

2013 Q3 Financial Update

This is the third of the quarterly financial reports which the Finance and Administrative Services Department provides annually. The third quarter report provides a review of actual results as compared to budgeted amounts, and serves as an update to the comprehensive midyear report provided in August. Current forecasts based on third quarter financial performance are consistent with the forecasts made in the midyear report. The year-end estimates as of September 30, 2013 are used to develop the budget adjustments that will be presented on November 6.

Financial Performance

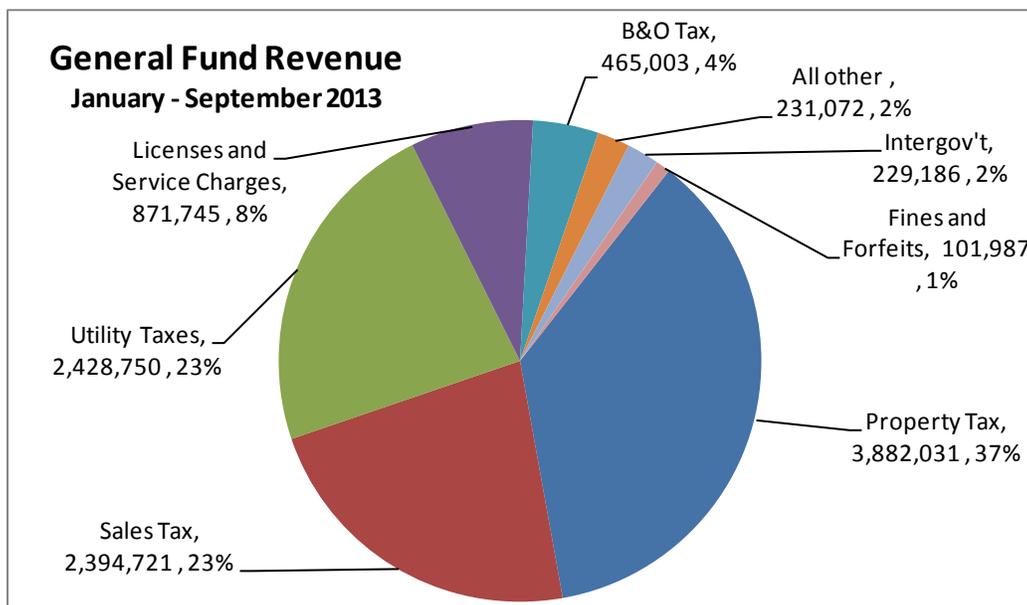
Revenue Overview

Total revenue for all funds from outside sources is at \$26.4 million, or 87% of the budgeted total. Further details are provided on the attached report.

Tax-Supported Funds

In general, the City's revenue forecasts and expenditure forecasts remain similar to the information provided in the mid-year report in August. For tax-supported funds, sales tax continues to show improvement as compared to 2012, with a total of \$2.39 million in sales tax revenue through the end of September 2013 as compared to \$2.00 million for the same time period in 2012. Real Estate Excise Tax (REET) revenue through the end of September 2013 is \$1.14 million, similar to \$1.17 million for the same time period last year.

General Fund revenue at the end of the third quarter totals \$10.6 million, or 70% of the budgeted total.



- Property tax, the single largest General Fund revenue source, is due in two installments in April and October, with 58%, or \$3,882,000, of the annual budget received through the end of September.
- Sales tax, at \$2,394,000 or 87% of annual budget.
- B&O tax at \$465,000 or 126% of annual budget, and business licenses at \$180,000, or 99% of annual budget. Both business licenses and B&O tax are due in the first quarter, so we do not expect to receive significant additional revenue from these two sources through the rest of the year.

Other significant revenue sources for the tax-supported funds include Real Estate Excise Taxes (REET) at \$1,139,000 or 97% of budget and building and development fees at \$935,000 or 117% of budget (combined reporting for building permits, plan checking fees and other planning fees).

Utility Funds

Utility revenues at the close of the third quarter for the Water and Sewer utilities were greater than the budgeted amounts due to payments associated with development. A recently-approved water rate reduction went into effect in September, so the lower revenues associated with the new rates do not yet show in the reports. Water Fund revenue is at \$1,184,000 or 85% of budget. Sewer Fund revenue is at \$3,575,550 or 89% of budget.

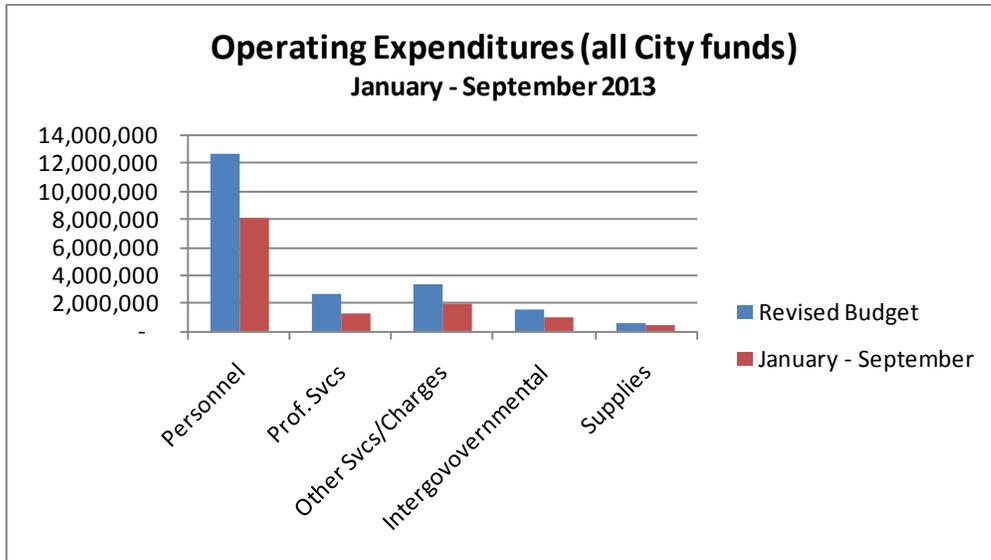
Surface and Storm Water Management (SSWM) revenue is at \$1,263,000 or 49% of budget. SSWM revenue is received primarily in April and October as the SSWM fees are paid with property tax. SSWM revenue is also reduced by the September 2012 Council decision to exempt the City's streets from the SSWM fee. When the ordinance making that decision was passed, the City ceased paying its monthly SSWM fee installments.

Expenditure Overview

Details by fund and by department are shown on the attached report.

Operating expenditures as of September 30, 2013 citywide were \$12.5 million, or 61% of the annual budget.

- Salary costs through the third quarter totaled \$5.9 million across the City, or 65% of the salary budget, which is below pace for this time of the year. There are a number of vacant positions at the City. However, in three cases, the City Attorney, Public Works Director, and Police Chief, interim staff filled the positions. These costs are not included in salary reporting, as the individuals are not City employees.
- Professional Services at \$1.2 million, or 47% of the budget. Areas of underexpenditure include delay of system plans in the water and sewer utilities. Other items contributing to the underspending include planned quarterly payments which occur in the month following the end of the quarter, and items such as PEG which are budgeted but for which a plan has not been finalized.
- Litigation expenditures through September 30 were \$72,000 or 24% of budget.



Total expenditures, including operating expenditures, debt service, interfund transfers, and capital, were \$22.60 million, or 58% of annual budget.

- Debt service is a periodic expense, with the largest payments in June, October and December. Through the end of September, debt service expenses were \$7.26 million. This total includes refunding of existing debt at a lower rate of interest to provide savings to City property tax payers.
- Interfund transfers are at \$1,349,000 or 23% of budget. Debt service expenditures scheduled for December will increase the amount of interfund transfers in the fourth quarter of the year.
- Delayed capital projects, shown in the Public Works Department, are the primary reason for the underexpenditure shown in that department. Projects budgeted, but not completed, through September 2013 include the Rockaway Beach Reconstruction Project, the Wing Point Way Reconstruction Project, and the Eagle Harbor Beach Mains Project. The City has begun and expects to largely complete the Rockaway Beach Reconstruction Project in 2013. Other projects are in the planning phase, with grant funding secured.
- The City's capital construction program in 2013 includes two projects, Rockaway Beach Reconstruction and North Madison, for which funding includes a significant grant component. These projects are proceeding on schedule and have not exceeded previously-approved budgets. However, the grants for these projects are reimbursable awards, which means that the City must pay qualifying expenses, which are then reimbursed by the granting agencies. This funding structure is similar to the one approved for the Winslow Way Reconstruction Project and is typical of large capital projects. Because the Rockaway and North Madison project funding includes reimbursable grants, it is likely that in the fourth quarter of 2013 the City will require a short-term interfund loan between the General Fund and the Capital Construction Fund, as was approved in 2011 and 2012 for the Winslow Way project. The loan would be repaid in 2014 upon receipt of the external grant funds.

Cash Balances at September 30, 2013

This report also provides an opportunity to review the City's cash position. The City is currently in a strong cash position in its major operating funds.

Fund Balance Overview

Table One shows cash balances for the City's funds as of the end of September 2013.

Table One: Balances for selected funds as of September 30, 2013 are as follows:

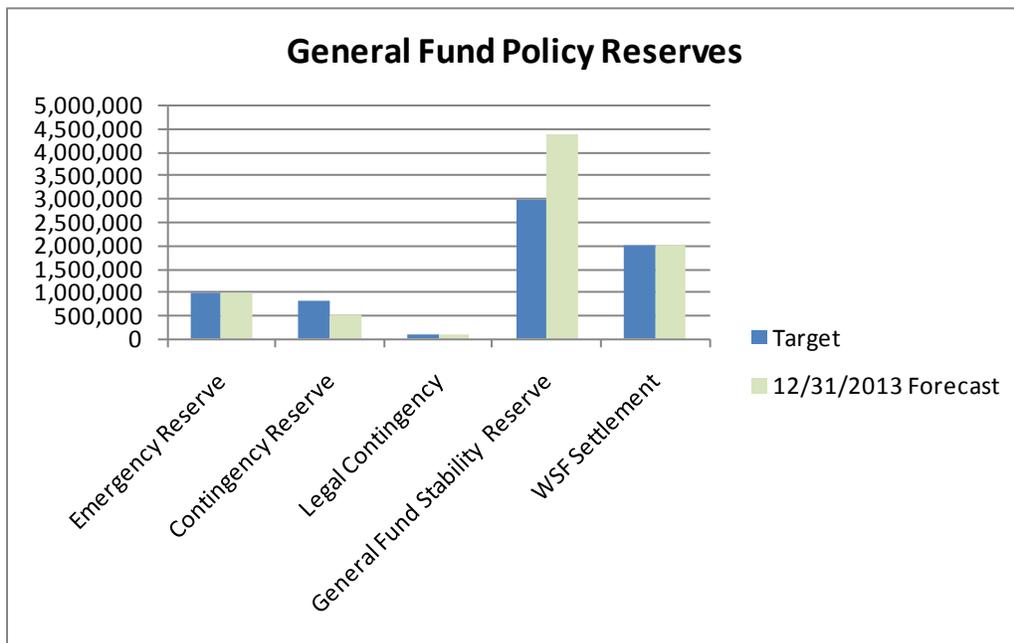
Tax Supported Funds		
General Fund	11,454,000	Balance sheet cash information. Includes specially tracked funds, as detailed below. Has not been reduced for estimated accruals.
Streets Fund	11,000	Has not been reduced for estimated accruals or policy reserves.
B&DS Fund	155,000	Has not been reduced for estimated accruals or policy reserves.
Utility Funds		
Water Fund	5,933,000	Has not been reduced for estimated accruals or policy reserves. Current policy reserve is \$340,000.
Sewer Fund	3,778,000	Has not been reduced for estimated accruals or policy reserves. Current policy reserve is \$518,000.
SSWM Fund	1,098,000	Has not been reduced for estimated accruals or policy reserves. Current policy reserve is \$369,000.
General Fund specially-tracked funds		
Contingency Reserve	630,000	
Emergency Reserve	405,000	
WSF funds	2,008,000	
Other funds	398,000	Includes Housing, Public Art, PEG and Public Safety funds

Policy Reserve Forecasts

The City tracks several policy reserves within the General Fund per resolution and provides this information as part of quarterly reporting. Estimates for year-end 2013 and year-end 2014 are shown in the table below. The 2014 estimates include 2014 budget adjustments as incorporated in the City Manager's budget adjustments to be discussed at the City Council meeting on November 6, 2013.

Detail behind General Fund Reserves				
	12/31/2013	12/31/2014	2014 YE Target	Comment
Emergency Reserve	1,000,000	1,000,000	1,000,000	
Contingency Reserve	522,000	800,000	800,000	Council approved spending of \$278,000 from the Contingency Reserve through the end of September. The total of \$800,000 at year-end 2014 assumes no 2014 spending.
Legal Contingency	100,000	100,000	100,000	\$100,000 legal contingency has not been assumed in spending.
General Fund Stability Reserve	4,391,817	3,504,954	3,000,000	
Washington State Ferry Settlement	2,008,000	-	-	Assumes spending of WSF funds in 2014
Specially-tracked GF monies	398,000	398,000		Housing, Public Art, Public Safety, PEG
Total General Fund	8,419,817	5,984,954		

Estimates for year-end 2013 show that all policy reserves will be funded at or above the target levels, including the emergency reserve. Current year-end estimates are shown in green in the chart below.





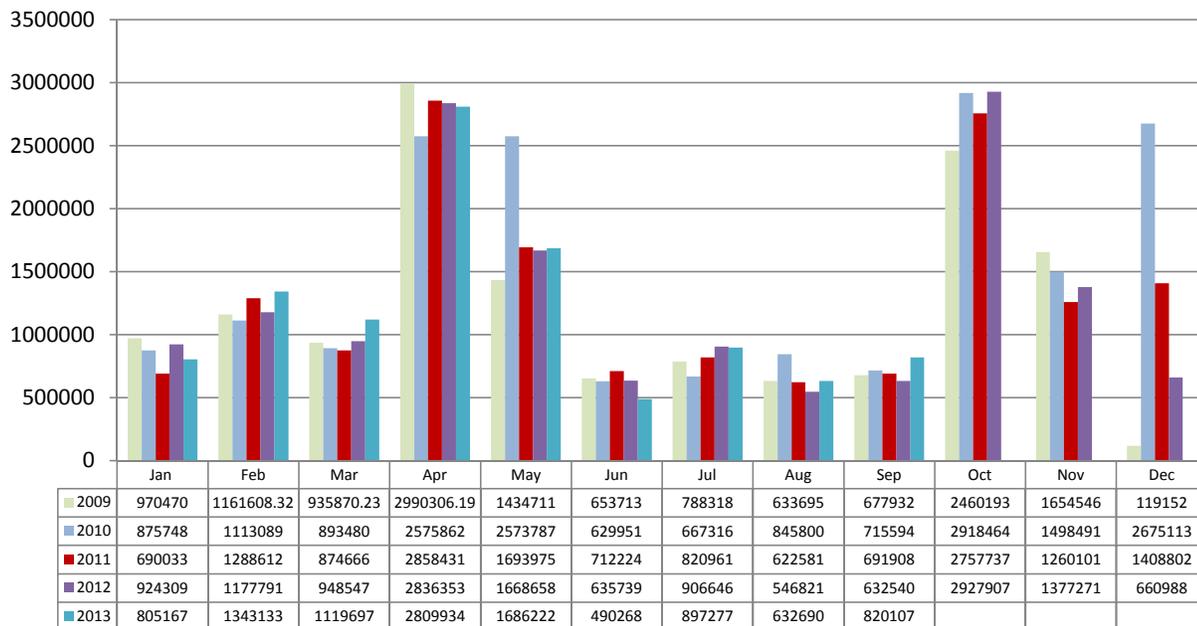
Revenue - GENERAL FUND

Month Ending September 30, 2013

General Fund Revenue Source	Budgeted Revenue	YTD Actual Revenue	YTD % collected	Actuals Over/(Under) Budget
TAXES				
Property	6,723,749	3,882,031	57.7%	(2,841,718)
Sales	2,765,166	2,394,721	86.6%	(370,445)
B&O	370,000	465,003	125.7%	95,003
Utility	3,327,272	2,428,750	73.0%	(898,522)
All other taxes	8,160	26,260	321.8%	18,100
SUB-TOTAL TAXES	13,194,347	9,196,765	69.7%	(3,997,582)
Licenses and Service Charges	1,078,222	871,745	80.9%	(206,477)
Intergovernmental	362,808	229,186	63.2%	(133,622)
Fines and Forfeits	191,190	101,987	53.3%	(89,203)
Miscellaneous	77,169	97,272	126.1%	20,103
Other External	256,000	71,265	27.8%	(184,735)
All other revenue	18,870	36,275	192.2%	17,405
SUB-TOTAL	1,984,259	1,407,730	70.9%	(576,529)
				-
TOTAL GENERAL FUND	15,178,606	10,604,495	69.9%	(4,574,111)

This data represents activity through the end of September, 9/12th, or 75% of the year.

General Fund Revenues by Month



Note: December 2009 revenues include corrections made for transactions earlier in the year, decreasing the total for that month.

Note: December 2010 revenues include \$2M payment from WSF.



REVENUES - ALL FUNDS

Month Ending September 30, 2013

FUNDS	ANNUAL BUDGETED OUTSIDE REVENUES	YTD ACTUAL REVENUES	YTD % RECEIVED	Actuals Over/(Under) Budget
001 GENERAL FUND	15,178,606	10,604,495	69.9%	(4,574,111)
101 STREET FUND	1,721,541	885,152	51.4%	(836,389)
103 REAL ESTATE EXCISE TAX FUND	1,178,060	1,139,237	96.7%	(38,823)
104 CIVIC IMPROVEMENT FUND	110,000	84,290	76.6%	(25,710)
108 AFFORDABLE HOUSING FUND	-	-	0.0%	-
151 FAR-PUBLIC AMENITIES	-	13,336	0.0%	13,336
152 FAR-FARMLAND/AGRICULTURE	-	20,004	0.0%	20,004
171 TRANSP BEN DISTRICT	-	42,669	0.0%	42,669
201 GO BOND FUND	665,893	6,083,151	913.5%	5,417,258
203 LID BOND FUND	51,726	73,280	141.7%	21,554
301 CAPITAL CONSTRUCTION FUND	2,713,273	465,846	17.2%	(2,247,427)
302 LID CAPITAL CONSTRUCTION FUND	-	-	0.0%	-
401 WATER OPERATING FUND	1,399,383	1,184,482	84.6%	(214,901)
402 SEWER OPERATING FUND	4,016,918	3,575,550	89.0%	(441,368)
403 STORM AND SURFACE WATER FUND	2,604,423	1,262,590	48.5%	(1,341,833)
407 BUILDING AND DEVELOPMENT SERVICES FUND	799,199	935,495	117.1%	136,296
TOTAL ALL FUNDS	30,439,022	26,369,577	86.6%	(4,069,445)

This data represents activity through the end of September, 9/12th, or 75% of the year.



EXPENDITURES - By Department

Month Ending September 30, 2013

Operating Expenditures

DEPARTMENT	ANNUAL BUDGETED EXPENDITURES	YTD ACTUAL EXPENDITURES	% EXPENDED	Actuals Over/(Under) Budget
CITY COUNCIL	109,815	74,536	67.9%	(35,279)
EXECUTIVE	1,949,089	1,155,407	59.3%	(793,682)
FINANCE	1,132,631	818,281	72.2%	(314,350)
GENERAL GOVERNMENT	3,757,259	2,527,288	67.3%	(1,229,971)
INFORMATION TECHNOLOGY	693,285	477,704	68.9%	(215,581)
MUNICIPAL COURT	561,992	375,831	66.9%	(186,161)
PLANNING & COMMUNITY DEV	2,369,624	1,332,911	56.2%	(1,036,713)
PUBLIC SAFETY	3,938,750	2,422,515	61.5%	(1,516,235)
PUBLIC WORKS	5,932,570	3,358,533	56.6%	(2,574,037)
TOTAL	20,445,015	12,543,006	61.3%	(7,902,009)

This data represents activity through the end of September, 9/12th, or 75% of the year.

All Expenditures (operating, capital, and debt)

DEPARTMENT	ANNUAL BUDGETED EXPENDITURES	YTD ACTUAL EXPENDITURES	% EXPENDED	Actuals Over/(Under) Budget
CITY COUNCIL	109,815	74,536	67.9%	(35,279)
EXECUTIVE	1,969,089	1,159,983	58.9%	(809,106)
FINANCE	6,941,631	2,167,131	31.2%	(4,774,500)
GENERAL GOVERNMENT	8,568,387	9,787,856	114.2%	1,219,469
INFORMATION TECHNOLOGY	705,285	487,099	69.1%	(218,186)
MUNICIPAL COURT	561,992	375,831	66.9%	(186,161)
PLANNING & COMMUNITY DEV	2,459,278	1,332,911	54.2%	(1,126,367)
PUBLIC SAFETY	3,953,750	2,422,515	61.3%	(1,531,235)
PUBLIC WORKS	13,540,522	4,790,428	35.4%	(8,750,094)
TOTAL	38,809,749	22,598,290	58.2%	(16,211,459)



EXPENDITURES - ALL FUNDS

Month Ending September 30, 2013

Operating Expenditures

FUNDS	ANNUAL BUDGETED EXPENDITURES	YTD ACTUAL EXPENDITURES	YTD % EXPENDED	Actuals Over/(Under) Budget
001 GENERAL FUND	10,316,598	6,709,818	65.0%	(3,606,780)
101 STREET FUND	2,300,238	1,248,876	54.3%	(1,051,362)
104 CIVIC IMPROVEMENT FUND	108,000	53,817	49.8%	(54,183)
108 AFFORDABLE HOUSING FUND	91,950	52,756	57.4%	(39,194)
302 LID CAPITAL CONSTRUCTION FUND	-	2,135	0.0%	2,135
401 WATER OPERATING FUND	1,093,023	627,950	57.5%	(465,073)
402 SEWER OPERATING FUND STORM AND SURFACE WATER	2,391,587	1,404,849	58.7%	(986,738)
403 FUND BUILDING AND DEVELOPMENT	2,048,921	1,212,758	59.2%	(836,163)
407 SERVICES FUND	2,094,698	1,230,047	58.7%	(864,651)
TOTAL ALL FUNDS	20,445,015	12,543,006	61.3%	(7,902,009)

This data represents activity through the end of September, 9/12th, or 75% of the year.

All Expenditures (operating, capital, and debt)

FUNDS	BUDGETED EXPENDITURES	YTD ACTUAL EXPENDITURES	YTD % EXPENDED	Over/(Under) Budget
001 GENERAL FUND	15,472,928	7,543,125	48.8%	(7,929,803)
101 STREET FUND	3,445,736	1,397,598	40.6%	(2,048,138)
103 REAL ESTATE EXCISE TAX FUND	1,178,060	650,100	55.2%	(527,960)
104 CIVIC IMPROVEMENT FUND	108,000	53,817	49.8%	(54,183)
108 AFFORDABLE HOUSING FUND	91,950	52,756	57.4%	(39,194)
151 FAR-PUBLIC AMENITIES	-	-	0.0%	-
201 GO BOND FUND	2,748,799	6,223,932	226.4%	3,475,133
203 LID BOND FUND	64,263	59,148	0.0%	(5,115)
301 CAPITAL CONSTRUCTION FUND	4,095,662	559,097	13.7%	(3,536,565)
302 LID CAPITAL CONSTRUCTION FUND	-	2,135	0.0%	2,135
401 WATER OPERATING FUND	1,479,976	865,035	58.4%	(614,941)
402 SEWER OPERATING FUND STORM AND SURFACE WATER	5,052,677	2,556,763	50.6%	(2,495,914)
403 FUND BUILDING AND DEVELOPMENT	2,977,000	1,404,737	47.2%	(1,572,263)
407 SERVICES FUND	2,094,698	1,230,047	58.7%	(864,651)
TOTAL ALL FUNDS	38,809,749	22,598,290	58.2%	(16,211,459)

Sales and Use Tax Receipts by Distribution Month, 2009-2013

