



2016 First Quarter FINANCIAL REPORT

June 2016

PERFORMANCE AT A GLANCE

GENERAL FUND REVENUES	Compared to 2016 First Quarter Projections	Reference
Property Tax Revenue	◀NEUTRAL▶	Page 4
Sales Tax Revenue	▲ POSITIVE ▲	Page 5-6
Utility Tax Revenue	● WARNING ●	Page 9
Development Revenue	▲ POSITIVE ▲	Page 10
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Surface Water Fees	▲ POSITIVE ▲	Page 15
Fuel Tax	◀NEUTRAL▶	Page 16
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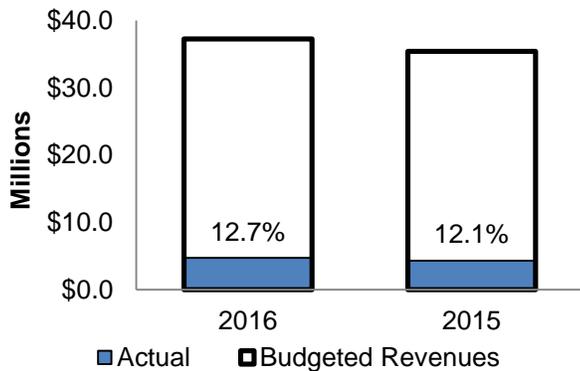
This report reflects revenue and expenditures through March 31, 2016. Because of the cyclical nature of revenues and expenditures, the percentage collected varies by type. The above chart reflects variances when compared to first quarter projections. As you can see from the chart, revenues are close to or ahead of projections with the exception of Utility Tax Revenue which is primarily impacted by a late payment.

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 REVENUE ANALYSIS:

TOTAL GENERAL FUND REVENUE SUMMARY



2016 Current Budget	\$42,133,114
2016 Budgeted Revenues	\$37,288,638
2016 First Quarter Actual Revenue	\$4,722,009
2016 % of Current Budget Received	12.7%
2015 Budgeted Revenues	\$35,410,693
2015 First Quarter Actual Revenue	\$4,296,712
2015 % of Current Budget Received	12.1%
2016 v. 2015 \$ Change	\$425,297
2016 v. 2015 % Change	9.9%

The difference between 2016 Current Budget and 2016 Budgeted Revenues reflects the planned use of Fund Balance for one time investments as provided in our financial policy. Total General Fund revenue receipts total \$4,722,009, which is \$425,297, or 9.9%, more than the year-ago level. The following pages provide a detailed analysis of the various General Fund revenue sources. The following are highlights comparing 2016 to 2015 for the General Fund:

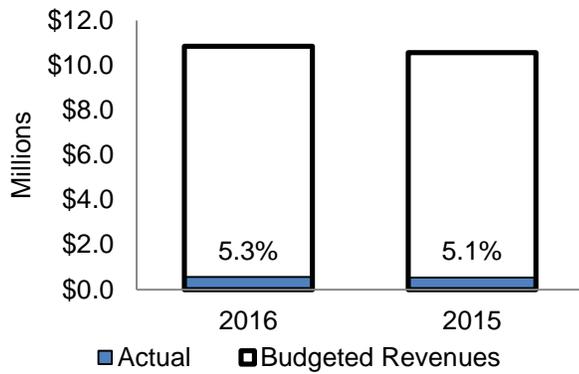
- Property tax receipts are 7.1% more than the year-ago level.
- Sales tax receipts are 3.2% higher than the year-ago level after accounting for the miscoding of \$54,995 worth of tax returns that occurred in 2015.
- The year-over-year decline in utility tax and franchise fee revenue receipts is due to a significant reduction (-19.8%) in the amount of telecommunications utility tax collected. Some of the year-over-year change is caused by the timing of payments. The first quarter payment from CenturyLink was received late this year; however, had that payment been received on time, receipts would be 6.5% less than the year-ago level but 3.6% more than the first quarter projection.
- Development revenue receipts exhibit a year-over-year increase of 70.3% as local development activity, in terms of the number of building permits pulled for new construction and remodels, has increased from the year-ago level and the valuation is higher.
- The year-over-year decline in park and recreation revenue of 14.5% is largely attributable to the pool closure. Staff adjusted budget projections to account for this and receipts are 11.3% higher than the first quarter projection.

GENERAL FUND REVENUE DETAIL AS OF MARCH 31, 2016

Revenue Source	2016 Current Budget	2016 First Quarter Actual Revenue	2016 % of Current Budget Received	2015 Current Budget	2015 First Quarter Actual Revenue	2015 % of Current Budget Received	2016 v. 2015 \$ Variance	2016 v. 2015 % Variance
Budgeted Fund Balance	\$4,844,476	\$0	0.0%	\$1,797,948	\$0	0.0%	\$0	0.0%
Property Tax	\$10,860,481	\$573,504	5.3%	\$10,570,659	\$535,289	5.1%	\$38,215	7.1%
Sales Tax	\$7,747,700	\$1,368,826	17.7%	\$7,320,000	\$1,271,934	17.4%	\$96,892	7.6%
Local Criminal Justice	\$1,403,619	\$368,268	26.2%	\$1,276,154	\$338,509	26.5%	\$29,759	8.8%
Utility Tax & Franchise Fee Revenue								
<i>Natural Gas</i>	\$906,500	\$211,370	23.3%	\$889,590	\$216,671	24.4%	-\$5,301	-2.4%
<i>Garbage</i>	\$548,880	\$249	0.0%	\$538,648	\$155	0.0%	\$94	60.6%
<i>Cable TV</i>	\$1,903,020	\$162,729	8.6%	\$1,760,845	\$162,374	9.2%	\$355	0.2%
<i>Telecommunications</i>	\$1,421,640	\$119,680	8.4%	\$1,503,000	\$149,232	9.9%	-\$29,552	-19.8%
<i>Storm Drainage</i>	\$240,275	\$14,295	5.9%	\$214,571	\$13,535	6.3%	\$760	5.6%
<i>Water</i>	\$780,700	\$0	0.0%	\$754,197	\$0	0.0%	\$0	0.0%
<i>Sewer</i>	\$859,022	\$214,250	24.9%	\$834,002	\$208,000	24.9%	\$6,250	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	\$6,660,037	\$722,573	10.8%	\$6,494,853	\$749,967	11.5%	-\$27,394	-3.7%
SCL Contract Payment	\$1,838,980	\$205,969	11.2%	\$1,993,063	\$188,931	9.5%	\$17,038	9.0%
Gambling Tax Revenue	\$1,587,425	\$906	0.1%	\$1,586,625	\$1,543	0.1%	-\$637	-41.3%
Development Revenue	\$1,456,000	\$519,900	35.7%	\$1,319,750	\$305,297	23.1%	\$214,603	70.3%
Park and Recreation Revenue	\$1,500,998	\$273,701	18.2%	\$1,583,119	\$320,097	20.2%	-\$46,396	-14.5%
Intergovernmental Revenue	\$978,820	\$231,739	23.7%	\$894,991	\$193,636	21.6%	\$38,103	19.7%
Grant Revenue	\$202,041	\$29,713	14.7%	\$162,163	\$0	0.0%	\$29,713	0.0%
Fines and Licenses	\$642,072	\$59,664	9.3%	\$644,000	\$51,810	8.0%	\$7,854	15.2%
Miscellaneous Revenue	\$627,791	\$96,680	15.4%	\$513,702	\$86,107	16.8%	\$10,573	12.3%
Interest Income	\$70,600	\$15,376	21.8%	\$70,600	\$8,338	11.8%	\$7,038	84.4%
Operating Transfers In	\$1,712,074	\$255,190	14.9%	\$981,014	\$245,254	25.0%	\$9,936	4.1%
Total General Fund Revenue	\$42,133,114	\$4,722,009	11.2%	\$37,208,641	\$4,296,712	11.5%	\$425,297	9.9%
Total General Fund Revenue excl. Budgeted Fund Balance	\$37,288,638	\$4,722,009	12.7%	\$35,410,693	\$4,296,712	12.1%	\$425,297	9.9%

GENERAL FUND REVENUE ANALYSIS:

PROPERTY TAX

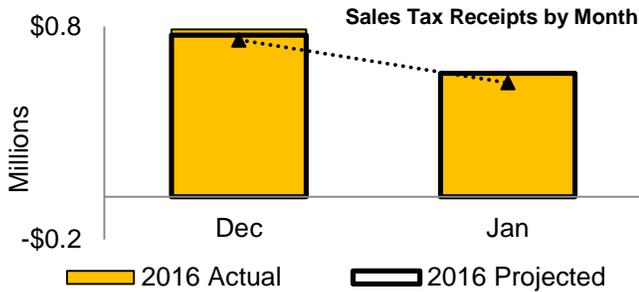


2016 Current Budget		\$10,860,481
2016 First Quarter Actual Revenue		\$573,504
2016 % of Current Budget Received		5.3%
2015 Current Budget		\$10,570,659
2015 First Quarter Actual Revenue		\$535,289
2015 % of Current Budget Received		5.1%
2016 v. 2015 \$ Change		\$38,215
2016 v. 2015 % Change		7.1%

Property taxes are due to King County in April and October. The county then must remit the City's portion resulting in the majority of property tax collections occurring in second and fourth quarters. Collections in the first and third quarter are delinquent collections. In addition to the year-over-year change noted in the summary, Property Tax receipts are 0.1% more than the first quarter projection.

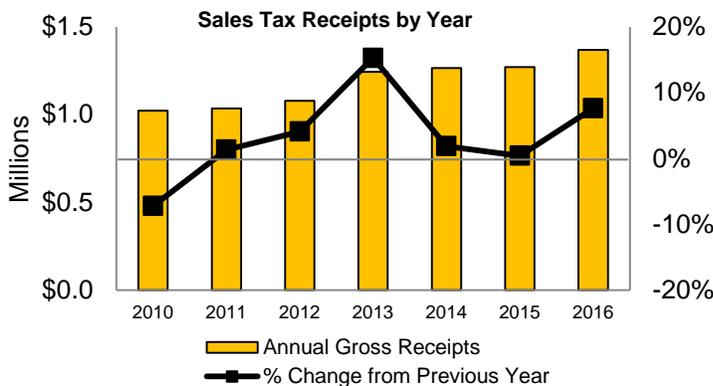
GENERAL FUND REVENUE ANALYSIS (continued):

SALES TAX



2016 Current Budget		\$7,747,000
Sales tax revenue: December - July		
Sales Activity	2015	2016
December	\$736,315	\$786,417
January	\$535,619	\$582,409
<i>Year to date</i>	\$1,271,934	\$1,368,826
\$ Change	\$96,892	
% Change	7.6%	

Sales tax receipts, which reflect activity from December 2015 through January 2016, total \$1,368,826 and are above the first quarter projection by \$29,700 or 2.2%, and above 2015 collections by \$96,892 or 7.6%. Sales tax receipts are 3.2% higher than the year-ago level after accounting for the miscoding of \$54,995 worth of tax returns that occurred in 2015. The following chart and table reflects a comparison of sales tax receipts by year:



Year	First Quarter Revenue	% Change from Previous Year
2010	\$1,022,166	-7.2%
2011	\$1,035,818	1.3%
2012	\$1,078,354	4.1%
2013	\$1,243,462	15.3%
2014	\$1,266,540	1.9%
2015	\$1,271,934	0.4%
2016	\$1,368,826	7.6%

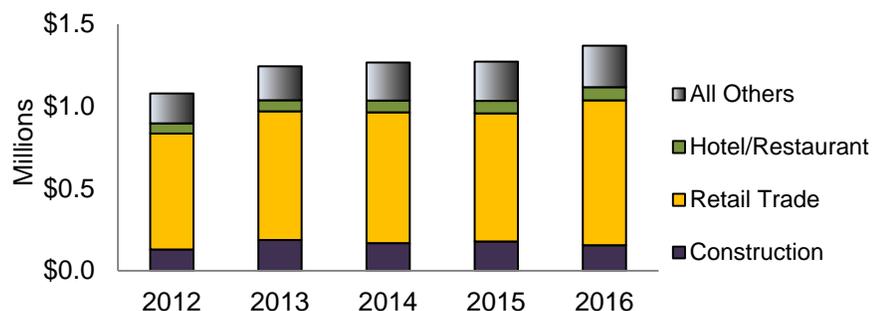
The tables on the following page help illustrate the performance of various sectors. The first table presents a condensed view of the four primary categories of construction, retail trade, hotels and restaurants, and all others. The second table presents a breakdown of the retail trade category and highlights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

There continues to be significant growth in receipts from new car dealers (in the motor vehicle and parts dealer category) since 2011. Receipts for this period were higher than those for the same period of 2015, 2014, 2013, 2012, and 2011 by 11.0%, 28.2%, 25.8%, 67.1%, and 67.1%, respectively.

Receipts from the construction sector are lower than the year-ago level by 12.8%. In 2016 there were no collections related to one-time activity in the first quarter. Historically, first quarter one-time activity accounted for \$17,282 or 9.7% in 2015, \$41,385 or 24.6% in 2014, \$68,176 or 36.4% in 2013, and \$49,127, or 24.1% in 2012. Removing one-time activity from the calculation reveals a year-over-year increase of 3.5%.

GENERAL FUND REVENUE ANALYSIS (continued):

Annual Sales Tax Revenue Comparison by Sector



SALES TAX BY PRIMARY CATEGORY – First Quarter

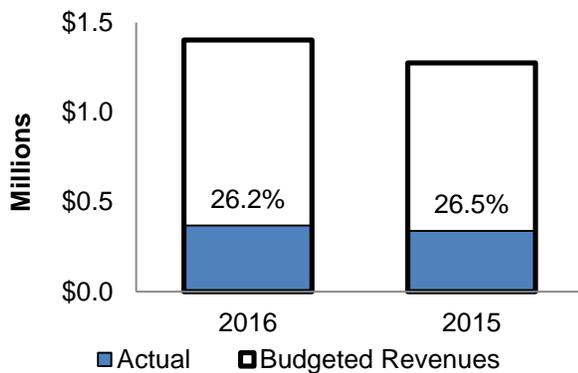
Sector	2012	2013	2014	2015	2016
Construction	\$129,963	\$187,418	\$168,515	\$178,605	\$155,806
Retail Trade	\$704,842	\$782,320	\$795,090	\$778,740	\$880,780
Hotel/Restaurant	\$61,896	\$67,378	\$71,571	\$76,081	\$79,897
All Others	\$181,653	\$206,346	\$231,365	\$238,508	\$252,342
Total	\$1,078,354	\$1,243,462	\$1,266,540	\$1,271,934	\$1,368,826
\$ Change from previous year	\$13,652	\$165,108	\$23,078	\$5,394	\$96,891
% Change from previous year	1.3%	15.3%	1.9%	0.4%	7.6%

SALES TAX BY CATEGORY

	2012 Dec-Jan	2013 Dec-Jan	2013 v. 2012 \$ Change	2014 Dec-Jan	2014 v. 2013 \$ Change	2015 Dec-Jan	2015 v. 2014 \$ Change	2016 Dec-Jan	2016 v. 2015 \$ Change
Retail Trade									
Motor Vehicle, Parts Dealer	\$161,779	\$198,130	\$36,351	\$208,082	\$9,952	\$219,244	\$11,162	\$244,946	\$25,702
Furniture, Home Furnishings	\$8,979	\$9,550	\$571	\$9,968	\$418	\$10,470	\$502	\$10,270	-\$200
Electronics and Appliances	\$15,078	\$13,899	-\$1,179	\$17,045	\$3,146	\$22,793	\$5,748	\$22,695	-\$98
Building Material and Garden	\$72,694	\$87,045	\$14,351	\$83,724	-\$3,321	\$38,993	-\$44,732	\$100,285	\$61,292
Food and Beverage Stores	\$43,378	\$44,915	\$1,537	\$43,929	-\$986	\$47,334	\$3,405	\$76,111	\$28,778
Health and Personal Care	\$27,633	\$30,114	\$2,481	\$31,567	\$1,453	\$35,632	\$4,065	\$40,513	\$4,881
Gasoline Stations	\$11,922	\$11,557	-\$365	\$11,850	\$293	\$12,056	\$206	\$9,972	-\$2,084
Clothing and Accessories	\$9,637	\$10,101	\$464	\$9,665	-\$436	\$12,295	\$2,630	\$14,468	\$2,173
Sporting Goods, Hobby, Books	\$16,696	\$16,641	-\$55	\$18,208	\$1,567	\$17,980	-\$228	\$15,006	-\$2,974
General Merchandise Stores	\$260,906	\$281,644	\$20,738	\$274,402	-\$7,242	\$278,704	\$4,302	\$252,185	-\$26,518
Miscellaneous Retailers	\$49,016	\$46,846	-\$2,170	\$49,622	\$2,776	\$43,954	-\$5,668	\$46,039	\$2,085
Non-store Retailers	\$27,124	\$31,878	\$4,754	\$37,029	\$5,151	\$39,287	\$2,258	\$48,291	\$9,004
Total Revenue	\$704,842	\$782,320	\$77,478	\$795,090	\$12,770	\$778,740	-\$16,349	\$880,780	\$102,040

GENERAL FUND REVENUE ANALYSIS (continued):

LOCAL CRIMINAL JUSTICE SALES TAX

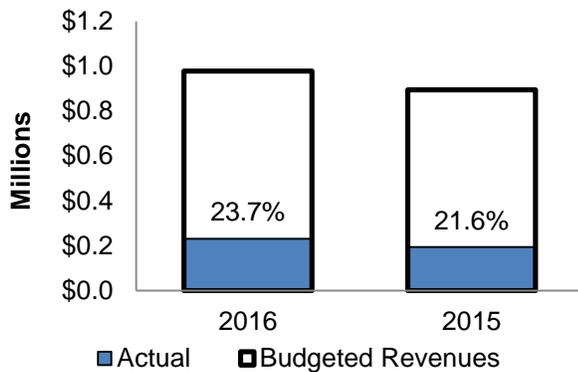


2016 Current Budget		2016 Current Budget
2016 First Quarter Actual Revenue		\$368,268
2016 % of Current Budget Received		26.2%
2015 Current Budget		\$1,276,154
2015 First Quarter Actual Revenue		\$338,509
2015 % of Current Budget Received		26.5%
2016 v. 2015 \$ Change		\$29,759
2016 v. 2015 % Change		8.8%

Local Criminal Justice Sales Tax receipts, in the amount of \$368,268, are \$29,759, or 8.8%, more than the year-ago level. Thus far this year 26.2% of the amount budgeted has been received as compared to 26.5% received during the same period last year. Receipts are \$20,618, or 5.9%, higher than the first quarter 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. Sales tax collected throughout King County was 9.6% higher than the year-ago level.

INTERGOVERNMENTAL REVENUE

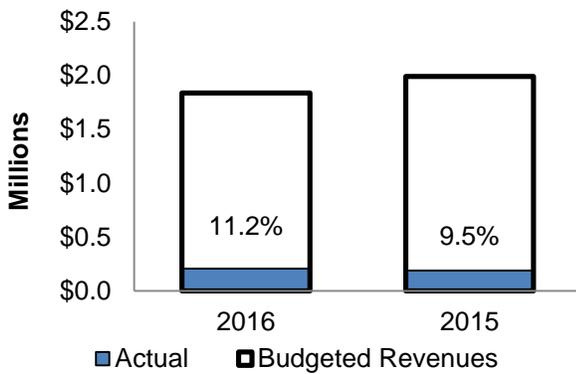


2016 Current Budget		2016 Current Budget
2016 First Quarter Actual Revenue		\$231,739
2016 % of Current Budget Received		23.7%
2015 Current Budget		\$894,991
2015 First Quarter Actual Revenue		\$193,636
2015 % of Current Budget Received		21.6%
2016 v. 2015 \$ Change		\$38,103
2016 v. 2015 % Change		19.7%

Intergovernmental revenue sources are comprised primarily of funding for criminal justice programs, liquor excise tax, and liquor board profits. Receipts, in the amount of \$231,739, are \$38,103, or 19.7%, more than the year-ago level due to higher collections of liquor excise tax and the collections of Marijuana Enforcement revenues. Receipts are \$3,623, or 1.6%, higher than the first quarter projection.

GENERAL FUND REVENUE ANALYSIS (continued):

SEATTLE CITY LIGHT CONTRACT PAYMENT

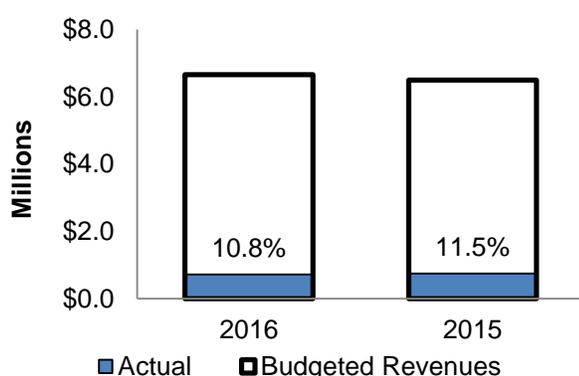


2016 Current Budget	\$1,838,980
2016 First Quarter Actual Revenue	\$205,969
2016 % of Current Budget Received	11.2%
2015 Current Budget	\$1,993,063
2015 First Quarter Actual Revenue	\$188,931
2015 % of Current Budget Received	9.5%
2016 v. 2015 \$ Change	\$17,038
2016 v. 2015 % Change	9.0%

Receipts, in the amount of \$205,969, are \$17,038, or 9.0%, more than the year-ago level and \$5,541, or 2.8%, more than the first quarter projection.

GENERAL FUND REVENUE ANALYSIS (continued):

UTILITY TAX AND FRANCHISE FEE



2016 Current Budget		\$6,660,037
2016 First Quarter Actual Revenue		\$722,573
2016 % of Current Budget Received		10.8%
2015 Current Budget		\$6,494,853
2015 First Quarter Actual Revenue		\$749,967
2015 % of Current Budget Received		11.5%
2016 v. 2015 \$ Change		-\$27,394
2016 v. 2015 % Change		-3.7%

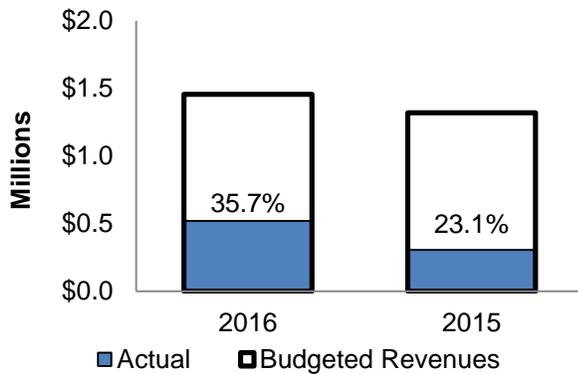
Overall Utility Tax and Franchise Fee receipts, in the amount of \$722,573, are \$27,394, or 3.7%, less than the year-ago level and \$24,071, or 3.2%, less than the first quarter projection.

Natural gas tax receipts are 2.4% less than those collected during the same period in 2015 and 3.4% less than the first quarter projection. Cable television tax receipts are nearly equal to the year-ago level (+0.2%) and the first quarter projection (-0.5%). Telecommunications tax receipts are lower than 2015 collections by 19.8% and the first quarter projection by 11.2%. Some of the year-over-year change is caused by the timing of payments. The first quarter payment from CenturyLink was received late this year; however, had that payment been received on time, receipts would be 6.5% less than the year-ago level but 3.6% more than the first quarter projection.

Utility	2016 Current Budget	2016 First Quarter Actual Revenue	2016 % of Current Budget Received	2015 Current Budget	2015 First Quarter Actual Revenue	2015 % of Current Budget Received	2016 v. 2015 \$ Change	2016 v. 2015 % Change
Natural Gas	\$906,500	\$211,370	23.3%	\$889,590	\$216,671	24.4%	-\$5,301	-2.4%
Garbage	\$548,880	\$249	0.0%	\$538,648	\$155	0.0%	\$94	60.6%
Cable TV	\$1,903,020	\$162,729	8.6%	\$1,760,845	\$162,374	9.2%	\$355	0.2%
Telecommunications	\$1,421,640	\$119,680	8.4%	\$1,503,000	\$149,232	9.9%	-\$29,552	-19.8%
Storm Drainage	\$240,275	\$14,295	5.9%	\$214,571	\$13,535	6.3%	\$760	5.6%
Water	\$780,700	\$0	0.0%	\$754,197	\$0	0.0%	\$0	0.0%
Sewer	\$859,022	\$214,250	24.9%	\$834,002	\$208,000	24.9%	\$6,250	3.0%
Utility Tax & Franchise Fee Revenue Subtotal	\$6,660,037	\$722,573	10.8%	\$6,494,853	\$749,967	11.5%	-\$27,394	-3.7%

GENERAL FUND REVENUE ANALYSIS (continued):

DEVELOPMENT REVENUE

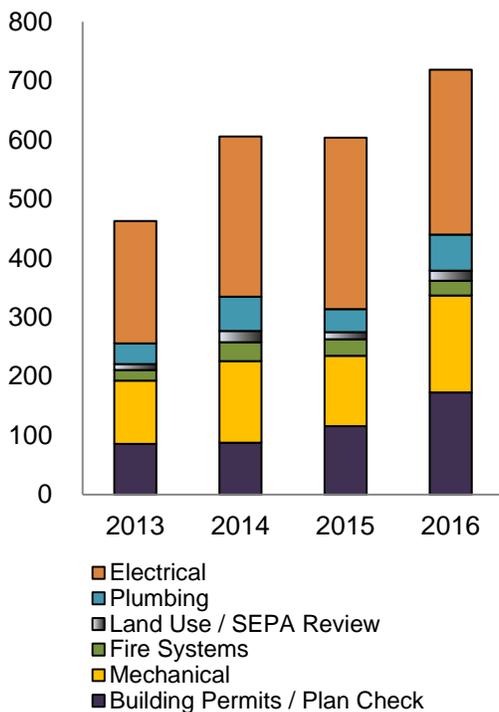


2016 Current Budget		\$1,456,000
2016 First Quarter Actual Revenue		\$519,900
2016 % of Current Budget Received		35.7%
2015 Current Budget		\$1,319,750
2015 First Quarter Actual Revenue		\$305,297
2015 % of Current Budget Received		23.1%
2016 v. 2015 \$ Change		\$214,603
2016 v. 2015 % Change		70.3%

Development revenue receipts, in the amount of \$519,900, exhibit a year-over-year increase of \$214,603, or 70.3%, and are \$239,626, or 85.5%, more than the first quarter projection.

Local development activity in 2016, in terms of the number of building permits pulled for new construction and remodels (85), has increased from the year-ago level (+24) and the valuation is lower (\$3.9 million). Thus far in 2016, there have been 14 more permits issued for new residential construction, with a value that is \$1.6 million more. There have been 10 more permits issued for non-residential construction (new and remodels), with a value that is \$2.3 million more. Two projects worth noting in the 2016 non-residential category are the Christa Ministries Junior High renovation project with a \$2.4 million valuation issued in February and construction of a single-family house on Echo Lake Place N with a \$1.1 million valuation issued in March.

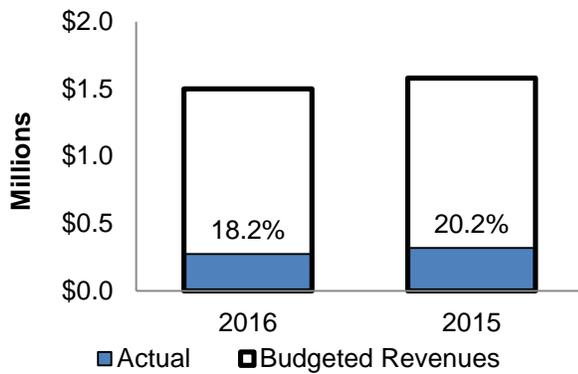
PERMITS BY TYPE



PERMIT TYPE	2013	2014	2015	2016	# Change	% Change
Building Permits / Plan Check	86	88	116	173	57	49.1%
Mechanical	107	138	119	164	45	37.8%
Fire Systems	18	32	28	25	-3	-10.7%
Land Use / SEPA Review	10	19	12	17	5	41.7%
Plumbing	35	58	39	61	22	56.4%
Electrical	207	271	290	279	-11	-3.8%
Total	2,106	2,243	2,631	2,705	74	2.8%

GENERAL FUND REVENUE ANALYSIS (continued):

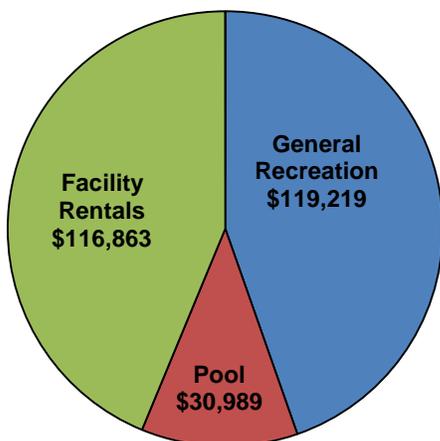
PARK AND RECREATION REVENUE



2016 Current Budget	\$1,500,998
2016 First Quarter Actual Revenue	\$273,701
2016 % of Current Budget Received	18.2%
2015 Current Budget	\$1,583,119
2015 First Quarter Actual Revenue	\$320,097
2015 % of Current Budget Received	20.2%
2016 v. 2015 \$ Change	-\$46,396
2016 v. 2015 % Change	-14.5%

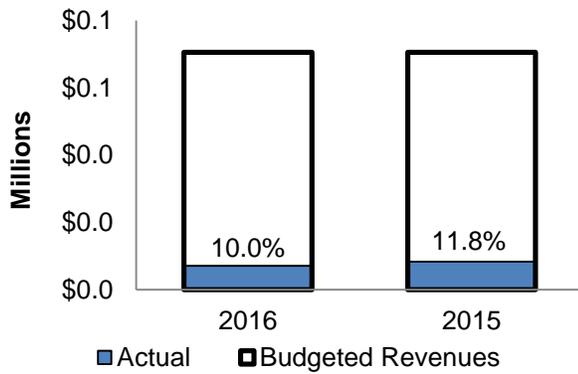
Park and Recreation revenue receipts, in the amount of \$273,701, are \$46,396, or 14.5%, less than the year-ago level. The year-over-year decline is largely attributable to the pool closure. Staff adjusted budget projections to account for this and receipts are 11.3% higher than the first quarter projection. Compared to the first quarter of 2015, the first quarter of 2016 witnessed a decrease in revenues from the pool (-59.8%) due to the pool closure and an increase in revenues from facility rentals (+4.8%) due to more rentals of the recreation centers. General Recreation witnessed a slight increase over 2015.

Year	General Recreation*	Gen Rec % of Total	Pool	Pool % of Total	Facility Rentals	Fac. Rent % of Total	Total Revenue
2009	\$114,859	40.2%	\$74,875	26.2%	\$96,221	33.6%	\$285,955
2010	\$107,817	38.6%	\$76,240	27.3%	\$95,259	34.1%	\$279,316
2011	\$99,983	35.2%	\$82,736	29.1%	\$101,440	35.7%	\$284,159
2012	\$111,990	38.8%	\$85,284	29.5%	\$91,669	31.7%	\$288,943
2013	\$109,539	36.9%	\$87,935	29.6%	\$99,160	33.4%	\$296,634
2014	\$113,554	39.2%	\$81,781	28.2%	\$94,426	32.6%	\$289,761
2015	\$118,242	38.5%	\$77,037	25.1%	\$111,554	36.4%	\$306,833
2016	\$119,219	44.6%	\$30,989	11.6%	\$116,863	43.8%	\$267,071



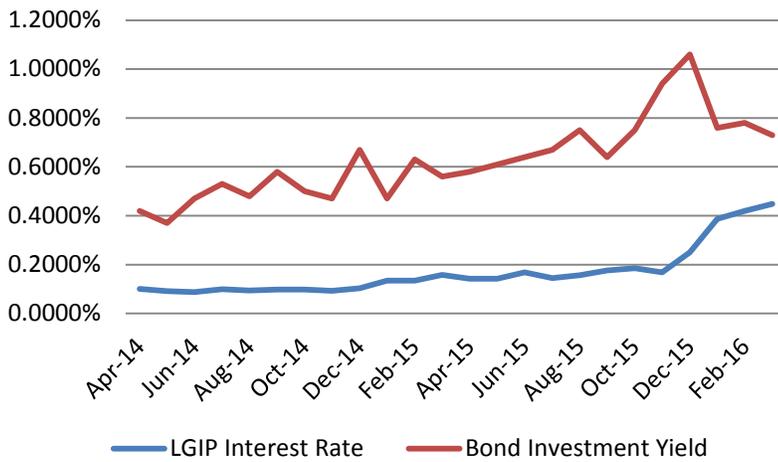
GENERAL FUND REVENUE ANALYSIS (continued):

INVESTMENT INCOME



2016 Current Budget		\$70,600
2016 First Quarter Actual Revenue		\$15,376
2016 % of Current Budget Received		21.8%
2015 Current Budget		\$70,600
2015 First Quarter Actual Revenue		\$8,338
2015 % of Current Budget Received		11.8%
2016 v. 2015 \$ Change		\$7,038
2016 v. 2015 % Change		84.4%

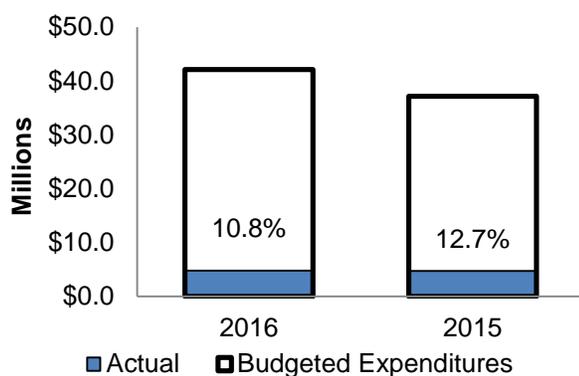
Investment earnings through March totaled \$15,376 and are more than the year-ago level by \$7,038, or 84.4%.



Month	LGIP Interest Rate	Bond Investment Yield
April 2014	0.1009%	0.4200%
May 2014	0.0921%	0.3700%
June 2014	0.0874%	0.4700%
July 2014	0.0999%	0.5300%
August 2014	0.0943%	0.4800%
September 2014	0.0982%	0.5800%
October 2014	0.0984%	0.5000%
November 2014	0.0928%	0.4700%
December 2014	0.1031%	0.6700%
January 2015	0.1347%	0.4700%
February 2015	0.1347%	0.6300%
March 2015	0.1577%	0.5600%
April 2015	0.1430%	0.5800%
May 2015	0.1428%	0.6100%
June 2015	0.1688%	0.6400%
July 2015	0.1453%	0.6700%
August 2015	0.1561%	0.7500%
September 2015	0.1766%	0.6400%
October 2015	0.1854%	0.7500%
November 2015	0.1682%	0.9400%
December 2015	0.2499%	1.0600%
January 2016	0.3874%	0.7600%
February 2016	0.4201%	0.7800%
March 2016	0.4488%	0.7300%
24 Mo. Average	0.1317%	0.5792%

EXPENDITURE ANALYSIS:

GENERAL FUND EXPENDITURES



2016 Current Budget		\$42,133,114
2016 First Quarter Actual Expenditures		\$4,799,317
2016 % of Current Budget Expended		10.8%
2015 Current Budget		\$37,208,641
2015 First Quarter Actual Expenditures		\$4,730,322
2015 % of Current Budget Expended		12.7%
2016 v. 2015 \$ Change		\$68,996
2016 v. 2015 % Change		1.5%

Departments spent \$4,656,798 or 11.8%, of the current budget excluding transfers out, which is \$79,407 or 1.7%, more than the year-ago level. Expenditures including transfers out totaled \$4,799,317 or 10.8%, of the current budget. This level is \$68,996 or 1.5%, more than the year-ago level.

One significant item worth mentioning is that jail services costs for the first quarter are lower than they were for 2015 and 2014 by 11.6% (-\$44,004) and 28.2% (-\$131,708), respectively, while the total number of billed jail and work release days from those periods increased 1.2% and 9.4%, respectively. The year-to-date savings is attributable to the City's use of 1,361 jail beds total, or an average of 16 beds per day, at Yakima County Jail. Housing those inmates at Yakima rather than SCORE saved the City \$68,390 or 17.0%.

As a percentage of the budget, departmental expenditures through the first quarter (11.8%) are lower than those for 2015 (13.0%) and total expenditures (10.8%) are lower than those for 2015 (12.7%).

Department	2016 Current Budget	2016 First Quarter Actual Expenditure	2016 % of Current Budget Expended	2015 Current Budget	2015 First Quarter Actual Expenditure	2015 % of Current Budget Expended	2016 v. 2015 \$ Change	2016 v. 2015 % Change
City Council	\$231,968	\$57,612	24.8%	\$228,226	\$56,263	24.7%	\$1,350	2.4%
City Manager's Office ¹	\$2,234,497	\$478,141	20.1%	\$2,252,794	\$387,445	17.2%	\$90,695	23.4%
City Attorney	\$657,674	\$117,691	17.9%	\$596,736	\$117,630	19.7%	\$60	0.1%
Community Services ²	\$1,691,601	\$216,614	12.8%	\$1,562,208	\$227,499	14.6%	-\$10,885	-4.8%
Administrative Services ³	\$4,783,839	\$823,225	16.0%	\$4,062,101	\$851,798	21.0%	-\$28,573	-3.4%
Citywide	\$1,934,047	\$552,566	28.3%	\$1,959,297	\$623,516	31.8%	-\$70,951	-11.4%
Human Resources	\$454,488	\$91,074	20.0%	\$506,738	\$93,378	18.4%	-\$2,304	-2.5%
Police	\$11,310,049	\$27,400	0.2%	\$10,849,945	\$12,956	0.1%	\$14,444	111.5%
Criminal Justice	\$3,190,826	\$276,425	8.7%	\$2,581,291	\$305,571	11.8%	-\$29,146	-9.5%
Parks	\$5,633,074	\$1,002,604	17.7%	\$5,266,759	\$957,629	18.2%	\$44,974	4.7%
Planning & Community Dev.	\$2,891,544	\$495,027	16.2%	\$2,565,843	\$499,897	19.5%	-\$4,870	-1.0%
Public Works	\$2,793,444	\$518,422	16.4%	\$2,755,599	\$443,809	16.1%	\$74,613	16.8%
Departmental Expenditures	\$37,807,051	\$4,656,798	11.8%	\$35,187,537	\$4,577,391	13.0%	\$79,407	1.7%
Operating Transfers Out	\$4,326,063	\$142,519	2.9%	\$2,021,104	\$152,931	7.6%	-\$10,412	-6.8%
Total Expenditures	\$42,133,114	\$4,799,317	10.8%	\$37,208,641	\$4,730,322	12.7%	\$68,996	1.5%

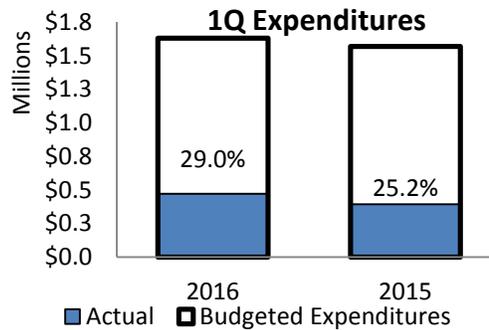
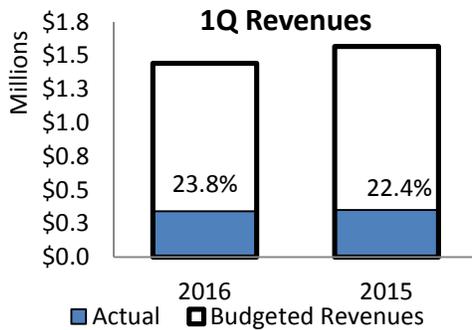
1. City Manager's Office includes City Manager's Office, City Clerk, Communications, Intergovernmental Relations, Economic Development, and Property Management

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

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

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND



	Revenue	Expenditures
2016 Budgeted Use of Fund Balance	\$188,943	
2016 Budget	\$1,442,468	\$1,631,411
2016 First Quarter Actual	\$343,156	\$472,681
2016 % of Budget	23.8%	29.0%
2015 Budget	\$1,569,007	\$1,569,007
2015 First Quarter Actual	\$350,745	\$395,078
2015 % of Budget	22.4%	25.2%
2016 v. 2015 \$ Var.	-\$7,589	\$77,603
2016 v. 2015 % Var.	-2.2%	19.6%

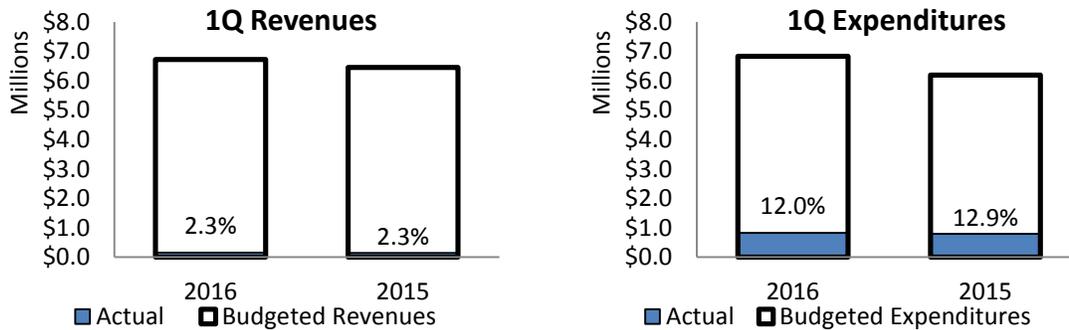
*Budget for Revenues is calculated by excluding Budgeted Use of Fund Balance

Motor vehicle fuel tax revenue receipts for the first quarter of 2016 are \$280,464, 6.9%, more than the year-ago level. The additional fuel tax receipts from the state are due, mainly, to the transportation bill, ESSB 5987, passed in 2015, that provided an increase in fuel tax for cities and counties. Total receipts for the first quarter of 2016 are \$343,156. Total receipts, excluding transfers in, are \$282,055, which is \$2,612 or 0.9% more than the year-ago level.

Expenditures, including transfers out, are \$472,681, 19.6%, more than the year-ago level. The increase is mainly due to an increase to the vehicle and equipment replacement charges in 2016 to capture revised estimated vehicle costs and increase the annual inflationary escalator for vehicles/equipment from 2% to 3% to ensure adequate funding for further replacements.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

SURFACE WATER UTILITY FUND



	Revenue	Expenditures
2016 Budgeted Use of Fund Balance	\$110,677	
2016 Budget	\$6,724,986	\$6,835,663
2016 First Quarter Actual	\$152,667	\$822,930
2016 % of Budget	2.3%	12.0%
2015 Budget	\$6,457,818	\$6,191,834
2015 First Quarter Actual	\$150,568	\$795,745
2015 % of Budget	2.3%	12.9%
2016 v. 2015 \$ Var.	\$2,099	\$27,185
2016 v. 2015 % Var.	1.4%	3.4%

*Budget for Revenues is calculated by excluding Budgeted Use of Fund Balance

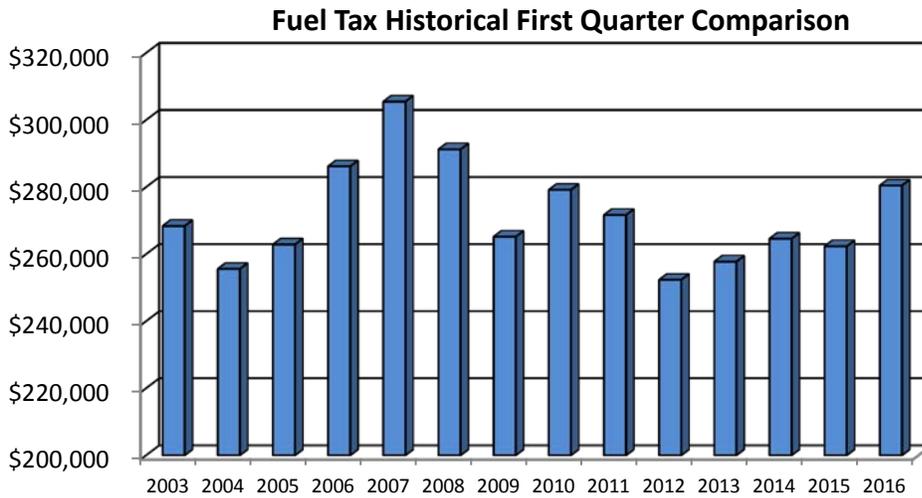
The Surface Water Utility Fund (SWM) includes both on-going operational programs and capital projects with both being reflected in the total expenditures and revenues for the fund.

Revenue receipts for the first quarter of 2016, in the amount of \$152,667, are \$2,099, or 1.4%, higher than the year-ago level. SWM ongoing revenues include storm drainage fees and investment interest earnings. Storm Drainage Fees totaled \$150,780, which are \$12,137 or 8.8%, higher than the year-ago level.

Expenditures, including transfers out, total \$882,930 and are 3.4% more than the year-ago level. Capital projects, excluding transfers out, are \$279,244, or 0.5%, more than the year-ago level. Expenditures are impacted by the timing of construction schedules. The operating programs, excluding transfers out, are \$430,713, which is 5.2%, higher than the year-ago levels.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

STREET FUND FUEL TAX



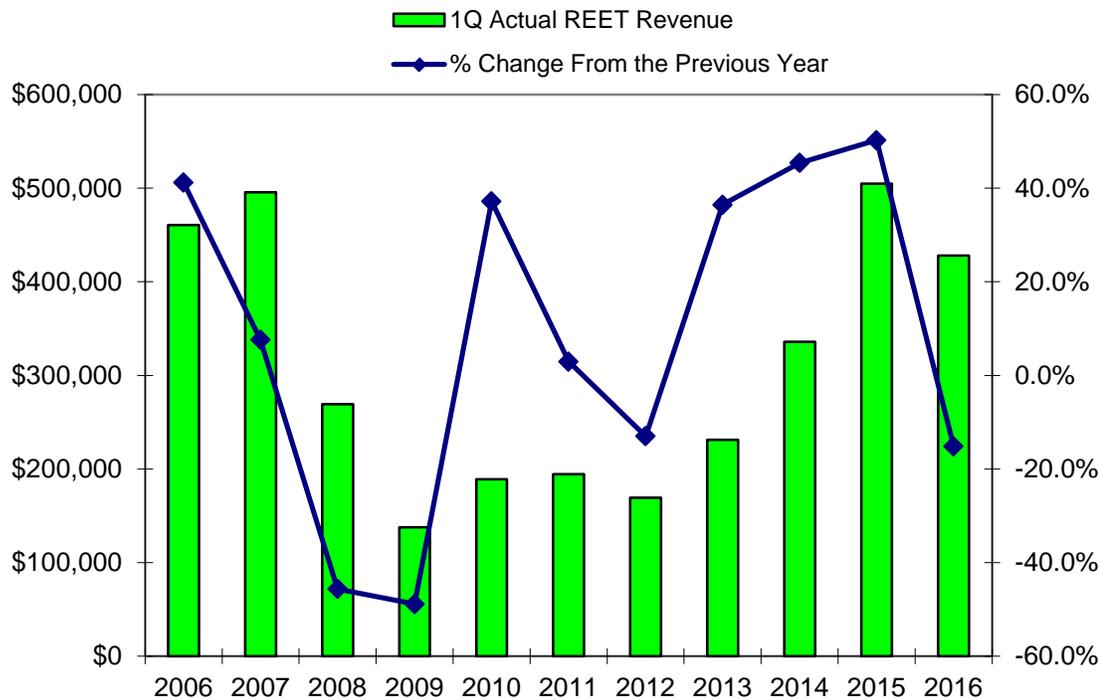
Fuel Tax: Historical Annual 2007-2016

2007	\$305,487
2008	\$291,252
2009	\$265,191
2010	\$279,173
2011	\$271,682
2012	\$252,343
2013	\$257,765
2014	\$264,597
2015	\$262,339
2016	\$280,464

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 for the first quarter of 2016, in the amount of \$280,464, are \$18,125, or 6.9%, more than the year-ago level. The additional fuel tax receipts from the state are due, mainly, to the transportation bill, ESSB 5987, passed in 2015, that provided new revenue sources for cities and counties.

OTHER FUNDS REVENUE AND EXPENDITURE ANALYSIS:

REAL ESTATE EXCISE TAX (REET)



REET: Annual Collected 2008-2016

	Revenue	\$ Change from Previous Year	%Change from Previous Year
2008	\$269,404	-\$226,106	-45.6%
2009	\$137,794	-\$131,610	-48.9%
2010	\$189,082	\$51,288	37.2%
2011	\$194,618	\$5,536	2.9%
2012	\$169,286	-\$25,332	-13.0%
2013	\$231,011	\$61,725	36.5%
2014	\$335,892	\$104,881	45.4%
2015	\$504,716	\$168,824	50.3%
2016	\$428,030	-\$76,686	-15.2%

Real Estate Excise Tax (REET) revenue receipts for the first quarter of 2016, in the amount of \$428,030 are \$76,686, or 15.2%, less than receipts for the same period in 2015 but \$55,581, or 14.9%, higher than the first quarter projection. There were 23, or 11.2%, fewer real estate transactions in the first quarter of 2016 than in the same period of 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 March 31, 2016, the City's investment portfolio, excluding the State Investment Pool and deposits in Opus Bank, had a current weighted average rate of return of 1.1138%. This is better than the State Investment Pool's current rate of return of 0.4488%. In an effort to get better return than the State Investment Pool, the City deposited \$10M in Opus Bank which provides 0.50% rate of return. Total investment interest earnings through December were \$28,810 which is about 17% of total budgeted 2016 investment earnings of \$170,125.

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 March 2016 was 0.73%. The City continued to implement a ladder philosophy in its investment portfolio and continue to reinvesting its portfolio when they mature. 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 March 2016 is yielding 1.267% and will not mature until March 2019. 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 March 31, 2016, the City's investment portfolio had a fair value of nearly \$32.52 million. Approximately 27% of the investment portfolio was held in U.S. government instrumentality securities, and 42% was held in the Washington State Investment Pool, and 31% was held in Opus Bank. The City's investment portfolio valued at cost as of March 31, 2016, was slightly over \$32.48 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 and Opus Bank to allow for immediate cash liquidation if needed. Investments within the State Pool and Opus Bank can be liquidated on any given day with no penalty.

INVESTMENT REPORT (continued):

LGIP Cash and Investment Balances March 31, 2016

Instrument Type

	CUSPID #	Broker	Settlement Date	Maturity Date	Par Value	Investment Cost	Yield To Maturity	Unrecognized Gain/(Loss)	Market Value 3/31/16
FHLB 0.375	3133834R9	ProEquities	06/26/13	06/24/16	\$1,000,000	\$986,541	0.8310%	\$13,462	\$1,000,003
FHLB 0.75	3130A16D5	Financial Northwestern	03/26/14	03/24/17	\$1,000,000	\$994,000	0.9537%	\$7,703	\$1,001,703
FHLMC 1.0	3137EADH9	Financial Northwestern	06/14/14	06/29/17	\$1,000,000	\$1,000,000	1.0000%	\$3,635	\$1,003,635
FHLB 1.17	3130A5RE1	Financial Northwestern	06/29/15	06/29/18	\$1,000,000	\$999,500	1.1870%	\$1,685	\$1,001,185
FICOSTRIPPRIN SER D-P	31771KAH0	Time Value Investment	09/29/15	08/03/18	\$1,500,000	\$1,456,388	1.0400%	\$6,770	\$1,463,157
FHLB 1.25	3130A67L5	Alamo Capital	08/24/15	08/24/18	\$1,000,000	\$999,600	1.2636%	\$2,302	\$1,001,902
FFCB 1.09	3133EFFL6	Time Value Investment	09/29/15	09/28/18	\$500,000	\$500,000	1.0900%	\$520	\$500,520
FFCB 1.375	3133EFSW8	Alamo Capital	12/21/15	12/21/18	\$1,000,000	\$999,000	1.4090%	\$3,438	\$1,002,438
FNMA 1.250	3136G3EA9	Financial Northwestern	03/29/16	03/29/19	\$1,000,000	\$999,500	1.2670%	\$1,331	\$1,000,831
Sub Total Investments					\$9,000,000	\$8,934,529		\$40,846	\$8,975,374
OpusBank Interest Checking						\$10,018,121	0.5000%		\$10,018,121
State Investment Pool						\$13,523,828	0.4488%		\$13,523,828
Sub Total - State Investment Pool and Opus Bank Interest Checking						\$23,541,949			\$23,541,949
Total LGIP + Investments						\$32,476,478		\$40,846	\$32,517,323

Current Average Maturity Excluding the State Investment Pool (days)	713
Current Weighted Average Yield to Maturity Excluding the State Pool	1.1138%
Current Yield to Maturity State Investment Pool	0.4488%
Basis Points in Excess (Below) Benchmark	66

Portfolio Diversification

Instrument Type	Percentage	Amount at Market Value	Amount at Cost	Broker	Percentage	Amount at Cost
FFCB	4.6%	\$1,502,958	\$1,499,000	Alamo Capital	6.2%	\$1,998,600
FHLB	12.3%	\$4,004,793	\$3,979,641	Financial Northwestern	12.3%	\$3,993,000
FHLMC	3.1%	\$1,003,635	\$1,000,000	ProEquities	3.0%	\$986,541
FNMA	3.1%	\$1,000,831	\$999,500	Time Value Investment	6.0%	\$1,956,388
FICO STRIP PRIN SER D-P	4.5%	\$1,463,157	\$1,456,388			
OpusBank Interest Checking	30.8%	\$10,018,121	\$10,018,121	OpusBank Interest Checking	30.8%	\$10,018,121
State Invest. Pool + Opus Bank Interest Checking	41.6%	\$13,523,828	\$13,523,828	State Investment Pool	41.6%	\$13,523,828
Total LGIP + Investments	100%	\$32,517,323	\$32,476,478	Total Investments	100%	\$32,476,478

Investments by Fund

Fund	Investments at Cost as of 3/31/2016	LGIP State Investment Pool and Opus Bank Interest Checking as of 3/31/2016	Total LGIP + OpusBank Interest Checking + Investments at Cost by Fund as of 3/31/2016	Recognized Gain/(Loss) as of 3/31/2016	Total Market Value of Investments by Fund as of 3/31/2016	Investment Earnings Budget 2016	Investment Earnings Actual 2016	Over/(Under) Budget
001 General	\$2,140,994	\$10,320,079	\$12,461,072	\$27,139	\$12,488,212	\$69,000	\$14,764	-\$54,236
101 Street	\$450,000	\$560,970	\$1,010,970	\$4,100	\$1,015,070	\$2,500	\$1,592	-\$908
107 Code Abatement	0	\$155,481	\$155,481	0	\$155,481	\$550	\$155	-\$395
108 Asset Seizure	0	\$209,272	\$209,272	0	\$209,272	0	\$201	\$201
109 Public Arts	0	\$175,760	\$175,760	0	\$175,760	0	\$177	\$177
112 Fed Drug Enforcement	0	\$288,092	\$288,092	0	\$288,092	\$200	\$292	\$92
115 Property Tax Equalization	0	\$1,149,992	\$1,149,992	0	\$1,149,992	0	\$1,168	\$1,168
116 Fed Crim Forfeit	0	\$2,454,700	\$2,454,700	0	\$2,454,700	\$1,500	\$2,479	\$979
117 Transportation Impact Mitigation	0	\$272,884	\$272,884	0	\$272,884	0	\$267	\$267
190 Revenue Stabilization	\$5,150,494	\$267	\$5,150,761	0	\$5,150,761	0	0	0
301 General Capital	0	\$2,745,965	\$2,745,965	0	\$2,745,965	\$31,384	\$1,779	-\$29,605
312 City Fac-Mjr Maint	0	\$79,702	\$79,702	0	\$79,702	\$449	\$84	-\$365
330 Roads Capital	0	\$1,431,644	\$1,431,644	0	\$1,431,644	\$37,415	\$1,368	-\$36,047
330 Trans Bene Dist	0	\$862,852	\$862,852	0	\$862,852	0	\$857	\$857
401Surface Water Utility Fund	0	\$1,178,653	\$1,178,653	0	\$1,178,653	\$18,877	\$1,621	-\$17,256
501 Vehicle Oper/Maint	0	\$296,036	\$296,036	0	\$296,036	\$250	\$189	-\$61
503 Equip Dep Replace	\$1,193,041	\$1,285,064	\$2,478,105	\$9,606	\$2,487,712	\$8,000	\$1,744	-\$6,256
505 Unemployment	0	\$74,535	\$74,535	0	\$74,535	0	\$71	\$71
Total Investments	\$8,934,529	\$23,541,949	\$32,476,478	\$40,846	\$32,517,323	\$170,125	\$28,810	-\$141,315