

City of Kennewick

2014 2nd Quarter Financial Report



Issue Date: November 15, 2014

OVERVIEW

As the City of Kennewick moves into the final six months of its 2013/2014 biennium, we continue to see many of the same themes that have been reported in recent quarterly reports. The City continues to maintain a relatively strong financial condition, relying heavily on growth related revenues generated through economic development and other new construction activity to help address its budgetary challenges and maintain service levels. As has also been discussed in previous reports, this can be a very difficult budget model to sustain over time as it is predicated on continued growth in the community. If growth slows or diminishes significantly, it will be challenging to maintain funding for City Council's priority programs and services at their current levels. Considering the importance that growth revenues have in the City's overall financial health, staff continues to monitor the City's key growth indicators closely.

Like any community, employment is one of the most important indicators of the overall health of the economy in Kennewick and the Tri-Cities region. The unemployment rate in

the Kennewick–Pasco–Richland metropolitan statistical area was estimated at 5.6% for June, which is approximately 2.5% lower than a year ago and 0.2% lower than the statewide unemployment rate of 5.8%. According to the most recent labor data issued by the Bureau of Labor Statistics, total non-farm employment in the Tri-Cities was approximately 105,800 in June, which is approaching the peak employment experienced in the area in 2011 when the Hanford area was at its highest employment levels to complete projects funded with \$2

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billion in one-time stimulus funding the site received starting in 2009.

New Construction Activity

	Comparative Totals	
	2014	2013
Single Family Permits	146	163
Commercial Permits	25	24
Other Permits	812	870
Total Permits	983	1,057
Permit Valuation	\$101,504,176	\$64,943,008
Building Permit Fees	\$783,036	\$609,891
Planning Fees	\$22,401	\$22,050

Building permit activity, which is another key indicator of the growth in the City, demonstrates that growth is still occurring within the City. Through the first six months of 2014, the Building Safety division issued 983 permits with a valuation of approximately \$101.5 million. Although this represents a 7% reduction in the number of permits issued when compared to the first six months of 2013, the total valuation of these permits is an increase of 56%. The increase in valuation is primarily attributable to a \$14 million permit issued for the construction of a new medical office building that will be located adjacent to the Trios Hospital in the City's Southridge area.

Significant projects during the second quarter include Cross Fit Gym, Cascade, Sunset and Eastgate Elementary Schools, Columbia Physical Therapy, Southgate and Westgate Elementary School portables, Highland Middle School portable, Windsor Plywood, Affordable Auto Repair & Service and tenant improvements for Barnes and Noble, Dance Connection, Port

of Kennewick Corporate Office, Rue 21, Buddy's Home Furnishings, Jimmy John's Gourmet Sandwiches, Holiday Massage and Spa LLC, Dickey's Barbeque Pit, Sandhollow Homes, Sportsman's Warehouse, Inc., Trios Office and Costco Pharmacy.

Other key indicators also demonstrate that moderate growth is still occurring in the area. According to the state's Office of Financial Management (OFM), the City's most recent official population

estimate increased to 76,410, which is an increase of slightly less than 2% over the prior year. The number of active water/sewer utility accounts for the City increased by 252 over the past twelve months to 22,635 total accounts, which represented a slight increase of 1%. Lastly, the City processed 4,344 business licenses through the first six months of 2014, which also equates to an increase of less than 1% compared to the previous year.



SIGNIFICANT EVENTS

The City is required by state law to update the Six Year Transportation Improvement Plan (STIP) annually and to hold a public hearing to allow citizen input on the updated plan. In order to receive consideration for state or federal highway grants, a project must be included in the STIP. The Plan covers the years 2015 through 2020. New projects on the Plan include:

- Clearwater Ave. & Utah St. Intersection Improvements
- Clearwater Ave. – Huntington to US395 Access Improvements
- Clearwater Ave. & Union St. Access Improvements
- Canal Dr. & Edison St. Intersection Improvements

- Hildebrand Blvd. & US395 Intersection Improvements
- Columbia Park East - Ped/Bike Improvements

Projects that were obligated and/or completed in 2014 have been removed from the list and are listed below:

- Columbia Center Boulevard Safety Improvements
- Steptoe Street Phase 3

City Council signed an agreement that allows Cascade Earth Sciences to provide a proposal for the conceptual design phase for the winery waste stream pretreatment system that will be located in

the Port of Kennewick - Columbia Gardens area. Following selection of the preferred pretreatment alternative, a supplemental agreement will be brought to City Council, and will be for completing the design and construction of the facility which is estimated to cost the City \$800,000.

On April 15, Council awarded the Beech Street sewer interceptor phase II project to Culbert Construction in the amount of \$1,520,863. The project will construct a replacement gravity sewer interceptor from E. Kennewick Ave. and S. Beech St. to E. Tenth Ave. and S. Beech St.

Council also awarded the Gum Street Sidewalk project to Watts Construction in the amount of \$245,622 for the construction of a

missing segment of sidewalk, curb and gutter.

The Blue Ribbon Committee was established September, 2012. In December, 2013, the committee provided Council with their recommended prioritized capital program that addressed both the short-term (6 year) and long-term (20 year) priorities. Subsequently Council asked the Blue Ribbon Committee to develop a strategic implementation plan.

The 5 Year – Short term High Impact Emphasis -Top 1/3 of high impact projects

- New Fire Station 10th & Kellogg No. 5 – Potential councilmanic bond issue – funded with existing CIP
- Network/Server – Phase 1 funded with existing CIP - Future phases unfunded
- Convention Center Expansion (PFD)
- *Bridge to Bridge Area – Phase 1 is funded with \$1.3 million in city resources- future phases unfunded .

- Pavement Preservation Program - unfunded
- Replacement – Police Fleet – funded with LOCAL program
- Southridge Sport Complex Phase 3 – unfunded US 395/Ridgeline intersection – design funded, construction unfunded

20 Year – Short term High Impact Emphasis Top 1/3 of high impact project

- New Fire Station S/W – 5 corners
- Regional Trail System
- Pavement Preservation
- Network/Server
- Bridge to Bridge Area
- Gateway – Three Rivers Entertainment District
- Toyota Center and Arena
- Southridge Area Roadways
- City Trail System
- Replacement Police Fleet

On May 13th City Council approved the budget adjustment ordinance. This is the third adjustment to the City's 2013/2014 biennial budget.

Significant items included in the adjustment are:

- Appropriate for 2013 state legislation that eliminated charges to the General Fund for fire hydrant services.
- Appropriate for 2013 state legislation that reduces state shared liquor excise tax distributions by 50% through June of 2015.
- Appropriate for modification of TPA charge effective 1/1/14 and 2014 lodging tax recommendations from the Lodging Tax Advisory Committee (LTAC) that were approved by City Council in the fall of 2013.
- Appropriate for City's portion of Columbia Gardens wine village project.
- Appropriate for adjustment to fleet maintenance and operation rates for 2014.
- Appropriate for water and sewer fleet purchases funded with replacement reserves.
- Appropriate for public safety grants and small tools/equipment purchases funded with grant proceeds.

GENERAL GOVERNMENT

Table 1 provides a comparison of major revenue sources for the current biennium (2013/2014) compared to the previous biennium (2011/2012). Through June of 2014, general governmental revenue collections totaled \$70.6 million, which is roughly 76% of the adjusted budget

General governmental receipts from sales taxes totaled approximately \$15.5 million through June of 2014. On a citywide basis, sales tax receipts increased by 2.1% over the first six months of 2014 after experiencing a 6.1% increase in 2013. A portion of the increase experienced thus far in 2014 is attributable to sales tax generated from the construction of the new Trios Health facility in Southridge.

After backing the sales tax generated from this project out of the comparison of 2014 and 2013 results, the change during the first six months of 2014 was an increase of only 0.3%.

Criminal justice sales tax receipts totaled approximately \$2 million for the biennium through June of 2014. This 1/10% sales tax is distributed within the county based on population, rather than point of sale. After experiencing an increase of 6% in 2013, receipts were essentially flat through the first half of 2014.

Utility tax receipts totaled \$13.5 million during the first 18 months of the biennium. For 2013, utility tax receipts increased by 4% overall based on increases from all utility tax sources other than telephone.

Through the first half of 2014, overall utility tax revenue has increased again by 6% when compared to the same time period in 2013. The overall increase is again attributable to increases in all utility taxes with the exception of telephone.

Utility tax generated from the sale of natural gas has increased by 34% thus far in 2014, which reflects a significant increase in utility tax received from brokered natural gas sales.

The City receives utility tax for garbage services from Waste Management as they provide these services to Kennewick's citizens under a franchise agreement with the City. Utility tax receipts from this source has increased by approximately 3% during 2014,

which reflects a moderate rate increase based on the annual change in the consumer price index under the terms of their franchise agreement.

Utility tax generated from cable television services increased by 4% in 2014, primarily as a result of rate increases implemented by the primary local cable provider, coupled with growth in their customer base.

Utility tax revenue received from the sale of electricity has increased by 8% through the first half of 2014, which is partly attributable to a deduction taken from the PUD's January 2013 utility tax payment as the final deduction from a settlement agreement for overpaid taxes from prior periods. After factoring this deduction into the comparison of

2014 and 2013 electric utility tax revenue, there has been a 6% change, which is entirely attributable to increases in consumption based on the fact that the PUD has not implemented a rate increase since 2012.

The increases in utility tax revenue outlined above were partially offset by a 6% reduction in utility tax generated from telephone services in 2014, which is a continuation of a trend experienced over the past few years for this tax revenue source. This trend is attributable to several factors, including the loss of taxable revenue resulting from the expansion of non-taxable data services by cellular phone service providers, bundling of services by providers, and a reduction of taxable revenue from land lines as a larger number of individuals are

eliminating their home phone in favor of using their cell phone as their primary phone.

Gambling tax revenue for the City totaled approximately \$1.1 million for the first eighteen months of the biennium. Gambling tax revenue decreased by nearly 18% in 2013, primarily due to the closure of one of the City's larger casinos in the second half of 2012. Through June of 2014, gambling tax receipts increased by 4% compared to this same time period in 2013.

The category of other taxes includes receipts from admissions taxes and leasehold excise taxes. Total collections from this category totaled \$632,000 through June of 2014.

Table 1: General Governmental Revenues (in \$1,000's)

Revenue Source	2013/2014			2011/2012		
	6/30/14	Budget	Received	6/30/12	Actual	Received
Property Tax	\$17,176	\$22,209	77.3 %	\$16,115	\$20,879	77.2 %
Sales Tax	15,537	20,694	75.1	14,414	19,399	74.3
Criminal Justice Sales Tax	1,977	2,766	71.5	1,965	2,605	75.4
Electric Utility Tax	5,123	6,997	73.2	4,797	6,199	77.4
Telephone Utility Tax	3,105	4,669	66.5	3,627	4,742	76.5
Water/Sewer Utility Tax	2,122	2,942	72.1	1,634	2,382	68.6
Cable TV Utility Tax	1,066	1,322	80.6	992	1,317	75.3
Garbage Utility Tax	872	1,181	73.8	811	1,096	74.0
Natural Gas Utility Tax	1,167	971	120.2	857	997	85.9
Ambulance Utility Tax	58	80	72.7	43	59	72.4
Gambling Tax	1,082	1,837	58.9	1,425	1,832	77.8
Other Taxes	632	1,113	56.7	758	1,021	74.3
Total Taxes	\$49,916	\$66,781	74.7 %	\$47,438	\$62,529	75.9 %
Licenses & Permits	1,065	1,144	93.1	1,007	1,102	91.4
State Shared Revenue	1,377	1,254	109.8	748	1,144	65.4
State Entitlements	3,785	4,891	77.4	3,890	5,187	75.0
Other Intergovernmental	220	206	107.0	424	559	75.9
Charges for Services:						
Interfund	2,949	4,484	65.8	2,905	3,811	76.2
Environment	2,763	3,004	92.0	2,339	3,037	77.0
Culture & Recreation	823	1,084	76.0	795	1,036	76.8
Other	995	1,081	92.0	1,069	1,593	67.1
Fines & Forfeitures	1,943	2,658	73.1	1,854	2,425	76.4
Operating Transfers:						
From Public Safety	3,920	5,265	74.5	3,867	4,974	77.7
From Capital Improvement	-	-	-	97	97	100.1
Others	-	-	-	252	514	49.1
Interest/Misc.	828	1,032	80.3	669	871	76.8
TOTAL REVENUES	\$70,584	\$92,884	76.0 %	\$67,354	\$88,878	75.8 %

Table 2 provides an expenditure summary by category and department for the City's general governmental operations for the 2013/2014 biennium. Through three-fourths of the biennium, total expenditures were approximately \$68.6 million, or 73.5% of the adjusted operating budget.

At this juncture of the biennium, there are no major categorical variances of note to report within the City's general governmental operations. A minor variance exists in the Engineering Department, where roughly 79% of the adjusted budget had been spent through June of 2014 with only 75% of the biennium elapsed. This variance is attributable to overtime and part-time wages that have been incurred due to a high volume of projects during the biennium and to cover for an extended absence for family care leave in the department. A budget adjustment in the fall of 2014 will be processed to address these items. Any other apparent anomalies in terms of the percentage of the

biennial budget spent during this period of the biennium are attributable to the timing of expenditures rather than actual or anticipated budgetary variances.

In addition to the budgetary variances outlined above, there are several vulnerabilities and opportunities associated with the City's budget to report on that may impact the City as we complete the second year of the 2013/2014 biennium and plan for the 2015/2016 biennium.

- On the final day of June 2013, Governor Jay Inslee signed a new 2-year state budget, averting a state shutdown that would have occurred if the budget had not been completed by July 1st. The final budget contained a number of disappointing provisions, including the elimination of close to a quarter of a billion dollars in key infrastructure and public safety funding for cities.

The most significant impacts to the City of Kennewick were the

elimination of state funding to the Public Works Trust Fund low-interest loan program through June of 2019 and reallocation of half of the liquor excise taxes historically distributed to cities and counties to the State's general fund through June of 2015. Both items have a significant impact on the City's current and future biennial budgets.

- The City also continues to address budget vulnerabilities as a result of Federal budget issues including sequestration, which went into effect in early 2013. The following are some of the items of concern for the City:
 - Kennewick and the Tri-Cities region as a whole are still very reliant on Hanford employment. The Federal government's inability to balance its budget may result in future reductions in federal funding for Hanford clean-up, particularly in

Table 2: General Governmental Expenditures (in \$1,000's)

Category	2013/2014			2011/2012		
	6/30/14	Budget	Spent	6/30/12	Actual	Spent
Salaries & Benefits	\$49,796	\$68,382	72.8 %	\$45,696	\$61,961	73.7 %
Supplies	1,869	2,838	65.9	1,940	2,343	82.8
Other Services & Charges	5,908	7,765	76.1	5,561	7,754	71.7
Intergov't Services & Taxes	8,413	10,586	79.5	7,361	10,472	70.3
Interfund Transfers	2,513	3,700	67.9	4,712	6,374	73.9
Capital Outlay	75	83	90.5	9	69	13.0
TOTAL EXPENDITURES	\$68,573	\$93,354	73.5 %	\$65,280	\$88,974	73.4 %
Department						
City Council	\$388	\$539	72.0 %	\$376	\$495	75.9 %
City Manager	487	647	75.3	428	529	81.0
Finance	2,679	3,646	73.5	2,381	3,204	
Management Services	4,345	5,875	74.0	3,981	5,245	75.9
City Attorney	976	1,362	71.7	946	1,265	74.8
Civil Service	21	42	49.4	14	24	59.4
Economic Development/Planning	1,565	2,384	65.7	1,369	1,991	68.7
Police	27,556	38,443	71.7	24,858	34,395	72.3
Fire	11,735	15,933	73.7	10,687	14,647	73.0
Engineering	2,438	3,100	78.6	2,173	2,895	75.1
Employee & Community Relations	2,767	3,781	73.2	2,669	3,669	72.8
Parks & Facilities	4,939	6,781	72.8	4,023	5,481	73.4
Non-Departmental	5,870	6,887	85.2	8,451	11,300	74.8
Street Maintenance	2,807	3,935	71.3	2,924	3,834	76.3
TOTAL EXPENDITURES	\$68,573	\$93,354	73.5 %	\$65,280	\$88,974	73.4 %

light of the fact that stimulus funding of \$2 billion accelerated clean-up efforts from 2009-2012.

- As a direct result of sequestration, the City's direct subsidy payment from the IRS for its 2010 Build America Bonds (BABs) will be reduced by 8.7%. This equated to a reduction of approximately \$10k to the City's direct subsidy payment for its semi-annual debt service payments.
- Discussions are ongoing at the federal level to eliminate, or cap, the exemption for municipal bond interest. This would significantly increase borrowing costs for state and local governments.
- Sequestration resulted in cuts to transportation, education, housing, public safety and water quality programs. The City benefits directly, or indirectly, from programs in each of these areas. Reductions to the Community Development Block Grant (CDGB) program are also expected to impact the City directly.
- The City has received notification that its Medicare reimbursements for ambulance transports will be reduced by as much as 2% as a result of sequestration. This reduction will likely result in a larger contractual write-off, rather than an increase to the amount owed by the patient. In either case, the reduction to the reimbursement rate will have a negative impact on the City's net revenue gene-

rated from ambulance transports.

- Jail costs are the largest contracted service expense for the City, with a projected cost of \$5.5 million for the 2013/2014 biennium (including work crew services). This projection assumed moderate increases to the bed day rate during the biennium, along with utilization of the facility during these years at similar levels to the prior biennium.

The final bed day rate for 2013 as reported by the Benton County Sheriff's Office was \$64.99, which was significantly lower than the billing rate of \$68.09 used throughout 2013. As a result, the City received a credit of \$119,167, which was applied against the January 2014 billing for jail services.

Additionally, the 2014 prisoner bed day rate is estimated at \$67.03, which is also lower than originally anticipated. Although the final bed day rate for 2014 won't be known until the spring of 2015, the estimated bed day rate currently being utilized would result in a budgetary savings for the City.

- In 2012, the Washington State Supreme Court adopted misdemeanor caseload standards for public defenders, despite objections raised by cities, AWC, the Washington State Association of Municipal Attorneys (WSAMA), the Washington State Association of Counties (WSAC), and others. The new standards, which initially had an effective date of September 1, 2013 that has now been delayed to January of 2015, limit the caseload of a full-time public defender to 300 or 400 misdemeanor cases per year,

depending on whether a jurisdiction has developed a case weighting system. The City is currently working with the Benton County Office of Public Defense to minimize the financial implications of the new misdemeanor caseload standards. However, the potential exists that these new standards could add a significant amount to the City's current expenditures for indigent defense.

- Agencies from Benton and Franklin Counties continue to work in partnership towards a bi-county dispatch program for public safety personnel. In 2014, County Commissioners from both Franklin and Benton Counties approved for the project to move to the next phase. If a regional partnership can be reached, it could result in cost savings and a much more efficient dispatch program with a better level of service for all participants.
- The City's labor contract with one of its largest labor unions expired at the conclusion of 2013. The City is actively negotiating with this group in an effort to reach agreement on a new contract. Although the City's 2013/2014 adjusted budget reflects estimates of potential wage and benefit changes that may result from the negotiation process, this item will remain as a budget vulnerability until such time that the final terms of a labor agreement are reached.

As we complete the second half of 2014 and the 2013/2014 biennium and continue planning for the 2015/2016 biennium, City staff will continue to monitor these and other issues that may have an impact on the City's budget.

Table 3 presents the cash flows and fund balances for the biennium for all funds summarized by fund

groups – general governmental, capital, proprietary, and designated. The following sections of this report

provide highlights for each fund group.

Table 3: Biennial Working Capital and Fund Balances for All Funds (in \$1,000's)

FUND	Beginning Balance	Revenues	Expenditures	Ending Balance
GENERAL GOV'T:				
General Fund	\$3,320	\$67,702	\$65,766	\$5,256
Street	-	2,883	2,807	-
Subtotal	3,320	70,584	68,573	5,256
CAPITAL FUNDS:				
Arterial Street	134	1,539	1,674	(1)
Urban Arterial Street	924	5,095	6,572	(553)
Capital Improvement	7,169	13,811	12,326	8,654
Subtotal	8,227	20,445	20,572	8,100
PROPRIETARY FUNDS:				
Water & Sewer	10,314	27,541	32,202	5,653
Medical Services	445	6,210	6,221	433
Building Safety	586	1,907	1,685	808
Coliseum	(454)	6,156	6,280	(578)
Stormwater	395	2,087	1,963	519
Columbia Park Golf Course	(1)	450	446	3
Equipment Rental	3,323	5,046	5,107	3,261
Risk Management	627	2,114	2,452	289
Central Stores	202	372	360	213
Subtotal	15,436	51,882	56,717	10,602
DESIGNATED FUNDS:				
Cash Reserve Fund	2,655	21	-	2,676
Debt Service	3	4,086	3,907	182
BI-PIN Fund	-	507	500	8
Community Development	61	1,108	956	213
MPD Asst Operations Fund	13	49	38	24
Asset Forfeiture Fund	119	69	67	121
Lodging Tax	226	1,801	1,720	307
Public Safety	-	3,920	3,920	-
LID Guaranty	35	-	-	35
Subtotal	3,111	11,562	11,109	3,564
TOTAL	\$30,094	\$154,474	\$156,971	\$27,522

CAPITAL FUNDS

The capital budget is comprised of those funds designated for capital projects or major capital purchases. Included in this category are the Arterial and Urban Arterial Street Funds, and the Capital Improvement Fund.

The capital improvement program (CIP) forms the basis for the City's capital budget. Kennewick City Council formally adopted the current CIP extending from 2013 through 2018 in conjunction with its adoption of the 2013/2014 biennial budget. This update included a wide

variety of new capital improvement projects such as infrastructure improvements in the City's Southridge Local Revitalization Area, street reconstruction, new signal installations, street overlays, storm drainage system upgrades, park improvements, city-wide technology

improvements and other information systems purchases. In addition, the 2013/2014 biennial budget has now been adjusted three times to reflect the carryover of capital projects that began during the last biennium, but were not completed and the addition of any new capital projects for the biennium. In total, the adjusted capital budget for the 2013/2014 biennium is now approximately \$32.4 million. In addition, \$30.5 million is now budgeted from the Water and Sewer and Stormwater Funds for new water and sewer as well as storm drainage system infrastructure improvements and upgrades that coincide with street projects. Actual project expenditures for the biennium through June of 2014 were only \$11.6 million in the capital funds and \$12 million in the Water and Sewer and Stormwater Funds, due in large part to the fact that many of these projects are scheduled to begin construction in 2014 and be completed near the end of the biennium or in 2015.

Major street projects budgeted for the 2013/2014 biennium currently underway include:

Olympia Street - SR 397 to West 27th Ave. – The City received a \$1,710,000 grant from the State Transportation Improvement Board (TIB), a \$192,000 federal grant through Benton County, and \$1,454,000 federal funds allocated to Kennewick toward the cost of the \$3,850,000 project to widen and reconstruct Olympia St., south of 27th Ave., to the connection with SR 397. The project is scheduled to be completed in the fall of 2014.

Edison Street – Clearwater Ave. to Canal Drive – The City has received a 60% (\$1,170,000) TIB grant for the \$1,950,000 Edison St. widening project. The project will add a center turn lane and bike paths to the length of Edison St. Design, permit applications and right of way acquisition are currently in progress. The project is scheduled to be constructed in 2015.

Dayton Street Bridge - The City received an 80% (\$454,400) federal bridge replacement grant, for the estimated \$568,000 replacement of the Dayton St. - CID canal crossing bridge, near Keewaydin Park. During bridge inspections in 2008, the bridge was identified as having structural problems and last year was required to be posted for load limits. Although a short bridge, it is a critical bridge for the City, serving the Civic Center emergency response, transit and the Kennewick High School. Nichols Engineering, a Spokane consultant, designed the replacement bridge and City staff designed roadway improvements. The project is scheduled to be under construction in June of 2014 with completion this fall.

Columbia Center Boulevard Safety Improvements – This project will improve vehicular and pedestrian access, reduce congestion and improve traffic safety in the area between Quinault Ave. and Canal Dr. The project will also provide mid-block pedestrian access to the mall at the hotel street access on Quinault Ave. The City received a \$730,000 federal safety grant for this project. The project is under construction and is scheduled to be completed this summer.

Grandridge Boulevard and Young Street Roundabout – This project will construct a new roundabout with public art. The City received a \$380,000 regional STP federal grant for the project. The project was advertised for construction but was not awarded due to cost. A redesign was completed and the project was rebid. The project is currently under construction and is scheduled to be completed this fall.

Steptoe Phase III/ West 4th to Sherman St. – The City received a TIB grant in the amount of \$3,120,000 for the construction of this project. The project design is being completed by HDR Engineering. The project will be staged to construct the portion of the project from W. 10th Ave. to 4th Ave. complete with roadway, curb and gutter, and sidewalk. The portion of the project south of W. 10th Ave. will be phased to initially complete earthwork, storm drainage and sewer. The first phase of this project has been awarded with construction scheduled to be completed in 2015.

Clearwater Ave – Leslie to US395 – This will complete an access management analysis study, stakeholder involvement meetings, right-of-way acquisition, design, and construction of various improvements along Clearwater Ave. as needed to improve local access along the corridor. The project is being funded in part by a \$2,120,000 federal safety grant.

PROPRIETARY FUNDS

The Water and Sewer Fund budget is \$61.3 million for the biennium, including \$4.9 million in budgeted ending working capital and \$27.5 million for capital expenditures.

Through the first eighteen months of the 2013/2014 biennium, revenues from water and sewer rates were 72.2% of the biennial budget for this revenue source, which was slightly behind budget projections that

included 4% revenue growth each year based on moderate increases in water consumption and anticipated rate changes tied to the annual change to the consumer price index. Revenue collected from other fees and charges

was approximately 87.7% of the adjusted budget through June, which is well ahead of budget projections for this revenue source.

Interest and other miscellaneous revenues were 57.1% of the 2013/2014 adjusted budget at this juncture of the biennium. This revenue category consists primarily of interest earnings and other minor, miscellaneous revenues.

The revenue category of other financing sources has an adjusted budget of just under \$16.1 million for the 2013/2014 biennium, which consists of \$2 million in projected grant proceeds from the Department of Ecology (DOE) for the City's Southridge Aquifer Storage & Recovery (ASR) project, \$725,000 for a state revolving loan for improvements at the City's Wastewater Treatment Plant, \$1.1 million in anticipated developer contributions associated with development of the City's Southridge area, and \$12.25 million in anticipated proceeds from Public Works Trust Fund (PWTF) loans for implementation of an automated meter reading (AMR) system, construction of a new interceptor at Beech Street, Zone 4 and 5 transmission main lines and construction of a Zone 4 reservoir and

Zone 5 booster station. As outlined earlier in this report, the State essentially eliminated the PWTF loan program as part of its 2013-2015 biennial budget. Fortunately for the City, its Zone 4 reservoir project was included in the fiscal year 2013 project list and therefore it was funded. However, this is the only project included within the 2013/2014 budget that will be funded through a PWTF loan. Through June of 2014, the City has received approximately \$1.3 million in grant proceeds from DOE for the City's ASR project, \$600,000 in PWTF loans for the Zone 4 reservoir project, and nearly \$121,000 from the state revolving loan designated for Wastewater Treatment Plant improvements.

As of June 30, 2014, total operating expenses for the water and sewer fund were in line with budget projections, with no material variances to report. Additionally, there were no un-

anticipated variances to report in the non-operating expenditure categories as transfers, debt service and capital expenditures were all in line with budget projection.

Major capital projects for the Water and Sewer Fund currently underway include:

- ASR Feasibility Study – project construction completed, phase 4 cycle testing completed, awaiting report from consultant
- Zone 4 Reservoir & Booster Station – under construction
- Hildebrand Blvd. – under construction
- Zone 4 Transmission Main – under construction
- Beech Street Sewer Interceptor Phase II - under construction
- Columbia Gardens Winery Waste Treatment Facility – conceptual design report completed, bid document being prepared.

Table 4: Water and Sewer Fund (in \$1,000's)

	2013/2014			2011/2012		
	6/30/14	Budget	%	6/30/12	Actual	%
Revenues						
Revenue from Rates	23,606	32,688	72.2 %	21,782	30,014	72.6 %
Other Fees & Charges	1,767	2,015	87.7	1,319	1,787	73.8
Intergovernmental	-	-	-	-	193	-
Interest & Miscellaneous	117	206	57.1	158	198	79.8
Other Financing Sources	2,050	16,075	12.8	2,643	930	284.3
TOTAL	\$27,541	\$50,984	54.0 %	\$25,902	\$33,121	78.2 %
Expenditures						
Salaries & Benefits	\$5,505	\$7,834	70.3 %	\$4,812	\$6,524	73.8 %
Supplies	347	580	59.8	284	436	65.2
Other Services & Charges	9,762	13,502	72.3	8,571	11,795	72.7
Transfers:						
General Fund	-	-	-	252	338	-
CIP Fund - Facilities/Capital	133	127	105.1	137	139	98.9
Stormwater	-	-	-	50	50	-
Other	-	15	-	-	6	-
Debt Service	5,034	6,800	74.0	5,289	6,384	82.8
Capital Outlay	11,185	26,802	41.7	5,021	7,214	69.6
Sewer Area Charge	235	725	-	-	-	-
PWTF Projects	-	-	-	-	3	-
TOTAL	\$32,202	\$56,385	57.1 %	\$24,416	\$32,889	74.2 %

Table 5: Medical Services Fund (in \$1,000's)

	2013/2014			2011/2012		
	6/30/14	Budget	%	6/30/12	Actual	%
Revenues						
Revenue from Transports	\$3,034	\$4,537	66.9 %	2,860	\$3,860	74.1 %
Household Ambulance	3,144	4,220	74.5	1,735	2,747	-
Intergovernmental Revenue	18	16	-	-	-	-
Interest & Miscellaneous	1	1	-	14	15	-
Transfer from General Fund	-	-	-	1,325	1,325	100.0
Other Financing Sources	12	12	100.0	-	-	-
TOTAL	\$6,210	\$8,785	70.7 %	5,934	\$7,947	74.7 %
Expenditures						
Salaries & Benefits	\$4,292	\$6,091	70.5 %	\$4,155	\$5,540	75.0 %
Supplies	221	279	79.2	196	247	79.6
Other Services & Charges	1,465	2,097	69.8	1,289	1,759	73.3
Operating Transfer/CIP Fund	87	87	-	27	40	68.2
Intergov't Services & Taxes	137	185	73.9	268	1,020	26.3
Debt Service	-	-	-	84	84	99.5
Capital Outlay	21	-	-	0	-	-
TOTAL	\$6,221	\$8,739	71.2 %	\$6,020	\$8,690	69.3 %

The **Medical Services Fund** is utilized to account for the City's ambulance utility and the third-party ambulance billing program as an enterprise operation. Table 5 provides a comparison of the 2013/2014 adjusted budget to actual revenues for the biennium, as well as a comparison of these same items for the utility during the 2011/2012 biennium.

The primary revenue source for the medical services fund is the net revenue received from ambulance transports. After experiencing relatively flat growth in the number of billable transports in both 2011 and 2012, the number of billable

ambulance transports increased by 8% in 2013 and has increased again by over 5% through the first half of 2014. The net monthly revenue received from transports has been approximately \$169,000 to date during the 2013/2014 biennium, which is less than original projected net monthly revenue of approximately \$189,000 included in the 2013/2014 adopted budget. This budget variance is primarily attributable to general reductions in the amount of Medicare and Medicaid reimbursement rates and a higher volume of calls billed at a basic life support (BLS) level, which typically have a lower

contractual allowance rate than advanced life support (ALS) calls.

In addition to transport revenues, the 2013/2014 biennial budget for the Medical Services Fund also includes a two-year projection of \$4.22 million for revenue from the City's monthly ambulance utility charge. Through June of 2014, actual receipts were 67% of this amount.

At this juncture of the 2013/2014 biennium, expenditures within the Medical Services Fund were 71.2% of the adjusted 2013/2014 budget, with no material variances to report.

Table 6: Building Safety Fund (in \$1,000's)

	2013/2014			2011/2012		
	6/30/14	Budget	%	6/30/12	Actual	%
Revenues						
Licenses & Permits	\$1,901	\$2,320	81.9 %	\$1,772	\$2,743	64.6 %
Interest & Miscellaneous	6	-	-	-	2	-
Transfer from General Fund	-	-	-	-	-	-
TOTAL	\$1,907	\$2,320	82.2 %	\$1,772	\$2,745	64.6 %
Expenditures						
Salaries & Benefits	\$1,342	\$1,818	73.8 %	\$1,297	\$1,697	76.4 %
Supplies	19	26	74.0	12	17	69.2
Other Services & Charges	307	392	78.3	240	339	70.9
Operating Transfer/CIP Fund	17	17	-	83	111	75
TOTAL	\$1,685	\$2,253	74.8 %	\$1,632	\$2,164	75.4 %

The **Building Safety Fund** is utilized to isolate the costs of providing the City's building inspection function, including equipment replacement charges and administrative costs.

Table 6 provides a comparison of the budgeted and actual revenues and expenditures for the 2013/2014 biennium, as well as a comparison of these items at the same juncture of the prior biennium.

Building permit fees provide the primary revenue source for this fund. During 2013, the number of building permits issued by the City increased by 4% for the year. However, the valuation of the City's building permits decreased by 43%, which was

directly associated with the significant valuation of the building permit issued for the Trios Health Hospital in 2012.

Thus far in 2014, the Building Safety division issued 983 permits with a valuation of approximately \$101.5 million. Although this represents a 7% reduction in the number of permits issued when compared to the first six months of 2013, the total valuation of these permits is an increase of 56%. The increase in valuation is primarily attributable to a \$14 million permit issued for the construction of a new medical office building that will be located adjacent to the Trios Hospital in the City's Southridge area. As a result of these

trends, building permit revenue has increased by 28% during this time period.

Operating expenditures for the Building Safety Fund were 74.8% of the adjusted budget as of June 30, 2014. A minor variance exists within the category of other services and charges, which is attributable to contract inspection costs required to backfill for an extended illness of one of the City's building inspectors. A budget adjustment for this item will be processed with the fall 2014 budget adjustment.

Table 7: Coliseum Fund (in \$1,000's)

	2013/2014			2011/2012		
	06/30/14	Budget	%	6/30/12	Actual	%
Revenues						
Operating Revenue	\$4,222	\$6,547	64.5 %	\$5,190	\$6,559	79.1 %
Capital Contribution	-	-	-	13	12	108.3
Debt Proceeds	339	400	84.8	-	-	-
Transfers In	1,595	2,325	68.6	1,302	2,054	63.4
TOTAL	\$6,156	\$9,272	66.4 %	\$6,505	\$8,625	75.4 %
Expenditures						
Cost of Operations	\$4,886	\$7,247	67.4 %	\$5,787	7,304	79.2 %
Interfund Loan Repayment	514	1,052	48.9	520	991	52.5
Capital Outlay	880	933	94.3	326	434	75.1
TOTAL	\$6,280	\$9,232	68.0 %	\$6,633	\$8,729	76.0 %

The **Coliseum Fund** accounts for the operating activity of the City's coliseum facility, known as the Toyota Center & Arena, as a separate enterprise including debt service associated with the acquisition of the facility. The City assumed full ownership of the facility and a second sheet of ice in August of 2000. Since 2004, the facilities have been operated under an interlocal agreement with the Kennewick Public Facilities District Board to oversee management of the facility in conjunction with its own convention center facility.

The 2013/2014 adopted budget for the facility provides for a two-year operating contribution of \$700,000, or approximately \$350,000 annually. This contribution consists of a \$400,000 transfer (\$200,000

annually) from the General Fund and a \$300,000 transfer (\$150,000 annually) from the City's Lodging Tax Fund using lodging tax proceeds as the funding source.

The actual result for the facilities in 2013 was a net operating loss of \$400,533, which is approximately \$51,000 higher than the budgeted net operating loss for the facilities. This budgetary shortfall was primarily attributable to lower than anticipated revenue generated from events, including building rental fees, facility fees, food & beverage service fees and revenue generated at the Toyota Arena.

VenuWorks and the KPFD have developed an operating budget for 2014 that they believe will allow the facilities to remain within the original

\$700,000 operating loss budgeted for the 2013/2014 biennium. Through June of 2014, the net operating loss for the facilities was \$213,460, which unfortunately was approximately \$79,000 higher than the operating loss originally projected for this period. Similar to 2013, the primary factor in this budgetary shortfall is a lack of events at the facilities. VenuWorks and the KPFD remain confident that the facilities will remain within budget for the 2013/2014 biennium.

It is also important to note that events at the Toyota Center & Arena generate admissions tax that is receipted into the City's General Fund and is dedicated under a City Council budget policy to fund the operating contribution provided to the facilities. For example, in 2013, the City received approximately \$161,000 in

admissions tax from events held at the Toyota Center & Arena. In addition, the City also receives a great deal of ancillary revenue generated as a result of these events, including sales and hotel/ motel taxes.

In addition to a contribution for operations, the Toyota Center & Arena's 2013/2014 adjusted budget

also includes a transfer from the Lodging Tax Fund of \$986,600 to cover debt service associated with the acquisition of the facility and a budgeted transfer of \$400,000 from the City's Capital Improvement Fund for capital improvements and new equipment needed at the facility. Additionally, the facility has refurbished its marquee sign at the inter-

section of Okanogan and Columbia Center Boulevard with the proceeds of an interfund loan from the Water and Sewer Fund that was approved by Council in February of 2013. The loan will be repaid over a 7-year period with excess lodging tax proceeds.

Table 8: Stormwater Utility Fund (in \$1,000's)

	2013/2014			2011/2012		
	6/30/14	Budget	%	6/30/12	Actual	%
Revenues						
Revenue from Rates	\$1,677	\$2,252	74.4 %	1,104	\$1,639	67.4 %
Intergovernmental	-	-	-	86	220	39.1
Interest & Miscellaneous	4	-	-	2	3	66.7
Transfers In	-	-	-	50	50	100.0
Other Financing Sources	407	3,199	12.7	444	248	179.0
TOTAL	\$2,087	5,451	38.3 %	1,686	2,160	78.1 %
Expenditures						
Salaries & Benefits	\$780	\$1,044	74.7 %	\$620	\$849	73.0 %
Supplies	25	53	48.0	22	28	80.2
Other Services & Charges	734	1,308	56.1	530	777	68.3
Operating Transfer	74	75	-	17	254	6.7
Intergov't Services & Taxes	-	-	-	30	45	66.7
Debt Service	-	344	-	-	-	-
Capital Outlay	350	2,962	11.8	13	930	1.4
TOTAL	\$1,963	\$5,785	33.9 %	\$1,233	\$2,883	42.8 %

The **Stormwater Utility Fund** was established in June of 2009 and accounts for the operating activity of the City's stormwater utility program. The primary revenue source for the stormwater utility is a monthly charge assessed to all residential, multi-family, commercial, and other non-residential customers on their bi-monthly water and sewer bill. Expenses of the utility include the costs associated with operating and maintaining the City's stormwater system in compliance with the Phase

II municipal permit requirements established by the Washington State Department of Ecology, as well as any necessary capital improvements made to the system and any related debt service requirements.

Table 8 provides a comparison of the budgeted and actual revenues and expenditures for the 2013/2014 biennium. Through June of 2014, revenue collected from the monthly stormwater charge was approximately \$1.68 million, or 74.4% of the

biennial budget of \$2.25 million.

Total expenditures for the Stormwater Utility Fund at this juncture of the biennium were 33.9% of the 2013/2014 biennial budget, with no material variances to report. A considerable portion of the capital outlay budgeted for the 2013/2014 biennium within the Stormwater Fund will likely occur in the latter half of 2014 or will carry over to the 2015/2016 biennium.

Table 9: Columbia Park Golf Course Fund (in \$1,000's)

	2013/2014			2011/2012		
	6/30/14	Budget	%	6/30/12	Actual	%
Revenues						
Charges for Services	\$281	\$497	56.5 %	\$284	\$365	77.8 %
Concessions & Miscellaneous	24	41	58.5	23	35	65.7
Transfers In	145	143	101.4	191	226	84.5
TOTAL	\$450	\$681	66.1 %	\$498	\$626	79.6 %
Expenditures						
General & Administrative	\$158	\$219	72.1 %	\$165	\$215	76.7 %
Maintenance	128	196	65.3	112	155	72.3
Operations	149	233	63.9	132	178	74.2
Capital Outlay	11	33	33.3	79	79	100.0
TOTAL	\$446	\$681	65.5 %	\$488	\$627	77.8 %

The **Columbia Park Golf Course Fund**, an enterprise fund, was established beginning on January 1, 2011 and accounts for the operating and maintenance, capital and debt service costs related to the operation and management of the Columbia Park Golf Links golf course. In the fall of 2010, the City entered into an agreement with CourseCo, Inc. to manage and operate the golf course on behalf of the City. CourseCo also manages the City of Richland's Columbia Point golf course, which has allowed for a unique partnership opportunity between the two cities in terms of our ability to better leverage the resources of both facilities and operate both courses in a more efficient manner.

Table 9 provides a comparison of the budgeted and actual revenues and expenditures for the Columbia Park Golf Course Fund for the 2013/2014 biennium. The primary sources of revenue for the golf course are greens fees, range fees, merchandise sales, food and beverage sales and other ancillary revenue associated with the operation of the course. Expenses for the course consist of costs associated with operating and maintaining the golf course as well as capital outlay for improvements and upgrades to the course and its facilities.

For 2013, the course had a net operating loss of approximately \$95,000. This loss was primarily attributable to lower than anticipated

operating revenue generated from greens fees, which was offset to a small degree by a corresponding decrease in variable expenses associated with the number of rounds played at the course.

Through the first six months of 2014, the course had a net operating loss of \$35,163, which was \$10,616 higher than projected for this period. Similar to 2013, the main factor in this budgetary shortfall was a significant reduction in the number of rounds of golf played at the course and a corresponding reduction in operating revenues.

DESIGNATED FUNDS

Designated funds are restricted to uses outlined in grants, contractual, or statutory agreements.

Activity in the debt service fund relates to the property tax collection of the voter-approved levy for the library project and debt service of the City's bond issues to finance construction of the Three Rivers Convention Center, the Southridge ball fields, levee lowering, central plaza projects, police station facility and projects within the City's Local Revitalization Area (LRA).

Significant events taking place in the **Community Development Block Grant / HOME** program during the second quarter of 2014 include:

- The 14-unit Kennewick Perry Suites complex is fully occupied and already has a waiting list for future vacancies. The project has been completed on time and under budget.
- The Tri-Cities HOME Consortium has already completed several focus group meetings with our consultant, Linda

Rinaldi & Associates. As the 5-Year Consolidated Plan expires this year, staff is working hard to compile input from interest groups such as Housing, Human Services, First Responders and Economic Development interests. The 2015-2019 Plan is due to HUD in November.

- The 2014 Annual Action Plan has been accepted by HUD and a contract has been sent by Washington DC for signature. At that time, staff will enter into agreements with the 2014 subrecipients.
- The City's Pedestrian Ramp and Audible Crossing Button project has gone out for bid and work should begin before the end of July. The \$359,000 project will remove architectural barriers in various locations throughout the City and install audible crossing buttons at existing signalized intersections.
- The HOME First-Time Homeowner Down Payment Assistance Program (DPA) has processed 17 applications so far this year resulting in 15

home loans totaling \$130,000 in assistance.

Receipts of the basic 2% hotel/motel tax in the Lodging Tax Fund are allocated to the Tri-Cities Visitor and Convention Bureau and to support event promotion. Proceeds from the additional 2% are transferred to the Coliseum Fund for debt service on an interfund loan made from the City's Capital Improvement Fund. Also, \$150,000 is transferred annually from a combination of the basic 2% and the additional 2% tax to the Coliseum Fund to cover a portion of the Toyota Center's annual operating contribution.

The 2013/2014 adjusted budget includes a two-year projection of \$1,726,000 in hotel/motel tax revenue based on an assumption of 2% annual growth in this tax revenue source each year of the biennium. During 2013, receipts of lodging tax increased by only 1.2%. Through the first 6 months of 2014, lodging tax receipts have increased by 4%.

In addition to hotel/motel tax, the Lodging Tax Fund also receives proceeds from the regional Tourism Promotion Area (TPA) established

under an agreement with the cities of Richland and Pasco. Under this agreement, the TPA assesses a flat fee per guest room in hotels of each of the three cities. All funds collected are dedicated to marketing tourism in the region and are remitted to the Tri-Cities Visitor & Convention Bureau (TCVCB) as the administrator of this program. At its October 15, 2013 meeting, the Kennewick City Council approved an interlocal agreement to increase the TPA assessment from \$1.50 to \$2.00 per room night effective January 1, 2014, as recommended by the TPA Commission and local hoteliers. The additional revenue generated from this assessment will help to bring tourism funding in the Tri-

Cities on par with other comparable regions in the state.

The City received and remitted \$382,430 to the TCVCB from the TPA charge in 2013, which was an increase of 1.2%. Through the first half of 2014, the City has received and remitted \$210,349 to the TCVCB from the TPA charge.

Revenues collected in the public safety fund of the voted 2½% utility tax on natural gas, telephone and electricity are transferred to the general fund to reimburse fire and police personnel costs. 21 positions in the police department and 11 positions in the fire department were created and are partially

maintained through this funding source.

The 2013/2014 adjusted budget for the Public Safety Fund includes an estimate of \$5,265,416 in utility tax revenue for the biennium. In 2013, the City received \$2,500,772, which represented 47.5% of the adjusted budget. Through June of 2014, the City had received \$1,419,502, which was an overall increase of 7% when compared to this same time period in the previous year. As described earlier in this report, the overall increase was attributable to an 8% increase in electric utility tax and a 34% increase in natural gas utility tax, which was partially offset by a 6% decline in telephone utility tax.

FUTURE OUTLOOK

As the City progresses into the final months of its 2013/2014 biennium, its financial condition remains relatively healthy overall in spite of several budgetary challenges. Unfortunately, although the City has been able to overcome these challenges to this point, a number of challenges still remain.

The City's ability to generate new growth-related revenues has been critical in allowing it to maintain adequate funding for City Council's existing priority programs and services and is a direct result of the emphasis the Council has placed on the City's economic development efforts. However, this leaves the City with a budget model predicated on

ongoing growth in the future, which can be very difficult to sustain.

As we now begin to turn our focus to the upcoming 2015/2016 biennium, it will be critical for the City to continue to foster new economic development opportunities in the City of Kennewick, which in turn provides the growth-related revenue sources needed to providing existing services to the community.

Trios Southridge Hospital, opens July 15th



CASH MANAGEMENT

Most analysts agree that the U.S. economy has rebounded in the 2nd quarter 2014 vs. the first quarter. Manufacturing output is better and housing sales are up even in the face of higher mortgage costs for the first six months. The Federal Reserve intends to end its bond-buying program in October provided the economy continues to grow. The first increase in the benchmark interest rate since December 2008 may happen late next summer. Some Federal Open Market Committee members want to move away from the so-called “emergency level policy” of 0 to .25% rates which don’t really appear to be helping. Impacts of world conditions and the global market will be watched closely in the 3rd quarter for downside risks. U.S. Treasury yields may be impacted in a “flight to quality” by investors.

The month of May was busy with investment activity. One \$2 million agency security matured and two other agency items at \$2 million each were called. The Investment Committee met on May 22nd to discuss options for reinvestment. Two purchases were initiated - \$2

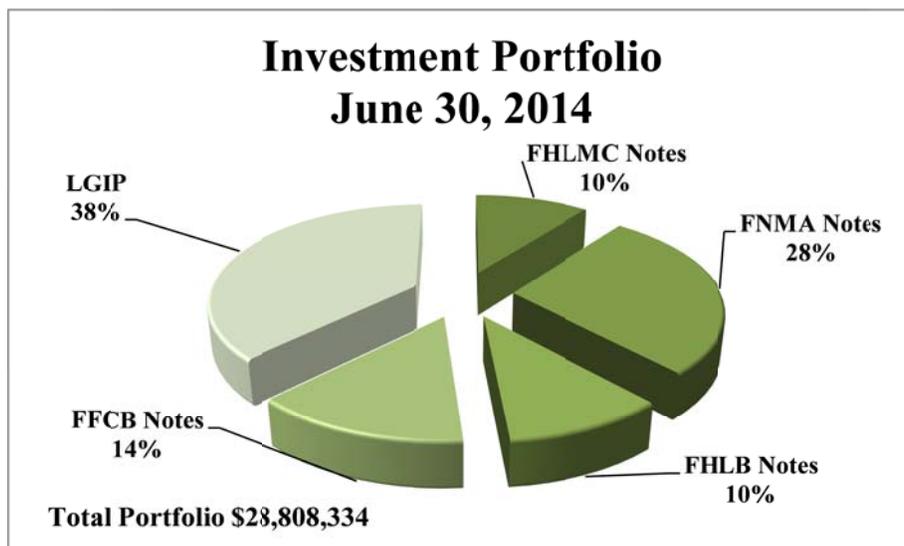
million FFCB 5 year with 1 year call protection, 1.77% yield to call/maturity and \$2 million FNMA zero coupon bond maturing in 3 years with .87% interest paid at maturity. Based on the balance at the State Pool and upcoming debt payments, no additional purchases were made. In addition, summer construction activity will soon be starting and July is historically the highest negative net cash flow month for the City. The percentages by security type are illustrated in the *Investment Portfolio* pie chart.

In April, the Finance Department received notification that the City’s Investment Policy had earned the Association of Public Treasurers of the United States & Canada’s certificate of excellence award. A team of reviewers determined that the policy met the criteria set forth by the Association’s policy certificate committee. Prior to submission for review, the policy was revised to add authority to invest in LID bonds, consolidated into 1 chapter of the KAC and updated for organizational changes and to clarify intent. In June,

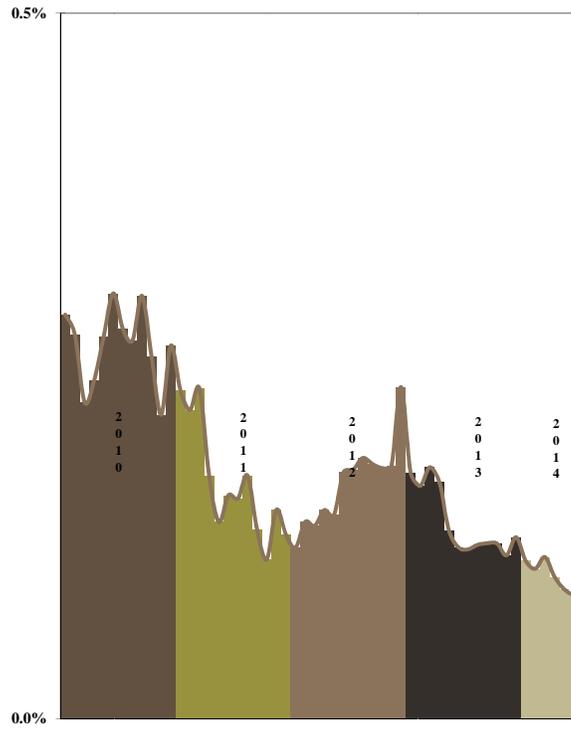
the policy revisions were adopted by Council.

Other highlights for the 2nd quarter of 2014:

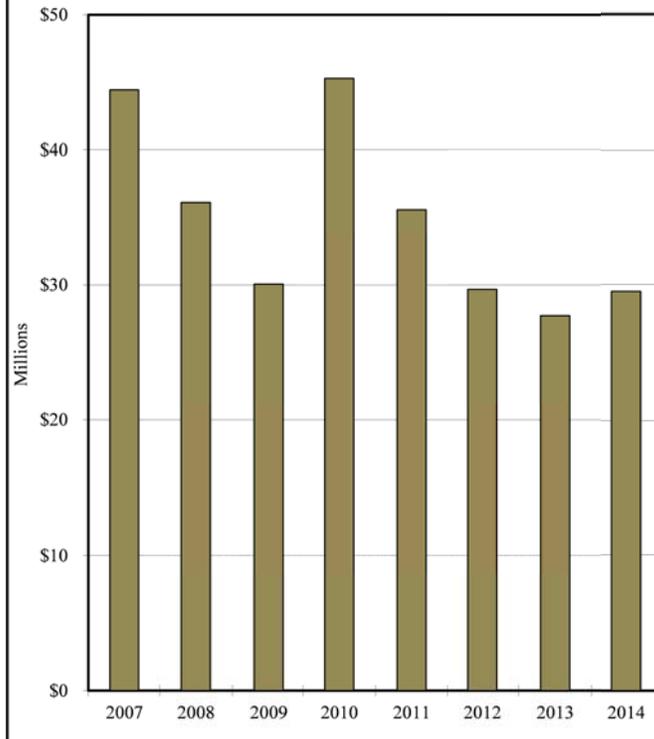
- The yield for City balances invested at the State Pool was .09%. Interest earned during the quarter for Pool balances was \$2,310.
- The City’s agency portfolio averaged a .88% rate of return and earned interest of \$42,162.
- The market value of agency investments at June 30 was \$17,994,532 or \$11,189 lower than the principal cost. The unrealized loss associated with this difference will not be recorded because the investments will be held until call or maturity date.



**LOCAL GOV'T INVESTMENT POOL
NET EARNINGS RATE**



**City of Kennewick
Portfolio History**



Cash & Investment Summary
As of 6/30/2014

Maturity Date	CUSIP/Ticker	Description	Broker/Dealer	YTM @ Cost	Trade Date	Cost Value
10/2/2014	3133EA3C0	FFCB 0.27 10/2/2014	Wells Fargo Securities	0.295	10/11/2012	999,510.00
12/18/2017	3133EDC26	FFCB 1.27 12/18/2017-14	Wells Fargo Securities	1.278	12/18/2013	999,700.00
5/29/2019	3133EDMM1	FFCB 1.77 5/29/2019-15	Vining Sparks	1.77	5/22/2014	2,000,000.00
12/28/2016	313381KR5	FHLB 0.625 12/28/2016-13	Seattle NW Securities	0.63	12/13/2012	999,800.00
6/20/2018	313383EP2	FHLB 1.25 6/20/2018-13	Time Value Investment	1.25	5/23/2013	2,000,000.00
8/28/2015	3134G3ZA1	FHLMC 0.5 8/28/2015	Wells Fargo Securities	0.405	10/11/2012	2,005,420.00
12/27/2018	3134G4QV3	FHLMC 1.85 12/27/2018-14	Wells Fargo Securities	1.85	12/18/2013	1,000,000.00
6/1/2017	31359MEL3	FNMA 0 6/1/2017	Wells Fargo Securities	0.869	5/22/2014	2,001,775.50
6/1/2017	31359MEL3	FNMA 0 6/1/2017	Time Value Investment	0.83	10/11/2012	1,999,715.51
10/22/2015	3135G0QB2	FNMA 0.5 10/22/2015-13	Vining Sparks	0.466	10/11/2012	2,002,000.00
5/25/2018	3135G0XM0	FNMA 1.125 5/25/2018-13	Wells Fargo Securities	1.148	5/23/2013	1,997,800.00
N/A	LGIP	State of Washington LGIP		0.087		<u>10,802,613.27</u>
		Total Investments				28,808,334.28
N/A	CASH	US Bank Operating Account Cash				253,240.51
Total / Average		Total Cash & Investments		0.636		29,061,574.79

GESA CAROUSEL OF DREAMS

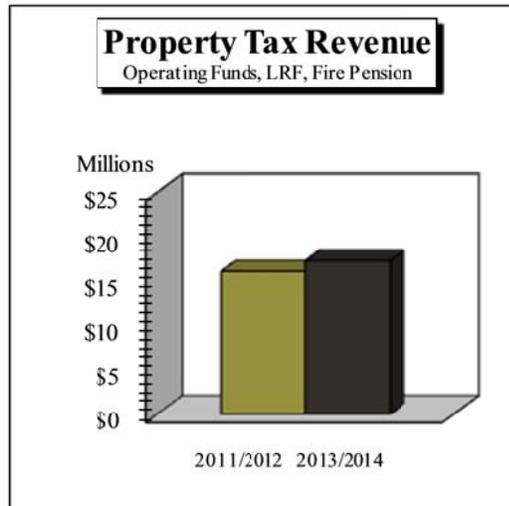


MAJOR REVENUE SOURCES

Property Tax Revenue

		2011/2012	2013/2014
Year 1	Jan-Mar	\$654,614	\$740,886
	Apr-Jun	4,998,922	5,286,678
	Jul-Sep	252,034	440,895
	Oct-Dec	4,435,979	4,488,372
Year 2	Jan-Mar	638,132	749,133
	Apr-Jun	5,155,198	5,613,938
	Jul-Sep		
	Oct-Dec		
Total		\$16,134,878	\$17,319,902

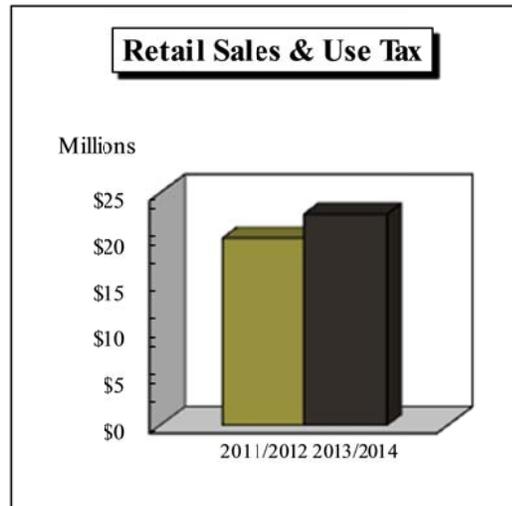
13/14 Biennial Budget \$22,521,204
 Actual vs Budget 77%



Retail Sales & Use Tax

		2011/2012	2013/2014
Year 1	Jan-Mar	\$3,466,522	\$3,923,276
	Apr-Jun	3,428,401	3,537,338
	Jul-Sep	2,441,210	3,970,129
	Oct-Dec	3,589,877	4,145,065
Year 2	Jan-Mar	3,724,733	3,923,260
	Apr-Jun	3,496,605	3,202,865
	Jul-Sep		
	Oct-Dec		
Total		\$20,147,348	\$22,701,933

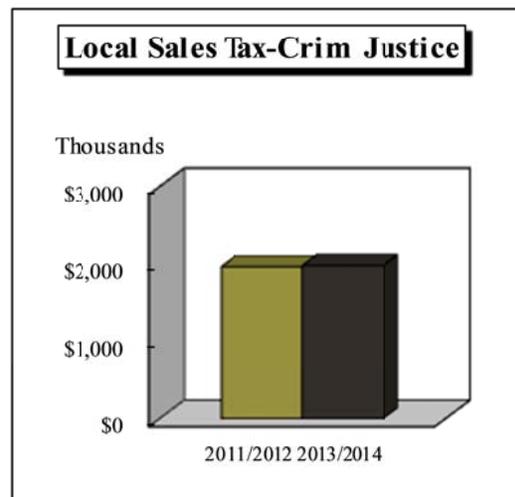
13/14 Biennial Budget \$31,161,023
 Actual vs Budget 73%



Local Sales Tax-Criminal Justice

		2011/2012	2013/2014
Year 1	Jan-Mar	\$310,208	\$321,544
	Apr-Jun	329,296	318,048
	Jul-Sep	374,197	359,300
	Oct-Dec	328,964	336,823
Year 2	Jan-Mar	323,506	325,263
	Apr-Jun	298,671	316,065
	Jul-Sep		
	Oct-Dec		
Total		\$1,964,842	\$1,977,043

13/14 Biennial Budget \$2,766,261
 Actual vs Budget 71%

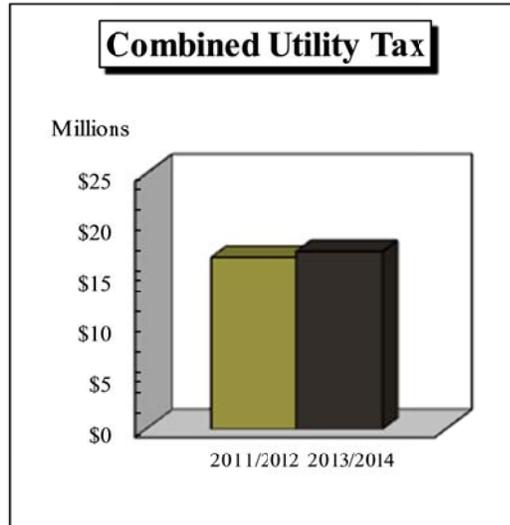


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Combined Utility Tax

		2011/2012	2013/2014
Year 1	Jan-Mar	\$2,969,376	\$3,098,329
	Apr-Jun	3,123,197	2,732,493
	Jul-Sep	2,502,411	2,717,018
	Oct-Dec	2,562,728	2,704,610
Year 2	Jan-Mar	3,102,766	3,406,806
	Apr-Jun	2,598,294	2,764,484
	Jul-Sep		
	Oct-Dec		
Total		\$16,858,773	\$17,423,740

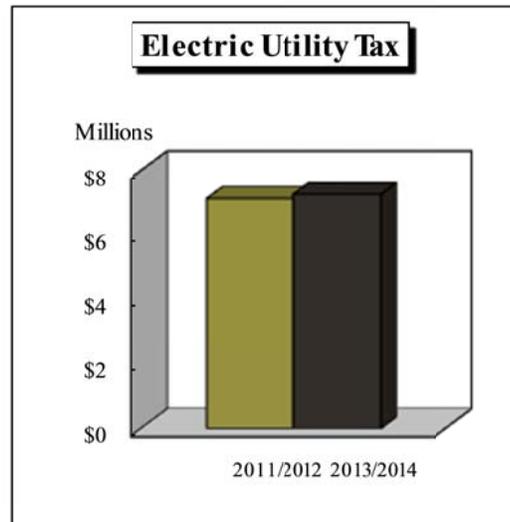
13/14 Biennial Budget \$27,647,348
 Actual vs Budget 63%



Electric Utility Tax

		2011/2012	2013/2014
Year 1	Jan-Mar	\$1,343,830	\$1,363,149
	Apr-Jun	1,434,663	1,049,449
	Jul-Sep	974,693	1,143,064
	Oct-Dec	1,022,571	1,095,566
Year 2	Jan-Mar	1,392,662	1,545,850
	Apr-Jun	958,968	1,060,256
	Jul-Sep		
	Oct-Dec		
Total		\$7,127,387	\$7,257,334

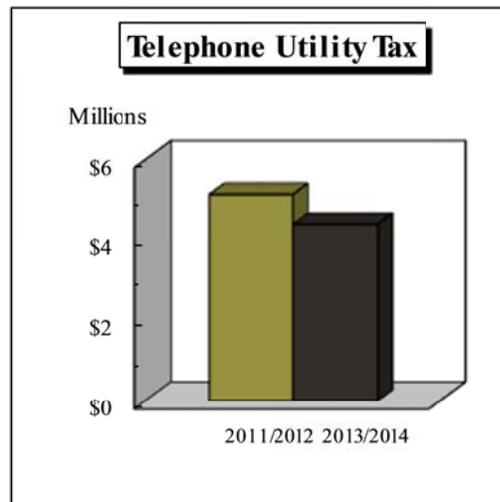
13/14 Biennial Budget \$9,912,415
 Actual vs Budget 73%



Telephone Utility Tax

		2011/2012	2013/2014
Year 1	Jan-Mar	\$866,625	\$760,671
	Apr-Jun	910,595	757,141
	Jul-Sep	841,969	710,369
	Oct-Dec	873,124	737,955
Year 2	Jan-Mar	830,664	734,080
	Apr-Jun	814,966	697,939
	Jul-Sep		
	Oct-Dec		
Total		\$5,137,943	\$4,398,155

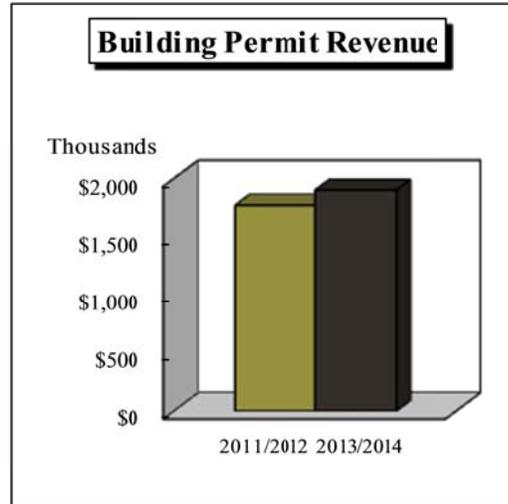
13/14 Biennial Budget \$6,614,416
 Actual vs Budget 66%



Building Permit Revenue

		2011/2012	2013/2014
Year 1	Jan-Mar	\$258,835	\$270,292
	Apr-Jun	313,356	339,599
	Jul-Sep	269,879	288,313
	Oct-Dec	316,969	219,500
Year 2	Jan-Mar	263,810	374,431
	Apr-Jun	348,834	408,605
	Jul-Sep		
	Oct-Dec		
Total		\$1,771,683	\$1,900,740

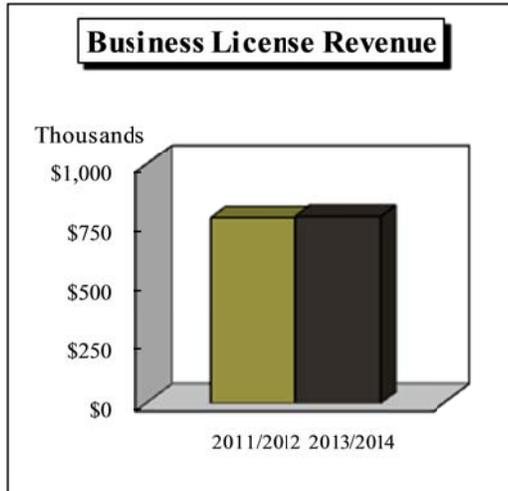
13/14 Biennial Budget \$2,320,000
 Actual vs Budget 82%



Business License Revenue

		2011/2012	2013/2014
Year 1	Jan-Mar	\$342,327	\$350,142
	Apr-Jun	32,145	28,998
	Jul-Sep	17,511	20,833
	Oct-Dec	9,958	8,518
Year 2	Jan-Mar	343,543	342,403
	Apr-Jun	32,064	32,168
	Jul-Sep		
	Oct-Dec		
Total		\$777,547	\$783,061

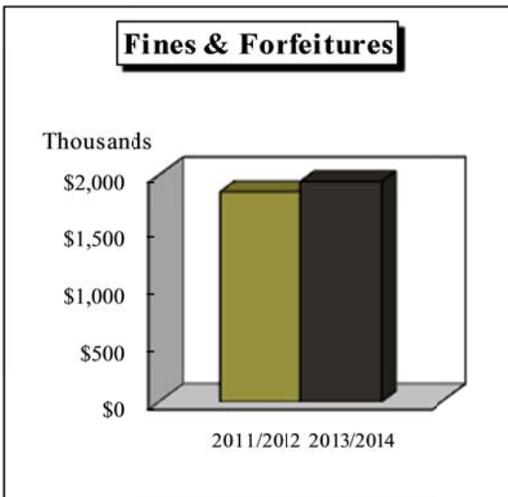
13/14 Biennial Budget \$887,000
 Actual vs Budget 88%



Fines & Forfeitures

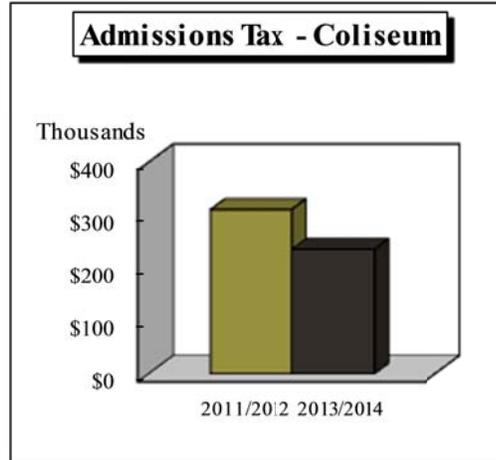
		2011/2012	2013/2014
Year 1	Jan-Mar	\$321,159	\$329,622
	Apr-Jun	338,412	339,543
	Jul-Sep	301,533	296,623
	Oct-Dec	277,013	301,339
Year 2	Jan-Mar	306,024	350,845
	Apr-Jun	310,327	325,055
	Jul-Sep		
	Oct-Dec		
Total		\$1,854,467	\$1,943,028

13/14 Biennial Budget \$2,656,000
 Actual vs Budget 73%



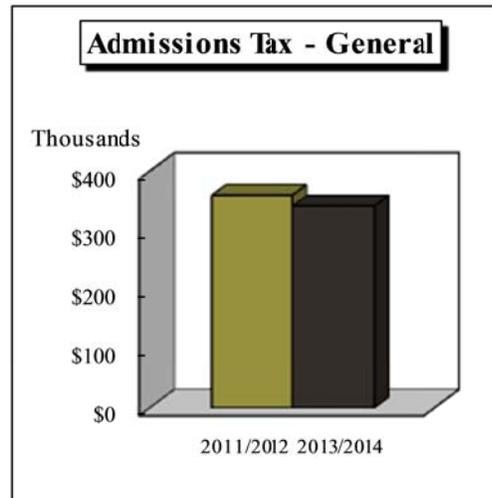
Admissions Tax - Coliseum

		2011/2012	2013/2014
Year 1	Jan-Mar	\$58,829	
	Apr-Jun	76,333	
	Jul-Sep	14,707	81,678
	Oct-Dec	76,866	79,535
Year 2	Jan-Mar		35,907
	Apr-Jun	84,681	39,149
	Jul-Sep		
	Oct-Dec		
Total		\$311,416	\$236,269
13/14 Biennial Eudget			\$481,000
Actual vs Budget			49%



Admissions Tax - General

		2011/2012	2013/2014
Year 1	Jan-Mar	\$47,248	\$45,474
	Apr-Jun	76,333	50,593
	Jul-Sep	87,704	87,763
	Oct-Dec	51,452	58,229
Year 2	Jan-Mar	40,997	46,967
	Apr-Jun	55,403	51,620
	Jul-Sep		
	Oct-Dec		
Total		\$359,137	\$340,646
13/14 Biennial Eudget			\$547,000
Actual vs Budget			62%



“You must be the change you wish to see in the world.”
Mahatma Gandhi