



# **2005 First Quarter Financial Report**

Prepared by the Finance Department

*for the*

*Fiscal Year January 1, 2005 – December 31, 2005*

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# EXECUTIVE SUMMARY

## **General Fund**

First Quarter 2005 actual revenue collections were \$3,707,085, \$424,028 or 12.92% above projected first quarter revenue of \$3,283,057. The primary factors for higher revenues are from better than expected collections from sales tax, utility taxes and permitting revenue. Through the first three months of 2005 we expect to receive only 10% of budgeted 2005 revenues and as a result it is too early to project any significant revenue trends. 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, namely gambling tax, cable TV franchise, water franchise and some larger telephone providers. Nonetheless it is still encouraging that the City is on the positive side of the revenue picture.

Please note that the Development Services Fund has been merged with the General Fund. Consequently all expenditure and revenue data from the City's permitting operations will be recorded in the General Fund.

Actual first quarter expenditures were \$3,902,167, \$232,732 or 5.63% below projections of \$4,134,899. At this time 2005 projected expenditures have not been revised, more actual expenditure data is needed before an accurate spending picture can be developed.

## **Street Fund**

First quarter 2005 actual revenue collections were \$578,746, \$29,192 or 5.31% above projected first quarter revenue of \$549,554, due to better than expected Right Of Way fee revenue, investment interest income and a small increase in fuel tax revenue.

Actual first quarter expenditures were \$454,857, \$104,570 or 18.69% below projected expenditures of \$559,427. This is due to a delay in King County billing for street work and salary savings from vacant positions.

## **Surface Water Management Fund**

First quarter 2005 actual revenue collections were \$136,561, \$13,489 or 11% above projected first quarter revenue of \$123,072. This increase is due to slightly higher than expected storm drainage collections.

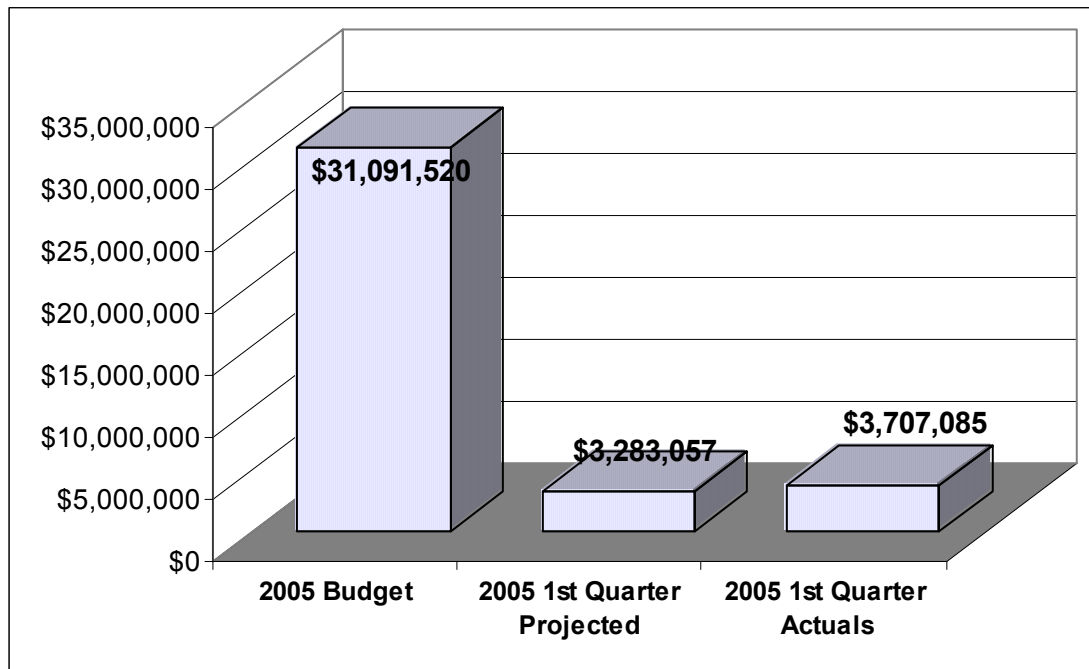
Actual first quarter expenditures were \$455,017, \$36,947 or 7.51% below projected expenditures of \$491,964.

## 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 2005. At this time other City funds do not have enough revenue or expenditure activity to warrant any discussion.

Operating Funds	Revenues					Expenditures				
	2005 Budget	1st Quarter Projected	1st Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance Actuals v. Projected	2005 Budget	1st Quarter Projected	1st Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance Actuals v. Projected
<b>General Fund</b>	\$31,091,520	\$3,283,057	\$3,707,085	\$424,028	12.92%	\$30,986,453	\$4,134,899	\$3,902,167	-\$232,732	-5.63%
<b>Streets</b>	\$2,374,833	\$549,554	\$578,746	\$29,192	5.31%	\$2,374,833	\$559,427	\$454,857	-\$104,570	-18.69%
<b>SWM OPS</b>	\$3,071,187	\$123,072	\$136,561	\$13,489	10.96%	\$2,898,600	\$491,964	\$455,017	-\$36,947	-7.51%
<b>Totals</b>	\$36,537,540	\$3,955,683	\$4,422,392	\$466,709	11.80%	\$36,259,886	\$5,186,289	\$4,812,041	-\$374,248	-7.22%

## General Fund Revenue



First Quarter 2005 actual revenue collections were \$424,027 or 12.92% above projections. This increase was due to better than expected revenue in sales tax \$29,988, natural gas utility tax \$71,547, state-shared revenue \$11,686, permit revenue \$195,635 and Parks revenue \$32,545. Even though the first quarter revenue trend is positive it is still too early in the year to forecast this trend into ongoing revenue increases.

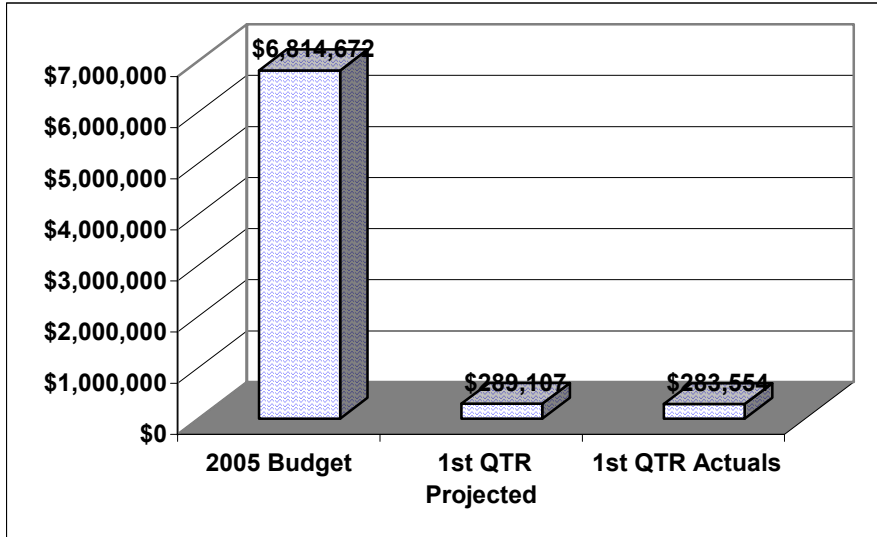
We expect to receive only 10% of general fund revenues in the first quarter. As mentioned earlier many revenue accounts receive no collections during the first quarter e.g. gambling tax, franchise fee payments, grants that reimburse the City for approved expenditures (since billing as not yet occurred), and fees from park programs that are offered later in the year.

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 2005. The first column is the adopted 2005 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.

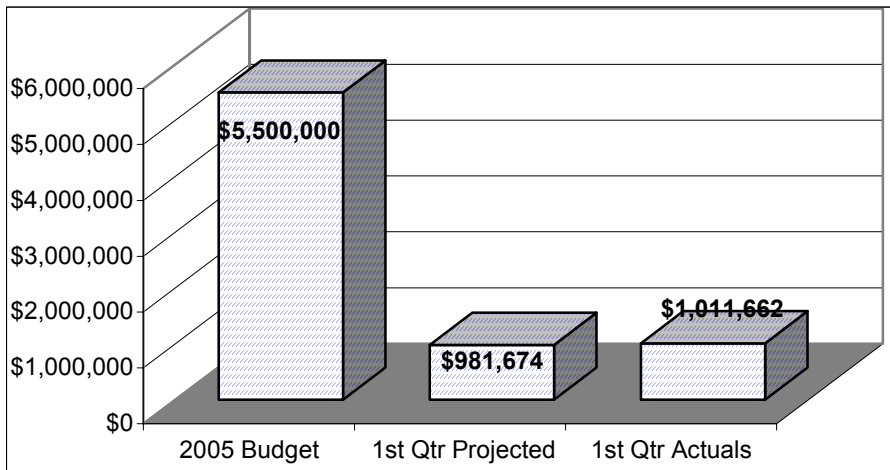
Revenue Source	2005 Budget	2005 1st Quarter Projected	2005 1st Quarter Actuals	\$ Variance Actuals v. Projected	% Variance
<b>Budgeted Fund Balance</b>	\$5,375,396	\$0	\$0	\$0	0.00%
<b>Property Tax</b>	\$6,814,672	\$289,107	\$283,554	-\$5,553	-1.92%
<b>Sales Tax</b>	\$5,500,000	\$981,674	\$1,011,662	\$29,988	3.05%
<b>Criminal Justice Sale Tax</b>	\$1,040,000	\$264,559	\$273,188	\$8,629	3.26%
<b>Utility Tax/Franchise Fee Category</b>					
<b>Natural Gas Utility Tax</b>	\$610,000	\$143,899	\$215,446	\$71,547	49.72%
<b>Sanitation Utility Tax</b>	\$300,000	\$46,178	\$47,686	\$1,508	3.27%
<b>Cable TV Utility Tax</b>	\$420,000	\$14,224	\$14,982	\$758	5.33%
<b>Telephone/Cell Utility Tax</b>	\$1,320,000	\$135,960	\$149,227	\$13,267	9.76%
<b>Electricity Franchise Fee</b>	\$700,000	\$210,000	\$224,825	\$14,825	7.06%
<b>Water Franchise Fee</b>	\$450,325	\$0	\$0	\$0	0.00%
<b>Sewer Franchise Fee</b>	\$618,000	\$154,500	\$154,500	\$0	0.00%
<b>Storm Drainage Utility Tax</b>	\$149,532	\$6,344	\$7,463	\$1,119	17.64%
<b>Cable TV Franchise Fee</b>	\$84,000	\$0	\$0	\$0	0.00%
<b>Utility Tax/Franchise Fee Subtotal</b>	\$4,651,857	\$711,105	\$814,129	\$103,024	14.49%
<b>Gambling Tax</b>	\$2,982,500	\$0	\$8,023	\$8,023	0.00%
<b>State Revenue</b>	\$752,006	\$206,478	\$218,164	\$11,686	5.66%
<b>Permit Revenue</b>	\$1,078,500	\$238,358	\$433,993	\$195,635	82.08%
<b>Parks &amp; Recreation Revenue</b>	\$832,760	\$178,981	\$211,526	\$32,545	18.18%
<b>Fines &amp; Licenses/Forfeitures</b>	\$135,530	\$24,439	\$3,073	-\$21,366	-87.43%
<b>Grants &amp; Misc. Revenue</b>	\$600,209	\$56,618	\$99,319	\$42,701	75.42%
<b>Investment Interest</b>	\$167,500	\$41,590	\$60,306	\$18,716	45.00%
<b>Transfers-In</b>	\$1,160,590	\$290,148	\$290,148	\$0	0.00%
<b>Total General Fund Revenue</b>	\$31,091,520	\$3,283,057	\$3,707,085	\$424,027	12.92%

## Property Tax Revenue



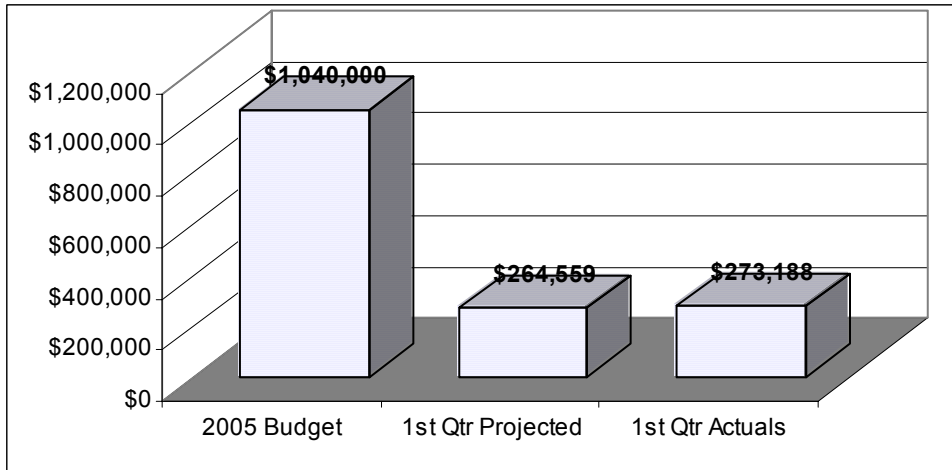
During the first quarter of each year, the City typically receives only 3% of the annual collections, since the first property tax payment is not due until April 30th.

## Sales Tax Revenue



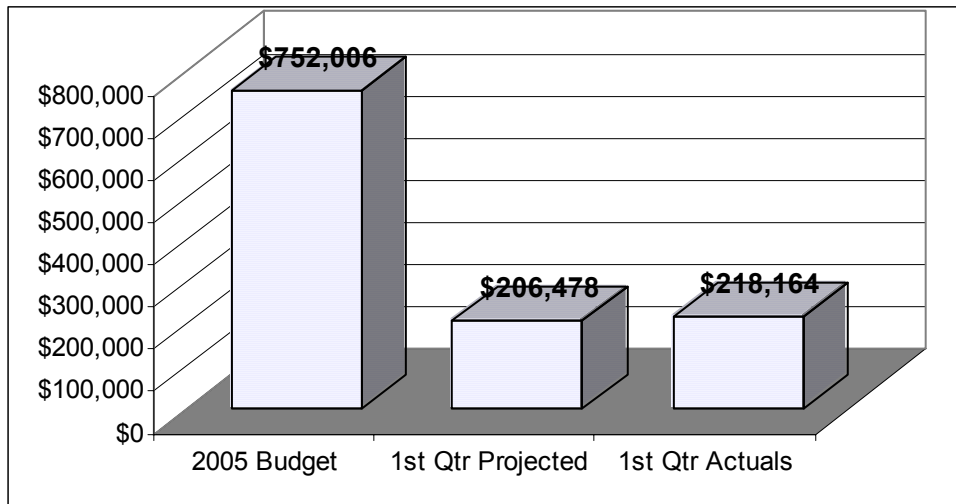
Actual sales tax revenue came in at \$29,988 or 3.05% above projections. First quarter sales tax revenue includes only December 2004 and January 2005 revenue due to the two-month time lag for the State Department of Revenue to process the tax returns.

## Criminal Justice Sales Tax Revenue



Local Criminal Justice Sales Tax of \$273,188 is just slightly ahead of projected revenue of \$264,559 by \$8,629 or 3.26%. 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.

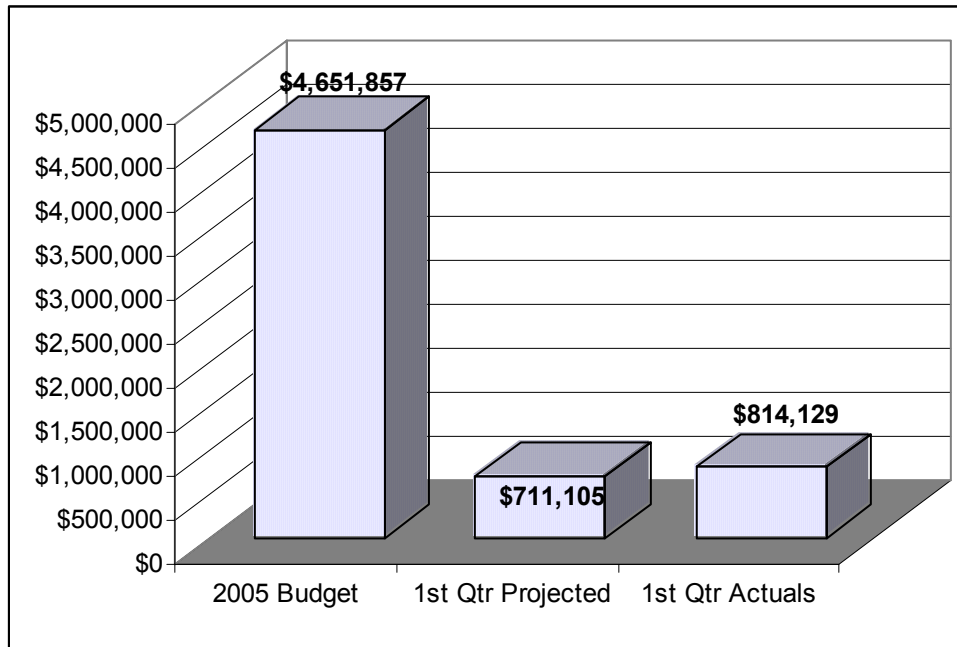
## State Revenue



State Revenue of \$218,164 exceeded projections of \$206,478 by \$11,686 or 5.66%, due to increases in Liquor Board Profits \$11,032. Even though actual revenue exceeded projections it is anticipated that for the year revenues in this category will remain at budget.



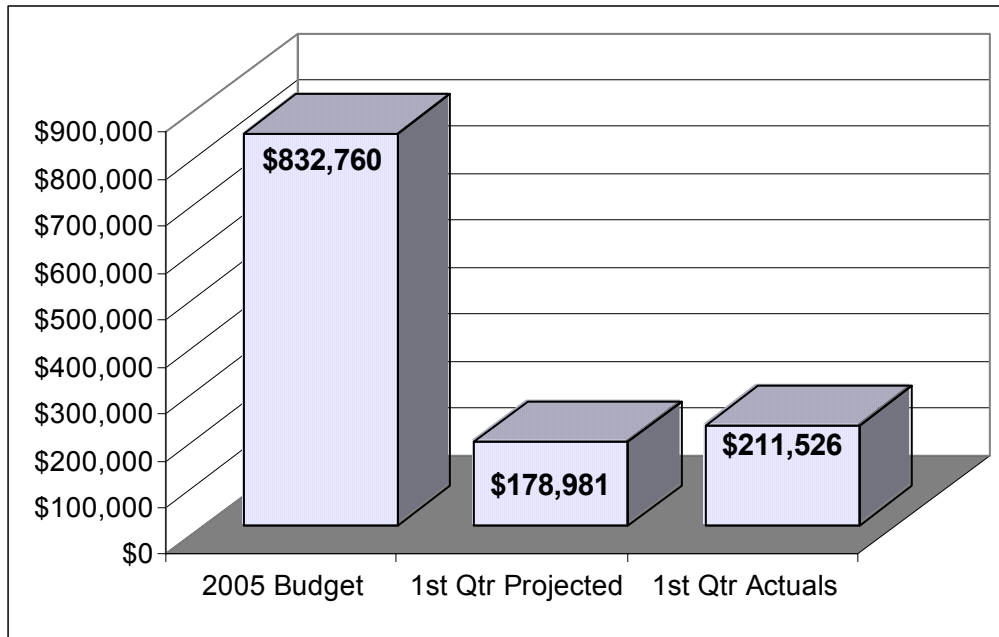
## Utility Tax and Franchise Fee Revenue



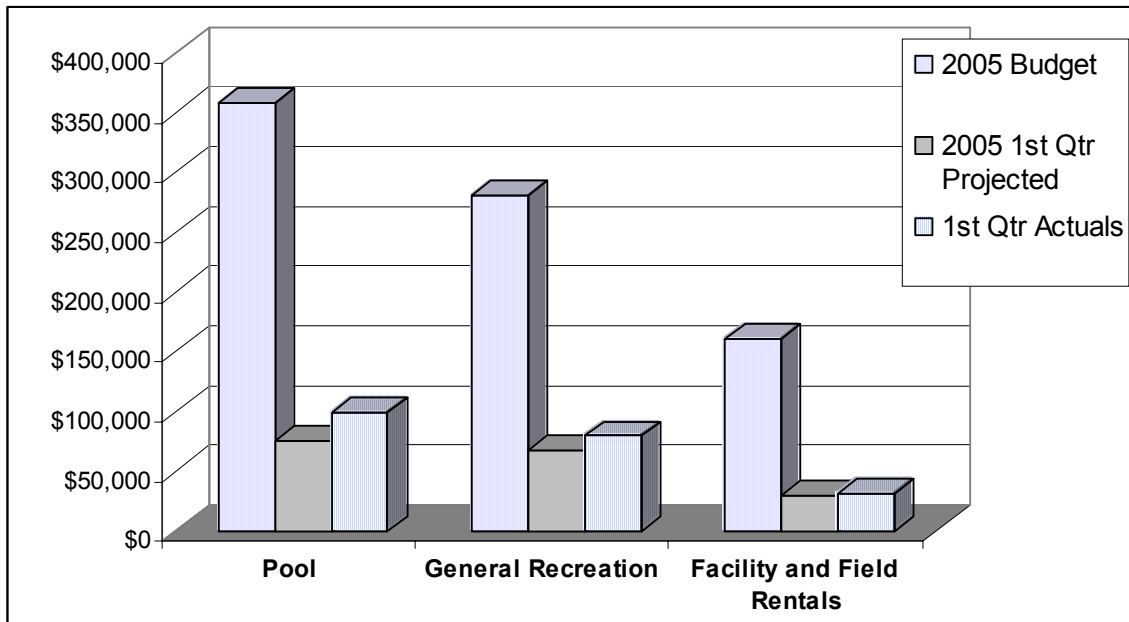
Utility tax and franchise fee revenue of \$814,129 is above projected revenue of \$711,105 by \$103,024 or 14.49%, due to better than expected revenue in natural gas \$71,547, electricity \$14,825 and telephone/cell phone \$13,267. At this time no adjustments are being made in projected revenue. We are optimistic that revenues in this category will remain strong and an adjustment could be made when more revenue is received.

Utility Tax & Franchise Fees	2005 Budget	1st Qtr Projected	1st Qtr Actuals	\$\$ Variance Actuals v. Projected	% Variance
Natural Gas Utility Tax	\$610,000	\$143,899	\$215,446	\$71,547	49.72%
Sanitation Utility Tax	\$300,000	\$46,178	\$47,686	\$1,508	3.27%
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Storm Drainage Utility Tax	\$149,532	\$6,344	\$7,463	\$1,119	17.64%
Cable TV Franchise Fee	\$420,000	\$0	\$0	\$0	0.00%
<b>Total Utility Revenue</b>	<b>\$4,651,857</b>	<b>\$711,105</b>	<b>\$814,129</b>	<b>\$103,024</b>	<b>14.49%</b>

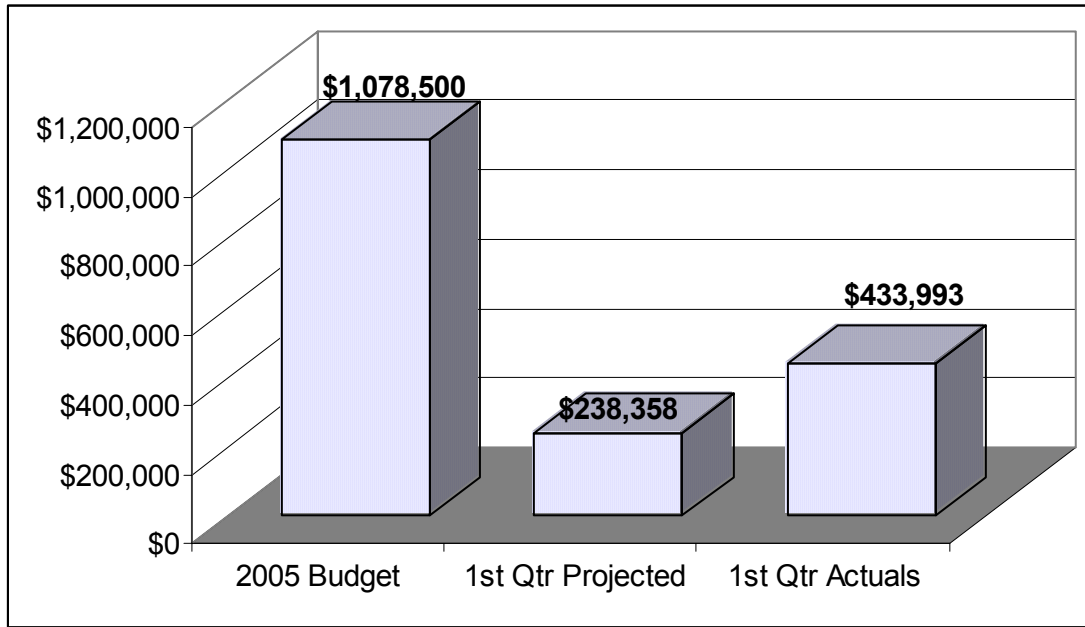
## Parks and Recreation Fee Revenue



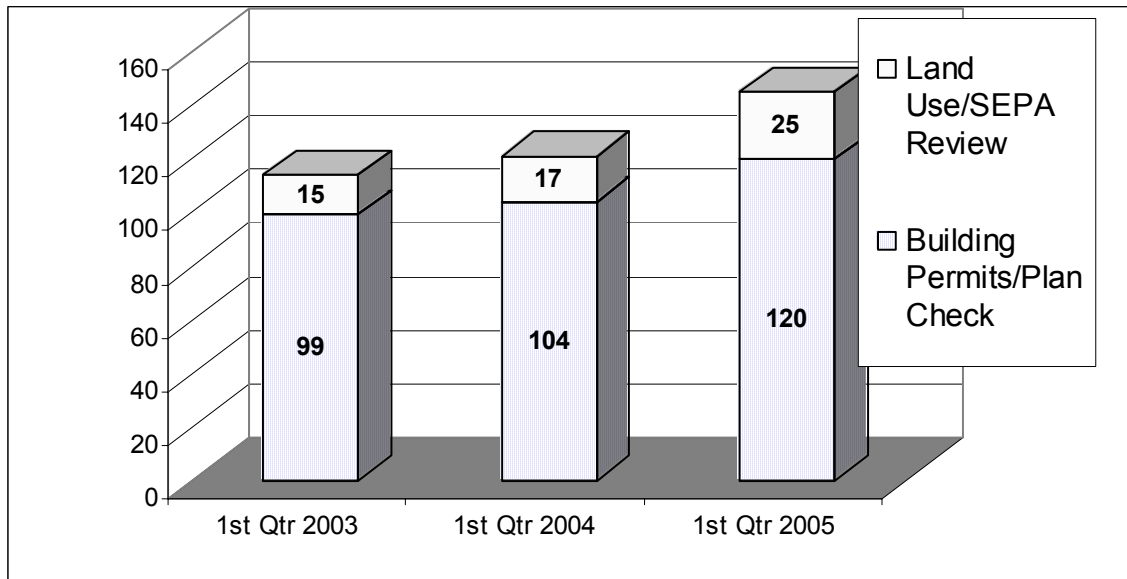
Parks and Recreation Fee revenue of \$211,586 was above projections of \$178,981 by \$32,545 or 18.2%. This increase is due to stronger than expected revenue from the pool and youth recreation programs. 96% of all Parks revenue comes from the pool, general recreation and facility rentals. The graph immediately below illustrates the revenue status for these three program areas for first quarter. All three are ahead of projections.



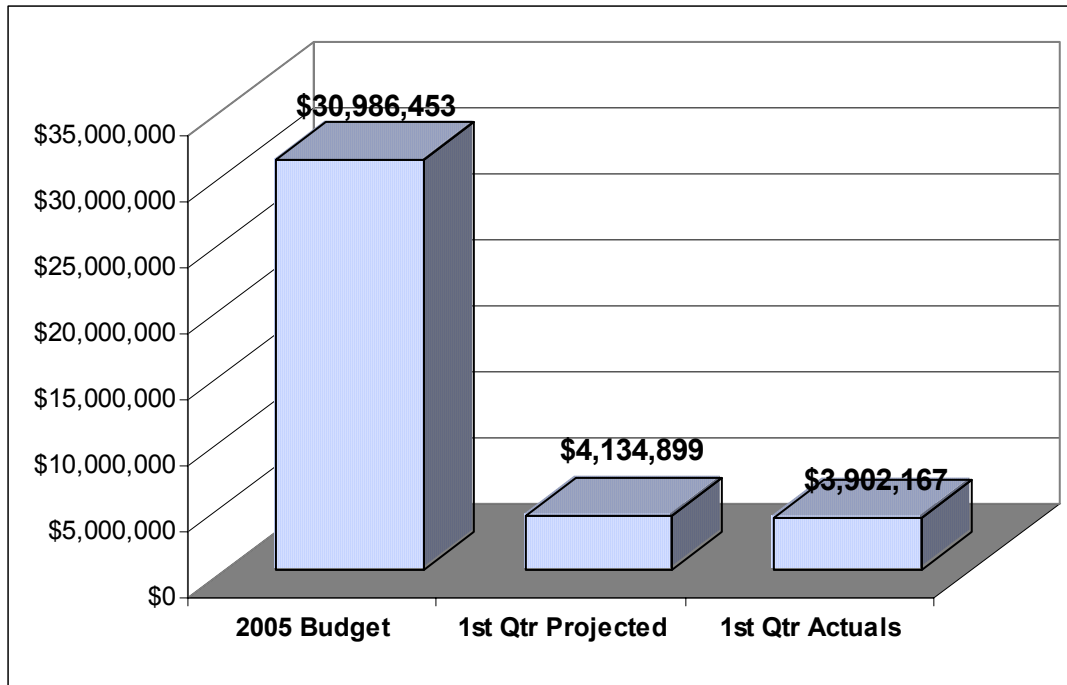
## Permit Revenue



Permit revenue of \$433,993 was above projections of \$238,358 by \$195,635 or 82.08%. This increase is due a strong increase in the number of building permits and plan checks processed during the first quarter. Revenue from these two permit types was \$174,452 above projections. The graph below illustrates the dramatic increase in building permits/plan checks and land use permit numbers for first quarter from the previous two years.

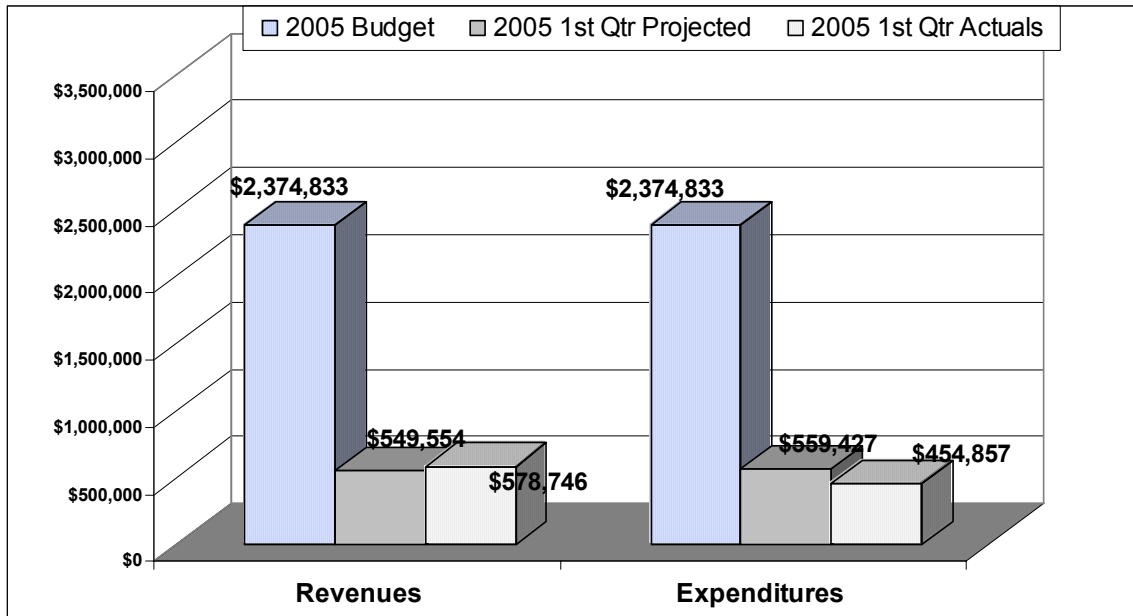


## General Fund Expenditures



Departmental expenditures for first quarter were \$3,902,167, \$232,732 or 5.63% under projected expenditures of \$4,134,899. Even though the City is currently under-expend its budget we anticipate that as the year moves on expenditures will track much closer to budget. The reason for the expenditure gap is the delay in billing for contracted services, slower than expected utilization of professional service agreements and temporary salary savings.

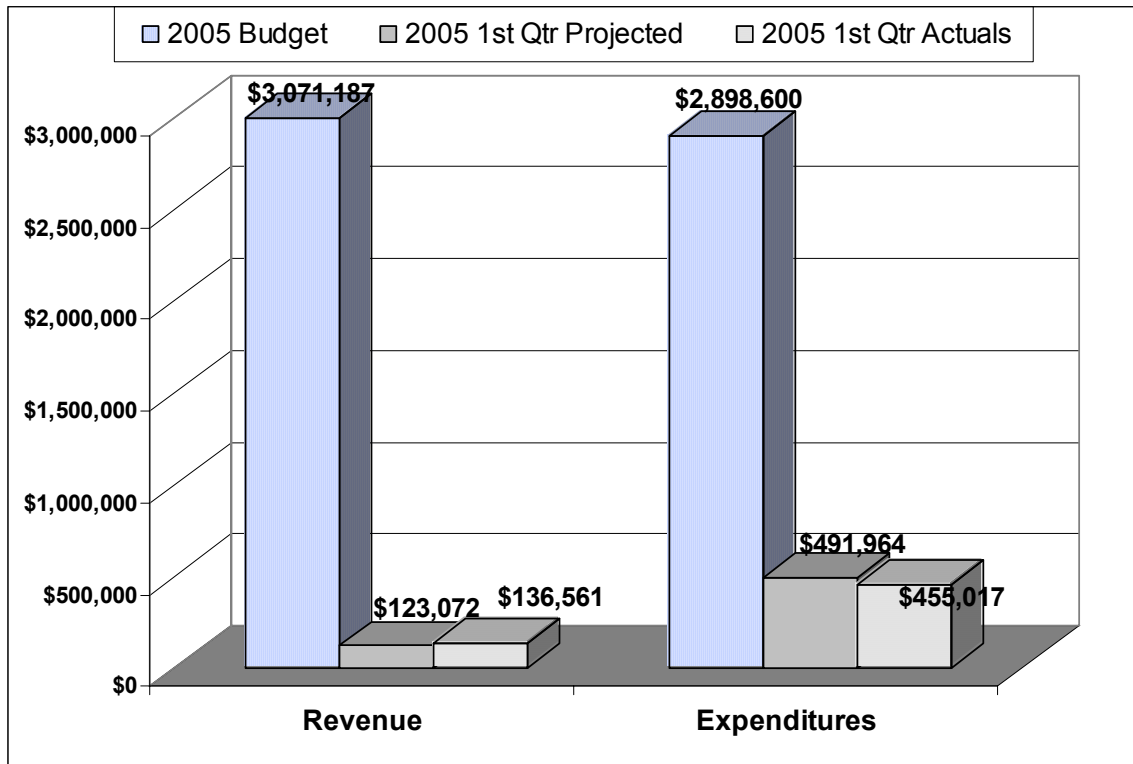
## Street Fund



First quarter 2005 actual revenue collections were \$578,746, \$29,192 or 5.31% above projected first quarter revenue of \$549,554, due to better than expected Right-Of-Way fee revenue, investment interest income and a small increase in fuel tax revenue.

Actual first quarter expenditures were \$454,857, \$104,570 or 18.69% below projected expenditures of \$559,427. This is due to a delay in King County billing for street work and salary savings from vacant positions.

## Surface Water Management Fund



First quarter 2005 actual revenue collections were \$136,561, \$13,489 or 10.96% above projected first quarter revenue of \$123,072. This increase is due to slightly higher than expected storm drainage collections.

Actual first quarter expenditures were \$455,017, \$36,947 or 7.51% below projected expenditures of \$491,964.

City of Shoreline  
Cash and Investments  
March 31, 2005

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 is illustrated in the following table for the period January 01, 2004 through March 31, 2005. The table contains significant data on each investment instrument including a column representing annualized interest utilizing actual yield rates. As a comparison we have also displayed a column illustrating annualized interest had all our investments remained in the State Pool:

Instrument Type	Settlement Date	Investment Cost	Yield To Maturity	Maturity Date	Annualized Interest	Annualized Interest at LGIP rate (1.6692%)
FHLMC (Freddie Mac)	02/24/04	5,000,000	2.1400%	02/24/06	107,000.00	83,461.25
Certificate of Deposit	02/25/04	2,189,400	1.8000%	05/24/05	39,409.20	36,546.01
FHLB (Fed Home Loan Bank)	05/13/04	2,000,000	1.8750%	05/13/05	37,500.00	33,384.50
FHLB (Fed Home Loan Bank)	06/30/04	5,000,000	2.6300%	12/30/05	131,500.00	83,461.25
FHLB (Fed Home Loan Bank)	08/12/04	5,043,911	2.1150%	08/15/05	106,678.71	84,194.22
FNMA (Fannie Mae)	10/08/04	3,993,659	2.5100%	12/15/05	100,240.84	66,663.15
Certificate of Deposit	12/10/04	101,000	2.1700%	05/24/05	2,191.70	1,685.92
Certificate of Deposit	12/22/04	524,000	2.4000%	04/27/05	12,576.00	8,746.74
FHLB (Fed Home Loan Bank)	12/22/04	262,000	2.5000%	05/25/05	6,550.00	4,373.37
Certificate of Deposit	12/24/04	155,000	2.1700%	05/24/05	3,363.50	2,587.30
FHLMC (Freddie Mac)	03/08/05	8,762,490	3.3368%	12/30/05	292,386.78	146,265.68
<i>Sub Total</i>		33,031,460			839,396.72	551,369.38
Average Maturity (days)				478		
Average Yield to Maturity			2.5412%			
State Investment Pool		13,520,428	1.6692%	1		
<b>Total Investments</b>		46,551,887				

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

The above annualized interest columns illustrate a significant gain through the use of our in-house investment process as compared to holding our total portfolio within the State investment Pool at an average yield of 1.6692%. Based on the annualized interest the City's investment portfolio has an average yield of 2.5412%, nearly 88 basis points greater than our benchmark. In dollars this can equate to nearly \$288,027 in annualized investment interest revenue.

The following table illustrates the City's portfolio diversification by instrument type at March 31, 2005:

Portfolio Diversification

<u>Instrument Type</u>	<u>Percentage</u>	<u>Amount</u>
Certificate of Deposit	7%	3,231,400.00
FHLMC (Freddie Mac)	30%	13,762,490.33
FNMA (Fannie Mae)	8%	3,993,658.84
FHLB (Fed Home Loan Bank)	26%	12,043,910.50
State Investment Pool	<u>29%</u>	<u>13,520,427.81</u>
Total Investments	100%	46,551,887.48

Portfolio Diversification