



2001 Third 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

Actual revenues through the first three-quarters of 2001 were \$16,281,157. This was \$676,841 or 4.3% above projections of \$15,604,316. All revenue categories have exceeded third quarter projections. Utility tax and franchise fees are ahead of projections by \$150,771 and gambling taxes are up by \$135,034. Grants and miscellaneous revenues are over projections by \$219,412. Nearly \$100,000 of this comes from additional interest earnings. The remainder coming from unanticipated grants and other miscellaneous revenues.

Expenditures of \$12,786,540 were \$1,907,208 or 13% below projections of \$14,693,748. Some significant contract payments for police and jail services were not billed during the third quarter. These payments will be made in the fourth quarter. Department spending on average is behind projections by about 14%.

Development Services Fund

The Development Services Fund revenues of \$1,280,216 were \$54,338 or 4% below projected revenues of \$1,334,555. This is an improvement over the first and second quarters when revenues were even further behind projections. Permit activity is down significantly across the country due to the current recession. Revenues during the same period in 2000 were \$18,258 higher at \$1,298,474.

Expenditures of \$1,238,934 are also below projections of \$1,294,335 by \$55,401 or 4% and are keeping in line with lower revenue collections.

Street Fund

The Street Fund revenues of \$2,518,311 were \$29,006, slightly more than 1% below projected revenues of \$2,547,317. Collections from gas tax are down as consumption has dropped.

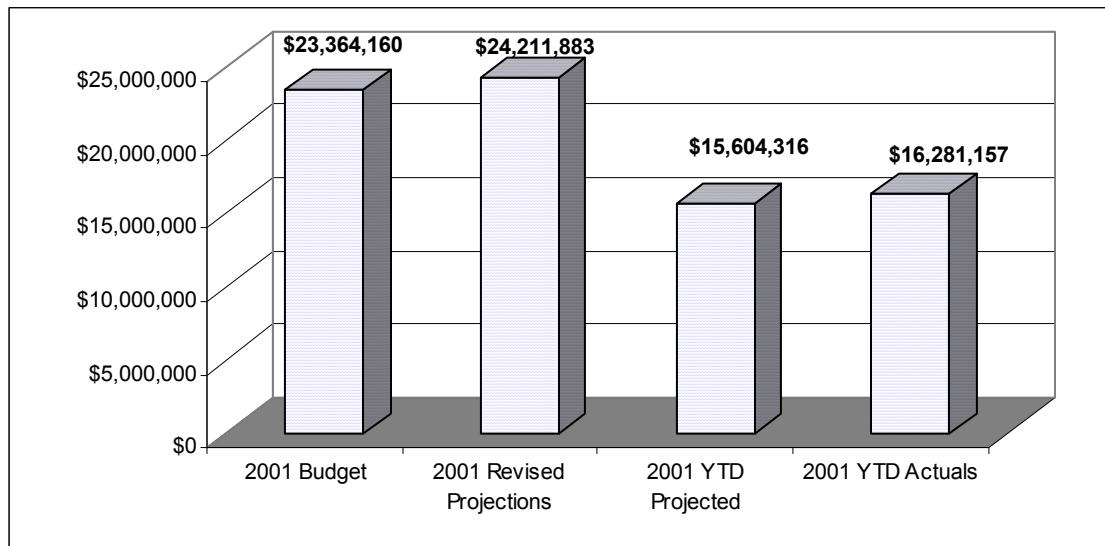
Street Fund expenditures were \$1,823,554, nearly 12% or \$238,520 below projections of \$2,062,074. Expenditures are expected to pick up in the fourth quarter.

Surface Water Management Fund

Revenues in this fund equaled \$1,211,528, which were \$71,846 below projected revenues of \$1,283,374. Funding from other local governments and agencies for special projects has not yet been received.

Expenditures equaled \$1,918,671, 5.2 % or \$105,743 under projected expenditures of \$2,024,414. This will increase during the fourth quarter, as many special projects will be completed.

General Fund Revenue



General Fund revenues during the first three-quarters of 2001 were \$16,281,157. This is above projected revenues of \$15,604,316 by \$676,841 or 4.3%. During the same period of 2000, the General Fund received revenues in the amount of \$14,698,031.

Property Tax of \$ 3,413,608 exceeded projections of \$ 3,365,966 by \$47,641, or 1.4%.

Sales Tax collections of \$3,373,339 were over projections of \$3,350,673 by \$22,666 or only 0.7%.

Criminal Justice Sales Tax revenue of \$821,162 was \$9,267 or 1.1% over projections of \$811,895. This category differs from sales tax because it results from a distribution of the County's 0.1% Criminal Justice sales tax.

Utility Tax and Franchise fee revenue of \$2,392,468 exceeded projections of \$2,241,694 by \$150,774 or 6.7%. Projected 2001 revenues for this category are \$979,228 above the amount included in the adopted budget due to rate increases made by various utility providers.

After the first nine months of 2001, gambling tax of \$1,310,777 exceeded projections of \$1,175,743 by \$135,034 or 11.5%.

State revenues of \$1,906,981 exceeded projections of \$1,900,095 by only \$6,886.

Parks and Recreation revenue received during the first three-quarters of 2001 equaled \$265,433, which was \$9,283 or 3.6% over revised projections of \$256,150.

Fines & Forfeitures of \$134,499 are ahead of projections of \$41,960 by \$92,540.

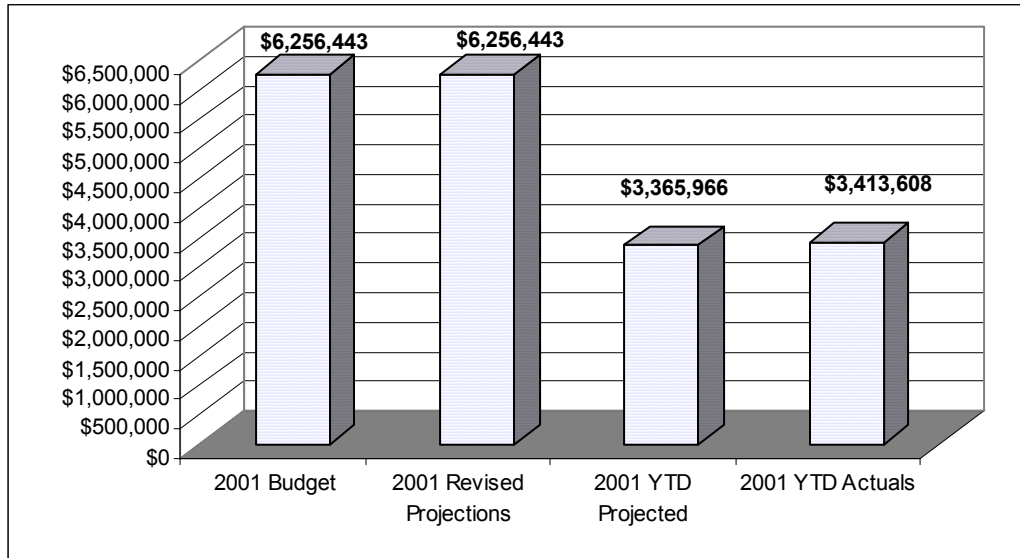
Revenue from Grants and Other Miscellaneous revenue equaled \$745,667, which was \$219,412 above projections of \$526,255.

Revenue from Transfers from Other Funds of \$1,917,223 was below projections of \$1,933,885 by \$16,662.

The chart below details each revenue category through the first three quarters of 2001. The first column displays the 2001 Adopted Budget. The second column represents updated annual projections made during the 2002 budget preparation cycle. The third column displays the projected revenue for the first three-quarters of 2001 and the fourth column displays the actual revenues through September, 2001. The final column represents the variance between third quarter projections and actual collections.

	2001 Budget	2001 Revised Projections	2001 YTD Projected	2001 YTD Actuals	3rd Qtr. Variance	% Variance
Property Tax	6,256,443	6,256,443	3,365,966	3,413,608	47,641	1.4%
Sales Tax	5,001,005	5,001,005	3,350,673	3,373,339	22,666	0.7%
Criminal Justice Sales Tax	1,096,106	1,096,106	811,895	821,162	9,267	1.1%
<i>Utility Tax/Franchise Fee Category</i>					-	
Natural Gas Utility Tax	631,428	827,979	539,842	553,876	14,034	2.6%
Sanitation Utility Tax	180,000	180,000	108,576	169,824	61,248	56.4%
Cable TV Utility Tax	56,525	57,646	37,585	47,124	9,539	25.4%
Telephone/Cell Utility Tax	595,000	1,000,000	602,690	679,612	76,922	12.8%
SCL Franchise Fee	500,000	680,735	459,564	486,719	27,155	5.9%
SPU- Water Franchise Fee	232,602	332,005	199,203	231,228	32,025	16.1%
SPU- Sewer Franchise Fee	200,440	200,440	120,264	38,349	(81,915)	-68.1%
Cable TV Franchise Fee	253,550	349,968	173,969	185,736	11,767	6.8%
<i>Utility Tax/Franchise Fee Subtotal</i>	2,649,545	3,628,773	2,241,694	2,392,468	150,774	6.7%
Gambling Tax	2,400,000	2,400,000	1,175,743	1,310,777	135,034	11.5%
State Revenue	2,053,981	2,053,981	1,900,095	1,906,981	6,886	0.4%
Parks & Recreation Revenue	450,491	341,850	256,150	265,433	9,283	3.6%
Fines & Forfeitures	55,000	55,000	41,960	134,499	92,540	220.5%
Grants & Misc. Revenue	984,233	961,369	526,255	745,667	219,412	41.7%
Transfers-In	2,417,356	2,417,356	1,933,885	1,917,223	(16,662)	-0.9%
Total General Fund Revenue	23,364,160	24,211,883	15,604,316	16,281,157	676,841	4.3%

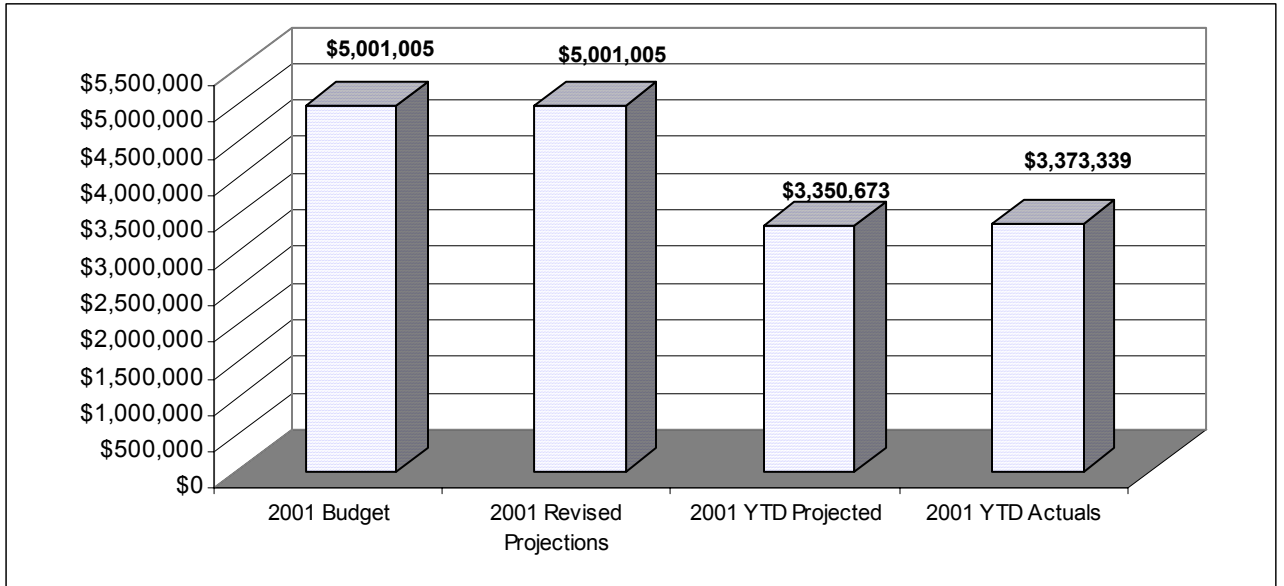
Property Tax Revenue



Property tax collections of \$3,413,608 exceeded projections of \$3,365,966 by \$47,641 or 1.4%. During the first three-quarters of 2000, \$3,175,223 was collected, representing an increase in collections of 7.5%.

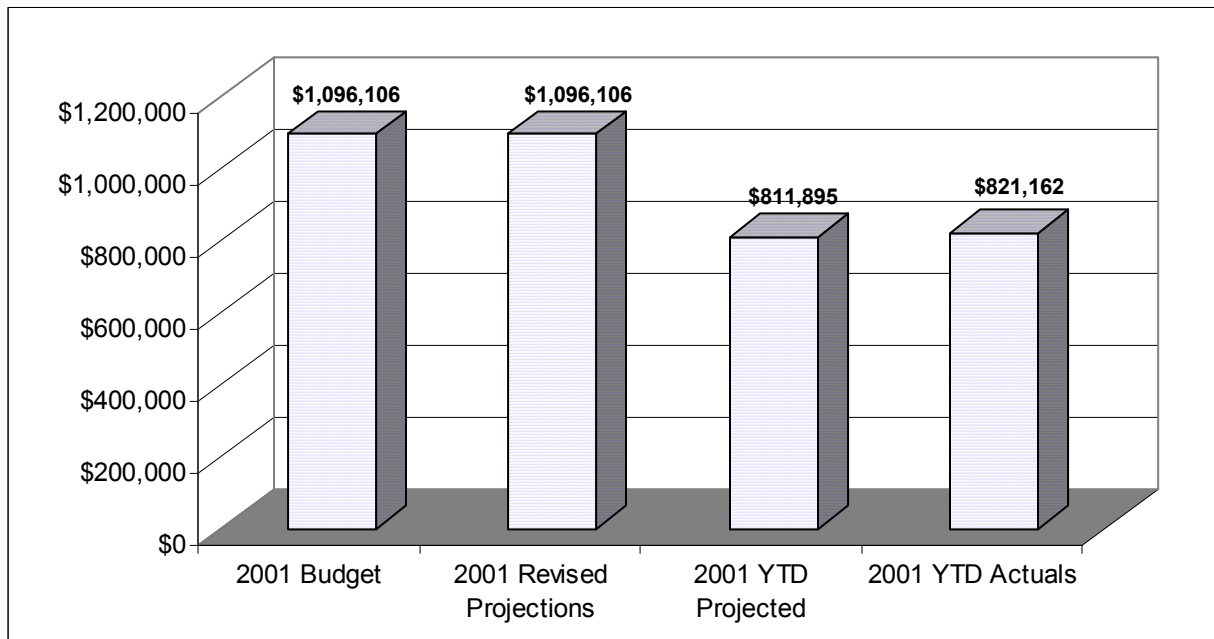
While property tax collections are received throughout the year, the bulk of the taxes are received in two installments during the 2nd and 4th quarters of the year. At this point, we expect to collect the amount originally budgeted for the year. This category is expected to equal nearly 26% of the total 2001 General Fund revenues.

Sales Tax Revenue



Sales tax collections of \$3,373,339 were received during the first three quarters of 2001. This is \$22,666 or .7% ahead of projected revenue of \$3,350,673. The City did experience a slight drop in collections during the month of April and June, but all other months have exceeded monthly projections. During the same period of 2000, collections equaled \$2,847,450. We will continue to monitor this category to see if collections will be impacted by the current recession. 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, of which 0.15% is directed to King County.

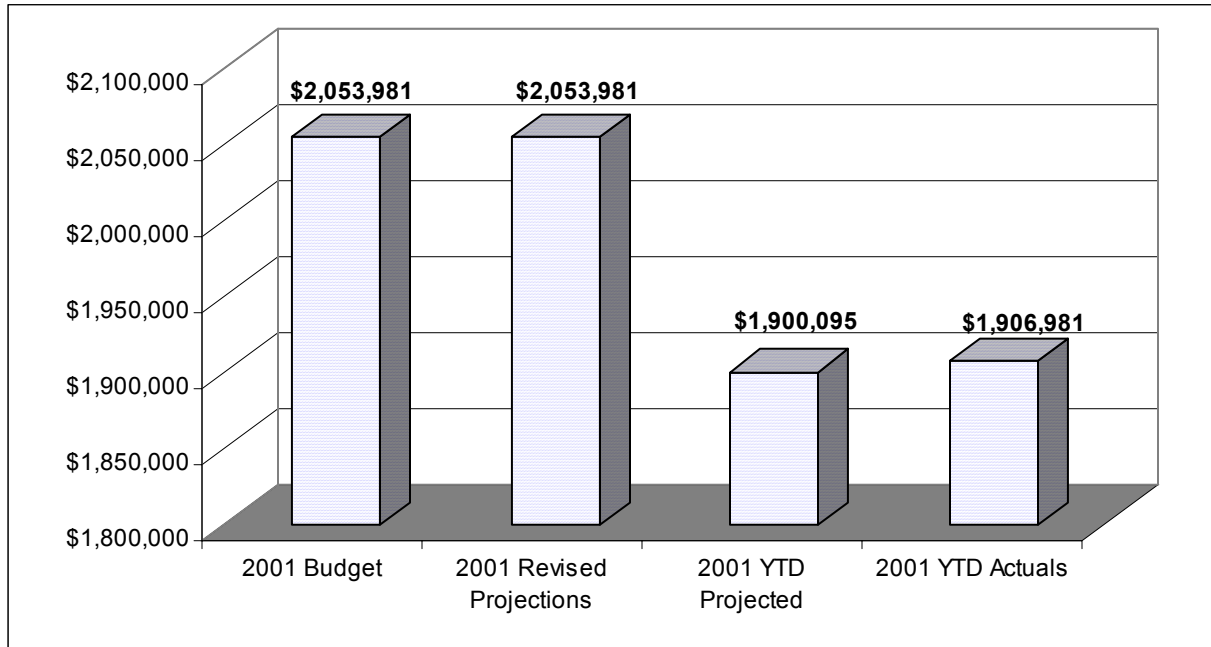
Criminal Justice Sales Tax Revenue



Local Criminal Justice Sales Tax of \$821,162 exceeded projections of \$811,895 by \$9,267 or 1.1%. Projections for this revenue had not been revised. Collections for the same period during 2000 equaled \$830,286.

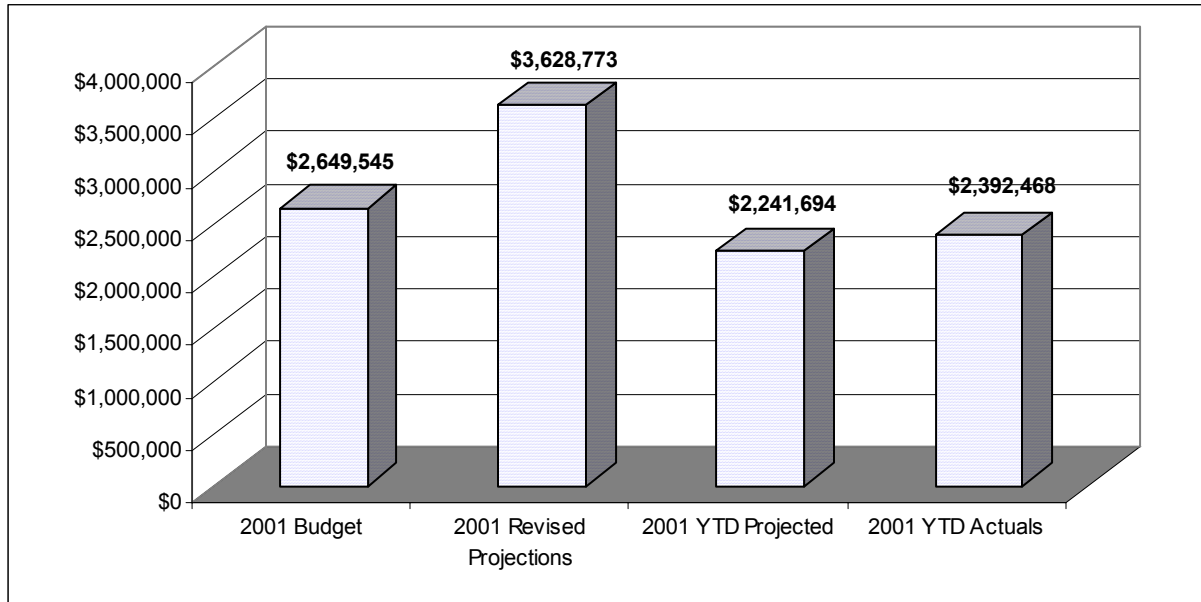
This category differs from sales tax because it results from a distribution of the County's 0.1% Criminal Justice sales tax. The City received an amount from the County based upon Shoreline's percentage of the total County population. This category may be impacted by the recession more so than sales tax, since it is based upon sales tax collections throughout King County. Other areas of the County have experienced drops in retail sales, while sales in Shoreline have remained somewhat level. Criminal Justice Sales Tax is expected to equal 4.5% of the total 2001 General Fund revenue.

State Revenue



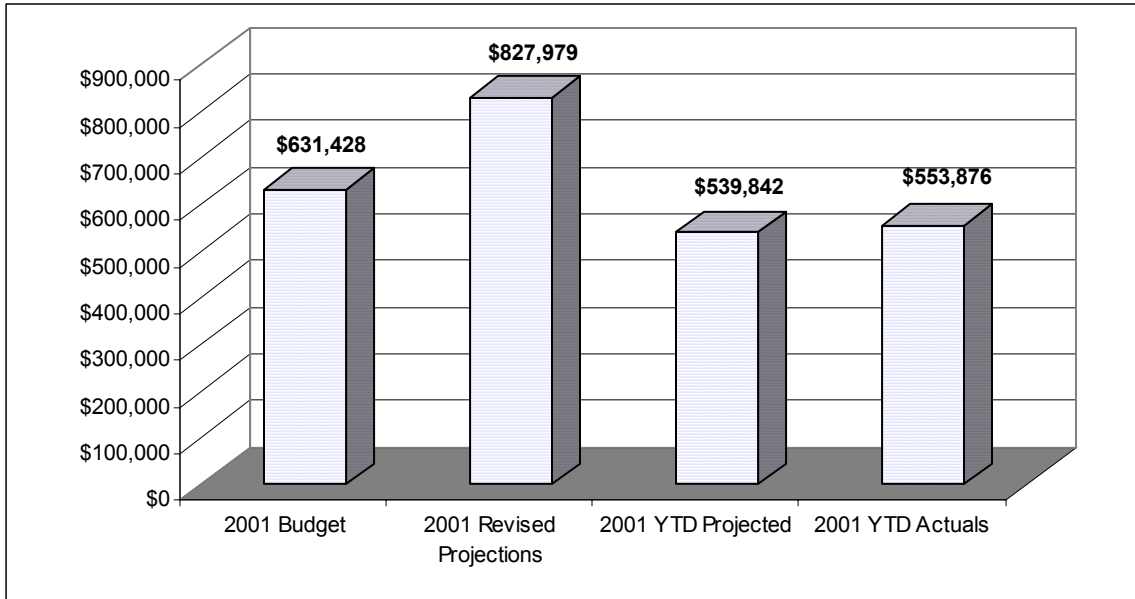
State Revenue of \$1,906,981 exceeded projections of \$1,900,095 by \$6,886 or .4%. Revenue received during the same period in 2000 equaled \$1,607,408. The largest portion of this category comes from the Motor Vehicle Excise Tax (MVET) backfill funding. Revenue to date represents more than 92% of the 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 \$2,392,468 exceeded projections of \$2,241,694 by \$150,774 or 6.7%. Collections during the same period of 2000 equaled only \$1,529,403. 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.

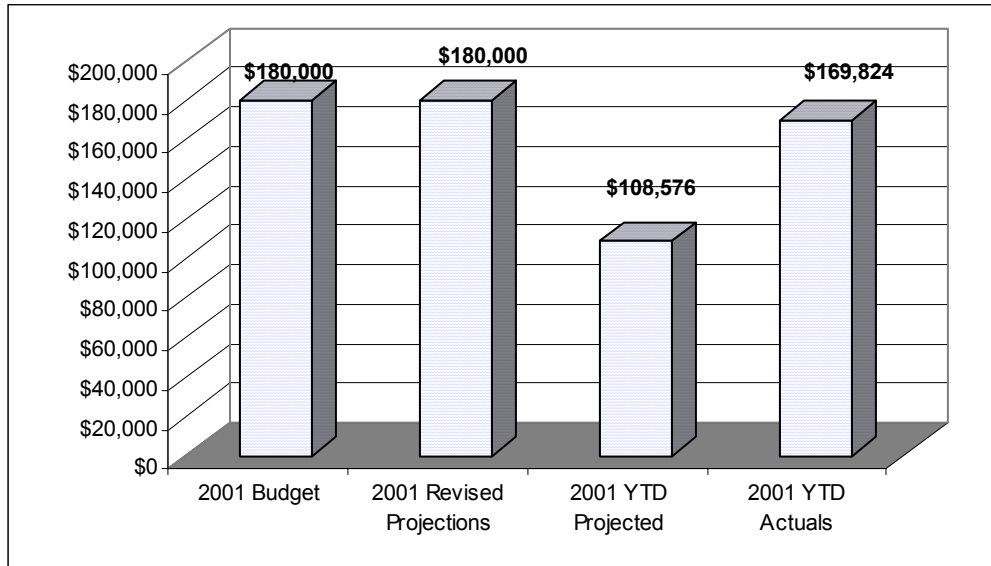
Natural Gas Utility Tax Revenue



Natural Gas tax revenue of \$553,876 appear to be ahead of projections of \$539,842 by \$14,034 or 2.6%. In preparation of this report, staff identified some accounting adjustments that will need to be made in the fourth quarter that will equate to a revenue reduction of \$37,568, thus resulting in this category being behind projections by \$25,534.

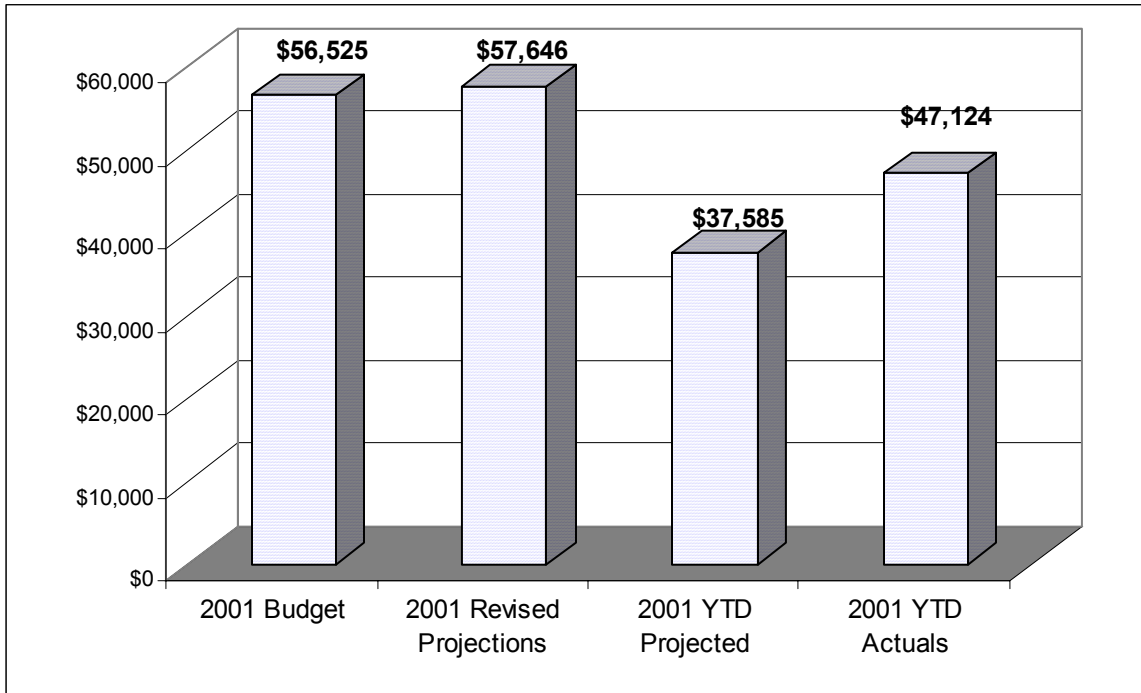
Projections were increased by \$196,551 over the adopted budget after the first quarter. Since the first of the year, PSE has increased the rates by 24.5%. We will continue to monitor this category to see the impacts of both the rate increases imposed by Puget Sound Energy (PSE) and the resulting conservation efforts made by Shoreline residents. Collections during the same period of 2000 equaled \$340,096. This category is expected to equal just over 3% of the total 2001 General Fund revenues.

Sanitation Utility Tax Revenue



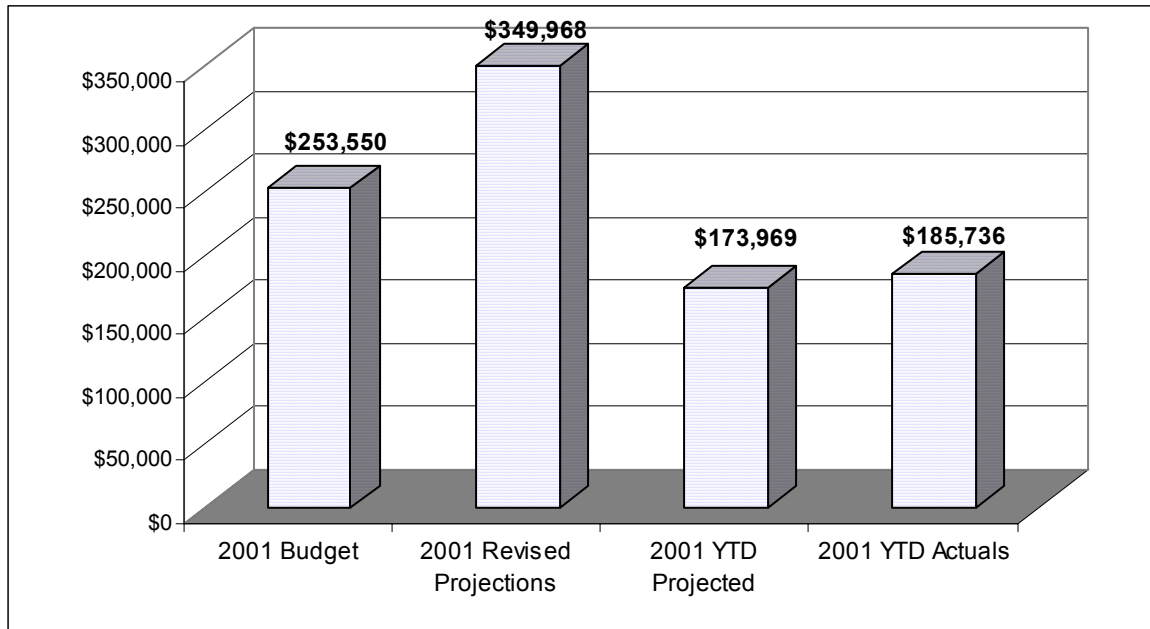
Sanitation revenues of \$169,824 were \$61,248 over projections of \$108,576 or 56.4%. Projections in this category have not been revised, however, it has become obvious that this category was under-budgeted. Under the new franchise agreement with Waste Management, the City will be receiving detailed customer data that will assist staff with future revenue projections. Collections during the same period of 2000 equaled \$116,640. This category is expected to equal nearly 1% of the total 2001 General Fund revenues.

Cable TV Utility Tax Revenue



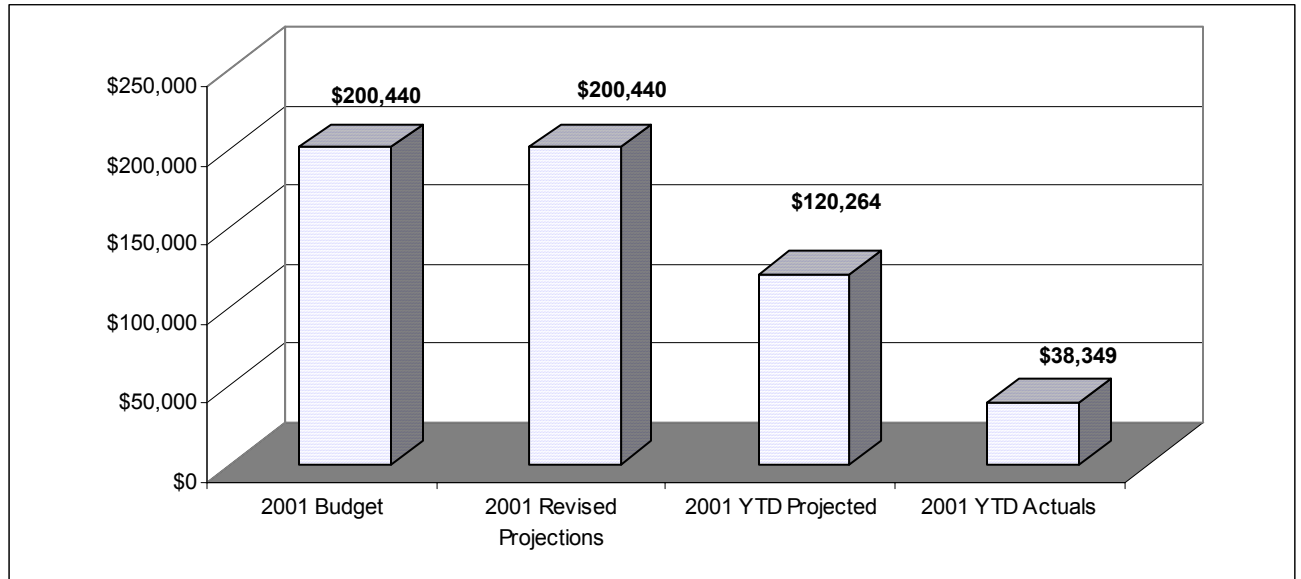
Cable TV Utility tax revenue of \$47,124 was \$9,539 over projected revenue of \$37,585. Projections have only been revised slightly to \$57,646, up by only \$1,121 from the adopted budget of \$56,525. This category is expected to equal 0.2% of the total 2001 General Fund revenues.

Cable TV Franchise Fee Revenue



Cable TV franchise fee revenue of \$185,736 was \$11,767 or 6.8% over projected revenue of \$173,969. 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 same period of 2000 equaled \$173,949. This category is expected to equal just over 1% of the total 2001 General Fund revenues.

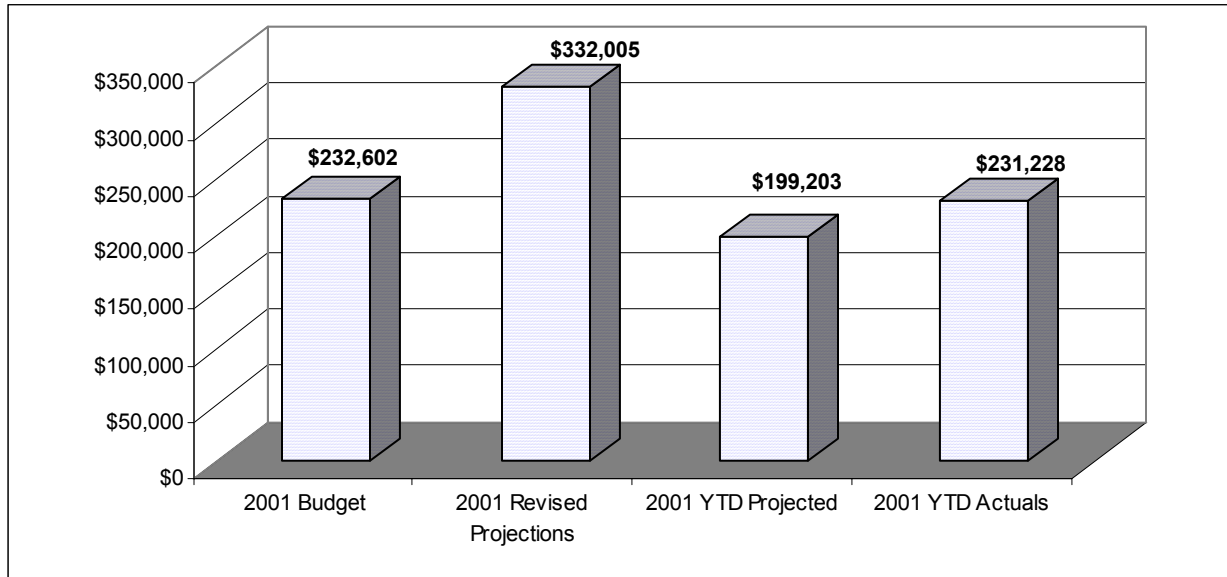
SPU – Sewer Franchise Fee Revenue



Franchise fees from Seattle Public Utilities (SPU) Sewer of \$38,349 are \$81,915 below projections of \$120,264. Two payments are not reflected in this amount, one payment of \$59,944 and another payment of \$59,987. These payments will be added to this category during the 4th quarter. Taking these two payments into account, sewer franchise fees would be ahead of projections by \$38,016.

2001 projected revenue has not been revised. During the same period of 2000, the City received \$89,727 in revenue. This category is expected to equal just less than 1% of the total 2001 General Fund revenues.

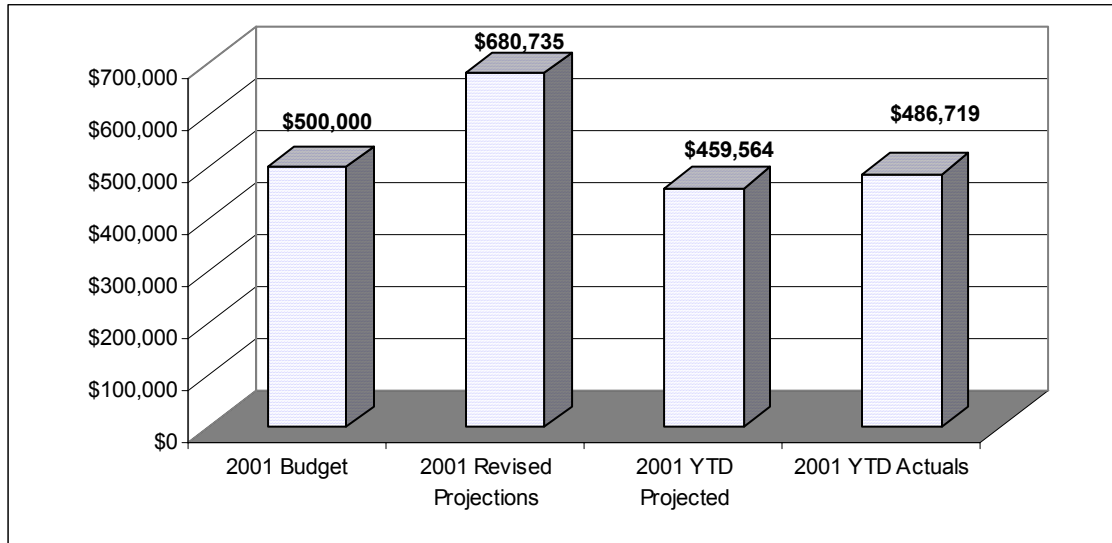
SPU – Water Franchise Fee Revenue



Franchise fees from Seattle Public Utilities (SPU) Water of \$231,228 were \$32,025 above projections of \$199,203. An accounting adjustment will be made in this category in the fourth quarter. Taking this into account, water franchise fees through the third quarter are behind collections by \$27,962. This is due in part to conservation efforts of Shoreline residents during the summer months.

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. During the same period of 2002, the City received \$135,050 in revenue. This category is expected to equal just over 1% of the total 2001 General Fund revenues.

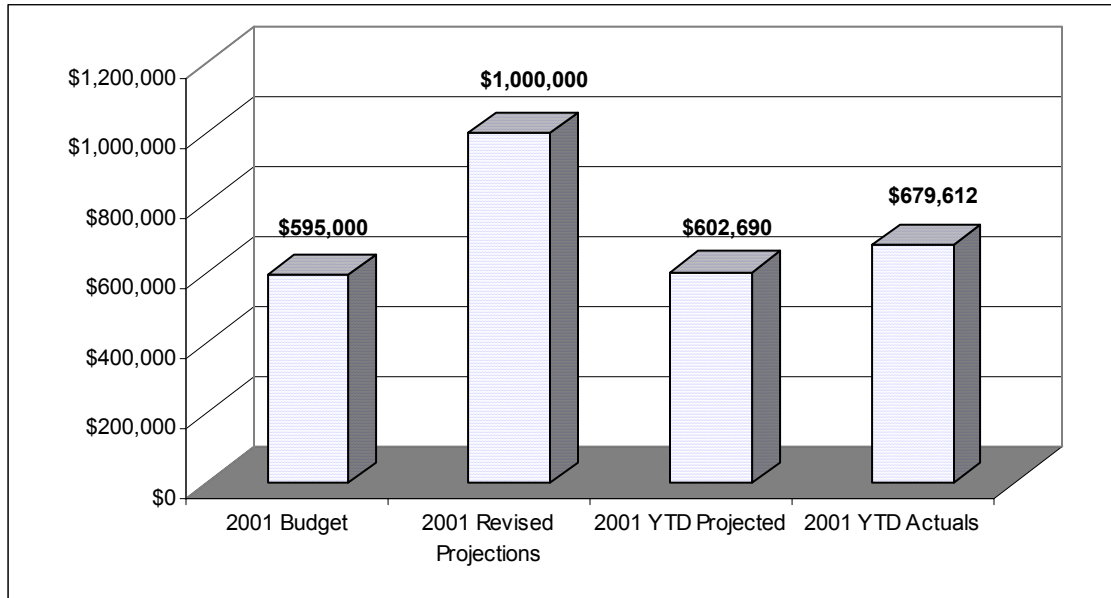
SCL – Electricity Franchise Fee



Contract payments collected from Seattle City Light (SCL) of \$486,719 are \$27,155 ahead of projections of \$459,564. 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 8.3% went into effect in January. This was followed with a rate increase of 19.5% in March and 6.3% on July 1. On October 1st rates increased again by 8.6%. This last rate increase will be reflected in fourth quarter revenues.

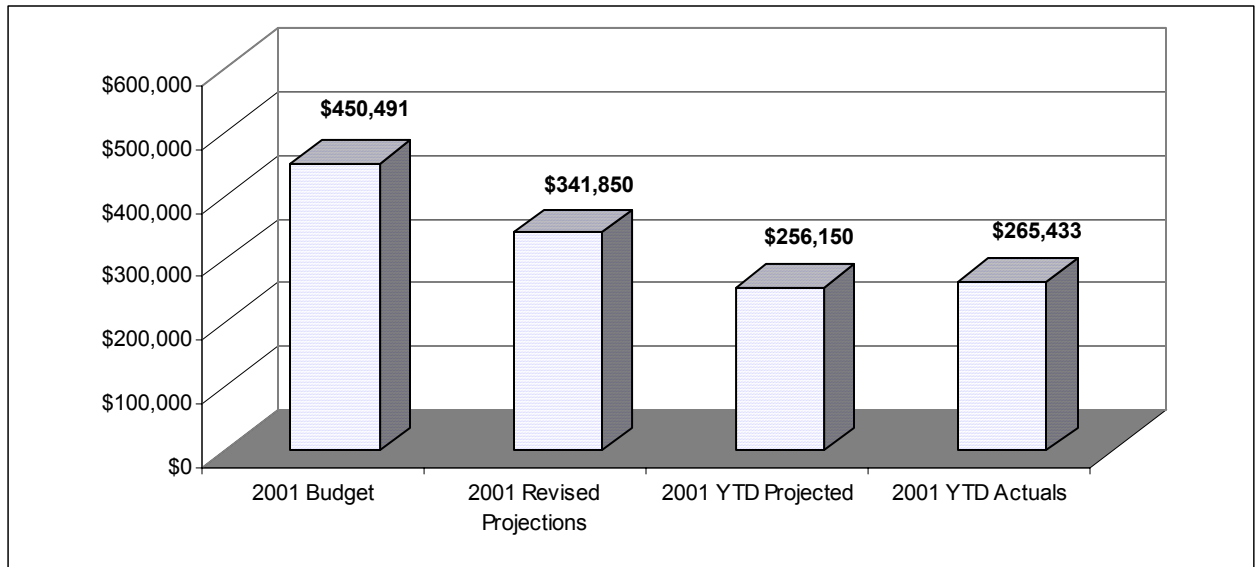
It is our understanding that these rate increases are considered to be surcharges that will last for a limited period of time until SCL retires all of the debt it issued to purchase additional power to meet increased demand last winter. The City would be financially prudent in treating the taxes collected from the surcharges as “one-time” revenue and not make on-going operating expenditures dependent upon these revenues. Collections for the same period of 2000 equaled \$325,881. This category is expected to equal nearly 3% of the total 2001 General Fund revenues.

Telephone/Cellular Utility Tax Revenue



Telephone and cellular taxes of \$679,612 are over projections of \$602,690 by \$76,922 or 12.8%. 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 same period of 2000, collections equaled only \$310,705, primarily due to late payments by some utility providers. This category is expected to equal just over 4% of the total 2001 General Fund revenues.

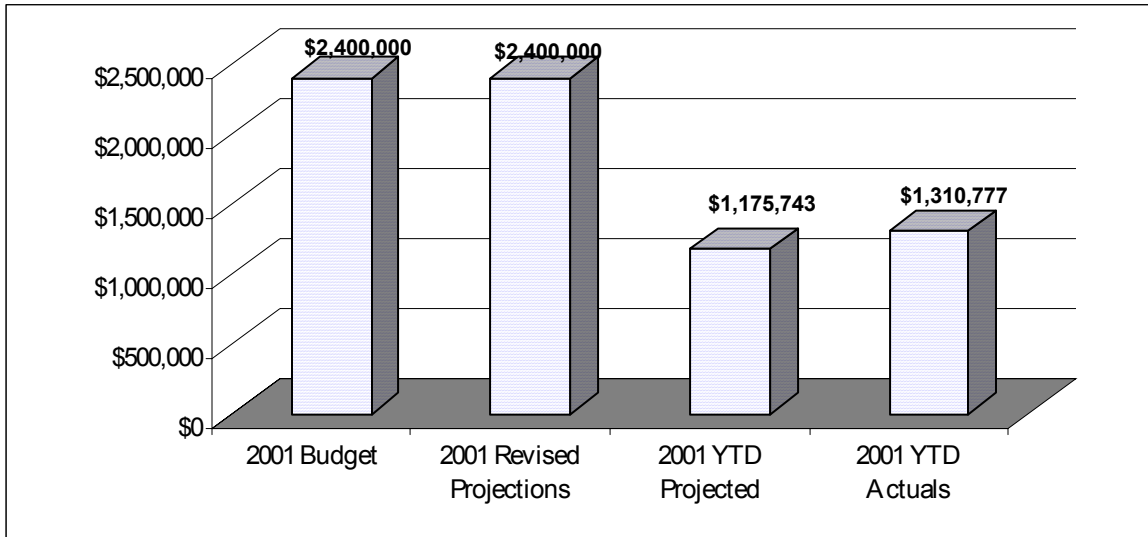
Parks and Recreation Fee Revenue



Parks and Recreation revenue received during the first three-quarters of 2001 equaled \$265,433, which was \$9,283 over revised projections of \$256,150. Projected revenue for 2001 has been lowered by \$108,641 from the adopted revenue of \$450,491 to the revised projection of \$341,850. The most significant drop comes in revenue generated by the Aquatics program. These revenues have been decreased by \$39,644 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 December. A significant portion of the pool's annual revenues are earned during the busy summer season.

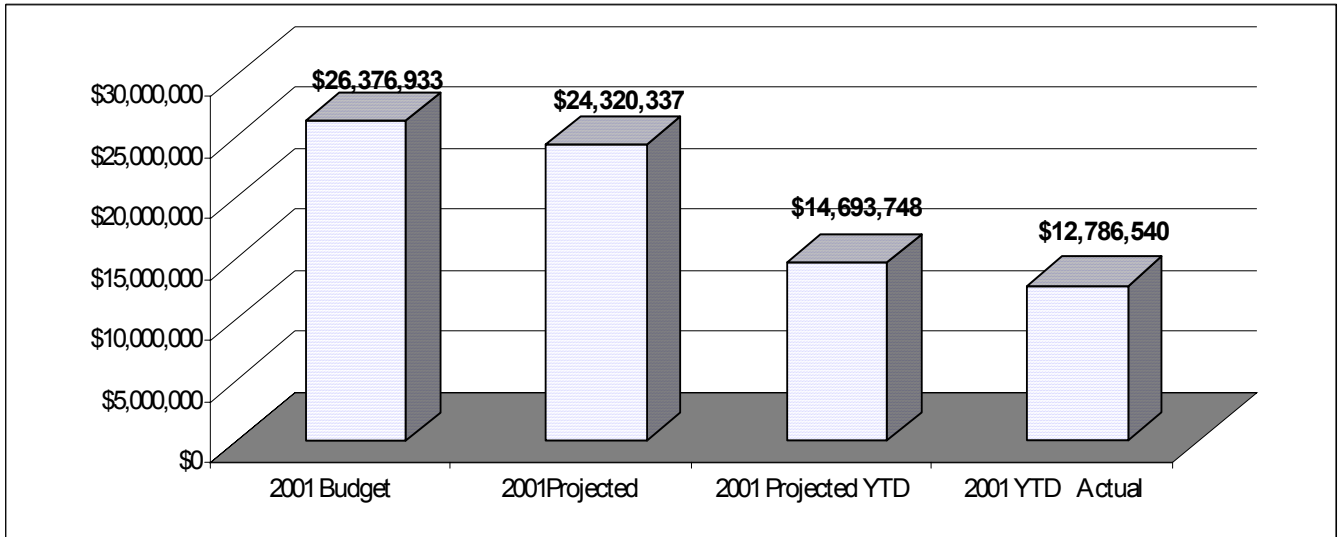
Projected revenues from recreation activities and park facility rentals have also been decreased by \$68,997. While the number of programs that are being offered has not decreased, the level of participation is below that which was expected when the budget was adopted. While Parks revenue have been lowered, 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 three-quarters of 2001, gambling tax of \$1,310,777 exceeded projections of \$1,175,743 by \$135,034 or 11.5%. The category is expected to equal almost 10% of the total 2001 General Fund revenue. Gambling tax collections during the same period of 2000 equaled \$1,310,552, almost the same amount. This category is expected to equal nearly 10% of the total 2001 General Fund revenues.

General Fund Expenditures



Expenditures through the first three-quarters of 2001 were \$12,786,540 under projected expenditures of \$14,693,748 by \$1,907,208 or 13%. As part of the 2002 budget development process, departments have projected expenditures for the remainder of the year. Departmental expenditure projections of \$18,668,214 are significantly lower than the adopted departmental expenditures of \$20,724,810 by \$2,056,596. This revision is reflected in the revised 2001 total projected General Fund expenditure amount of \$24,320,336, which is \$2,056,596 less than the 2001 Amended Budget of \$26,376,932.

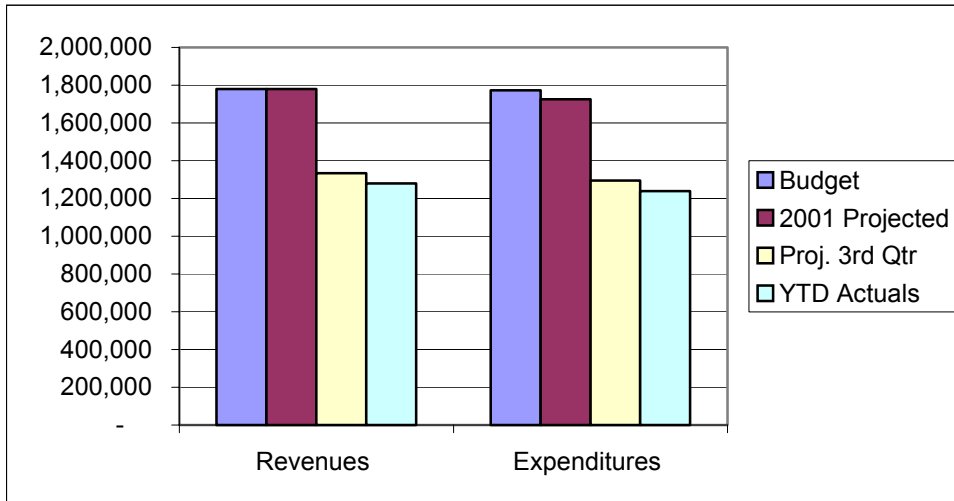
The chart on the following page displays the current status of each of the departments within the General Fund. Overall, departments are under-expending by over 14%. Spending is expected to increase during the fourth quarter of 2001.

Department	2001 Budget	2001 Projected	2001 Projected YTD	2001 YTD Actual	3rd Qtr Variance	% Variance
City Council	118,403	118,403	88,802	76,614	12,188	-13.7%
City Manager	685,259	635,261	476,446	403,852	72,594	-15.2%
City Clerk	321,692	308,642	231,482	203,436	28,046	-12.1%
Community & Government Relations	496,755	478,520	358,890	285,525	73,365	-20.4%
Health & Human Services	456,179	448,058	336,044	251,767	84,277	-25.1%
City Attorney	251,029	254,679	191,009	285,999	(94,990)	49.7%
Finance	3,201,448	2,579,515	1,934,636	1,481,402	453,234	-23.4%
Citywide	1,436,411	503,374	377,531	338,412	39,119	-10.4%
Human Resources	332,310	316,098	237,074	206,075	30,999	-13.1%
Jail Contract	947,202	947,202	634,625	459,090	175,535	-27.7%
District Court	5,000	2,500	1,675	740	935	-55.8%
Prosecuting Attorney	120,000	120,000	80,400	62,727	17,673	-22.0%
Public Defense	170,770	170,770	114,416	100,284	14,132	-12.4%
Police	6,426,090	6,352,044	4,255,869	3,681,873	573,996	-13.5%
Parks, Recreation and Cultural Services	2,548,958	2,417,258	1,812,944	1,647,035	165,909	-9.2%
Planning & Development Services	1,401,262	1,210,863	908,147	766,419	141,728	-15.6%
Customer Response Team	365,081	364,067	273,050	265,912	7,138	-2.6%
Public Works	1,440,961	1,440,960	1,080,720	1,008,164	72,556	-6.7%
Department Totals	20,724,810	18,668,214	13,393,759	11,525,326	1,868,433	-14.0%
General Transfers Out	5,652,122	5,652,122	1,299,988	1,261,213	38,775	-3.0%
Total General Fund	26,376,932	24,320,336	14,693,747	12,786,539	1,907,208	-13.0%

Most departments are spending below projected levels. The only department that has spent beyond projections is the City Attorney. This over-expenditure is due to the Rabanco settlement payment of \$103,000 that was charged to the City Attorney's budget. This charge will be transferred to Citywide Services during the fourth quarter.

A major under-expenditure has occurred in Police and Jail Services. Projected expenditures for Public Safety include contract payments to King County for the first eight months of the year for both jail and police services. At the end of September, the City had only paid for jail services through June and police services through July. This represents an under-expenditure of nearly \$650,000.

Development Services Fund

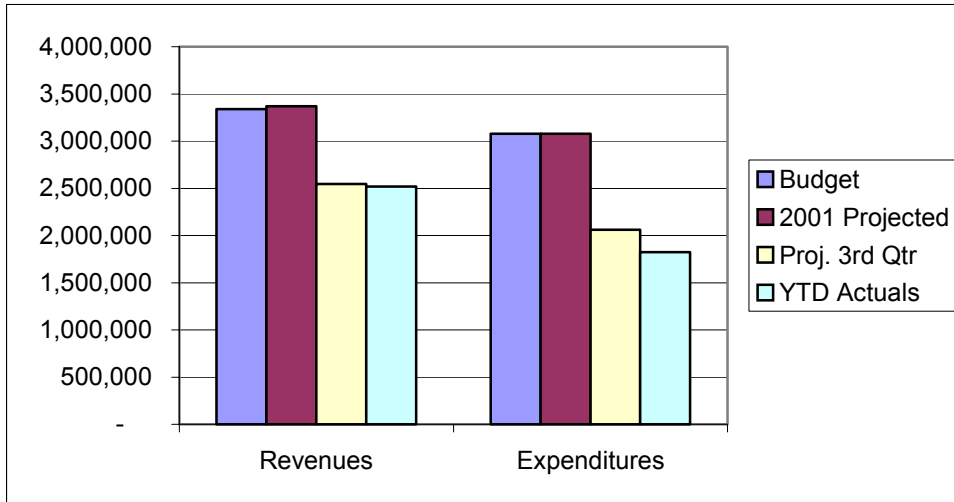


The Development Services Fund revenues through September equaled \$1,280,216. This was down from below projected year to date revenues of \$1,334,555 by \$54,338. Revenues during the same period of 2000 were \$18,258 higher at \$1,298,474. Revenues are lower than expected in building permits, land use fees and permits, and plan check fees. This seems to be following both the state and national trend of lower numbers of building permits being issued. Economists now suggest that the current recession began as far back as the first quarter of this year. Revenues did improve during the third quarter and therefore the variance is lower than after the first quarter (\$105,111) and second quarter (\$71,274).

Expenditures for the same period of \$1,238,934 are below projections of \$1,294,335 by \$55,401. Thus, keeping right in line with the under-collection in revenue. Most of the under-expenditure is in Professional Services. Expenditures during the same period of 2000 equaled \$1,306,940.

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

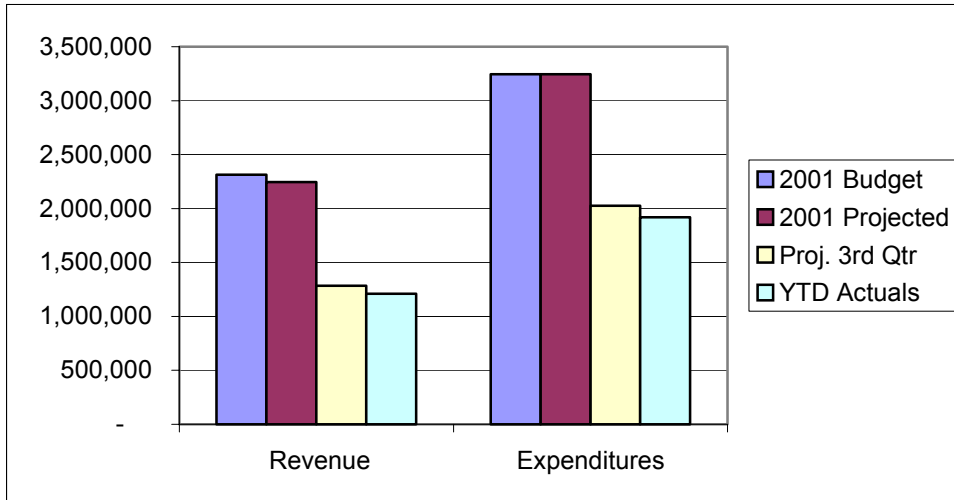
Street Fund



The Street Fund through September had revenues of \$2,518,311 that were \$29,006 or 1.1% below projected revenues of \$2,547,317. Revenues from Motor Vehicle Fuel Tax were below projections by \$32,902 and investment interest was under projections by \$4,507. A loss in fuel tax revenue is being felt statewide as gasoline consumption has dropped off. The tax is a fixed amount per gallon, therefore as consumption drops; the amount of tax collected is reduced regardless of the price per gallon. Collections from the Local Vehicle License Fee were \$8,404 ahead of projections. Revenues collected during the same period of 2000 were \$2,546,477

Street Fund expenditures were \$1,823,554 or \$238,520 below projections of \$2,062,074. Payment for contracted work performed during the summer have not yet been made. Expenditures should level off during the fourth quarter. Expenditures during the same period of 2000 equaled \$2,045,845.

Surface Water Management Fund



Revenues in this fund equaled \$1,211,528. This is \$71,846 below projected revenues of \$1,283,374. 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 \$3,299. Funding from other local government agencies to support the Stream Assessment and Inventory project have not yet been received, therefore a variance of \$72,450 exists from these revenue sources. Also interest earnings are behind projections by \$2,695. Through the same period of 2000, the SWM fund had collected revenues totaling \$1,270,709.

Expenditures equaled \$1,918,671 or \$105,743 under projected expenditures of \$2,024,414. 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, 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 same period of 2000 were \$2,641,874. 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.