\$1,569,125	\$129,148	8.2%	\$1,755,451	\$139,252	7.9%	-\$10,104
Development Revenue	\$1,211,750	\$391,193	32.3%	\$1,174,208	\$317,463	27.0%	\$73,730
Park and Recreation Revenue	\$1,537,541	\$296,903	19.3%	\$1,503,960	\$308,394	20.5%	-\$11,491
Intergovernmental Revenue	\$865,015	\$202,401	23.4%	\$906,181	\$164,299	18.1%	\$38,102
Grant Revenue	\$153,791	\$7,414	4.8%	\$543,016	\$20,761	3.8%	-\$13,347
Fines and Licenses	\$835,053	\$66,787	8.0%	\$887,245	\$68,531	7.7%	-\$1,744
Miscellaneous Revenue	\$431,479	\$68,136	15.8%	\$427,110	\$94,319	22.1%	-\$26,183
Interest Income	\$30,000	\$5,119	17.1%	\$30,000	\$4,663	15.5%	\$456
Operating Transfers In	\$969,100	\$242,275	25.0%	\$946,045	\$236,511	25.0%	\$5,764
<b>Total General Fund Revenue</b>	<b>\$36,113,716</b>	<b>\$4,686,805</b>	<b>13.0%</b>	<b>\$35,414,371</b>	<b>\$4,175,312</b>	<b>11.8%</b>	<b>\$511,493</b>

# GENERAL FUND REVENUE ANALYSIS:

## PROPERTY TAX



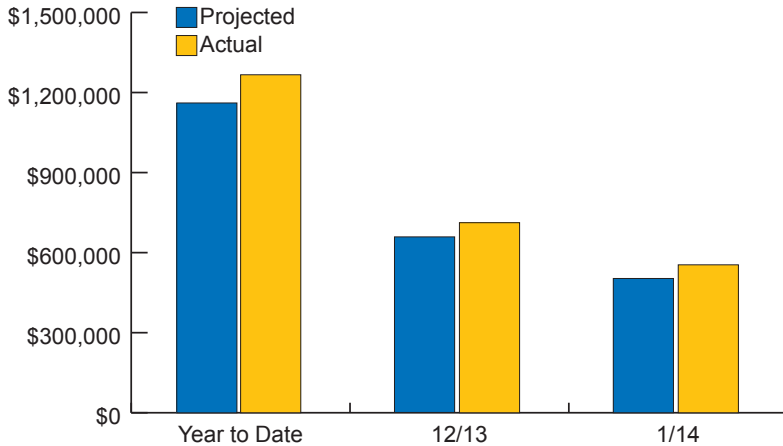
2014 Current Budget	\$10,245,815
2014 First Quarter Actual Revenue	\$706,915
2014 % of Current Budget Received	6.9%
2013 Current Budget	\$9,409,277
2013 First Quarter Actual Revenue	\$453,009
2013 % of Current Budget Received	4.8%
2014 v. 2013 First Quarter \$ Variance	\$253,906
2014 v. 2013 First Quarter % Variance	56.0%

In addition to the budget variance noted above, property tax receipts are over the prior year by \$253,903 or 56%.

Both variances are a result of the City receiving a large property tax payment distribution earlier than normal in the first quarter. Assuming no further timing differences it is expected that the variances will be very small by the end of the second quarter.

# GENERAL FUND REVENUE ANALYSIS (continued):

## SALES TAX



2014 Current Budget **\$6,739,000**

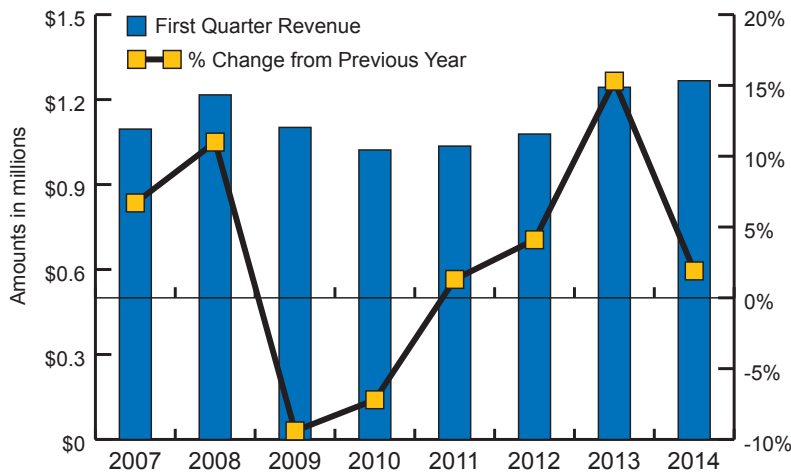
Sales Activity	Projected	Actual
December 2013	\$657,988	\$712,174
January 2014	\$503,142	\$554,366
<b>Year to date</b>	<b>\$1,161,130</b>	<b>\$1,266,540</b>
\$ Variance		\$105,410
% Variance		9.1%

Sales Tax receipts for the first quarter of 2014, which reflect activity from December 2013 through January 2014, total \$1,266,540 and are above the year-to-date projection by \$105,410, or 9.1%, and above 2013 collections by \$23,078, or 1.9%. The variance from the projection is largely due to one-time activity in the Construction sector. Staff's projection for the first quarter did not factor in the impact of one-time activity.

Receipts from the Construction sector are lower than the year-ago level by 10.1%. Of the amount collected during the first quarter, one-time activity accounted for \$41,385, or 24.6%, in 2014, \$68,176, or 36.4%, in 2013 and \$49,127, or 37.8%, in 2012. It is anticipated there will be year-over-year decreases in future months as one-time projects come to an end. Removing one-time activity from the calculation reveals a year-over-year increase of 6.6%.

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.

## First Quarter Sales Tax Revenue Comparison

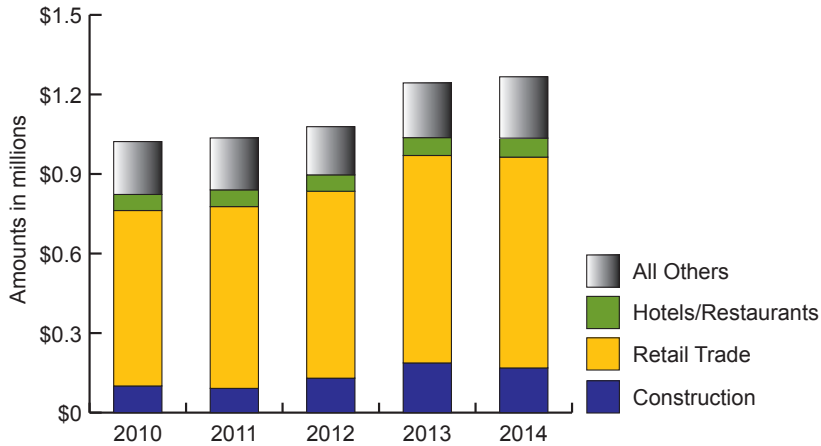


First Quarter Sales Tax Revenue Comparison

Year	Revenue	% Change from Previous Year
2007	\$1,095,829	6.7%
2008	\$1,216,626	11.0%
2009	\$1,101,726	-9.4%
2010	\$1,022,166	-7.2%
2011	\$1,035,818	1.3%
2012	\$1,078,354	4.1%
2013	\$1,243,462	15.3%
2014	\$1,266,540	1.9%

# GENERAL FUND REVENUE ANALYSIS (continued):

## SALES TAX BY CATEGORY - First Quarter 2014

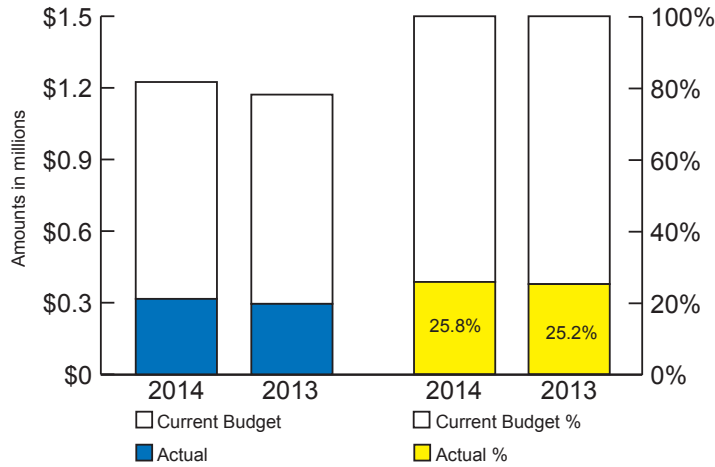


RETAIL SECTOR	2010	2011	2012	2013	2014
Construction	\$100,584	\$91,442	\$129,963	\$187,418	\$168,515
Retail Trade	\$661,585	\$685,548	\$704,842	\$782,320	\$795,090
Hotel and Restaurant	\$60,607	\$63,134	\$61,896	\$67,378	\$71,571
All Others	\$199,390	\$195,694	\$181,653	\$206,346	\$231,365
<b>Total</b>	<b>\$1,022,166</b>	<b>\$1,035,818</b>	<b>\$1,078,354</b>	<b>\$1,243,462</b>	<b>\$1,266,540</b>
\$ Variance to previous year	-\$79,560	\$13,652	\$42,536	\$165,108	\$23,078
% Variance to previous year	-7.2%	1.3%	4.1%	15.3%	1.9%

SALES TAX BY CATEGORY									
Retail Trade	2010 Dec-Jan	2011 Dec-Jan	2011 v. 2010 \$ Variance	2012 Dec-Jan	2012 v. 2011 \$ Variance	2013 Dec-Jan	2013 v. 2012 \$ Variance	2014 Dec-Jan	2014 v. 2013 \$ Variance
Motor Vehicle/Parts Dealer	\$134,739	\$159,050	\$24,311	\$161,779	\$2,729	\$198,130	\$36,351	\$208,082	\$9,952
Furniture, Home Furnishings	\$11,175	\$9,713	-\$1,462	\$8,979	-\$734	\$9,550	\$571	\$9,968	\$418
Electronics and Appliances	\$13,821	\$11,871	-\$1,950	\$15,078	\$3,207	\$13,899	-\$1,179	\$17,045	\$3,146
Building Materials, Garden	\$71,615	\$70,422	-\$1,193	\$72,694	\$2,272	\$87,045	\$14,351	\$83,724	-\$3,321
Food and Beverage Stores	\$44,612	\$44,274	-\$338	\$43,378	-\$896	\$44,915	\$1,537	\$43,929	-\$986
Health/Personal Care Store	\$23,945	\$24,153	\$208	\$27,633	\$3,480	\$30,114	\$2,481	\$31,567	\$1,453
Gasoline Stations	\$10,637	\$11,801	\$1,164	\$11,922	\$121	\$11,557	-\$365	\$11,850	\$293
Clothing and Accessories	\$6,032	\$7,756	\$1,724	\$9,637	\$1,881	\$10,101	\$464	\$9,665	-\$436
Sporting Goods, Hobby, Books	\$17,714	\$17,428	-\$286	\$16,696	-\$732	\$16,641	-\$55	\$18,208	\$1,567
General Merchandise Stores	\$262,983	\$256,652	-\$6,331	\$260,906	\$4,254	\$281,644	\$20,738	\$274,402	-\$7,242
Miscellaneous Store Retailers	\$43,999	\$49,790	\$5,791	\$49,016	-\$774	\$46,846	-\$2,170	\$49,622	\$2,776
Nonstore Retailers	\$20,313	\$22,638	\$2,325	\$27,124	\$4,486	\$31,878	\$4,754	\$37,029	\$5,151
<b>Total Revenue</b>	<b>\$661,585</b>	<b>\$685,548</b>	<b>\$23,963</b>	<b>\$704,842</b>	<b>\$19,294</b>	<b>\$782,320</b>	<b>\$77,478</b>	<b>\$795,090</b>	<b>\$12,770</b>

# GENERAL FUND REVENUE ANALYSIS (continued):

## LOCAL CRIMINAL JUSTICE SALES TAX

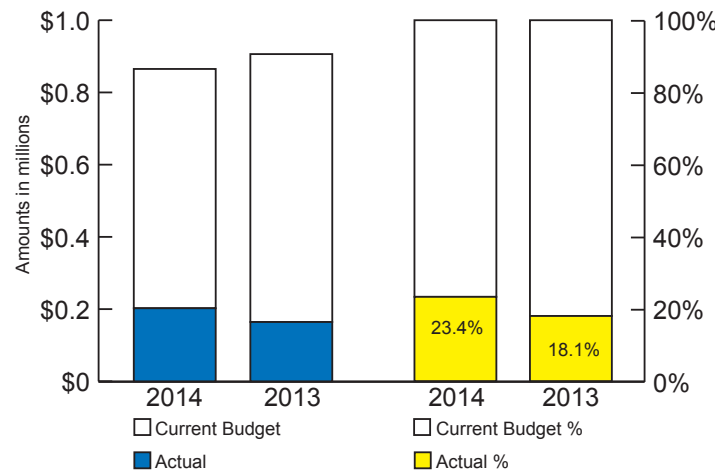


2014 Current Budget	\$1,224,532
2014 First Quarter Actual Revenue	\$316,022
2014 % of Current Budget Received	25.8%
2013 Current Budget	\$1,171,779
2013 First Quarter Actual Revenue	\$295,301
2013 % of Current Budget Received	25.2%
2014 v. 2013 First Quarter \$ Variance	\$20,721
2014 v. 2013 First Quarter % Variance	7.0%

Local Criminal Justice Sales Tax receipts for the first quarter, in the amount of \$316,022, are \$20,721, or 7.0%, more than the year-ago level. Thus far this year 25.8% of the amount budgeted has been received as compared to 25.2% received during the same period last year. In addition to the budget variance, receipts are \$11,781, or 3.9%, more than the year-to-date projection.

The result for Local Criminal Justice Sales Tax receipts is not commensurate with the result for Sales Tax receipts because the distribution of Local Criminal Justice Sales Tax is based on the city's population and the amount of sales tax collected throughout all of King County.

## INTERGOVERNMENTAL REVENUE

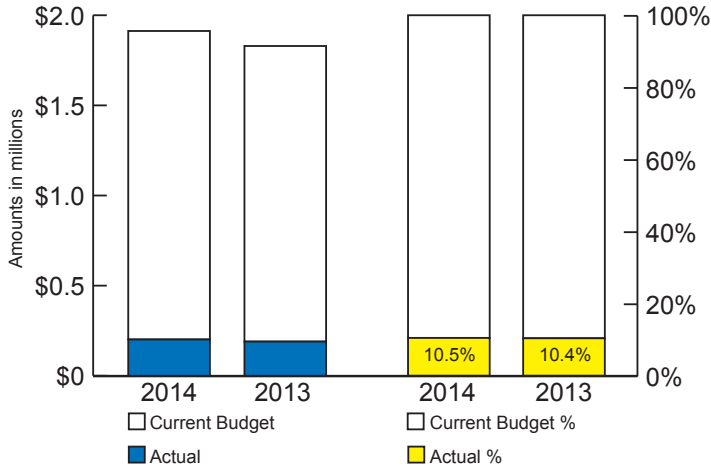


2014 Current Budget	\$865,015
2014 First Quarter Actual Revenue	\$202,401
2014 % of Current Budget Received	23.4%
2013 Current Budget	\$906,181
2013 First Quarter Actual Revenue	\$164,299
2013 % of Current Budget Received	18.1%
2014 v. 2013 First Quarter \$ Variance	\$38,102
2014 v. 2013 First Quarter % Variance	23.2%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, and liquor board profits. Receipts for the first quarter, in the amount of \$202,401, are \$38,102, or 23.2%, more than the year-ago level. In addition to the budget variance, receipts are \$34,687, or 20.7%, more than the year-to-date projection. Both variances are largely due to unanticipated receipts from the distribution of Liquor Excise Taxes.

# GENERAL FUND REVENUE ANALYSIS (continued):

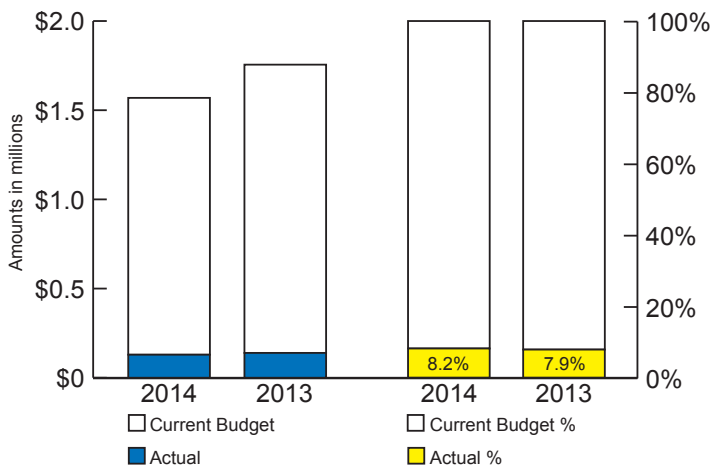
## SEATTLE CITY LIGHT CONTRACT PAYMENT



2014 Current Budget	\$1,912,728
2014 First Quarter Actual Revenue	\$201,337
2014 % of Current Budget Received	10.5%
2013 Current Budget	\$1,829,501
2013 First Quarter Actual Revenue	\$189,582
2013 % of Current Budget Received	10.4%
2014 v. 2013 First Quarter \$ Variance	\$11,755
2014 v. 2013 First Quarter % Variance	6.2%

Receipts for the first quarter of 2014, in the amount of \$201,337, are \$11,755, or 6.2%, more than the year-ago level. In addition to the budget variance, receipts are \$4,532, or 2.2%, less than the year-to-date projection.

## GAMBLING TAX REVENUE

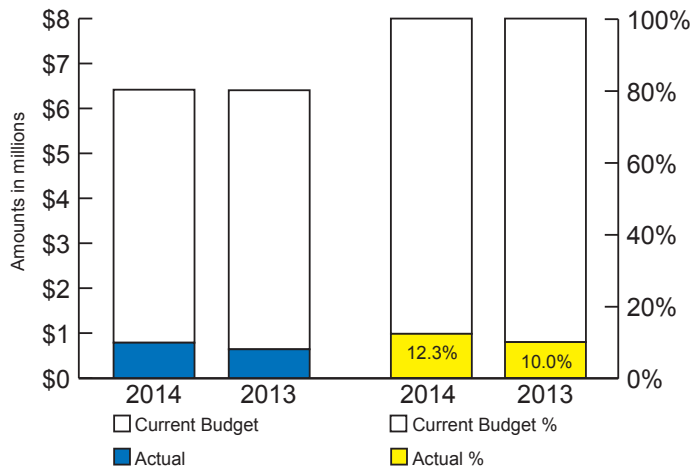


2014 Current Budget	\$1,569,125
2014 First Quarter Actual Revenue	\$129,148
2014 % of Current Budget Received	8.2%
2013 Current Budget	\$1,755,451
2013 First Quarter Actual Revenue	\$139,252
2013 % of Current Budget Received	7.9%
2014 v. 2013 First Quarter \$ Variance	-\$10,104
2014 v. 2013 First Quarter % Variance	-7.3%

Gambling tax receipts presented in this report largely reflect those collected pursuant to promissory notes with various gambling establishments as first quarter gambling tax returns are not due to the City until April 30. Total receipts, inclusive of taxes on gambling activity and payments on promissory notes, in the amount of \$129,148, are higher than the year-to-date projection by \$5,307, or 4.3%.

# GENERAL FUND REVENUE ANALYSIS (continued):

## UTILITY TAX AND FRANCHISE FEE



2014 Current Budget	\$6,417,125
2014 First Quarter Actual Revenue	\$786,615
2014 % of Current Budget Received	12.3%
2013 Current Budget	\$6,404,749
2013 First Quarter Actual Revenue	\$639,765
2013 % of Current Budget Received	10.0%
2014 v. 2013 First Quarter \$ Variance	\$146,850
2014 v. 2013 First Quarter % Variance	23.0%

Overall Utility Tax and Franchise Fee receipts, in the amount of \$786,615, are \$146,850, or 23.0%, more than the year-ago level. In addition to the budget variance, receipts are \$41,722, or 5.6%, more than the year-to-date projection.

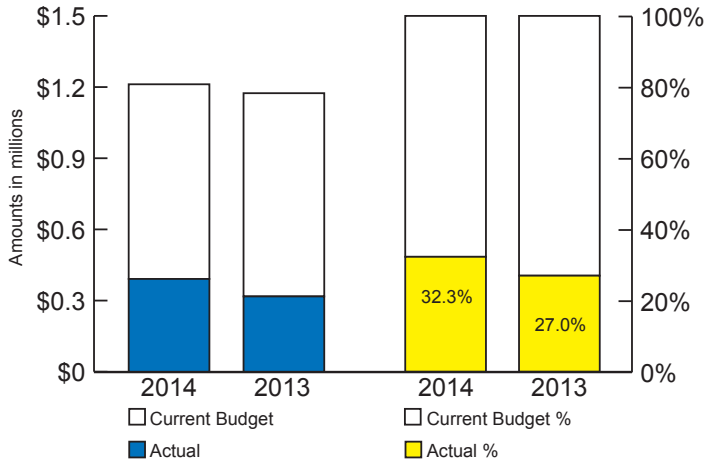
Natural gas tax receipts are 80.9% higher than those collected during the same period in 2013 and 3.6% higher than the year-to-date projection. Only one payment was received from Puget Sound Energy in the first quarter of 2013. Had PSE's second payment been received on time, receipts for the first quarter of 2014 would be 2.6% less than the year-ago level. Cable television tax receipts are ahead of the year-to-date projection by \$12,512, or 9.1%. Telecommunications tax receipts increased from 2013 collections by 13.5% and are ahead of the year-to-date projection by 10.1%. Telecommunications tax receipts fell each year from 2010 through 2013. The total 2014 first quarter telecommunication receipts of \$169,329 are higher than the 2011 level of \$158,305 but lower than the 2010 level of \$192,826. The first quarter of 2014 receipts are ahead of the same period in 2013 because New Cingular made an extra payment of \$23,384 (for a total of two payments in the quarter) that it did not make in 2013.

Revenue Source	2014 Current Budget	2014 First Quarter Projected	2014 First Quarter Actual	\$ Variance Actual v. Projected	% Variance Actual v. Projected	2013 First Quarter Actual
Natural gas	\$889,590	\$240,263	\$248,812	\$8,549	3.6%	\$137,510
Garbage	\$528,086	\$601	\$155	-\$446	-74.2%	\$139
Cable TV	\$1,658,749	\$138,198	\$150,710	\$12,512	9.1%	\$145,658
Telecommunications	\$1,569,095	\$153,813	\$169,329	\$15,516	10.1%	\$149,132
Storm Drainage	\$207,697	\$10,373	\$15,609	\$5,236	50.5%	\$11,326
Water	\$754,197	\$0	\$0	\$0	0.0%	\$0
Sewer	\$809,711	\$201,644	\$202,000	\$356	0.2%	\$196,000
<b>Utility Tax and Franchise Fee Revenue Subtotal</b>	<b>\$6,417,125</b>	<b>\$744,893</b>	<b>\$786,615</b>	<b>\$41,722</b>	<b>5.6%</b>	<b>\$639,765</b>



# GENERAL FUND REVENUE ANALYSIS (continued):

## DEVELOPMENT REVENUE



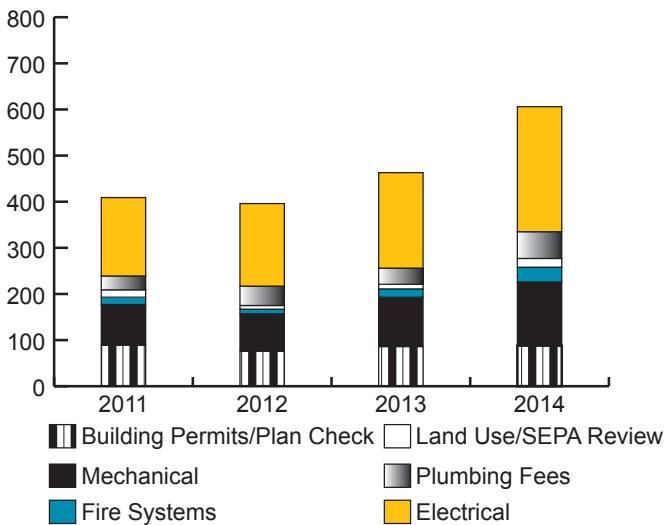
2014 Current Budget	\$1,211,750
2014 First Quarter Actual Revenue	\$391,193
2014 % of Current Budget Received	32.3%
2013 Current Budget	\$1,174,208
2013 First Quarter Actual Revenue	\$317,463
2013 % of Current Budget Received	27.0%
2014 v. 2013 First Quarter \$ Variance	\$73,730
2014 v. 2013 First Quarter % Variance	23.2%

Development revenue receipts, in the amount of \$391,193, are \$139,100, or 55.2%, more than the year-to-date projection and exhibit a year-over-year increase of \$73,730, or 23.2%. The year-over-year increase in receipts is attributable to higher-than-anticipated receipts for building permits, mechanical fees/permits, land use fees/permits, and right-of-way fees/permits.

Issued building permits came in at \$11.07 million valuation in the first quarter, comprised of 54.8% residential and 45.2% non-residential. The majority of the non-residential valuation is for the North City Water District's 3,200 square foot pump station and associated site work valued at \$4.0 million.

Thus far in 2014, there have been five more permits issued for new single-family residences issued, with a value that is \$2.0 million more, as compared to the year-ago level. There has been one more permit issued for non-residential construction (new and remodels), with a value that is \$0.8 million more, than the year-ago level. This positive trend is also seen in the number of permits issued throughout all of the categories as compared to the same period in 2013.

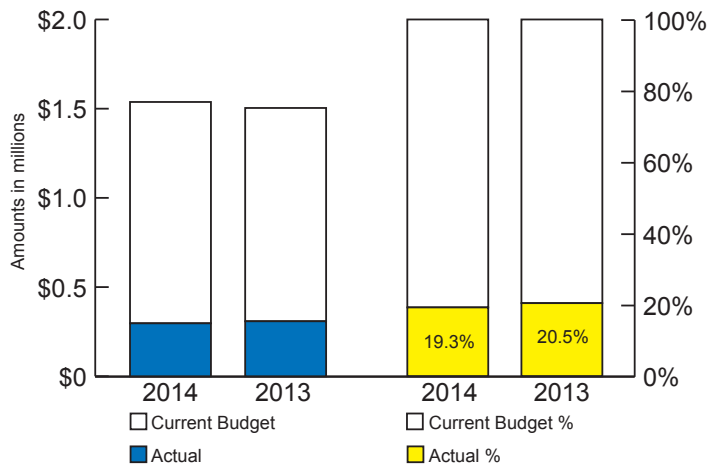
## PERMITS BY TYPE January through March 2011–2014



PERMIT TYPE	2011	2012	2013	2014
Building Permits/Plan Check	89	76	86	88
Mechanical	88	81	107	138
Fire Systems	16	10	18	32
Land Use/SEPA Review	16	8	10	19
Plumbing	30	42	35	58
Electrical	170	179	207	271
<b>Total</b>	<b>409</b>	<b>396</b>	<b>463</b>	<b>606</b>

# GENERAL FUND REVENUE ANALYSIS (continued):

## PARK AND RECREATION REVENUE



2014 Current Budget	\$1,537,541
2014 First Quarter Actual Revenue	\$296,903
2014 % of Current Budget Received	19.3%
2013 Current Budget	\$1,503,960
2013 First Quarter Actual Revenue	\$308,394
2013 % of Current Budget Received	20.5%
2014 v. 2013 First Quarter \$ Variance	-\$11,491
2014 v. 2013 First Quarter % Variance	-3.7%

Park and Recreation revenue receipts, in the amount of \$296,903, are \$11,491, or 3.7%, lower than the year-ago level and \$5,431, or 1.8%, lower than the year-to-date projection. Compared to the first quarter of 2013, the first quarter of 2014 witnessed a decrease in revenues from the pool by 7.0% and facility rentals by 4.8%. The decrease in pool revenue is largely due to lower drop-ins for lap, recreation and family swimming, as well as aerobic and fitness classes. The decrease in facility rental revenue is largely due to fewer rentals of athletic fields and the Spartan Gym. General Recreation receipts showed an increase of 3.7% over the same period in 2013, largely due to increased participation in preschool sports skills and youth arts classes.

## RECREATION REVENUE BY PROGRAM

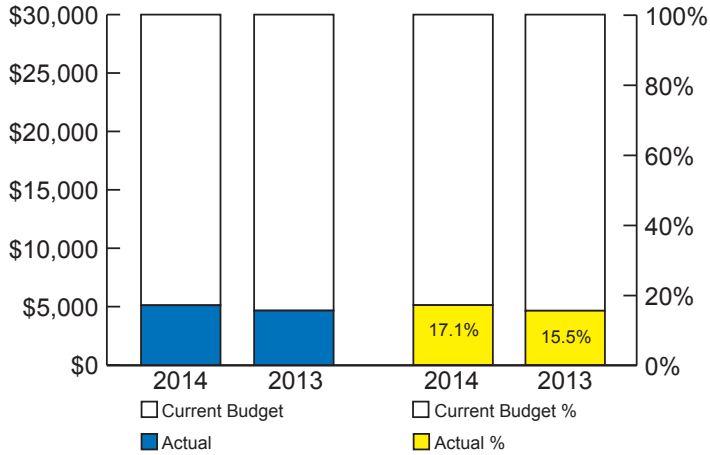
Annual Recreation Revenue by Program Area 2006-2013\*

Year	General Recreation*	General Recreation % of Total	Pool	Pool % of Total	Facility Rentals	Facility Rentals % of Total	Total Revenue
2007	\$108,048	42.0%	\$78,487	30.5%	\$70,790	27.5%	\$257,325
2008	\$109,582	40.7%	\$85,173	31.6%	\$74,645	27.7%	\$269,400
2009	\$114,859	40.2%	\$74,875	26.2%	\$96,221	33.6%	\$285,955
2010	\$107,817	38.6%	\$76,240	27.3%	\$95,259	34.1%	\$279,316
2011	\$99,983	35.2%	\$82,736	29.1%	\$101,440	35.7%	\$284,159
2012	\$111,990	38.8%	\$85,284	29.5%	\$91,669	31.7%	\$288,943
2013	\$109,539	36.9%	\$87,935	29.6%	\$99,160	33.4%	\$296,634
2014	\$113,554	39.2%	\$81,781	28.2%	\$94,426	32.6%	\$289,761

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

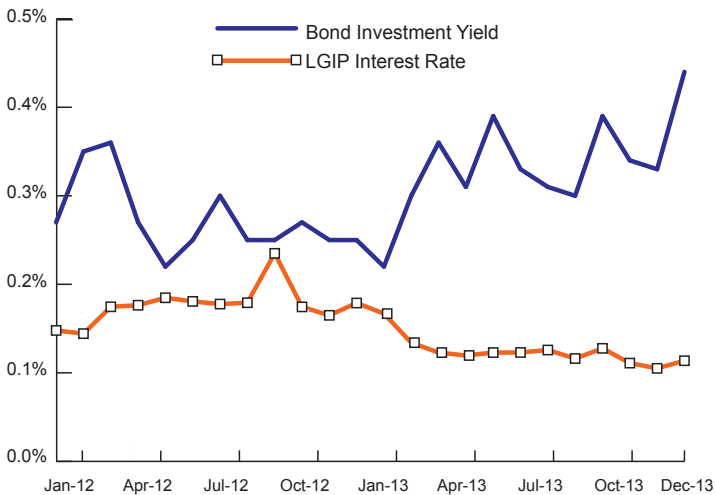
# GENERAL FUND REVENUE ANALYSIS (continued):

## INVESTMENT INCOME



2014 Current Budget	\$30,000
2014 First Quarter Actual Revenue	\$5,119
2014 % of Current Budget Received	17.1%
2013 Current Budget	\$30,000
2013 First Quarter Actual Revenue	\$4,663
2013 % of Current Budget Received	15.5%
2014 v. 2013 First Quarter \$ Variance	\$456
2014 v. 2013 First Quarter % Variance	9.8%

Investment earnings through March totaled \$5,119 and higher than the year-ago level by \$456, or 9.8%.

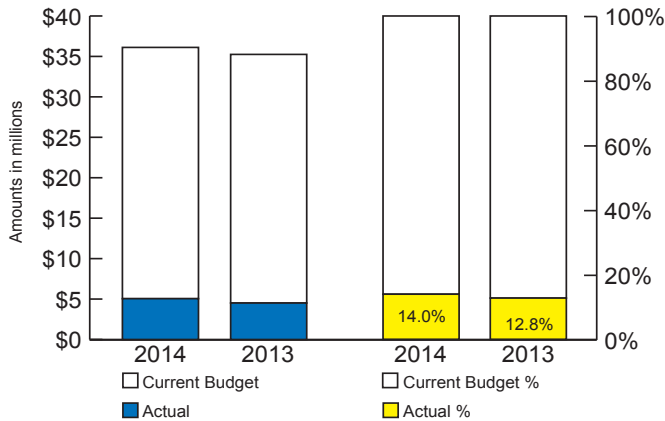


Month	LGIP Interest Rate*	Bond Investment Yield
4/30/12	0.1479%	0.2700%
5/31/12	0.1443%	0.3500%
6/30/12	0.1746%	0.3600%
7/31/12	0.1764%	0.2700%
8/31/12	0.1848%	0.2200%
9/30/12	0.1807%	0.2500%
10/31/12	0.1777%	0.3000%
11/30/12	0.1792%	0.2500%
12/31/12	0.2350%	0.2500%
1/31/13	0.1745%	0.2700%
2/29/13	0.1650%	0.2500%
3/31/13	0.1789%	0.2500%
4/30/13	0.1669%	0.2200%
5/31/13	0.1341%	0.3000%
6/30/13	0.1229%	0.3600%
7/31/13	0.1196%	0.3100%
8/31/13	0.1229%	0.3900%
9/30/13	0.1230%	0.3300%
10/31/13	0.1258%	0.3100%
11/30/13	0.1162%	0.3000%
12/31/13	0.1277%	0.3900%
1/31/14	0.1110%	0.3400%
2/28/14	0.1051%	0.3300%
3/31/14	0.1137%	0.4400%
<b>Average</b>	<b>0.1503%</b>	<b>0.3046%</b>

\*Local Government Investment Pool

# EXPENDITURE ANALYSIS

## GENERAL FUND EXPENDITURES



2014 Current Budget	\$36,113,714
2014 First Quarter Actual Expenditures	\$5,047,197
2014 % of Current Budget Expended	14.0%
2013 Current Budget	\$35,248,761
2013 First Quarter Actual Expenditures	\$4,508,707
2013 % of Current Budget Expended	12.8%
2014 v. 2013 \$ Variance	\$538,489
2014 v. 2013 % Variance	11.9%

General Fund departmental expenditures in the first quarter of 2014, in the amount of \$4,249,192, are \$143,412, or 3.5%, higher than the year-ago level. General Fund expenditures including transfers out, of \$5,047,197 are \$538,489, or 11.9% higher than the year-ago level.

In addition to the budget variance, General Fund departmental expenditures are \$116,966, or 2.7%, less than the year-to-date projection. Expenditures including transfers out are 2.3% below the year-to-date projection.

Transfers out are \$395,077 higher than last year due to a one time transfer of \$300,000 to the Roads Capital Fund to establish a grant matching pool and the timing of the general fund subsidy to the debt service fund which was accelerated to accommodate the scheduled interest payment.

Department	2014 Current Budget	2014 First Quarter Actual Expenditures	2014 % of Current Budget Expended	2013 Current Budget	2013 First Quarter Actual Expenditures	2013 % of Current Budget Expended	2014 v. 2013 \$ Variance	2014 v. 2013 % Variance
City Council	\$221,089	\$56,403	25.5%	\$191,075	\$47,265	24.7%	\$9,138	19.3%
City Manager's Office <sup>1</sup>	\$2,158,535	\$373,533	17.3%	\$2,010,639	\$382,324	19.0%	-\$8,790	-2.3%
City Attorney	\$593,787	\$91,066	15.3%	\$584,847	\$105,970	18.1%	-\$14,905	-14.1%
Community Services <sup>2</sup>	\$1,515,959	\$221,466	14.6%	\$1,588,231	\$217,192	13.7%	\$4,274	2.0%
Administrative Services <sup>3</sup>	\$3,805,090	\$788,330	20.7%	\$3,705,382	\$716,417	19.3%	\$71,913	10.0%
Citywide	\$1,832,230	\$651,554	35.6%	\$1,957,477	\$632,070	32.3%	\$19,485	3.1%
Human Resources	\$442,810	\$86,347	19.5%	\$438,751	\$96,411	22.0%	-\$10,064	-10.4%
Police	\$10,693,397	\$16,381	0.2%	\$10,610,317	\$16,463	0.2%	-\$81	-0.5%
Criminal Justice	\$2,340,706	\$212,258	9.1%	\$2,109,968	\$218,662	10.4%	-\$6,404	-2.9%
Parks, Recreation & Cultural Services	\$4,998,517	\$912,296	18.3%	\$4,995,132	\$903,017	18.1%	\$9,279	1.0%
Planning & Community Development	\$2,553,648	\$493,555	19.3%	\$2,560,379	\$463,504	18.1%	\$30,051	6.5%
Public Works	\$2,269,198	\$346,001	15.2%	\$1,948,372	\$306,485	15.7%	\$39,516	12.9%
<b>Departmental Expenditures</b>	<b>\$33,424,965</b>	<b>\$4,249,192</b>	<b>12.7%</b>	<b>\$32,700,570</b>	<b>\$4,105,780</b>	<b>12.6%</b>	<b>\$143,412</b>	<b>3.5%</b>
Operating Transfers Out	\$2,688,749	\$798,005	29.7%	\$2,548,191	\$402,927	15.8%	\$395,077	98.1%
<b>Total Expenditures</b>	<b>\$36,113,714</b>	<b>\$5,047,197</b>	<b>14.0%</b>	<b>\$35,248,761</b>	<b>\$4,508,707</b>	<b>12.8%</b>	<b>\$538,489</b>	<b>11.9%</b>

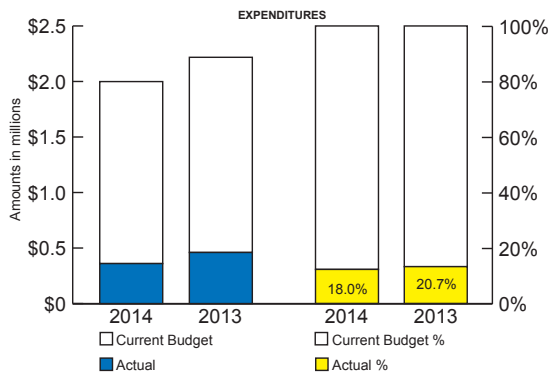
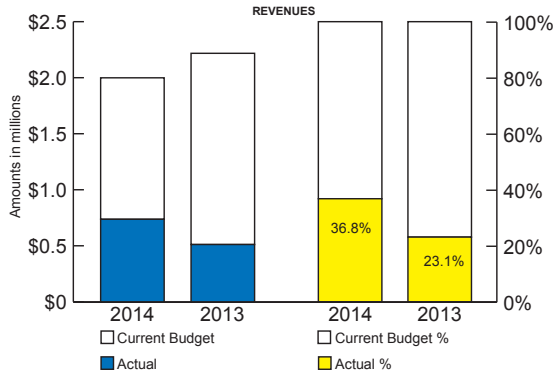
<sup>1</sup> City Manager's Office includes City Manager's Office, City Clerk, Communications, Intergovernmental Relations, Economic Development and Property Management.

<sup>2</sup> Community Services includes Emergency Management Planning, Neighborhoods, Human Services and the Customer Response Team.

<sup>3</sup> Administrative Services includes Finance, Purchasing, Information Systems and Facilities.

# OTHER FUNDS REVENUE ANALYSIS:

## STREET FUND



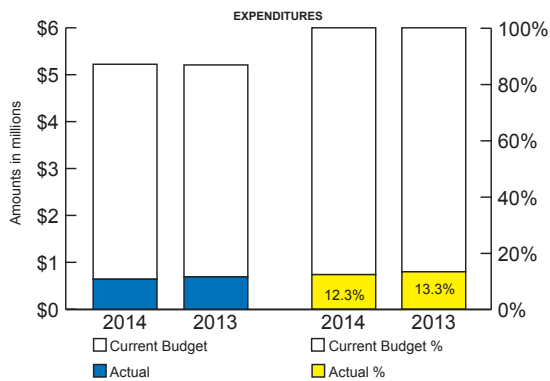
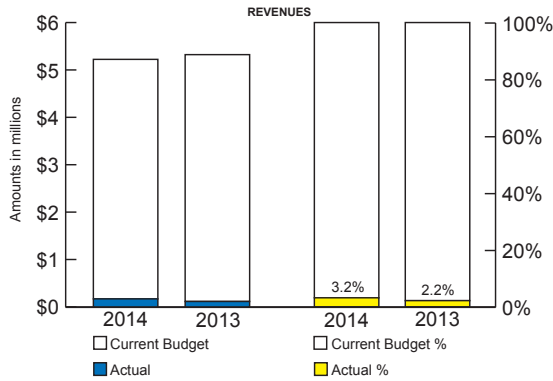
	<i>Revenue</i>	<i>Expenditures</i>
2014 Current Budget	\$1,999,037	\$1,999,037
2014 First Quarter Actual	\$736,569	\$360,134
2014 % of Current Budget	36.8%	18.0%
2013 Current Budget	\$2,217,696	\$2,217,696
2013 First Quarter Actual	\$511,302	\$460,167
2013 % of Current Budget	23.1%	20.7%
2014 v. 2013 \$ Variance	\$225,267	-\$100,033
2014 v. 2013 % Variance	44.1%	-21.7%

Total revenue receipts, excluding transfers in, for the first quarter of 2014 are \$346,793, or 134.4% more than the year-ago level. In addition to the budget variance, receipts are \$345,434, or 88.3%, greater than the year-to-date projection. A settlement payment for light pole repair was received in the first quarter of 2014, in the amount of \$340,000. Factoring out this payment reveals a year-over-year increase of \$6,793, or 2.6%.

Expenditures, including transfers out, are \$100,033, or 21.7%, less than the year-ago level and \$84,162, or 18.9%, less than the year-to-date projection. The variance from the projection is mainly due to a number of position vacancies and some delayed supply purchases in the first quarter of 2014.

# OTHER FUNDS REVENUE ANALYSIS:

## SURFACE WATER UTILITY FUND



	<u>Revenue</u>	<u>Expenditures</u>
2014 Current Budget	\$5,222,967	\$5,222,967
2014 First Quarter Actual	\$169,208	\$639,909
2014 % of Current Budget	3.2%	12.3%
2013 Current Budget	\$5,208,385	\$5,208,385
2013 First Quarter Actual	\$114,495	\$691,401
2013 % of Current Budget	2.2%	13.3%
2014 v. 2013 \$ Variance	\$54,713	-\$51,492
2014 v. 2013 % Variance	47.8%	-7.4%

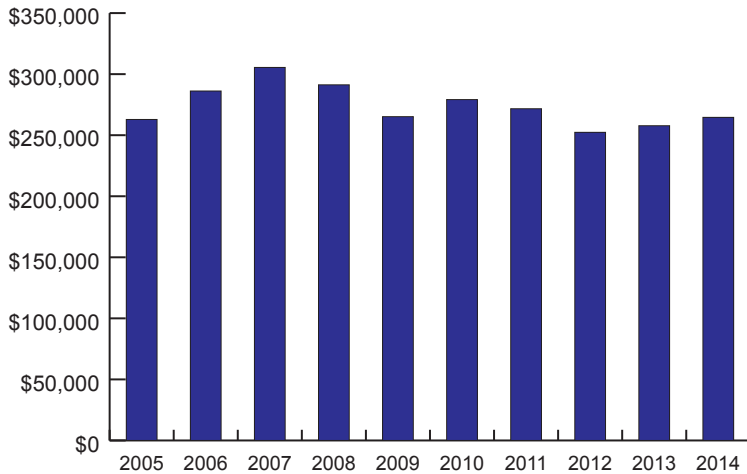
The Surface Water Utility Fund (SWM) includes both on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Revenue receipts for the first quarter of 2014, in the amount of \$169,208, are \$54,713, or 47.8%, higher than the year-ago level. In addition to the budget variance, receipts are \$84,719, or 100.27%, greater than the year-to-date projection. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled \$165,766, which are \$52,683 or 46.6%, higher than the year-ago level and \$81,978, or 97.8%, greater than the year-to-date projection. Both variances are the result of the City receiving a large property tax payment distribution which includes storm drainage fees earlier than normal in the first quarter. Assuming no further timing differences it is expected that the variances will be very small by the end of the second quarter.

Expenditures, including transfers out, are \$51,492, or 7.4%, less than the year-ago level. In addition to the budget variance, expenditures are \$28,321, or 4.2%, less than the year-to-date projection. Capital projects are \$77,367, or 40.0%, less than the year-ago level and the operating programs are \$13,489, or 3.7%, higher than the year-ago levels. In addition to the budget variance, capital projects and operating program expenditures are less than the year-to-date projections by \$7,811 and \$20,510, respectively.

# NON-GENERAL FUND REVENUE ANALYSIS:

## STREET FUND FUEL TAX

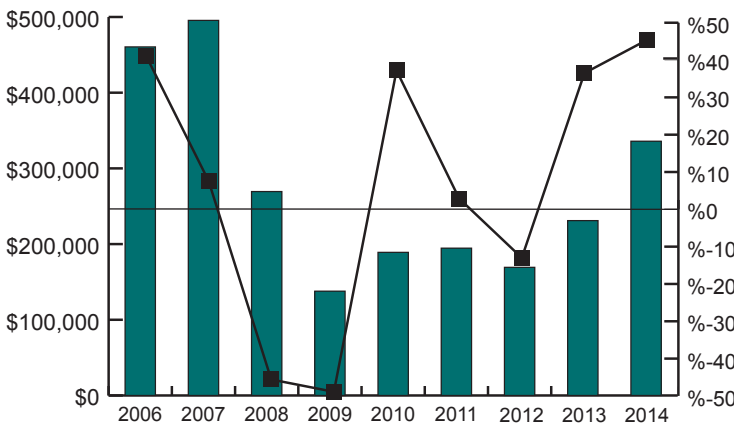


**Fuel Tax: Historical First Quarter 2004-2013**

2005	\$262,875
2006	\$286,182
2007	\$305,487
2008	\$291,252
2009	\$265,191
2010	\$279,173
2011	\$271,682
2012	\$252,343
2013	\$257,765
2014	\$264,597

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 for the first quarter of 2014, in the amount of \$264,597, are \$5,717, or 2.2% more than the projection and exhibit a year-over-year increase of \$6,832, or 2.5%.

## REAL ESTATE EXCISE TAX (REET)



**REET: First Quarter Collected 2004-2012**

	Revenue	\$ Change from Previous Year	% Change from Previous Year
2006	\$460,514	\$134,322	41.2%
2007	\$495,510	\$34,996	7.6%
2008	\$269,404	-\$226,106	-45.6%
2009	\$137,794	-\$131,610	-48.9%
2010	\$189,082	\$51,288	37.2%
2011	\$194,618	\$5,536	2.9%
2012	\$169,286	-\$25,332	-13.0%
2013	\$231,011	\$61,725	36.5%
2014	\$335,892	\$104,881	45.4%

Real Estate Excise Tax (REET) revenue receipts for the first quarter of 2014, in the amount of \$335,892, are \$104,881 or 45.4% more than receipts for the same period in 2013. There were 24 more real estate transactions in the first quarter of 2014 than in the same period of 2013, and the total value of all transactions was \$21.65 million, or 46.9%, more than in 2013.

The difference in the value of real estate transactions is attributable to there being more transactions in 2014 (161 total) than in 2013 (137) and there being nine high-value (\$1 million or more) transactions in the first quarter of 2014, five more than in the same period of 2013.

## Fourth Quarter INVESTMENT REPORT March 31, 2014:

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 March 31, 2014, the City's investment portfolio, excluding the State Investment Pool, had a current weighted average rate of return of 0.8634%. This is better than the State Investment Pool's current rate of return of 0.1137%. Total investment interest earnings through March were \$9,499 which is about 10% of total budgeted 2014 investment earnings of \$92,505.

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

We are now starting to see some recovery in interest rates as the rate at the end of March 2014 was 0.44%. The City continues to implement a ladder philosophy in its investment portfolio. This allows the City to hold some securities at a higher interest rate during the declining interest rate environment. For example an instrument purchased in March 2014 is yielding 0.9537% and will not mature until March 2017. This rate of return is projected to be above the average projected rate of return from the State Pool over the same period. A laddered portfolio approach helps assure that the City will, in the long run, receive a market average rate of return.

As of March 2014, the City's investment portfolio had a fair value of nearly \$31.986 million. Approximately 12% of the investment portfolio was held in U.S. government instrumentality securities, and 88% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of March 31, 2014, was slightly over \$31.972 million. The difference between the cost and the market value of the portfolio represents either the loss or the gain of the portfolio if the City were to liquidate investments as of the day that the market value is stated. This would only be done if the City needed to generate cash. The City holds all of its investments until the scheduled maturity date, and therefore when the investments mature the principal market value should equal the cost of the investment. The City also holds sufficient investments within the State Pool to allow for immediate cash liquidation if needed. Investments within the State Pool can be liquidated on any given day with no penalty.

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



# INVESTMENT REPORT (continued):

## LGIP Cash and Investment Balances March 31, 2014

### Instrument Type

	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 12/31/12
FHLB 0.375	3133834R9	ProEquities	06/26/13	06/24/16	1,000,000	986,541	0.8310%	10,211	996,752
FFCB 0.87	3133ED2Z4	ProEquities	09/27/13	09/26/16	1,000,000	1,000,450	0.8550%	1,973	1,002,423
FHLB 0.78	3130A0HZ6	Multi-Bank Security	12/30/13	12/30/16	1,000,000	999,000	0.8140%	1,252	1,000,252
FHLB 0.75	3130A16D5	Financial Northwestern	03/26/14	03/24/17	1,000,000	994,000	0.9537%	-139	993,861
Sub Total - Investments					4,000,000	3,979,991		13,297	3,993,288
State Investment Pool						27,992,424	0.1137%		27,992,424
<b>Total LGIP + Investments</b>						<b>\$31,972,415</b>		<b>\$13,297</b>	<b>\$31,985,712</b>

Current Average Maturity Excluding the State Investment Pool (days)	955
Current Weighted Average Yield to Maturity Excluding the State Pool	0.8634%
Current Yield to Maturity State Investment Pool	0.1137%
Basis Points in Excess (Below) Benchmark	75

### Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker	Percentage	Amount at Cost
FHLB 0.375	3%	996,752	986,541	ProEquities	6%	1,986,991
FFCB 0.87	3%	1,002,423	1,000,450	Multi-Bank Security	3%	999,000
FHLB 0.78	3%	1,000,252	999,000	Financial Northwestern	3%	994,000
FHLB 0.75	3%	993,861	994,000	State Investment Pool	88%	27,992,424
State Investment Pool	88%	27,992,424	27,992,424			
<b>Total LGIP + Investments</b>	<b>100%</b>	<b>31,985,712</b>	<b>31,972,415</b>	<b>Total Investments</b>	<b>100%</b>	<b>31,972,415</b>

### Investments by Fund

Fund	Investments at Cost as of 3/31/2014	LGIP State Investment Pool as of 3/31/2014	Total LGIP + Investments at Cost by Fund as of 3/31/2014	Unrecognized Gain/(Loss) as of 3/31/2014	Total Market Value of Investments by Fund as of 3/31/2014	Investment Earnings Budget 2014	Investment Earnings Actual 2014	Over/(Under) Budget
001 General	\$544,450	\$10,609,900	\$11,154,350	\$5,018	\$11,159,368	\$26,500	\$4,965	-\$21,535
101 Street	250,000	840,772	1,090,772	2,588	1,093,359	5,000	187	-4,813
107 Code Abatement	0	147,743	147,743	0	147,743	550	40	-510
108 Asset Seizure	0	135,422	135,422	0	135,422	0	36	36
109 Public Arts	0	222,082	222,082	0	222,082	500	60	-440
112 Fed Drug Enforcement	0	159,414	159,414	0	159,414	50	43	-7
114 Transportation Benefit Dist.	0	462,016	462,016	0	462,016	60	89	29
115 Property Tax Equalization	0	1,060,961	1,060,961	0	1,060,961	0	289	289
116 Fed Crim Forfeit	0	1,597,328	1,597,328	0	1,597,328	845	436	-409
190 Revenue Stabilization	2,099,000	3,281,252	5,380,252	0	5,380,252	0	0	0
301 General Capital	0	2,687,298	2,687,298	0	2,687,298	17,392	720	-16,672
312 City Fac-Mjr Maint	0	164,943	164,943	0	164,943	1,360	44	-1,316
330 Roads Capital	0	2,497,138	2,497,138	0	2,497,138	25,943	713	-25,230
401 Surface Water Utility Fund	0	2,700,666	2,700,666	0	2,700,666	6,055	768	-5,287
501 Vehicle Oper/Maint	0	76,141	76,141	0	76,141	250	27	-223
503 Equip Dep Replace	1,086,541	1,299,027	2,385,568	5,691	2,391,259	8,000	1,068	-6,932
505 Unemployment	0	50,322	50,322	0	50,322	0	14	14
<b>Total Investments</b>	<b>\$3,979,991</b>	<b>\$27,992,424</b>	<b>\$31,972,415</b>	<b>\$13,297</b>	<b>\$31,985,712</b>	<b>\$92,505</b>	<b>\$9,499</b>	<b>-\$83,006</b>