



# **2001 Second Quarter Financial Report**

Prepared by the Finance Department

*for the*

*Fiscal Year January 1, 2001 – December 31, 2001*

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## EXECUTIVE SUMMARY

### General Fund

During the first half of 2001, actual revenues were \$12,015,682. This was \$179,232 or 1.5% above projections of \$11,836,450. First half expenditures of \$6,551,507 were \$4,057,224 or 38.24% below projections of \$10,608,731. The chart below outlines the City's General Fund position after the first half of year 2001. It compares the Amended 2001 Budget, the 2001 Year End Projections, 2001 Year-to- Date Projections and the Actual Year-to -Date Revenues and expenditures.

	2001 Amended Budget	2001 Projections	Revisions from Amended Budget	Year-to-date Projections	Year-to-date Actuals	. Variance between Actuals and Projections
Beginning Fund Balance	\$3,817,767	\$5,293,098	\$1,475,331	\$5,293,098	\$5,293,098	0
Revenues	\$20,946,804	\$21,842,521	\$895,717	\$10,410,210	\$10,598,592	\$188,382
Transfers-In	2,417,356	2,417,356	\$0	1,426,240	1,417,090	(9,150)
Subtotal Revenues	\$23,364,160	\$24,259,878	\$895,717	\$11,836,450	\$12,015,682	\$179,232
Total Resources	\$27,181,927	\$29,552,976	\$2,371,048	\$17,129,548	\$17,308,780	\$179,232
Expenditures	\$20,724,811	\$18,746,818	(\$1,977,993)	\$9,308,743	\$ 5,290,294	(\$4,018,449)
Transfers-Out	5,652,122	5,652,122	\$0	1,299,988	1,261,213	(38,775)
Total Expenditures	26,376,933	24,398,940	(\$1,977,993)	\$10,608,731	\$6,551,507	(\$4,057,224)
Ending Fund Balance	\$804,994	\$5,154,036	\$4,349,041	\$6,520,817	\$10,757,273	\$4,236,456

### Development Services Fund

The Development Services Fund first half revenues of \$818,430 were \$71,274 below projected revenues of \$889,704. First quarter revenues during the same period in 2000 were \$64,978 higher at \$883,408. Expenditures for the first half of \$809,512 are also below projections of \$1,015,016 by \$205,504.

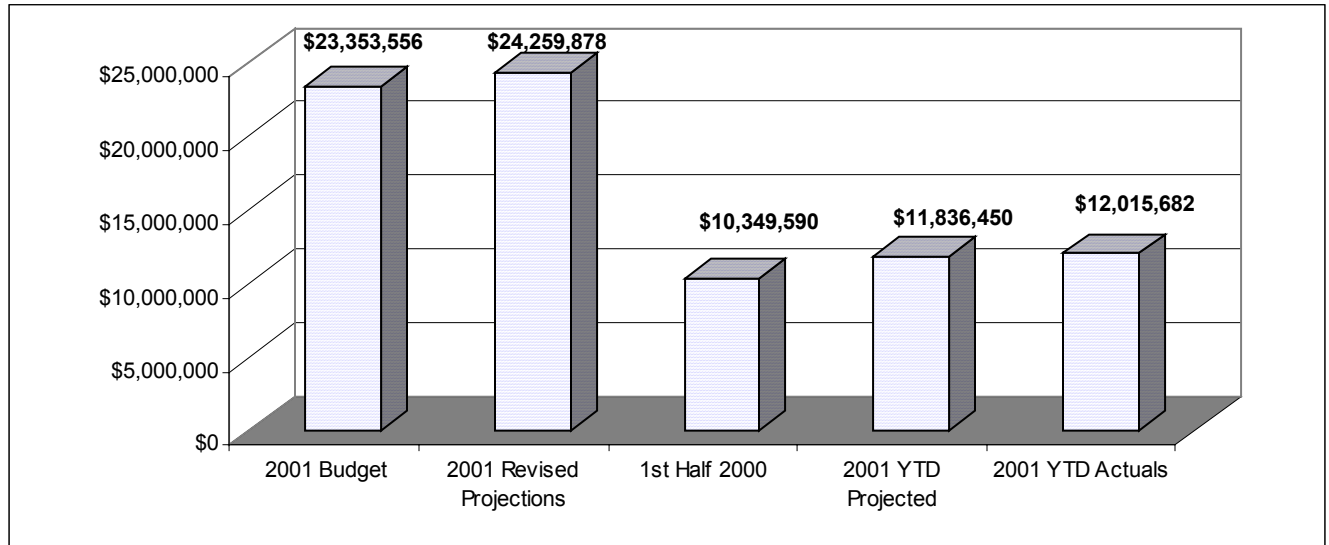
### Street Fund

The Street Fund had first half revenues of \$1,681,210 that were \$9,233 over projected revenues of \$1,671,978. Street Fund first half expenditures were \$801,003 or \$10,342 below projections of \$811,345.

### Surface Water Management Fund

First half revenues in this fund equaled \$1,129,485, which were \$68,900 below projected revenues of \$1,198,385. Expenditures equaled \$1,482,256, or \$45,639 under projected expenditures of \$1,527,895.

## General Fund Revenue



After the first quarter of 2001, the projected General Fund revenues of \$23,353,556 were increased by \$1,018,578 to \$24,372,134. As part of the development process for the 2002 budget, departments provide projected revenue updates for the current year. As a result of these projections, the current 2001 total projected for the City's General Fund revenues have been reduced by \$112,256 from the first quarter revised projections to \$24,259,878.

The reduced projections are in two major revenue categories, Parks and Recreation fee revenue and Grants and Miscellaneous revenue. In the Parks and Recreation fee revenue category, the most significant drop comes in revenue generated by the Aquatics program. These revenues have been decreased by \$52,236 as they have been significantly impacted by the Capital Improvement project at the Shoreline Pool. When the 2001 budget was adopted, it was anticipated that the pool would be reopening in mid-July. It is now estimated to reopen in early October. A significant portion of the pool's annual revenues are typically earned during the busy summer season. Projected revenues for Recreation have also been decreased by \$60,500. While the number of programs that are being offered has not decreased, the level of participation is below that which was expected when the budget was adopted. While Parks revenue have been lowered by a total of \$103,936, Parks projected expenditures for the year have also been lowered by \$131,700.

The second category that has been reduced is Grants and Miscellaneous revenue. As the name would suggest, this category is inherently difficult to project. At the time that the budget is developed anticipated grants are included at their projected amounts. Some grants may not be awarded and many are awarded for amounts that differ from what was originally expected. This category is now being projected \$53,715 less than the revised projections that were made after the first quarter. They are however, \$41,135 more than the adopted 2001 budget.

General Fund revenues during the first quarter of 2001 were \$12,015,682. This is above projected first half revenues of \$11,836,450 by \$179,232 or 1.5%. Historically first half

collections account for nearly 49% of the City's annual collections. During the first six months of 2000, the General Fund received revenues in the amount of \$10,349,590.

Property Tax of \$ 3,277,900 exceeded projections of \$ 3,208,304 by \$69,596 or 2.2%. During the first six months of 2001, the City received delinquent payments for prior years totaling nearly \$83,000, thus accounting for the over-collection. Property tax is estimated to be nearly 26% of the total 2001 General Fund revenue.

Sales Tax collections of \$2,041,427 were just below projections of \$2,050,412 by \$8,985 or only 0.4%. Sales Tax is estimated to be nearly 21% of the total 2001 General Fund revenue. This category represents collections of the 1.0% sales tax imposed by the City.

Criminal Justice Sales Tax revenue of \$550,849 was \$25,367 or 4.8% over projections of \$525,482. This category differs from sales tax because it results from a distribution of the County's 0.1% Criminal Justice sales tax. The City received an amount from the County based upon Shoreline's percentage of the total County population. Criminal Justice Sales Tax is expected to equal 4.5% of the total 2001 General Fund revenue.

Utility Tax and Franchise fee revenue of \$1,535,170 exceeded projections of \$1,492,925 by \$42,245 or 2.8%. Projected 2001 revenues for this category are \$979,228 above the amount included in the adopted budget. This category is projected to equal nearly 15% of the total General Fund revenue for 2001.

After the first six months of 2001, gambling tax of \$682,590 exceeded projections of \$603,108 by \$79,482 or 13.2%. The category is expected to equal almost 10% of the total 2001 General Fund revenue.

State revenues of \$1,751,991 exceeded projections of \$1,750,873 by only \$1,118. By this time of the year, the City typically has received about 85% of the projected state revenues. This category is expected to equal 8.5% of the total 2001 General Fund revenues.

Parks and Recreation revenue received during the first half of 2001 equaled \$192,532 which was \$1,751 over revised projections of \$190,781. The category is expected to equal just over 1% of the total 2001 General Fund revenues.

Revenue for the first half of 2001 from Grants and Other Miscellaneous revenue equaled \$566,133 just \$22,191 below projections of \$588,325. This category is expected to equal about 4% of the total 2001 General Fund revenue.

Revenue from Transfers from Other Funds of \$1,417,090 was below projections of \$1,426,240 by \$9,150. This category is expected to equal 10% of the total 2001 General Fund revenue.

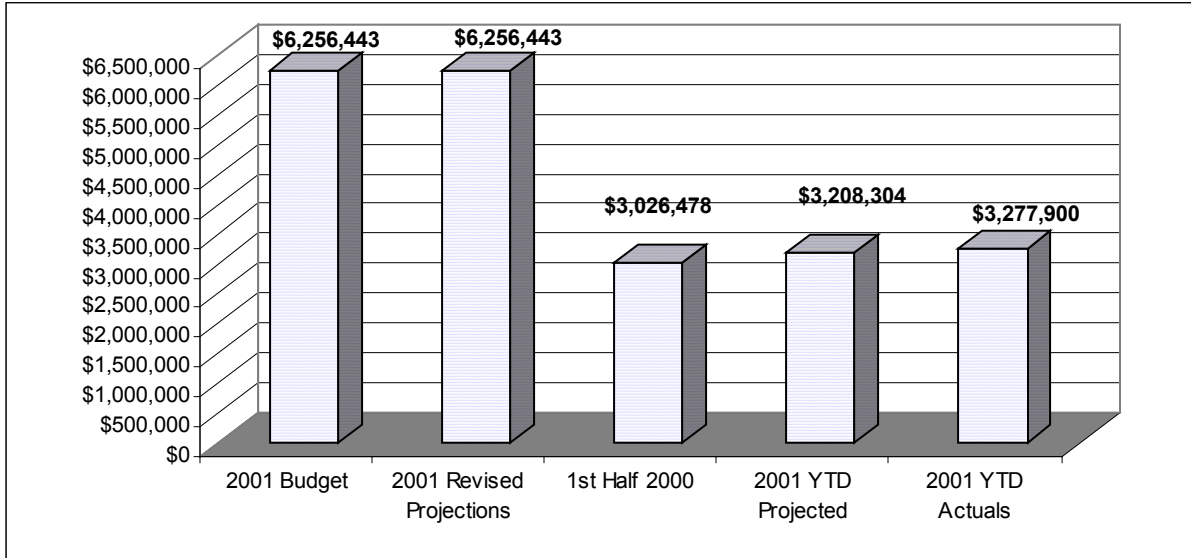
Fines & Forfeitures of \$79,003 are ahead of projections of \$21,555 by \$57,449.

The chart below details each revenue category for the first half of 2001. The first column displays the 2001 Adopted Budget. The second column represents the revised projections for each category. The third column displays the projected revenue through the first and second quarter of the year and the fourth column displays the actual

revenues through June. The final column represents the variance between second quarter projections and actual collections.

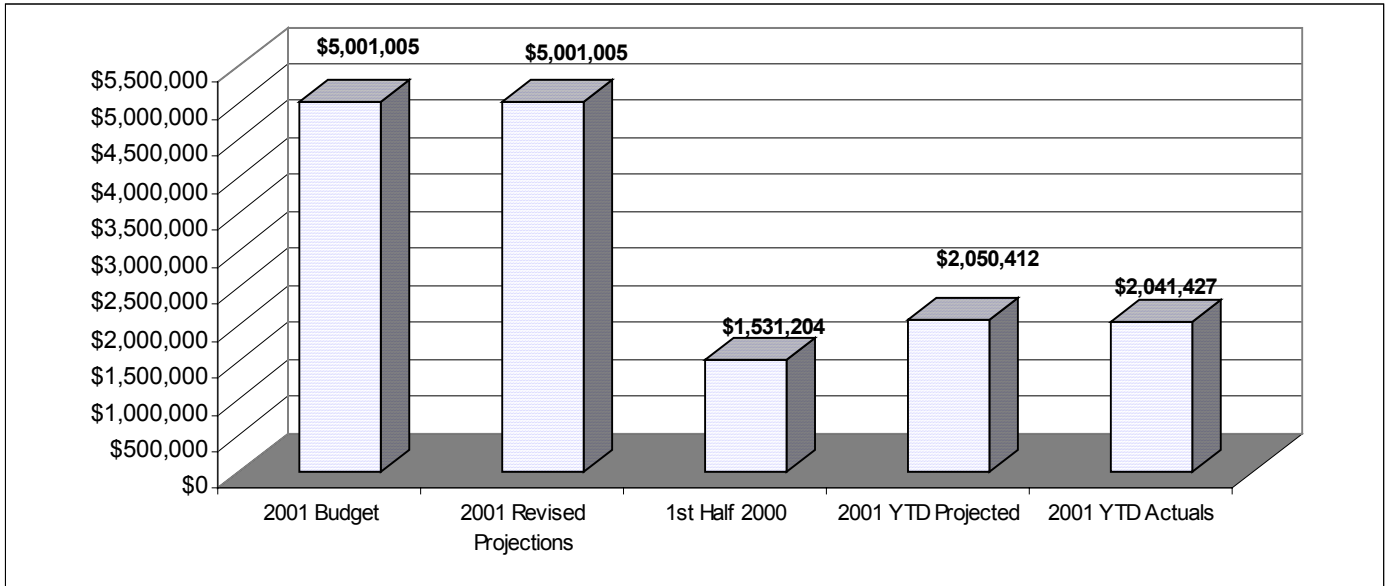
	<b>2001 Budget</b>	<b>2001 Revised Projections</b>	<b>1st Half 2000</b>	<b>YTD Projected</b>	<b>YTD Actuals</b>	<b>2nd Qtr. Variance</b>
<b>Property Tax</b>	6,256,443	6,256,443	3,026,478	3,208,304	3,277,900	<b>69,596</b>
<b>Sales Tax</b>	5,001,005	5,001,005	1,531,204	2,050,412	2,041,427	<b>(8,985)</b>
<b>Criminal Justice Sales Tax</b>	1,096,106	1,096,106	537,422	525,482	550,849	<b>25,367</b>
<b><i>Utility Tax/Franchise Fee Category</i></b>						<b>-</b>
<b>Natural Gas Utility Tax</b>	631,428	827,979	294,887	447,109	426,462	<b>(20,647)</b>
<b>Sanitation Utility Tax</b>	180,000	180,000	61,276	54,000	93,586	<b>39,586</b>
<b>Cable TV Utility Tax</b>	56,525	57,646	67,715	13,610	28,912	<b>15,302</b>
<b>Telephone/Cell Utility Tax</b>	595,000	1,000,000	141,222	410,545	400,551	<b>(9,994)</b>
<b>SCL Franchise Fee</b>	500,000	680,735	248,628	306,331	281,613	<b>(24,718)</b>
<b>SPU- Water Franchise Fee</b>	232,602	332,005	-	132,802	154,283	<b>21,481</b>
<b>SPU- Sewer Franchise Fee</b>	200,440	200,440	-	45,901	59,944	<b>14,043</b>
<b>Cable TV Franchise Fee</b>	253,550	349,968	57,273	82,627	89,819	<b>7,192</b>
<b><i>Utility Tax/Franchise Fee Subtotal</i></b>	<b>2,649,545</b>	<b>3,628,773</b>	<b>871,001</b>	<b>1,492,925</b>	<b>1,535,170</b>	<b>42,245</b>
<b>Gambling Tax</b>	2,400,000	2,400,000	672,209	603,108	682,590	<b>79,482</b>
<b>State Revenue</b>	2,053,981	2,053,981	1,607,408	1,750,873	1,751,991	<b>1,118</b>
<b>Parks &amp; Recreation Revenue</b>	456,491	342,450	330,740	190,781	192,532	<b>1,751</b>
<b>Fines &amp; Forfeitures</b>	55,000	55,000	88,169	21,555	79,003	<b>57,449</b>
<b>Grants &amp; Misc. Revenue</b>	967,629	1,008,764	417,593	566,770	487,130	<b>(79,640)</b>
<b>Transfers-In</b>	2,417,356	2,417,356	1,267,366	1,426,240	1,417,090	<b>(9,150)</b>
<b>Total General Fund Revenue</b>	<b>23,353,556</b>	<b>24,259,878</b>	<b>10,349,590</b>	<b>11,836,450</b>	<b>12,015,682</b>	<b>179,232</b>

# Property Tax Revenue



Property tax collections of \$3,277,900 exceeded projections of \$3,208,304 by \$69,596 or 2.2%. During the first six months of 2001, the city received delinquent property tax revenues from prior years totaling \$82,890. Collections during the same period of 2000 equaled \$3,026,478. No change has been made to the 2001 projected revenue from Property tax. Property tax collections are estimated to be nearly 26% of the total 2001 General Fund revenue.

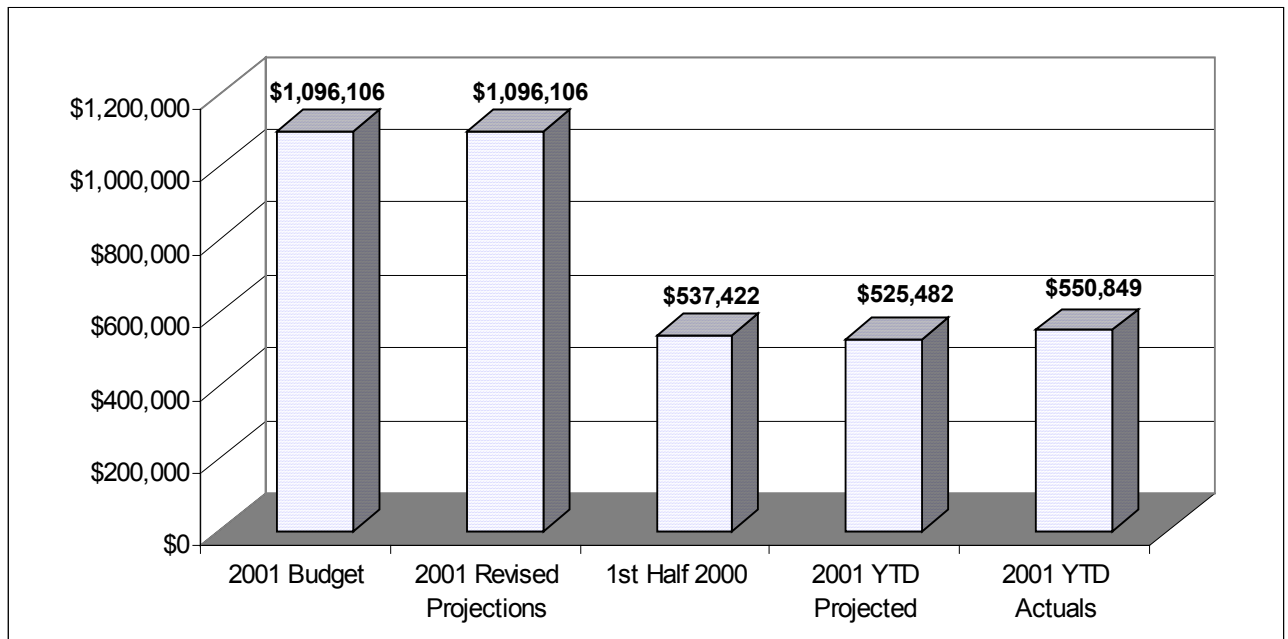
## Sales Tax Revenue



Sales tax collections of \$2,041,427 were received during the first half of 2001. This is \$8,985 or .4% below projected revenue of \$2,050,412. The City did experience a slight drop in collections during the month of April, but all other months have exceeded monthly projections. During the same period of 2000, collections equaled \$1,531,204. No revisions have been made to the 2001 projections in this category. Sales Tax is estimated to be nearly 21% of the total 2001 General Fund revenue. This category represents collections of the 1.0% sales tax imposed by the City.

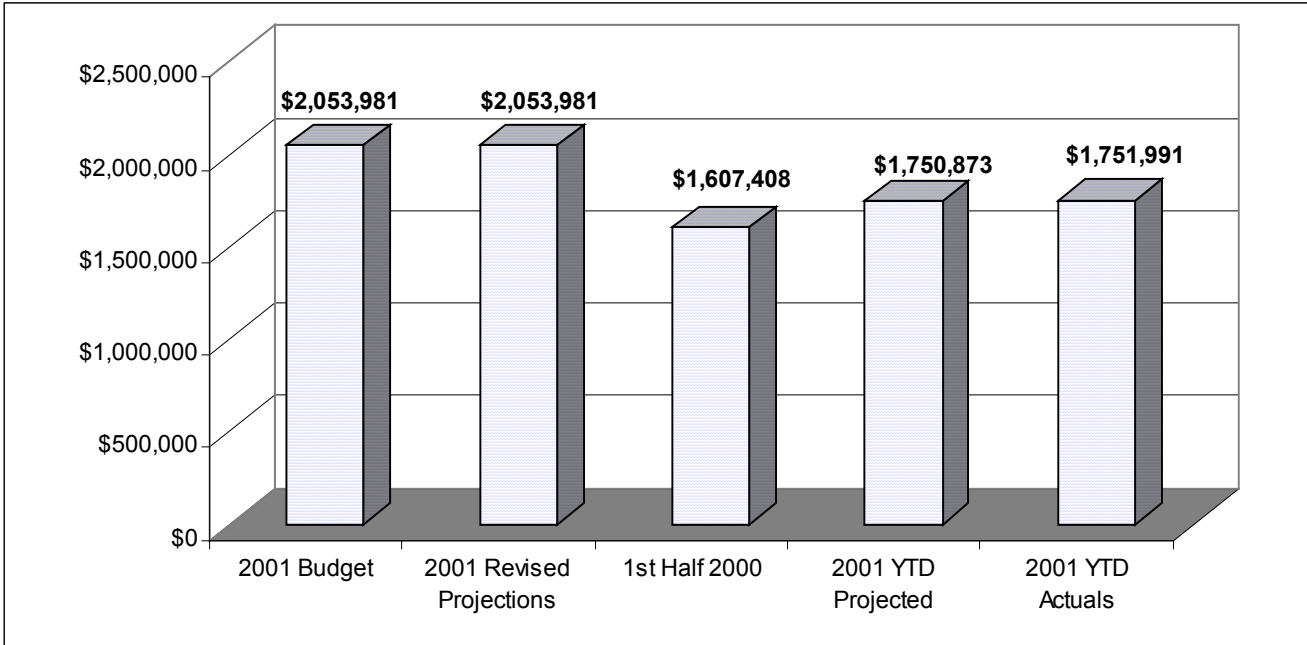


## Criminal Justice Sales Tax Revenue



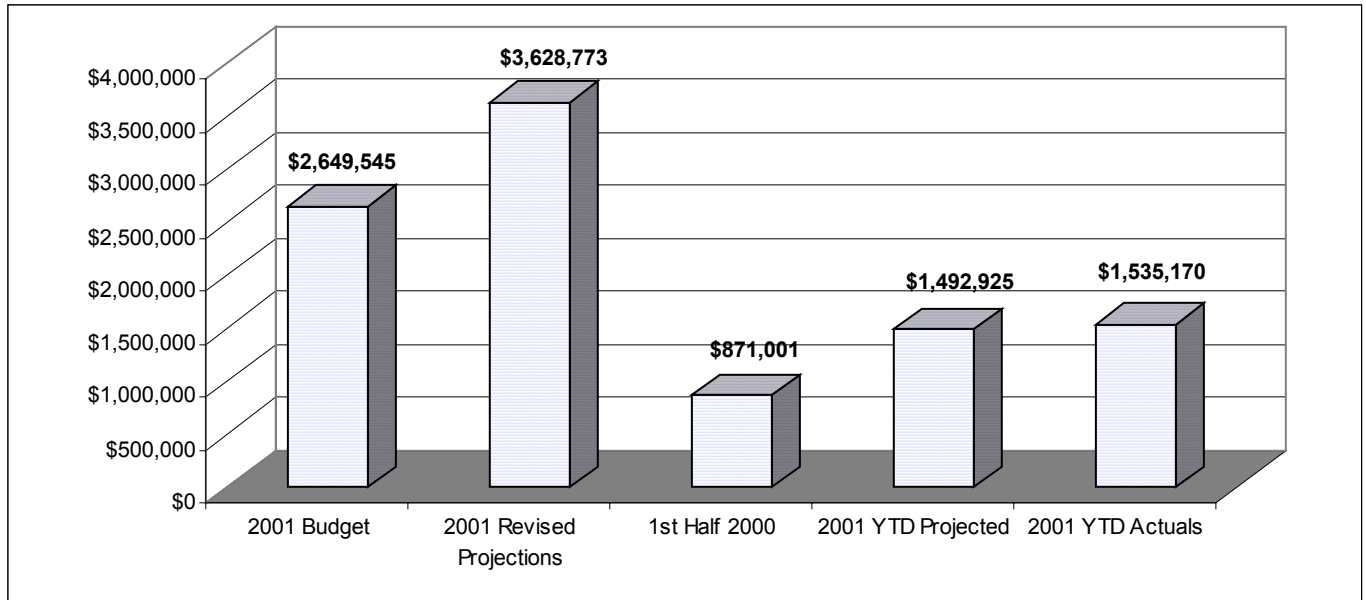
Local Criminal Justice Sales Tax of \$550,849 exceeded projections of \$525,482 by \$25,367 or 4.8%. Projections for this revenue had not been revised. Collections for the first half of 2000 equaled \$537,422. This category differs from sales tax because it results from a distribution of the County's 0.1% Criminal Justice sales tax. The City received an amount from the County based upon Shoreline's percentage of the total County population. Criminal Justice Sales Tax is expected to equal 4.5% of the total 2001 General Fund revenue.

## State Revenue



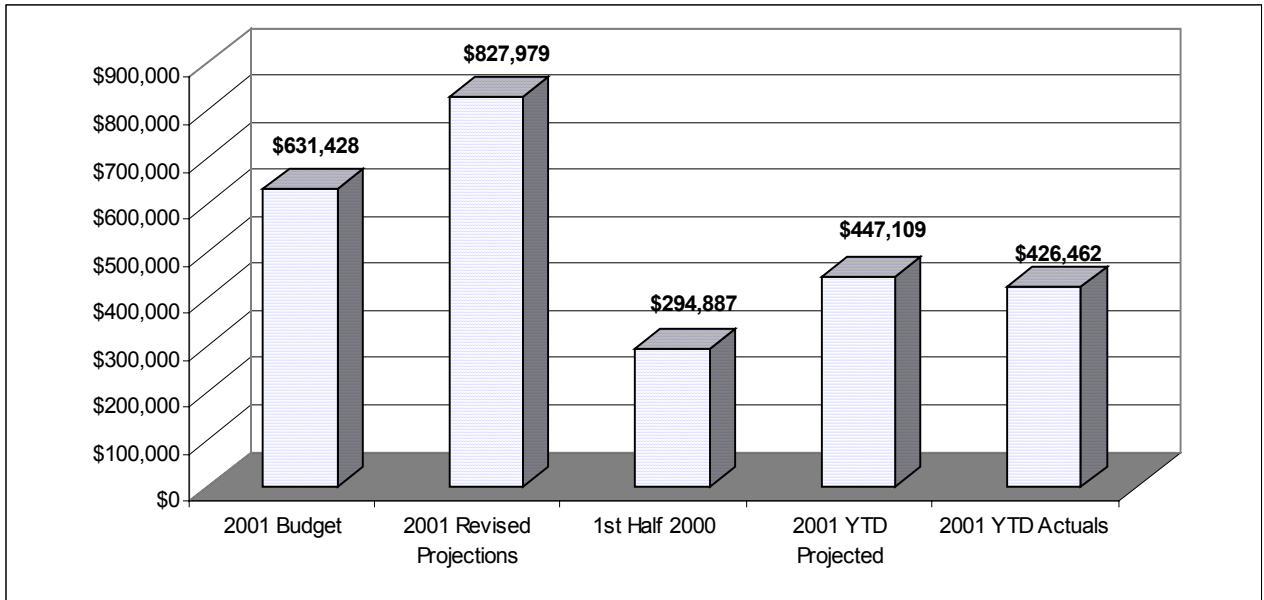
State Revenue of \$1,751,991 exceeded projections of \$1,750,873 by \$1,118 or .1%. Revenue received during the same period in 2000 equaled \$1,607,408. The largest increase is from the I-695 backfill funding approved by the State Legislature. First half revenue represents more than 85% of the total expected 2001 collections. 2001 projections for this category have not been revised. This category is expected to equal 8.5% of the total 2001 General Fund revenues.

## Utility Tax and Franchise Fee Revenue



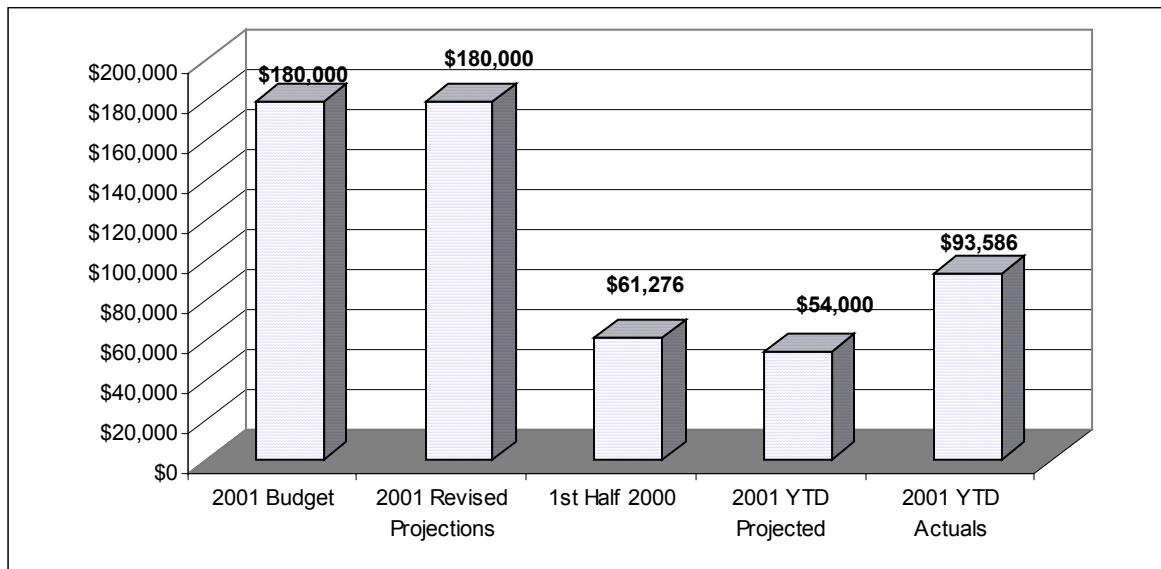
Utility Tax and Franchise fee revenue of \$1,535,170 exceeded projections of \$1,492,925 by \$42,245 or 2.8%. Collections during the same period of 2000 equaled only \$871,001. This category includes taxes or franchise fees for natural gas, sanitation services, cable television, telephone and cellular services, electricity, water and sewer. Many of these utilities have imposed rate increases or surcharges on their customers since the adoption of the 2001 budget. Projected 2001 revenues of \$3,628,773 for this category are \$979,228 above \$2,649,545, the amount included in the adopted budget. Some of this additional revenue is from surcharges imposed by Seattle City Light. The surcharges are expected to last for another year or two until debt incurred by the utility to pay for power during last winter is paid off. Therefore these additional projected revenues for 2001 of nearly \$100,000 should be used for one-time only expenditures. This category is projected to equal nearly 15% of the total General Fund revenue for 2001.

## Natural Gas Utility Tax Revenue



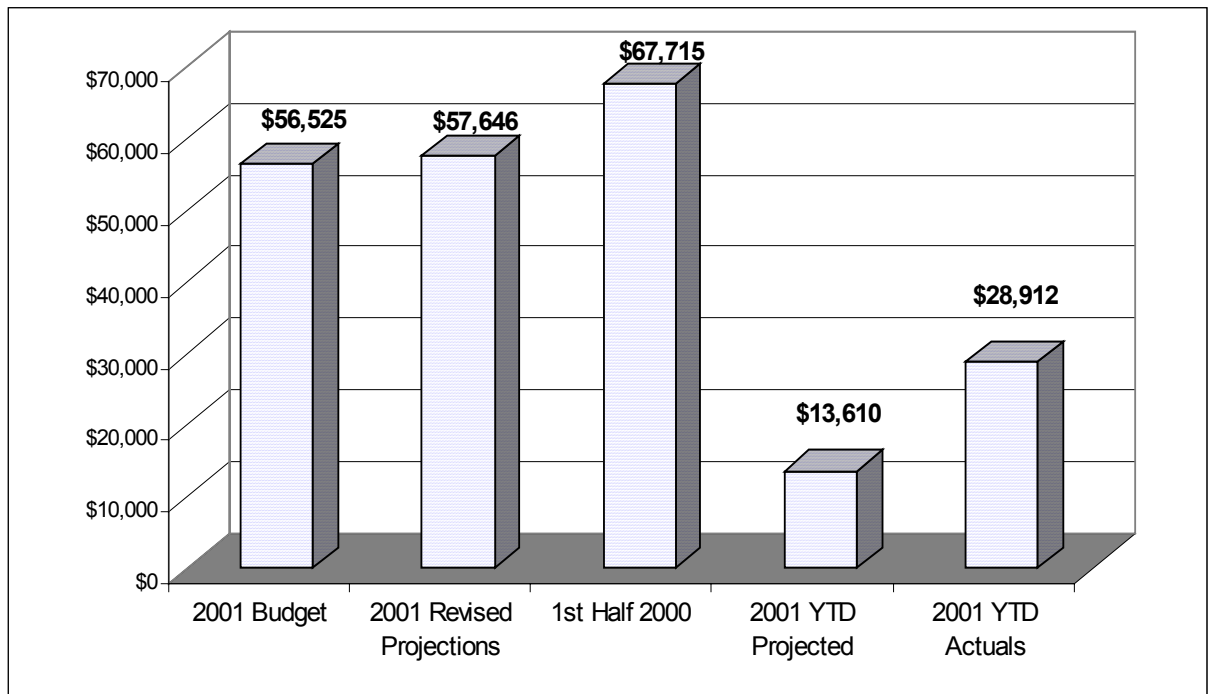
Natural Gas tax revenue of \$426,462 was slightly behind projections of \$447,109 by \$20,647 or 4.6%. Projections were increased by \$196,551 over the adopted budget after the first quarter. Since the first of the year, PSE has increased the rates by 24.5%. We will continue to monitor this category to see the impacts of both the rate increases imposed by Puget Sound Energy (PSE) and the resulting conservation efforts made by Shoreline residents. Collections during the first six months of 2000 equaled \$294,887.

## Sanitation Utility Tax Revenue



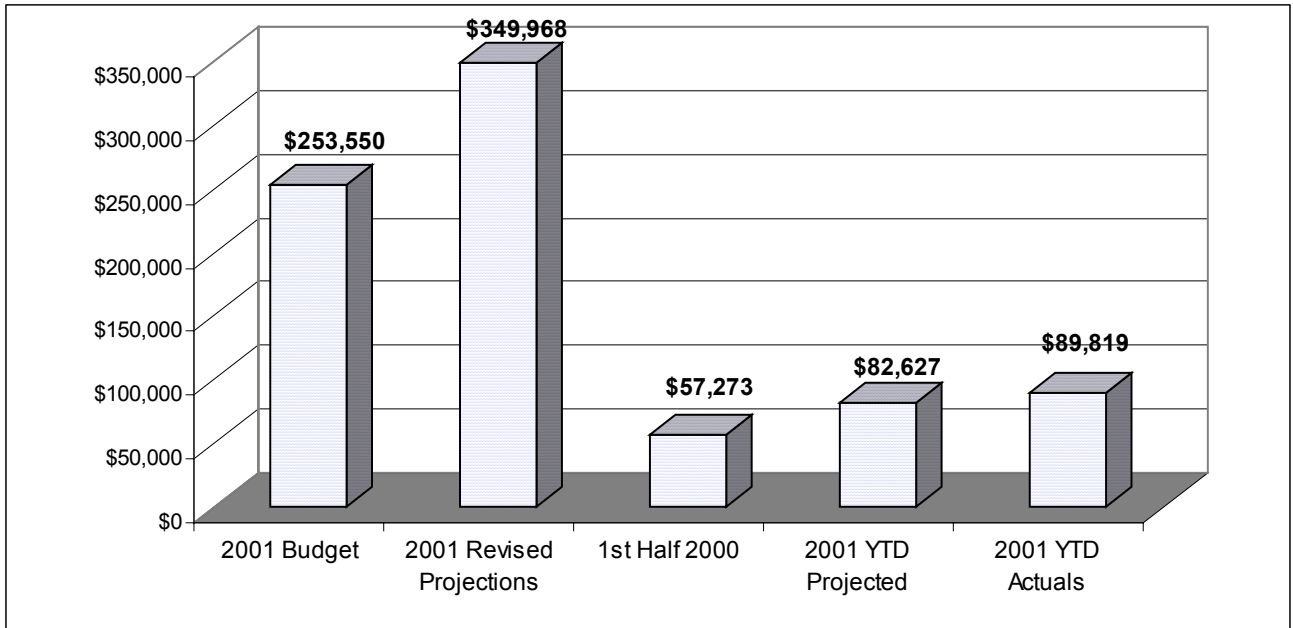
Sanitation revenues of \$93,586 were \$39,586 over projections of \$54,000 or 73.3%. Projections in this category have not been revised. Collections during the first half of 2000 equaled \$61,276.

## Cable TV Utility Tax Revenue



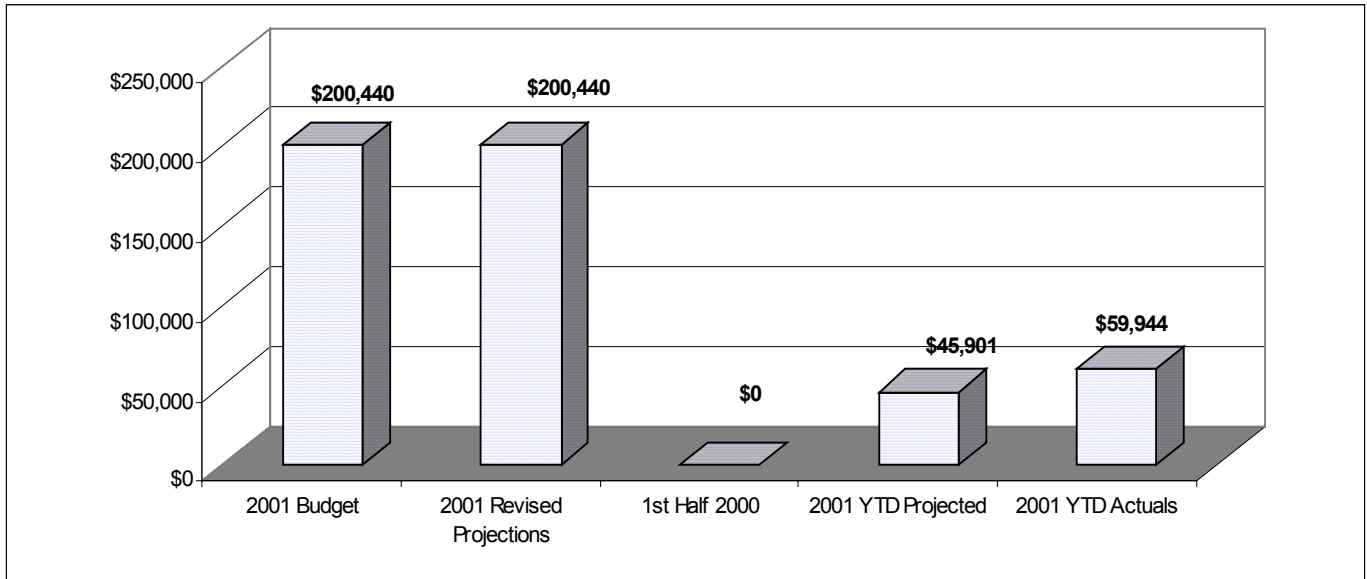
Cable TV Utility tax revenue of \$28,912 was \$15,302 over projected revenue of \$13,610. Projections have only been revised slightly to \$57,646, up by only \$1,121 from the adopted budget of \$56,525.

## Cable TV Franchise Fee Revenue



Cable TV franchise fee revenue of \$89,819 was \$7,192 or 8.7% over projected revenue for the first half of 2001 of \$82,627. After the first quarter, projections were revised significantly to \$349,968, \$96,418 over the adopted budget of \$253,550. This more accurately reflected 2000 collections. Collections during the first six months of 2000 equaled \$57,273.

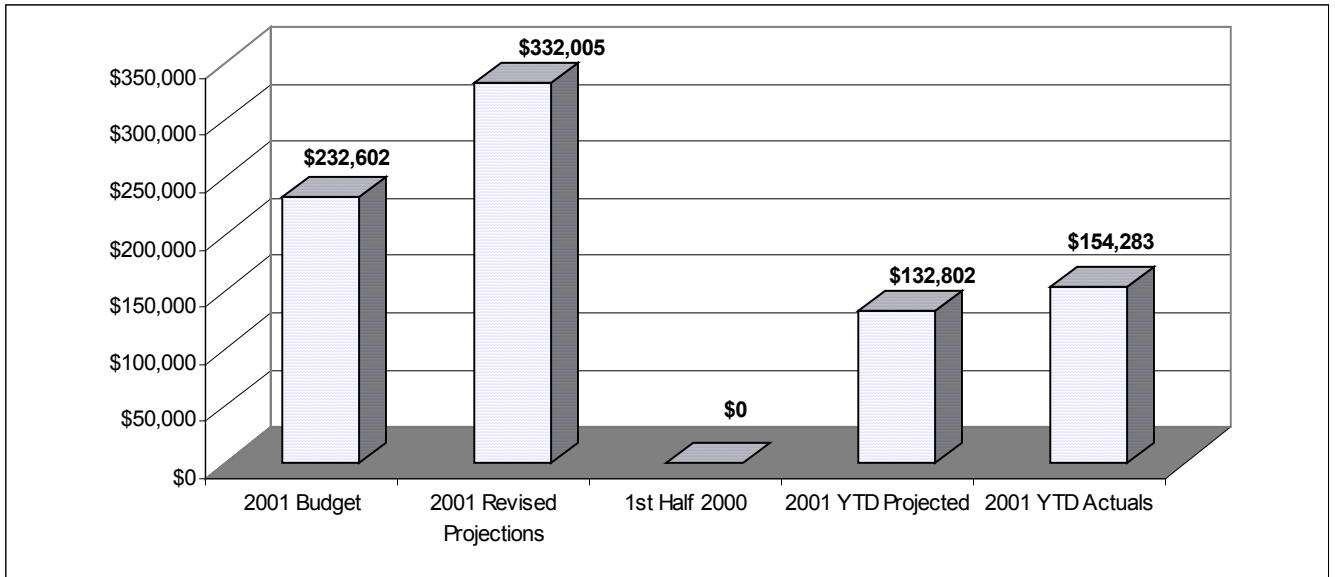
## SPU – Sewer Franchise Fee Revenue



Franchise fees from Seattle Public Utilities (SPU) Sewer of \$59,944 were \$14,043 above projections of \$45,901. 2001 projected revenue has not been revised. No revenue was received during the first half of 2000, due to late franchise fee payments.

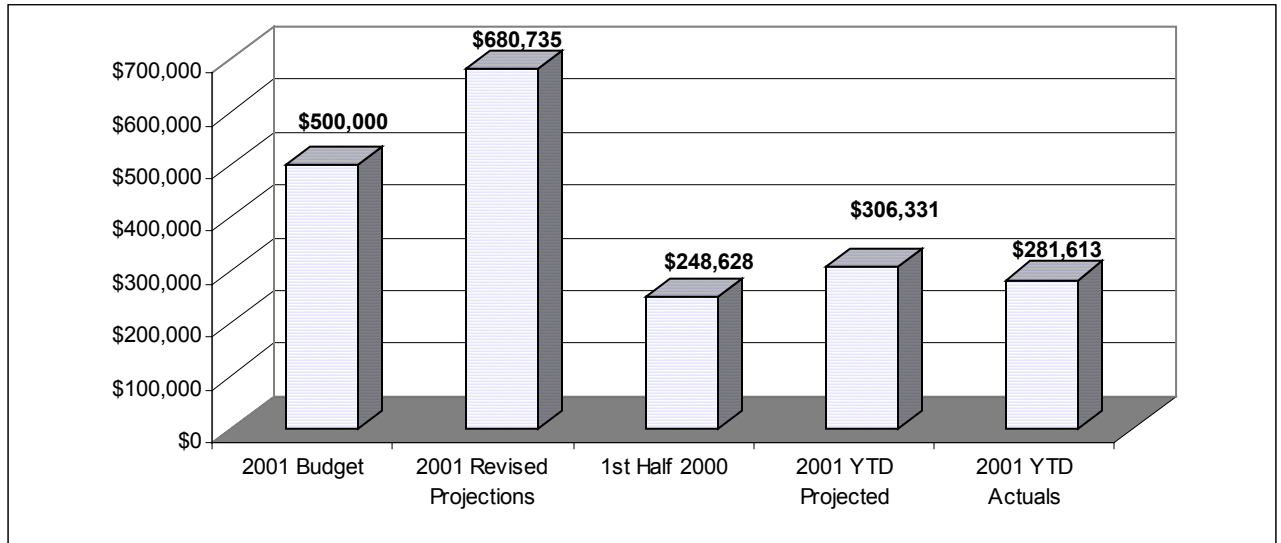


## SPU – Water Franchise Fee Revenue



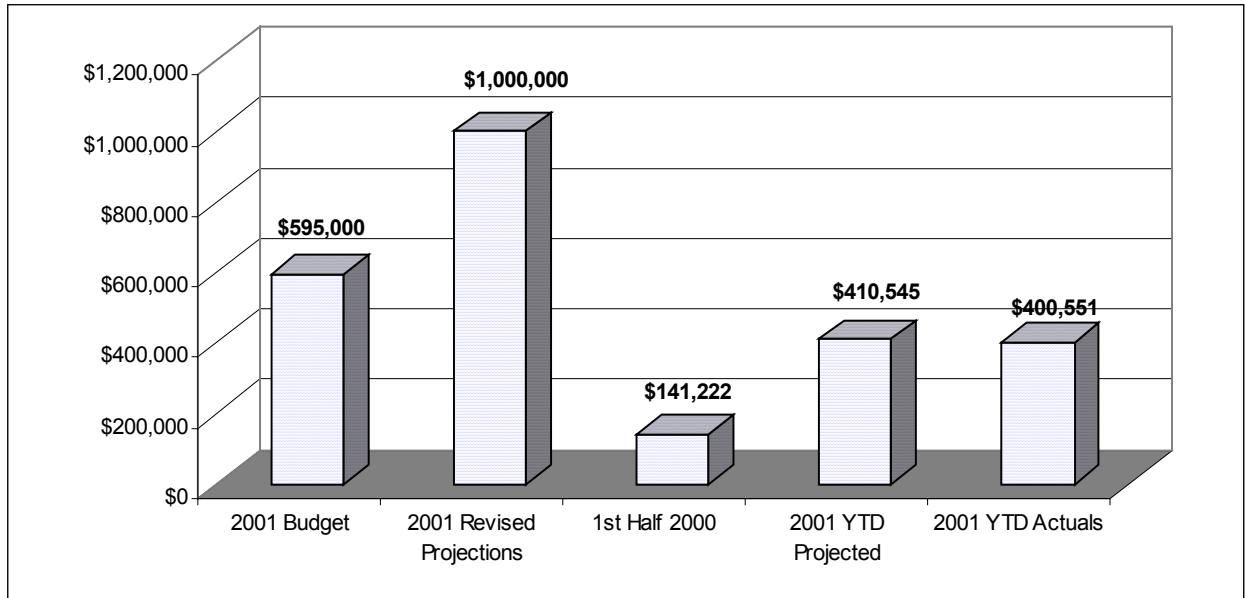
Franchise fees from Seattle Public Utilities (SPU) Water of \$154,283 were \$21,481 above projections of \$132,802. Projected 2001 revenue has been increased by \$99,403. This is a one-time increase to include five quarters of franchise fee payments. In 2000, SPU did not make a fourth quarter payment to the City until after the year 2000 financial records had been closed. Therefore, in 2001, the City will record five quarters of revenue. We are not sure what impact conservation efforts may have on the water franchise payment due to the ongoing drought. No revenue was received during the first half of 2000, due to late franchise fee payments.

## SCL – Electricity Franchise Fee



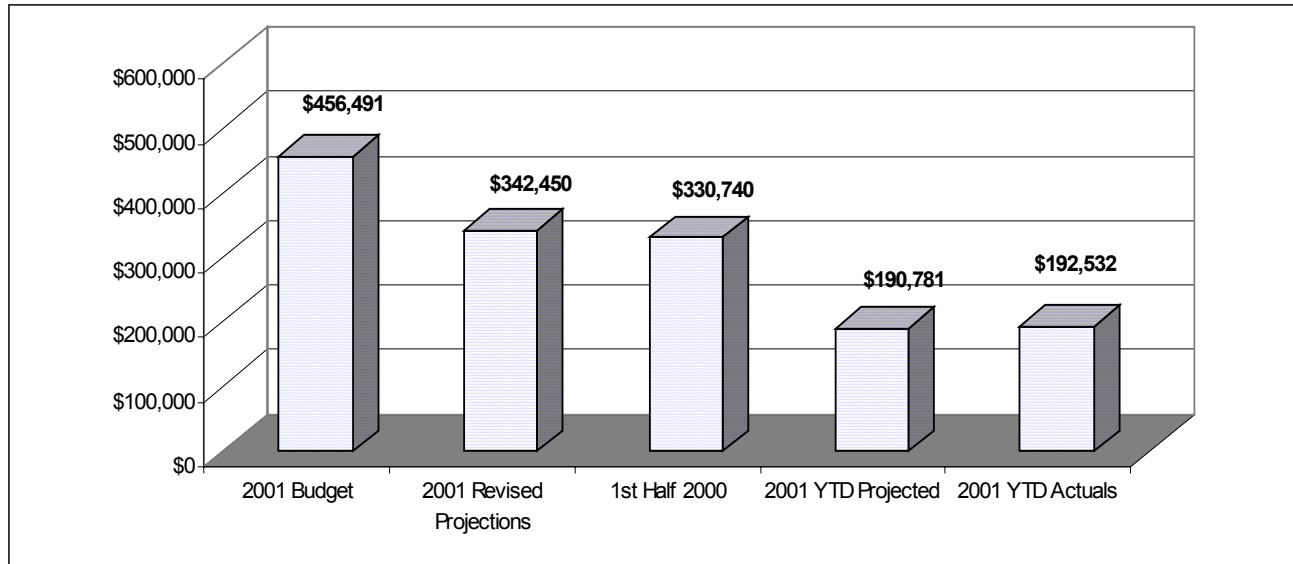
Contract payments collected from Seattle City Light (SCL) of \$281,613 are \$24,718 less than revised projections of \$306,331. Projected revenue from these payments was increased by \$180,735 to reflect both year 2000 experience and recent rate increases. Seattle City Light has already increased rates three times during 2001. The first rate increase of approximately 15% went into effect in January. This was followed with a rate increase of 20% in March. Also, on July 1, rates were increased by 9.3%. SCL has indicated that there will be another rate increase on October 1<sup>st</sup> of approximately 12% – 15%. It is our understanding that these rate increases are considered to be surcharges that will last for a limited period of time until SCL retires all of the debt it issued to purchase additional power to meet increased demand last winter. If this is the case, the City would be financially prudent in treating the taxes collected from the surcharges as “one-time” revenue and not make on-going operating expenditures dependent upon these revenues. Collections for the first half of 2000 equaled \$248,628.

## Telephone/Cellular Utility Tax Revenue



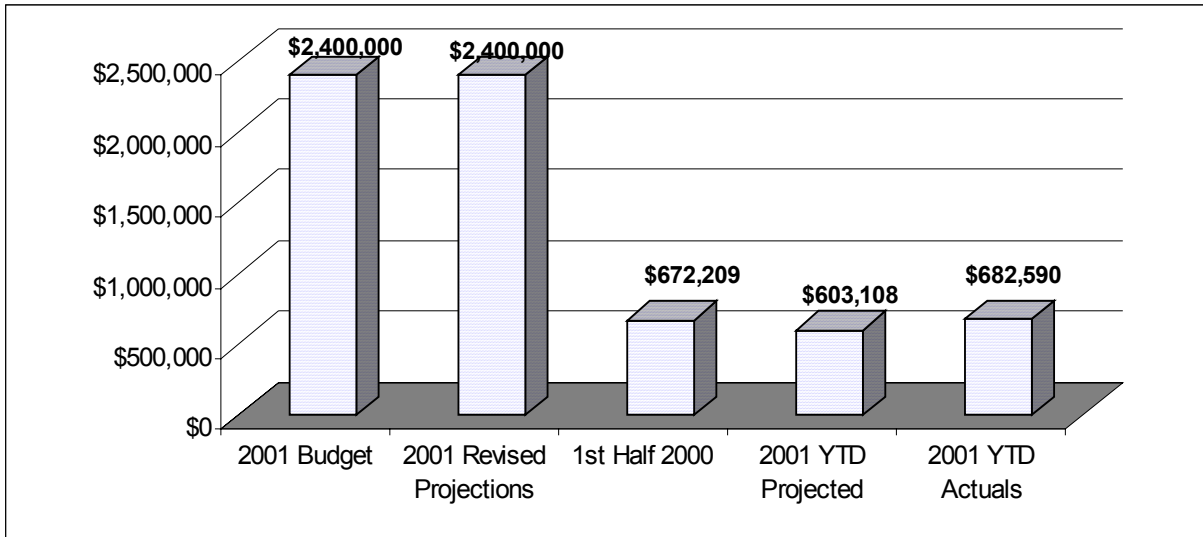
Telephone and cellular taxes of \$400,551 were under revised projections of \$410,545 by \$9,994 or 2.4%. 2001 revenue projections for this tax have been increased by \$405,000 to a total of \$1,000,000. This reflects the City's collection experience during 2000. The interesting point is that the \$1,000,000 projection is nearly evenly distributed between telephone and cellular. Projected telephone revenue is \$525,000 and cellular is \$475,000. This seems to correlate with changing habits of users of telecommunication technology. More and more people are using their cellular phones as their primary means of communication. During the first half of 2000, collections equaled only \$141,222, primarily due to late payments by some utility providers.

## Parks and Recreation Fee Revenue



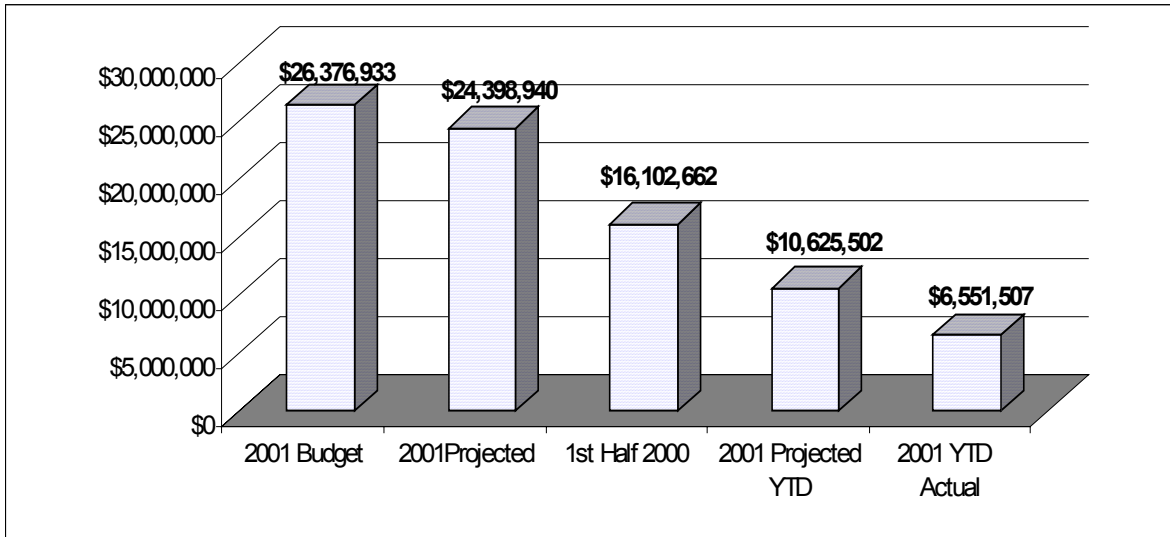
Parks and Recreation revenue received during the first half of 2001 equaled \$192,532 which was \$1,751 over revised projections of \$190,781. During the first half of 2000, revenue from this source equaled \$330,740. Projected revenue has been lowered by \$112,736 from the adopted revenue of \$455,186 to the revised projection of \$324,450. The most significant drop comes in revenue generated by the Aquatics program. These revenues has been decreased by \$52,236 as they have been significantly impacted by the Capital Improvement project at the Shoreline Pool. When the 2001 budget was adopted, it was anticipated that the pool would be reopening in mid-July. It is now estimated to reopen in early October. A significant portion of the pool's annual revenues are earned during the busy summer season. Projected revenues for Recreation have also been decreased by \$60,500. While the number of programs that are being offered has not decreased, the level of participation is below that which was expected when the budget was adopted. While Parks revenue have been lowered by a total of \$103,936, Parks projected expenditures for the year have also been lowered by \$131,700. This category is expected to equal just over 1% of the total 2001 General Fund revenues.

## Gambling Revenue



After the first six months of 2001, gambling tax of \$682,590 exceeded projections of \$603,108 by \$79,482 or 13.2%. The category is expected to equal almost 10% of the total 2001 General Fund revenue. Gambling tax collections during the first six months of 2000 equaled \$672,209, just slightly less than this year.

## General Fund Expenditures

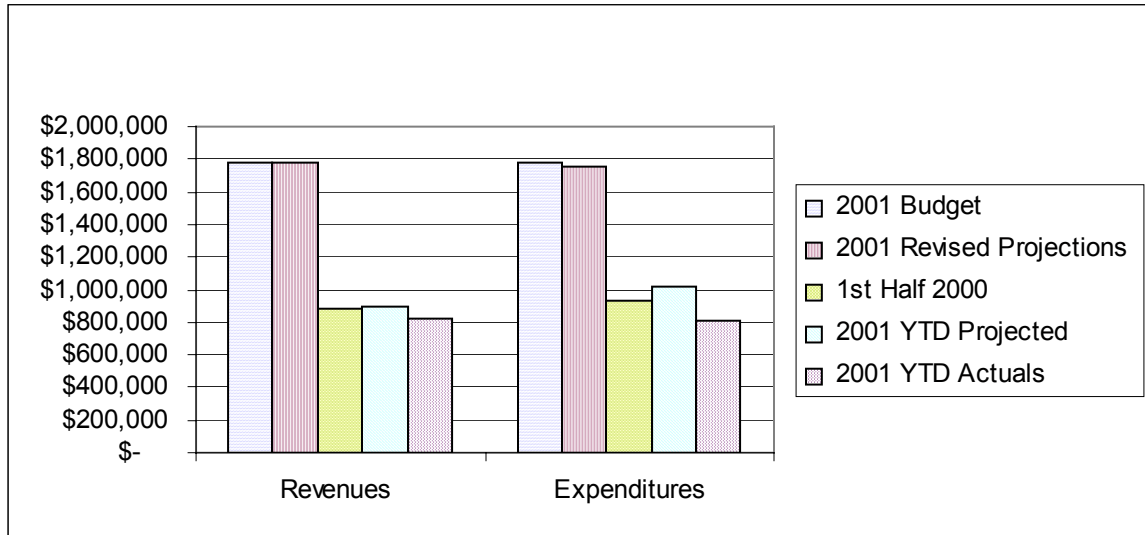


Expenditures during the first half of 2001 were \$6,551,507, under projected expenditures of \$10,608,731 by \$4,057,224. As part of the 2002 budget development process, departments have projected expenditures for the remainder of the year. Departmental expenditure projections of \$18,746,818 are significantly lower than the adopted departmental expenditures of \$20,724,811 by \$2,020,934. This revision is reflected in the revised 2001 total projected General Fund expenditure amount of \$24,398,940 which is \$1,977,993 less than the 2001 Amended Budget of \$26,376,933.

Actual expenditures for Public Safety do not include the January through June contract payments to King County for police services. The city was not billed by the County for these months until July, therefore the payments will not be recorded until the third quarter. The contract payments for January through June equaled \$3,013,266 nearly 75% of the under-expenditures.

The remaining departments are all spending below the projected rate. Most of the departments are running between 10% to 25% below projections, with the exception of Public Works. Expenditures during the first six months of 2001 by Public Works are only 1.33% behind projections.

## Development Services Fund

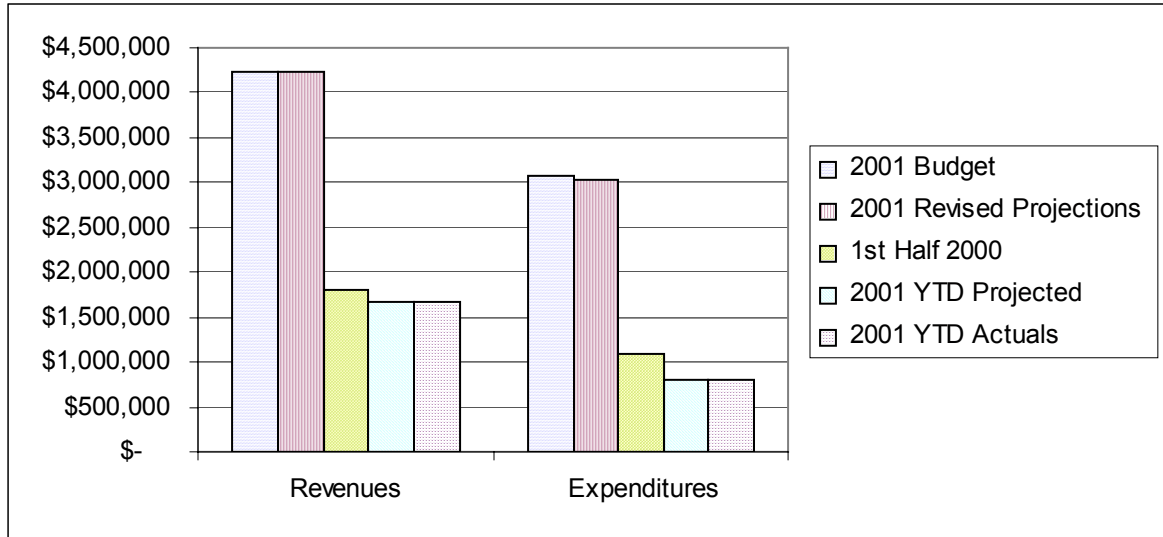


The Development Services Fund first half revenues of \$818,430 were \$71,274 below projected year to date revenues of \$889,704. First half revenues during the same period in 2000 were \$64,978 higher at \$883,408. Revenues are lower than expected in building permits, land use fees and permits, right-of-way permits, and plan check fees. Revenues did improve during the second quarter and therefore the variance is lower than after the first quarter (\$105,111). Also, in July, over \$41,000 in right-of way permit fees will be recorded, therefore the variance is likely to level off even further during the third quarter of the year. Revenue projections have not yet been lowered, but may be once summer revenues are reviewed.

Expenditures for the first half of 2001 of \$809,512 are below projections of \$1,015,016 by \$205,504. Most of the under-expenditure is in the Professional Services account, as most contract work is just getting underway and has not yet been billed. Expenditures during the first half of 2000 equaled \$934,227.

Overall, the fund is still keeping current expenditures in line with current revenues.

## Street Fund

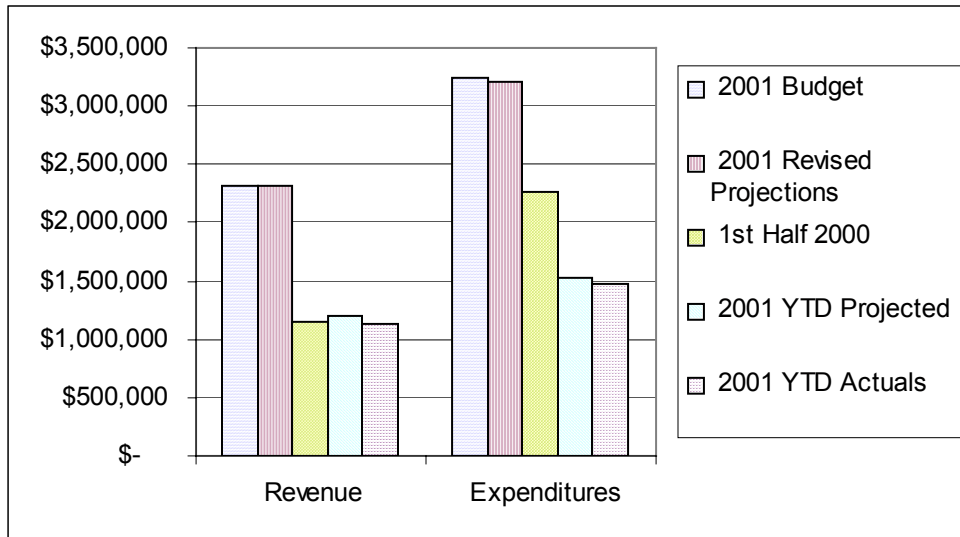


The Street Fund had first half revenues of \$1,681,210 that were only \$9,233 over projected revenues of \$1,671,978. Revenues from Motor Vehicle Fuel Tax were slightly below projections (\$18,108), while investment interest was over projections (\$27,232) for the first half of 2001. Collections from the Local Vehicle License Fee were only \$108 ahead of projections. Revenues collected during the same period of 2000 were \$1,795,859. The amount of fund transfers into the Street Fund and interest earnings are below 2000 levels.

Street Fund first half expenditures were \$801,003 or \$10,342 below projections of \$811,345. Expenditures during the first half of 2000 equaled \$1,102,401.



## Surface Water Management Fund



First half revenues in this fund equaled \$1,129,485. This is \$68,900 below projected revenues of \$1,198,385. The largest revenue source in this fund is surface water fees paid by residents along with their property tax. Collections of these fees are ahead of projections by \$15,038. Funding from other local government agencies to support the Stream Assessment and Inventory project have not yet been received, therefore a variance of \$48,300 exists from these revenue sources. Also interest earnings are behind projections by \$35,638. Through the first six months of 2000, the SWM fund had collected revenues totaling \$1,142,551, just slightly ahead of 2001 year-to-date collections by \$13,066.

Expenditures equaled \$1,482,256 or \$45,639 under projected expenditures of \$1,527,895. The 2001 budget for this fund included funding for new positions. It took most of the first quarter to recruit and fill these new positions, therefore, an under-expenditure has occurred in the salary and benefit accounts. The 2001 budget also included additional funding for professional services. Much of this contract work was not started until the second quarter. Expenditures during the first half of 2000 were \$2,256,771, much higher than 2001 expenditures. The transfer to the Surface Water Management Capital fund was much higher during 2000, therefore the overall expenditures were higher than what is expected for 2001.