

Attachment A



# **2007 Third Quarter Financial Report**

Prepared by the Finance Department

*for the*

*Fiscal Year January 1, 2007 – December 31, 2007*

## Table of Contents

<b>Executive Summary</b>	<b>3</b>
<b>General Fund Revenue</b>	<b>6</b>
Property Tax	8
Sales Tax	9
Criminal Justice Sales Tax	10
State Revenue	10
Utility Tax and Franchise Fees	11
Seattle City Light Contract Payment	12
Parks Revenue	13
Gambling Tax Revenue	14
Permit Revenue	15
<b>General Fund Expenditures</b>	<b>16</b>
<b>Street Fund</b>	<b>17</b>
<b>Surface Water Utility Fund</b>	<b>18</b>
<b>General Capital Fund</b>	<b>19</b>
<b>Roads Capital Fund</b>	<b>20</b>
<b>Real Estate Excise Tax</b>	<b>21</b>
<b>Investment Report</b>	<b>22</b>

## EXECUTIVE SUMMARY

### **General Fund**

The General Fund is projected to collect \$690,184 or 2.5% more revenue than originally budgeted for 2007 as projected revenue is \$28,837,092, up from budgeted revenue of \$28,146,908. Actual revenue collections of \$18,352,122 through the third quarter of 2007 were \$366,041 or 2.04% above revised projections of \$17,986,081.

The positive variance is a result of the following:

- sales tax revenue is running \$226,667 or 5.5% above projections
- telephone/cell phone revenue is running \$33,020 or 3.23% above already revised projections
- Permit revenue is running \$77,666 or 6.94% above already revised projections
- Investment interest is up by \$69,174 or 25.7% over projections

Expenditures through the third quarter of 2007 were \$18,553,538, under projected expenditures of \$19,389,966 by \$836,428 or 4.3%. This projection is in line with year-end estimates that show the General Fund finishing at \$705,309 or 2.04% under budgeted expenditures. The majority of this under-expenditure through the third quarter is in the Planning and Development Services Department which is \$304,122 or 14.3% under projections and the Parks Department which is \$194,134 or 6.4% under projections. Through three quarters of activity the City is on target to spend roughly 98% of its budget.

### **Street Fund**

Street Fund revenue through the three quarters of 2007 was \$1,719,819, over revised projections of \$1,694,691 by \$25,128, a 1.48% variance. Projected revenues for 2007 have been increased by \$28,086 to include a grant from the Washington Traffic Safety Council (WTSC) for \$37,500, increased investment earnings of \$2,171, unanticipated Superior Court Restitution of \$1,807 and other miscellaneous revenue of \$1,350. Projected fuel tax revenue has been reduced by \$14,742 as consumption levels have decreased as the price per gallon has increased. Year to date, fuel tax collections are running behind by \$22,476 or 4.09%; interest earnings are ahead by \$14,975 or 77%; and right of way permits are ahead of projections by \$27,783 or 30.87%.

Street Fund expenditures for the entire year are projected to be under budget by \$62,577 or 2.4% due to staffing vacancies and other savings. Through the first three quarters of the year, expenditures of \$1,623,074 are below projections of \$1,799,295 by \$176,221 or 9.79%. The expenditure variance is primarily due in large part to delayed billings from King County for street maintenance and street lighting services and salary savings generated by vacant positions in Street Operations. Expenditures in Traffic Services are also under projections due to the timing of billings.

## **Surface Water Utility Fund**

Revenues in the Surface Water Utility Fund of \$1,949,770 are ahead of projections of \$1,798,606 by \$151,164 or 8.4%. Storm Drainage fees are slightly ahead of projections by \$50,857 or 3.28%. Investment earnings are ahead of projections by \$100,306 or 41%.

Total projected expenditures are expected to be well below the 2007 budget. Operating expenditures are projected to be \$77,681 under budget and capital expenditures are expected to be \$2,369,761 less than budget but at or very near projected expenditures. Year to date operating expenditures are \$5,182 or 0.43% under projections. Capital expenditures are \$77,529 or 14.44% behind projections. We assume that by the end of the year, capital expenditures will be at or very near the revised projections. These changes have been made to the 2007 surface water capital projects as included in the adopted 2008 – 2013 CIP.

## **General Capital Fund**

2007 projected revenue has been revised to match the adopted 2008-2013 CIP. Total revenues for the year are expected to be \$5,079,056, which is below budget by \$12,377,097 or 70%. This change is a result of the delay in construction of City Hall and the delay in the issuance of \$12,750,000 of debt. For third quarter actual revenue was \$1,627,301 which is \$781,345 above projected revenue of \$845,956. This revenue variance is due to the following: real estate excise taxes are \$235,410 or 37.5% above projections; and investment earnings are \$545,935 higher than projected revenue of \$138,866, due to later than expected use of parks bond funds.

Projected 2007 expenditures have been lowered from the original budget of \$35,474,846 to \$14,008,857 a reduction of \$21,465,989 due to construction schedule changes for City Hall, trail corridors and Richmond Beach Park improvements. Actual third quarter expenditures of \$7,645,157 are \$612,745 or 7.4% less than projected expenditures of \$8,257,902. The variance is a result of delays in construction or a shifting of schedules for many of the parks bond projects and City Hall.

## **Roads Capital Fund**

2007 projected revenue has been revised to match the adopted 2008-2013 CIP. Total revenues for the year are expected to be \$9,238,305, which is below budget by \$3,828,435. Year-to-date revenues of \$5,822,063 are below projected revenue of \$5,961,147 by \$139,084. Real estate excise tax collections are ahead of revised projections by \$236,760 or 36%. Grant revenue is slightly behind projections due to the final closeout of the Aurora 145<sup>th</sup> to 165<sup>th</sup> Improvements project closeout. Fuel tax revenue is down by \$14,139 and interest earnings are behind by \$148,236.

Projected 2007 expenditures have been lowered from the original budget of \$16,338,554 to \$14,308,485 a reduction of \$2,030,069. This change reflects the projections included in the 2008 – 2013 CIP. The major change is a delay in the Richmond Beach Overcrossing project. Project work will continue into 2008. Expenditures through September totaling \$7,835,392 are under projections of \$9,244,590 by \$1,409,198 or 15.2%.

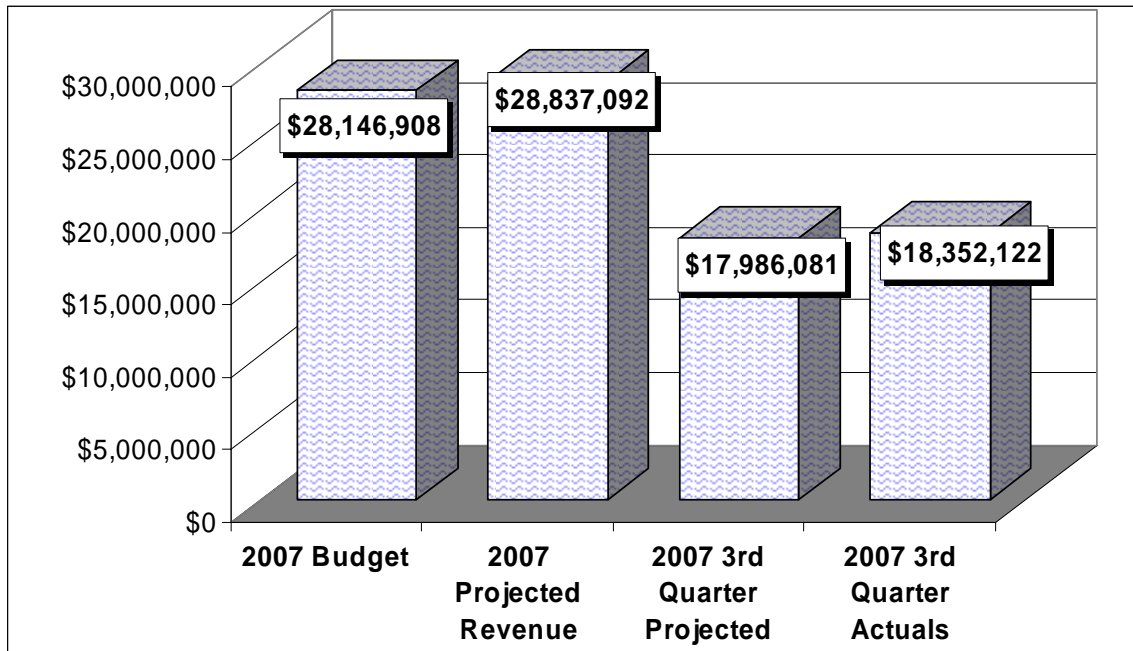
## Summary of the City's Financial Activity through September

The following table provides a summary of the financial results for each City fund through nine months of 2007.

Revenues						
Fund	2007 Budget	2007 Projected	3rd Quarter Projected	3rd Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance
<b>General Fund</b>	\$28,146,908	\$28,837,092	\$17,986,081	\$18,352,122	\$366,041	2.04%
<b>Streets</b>	\$2,556,529	\$2,584,615	\$1,694,691	\$1,719,819	\$25,128	1.48%
<b>SWM Utility Fund</b>	\$5,647,814	\$3,801,130	\$1,798,606	\$1,949,770	\$151,164	8.40%
<b>General Capital Fund</b>	26,216,796	\$5,079,056	\$845,956	\$1,627,301	\$781,345	92.36%
<b>Roads Capital Fund</b>	\$13,066,740	\$9,238,305	\$5,961,147	\$5,822,063	\$3,216,911	123.48%
<b>Totals</b>	<b>\$65,269,773</b>	<b>\$49,285,756</b>	<b>\$24,930,486</b>	<b>\$29,471,075</b>	<b>\$4,540,589</b>	<b>18.21%</b>

Expenditures						
Fund	2007 Budget	2007 Projected	3rd Quarter Projected	3rd Quarter Actuals	Variance Actuals v. Projected	% Variance
<b>General Fund</b>	\$34,542,795	\$33,837,486	\$19,389,966	\$18,553,538	-\$836,428	-4.31%
<b>Streets</b>	\$2,556,529	\$2,532,552	\$1,799,295	\$1,623,074	-\$176,221	-9.8%
<b>SWM Utility Fund</b>	\$6,742,785	\$4,295,343	\$2,091,321	\$2,008,610	-\$82,711	-4.0%
<b>General Capital Fund</b>	\$35,349,846	\$14,008,857	\$8,257,902	\$7,645,157	-\$612,745	-7.4%
<b>Roads Capital Fund</b>	\$16,338,554	\$14,308,485	\$9,244,590	\$7,835,392	\$1,409,198	-15.2%
<b>Totals</b>	<b>\$95,714,109</b>	<b>\$68,982,723</b>	<b>\$40,783,074</b>	<b>\$37,665,771</b>	<b>\$3,117,303</b>	<b>-7.6%</b>

## General Fund Revenue



The General Fund is projected to collect \$690,184 or 2.5% more revenue than originally budgeted for 2007 as projected revenue is \$28,837,092, up from budgeted revenue of \$28,146,908. Actual revenue collections of \$18,352,122 through the third quarter of 2007 were \$366,041 or 2.04% above revised projections of \$17,986,081.

The positive variance is a result of the following:

- sales tax revenue is running \$226,667 or 5.5% above projections
- telephone/cell phone revenue is running \$33,020 or 3.23% above already revised projections
- Permit revenue is running \$77,666 or 6.94% above already revised projections
- Investment interest is up by \$69,174 or 25.7% over projections

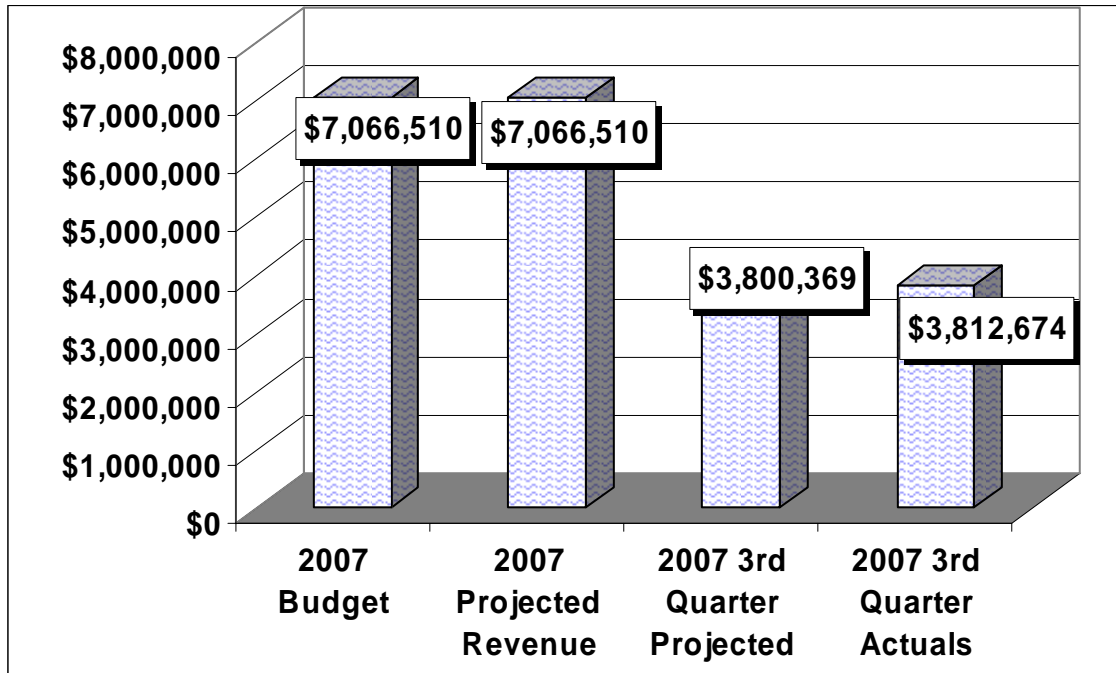
At this time no additional changes are being made to the year end revenue projections. The uncertainty of the economy; continued downward trend in gambling tax revenue; and the flattening of some of the City's other revenue sources namely natural gas utility tax, property tax, sanitation utility tax, state revenue and parks revenues dictate a very conservative approach to the year-end revenue projections. For third quarter sales tax revenue is ahead of projected amounts, but the increase is due almost entirely to construction related sales tax. Given the one-time nature of construction and the intense building schedules, the sales tax growth exhibited through the third quarter is not anticipated to last through 2007. More detail about specific general fund revenues follows later in this report.

The following chart details each revenue category for the General Fund through the third quarter of 2007. The first column is the adopted 2007 revenue budget. The second column represents the revised annual projection, if applicable, for each category. The third column displays the projected revenue through the September. The fourth column displays the actual revenues through September. The fifth column shows the variance between third quarter projections and actual collections. The last column displays the variance in percentage terms.

## General Fund Revenue Detail

Revenue Source	2007 Budget	2007 Projected Revenue	2007 3rd Quarter Projected	2007 3rd Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance
Property Tax	\$7,066,510	\$7,066,510	\$3,800,369	\$3,812,674	\$12,305	0.32%
Sales Tax	\$6,250,000	\$6,250,000	\$4,120,625	\$4,347,292	\$226,667	5.50%
Criminal Justice Sale Tax	\$1,224,500	\$1,224,500	\$912,166	\$953,218	\$41,052	4.50%
<b>Utility Tax and Franchise Fee Category</b>						
Natural Gas Utility Tax	\$1,045,000	\$1,045,000	\$731,500	\$743,777	\$12,277	1.68%
Sanitation Utility Tax	\$340,000	\$340,000	\$227,766	\$224,480	-\$3,286	-1.44%
Cable TV Utility Tax	\$98,000	\$348,000	\$167,040	\$168,916	\$1,876	1.12%
Telephone/Cell Utility Tax	\$1,555,000	\$1,724,660	\$1,021,861	\$1,054,881	\$33,020	3.23%
Water Franchise Fee	\$565,000	\$565,000	\$251,369	\$257,448	\$6,080	2.42%
Sewer Franchise Fee	\$655,595	\$655,595	\$491,696	\$492,000	\$304	0.06%
Storm Drainage Utility Tax	\$177,000	\$177,000	\$96,161	\$96,037	-\$124	-0.13%
Cable TV Franchise Fee	\$533,767	\$583,767	\$290,000	\$293,422	\$3,422	1.18%
<b>Utility Tax/Franchise Fee Subtotal</b>	\$4,969,362	\$5,439,022	\$3,277,393	\$3,330,961	\$53,568	1.63%
Electricity Contract Payment	\$1,000,000	\$1,000,000	\$630,000	\$642,722	\$12,722	2.02%
Gambling Tax	\$2,134,500	\$2,105,504	\$1,080,491	\$980,922	-\$99,569	-9.22%
State Revenue	\$744,304	\$729,526	\$564,022	\$573,339	\$9,317	1.65%
Permit Revenue	\$1,293,935	\$1,443,529	\$1,118,936	\$1,196,602	\$77,666	6.94%
Parks & Recreation Revenue	\$1,185,608	\$1,246,506	\$1,064,242	\$1,048,670	-\$15,572	-1.46%
Fines & Licenses	\$34,530	\$81,223	\$68,299	\$77,979	\$9,680	14.17%
Grants & Misc. Revenue	\$785,857	\$792,970	\$295,531	\$264,561	-\$30,970	-10.48%
Investment Interest	\$411,355	\$411,355	\$269,172	\$338,346	\$69,174	25.70%
Transfers-In	\$1,046,447	\$1,046,447	\$784,835	\$784,836	\$0	0.00%
<b>Total General Fund Revenue</b>	<b>\$28,146,908</b>	<b>\$28,837,092</b>	<b>\$17,986,081</b>	<b>\$18,352,122</b>	<b>\$366,041</b>	<b>2.04%</b>

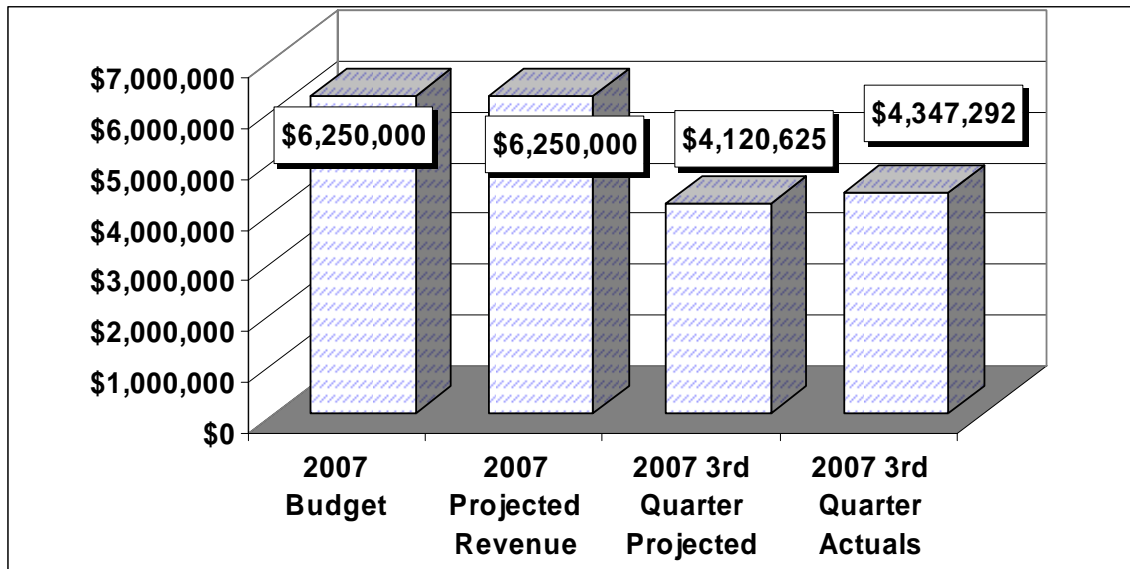
## Property Tax Revenue



Property tax collections of \$3,812,674 exceeded projections of \$3,800,369 by \$12,305 or 0.32%. No change has been made in the 2007 projected revenue in this category as the adopted budget for this tax is based upon the property tax levy adopted by Council.

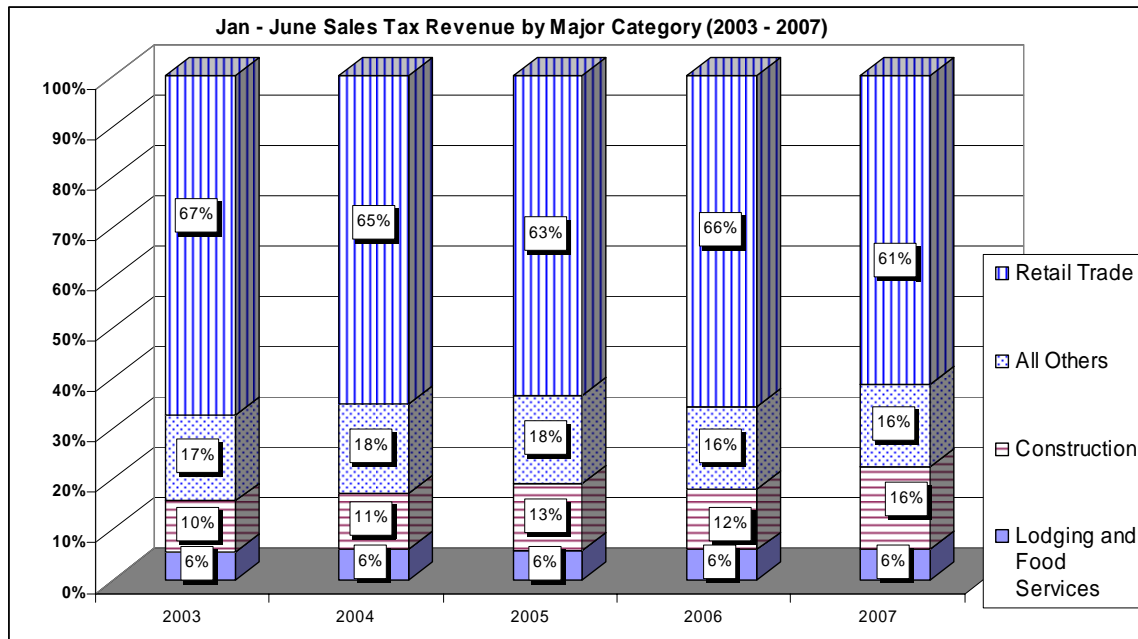


# Sales Tax Revenue

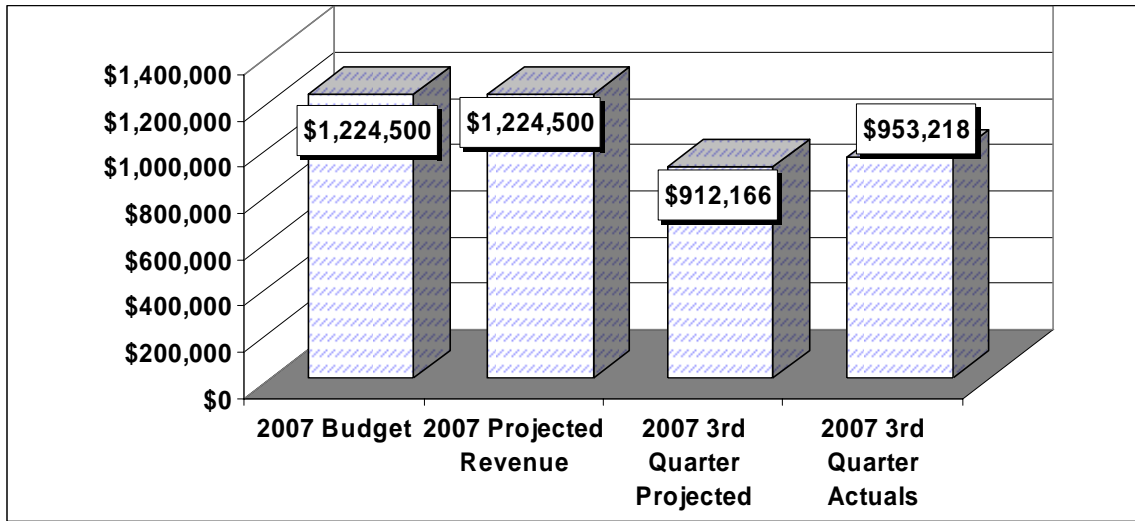


Sales tax collections of \$4,347,292 are ahead of projections of \$4,120,625 by \$226,667 or 5.5%. Sales tax revenue is tracking above budgeted levels due to strong revenue activity from construction. Compared to 2006 construction related sales tax revenue is \$194,111 or 46% higher. Due to the one-time nature of construction activity we are cautious in adjusting the year long trend. General retail sales are only \$18,567 ahead of 2006 which is only a 0.8% increase.

The chart immediately below illustrates the top business sectors that generate sales tax revenue and the percent of totals sales tax revenue each sector produces is represented in percentages. The three largest specific contributors to the City's sales tax revenue are retail sales, construction, and lodging and food services which account for 83% of the total sales tax base. Since 2004 construction revenue has shown the largest increase growing by 71.2% or \$254,454 and is now worth 16% of total sales tax volume which is a 4% increase since 2006. Since 2004 retail sales have grown by only 4.0% or \$87,720 a rate of increase that does not keep up with inflation and is now worth 61% of total sales tax volume a decrease of 5% since 2006.

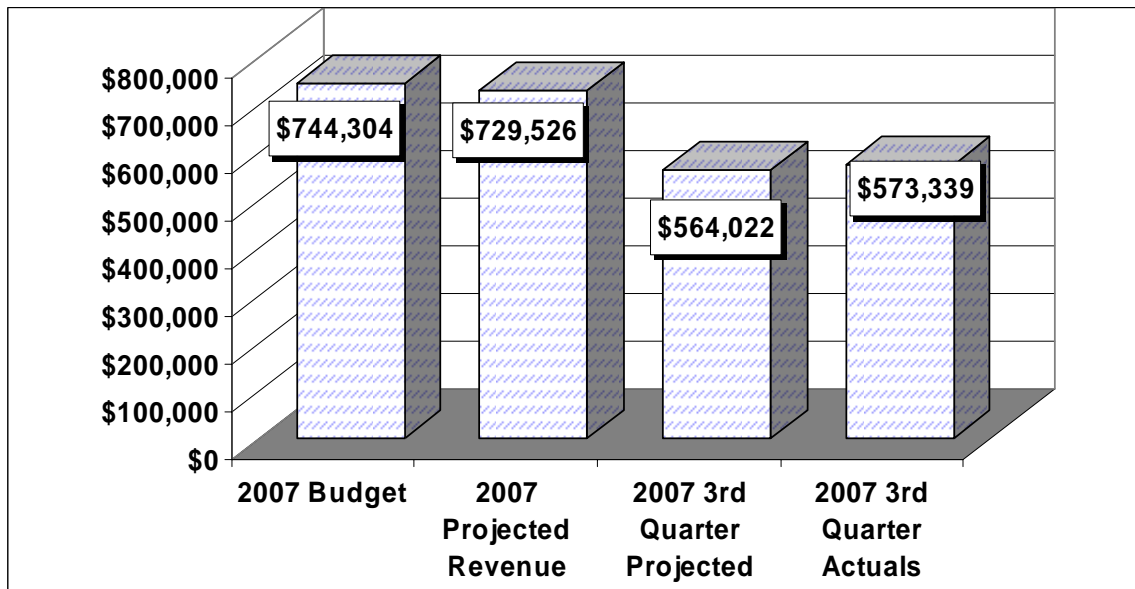


## Criminal Justice Sales Tax Revenue



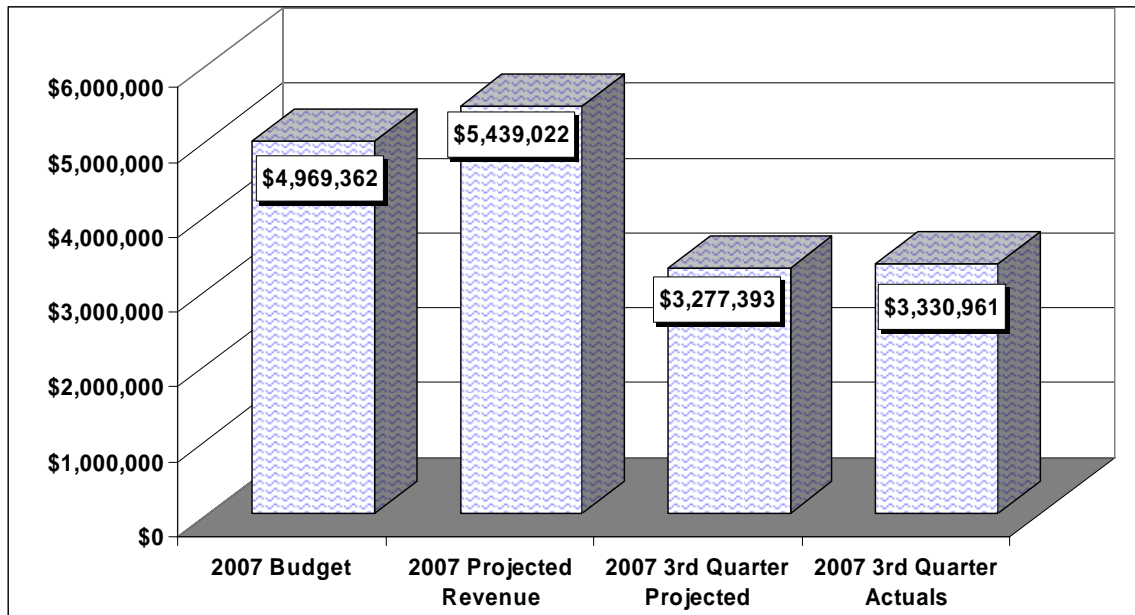
Local Criminal Justice Sales Tax of \$953,218 is ahead of projected revenue of \$912,166 by \$41,052 or 4.5%. This category differs from sales tax because it results from a distribution based on a city's population and the amount of sales tax collected throughout King County.

## State Revenue



State Revenue of \$573,339 was above projected revenue of \$564,022 by \$9,317 or 1.65%. This category includes liquor excise tax, liquor board profits, and criminal justice funding. These revenues are distributed on a per capita basis.

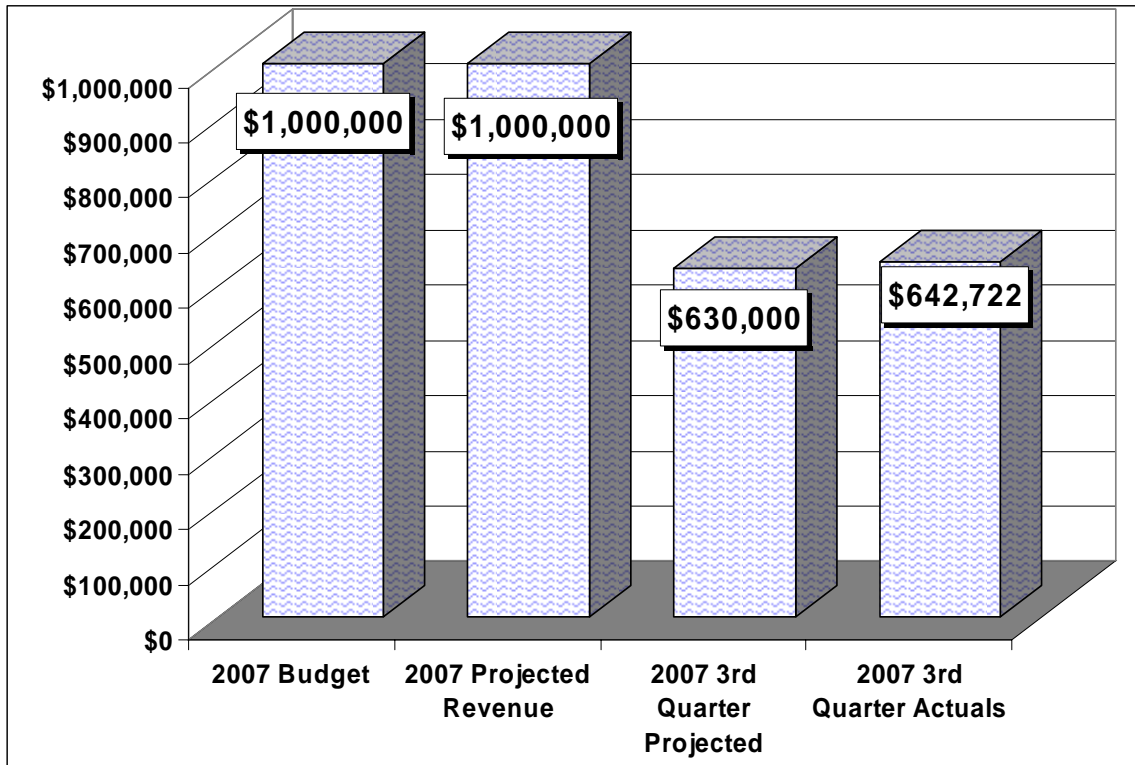
## Utility Tax and Franchise Fee Revenue



Utility tax and franchise fee revenue of \$3,330,961 is above projected revenue of \$3,277,393 by \$53,568 or 1.63%. So far through 2007 most of the utility revenues are ahead of projections. Collections from natural gas are ahead of projections by \$12,277 or 1.68%, however due to a rate decrease by Puget Sound Energy with an effective date of October 1, 2007, revenue is expected to come in right at budget. Activity in the telecommunications category continues to grow. Through third quarter, this category exceeded revised projections by \$33,020 or 3.23%. Total 2007 projected revenue for this category was revised upwards during second quarter by \$169,660. Projected revenue from cable television utility tax has been increased to reflect the increase in the tax rate from 1% to 6% which took effect on July 1, 2007, early indications show revenue coming in right at the revised budget estimate.

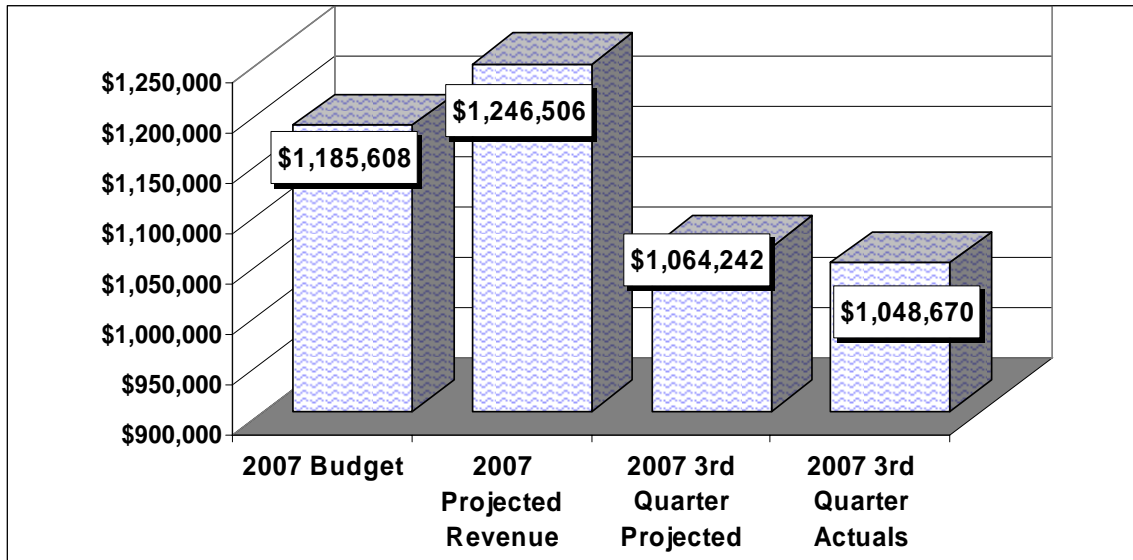
Utility Tax and Franchise Fees	2007 Budget	2007 Projected Revenue	2007 3rd Quarter Projected	2007 3rd Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance
Natural Gas Utility Tax	\$1,045,000	\$1,045,000	\$731,500	\$743,777	\$12,277	1.68%
Sanitation Utility Tax	\$340,000	\$340,000	\$227,766	\$224,480	-\$3,286	-1.44%
Cable TV Utility Tax	\$98,000	\$348,000	\$167,040	\$168,916	\$1,876	1.12%
Telephone/Cell Utility Tax	\$1,555,000	\$1,724,660	\$1,021,861	\$1,054,881	\$33,020	3.23%
Water Franchise Fee	\$565,000	\$565,000	\$251,369	\$257,448	\$6,080	2.42%
Sewer Franchise Fee	\$655,595	\$655,595	\$491,696	\$492,000	\$304	0.06%
Storm Drainage Utility Tax	\$177,000	\$177,000	\$96,161	\$96,037	-\$124	-0.13%
Cable TV Franchise Fee	\$533,767	\$583,767	\$290,000	\$293,422	\$3,422	1.18%
<b>Total Utility Revenue</b>	<b>\$4,969,362</b>	<b>\$5,439,022</b>	<b>\$3,277,393</b>	<b>\$3,330,961</b>	<b>\$53,568</b>	<b>1.63%</b>

## Seattle City Light Contract Payments



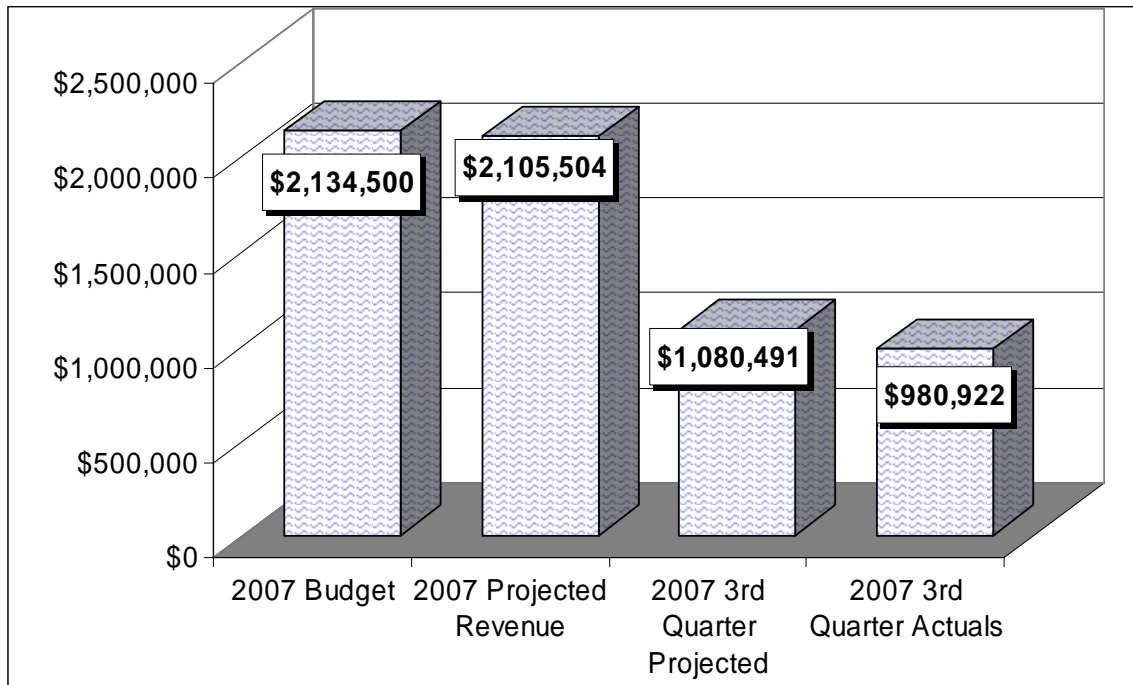
Seattle City Light contract payment revenue of \$642,722 is above projected revenue of \$630,000 by \$12,722 or 2.02%. We anticipate that revenue collections through the remainder of the year will meet the budget.

## Parks and Recreation Fee Revenue

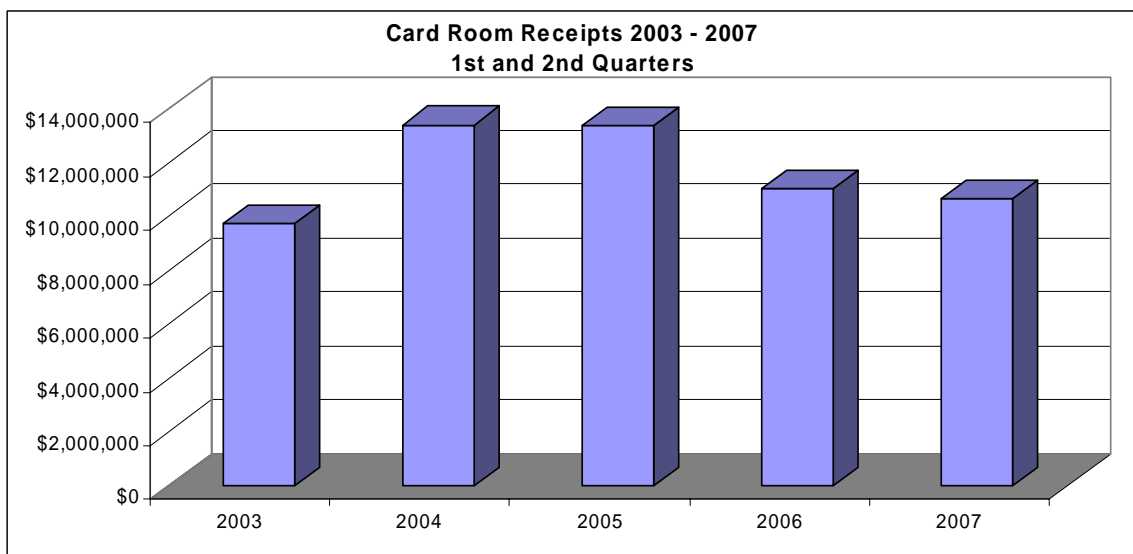


Parks fee revenue of \$1,048,670 is slightly below revised projections by \$15,572 or 1.46%. The decrease is due primarily to less than expected revenue in facility and field rentals. At this time Park's revenue is still expected to meet revised projections.

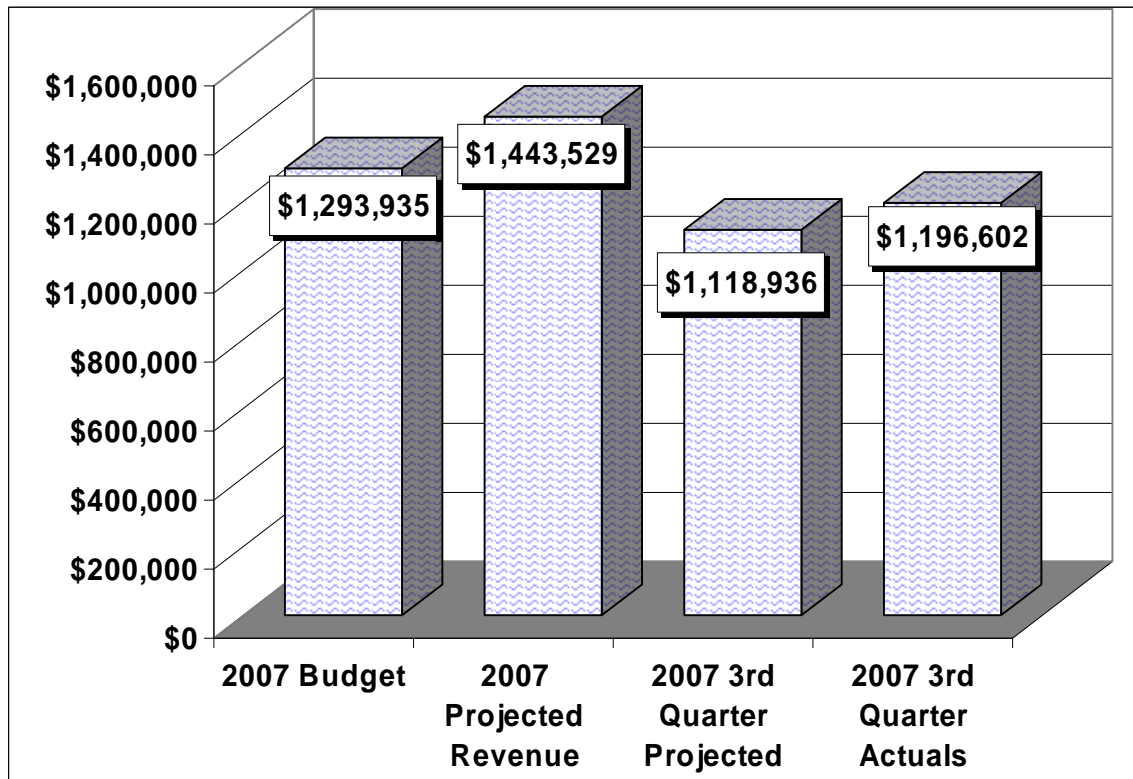
## Gambling Tax Revenue



Given the timing of the third quarter report, the revenue reported includes only the first and second quarter gambling tax filings. The 2007 projected gambling tax revenues have been reduced by \$31,000 for 2007 in the pull tabs category and we have increased projected revenue by \$2,004 to include gambling tax penalties. Gambling tax collections of \$980,922 are below projected revenues by \$99,569 or 9.22%. This decrease is due in part to the continued decline in card room activity. Through second quarter gross card game receipts have declined by 3.2% or \$358,409 as illustrated in the graph below. At this time we are not revising the year-end projections but it is possible that gambling revenue will not meet projections for year-end.

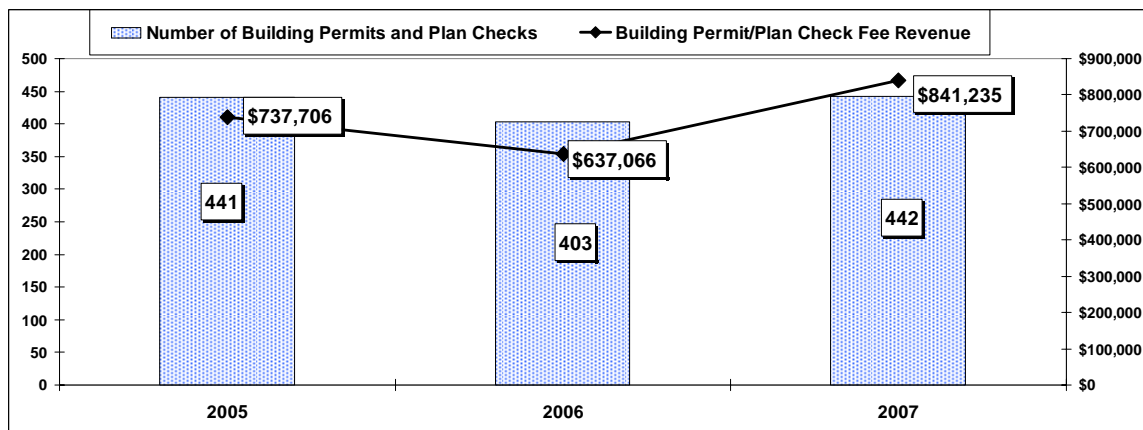


## Permit Revenue

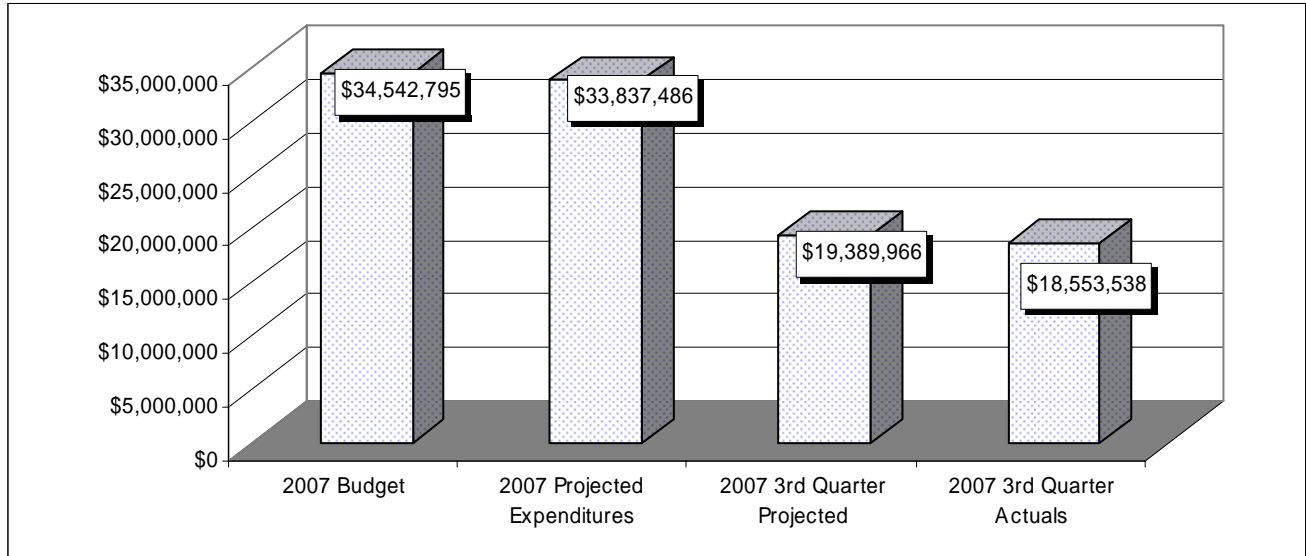


Permit revenue of \$1,196,602 is ahead of projected revenue of \$1,118,936 by \$77,666 or 6.9%. Total 2007 projected revenue has been increased by \$149,594. The largest increase of \$145,800 is in the plan check fee category. Other categories being increased are building permits (\$19,200), environmental review (\$5,650), mechanical permits (\$4,750), plumbing inspections (\$3,100), and plumbing permits (\$1,800). Projections in a few categories have been reduced: electrical permits (-\$19,135), land use fee (-\$12,000), and fire system permits (-\$400).

Through three quarters of the year actual building permit revenues are ahead of projections by \$91,541 or 23% and plumbing fees are also ahead of projections by \$28,920 or 47.5%. Plan check fees are running \$36,114 or 8.99% below the increased projection. Staff will continue to monitor this revenue. During this period, 442 building permits have been issued compared with 403 during the same period last year.



## General Fund Expenditures



Expenditures through the third quarter of 2007 were \$18,553,538, under projected expenditures of \$19,389,966 by \$836,428 or 4.31%. This projection is in line with year-end estimates that show the General Fund finishing at \$705,308 or 2.04% under budgeted expenditures. The majority of this under-expenditure through the third quarter is in Planning and Development Services Department which is \$304,122 or 14.29% under projections and the Parks Department which is \$194,134 or 6.4% under projections. Through three quarters of activity the City is on target to spend roughly 98% of its budget.

## General Fund Expenditure Detail

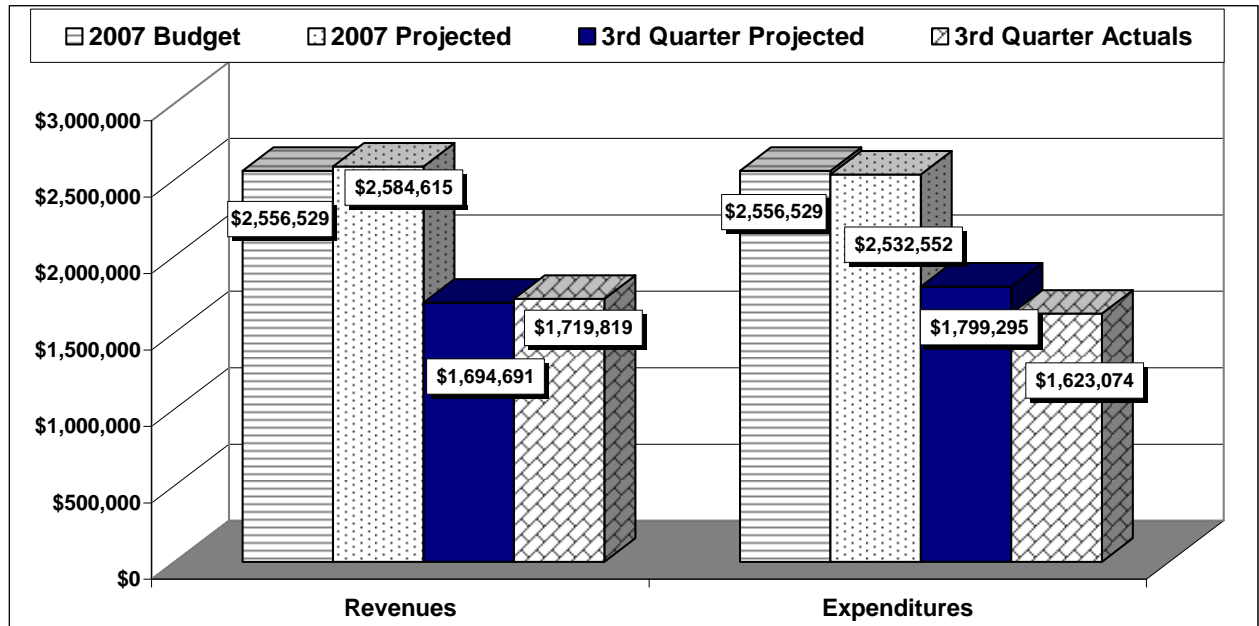
Department	2007 Budget	2007 Projected Expenditures	2007 3rd Quarter Projected	2007 3rd Quarter Actuals	\$\$ Variance Actuals v. Projected	% Variance
City Council	\$172,914	\$169,406	\$125,518	\$117,401	-\$8,118	-6.47%
City Manager's Office <sup>1</sup>	\$1,410,782	\$1,386,793	\$1,009,104	\$953,683	-\$55,421	-5.49%
City Clerk	\$404,493	\$386,693	\$308,297	\$274,748	-\$33,550	-10.88%
City Attorney	\$734,943	\$671,909	\$501,284	\$464,538	-\$36,746	-7.33%
Community Services <sup>2</sup>	\$1,664,342	\$1,595,295	\$1,116,526	\$1,038,325	-\$78,201	-7.00%
Finance/IS	\$2,566,398	\$2,499,824	\$1,811,093	\$1,783,574	-\$27,519	-1.52%
Citywide	\$1,323,857	\$858,474	\$798,414	\$852,525	\$54,111	6.78%
Human Resources	\$391,537	\$366,880	\$297,059	\$272,603	-\$24,456	-8.23%
Police	\$8,548,031	\$8,629,204	\$5,048,547	\$4,959,676	-\$88,871	-1.76%
Criminal Justice	\$1,379,426	\$1,379,326	\$760,534	\$737,419	-\$23,114	-3.04%
Parks	\$4,054,023	\$4,037,215	\$3,021,572	\$2,827,438	-\$194,134	-6.42%
Planning and Development Services	\$2,791,366	\$2,602,404	\$2,128,152	\$1,824,030	-\$304,122	-14.29%
Public Works	\$1,441,346	\$1,438,226	\$974,917	\$958,630	-\$16,287	-1.67%
<b>Total Department Expenditures</b>	<b>\$26,883,458</b>	<b>\$26,021,649</b>	<b>\$17,901,016</b>	<b>\$17,064,589</b>	<b>-\$836,428</b>	<b>-4.67%</b>
Operating Transfers Out	\$7,659,337	\$7,815,837	\$1,488,950	\$1,488,950	\$0	0.00%
<b>Total General Fund</b>	<b>\$34,542,795</b>	<b>\$33,837,486</b>	<b>\$19,389,966</b>	<b>\$18,553,538</b>	<b>-\$836,428</b>	<b>-4.31%</b>

<sup>1</sup> City Manager includes Economic Development, Communications & Intergovernmental Relations

<sup>2</sup> Community Services includes Emergency Management Planning, Neighborhoods, Human Services and CRT



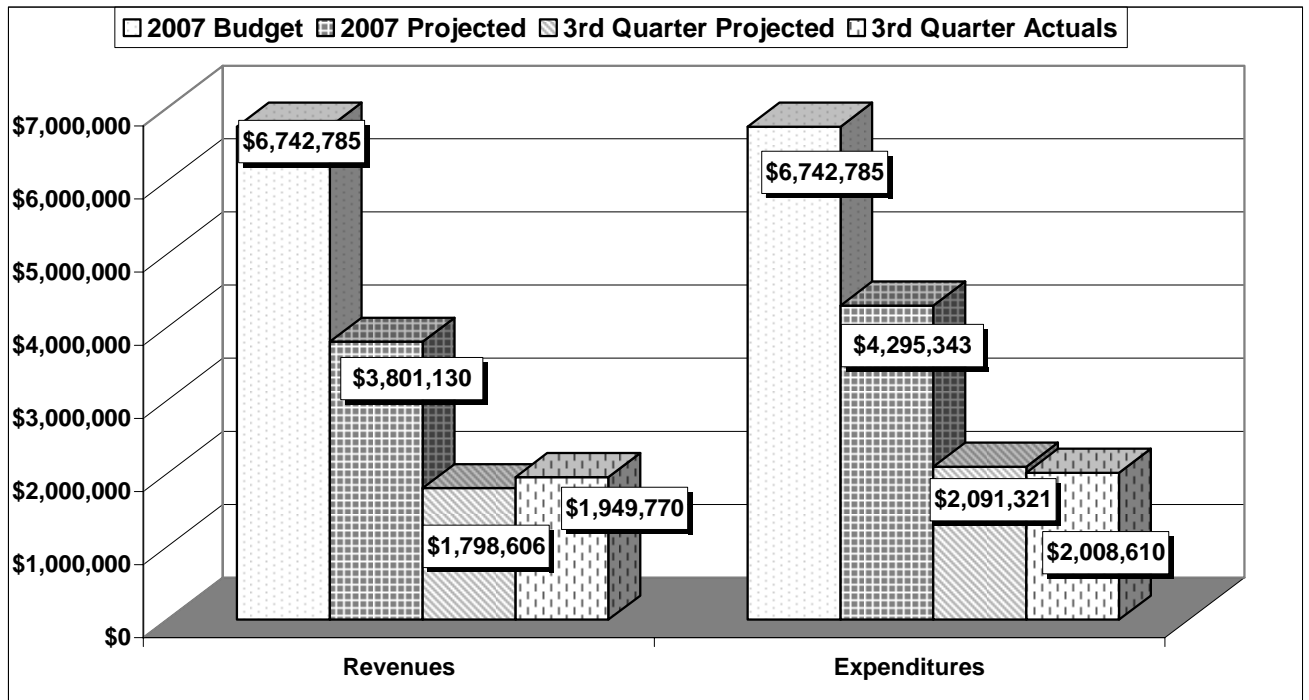
## Street Fund



Street Fund revenue through the three quarters of 2007 was \$1,719,819, over revised projections of \$1,694,691 by \$25,128, a 1.48% variance. Projected revenues for 2007 have been increased by \$28,086 to include a grant from the Washington Traffic Safety Council (WTSC) for \$37,500, increased investment earnings of \$2,171, unanticipated Superior Court Restitution of \$1,807 and other miscellaneous revenue of \$1,350. Projected fuel tax revenue has been reduced by \$14,742 as consumption levels have decreased as the price per gallon has increased. Year to date, fuel tax collections are running behind by \$22,476 or 4.09%; interest earnings are ahead by \$14,975 or 77%; and right of way permits are ahead of projections by \$27,783 or 30.87%.

Street Fund expenditures for the entire year are projected to be under budget by \$62,577 or 2.4% due to staffing vacancies and other savings. Through the first three quarters of the year, expenditures of \$1,623,074 are below projections of \$1,799,295 by \$176,221 or 9.79%. The expenditure variance is primarily due in large part to delayed billings from King County for street maintenance and street lighting services and salary savings generated by vacant positions in Street Operations. Expenditures in Traffic Services are also under projections due to the timing of billings.

## Surface Water Utility Fund

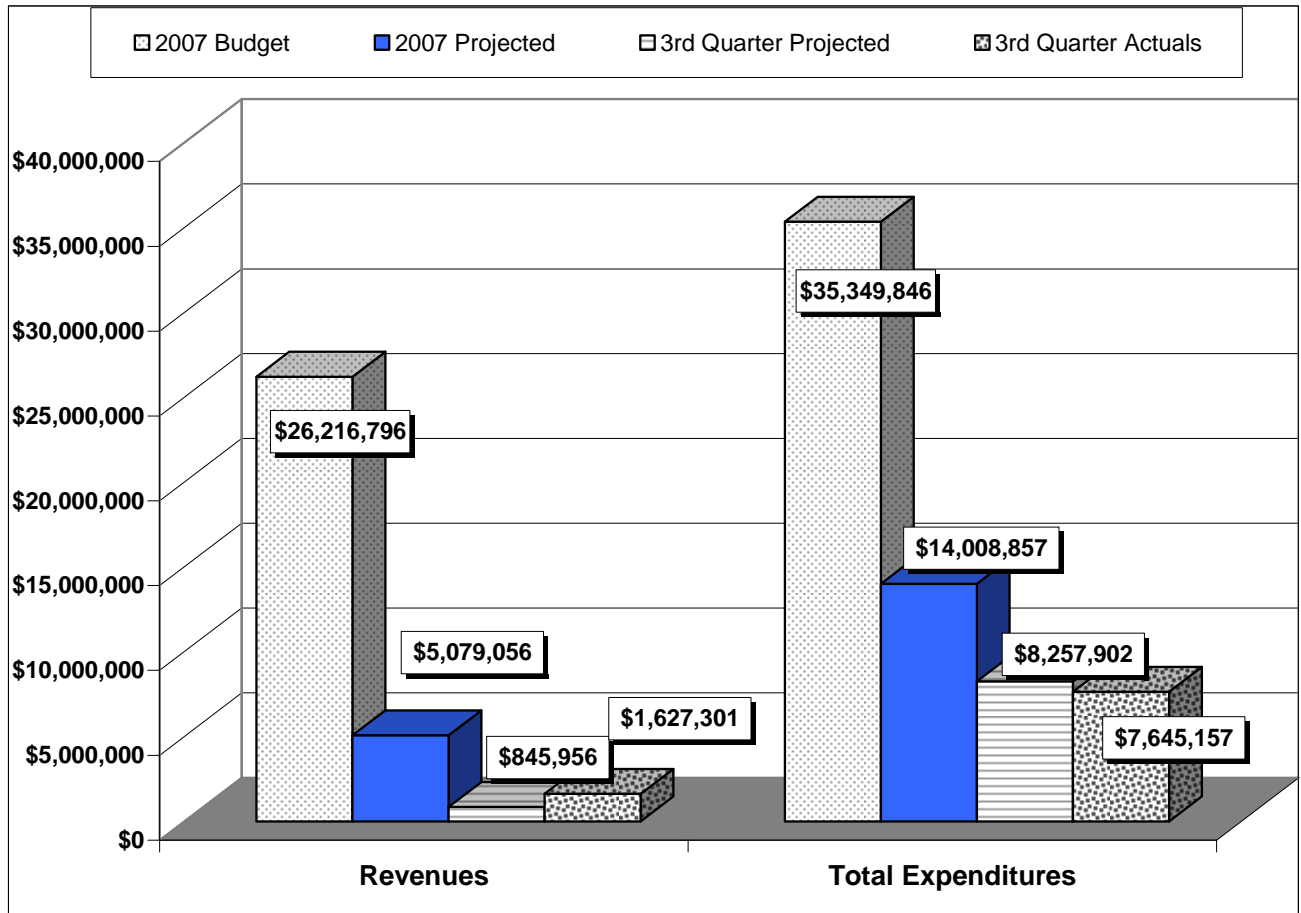


The surface water utility fund accounts for both day-to-day operations of the utility and capital improvements to the utility system.

Revenues in the Surface Water Utility Fund of \$1,949,770 are ahead of projections of \$1,798,606 by \$151,164 or 8.4%. Storm Drainage fees are slightly ahead of projections by \$50,857 or 3.28%. Investment earnings are ahead of projections by \$100,306 or 41%.

Total projected expenditures are expected to be well below the 2007 budget. Operating expenditures are projected to be \$77,681 under budget and capital expenditures are expected to be \$2,369,761 less than budget but at or very near projected expenditures. Year to date operating expenditures are \$5,182 or 0.43% under projections. Capital expenditures are \$77,529 or 14.44% behind projections. We assume that by the end of the year, capital expenditures will be at or very near the revised projections. These changes have been made to the 2007 surface water capital projects as included in the adopted 2008 – 2013 CIP.

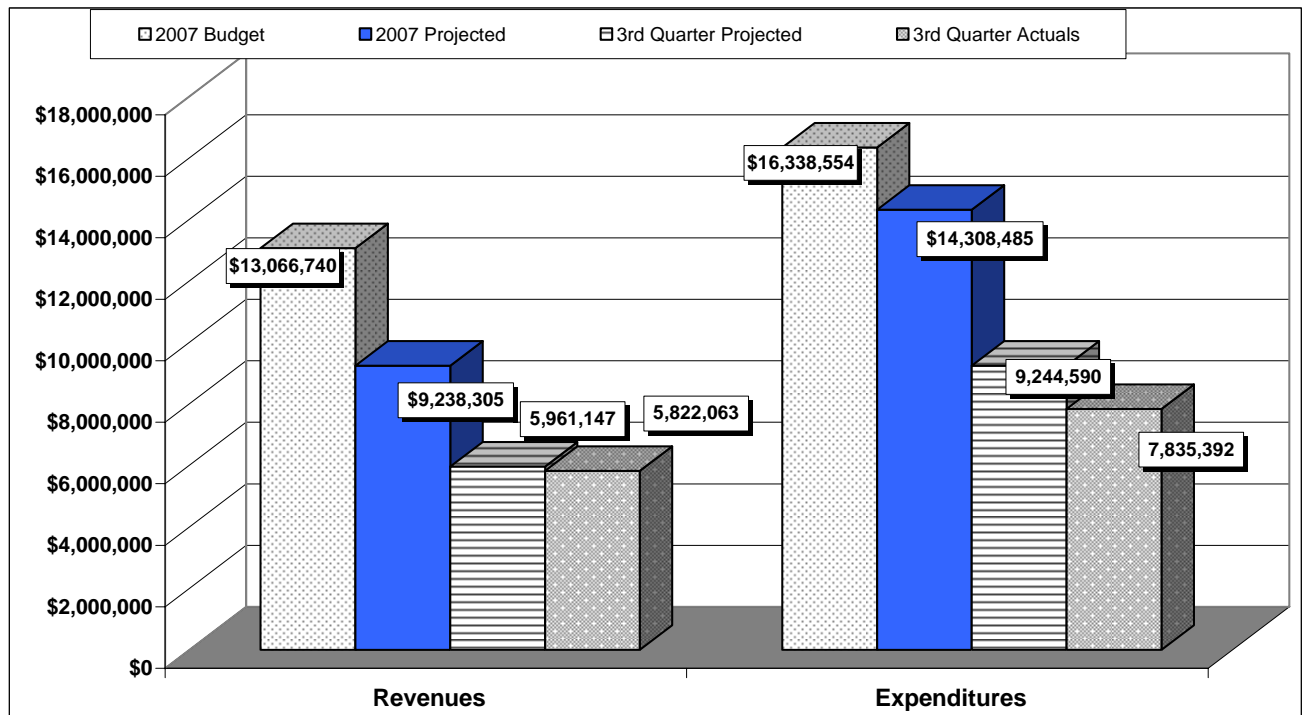
## General Capital Fund



2007 projected revenue has been revised to match the adopted 2008-2013 CIP. Total revenues for the year are expected to be \$5,079,056, which is below budget by \$12,377,097 or 70%. This change is a result of the delay in construction of City Hall and the delay in the issuance of \$12,750,000 of debt. For third quarter actual revenue was \$1,627,301 which is \$781,345 above projected revenue of \$845,956. This revenue variance is due to the following: real estate excise taxes are \$235,410 or 37.5% above projections; and investment earnings are \$545,935 higher than projected revenue of \$138,866, due to later than expected use of parks bond funds.

Projected 2007 expenditures have been lowered from the original budget of \$35,474,846 to \$14,008,857 a reduction of \$21,465,989 due to construction schedule changes for City Hall, trail corridors and Richmond Beach Park improvements. Actual third quarter expenditures of \$7,645,157 are \$612,745 or 7.4% less than projected expenditures of \$8,257,902. The variance is a result of delays in construction or a shifting of schedules for many of the parks bond projects and City Hall.

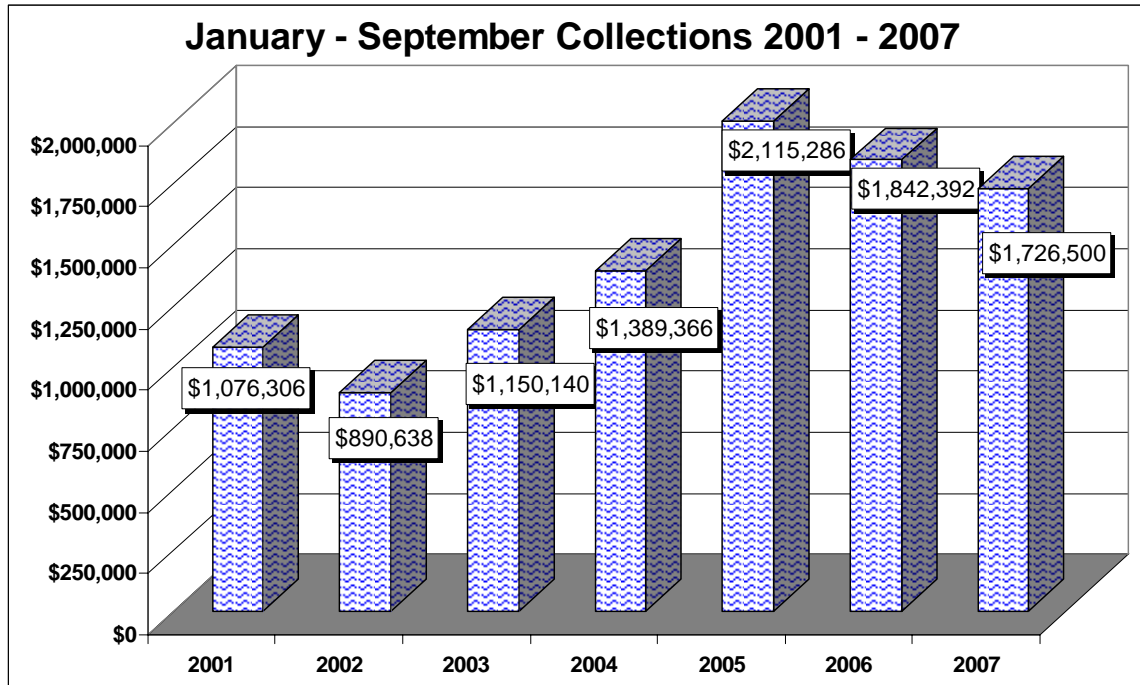
## Roads Capital Fund



2007 projected revenue has been revised to match the adopted 2008-2013 CIP. Total revenues for the year are expected to be \$9,238,305, which is below budget by \$3,828,435. Year-to-date revenues of \$5,822,063 are below projected revenue of \$5,961,147 by \$139,084. Real estate excise tax collections are ahead of revised projections by \$236,760 or 36%. Grant revenue is slightly behind projections due to the final closeout of the Aurora 145<sup>th</sup> to 165<sup>th</sup> Improvements project closeout. Fuel tax revenue is down by \$14,139 and interest earnings are behind by \$148,236.

Projected 2007 expenditures have been lowered from the original budget of \$16,338,554 to \$14,308,485 a reduction of \$2,030,069. This change reflects the projections included in the 2008 – 2013 CIP. The major change is a delay in the Richmond Beach Overcrossing project. Project work will continue into 2008. Expenditures through September totaling \$7,835,392 are under projections of \$9,244,590 by \$1,409,198 or 15.2%.

## Real Estate Excise Tax Revenue



Third quarter REET revenue collections of \$1,726,500 are below last year's third quarter collections by \$115,892 or 6.3%. The real estate market continues to slow down with the number of transactions and value of those transactions below last year levels.

September 30, 2007

The City's investment policy adheres to strict standards prescribed by federal law, state statutes, and local ordinances. It 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. As of September 30, 2007, the City's investment portfolio, excluding the State Investment Pool, had a weighted average rate of return of 5.1015%. This was below the 12 month average rate of return from the State Investment Pool of 5.2113% by 11 basis points. Investment earnings through June 30, 2007, total \$1,702,013.

As of September 30, 2007, the City's investment portfolio had a fair market value of \$49,300,641. Approximately 48% of the investment portfolio was held government instrumentality securities and 52% was held in the Washington State Investment Pool. The city's investment portfolio valued at cost as of June 30, 2007, was \$49,233,830. 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.

Interest rates began to fall during the third quarter of 2007. The State Investment Pool monthly rate of return during the first nine months of the year has averaged 5.2119% down slightly from the average of the first six months of the year. September saw the lowest rate during of the period at 5.1232%. The highest rate was 5.2372% in March. During the third quarter, the City has invested in four new instruments with an average rate of return of 5.161% which is slightly below the State pool average although the Pool average is projected to keep falling. Instruments from prior years with lower yields will mature during the fourth quarter of the year. The City has invested a larger portion of the investment portfolio in the State Investment Pool during 2007 to provide additional liquidity for anticipated capital expenditures. Once the major open space purchases related to the bond issue are made, staff will review the City's investment strategy to maximize investment earnings.

The following page provides a summary of the City's investment portfolio as of September 30, 2007.

**LGIP Cash and Investment Balances**  
September 30, 2007

Instrument Type	CUSPID #	BRO KER	Settlement Date	Maturity Date	Investment Cost	Yield To Maturity	Market Value 9/30/07	Unrealized
								Gain/(Loss) as of 9/30/07
FHLB (Fed Home Loan Bank)	3133XDVN3	BA	01/05/06	11/21/07	2,003,400	4.7930%	2,000,000	(3,400)
FHLMC (Freddie Mac)	3128X4RF0	BA	01/05/06	10/05/07	1,994,600	4.7840%	1,999,906	5,306
FHLB (Fed Home Loan Bank)	3133XEDR7	PJ	01/06/06	01/28/08	4,000,000	5.0000%	4,001,250	1,250
FHLB (Fed Home Loan Bank)	3133XH3U4	BA	10/03/06	10/02/08	2,003,200	5.2070%	2,000,000	(3,200)
FNMA (Fannie Mae)	31359M2G7	BA	12/15/06	11/20/08	1,000,000	5.2450%	1,000,938	938
FHLB (Fed Home Loan Bank)	3133XJDT2	PJ	12/26/06	12/26/08	1,000,000	5.1000%	1,001,250	1,250
FHLMC (Freddie Mac)	3128X4DA6	BA	01/26/07	06/23/08	1,183,920	5.2464%	1,195,699	11,779
FNMA (Fannie Mae)	31359M4N0	PJ	01/26/07	01/29/09	790,000	5.3300%	791,975	1,975
FHLB (Fed Home Loan Bank)	3133X0N47	PJ	02/16/07	08/25/08	1,199,641	5.1510%	1,213,138	13,496
FNMA (Fannie Mae)	31359MS53	BA	06/08/07	06/15/08	2,498,625	5.3050%	2,507,813	9,188
FHLMC (Freddie Mac)	3128X6FA9	PJ	07/19/07	07/02/09	1,999,938	5.3750%	2,010,602	10,664
FNMA (Fannie Mae)	31398ADS8	MS	07/19/07	06/19/09	1,000,580	5.3400%	1,005,000	4,420
FNMA (Fannie Mae)	3136F4W830	BA	09/05/07	01/30/09	1,981,200	4.9690%	1,991,875	10,675
FNMA (Fannie Mae)	3136F3V86	FNC	09/05/07	07/23/08	985,020	4.9601%	987,490	2,470
Subtotal of Instruments					23,640,124		23,706,935	66,811
State Investment Pool					25,593,706	5.1232%	25,593,706	0
<b>Sub Total</b>					<b>49,233,830</b>		<b>49,300,641</b>	<b>66,811</b>

Average Maturity Excluding the State Investment Pool (days)	619
Weighted Average Yield to Maturity Excluding the State Pool	5.1015%
Average Yield to Maturity State Investment Pool	5.2113%
Basis Points in Excess (Below) Benchmark	(11)

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

**Portfolio Diversification**

Instrument Type	Percentage	Amount at		Broker	Percentage	Amount at Cost
		Market Value	Amount at Cost			
Certificate of Deposit	0%	0	0	Bank of America Financial Northwest	26%	12,664,945
FHLB (Fed Home Loan Bank)	21%	10,215,638	10,206,241	Corp	2%	985,020
FHLMC (Freddie Mac)	11%	5,206,207	5,178,458	Multibank Security	2%	1,000,580
FNMA (Fannie Mae)	17%	8,285,090	8,255,425	Piper Jaffray	18%	8,989,579
State Investment Pool	52%	25,593,706	25,593,706	State Investment Pool	52%	25,593,706
<b>Total Investments</b>	<b>100%</b>	<b>49,300,641</b>	<b>49,233,830</b>	<b>Total Investments</b>	<b>100%</b>	<b>49,233,830</b>

**Investments by Fund**

Fund	(a) Investments at Adjusted Cost as 09/30/2007	(b) <u>Realized</u> Market Value Adjustment as of 09/30/2007	(c) State Investment Pool as of 09/30/2007	(a-b+c) Total Investments by Fund as of 09/30/2007	Investment Earnings Budget 2007	Investment Earnings Actual 2007	Over/(Under) Budget
101 Street	614,130	(725)	480,777.69	1,095,633	35,000	34,407	(593)
104 Reserve	1,558,851	(3,380)	781,363.33	2,343,594	58,546	71,760	13,214
107 Code Abatement	88,568	(159)	70,350.66	159,078	2,500	5,688	3,188
108 Asset Seizure	5,304	(15)	20,726.21	26,045	500	648	148
109 Public Arts	158,850	(460)	71,806.26	231,116	-	9,824	9,824
201 Unlimited GO Bond			570,220.03	570,220			
301 General Capital	4,241,160	(7,798)	14,721,437.77	18,970,396	685,555	684,799	(756)
312 City Fac-Mjr Maint	111,673	(203)	66,102.68	177,978	7,972	6,703	(1,269)
330 Roads Capital	4,421,460	(2,934)	1,106,877.51	5,531,271	350,191	172,670	(177,521)
401 Surface Water Utility Fund	5,106,461	(9,884)	3,961,442.27	9,077,787	372,500	340,305	(32,195)
501 Vehicle Oper/Maint	74,312	(63)	57,889.78	132,264	1,250	3,974	2,724
503 Equip Dep Replace	1,126,992	(2,103)	548,493.55	1,677,589	46,000	50,812	4,812
505 Unemployment	37,460	(54)	27,169.94	64,684	500	2,478	75
605 Agency Fund Admin			81,886.25	81,886			
<b>Total Investments</b>	<b>23,608,377</b>	<b>(31,747)</b>	<b>25,593,706</b>	<b>49,233,830</b>	<b>1,951,869</b>	<b>1,702,013</b>	<b>(251,758)</b>