



**ECONOMIC
INDICATORS REPORT
2000 - 2008**

CITY OF SHORELINE FINANCIAL INDICATORS
2000 - 2008
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City of Shoreline's Economic Indicators 2000 – 2008

➤ Why we do this!

The study and reporting of a City's financial condition is a recommended practice of the International City Managers Association (ICMA). This study follows the guidelines set forth by ICMA and includes thirteen of their recommended indicators.

The purpose of this analysis is to provide information to better understand the City of Shoreline's financial condition by studying the forces that affect it, the reasons why those forces exist and the impacts those forces have on the community and the governmental operation. To ascertain what the City's financial condition is thirteen indicators were studied and are grouped into three sections: revenue, expenditure and demographic.

The revenue section presents data on the following indicators: operating revenues per capita (in constant dollars), restricted revenue, intergovernmental revenue, elastic tax revenue, property tax revenue (in constant dollars) and fund balance as a percent of total revenue.

The expenditure section presents data on the following indicators: operating expenditures per capita (in constant dollars), employees per capita, and fringe benefits as a percent of total salary.

The demographic section presents data on the following indicators: city population, personal income per capita, Shoreline's poverty rate and property value.

The ultimate end of this analysis is that it will be used as a tool to help the organization identify existing and emerging financial trends, areas of concern and/or area's of strength.

➤ City of Shoreline's 2007 Economic Status Quick Overview

Listed below you see the economic indicator studied and its corresponding rating based on its performance for Shoreline. The rating is a simple arrow designation; up is positive, down is negative and sideways is neutral. A detailed breakdown of each Indicator follows later in this report.

ECONOMIC INDICATOR	SHORELINE'S RATING
Revenues Per Capita (In Constant \$\$)	↔
Restricted Revenue	↔
Intergovernmental Revenue	↓
Elastic Tax Revenues	↔
Property Tax Growth Rate	↓
Fund Balance as a % of Total Revenue	↔
Expenditures Per Capita (In Constant \$\$)	↑
Employees Per Thousand Population	↑
Benefits as a % of Total Salary	↓
City Population	↔
Personal Income Per Capita	↔
Shoreline Poverty Rate	NA
Percentage Change in Property Value	↑





REVENUE SECTION

Shoreline Economic Indicators - Revenue Section

Revenues Per Capita (In Constant \$\$)

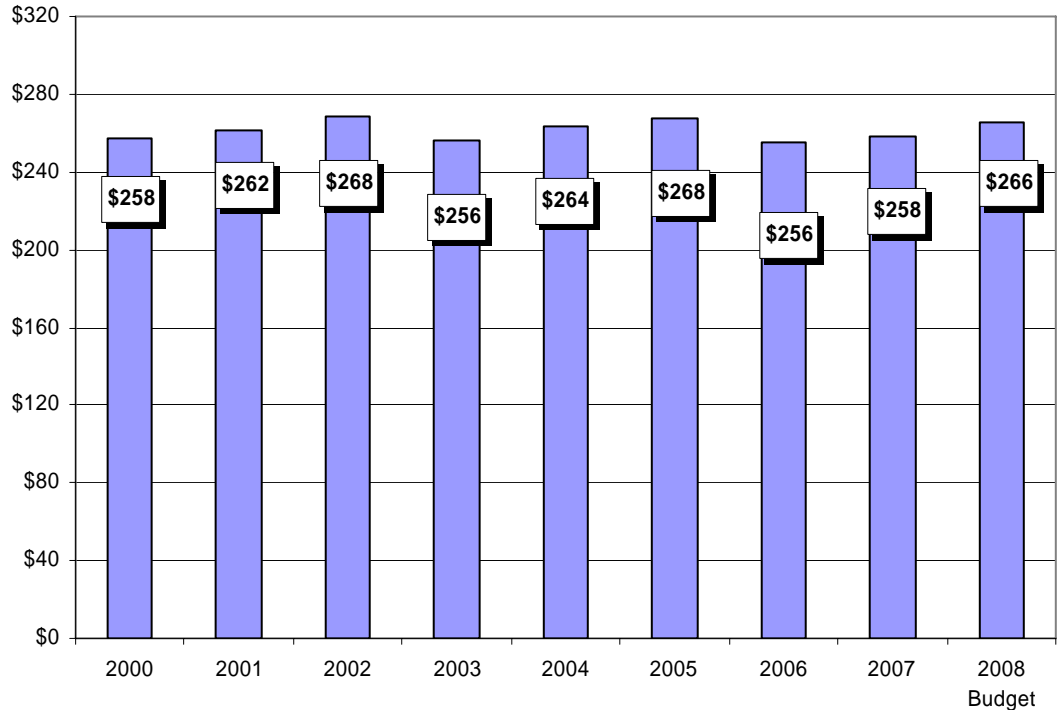
Definition:

Net operating revenues (In constant dollars) divided by City population

Rating



Revenues Per Capita (In Constant \$\$)



Why this matters?

Examining per capita revenues shows changes in revenue relative to changes in population. In addition, showing revenues per capita in constant dollars illustrates the impact inflation plays on overall revenue growth.

The importance of this indicator is whether the revenue trend is increasing or decreasing.

What this means to Shoreline:

Since 2000, Shoreline has stayed within 1% to 2% of the average per capital amount of \$261.62. This seems to indicate that the City has an overall stable and steady revenue base. It also points out that revenue growth is staying in step with inflation, which does not allow for any additional growth in spending.

Shoreline Economic Indicators - Revenue Section

• Restricted Revenue as a Percent of Net Operating Revenues

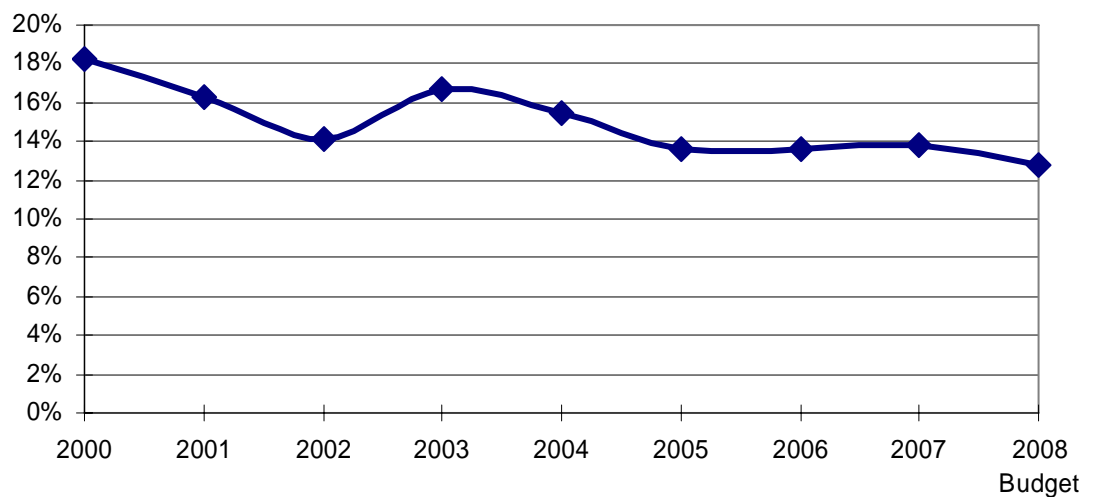
Definition:

Restricted revenues are revenues that can only be spent on specific things. Examples of restricted revenue include grants, fuel tax, criminal justice revenues and certain fees.

Rating



Restricted Revenue as a % of Net Operating Revenues



Why this matters?

If the percentage of restricted revenues increase, local government loses its ability to respond to changing community conditions, citizens needs and demands.

What this means to Shoreline

Shoreline's share of restricted revenue has decreased since 2000.

Shoreline Economic Indicators – Revenue Section

• Intergovernmental Revenue as a Percent of Operating Revenue

Definition:

Intergovernmental revenues are revenues received from other governmental agencies. For Shoreline it is revenue collected from the State of Washington and King County and then distributed back to the City. Examples of this type of revenue include liquor board profits, liquor excise tax, distribution from the State and King County via grants, revenue sharing and inter-local agreements.

Rating



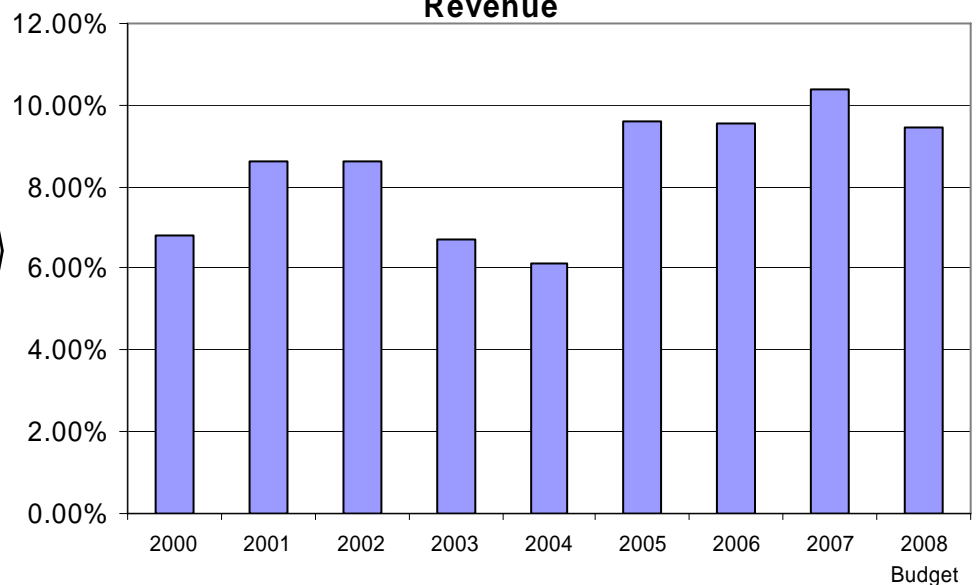
Why this matters?

There are two contradictory perspectives for this indicator:

1 – The utilization of intergovernmental revenues is a good thing because it comes from a broader base of tax sources. (i.e. not just your community's tax payers.)

2 - The second perspective warns that these revenue sources are not as stable or reliable because you do not have direct control over their collection, distribution or enforcement and over reliance on them can jeopardize the stability of your on-going revenues.

Intergovernmental Revenue as a % Operating Revenue



What this means to Shoreline

As the graph indicates Shoreline is expecting a decline in intergovernmental revenue for 2008. This category fluctuates based on the availability of local and state grants and other shared revenues.

Shoreline Economic Indicators – Revenue Section

• Elastic Tax Revenues as a Percent of Operating Revenue

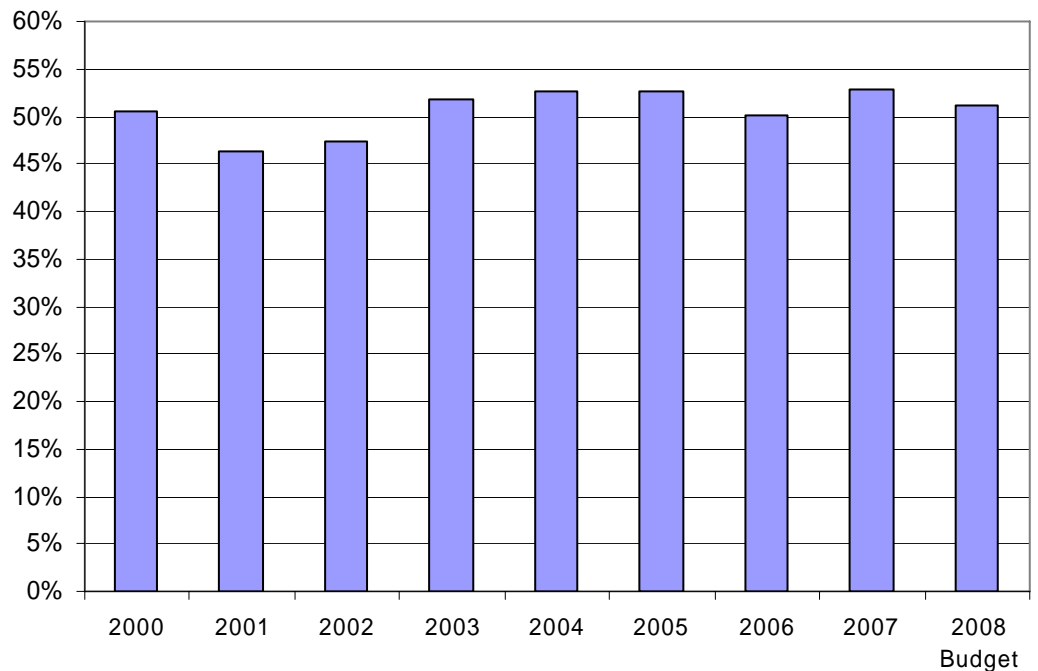
Definition:

Revenues that are elastic are susceptible to changes in economic conditions such as recession and/or inflation. Types of elastic revenues include sales tax, some utility taxes, interest income and permit revenue.

Rating



Elastic Revenue as a % Of Operating Revenue



Why this matters?

Elastic revenues are those revenues that are highly responsive to changes in economic conditions such as inflation, recession or increased unemployment.

The problem with an over reliance on these types of revenues (sales tax, fuel tax, gambling revenue) is that it leaves your revenues vulnerable to negative economic changes and as a result compromises your operational effectiveness.

What this means to Shoreline

Given the tax structure in the State of Washington, local governments have no choice but to rely heavily on elastic revenue sources. Shoreline through its utility taxes and franchise fees has been able to diversify its revenue sources somewhat, but as the graph illustrates the City is heavily dependent on elastic revenue sources. With the exception of 2001 and 2002, this category has stayed between 50% and 53% of total operating revenues. This could indicate that Shoreline's elastic revenue remains steady and somewhat insulated from the impacts of economic strains. Even during the last recession, the percentage of elastic revenues only fell to 46% and 47% during 2001 and 2002.

Shoreline Economic Indicators – Revenue Section

Property Tax Growth Rate (In Constant \$\$)

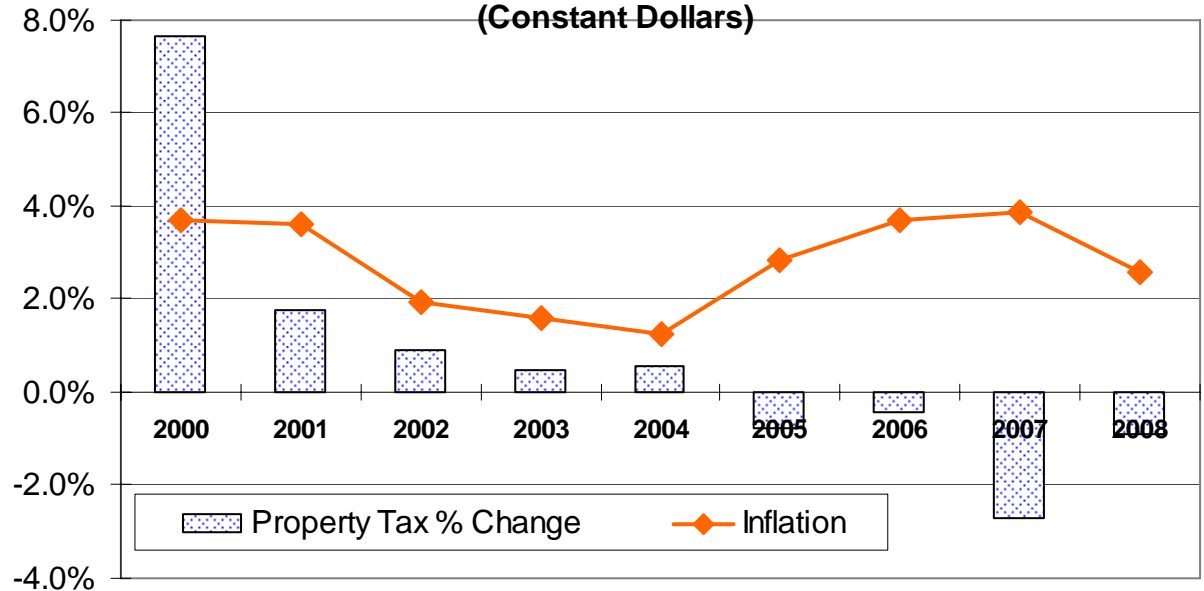
Definition:

The percentage change in property tax revenue (in constant dollars) from the previous year. Includes a comparison with inflation from 1999 – 2006.

Rating



**City Property Tax Growth Rate 2000-2008
(Constant Dollars)**



Why this matters?

As the City's largest revenue source, property tax revenue is of paramount importance to the City. Its decline has consequences for the City's ability to fund its on-going operations.

What this means to Shoreline

The City has been experiencing a decline in the annual growth in property tax revenue due to the 1% statutory limitation. In fact as the graph illustrates the growth in property tax revenue has not and is not keeping up with inflation.

Shoreline Economic Indicators - Revenue Section

• Ending Fund Balances as a Percent of Total Revenue

Definition:

Shoreline's General Fund, Street Fund and Revenue Stabilization Fund ending fund balances divided by total revenue.

Rating

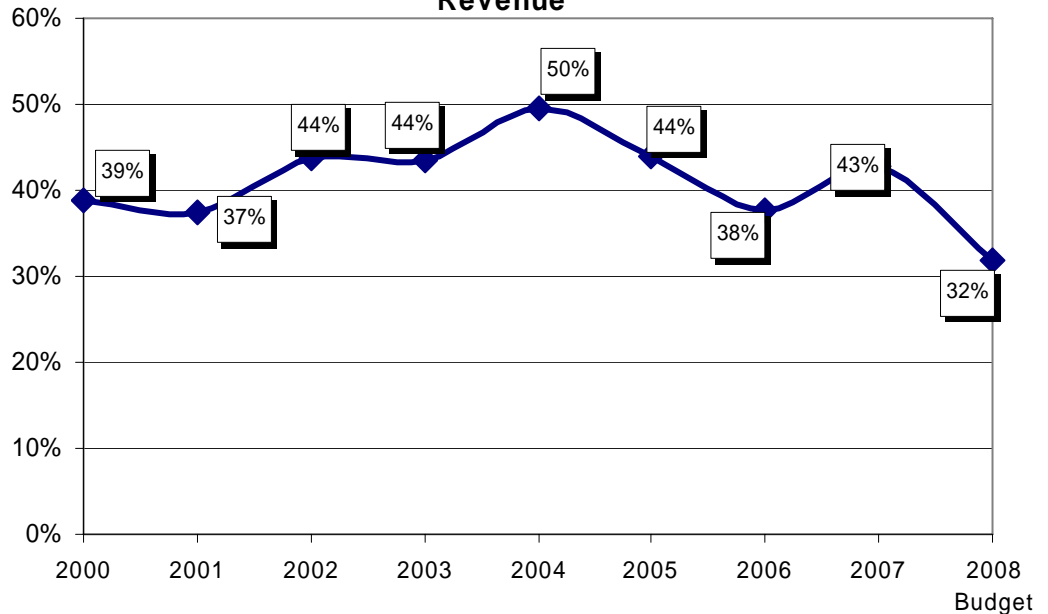


Why this matters?

The size of local government's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purposes.

Declining fund balances can weaken a local government's financial position.

Operating Budget Ending Fund Balances as a % of Total Revenue



What this means to Shoreline

Shoreline's fund balances as a percent of total revenue have declined since 2004 but are still above minimum levels established by City Council. This draw down on fund balance has been intentional as dollars were allocated for one-time capital expenditures.



EXPENDITURE SECTION

- Shoreline Economic Indicators – Expenditure Section

- Expenditures Per Capita (In Constant \$\$)

Definition:

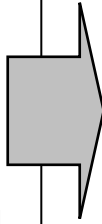
Operational expenditures divided by city population and held constant by the rate of inflation.

Rating

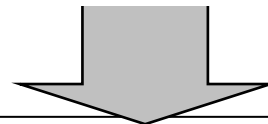
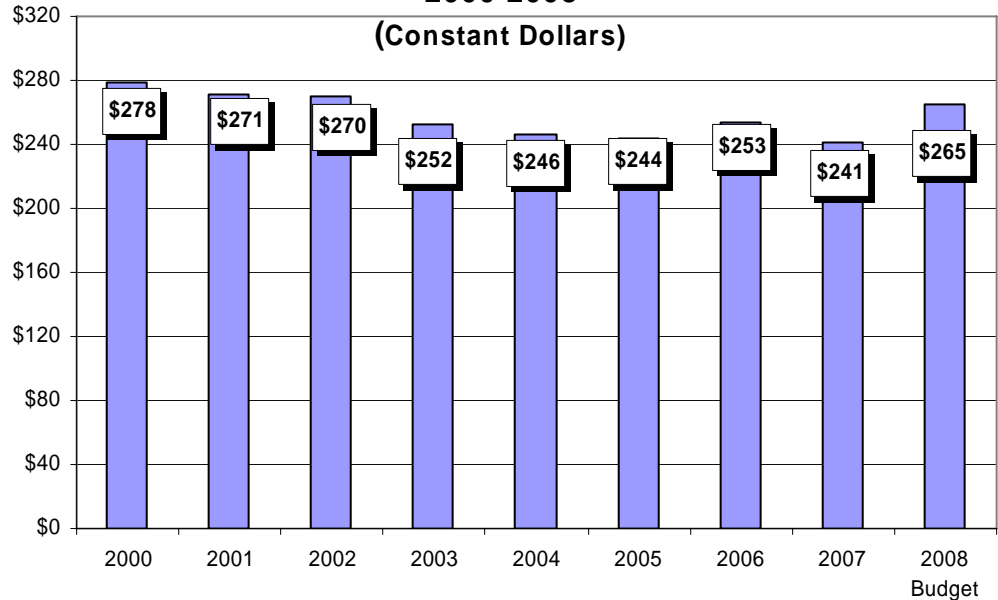


Why this matters?

Per capita expenditures are a good indicator of the cost of government. Changes in this indicator reflect changes in population and costs of providing governmental services. Given those two sets of data you can make determinations about the cost effectiveness of your organization.



**Operating Expenditures Per Capita
2000-2008**



What this means to Shoreline

The 2008 Shoreline's budget per capita expenditures increased from the previous year by 10.3%. This increase is due to the variance between the 2007 actual expenditures which were 1.8% under projections and the 2008 budget which anticipates 100% of the budget being expended. Given the City's revenue constraints, increases in on-going operational costs have been modest. It is worth noting, that the City's operational costs per capita, when adjusted for inflation, are actually less than they were in 2000 primarily because of: the City's efforts to control costs while providing increased service levels.

Shoreline Economic Indicators – Expenditure Section

• Employees Per Thousand Population

Definition: Number of City employees divided by City population per thousand.

Rating

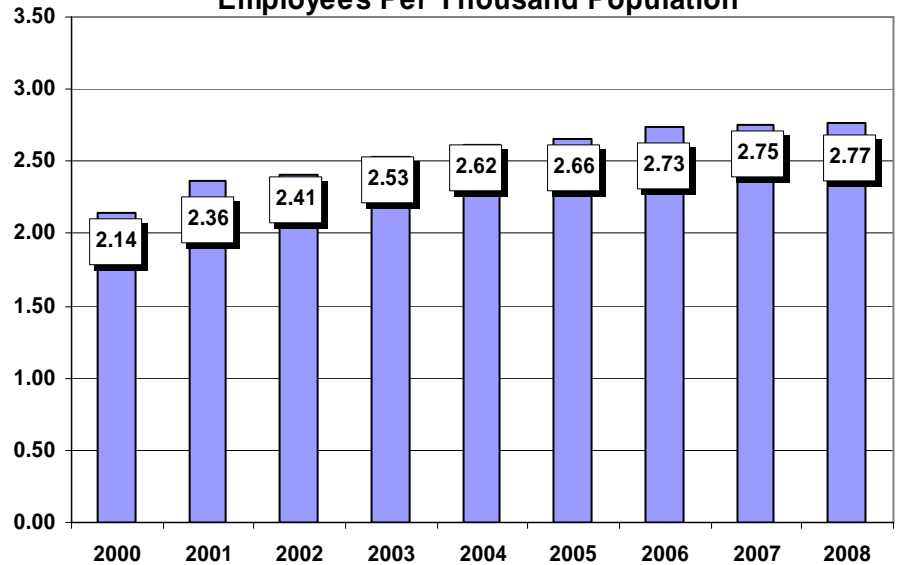


Why this matters?

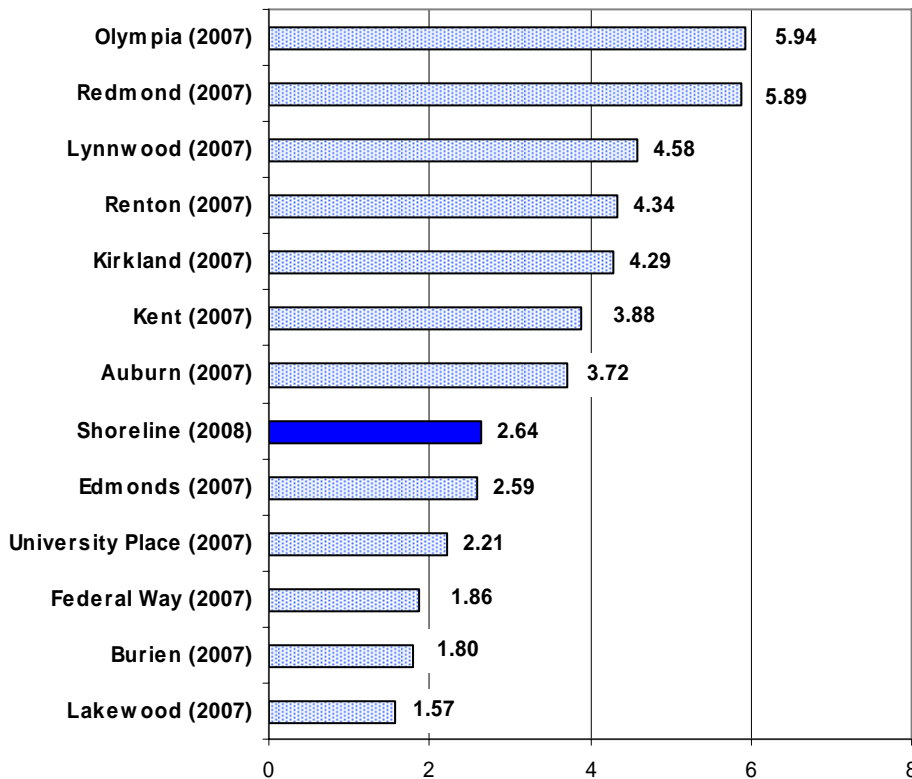
For local governments employee costs are the largest on-going expense. Consequently increases in the number of employees will have significant cost implications. One way to measure the effectiveness of employee growth is to compare it to City population. For mature organizations employees per capita should be fairly constant. For newer organizations employees per thousand can increase as the organization fully develops its services.

It is important to note that contracted employees are not included in FTE totals.

Employees Per Thousand Population



The table below compares Shoreline FTE's per thousand with other Cities in the Puget Sound Region. (police and utility FTE's are not included)



What this means to Shoreline

While Shoreline's population has remained flat the number of City employees grew by 33 during the eight-year study period. As would be expected in a young organization employee growth has centered in the direct service provider operations of Parks and Public Works. Specifically of the 33 jobs added since 2000, 9 have been in Public Works and 10 have been in the Parks Department. However to support the increase in operational capacity 14 positions have been added to support departments

Despite the increase in employees over the past seven years, Shoreline's staffing levels are below comparative cities.

Shoreline Economic Indicators – Expenditure Section

- **Employee Benefits as a Percent of Total Salary**

Definition: Employee benefits divided by total salary.

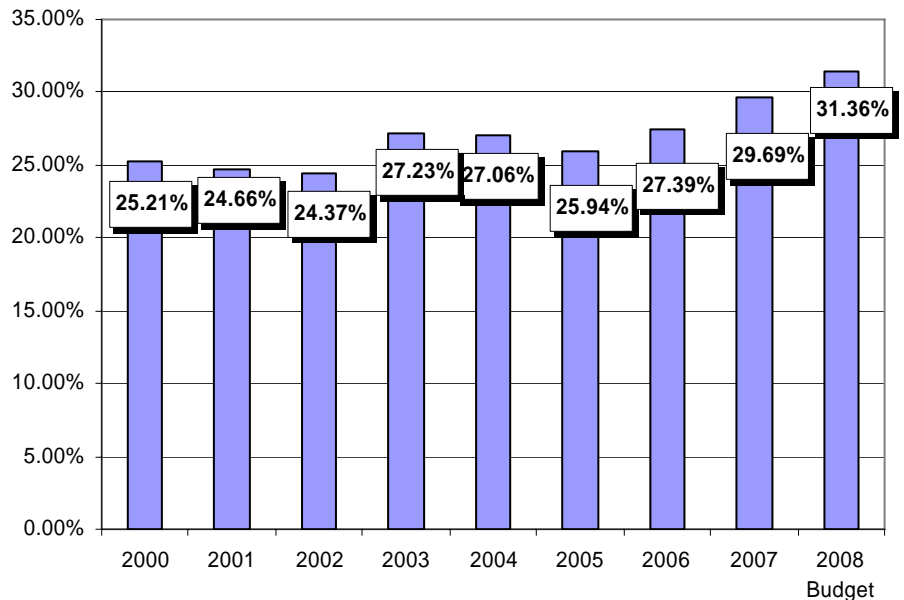
Rating



Benefits as a % of Total Salary

Why this matters?

Health insurance costs and pension contribution rates have increased dramatically over the past few years. These costs are often combined with other benefit costs which can disguise its total cost impact. Special attention should be paid to these costs to ensure awareness and understanding of their impact on the organization.



What this means to Shoreline

Shoreline is fortunate in that we have been able to isolate and track benefit costs in detail. As a result, in 2003, the City undertook an effort to mitigate the impact of increased health benefit costs had on the City budget. During the past few years, the City's contribution rate for employee's pension (PERS) has increased substantially. This rate is set by the state legislature and began to increase in July of 2005. For illustration purposes the rate in July 2006 was 3.69% and the rate as of January 2008 was 6.13% and will go to 8.39% on July 1, 2008. The result is that benefit costs have increased at a faster rate than salaries and wages forcing the benefit percentage up.



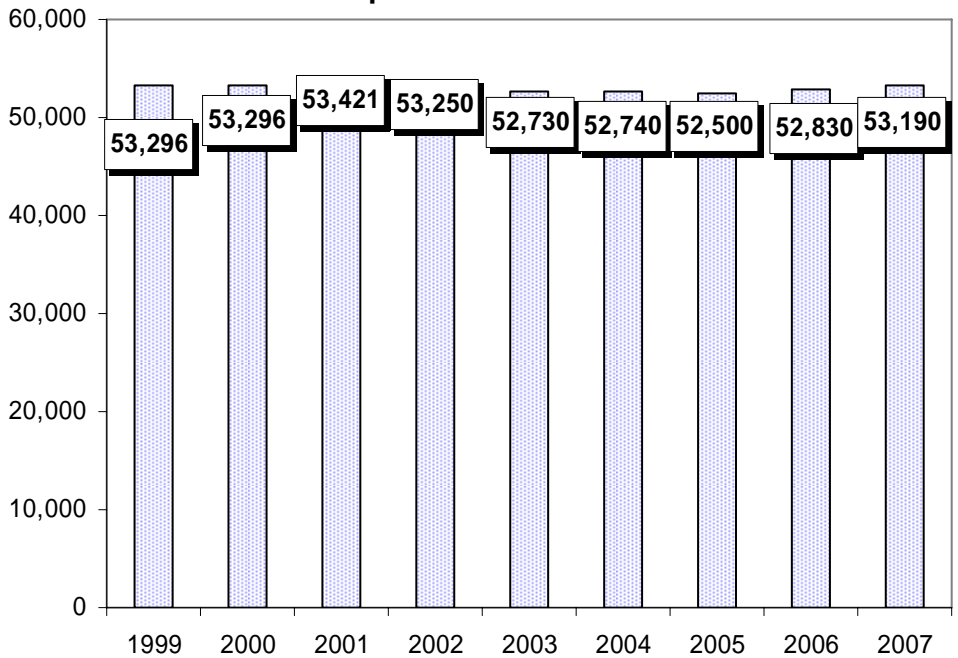
DEMOGRAPHIC SECTION

Shoreline Economic Indicators - Demographic Section

- **City Population 1999 - 2007**

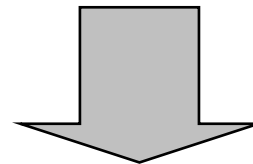
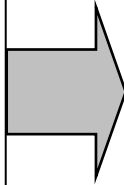


Shoreline Population 1999 - 2007



Why this matters?

Population changes can affect local government by either increasing the demand for services or decreasing them based on the direction of the population fluctuation.



What this means to Shoreline

Shoreline's population has remained relatively stable since 1999 signifying the fact that the City is effectively built out. This limits growth in any shared revenues that are distributed on a per capita basis as other cities are experiencing significant growth.

On the favorable side, the lack of population growth limits the demand for services and therefore provides some level of control over expenditures.

Shoreline Economic Indicators - Demographic Section

• Personal Income Per Capita

Definition:

Total income divided by population and held in constant dollars.

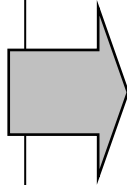
Rating



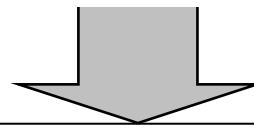
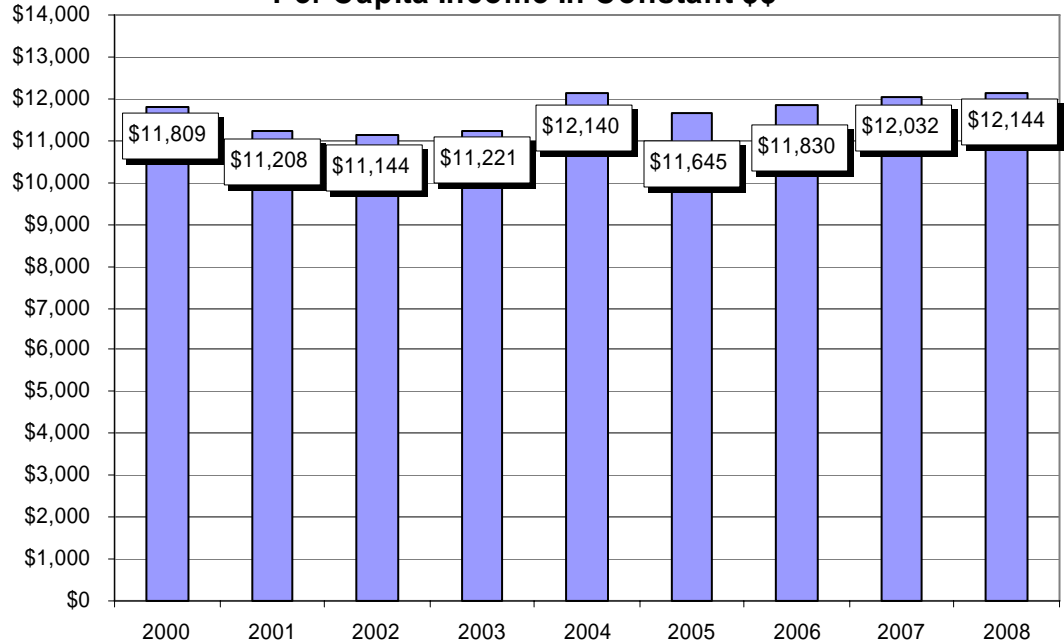
Why this matters?

Personal income per capita is one measure of a community's ability to pay taxes. Measured in constant dollars it reflects how income has performed compared to inflation.

A flat or decreasing per capita income could be an indication that your city would not support a tax increase.



Per Capita Income In Constant \$\$



What this means to Shoreline

As the graph indicates Shoreline's per capita income as measured in constant dollars has not changed significantly during the period. There was a slight drop during the recession in the early 90's, but income levels rebounded by 2004, but remain nearly the same in 2008.

*The data utilized to calculate per capita income is estimated based on baseline data supplied by the 2000 census. Since 2000 no data has been collected to provide actual figures. What we did in this report was take the baseline data and then supply an annual per capita % change figure generated by the Puget Sound Economic Forecaster to calculate income.

Shoreline Economic Indicators - Demographic Section

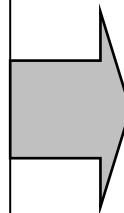
- **Shoreline Poverty Rate**

Definition:

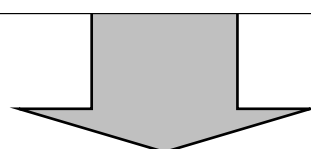
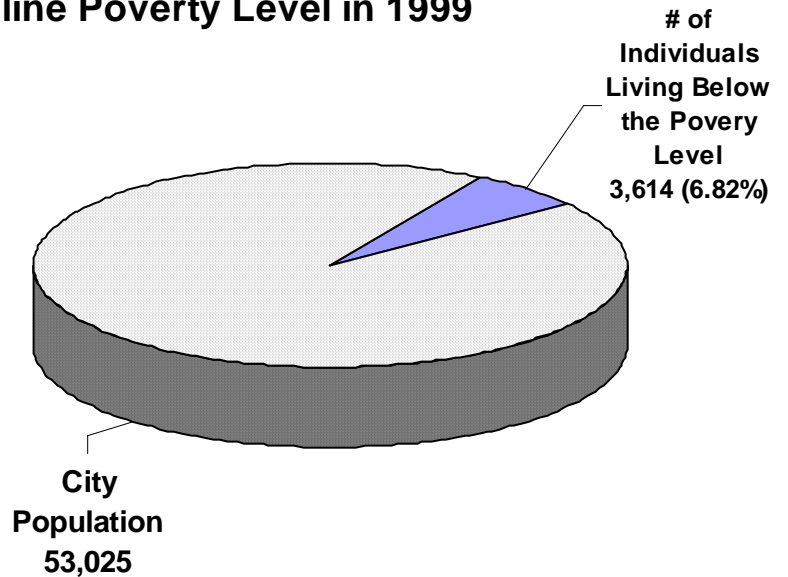
Shoreline's poverty rate as reported by the 2000 US Census and based on data from 1999. It is measured as individuals living at or below the poverty line.

Why this matters?

An increase in the poverty level can create an increase need for certain services provided by local governments, while at the same time decreasing revenues to the local government.



Shoreline Poverty Level in 1999



What this means to Shoreline

The only data available for Shoreline is from the 2000 census which is from 1999; consequently no trend can be determined at this time. However it is worth mentioning that Shoreline's poverty rate was below both King County and the State of Washington in 1999. The State poverty rate in 1999 was 9.5% and the King County poverty rate was 8.4%

Shoreline Economic Indicators - Demographic Section

- Percentage Change in Property Value from the Previous Year**

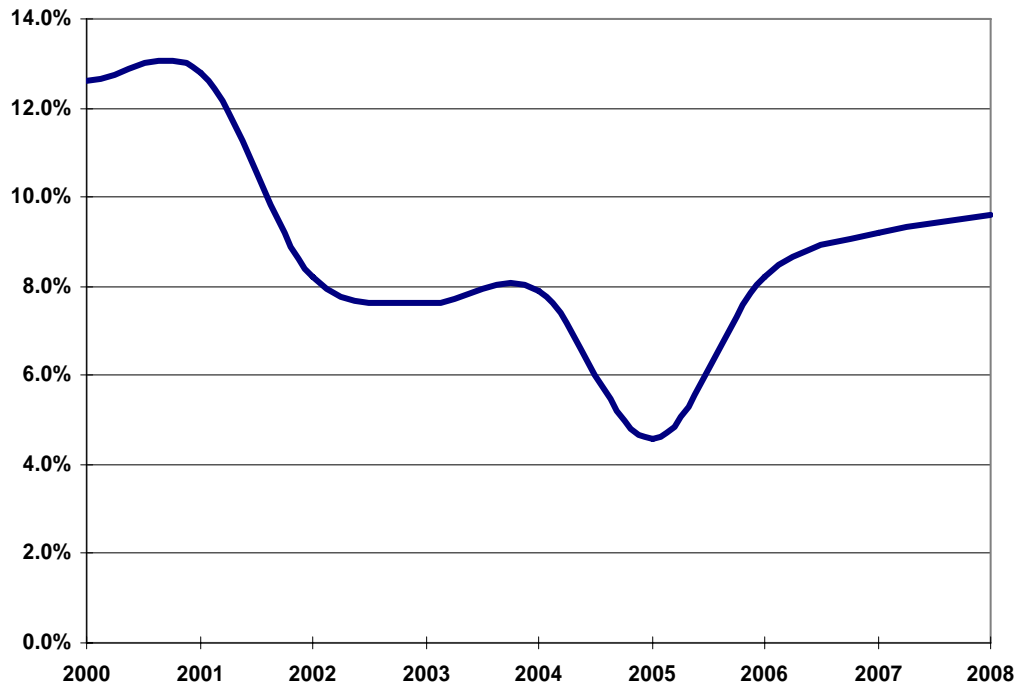
Definition:

Percentage change in assessed valuation from the previous year for all Shoreline property.

Rating



Percentage Change in Property Value From the Previous Year



Why this matters?

Changes in property values are important because most local governments depend on the property tax for a large portion of their revenues.

If a city's overall property value is decreasing it may be a sign of more significant community problems that may in time require city resources to remedy.

What this means to Shoreline

Shoreline's total assessed property value continues to grow but the rate of that growth has slowed since 2001. Overall since 2000 Shoreline's total assessed property value has increased by 80.7%. (This figure includes new construction) Such a strong increase in property value is a good indication of the general positive/healthy condition of the Shoreline community.