



2015 Third Quarter FINANCIAL REPORT

EXECUTIVE SUMMARY

PERFORMANCE AT A GLANCE

GENERAL FUND REVENUES	Compared to 2015 Projection	Reference
Property Tax Revenue	◀NEUTRAL▶	Page 4
Sales Tax Revenue	▲ POSITIVE ▲	Page 5-6
Utility Tax Revenue	● WARNING ●	Page 10
Development Revenue	◀NEUTRAL▶	Page 11
Parks and Recreation Revenue	▲ POSITIVE ▲	Page 12
Investment Income	▲ POSITIVE ▲	Page 13
EXPENDITURES		
General Fund Expenditures	◀NEUTRAL▶	Page 14
NON-GENERAL FUND REVENUES		
Surface Water Fees	▼ NEGATIVE ▼	Page 16
Fuel Tax	▲ POSITIVE ▲	Page 19
Real Estate Excise Tax	▲ POSITIVE ▲	Page 20

Key to revenue trend indicators:

- ▲ POSITIVE ▲ = Positive variance of >+2% compared to projections.
- ◀NEUTRAL▶ = Variance of -1% to +2% compared to projections.
- WARNING ● = Negative variance of -1% to -4% compared to projections.
- ▼ NEGATIVE ▼ = Negative variance of >-4% compared to projections.

- General fund receipts are 2% higher than the year-ago level and expenditures are 2.5% lower than the year-ago level primarily due timing of payments for the police services contract with King County. We are projecting that our ending fund balance will be 3.1% above our original budget estimate. (See pages 3-13 for details).
- Street fund receipts and expenditures are lower than 2014 due to changes in the transfers to the general fund and the shift of intergovernmental expenditures to the general fund. This adjustment reduced the amount that the general fund transfers to the street fund; however, fuel tax receipts are 2.5%, higher than the year-ago level. (See page 15 for details).
- Surface water utility (SWM) fund receipts are 22.4% less than the year-ago level due to a timing issue that will be resolved with future distributions. SWM fund expenditures are 7.4% higher than the year-ago level and in line with budget projections. (See page 16 for details).
- Real estate excise tax receipts through September are 48.8%, higher than the year-ago level due to the strong real estate market and multiple turnovers of a large commercial property this year. (See page 20 for details).

CITY FINANCIAL OVERVIEW

Revenues by Fund	2015 Current Budget	2015 3rd Quarter Actual	2015 % of Current Budget	2014 Budget	2014 3rd Quarter Actual	2014 % of Current Budget	2015 v. 2014 \$ Variance	2015 v. 2014 % Variance
General Fund	\$38,152,434	\$22,429,152	58.8%	\$34,306,569	\$21,982,252	64.1%	\$446,900	2.0%
Street Fund	\$1,569,007	\$1,068,213	68.1%	\$1,999,037	\$1,744,031	87.2%	-\$675,818	-38.8%
Code Abatement Fund	\$100,000	\$8,227	8.2%	\$100,000	\$11,646	11.6%	-\$3,419	-29.4%
State Drug Enforcement Fund	\$13,800	\$2,819	20.4%	\$13,800	\$44,363	321.5%	-\$41,544	-93.6%
Public Arts Fund	\$54,408	\$238	0.4%	\$55,051	\$4,670	8.5%	-\$4,432	-94.9%
Federal Drug Enforcement Fund	\$65,750	\$7,847	11.9%	\$20,750	\$49,826	240.1%	-\$41,979	-84.3%
Property Tax Equalization Fund	\$0	\$1,285	0.0%	\$0	\$830	0.0%	\$455	54.8%
Federal Crime Forfeitures Fund	\$534,358	\$235,367	44.0%	\$316,310	\$1,246	0.4%	\$234,121	18789.8%
Revenue Stabilization Fund	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0	0.0%
Transportation Impact Fee	\$0	\$228,870	0.0%	\$0	\$0	0.0%	\$228,870	0.0%
Unltd Tax GO Bond Fund	\$1,712,175	\$936,662	54.7%	\$1,710,000	\$930,901	54.4%	\$5,761	0.6%
Limited Tax GO Bond 2009 Fund	\$1,663,217	\$1,149,681	69.1%	\$1,662,567	\$1,163,157	70.0%	-\$13,476	-1.2%
Limited Tax GO Bond 2013 Fund	\$260,823	\$169,135	64.8%	\$260,823	\$103,979	39.9%	\$65,156	62.7%
General Capital Fund	\$3,492,919	\$1,295,013	37.1%	\$5,974,435	\$813,761	13.6%	\$481,252	59.1%
City Facility-Major Maint. Fund	\$348,525	\$140,225	40.2%	\$115,392	\$52,637	45.6%	\$87,588	166.4%
Roads Capital Fund	\$23,749,289	\$10,754,332	45.3%	\$20,410,625	\$11,042,496	54.1%	-\$288,164	-2.6%
Surface Water Utility Fund	\$6,446,918	\$1,576,364	24.5%	\$5,602,951	\$2,030,278	36.2%	-\$453,914	-22.4%
Vehicle Operations/ Maint. Fund	\$278,950	\$220,328	79.0%	\$245,273	\$230,394	93.9%	-\$10,066	-4.4%
Equipment Replacement Fund	\$1,071,528	\$321,271	30.0%	\$482,666	\$272,098	56.4%	\$49,173	18.1%
Unemployment Fund	\$17,500	\$82	0.5%	\$17,500	\$13,170	75.3%	-\$13,088	-99.4%
Totals	\$79,531,601	\$40,545,111	51.0%	\$73,293,749	\$40,491,735	55.2%	\$53,376	0.1%
Transportation Benefit District	\$796,300.00	\$562,457.00	70.6%	\$788,613	\$544,123	69.0%	\$18,334	3.4%

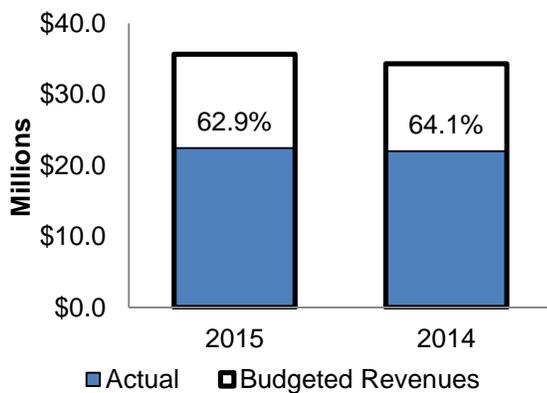
Expenditures by Fund	2015 Current Budget	2015 3rd Quarter Actual	2015 % of Current Budget	2014 Budget	2014 3rd Quarter Actual	2014 % of Current Budget	2015 v. 2014 \$ Variance	2015 v. 2014 % Variance
General Fund	\$38,152,434	\$22,907,947	60.0%	\$36,843,011	\$22,355,031	60.7%	\$552,916	2.5%
Street Fund	\$1,569,007	\$959,517	61.2%	\$1,999,037	\$1,340,390	67.1%	-\$380,873	-28.4%
Code Abatement Fund	\$100,000	\$9,196	9.2%	\$100,000	\$10,230	10.2%	-\$1,034	-10.1%
State Drug Enforcement Fund	\$13,800	\$10,271	74.4%	\$13,800	\$12,517	90.7%	-\$2,246	-17.9%
Public Arts Fund	\$54,408	\$39,271	72.2%	\$55,051	\$26,557	48.2%	\$12,714	47.9%
Federal Drug Enforcement Fund	\$65,750	\$4,293	6.5%	\$20,750	\$5,172	24.9%	-\$879	-17.0%
Property Tax Equalization Fund	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0	0.0%
Federal Crime Forfeitures Fund	\$534,358	\$52,927	9.9%	\$316,310	\$11,454	3.6%	\$41,473	362.1%
Revenue Stabilization Fund	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0	0.0%
Transportation Impact Fee	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0	0.0%
Unltd Tax GO Bond Fund	\$1,712,175	\$204,642	12.0%	\$1,709,050	\$228,327	13.4%	-\$23,685	-10.4%
Limited Tax GO Bond 2009 Fund	\$1,663,217	\$583,316	35.1%	\$1,662,567	\$591,013	35.5%	-\$7,697	-1.3%
Limited Tax GO Bond 2013 Fund	\$260,823	\$65,189	25.0%	\$260,823	\$103,979	39.9%	-\$38,790	-37.3%
General Capital Fund	\$3,492,919	\$1,460,370	41.8%	\$4,878,471	\$1,518,804	31.1%	-\$58,434	-3.8%
City Facility-Major Maint. Fund	\$348,525	\$230,553	66.2%	\$90,000	\$6,023	6.7%	\$224,530	3727.9%
Roads Capital Fund	\$23,749,289	\$12,436,133	52.4%	\$23,603,999	\$11,454,378	48.5%	\$981,755	8.6%
Surface Water Utility Fund	\$6,180,934	\$3,116,066	50.4%	\$5,602,951	\$2,900,612	51.8%	\$215,454	7.4%
Vehicle Operations/ Maint. Fund	\$278,950	\$127,647	45.8%	\$245,273	\$115,504	47.1%	\$12,143	10.5%
Equipment Replacement Fund	\$954,714	\$333,044	34.9%	\$269,253	\$128,831	47.8%	\$204,213	158.5%
Unemployment Fund	\$17,500	\$1,156	6.6%	\$17,500	\$3,754	21.5%	-\$2,598	-69.2%
Totals	\$79,148,803	\$42,541,538	53.7%	\$77,687,846	\$40,812,576	52.5%	\$1,728,962	4.2%
Transportation Benefit District	\$796,300	\$332,500	41.8%	\$788,613	\$634,340	80.4%	-\$301,840	-47.6%

GENERAL FUND REVENUE DETAIL

Revenue Source	2015 Current Budget	2015 Third Quarter Actual Revenue	2015 % of Current Budget Received	2014 Current Budget	2014 Third Quarter Actual Revenue	2014 % of Current Budget Received	2015 v. 2014 \$ Change	2015 v. 2014 % Change
Budgeted Fund Balance	\$2,503,743	\$0	0.0%	\$2,536,444	\$0	0.0%	\$0	0.0%
Property Tax	\$10,570,659	\$5,882,853	55.7%	\$10,245,815	\$5,640,499	55.1%	\$242,354	4.3%
Sales Tax	\$7,320,000	\$5,221,778	71.3%	\$6,739,000	\$5,012,744	74.4%	\$209,034	4.2%
Local Criminal Justice	\$1,276,154	\$1,019,703	79.9%	\$1,224,532	\$936,890	76.5%	\$82,813	8.8%
Utility Tax & Franchise Fee Revenue								
<i>Natural Gas</i>	\$889,590	\$513,077	57.7%	\$889,590	\$602,928	67.8%	-\$89,851	-14.9%
<i>Garbage</i>	\$538,648	\$269,667	50.1%	\$528,086	\$264,107	50.0%	\$5,560	2.1%
<i>Cable TV</i>	\$1,760,845	\$1,089,994	61.9%	\$1,658,749	\$1,016,139	61.3%	\$73,855	7.3%
<i>Telecommunications</i>	\$1,503,000	\$749,858	49.9%	\$1,569,095	\$873,442	55.7%	-\$123,584	-14.1%
<i>Storm Drainage</i>	\$214,571	\$97,689	45.5%	\$207,697	\$123,508	59.5%	-\$25,819	-20.9%
<i>Water</i>	\$754,197	\$400,808	53.1%	\$754,197	\$376,313	49.9%	\$24,495	6.5%
<i>Sewer</i>	\$834,002	\$624,000	74.8%	\$809,711	\$606,000	74.8%	\$18,000	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	\$6,494,853	\$3,745,093	57.7%	\$6,417,125	\$3,862,437	60.2%	-\$117,344	-3.0%
SCL Contract Payment	\$1,993,063	\$1,113,592	55.9%	\$1,912,728	\$1,159,468	60.6%	-\$45,876	-4.0%
Gambling Tax Revenue	\$1,586,625	\$799,020	50.4%	\$1,569,125	\$865,467	55.2%	-\$66,447	-7.7%
Development Revenue	\$1,319,750	\$1,120,139	84.9%	\$1,211,750	\$1,247,972	103.0%	-\$127,833	-10.2%
Park and Recreation Revenue	\$1,603,216	\$1,483,431	92.5%	\$1,537,541	\$1,317,955	85.7%	\$165,476	12.6%
Intergovernmental Revenue	\$894,991	\$601,759	67.2%	\$865,015	\$585,709	67.7%	\$16,050	2.7%
Grant Revenue	\$319,101	\$158,912	49.8%	\$308,306	\$70,345	22.8%	\$88,567	125.9%
Fines and Licenses	\$644,000	\$157,576	24.5%	\$835,053	\$178,537	21.4%	-\$20,961	-11.7%
Miscellaneous Revenue	\$574,665	\$335,973	58.5%	\$431,479	\$354,031	82.1%	-\$18,058	-5.1%
Interest Income	\$70,600	\$53,561	75.9%	\$30,000	\$23,373	77.9%	\$30,188	129.2%
Operating Transfers In	\$981,014	\$735,762	75.0%	\$979,100	\$726,825	74.2%	\$8,937	1.2%
Total General Fund Revenue	\$38,152,434	\$22,429,152	58.8%	\$36,843,013	\$21,982,252	59.7%	\$446,900	2.0%
Total General Fund Revenue excl. Budgeted Fund Balance	\$35,648,691	\$22,429,152	62.9%	\$34,306,569	\$21,982,252	64.1%	\$446,900	2.0%

GENERAL FUND REVENUE ANALYSIS:

TOTAL GENERAL FUND REVENUE

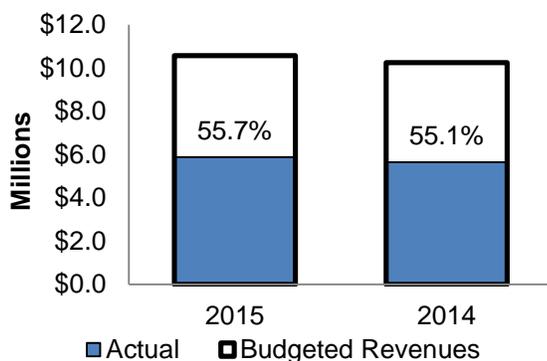


2015 Current Budget		\$38,152,434
2015 Budgeted Revenues		\$35,348,691
2015 Third Quarter Actual Revenue		\$22,429,152
2015 % of Current Budget Received		62.9%
2014 Budgeted Revenues		\$34,306,569
2014 Third Quarter Actual Revenue		\$21,982,252
2014 % of Current Budget Received		64.1%
2015 v. 2014 Third Quarter \$ Variance		\$446,900
2015 v. 2014 Third Quarter % Variance		2.0%

Total General Fund revenue received through the third quarter of 2015 totals \$22,429,152 and reflects a year-over-year increase of \$446,900, or 2.0%, and 1.8% from our year to date budget projection. Following are highlights for the General Fund:

- Property tax receipts are 4.3% higher than those for 2014.
- Overall Utility Tax and Franchise Fee receipts are 3.0% lower than the year-ago level. The August payment from Puget Sound Energy (PSE) was received late and therefore is not reflected in this report. Another factor contributing to the year-over-year decrease is one telecommunication company's error in reporting that will result in the payments for July and August being received later this year. Staff is working with the company to correct this issue.
- Gambling tax receipts increased from the prior year by 2.9%. Pull-tab activity increased year-over-year while cardroom activity declined. The cessation of card room activity at Drift on Inn last year contributed to the decrease.
- Development revenue receipts exhibit a year-over-year decrease of 10.2% but are 0.6% lower than the revised year-to-date projection. Local development activity in 2015, in terms of the number of building permits pulled for new construction and remodels as well as their valuation in 2015, are higher than the year-ago level.
- The year-over-year change for Intergovernmental Revenue receipts is largely due to unanticipated receipts from the distribution of Liquor Excise Taxes and Marijuana Enforcement revenues.

PROPERTY TAX

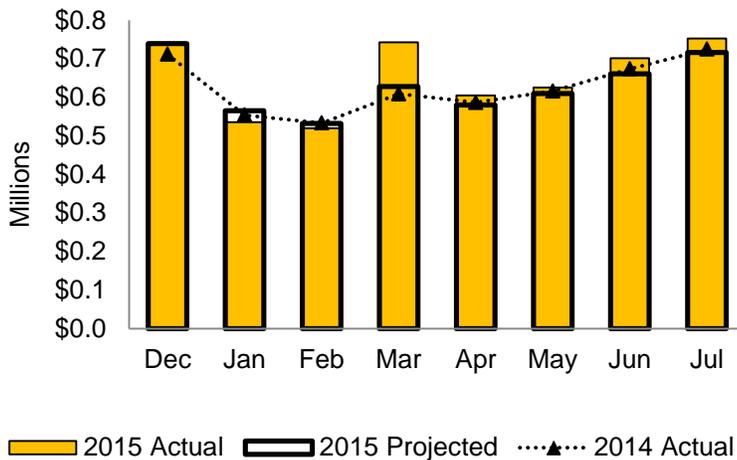


2015 Current Budget		\$10,570,659
2015 Third Quarter Actual Revenue		\$5,882,853
2015 % of Current Budget Received		55.7%
2014 Current Budget		\$10,245,815
2014 Third Quarter Actual Revenue		\$5,640,499
2014 % of Current Budget Received		55.1%
2015 v. 2014 \$ Change		\$242,354
2015 v. 2014 % Change		4.3%

In addition to the budget variance noted above, Property Tax receipts are greater than the year-to-date projection by \$96,616, or 1.7%. During the first three quarters of 2015 the City has received delinquent taxes from previous years that were not factored into the budget projection.

GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



2015 Current Budget **\$7,320,000**

2015 Projected Revenue \$7,552,351

Sales tax revenue: December - July

Sales Activity	2014	2015
December 2014	\$712,174	\$736,315
January	\$554,366	\$535,619
February	\$533,674	\$520,543
March	\$609,471	\$742,842
April	\$587,117	\$605,418
May	\$616,693	\$625,846
June	\$674,044	\$702,026
July	\$725,205	\$753,169
Year to date	\$5,012,744	\$5,221,778
\$ Change		\$209,034
% Change		4.2%

Sales tax receipts through September reflect activity from December 2014 through July 2015 totaling \$5,221,778. Collections are above the revised year-to-date projection by 3.7% and 2014 collections by 4.2%. Staff's projection does not factor in the impact of one-time activity in the Construction sector.

March receipts, as reflected above, were significantly higher than that projected due to staff detection and correction of business miscoding from prior periods.

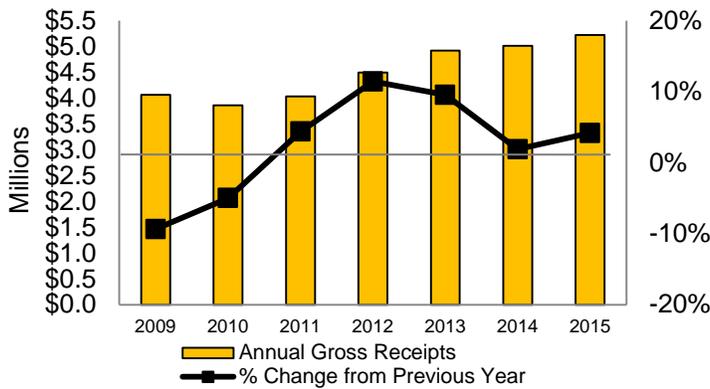
Retail trade sector receipts are higher than the revised year-to-date projection by 2.2% and the year-ago level by 7.3% fueled by continued growth in new car dealers' sales (in the motor vehicle and parts dealer category). Building material and garden category also had a significantly higher level of activity (+18.5%) and general merchandise stores category had a more modest increase (+3.2%). Activity in almost all of the other categories is also higher compared to the prior two years.

Receipts from the construction sector are higher than the revised year-to-date projection by 14.5% but lower than the year-ago level by 5.2%. Of the amount collected through September, one-time activity accounted for \$17,286, or 2.5%, in 2015, \$111,687, or 15.3%, in 2014, \$402,424, or 45.0%, in 2013 and \$462,893, or 59.7%, in 2012. One-time projects that have been tracked through this report for the last few years have come to a close. Removing one-time activity from the calculation reveals a year-over-year increase of 9.1%.

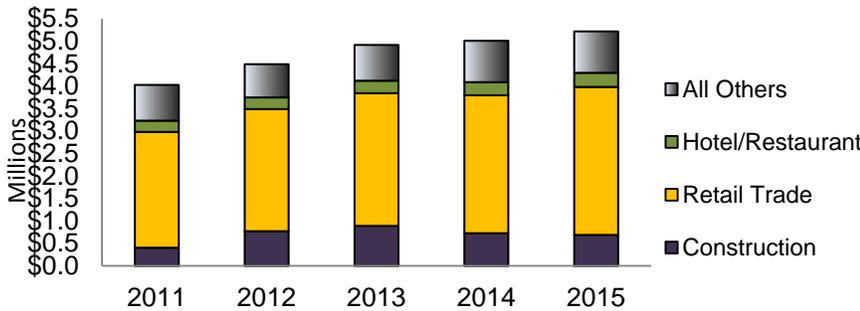
The tables on the following page help illustrate the performance of various sectors. The first table presents a condensed view of the four primary categories of construction, retail trade, hotels and restaurants, and all others. The second table presents a breakdown of the retail trade category and highlights specific industry economic performance in comparison to previous years.

GENERAL FUND REVENUE ANALYSIS (continued):

Third Quarter Sales Tax Revenue Comparison



Year	Third Quarter Revenue	% Change from Previous Year
2008	\$4,485,280	3.2%
2009	\$4,065,145	-9.4%
2010	\$3,862,545	-5.0%
2011	\$4,031,175	4.4%
2012	\$4,491,651	11.4%
2013	\$4,920,532	9.5%
2014	\$5,012,744	1.9%
2015	\$5,221,778	4.2%



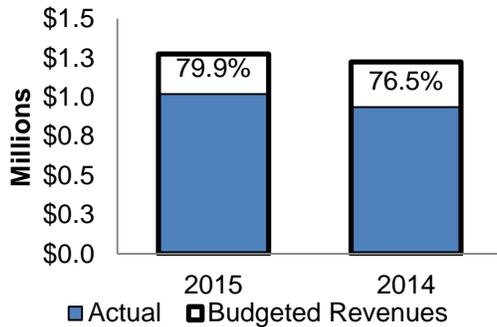
SALES TAX BY PRIMARY CATEGORY - Third Quarter

Sector	2011	2012	2013	2014	2015
Construction	\$408,110	\$774,897	\$893,412	\$730,341	\$692,139
Retail Trade	\$2,576,739	\$2,718,554	\$2,953,139	\$3,070,639	\$3,294,255
Hotel/Restaurant	\$250,929	\$259,067	\$278,075	\$291,617	\$313,761
All Others	\$795,397	\$739,133	\$795,906	\$920,148	\$921,624
Total	\$4,031,175	\$4,491,651	\$4,920,532	\$5,012,744	\$5,221,778
\$ Change from previous year	\$168,630	\$460,476	\$428,881	\$92,212	\$209,034
% Change from previous year	4.4%	11.4%	9.5%	1.9%	4.2%

Retail Trade	2011 Dec- July	2012 Dec- July	2012 v. 2011 \$ Change	2013 Dec- July	2013 v. 2012 \$ Change	2014 Dec- July	2014 v. 2013 \$ Change	2015 Dec- July	2015 v. 2014 \$ Change
Motor Vehicle and Parts Dealer	\$590,409	\$654,268	\$63,859	\$746,634	\$92,366	\$822,454	\$75,820	\$887,686	\$65,232
Furniture and Home Furnishings	\$37,053	\$33,283	-\$3,770	\$39,321	\$6,038	\$40,825	\$1,504	\$36,972	-\$3,853
Electronics and Appliances	\$55,884	\$65,340	\$9,456	\$61,754	-\$3,586	\$75,820	\$14,066	\$72,181	-\$3,638
Building Material and Garden	\$373,166	\$393,535	\$20,369	\$450,716	\$57,181	\$462,927	\$12,211	\$548,637	\$85,710
Food and Beverage Stores	\$169,113	\$173,336	\$4,223	\$177,363	\$4,027	\$169,482	-\$7,881	\$175,178	\$5,696
Health and Personal Care Store	\$85,342	\$99,870	\$14,528	\$108,266	\$8,396	\$111,766	\$3,500	\$139,925	\$28,159
Gasoline Stations	\$47,362	\$48,951	\$1,589	\$50,587	\$1,636	\$50,560	-\$27	\$54,210	\$3,650
Clothing and Accessories	\$24,205	\$29,311	\$5,106	\$31,144	\$1,833	\$32,768	\$1,624	\$39,187	\$6,420
Sporting Goods, Hobby, Books	\$53,300	\$50,898	-\$2,402	\$50,167	-\$731	\$54,260	\$4,093	\$56,388	\$2,128
General Merchandise Stores	\$903,839	\$921,732	\$17,893	\$970,204	\$48,472	\$966,945	-\$3,259	\$997,761	\$30,816
Miscellaneous Store Retailers	\$168,768	\$168,526	-\$242	\$170,290	\$1,764	\$170,683	\$393	\$158,804	-\$11,879
Non-store Retailers	\$68,298	\$79,504	\$11,206	\$96,694	\$17,190	\$112,150	\$15,456	\$127,326	\$15,176
Total Revenue	\$2,576,739	\$2,718,554	\$141,815	\$2,953,139	\$234,585	\$3,070,639	\$117,500	\$3,294,255	\$223,616

GENERAL FUND REVENUE ANALYSIS (continued):

LOCAL CRIMINAL JUSTICE SALES TAX

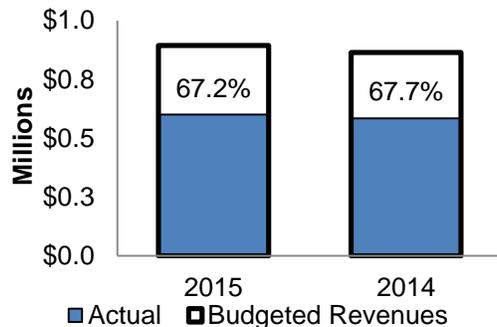


2015 Current Budget		\$1,276,154
2015 Third Quarter Actual Revenue		\$1,019,703
2015 % of Current Budget Received		79.9%
2014 Current Budget		\$1,224,532
2014 Third Quarter Actual Revenue		\$936,890
2014 % of Current Budget Received		76.5%
2015 v. 2014 \$ Change		\$82,813
2015 v. 2014 % Change		8.8%

Local Criminal Justice Sales Tax receipts through September are 8.8%, more than the year-ago level. Thus far this year 79.9% of the amount budgeted has been received as compared to 76.5% received during the same period last year. In addition to the prior year variance, receipts are \$23,756, or 2.4%, more than the revised year-to-date projection.

The result for Local Criminal Justice Sales Tax receipts is not commensurate with the result for Sales Tax receipts because the distribution of Local Criminal Justice Sales Tax is based on the city's population and the amount of sales tax collected throughout all of King County.

INTERGOVERNMENTAL REVENUE

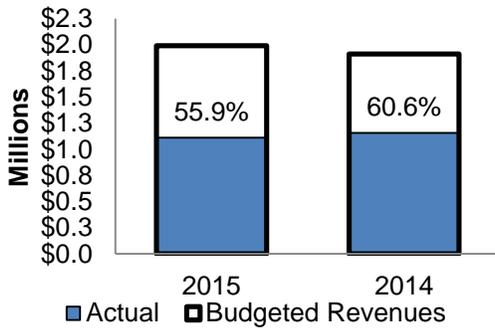


2015 Current Budget		\$894,991
2015 Third Quarter Actual Revenue		\$601,759
2015 % of Current Budget Received		67.2%
2014 Current Budget		\$865,015
2014 Third Quarter Actual Revenue		\$585,709
2014 % of Current Budget Received		67.7%
2015 v. 2014 \$ Change		\$16,050
2015 v. 2014 % Change		2.7%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, and liquor board profits. Receipts through September, in the amount of \$601,759, are 2.7%, more than the year-ago level. In addition to the prior year variance, receipts are \$16,138, or 2.8%, more than the revised year-to-date projection. Both differences are largely due to unanticipated receipts from the distribution of liquor excise taxes and marijuana enforcement revenues.

GENERAL FUND REVENUE ANALYSIS (continued):

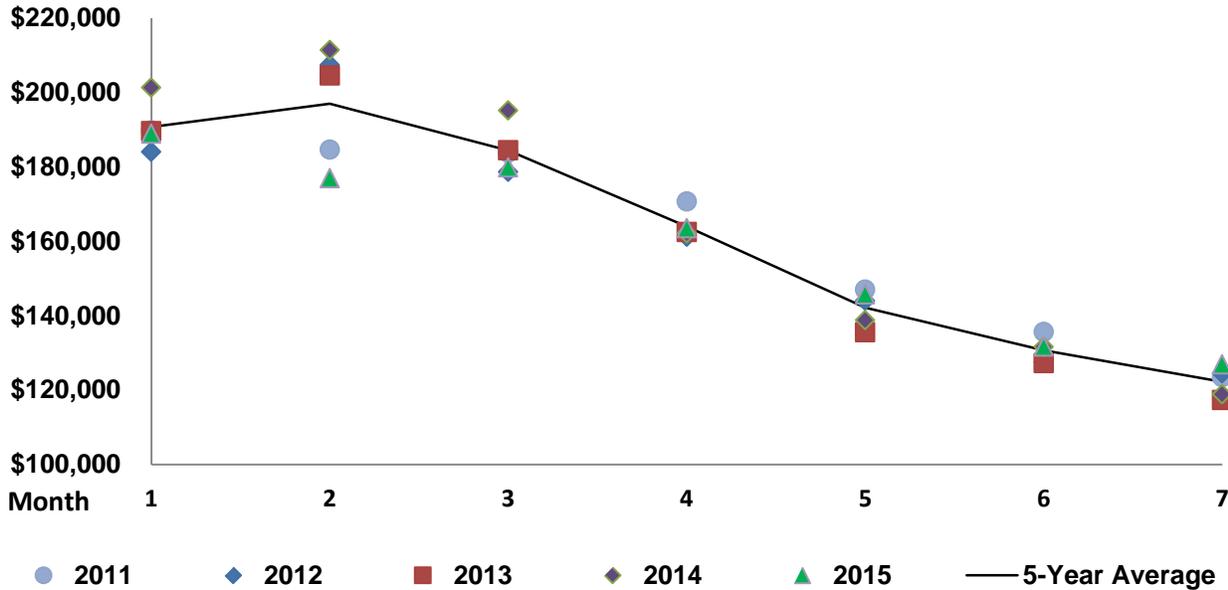
SEATTLE CITY LIGHT CONTRACT PAYMENT



2015 Current Budget		\$1,993,063
2015 Third Quarter Actual Revenue		\$1,113,592
2015 % of Current Budget Received		55.9%
2014 Current Budget		\$1,912,728
2014 Third Quarter Actual Revenue		\$1,159,468
2014 % of Current Budget Received		60.6%
2015 v. 2014 \$ Change		-\$45,876
2015 v. 2014 % Change		-4.0%

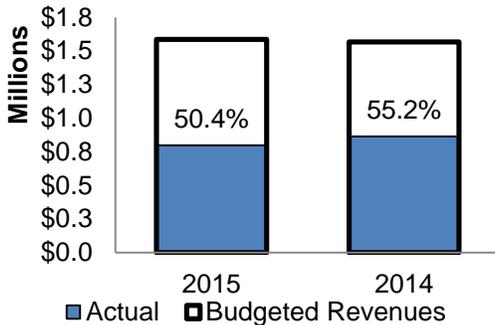
Receipts through September are 4.0% lower than the year-ago level. In addition to the year-over-year change, receipts are 1.7% higher than the year-to-date projection. Staff revised the year-end estimate through the 2016 budget process to bring the projections in line with historical trends. As can be seen in the chart below receipts in the first quarter of 2015 were lower than those received during the same period of the last two years but have since come in near the 5-year average. It is important to note that activity through the third quarter presented in this report does not reflect August and September payments as those items are typically received in the fourth quarter.

Receipts SEATTLE CITY LIGHT RECEIPTS BY MONTH



GENERAL FUND REVENUE ANALYSIS (continued):

GAMBLING TAX REVENUE



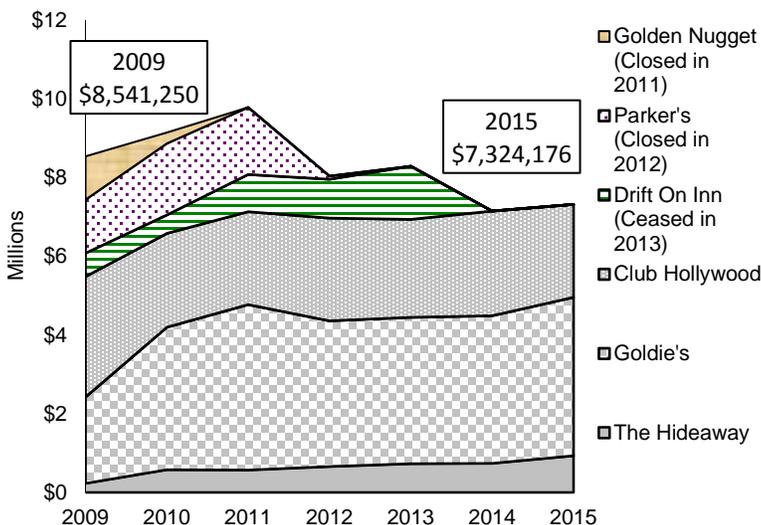
2015 Current Budget		\$1,586,625
2015 Third Quarter Actual Revenue		\$799,020
2015 % of Current Budget Received		50.4%
2014 Current Budget		\$1,569,125
2014 Third Quarter Actual Revenue		\$865,467
2014 % of Current Budget Received		55.2%
2015 v. 2014 \$ Change		-\$66,447
2015 v. 2014 % Change		-7.7%

Gambling tax receipts presented in this report largely reflect only those taxes calculated on first and second quarter gambling activity as third quarter gambling tax returns are not due to the City until October 31. Card rooms pay ten percent of gross yearly receipts over \$10,000.

Receipts attributable to taxes on gambling activity reported through the third quarter, in the amount of \$796,164 are 2.9% higher than the year-ago level and 0.7% higher than the budget projection. Total receipts, inclusive of taxes on gambling activity and payments on promissory notes, in the amount of \$799,020, are lower than 2014 collections due to the cessation of card room activity at a casino and payoff of promissory notes.

Pull-tab activity increased year-over-year while cardroom activity declined. Pull-tab activity returned to historic levels in the second quarter of 2014 while card room activity has not recovered after the closure of two establishments since 2010 and cessation of activity at the Drift on Inn. The chart below exhibits the last seven years of gross receipts reported by card rooms in Shoreline.

CARD ROOM RECEIPTS 2009-2015



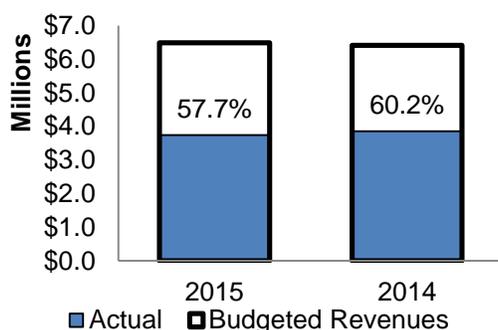
First - Second Quarters Activity 2009 - 2015

Year	Amount	% Change from Previous Year
2009	\$8,541,250	-10.4%
2010	\$9,153,159	7.2%
2011	\$9,789,449	7.0%
2012	\$8,041,424	-17.9%
2013	\$8,296,289	3.2%
2014	\$7,153,931	-13.8%
2015	\$7,324,176	2.4%

Source: Washington State Gambling Commission

GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



2015 Current Budget	\$6,494,853
2015 Third Quarter Actual Revenue	\$3,745,093
2015 % of Current Budget Received	57.7%
2014 Current Budget	\$6,417,125
2014 Third Quarter Actual Revenue	\$3,862,437
2014 % of Current Budget Received	60.2%
2015 v. 2014 \$ Change	-\$117,344
2015 v. 2014 % Change	-3.0%

Overall Utility Tax and Franchise Fee receipts are 3.0% lower than the year-ago level. The August payment from Puget Sound Energy (PSE) was received late and therefore is not reflected in this report. Another factor contributing to the year-over-year decrease is one telecommunication company's error in reporting that will result in the payments for July and August being received later this year. Staff is working with the company to correct this issue.

Staff has revised the year-end estimates for Cable TV and Telecommunications categories through the 2016 budget process. In addition to the year-over-year change receipts are 2.0% lower than the revised year-to-date projection. Had the PSE payment and two months' worth of payments from the telecommunications company been received on time receipts would be 1.5% lower than the year-ago level and 0.5% lower than the revised year-to-date projection.

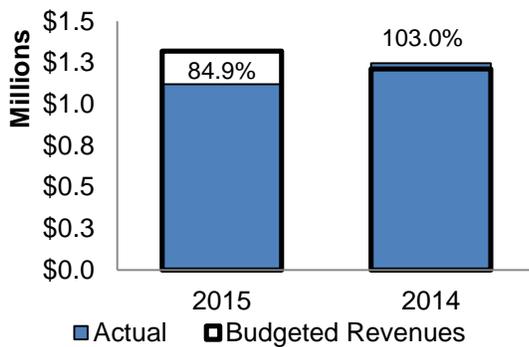
Natural gas tax receipts are 14.9% lower than those collected during the same period in 2014. Again had the August payment from Puget Sound Energy been received on time receipts would be 10.2% lower than the year-ago level. Lower monthly payments point to reduced demand for natural gas perhaps due to a mild winter and spring. Garbage tax receipts are 2.1% higher than those collected during the same period in 2014. Cable television tax receipts are 7.3% higher than those collected during the same period in 2014. Telecommunications tax receipts are 14.1% lower than the year-ago level. Again had the telecommunication company's two months' worth of payments been received on time, would be 10.5% lower than the year-ago level. Outside of the timing issues, we have seen a steady decrease in this category over the past few years. Water franchise fee receipts are 6.5% higher than those collected during the same period in 2014.

It is important to note that activity through the third quarter of 2015 and 2014 presented in this report does not reflect third quarter payments for the garbage utility tax and water and cable franchise fees. Third quarter payments for these items are typically received in late October.

Utility	2015 Current Budget	2015 Third Quarter Actual Revenue	2015 % of Current Budget Received	2014 Current Budget	2014 Third Quarter Actual Revenue	2014 % of Current Budget Received	2015 v. 2014 \$ Change	2015 v. 2014 % Change
Natural Gas	\$889,590	\$513,077	57.7%	\$889,590	\$602,928	67.8%	-\$89,851	-14.9%
Garbage	\$538,648	\$269,667	50.1%	\$528,086	\$264,107	50.0%	\$5,560	2.1%
Cable TV	\$1,760,845	\$1,089,994	61.9%	\$1,658,749	\$1,016,139	61.3%	\$73,855	7.3%
Telecommunications	\$1,503,000	\$749,858	49.9%	\$1,569,095	\$873,442	55.7%	-\$123,584	-14.1%
Storm Drainage	\$214,571	\$97,689	45.5%	\$207,697	\$123,508	59.5%	-\$25,819	-20.9%
Water	\$754,197	\$400,808	53.1%	\$754,197	\$376,313	49.9%	\$24,495	6.5%
Sewer	\$834,002	\$624,000	74.8%	\$809,711	\$606,000	74.8%	\$18,000	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	\$6,494,853	\$3,745,093	57.7%	\$6,417,125	\$3,862,437	60.2%	-\$117,344	-3.0%

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE



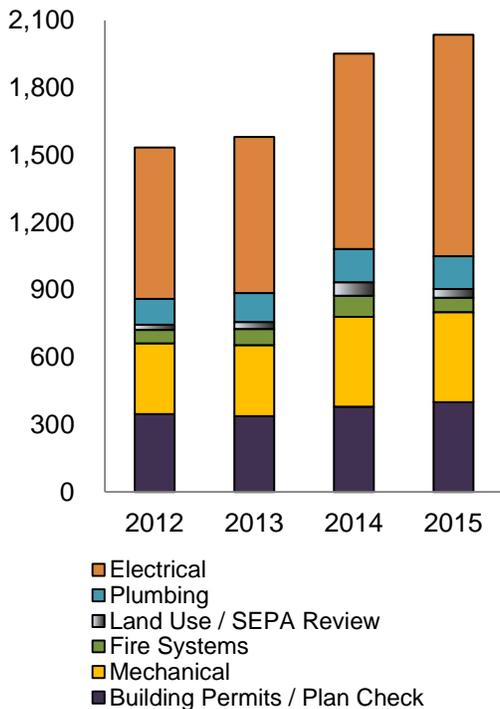
2015 Current Budget	\$1,319,750
2015 Third Quarter Actual Revenue	\$1,120,139
2015 % of Current Budget Received	84.9%
2014 Current Budget	\$1,211,750
2014 Third Quarter Actual Revenue	\$1,247,972
2014 % of Current Budget Received	103.0%
2015 v. 2014 \$ Change	-\$127,833
2015 v. 2014 % Change	-10.2%

Development revenue receipts exhibit a year-over-year decrease of 10.2% but are 0.6% lower than the revised year-to-date projection. Local development activity in 2015, in terms of the number of building permits pulled for new construction and remodels as well as their valuation in 2015 are higher than the year-ago level.

Valuation of 235 building permits for new construction and remodels issued through September totals \$46.3 million and is comprised 39.2% of residential and 60.8% commercial / multi-family valuation. The majority of the commercial / multi-family valuation is for the Centerpointe Apartments, which includes 163 units valued at \$21.7 million.

Thus far in 2015, there have been 16 more permits issued for new single-family residences issued, with a value that is \$0.9 million less, as compared to the year-ago level. There have been 12 fewer permits issued for commercial / multi-family construction (new and remodels), with a value that is \$11.7 million more, than the year-ago level.

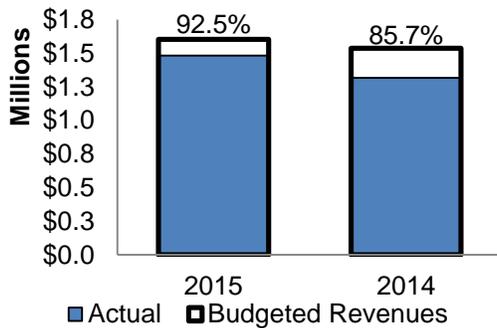
PERMITS BY TYPE



PERMIT TYPE	2012	2013	2014	2015	# Change	% Change
Building Permits / Plan Check	347	338	380	400	20	5.3%
Mechanical	315	316	400	401	1	0.3%
Fire Systems	60	72	94	64	-30	-31.9%
Land Use / SEPA Review	23	31	60	39	-21	-35.0%
Plumbing	115	129	148	146	-2	-1.4%
Electrical	674	695	870	986	116	13.3%
Total	1,534	1,581	1,952	2,036	84	4.3%

GENERAL FUND REVENUE ANALYSIS (continued):

PARK AND RECREATION REVENUE

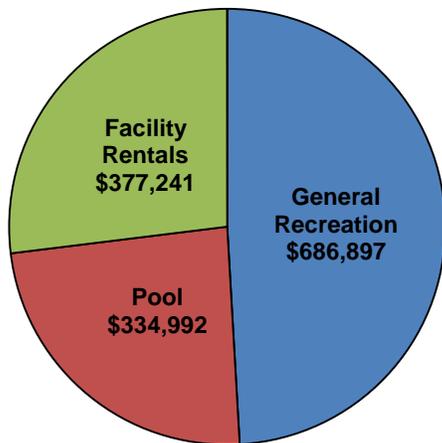


2015 Current Budget	\$1,603,216
2015 Third Quarter Actual Revenue	\$1,483,431
2015 % of Current Budget Received	92.5%
2014 Current Budget	\$1,537,541
2014 Third Quarter Actual Revenue	\$1,317,955
2014 % of Current Budget Received	85.7%
2015 v. 2014 \$ Change	\$165,476
2015 v. 2014 % Change	12.6%

Park and Recreation revenue receipts are 12.6% higher than the year-ago level and 7.6%, higher than the revised year-to-date projection. Compared to the first three quarters of 2014, 2015 witnessed an increase in revenues from the pool by 9.6%, mostly due to a 10.8% increase in revenue from lessons, and facility rentals by 11.0%, mostly due to a 10.4% increase in revenue from rentals of athletic fields. General Recreation receipts showed a significant increase of 14.8% over the same period in 2014, mostly due to increased revenue from participation in class offerings for specialized recreation classes (+25.5%) and youth arts (+63.5%), as well as increased participation in the summer playground (+23.7%).

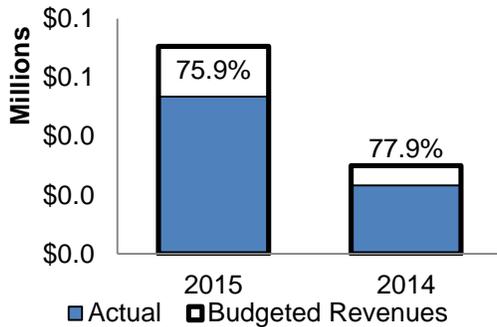
Recreation Revenue by Program Area January - September 2008 - 2015*

Year	General Recreation*	Gen Rec % of Total	Pool	Pool % of Total	Facility Rentals	Fac Rent % of Total	Total Revenue
2008	\$525,183	47.7%	\$322,138	29.3%	\$253,907	23.1%	\$1,101,228
2009	\$497,791	44.6%	\$306,312	27.4%	\$313,236	28.0%	\$1,117,339
2010	\$526,076	46.1%	\$298,031	26.1%	\$316,357	27.7%	\$1,140,464
2011	\$563,480	45.9%	\$310,388	25.3%	\$352,868	28.8%	\$1,226,736
2012	\$545,789	46.0%	\$299,268	25.2%	\$340,917	28.7%	\$1,185,974
2013	\$554,059	46.4%	\$277,292	23.2%	\$362,871	30.4%	\$1,194,222
2014	\$598,461	48.1%	\$305,555	24.6%	\$339,716	27.3%	\$1,243,732
2015	\$686,897	49.1%	\$334,992	23.9%	\$377,241	27.0%	\$1,399,130



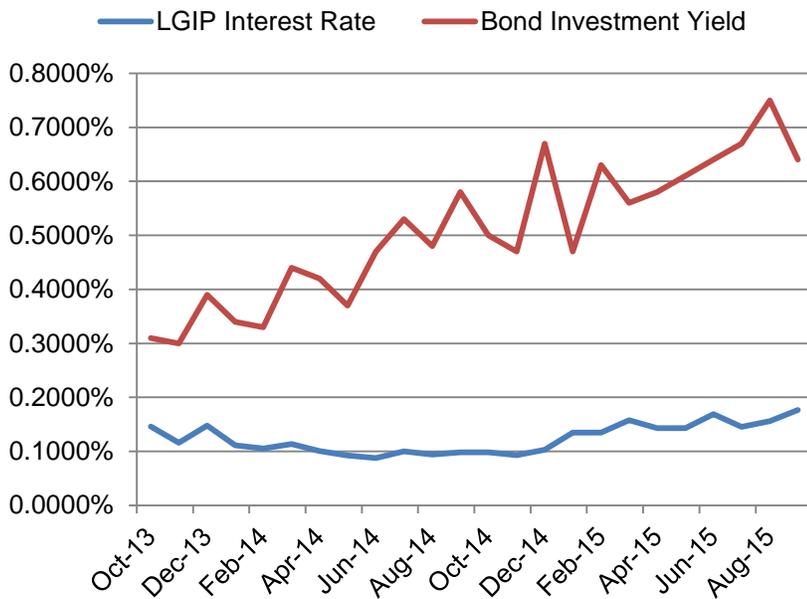
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT INCOME



2015 Current Budget		\$70,600
2015 Third Quarter Actual Revenue		\$53,561
2015 % of Current Budget Received		75.9%
2014 Current Budget		\$30,000
2014 Third Quarter Actual Revenue		\$23,373
2014 % of Current Budget Received		77.9%
2015 v. 2014 \$ Change		\$30,188
2015 v. 2014 % Change		129.2%

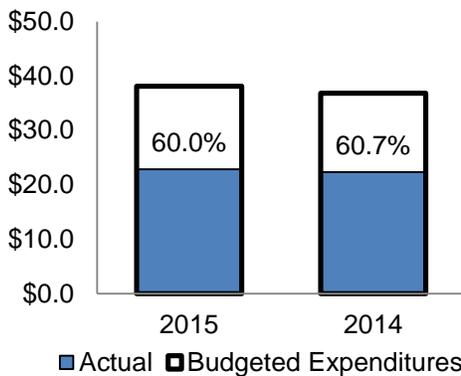
Investment earnings through September are higher than the year-ago level by \$30,188, or 129.2%. The City is diversifying and laddering its portfolio, moving methodically into longer term securities earning higher interest rates.



Month	LGIP Interest Rate	Bond Investment Yield
Oct-13	0.1458%	0.3100%
Nov-13	0.1162%	0.3000%
Dec-13	0.1477%	0.3900%
Jan-14	0.1110%	0.3400%
Feb-14	0.1051%	0.3300%
Mar-14	0.1137%	0.4400%
Apr-14	0.1009%	0.4200%
May-14	0.0921%	0.3700%
Jun-14	0.0874%	0.4700%
Jul-14	0.0999%	0.5300%
Aug-14	0.0943%	0.4800%
Sep-14	0.0982%	0.5800%
Oct-14	0.0984%	0.5000%
Nov-14	0.0928%	0.4700%
Dec-14	0.1031%	0.6700%
Jan-15	0.1347%	0.4700%
Feb-15	0.1347%	0.6300%
Mar-15	0.1577%	0.5600%
Apr-15	0.1430%	0.5800%
May-15	0.1428%	0.6100%
Jun-15	0.1688%	0.6400%
Jul-15	0.1453%	0.6700%
Aug-15	0.1561%	0.7500%
Sep-15	0.1766%	0.6400%
24 Month Average	0.1236%	0.5063%

EXPENDITURE ANALYSIS:

GENERAL FUND EXPENDITURES



2015 Current Budget	\$38,152,434
2015 Third Quarter Actual Expenditures	\$22,907,947
2015 % of Current Budget Expended	60.0%
2014 Current Budget	\$36,843,011
2014 Third Quarter Actual Expenditures	\$22,355,031
2014 % of Current Budget Expended	60.7%
2015 v. 2014 \$ Change	\$552,916
2015 v. 2014 % Change	2.5%

General Fund departmental expenditures through the third quarter of 2015, in the amount of \$21,913,345, are \$1,920,876, or 9.6%, higher than the year-ago level. This is largely due to the timing of billing from King County Sheriff's Office for the police contract. In 2014, the invoice for the month of July totaling \$874,894 was not received and paid until September. Had that invoice been received on time, 2015 would be \$1,045,982, or 5.0%, higher than the year-ago level. General Fund transfers out, of \$994,602 are \$1,367,960, or 57.9%, lower than the year-ago level. There were two significant one-time transfers that occurred during 2014 totaling \$800,000: \$300,000 for a grant matching pool and \$500,000 to support the annual roads surface maintenance program. Additional funding for debt service was also transferred earlier in the year in 2014 than it has been in 2015.

In addition to the year-over-year change, General Fund departmental expenditures are \$354,406, or 1.6%, less than the year-to-date projection. This is mostly from salary and benefit savings due to position vacancies. Expenditures including transfers out are 1.5% below the year-to-date projection.

Department	2015 Current Budget	2015 Third Quarter Actual Expenditures	2015 % of Current Budget Expended	2014 Current Budget	2014 Third Quarter Actual Expenditures	2014 % of Current Budget Expended	2015 v. 2014 \$ Change	2015 v. 2014 % Change
City Council	\$228,226	\$161,789	70.9%	\$221,089	\$162,761	73.6%	-\$972	-0.6%
City Manager's Office ¹	\$2,263,794	\$1,458,801	64.4%	\$2,158,535	\$1,308,374	60.6%	\$150,427	11.5%
City Attorney	\$671,384	\$414,722	61.8%	\$593,787	\$403,250	67.9%	\$11,472	2.8%
Community Services ²	\$1,596,656	\$934,134	58.5%	\$1,564,288	\$942,863	60.3%	-\$8,729	-0.9%
Administrative Services ³	\$4,150,628	\$2,797,446	67.4%	\$4,128,892	\$2,638,237	63.9%	\$159,209	6.0%
Citywide	\$1,818,198	\$660,543	36.3%	\$1,832,230	\$713,139	38.9%	-\$52,596	-7.4%
Human Resources	\$516,738	\$334,338	64.7%	\$442,810	\$333,143	75.2%	\$1,195	0.4%
Police	\$10,924,537	\$6,281,041	57.5%	\$10,703,332	\$5,205,410	48.6%	\$1,075,631	20.7%
Criminal Justice	\$2,581,291	\$1,760,356	68.2%	\$2,340,706	\$1,720,573	73.5%	\$39,784	2.3%
Parks	\$5,421,870	\$3,651,286	67.3%	\$5,020,693	\$3,424,952	68.2%	\$226,334	6.6%
Planning & Community Development	\$2,765,194	\$1,783,344	64.5%	\$2,705,095	\$1,724,324	63.7%	\$59,020	3.4%
Public Works	\$2,903,786	\$1,675,546	57.7%	\$2,442,806	\$1,415,444	57.9%	\$260,102	18.4%
Departmental Expenditures	\$35,842,302	\$21,913,345	61.1%	\$34,154,262	\$19,992,469	58.5%	\$1,920,876	9.6%
Operating Transfers Out	\$2,310,132	\$994,602	43.1%	\$2,688,749	\$2,362,562	87.9%	-\$1,367,960	-57.9%
Total Expenditures	\$38,152,434	\$22,907,947	60.0%	\$36,843,011	\$22,355,031	60.7%	\$552,916	2.5%

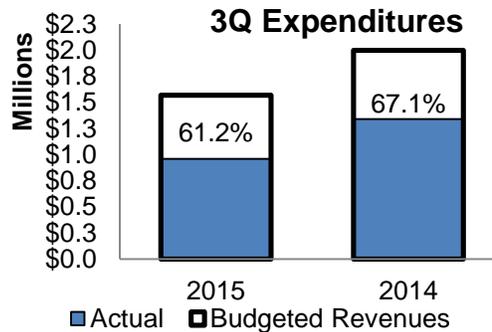
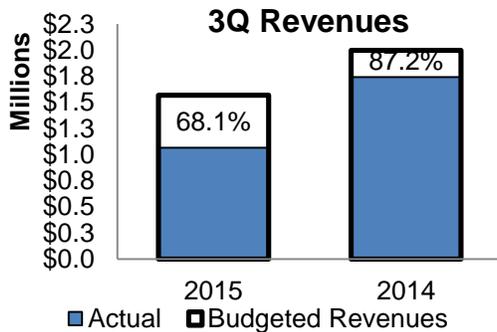
1. City Manager's Office includes City Manager's Office, City Clerk, Communications, Intergovernmental Relations, Economic Development, and Property Management

2. Community Services includes Neighborhoods, Customer Response Team, Emergency Management Planning, and Human Services

3. Administrative Services includes Finance, Purchasing, Information Systems, and Fleet and Facilities.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND



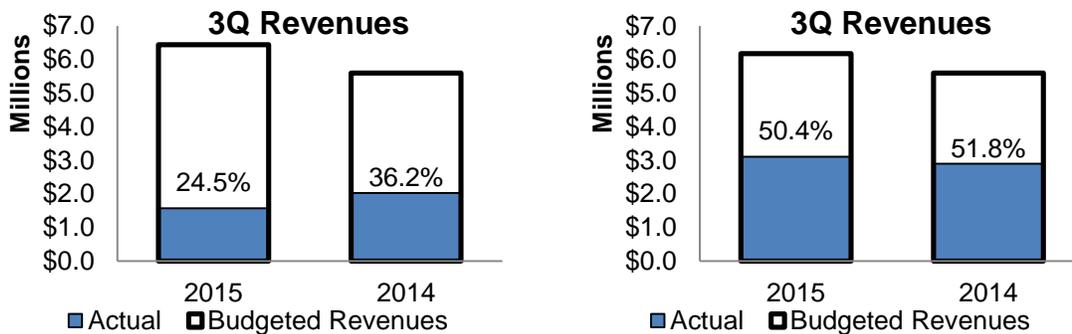
	<i>Revenue</i>	<i>Expenditure</i>
2015 Budget	\$1,569,007	\$1,569,007
2015 3rd Quarter Actual	\$1,068,213	\$959,517
2015 % of Current Budget	68.1%	61.2%
2014 Budget	\$1,999,037	\$1,999,037
2014 3rd Quarter Actual	\$1,744,031	\$1,340,390
2014 % of Current Budget	87.2%	67.1%
2015 v. 2014 \$ Variance	-\$675,818	-\$380,873
2015 v. 2014 % Variance	-38.8%	-28.4%

Receipts, including transfers in, through September totaled \$1,068,213 and are \$675,818, or 38.8%, lower than the year-ago level. This is mainly attributed to the decrease of General Fund support to the Street Fund (through a transfer from General Fund) the movement of intergovernmental professional services from the Street Fund to another program and a transfer in 2014 from the General Fund to Street Fund to cover one-time Supplementals. There was also a credit for streetlights in 2014. The streetlights credit was later transferred to General Fund in the fourth quarter of 2014. Factoring out the above, the 2015 receipts through the third quarter were \$6,898, or 0.6%, lower than the 2014 level. Motor vehicle fuel tax revenue receipts for the third quarter of 2015 are \$883,974, 2.5%, more than the year-ago level.

Expenditures, including transfers out, through September totaled \$959,517 and are \$380,873, or 28.4%, less than the year-ago level. The decrease in expenditures is primarily because intergovernmental professional services with King County were moved to another program in 2015. Through the third quarter, 2015 expenditures are 11.8% below projections based on three-year averages. However, previous years include the intergovernmental professional services provided by King County, which are no longer included in this fund.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

SURFACE WATER UTILITY FUND



	<i>Revenue</i>	<i>Expenditure</i>
2015 Budget	\$6,446,918	\$6,180,934
2015 3rd Quarter Actual	\$1,576,364	\$3,116,066
2015 % of Current Budget	24.5%	50.4%
2014 Budget	\$5,602,951	\$5,602,951
2014 3rd Quarter Actual	\$2,030,278	\$2,900,612
2014 % of Current Budget	36.2%	51.8%
2015 v. 2014 \$ Variance	-\$453,914	\$215,454
2015 v. 2014 % Variance	-22.4%	7.4%

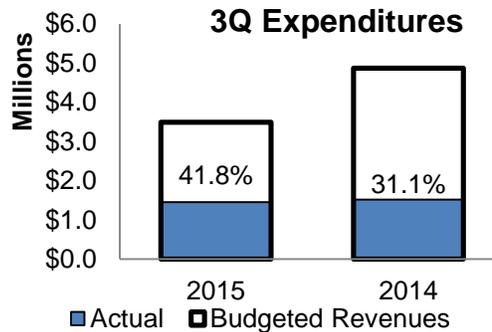
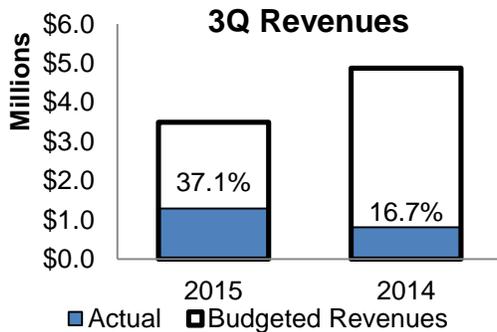
The Surface Water Utility Fund (SWM) includes on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Receipts through September, in the amount of \$1,576,364, are \$453,914, or 22.4%, lower than the year-ago level. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled \$1,541,214 and are \$422,877, or 21.5%, below the year-ago level. Staff has reviewed the storm drainage fee distribution from the County, and believes that the lower distribution is a timing issue and will be addressed with future distributions. Staff will continue to monitor.

Expenditures, including transfers out, through September totaled \$3,116,066 and are \$215,454, or 7.4%, more than the year-ago level. Expenditures are impacted by the timing of construction schedules.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

GENERAL CAPITAL FUND



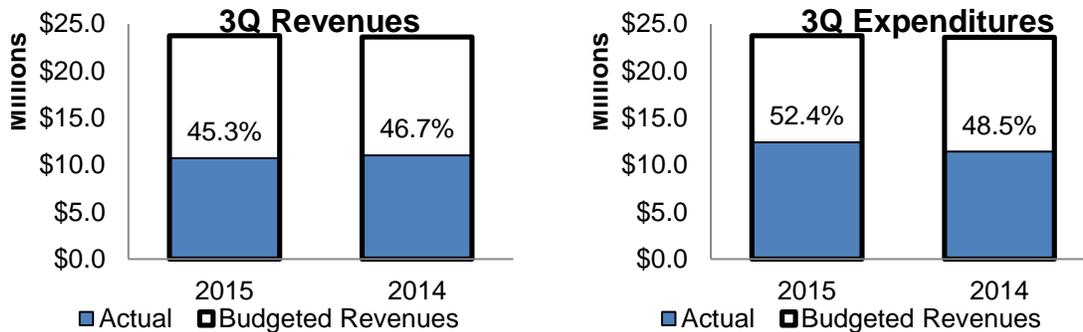
	<i>Revenue</i>	<i>Expenditure</i>
2015 Budget	\$3,492,919	\$3,492,919
2015 3rd Quarter Actual	\$1,295,013	\$1,460,370
2015 % of Current Budget	37.1%	41.8%
2014 Budget	\$4,878,471	\$4,878,471
2014 3rd Quarter Actual	\$813,761	\$1,518,804
2014 % of Current Budget	16.7%	31.1%
2015 v. 2014 \$ Variance	\$481,252	-\$58,434
2015 v. 2014 % Variance	59.1%	-3.8%

Receipts through September, in the amount of \$1,295,013, are \$481,252, or 59.1%, more than the year-ago level. This increase is mainly attributed to an increase in REET (please see Real Estate Excise Tax (REET) section). Investment earnings totaled \$1,995 which is \$4, or 0.2%, below the 2014 levels.

Expenditures through September, including transfers out, totaled \$1,460,370 and are \$58,434, or 3.8%, less than the same period in 2014. Expenditures are impacted by the timing of construction schedules.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

ROADS CAPITAL FUND



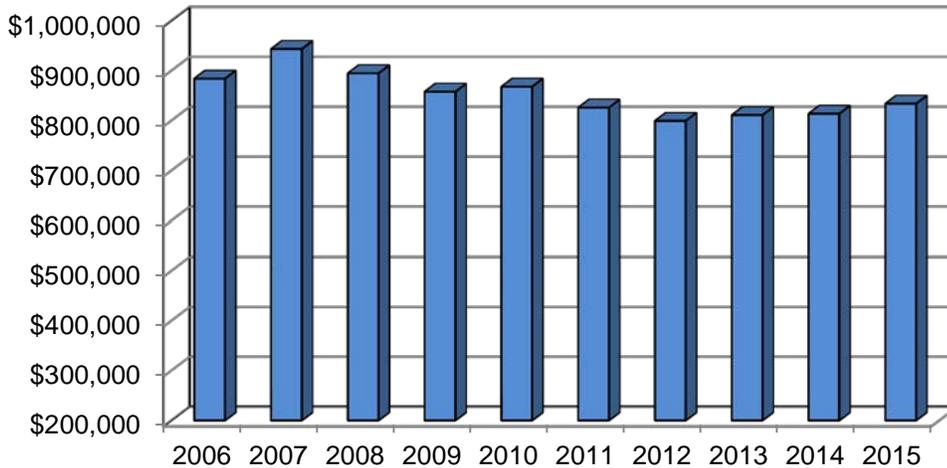
	<i>Revenue</i>	<i>Expenditure</i>
2015 Budget	\$23,749,289	\$23,749,289
2015 3rd Quarter Actual	\$10,754,332	\$12,436,133
2015 % of Current Budget	45.3%	52.4%
2014 Budget	\$23,642,942	\$23,603,999
2014 3rd Quarter Actual	\$11,042,496	\$11,454,378
2014 % of Current Budget	46.7%	48.5%
2015 v. 2014 \$ Variance	-\$288,164	\$981,755
2015 v. 2014 % Variance	-2.6%	8.6%

Receipts through September, in the amount of \$10,754,332, are \$288,164, or 2.6%, lower than the year-ago level.

Expenditures through September, in the amount of \$12,436,133, are \$981,755, or 8.6%, higher than the year-ago level. As with the other capital funds, expenditures are impacted by the timing of construction schedules.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND FUEL TAX



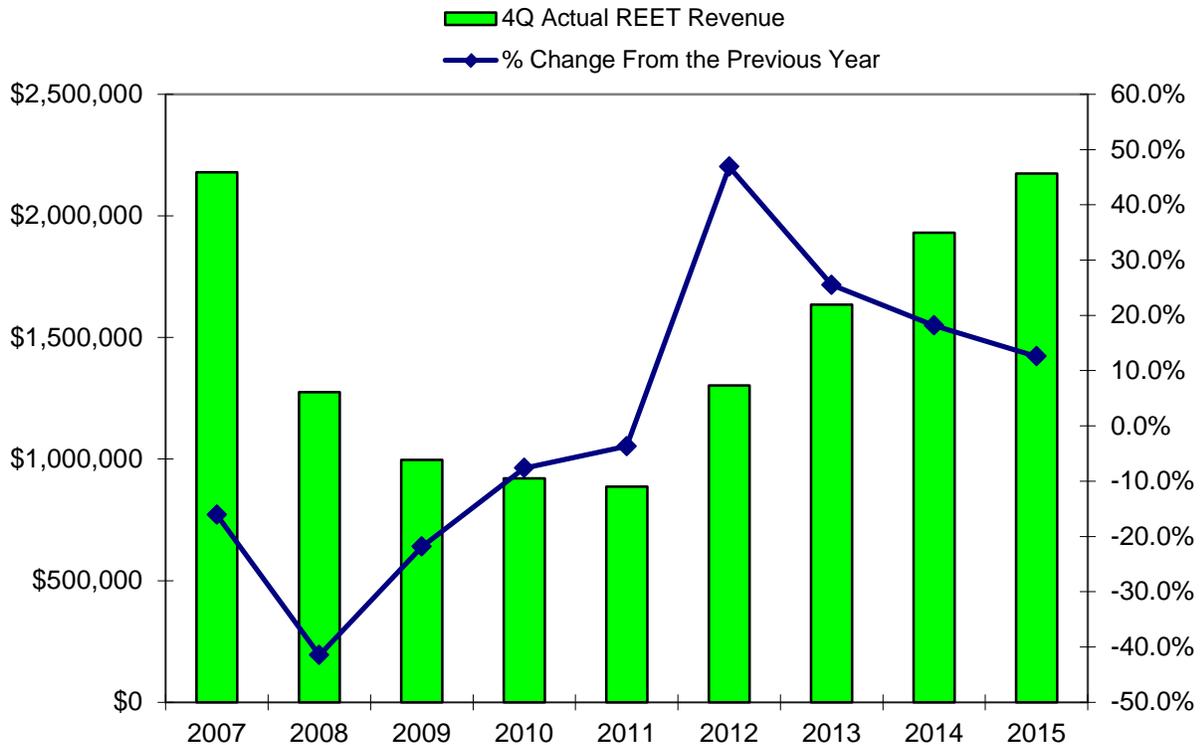
Fuel Tax: Historical Third Quarter 2006-2015

2006	\$884,160
2007	\$943,554
2008	\$894,832
2009	\$857,894
2010	\$868,022
2011	\$826,043
2012	\$799,607
2013	\$811,132
2014	\$813,935
2015	\$833,974

The Motor Vehicle Fuel Excise Tax, commonly referred to as Gas Tax, is levied by the State on a per gallon basis, distributed monthly on a per capita basis to the City of Shoreline, and placed in the Street Fund. Fuel Tax revenue receipts through September totaled \$833,974 and are \$20,039, or 2.5%, higher than the year-ago level.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

REAL ESTATE EXCISE TAX (REET)



REET: Third Quarter Collected 2007-2015

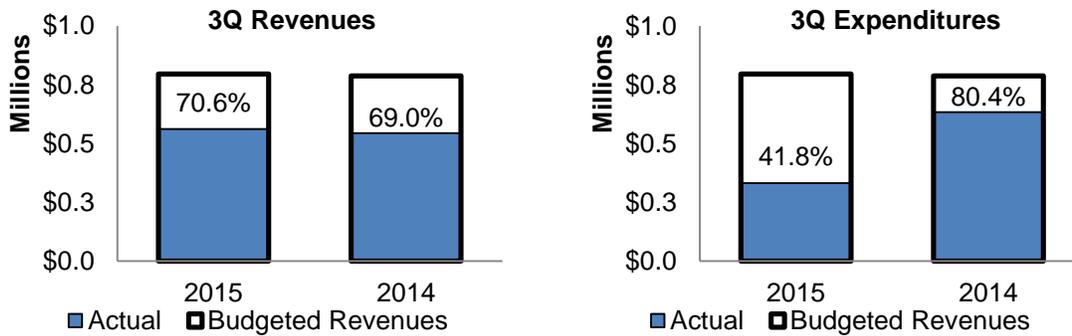
	Revenue	\$ Change from Previous Year	%Change from Previous Year
2007	\$2,179,332	-\$418,371	-16.1%
2008	\$1,275,597	-\$903,735	-41.5%
2009	\$996,805	-\$278,792	-21.9%
2010	\$920,596	-\$76,209	-7.6%
2011	\$886,555	-\$34,041	-3.7%
2012	\$1,302,282	\$415,727	46.9%
2013	\$1,634,442	\$332,160	25.5%
2014	\$1,931,192	\$296,750	18.2%
2015	\$2,173,900	\$242,708	12.6%

Real Estate Excise Tax (REET) revenue receipts through September totaled \$2,173,900 and are \$712,994, or 48.8%, more than receipts for the same period in 2014. There were 209, or 30.8%, more real estate transactions through the third quarter of 2015 than in the same period of 2014, and the total value of all transactions was \$426.2 million, or 56.2%, more than in 2014.

The difference in the value of real estate transactions is attributable to: (i) there being more transactions in 2015 (888 total) than in 2014 (679 total), (ii) there being 34 high-value (\$1 million or more) transactions through the third quarter of 2015, 12 more than in the same period of 2014, and (iii) the average value of transaction increased by \$78,189 in 2014 to \$480,001.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS (continued):

TRANSPORTATION BENEFIT DISTRICT



	<i>Revenue</i>	<i>Expenditure</i>
2015 Budget	\$796,300	\$796,300
2015 3rd Quarter Actual	\$562,457	\$332,500
2015 % of Current Budget	70.6%	41.8%
2014 Budget	\$788,613	\$788,613
2014 3rd Quarter Actual	\$544,123	\$634,340
2014 % of Current Budget	69.0%	80.4%
2015 v. 2014 \$ Variance	\$18,334	-\$301,840
2015 v. 2014 % Variance	3.4%	-47.6%

Through the first nine months of 2015, TBD vehicle license fees totaled \$561,866 which is \$17,968, or 3.3%, more than collections over the same period in 2014. Including the LGIP investment interest, total third quarter revenues equal \$562,457.

Expenditures, mostly consisting of charges for services by the Annual Road Surface Maintenance program, totaled \$332,500, which is \$301,840 or 47.6% less than the same period in 2014. The difference between the years is mainly due to timing of the transfers to the Roads Capital Fund.

INVESTMENT REPORT – Third Quarter June 30, 2015

The City's investment policy adheres to strict standards prescribed by federal law, state statutes, local ordinances, and allows the City to develop an investment model to maximize its investment returns within the primary objectives of safety and liquidity.

Our yield objectives are very important and, pursuant to policy, the basis used by the City to determine whether the market yields are being achieved is through the use of a comparable benchmark. Our benchmark has been identified as the current yield to maturity of the Washington State Local Government Investment Pool, which had been the City's primary mode of investment prior to adopting our Investment Policy. As of September 30, 2015, the City's investment portfolio, excluding the State Investment Pool, had a current weighted average rate of return of 1.0802%. This is better than the State Investment Pool's current rate of return of 0.1766%. Total investment interest earnings through September were \$69,144 which is about 59% of total budgeted 2015 investment earnings of \$118,013.

Over the past few years, we have seen interest rates decline significantly. The average yield on two year government agency bonds was 5.34% in January 2007. By the end of 2008 this rate was down to 1.1%. Rates continued to decline reaching a low of 0.39% at the end of December 2013.

We are now starting to see some recovery in interest rates as the rate at the end of June 2014 was 0.47% and at the end of September 2015 was 0.64%. The City continued to implement a ladder philosophy in its investment portfolio over the last year. With the ladder philosophy, the City adds \$1M a quarter to its investment portfolio. This resulted in the City being able to hold some securities at a higher interest rate during the current interest rate environment. For example an instrument purchased in August 2015 is yielding 1.2636% and will not mature until August 2018. This rate of return is projected to be above the average projected rate of return from the State Pool over the same period. A laddered portfolio approach helps assure that the City will, in the long run, receive a market average rate of return.

As of September 30, 2015, the City's investment portfolio had a fair value of nearly \$27.30 million. Approximately 33% of the investment portfolio was held in U.S. government instrumentality securities, and 67% was held in the Washington State Investment Pool. The City's investment portfolio valued at cost as of September 30, 2015, was slightly over \$27.27 million. The difference between the cost and the market value of the portfolio represents either the loss or the gain of the portfolio if the City were to liquidate investments as of the day that the market value is stated. This would only be done if the City needed to generate cash. The City holds all of its investments until the scheduled maturity date, and therefore when the investments mature the principal market value should equal the cost of the investment. The City also holds sufficient investments within the State Pool to allow for immediate cash liquidation if needed. Investments within the State Pool can be liquidated on any given day with no penalty.

INVESTMENT REPORT (continued):

LGIP Cash and Investment Balances September 30, 2015

Instrument Type

Instrument Type	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 9/30/15
FHLB 0.375	3133834R9	ProEquities	06/26/13	06/24/16	\$1,000,000	\$986,541	0.8310%	\$13,421	\$999,962
FHLB 0.75	3130A16D5	Financial Northwestern	03/26/14	03/24/17	1,000,000	994,000	0.9537%	8,594	1,002,594
FHLMC 1.0	3137EADH9	Financial Northwestern	06/14/14	06/29/17	1,000,000	1,000,000	1.0000%	6,881	1,006,881
FFCB 1.20	3133EEFP0	Wells Fargo	12/19/14	12/18/17	1,000,000	999,500	1.2170%	2,050	1,001,550
FHLB 1.15	3130A3NK6	Financial Northwestern	12/29/14	12/29/17	1,000,000	999,750	1.1585%	2,312	1,002,062
FHLB 1.17	3130A5RE1	Financial Northwestern	06/29/15	06/29/18	1,000,000	999,500	1.1870%	1,991	1,001,491
FICO STRIP PRIN SER D-P	31771KAH0	Time Value Investment	09/29/15	08/03/18	1,500,000	1,456,388	1.0400%	-9,590	1,446,798
FHLB 1.25	3130A67L5	Alamo Capital	08/24/15	08/24/18	1,000,000	999,600	1.2636%	1,629	1,001,229
FFCB 1.09	3133EFFL6	Time Value Investment	09/29/15	09/28/18	500,000	500,000	1.0900%	134	500,134
Sub Total Investments					\$9,000,000	\$8,935,279		\$27,422	\$8,962,701
State Investment Pool						18,339,067	0.1766%		18,339,067
Total LGIP + Investments						\$27,274,346		\$27,422	\$27,301,768

Current Average Maturity Excluding the State Investment Pool (days)	805
Current Weighted Average Yield to Maturity Excluding the State Pool	1.0802%
Current Yield to Maturity State Investment Pool	0.1766%
Basis Points in Excess (Below) Benchmark	90

Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker	Percentage	Amount at Cost
FFCB	5.5%	\$1,501,684	\$1,499,500	Alamo Capital	3.7%	\$999,600
FHLB	18.3%	5,007,338	4,979,391	Financial Northwestern	14.6%	3,993,250
FHLMC	3.7%	1,006,881	1,000,000	ProEquities	3.6%	986,541
FICO STRIP PRIN SER D-P	5.3%	1,446,798	1,456,388	Time Value Investment	7.2%	1,956,388
				Wells Fargo	3.7%	999,500
State Investment Pool	67.2%	18,339,067	18,339,067	State Investment Pool	67.2%	18,339,067
Total LGIP + Investments	100%	\$27,301,768	\$27,274,346	Total Investments	100%	\$27,274,346

Investments by Fund

Fund	Investments at Cost as of 9/30/2015	LGIP State Investment Pool as of 9/30/2015	Total LGIP + Investments at Cost by Fund as of 9/30/2015	Unrecognized Gain/(Loss) as of 9/30/2015	Total Market Value of Investments by Fund as of 9/30/2015	Investment Earnings Budget 2015	Investment Earnings Actual 2015	Over/(Under) Budget
001 General	\$2,551,494	\$6,636,587	\$9,188,081	\$13,965	\$9,202,046	\$69,000	\$48,007	-\$20,993
101 Street	250,000	747,520	997,520	3,401	1,000,921	2,500	1,326	-1,174
107 Code Abatement	0	132,887	132,887	0	132,887	550	174	-376
108 Asset Seizure	0	156,206	156,206	0	156,206	0	207	207
109 Public Arts	0	165,422	165,422	0	165,422	0	238	238
112 Fed Drug Enforcement	0	239,521	239,521	0	239,521	50	310	260
114 Transportation Benefit Dist.	0	553,731	553,731	0	553,731	60	591	531
115 Property Tax Equalization	0	975,629	975,629	0	975,629	0	1,285	1,285
116 Fed Crim Forfeit	0	1,631,550	1,631,550	0	1,631,550	845	2,096	1,251
117 Transportation Impact Mitigation		164,208	164,208	0	164,208	0	65	65
190 Revenue Stabilization	4,817,244	254,987	5,072,231	0	5,072,231	0	0	0
301 General Capital	0	2,193,967	2,193,967	0	2,193,967	11,809	1,992	-9,817
312 City Fac-Mjr Maint	0	135,693	135,693	0	135,693	1,417	225	-1,192
330 Roads Capital	0	1,650,749	1,650,749	0	1,650,749	14,431	2,776	-11,655
401 Surface Water Utility Fund	0	1,505,044	1,505,044	0	1,505,044	9,101	2,598	-6,503
501 Vehicle Oper/Maint	0	220,420	220,420	0	220,420	250	273	23
503 Equip Dep Replace	1,316,541	911,767	2,228,308	10,056	2,238,365	8,000	6,897	-1,103
505 Unemployment	0	63,177	63,177	0	63,177	0	82	82
Total Investments	\$7,978,791	\$26,215,212	\$34,194,003	\$33,797	\$34,227,800	\$118,013	\$43,823	-\$74,190