

# City of Kennewick

2014

3rd Quarter

## Financial Report



Issue Date: November 25, 2014

### OVERVIEW

As the City of Kennewick moves into the final months of its 2013/2014 biennium, we continue to see many of the same themes that have been reported thus far in 2014. The City has several positive items to report reflecting a healthy financial condition overall, primarily due to the growth related revenues generated through economic development and other growth activity in the City. As has also been discussed in previous reports, this budget model is difficult to sustain over a long period of time, and any significant reduction in growth in our community will result in budgetary challenges in maintaining City Council's priority programs and services at their current levels. In light of how critical growth revenues are to the City's overall financial health, staff continues to closely monitor the City's key growth indicators.

Like all communities, employment is one of the most important measures 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 September, which is approximately 1.5% lower than a year ago and

0.1% lower than the statewide unemployment rate of 5.7%. According to the most recent labor data issued by the Bureau of Labor Statistics, total non-farm employment in the Tri-Cities was approximately 106,700 in September, which is the highest level that has been experienced in the area in the last 10 years, and even exceeds previous peak levels experienced in 2011 when the Hanford area was at its highest levels of employment to complete projects funded with \$2 billion in one-time stimulus funding the site received starting in 2009.

Building permit activity, which is

### In This Report

Overview	1
Significant Events	2
General Government	3
Revenues	3
Expenditures	5
Capital Funds	8
Proprietary Funds	9
Designated Funds	13
Future Outlook	14
Cash Management/	
Investments	15
Major Revenue Sources	18

another key indicator of the growth in the City, demonstrates that growth is still occurring within the City. Through the first nine months of

### New Construction Activity

	Comparative Totals	
	2014	2013
Single Family Permits	223	243
Commercial Permits	40	34
Other Permits	1,281	1,297
<b>Total Permits</b>	<b>1,544</b>	<b>1,574</b>
Permit Valuation	\$139,244,622	\$105,347,524
Building Permit Fees	\$1,134,075	\$898,204
Planning Fees	\$22,050	\$28,176

2014, the Building Safety division issued 1,544 permits with a valuation of approximately \$139.3 million. Although this represents a 2% reduction in the number of permits issued when compared to the first nine months of 2013, the total valuation of these permits is an increase of 32%. 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.

Other significant projects during the third quarter of 2014 include construction of the Hampton Inn and tenant improvement/remodels of Potter House Christian Fellowship Church, Rite Aid Ti & Canopy, Columbia Basin Hematology and oncology, Crave Eats & Drinks, Williamson Trustees, Thermal Tech Addition, McDonalds Restaurant, Subway and Therapeutic Innovations & Recovery.

Other key indicators also demon-



strate 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 77,700, 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

302 over the past twelve months to 23,710 total accounts, which represented a slight increase of 1%. Lastly, the City processed 4,517 business licenses through September of 2014, which also equates to an increase of less than 1% compared to the previous year.

## SIGNIFICANT EVENTS

Council passed Ordinance #5566 amending the KMC prohibiting the production, processing and retail sales of recreational marijuana in all City of Kennewick zoning districts. In November of 2012 the voters of the State of Washington approved Initiative #502 which decriminalized possession and use of marijuana for "recreational uses" and established a licensing protocol for marijuana production, processing and retailing. A moratorium had been in effect until the adoption of Ordinance #5566.

On July 1, Council awarded the Steptoe/Hildebrand Blvd. extension, Phase 3A and Steptoe/Hildebrand Blvd. extension Phase 3B-interim, to Premier Excavation in the amount of \$6,053,872.

The Steptoe St. extension and Hildebrand Blvd. extension, Phase 3A project provides for the improvement of Steptoe St.,

formerly Clodfelter, from 4th Ave. to a temporary connection with 10th Ave. south of Amon Wasteway to a four lane roadway with center left turn provisions and includes a new roundabout at the intersection with 10th Ave. north of Amon Wasteway and the improvement of 10th Ave. to Montana St.

The Steptoe St. extension and Hildebrand Blvd. extension, Phase 3B Interim project provides for the completion of a majority of the street subgrade for both the extension of Hildebrand Blvd. and the future re-connection of Clodfelter at a new roundabout.

City Council authorized the Mayor to sign the Federal Local Agency Agreement (STPUL Grant) for the design of an intersection to provide a full access at Ridgeline Dr. and US/395, the design costs will be \$750,231.

On July 17, Council awarded the City-Wide Pedestrian Ramp Improvement Project to Allstar, Inc. in the amount of \$367,069. The project will construct ADA accessible concrete pedestrian ramps and sidewalks at various locations throughout the City. The contract also includes furnishing and installation of navigator pushbuttons. CDBG funds have been allocated to fund this project.

On August 19, Council awarded the Zone 4 Water Main – Kellogg St to AP Canal to Sharpe & Prezler, Inc. in the amount of \$214,171. The project will construct approximately 1,180 lineal feet of 16-inch ductile water main and approximately 290 lineal feet of 8-inch water main. The project also includes roadway excavation and embankment and other improvements as required for the construction of the water main and gravel access road.

## 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 September of 2014, general governmental revenue collections totaled \$79.3 million, which represents 85.4% of the adjusted budget.

General governmental receipts from sales taxes totaled approximately \$18.3 million through September of 2014. On a citywide basis, sales tax receipts increased by 4.3% over the first nine 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 nine months of 2014 was an increase of only 2.5%.

Criminal justice sales tax receipts totaled approximately \$2.3 million for the biennium through September 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 during this period of 2014.

Utility tax receipts totaled \$15.6 million for the biennium through September of 2014. For 2013, utility tax receipts increased by 4% overall based on increases from all utility tax sources other than telephone.

Through the first nine months of 2014, overall utility tax revenue has increased again by 4% 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 20% thus far in 2014, which reflected a significant rate increase implemented by Cascade Natural Gas in November of 2013. At that time, rates were increased by approximately 18% on average.

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 have 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 6% through the first nine months 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 5% change, which is 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

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

Revenue Source	2013/2014			2011/2012		
	9/30/14	Budget	Received	9/30/12	Actual	Received
Property Tax	\$17,509	\$22,209	78.8 %	\$16,390	\$20,879	78.5 %
Sales Tax	18,331	20,694	88.6	16,886	19,399	87.0
Criminal Justice Sales Tax	2,336	2,766	84.4	2,284	2,605	87.7
Electric Utility Tax	5,950	6,997	85.0	5,508	6,199	88.9
Telephone Utility Tax	3,579	4,669	76.7	4,190	4,742	88.4
Water/Sewer Utility Tax	2,546	2,942	86.6	2,026	2,382	85.1
Cable TV Utility Tax	1,246	1,322	94.2	1,153	1,317	87.5
Garbage Utility Tax	1,023	1,181	86.6	953	1,096	86.9
Natural Gas Utility Tax	1,218	971	125.4	911	997	91.4
Ambulance Utility Tax	68	80	85.1	51	59	85.9
Gambling Tax	1,316	1,837	71.6	1,645	1,832	89.8
Other Taxes	730	1,113	65.6	869	1,021	85.1
<b>Total Taxes</b>	<b>\$55,851</b>	<b>\$66,781</b>	<b>83.6 %</b>	<b>\$52,866</b>	<b>\$62,529</b>	<b>84.5 %</b>
Licenses & Permits	1,127	1,144	98.5	1,054	1,102	95.6
State Shared Revenue	1,377	1,254	109.8	1,144	1,144	100.0
State Entitlements	4,423	4,891	90.4	4,592	5,187	88.5
Other Intergovernmental	258	206	125.2	500	559	89.5
Charges for Services:						
Interfund	3,429	4,484	76.5	3,312	3,811	86.9
Environment	3,007	3,004	100.1	2,726	3,037	89.8
Culture & Recreation	990	1,084	91.3	933	1,036	90.1
Other	1,198	1,081	110.8	1,257	1,593	78.9
Fines & Forfeitures	2,229	2,658	83.9	2,141	2,425	88.3
Operating Transfers:						
From Public Safety	4,485	5,265	85.2	4,421	4,974	88.9
From Capital Improvement	-	-	-	97	97	100.1
Others	-	-	-	403	514	78.5
Interest/Misc.	974	1,032	94.4	785	871	90.1
<b>TOTAL REVENUES</b>	<b>\$79,348</b>	<b>\$92,884</b>	<b>85.4 %</b>	<b>\$76,231</b>	<b>\$88,878</b>	<b>85.8 %</b>

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 \$727,000 in 2013, which represented an 18% decrease when compared to 2012. The decline was attributable to the closure of one of the City's larger casinos in the second half of 2012. Through September of 2014, gambling tax receipts have 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 \$730,000 through September of 2014.

Revenue for the 2013/2014 biennium from licenses & permits totaled \$1.1 million through September of 2014. The predominant sources of revenue within this category are business license fees and construction engineering permits. Although business license revenue has actually decreased by 1% thus far in 2014, revenue generated from civil permits for residential and commercial construction projects has increased by nearly 45%, or approximately \$36,000.

The City received \$1.4 million in state-shared revenues through September of 2014, which consisted of privilege tax payments made in 2013 and 2014 by the Benton PUD and Energy Northwest, respectively, based on the 2012 and 2013 rate

revenue for each agency. These payments are made to the City each year in June.

State Entitlements, which are also commonly referred to as state-shared revenues, include receipts from the criminal justice programs, liquor excise taxes, liquor board profits, DUI assistance and motor vehicle fuel taxes. Receipts for this category totaled roughly \$4.4 million through September. Revenue received in this category is up significantly thus far in 2014, which is attributable to legislation passed at the state level in 2012 that completely eliminated state-shared liquor excise taxes from June of 2012 through July of 2013. The estimated loss from this legislation for the City on an annual basis was approximately \$400,000. Unfortunately, the State also diverted half of liquor excise taxes previously allocated to cities to its General Fund from July of 2013 through June of 2015 as part of its budget package for the 2013-2015 biennium.

Fines and forfeiture revenue received by the City from District Court totaled approximately \$2.2 million for the 2013/2014 biennium through September. Revenue from this source has increased by 1% thus far in 2014 after increasing by 6% in 2013. These increases were primarily attributable to moderate increases in criminal traffic penalties and non-traffic misdemeanor penalties.

Table 2 provides an expenditure summary by category and department for the City's general governmental operations for the 2013/2014 biennium. As of September 30, 2014, total expenditures were approximately \$80.3 million, or 86% 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 backfill for an extended absence for family care leave in the department. A budget adjustment will be processed during the fall 2014 budget adjustment 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 1<sup>st</sup>. 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 March. 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 light of the fact that stimulus funding of \$2 billion accelerated clean-up efforts from 2009-2011.
- 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 2013 and 2014 interest 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 generated 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 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.

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

Category	2013/2014			2011/2012		
	9/30/14	Budget	Spent	9/30/12	Actual	Spent
Salaries & Benefits	\$58,371	\$68,382	85.4 %	\$53,644	\$61,961	86.6 %
Supplies	2,110	2,838	74.3	1,937	2,343	82.7
Other Services & Charges	6,844	7,765	88.1	6,741	7,754	86.9
Intergov't Services & Taxes	9,983	10,586	94.3	8,866	10,472	84.7
Interfund Transfers	2,908	3,700	78.6	5,207	6,374	81.7
Capital Outlay	73	83	87.7	11	69	15.9
<b>TOTAL EXPENDITURES</b>	<b>\$80,289</b>	<b>\$93,354</b>	<b>86.0 %</b>	<b>\$76,406</b>	<b>\$88,974</b>	<b>85.9 %</b>
<b>Department</b>						
City Council	\$451	\$539	83.7 %	\$429	\$495	86.6 %
City Manager	571	647	88.3	479	529	90.6
Finance	3,151	3,646	86.4	2,770	3,204	87.2
Management Services	4,972	5,875	84.6	4,573	5,245	87.4
City Attorney	1,159	1,362	85.1	1,106	1,265	87.4
Civil Service	26	42	62.3	16	24	67.9
Economic Development/Planning	1,840	2,384	77.2	1,690	1,991	84.9
Police	32,388	38,443	84.2	29,229	34,395	85.0
Fire	13,829	15,933	86.8	12,573	14,647	85.8
Engineering	2,879	3,100	92.9	2,515	2,895	86.9
Employee & Community Relations	3,318	3,781	87.8	3,244	3,669	88.4
Parks & Facilities	5,744	6,781	84.7	4,802	5,481	87.6
Non-Departmental	6,721	6,887	97.6	9,624	11,300	85.2
Street Maintenance	3,240	3,935	82.3	3,356	3,834	87.5
<b>TOTAL EXPENDITURES</b>	<b>\$80,289</b>	<b>\$93,354</b>	<b>86.0 %</b>	<b>\$76,406</b>	<b>\$88,974</b>	<b>85.9 %</b>

- 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 case-load 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 2013, 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 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)**

<b>FUND</b>	<b>Beginning Balance</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Ending Balance</b>
<b>GENERAL GOVT:</b>				
General Fund	\$3,320	\$76,108	\$77,049	\$2,379
Street	-	3,241	3,241	-
Subtotal	3,320	79,349	80,289	2,379
<b>CAPITAL FUNDS:</b>				
Arterial Street	134	1,554	1,680	8
Urban Arterial Street	924	7,574	8,852	(354)
Capital Improvement	7,169	15,920	14,063	9,025
Subtotal	8,227	25,048	24,595	8,680
<b>PROPRIETARY FUNDS:</b>				
Water & Sewer	10,314	35,782	38,122	7,974
Medical Services	445	7,274	7,224	495
Building Safety	586	2,259	1,972	873
Coliseum	(454)	7,268	7,488	(674)
Stormwater	395	2,403	2,279	519
Columbia Park Golf Course	(1)	524	526	(3)
Equipment Rental	3,323	5,720	5,553	3,490
Risk Management	627	2,617	2,738	506
Central Stores	202	426	415	212
Subtotal	15,436	64,273	66,317	13,392
<b>DESIGNATED FUNDS:</b>				
Cash Reserve Fund	2,655	21	-	2,676
Debt Service	3	4,098	3,907	194
BI-PIN Fund	-	552	547	5
Community Development	61	1,315	1,191	185
MPD Asst Operations Fund	13	49	46	16
Asset Forfeiture Fund	119	81	70	131
Lodging Tax	226	2,253	2,475	4
Public Safety	-	4,485	4,485	-
LID Guaranty	35	-	-	35
Subtotal	3,111	12,855	12,721	3,244
<b>TOTAL</b>	<b>\$30,094</b>	<b>\$181,525</b>	<b>\$183,924</b>	<b>\$27,695</b>

\* The negative ending fund balances in the Urban Arterial Street Fund is due to a timing delay in reimbursable grant proceeds.

## 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 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 budgeted from the Water and Sewer and Stormwater Funds for new water, sewer and storm drainage system infrastructure improvements and upgrades, some of which coincide with street projects. Actual project expenditures for the biennium through September of 2014 were only \$14.5 million in the capital funds and \$14 million in the Water and Sewer and Stormwater Fund, 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 during the 2015/2016 biennium.

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

**Olympia St. - SR 397 to West 27<sup>th</sup> 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 27<sup>th</sup> Ave., to the connection with SR 397. The project is scheduled to be completed this year.

**Edison St. – Clearwater Ave. to Canal Dr.** – 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 St. 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 was substantially completed in September 2014.

**Columbia Center Blvd. Safety Improvements** – This project improved vehicular and pedestrian access, reduced congestion and

improved traffic safety in the area between Quinault Ave. and Canal Dr. The project also provided 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 was completed August 2014.

**Grandridge Blvd. and Young St. Roundabout** – This project constructed a new roundabout with public art. The City received a \$380,000 regional STP federal grant for the project. The project was redesigned and rebid due to cost. The project was completed in September 2014. The artwork is being completed and will be placed later this year.

**Steptoe Phase III/ West 4<sup>th</sup> to Sherman St.** – The City received a TIB grant in the amount of \$3,120,000 for the construction of this project. Phase 3 A and B of the project which will complete the roadway to West 10<sup>th</sup> Ave. was awarded on July 1, 2014. HDR Engineering is finalizing plans for the portion of the project from West 10<sup>th</sup> Ave. to Sherman St. Staff continues to work on the acquisition of right of way required to complete the remaining portion of the project. Phase 3 A and B is scheduled to be completed February 2016.

**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 September of 2014, revenues from water and sewer rates were 86.7% 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 had actually exceeded the 2013/2014 adjusted budget at the conclusion of September, which was primarily attributable to revenue generated from meter set fees and customer account fees.

Interest and other miscellaneous revenues were 72.1% 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. As a result, City staff will be processing a budget adjustment as part of the fall 2014 budget adjustment to remove the anticipated loan proceeds and project expenditures for the AMR project that will not occur this biennium.

As of September 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 unanticipated variances to report in the non-operating expenditure categories as transfers, debt service and capital expenditures were all in line with budget projections.

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
- Thompson Hill Zone 6 Booster Station – completed and accepted by City Council 10/21/14
- 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		
	9/30/14	Budget	%	9/30/12	Actual	%
<b>Revenues</b>						
Revenue from Rates	28,334	32,688	86.7 %	26,151	30,014	87.1 %
Other Fees & Charges	2,105	2,015	104.5	1,586	1,787	88.8
Intergovernmental	-	-	-	193	193	-
Interest & Miscellaneous	148	206	72.1	181	198	91.4
Other Financing Sources	5,195	16,075	32.3	725	930	78.0
<b>TOTAL</b>	<b>\$35,782</b>	<b>\$50,984</b>	<b>70.2 %</b>	<b>\$28,836</b>	<b>\$33,121</b>	<b>87.1 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$6,499	\$7,834	83.0 %	\$5,670	\$6,524	86.9 %
Supplies	460	580	79.2	344	436	79.0
Other Services & Charges	11,575	13,502	85.7	10,287	11,795	87.2
Transfers:						
General Fund	-	-	-	297	338	-
CIP Fund - Facilities/Capital	133	127	105.1	137	139	98.9
Stormwater	-	-	-	50	50	-
Other	-	15	-	6	6	-
Debt Service	6,113	6,800	89.9	6,384	6,384	100.0
Capital Outlay	12,990	26,802	48.5	6,249	7,214	86.6
Sewer Area Charge	352	725	-	-	-	-
PWTF Projects	-	-	-	3	3	105.4
<b>TOTAL</b>	<b>\$38,122</b>	<b>\$56,385</b>	<b>67.6 %</b>	<b>\$29,427</b>	<b>\$32,889</b>	<b>89.5 %</b>

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 4% through the first nine months of 2014. The net monthly revenue received from transports has been approximately \$170,000 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

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

	2013/2014			2011/2012		
	9/30/14	Budget	%	9/30/12	Actual	%
<b>Revenues</b>						
Revenue from Transports	\$3,564	\$4,537	78.6 %	3,448	\$3,860	89.3 %
Household Ambulance	3,678	4,220	87.2	2,246	2,747	-
Intergovernmental Revenue	18	16	-	-	-	-
Interest & Miscellaneous	1	1	-	15	15	-
Transfer from General Fund	-	-	-	1,325	1,325	100.0
Other Financing Sources	12	12	100.0	-	-	-
<b>TOTAL</b>	<b>\$7,274</b>	<b>\$8,785</b>	<b>82.8 %</b>	<b>7,034</b>	<b>\$7,947</b>	<b>88.5 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$4,971	\$6,091	81.6 %	\$4,818	\$5,540	87.0 %
Supplies	264	279	94.8	210	247	85.1
Other Services & Charges	1,724	2,097	82.2	1,525	1,759	86.7
Operating Transfer/CIP Fund	87	87	-	40	40	101.0
Intergov't Services & Taxes	157	185	84.9	314	1,020	30.8
Debt Service	-	-	-	84	84	99.5
Capital Outlay	21	-	-	0	-	-
<b>TOTAL</b>	<b>\$7,224</b>	<b>\$8,739</b>	<b>82.7 %</b>	<b>\$6,991</b>	<b>\$8,690</b>	<b>80.5 %</b>

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 September of 2014, actual receipts were 87.2% of this amount.

At this juncture of the 2013/2014 biennium, expenditures within the Medical Services Fund were 82.7% 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		
	9/30/14	Budget	%	9/30/12	Actual	%
<b>Revenues</b>						
Licenses & Permits	\$2,252	\$2,320	97.1 %	\$2,545	\$2,743	92.8 %
Interest & Miscellaneous	7	-	-	1	2	50.0
Transfer from General Fund	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$2,259</b>	<b>\$2,320</b>	<b>97.4 %</b>	<b>\$2,546</b>	<b>\$2,745</b>	<b>92.8 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$1,572	\$1,818	86.5 %	\$1,498	\$1,697	88.3 %
Supplies	22	26	87.3	10	17	58.8
Other Services & Charges	360	392	91.8	294	339	86.7
Operating Transfer/CIP Fund	17	17	-	100	111	90
<b>TOTAL</b>	<b>\$1,972</b>	<b>\$2,253</b>	<b>87.5 %</b>	<b>\$1,902</b>	<b>\$2,164</b>	<b>87.9 %</b>

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.

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%. 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 has issued 1,544 permits with a valuation of approximately \$139.2

million. Although this represents a 2% reduction in the number of permits issued when compared to the first nine months of 2013, the total valuation of these permits is an increase of 32%. 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 26% during this time period.

Operating expenditures for the Building Safety Fund were 87.5% of the adjusted budget as of September 30, 2014. A minor budgetary variance exists within the category of other services and charges, which is

attributable to contract inspection costs resulting from 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		
	09/30/14	Budget	%	9/30/12	Actual	%
<b>Revenues</b>						
Operating Revenue	\$4,605	\$6,547	70.3 %	\$5,569	\$6,559	84.9 %
Capital Contribution	-	-	-	13	12	108.3
Debt Proceeds	369	400	92.3	-	-	-
Transfers In	2,294	2,325	98.7	1,973	2,054	96.1
<b>TOTAL</b>	<b>\$7,268</b>	<b>\$9,272</b>	<b>78.4 %</b>	<b>\$7,555</b>	<b>\$8,625</b>	<b>87.6 %</b>
<b>Expenditures</b>						
Cost of Operations	\$5,512	\$7,247	76.1 %	\$6,389	7,304	87.5 %
Interfund Loan Repayment	1,083	1,052	102.9	986	991	99.5
Capital Outlay	893	933	95.7	367	434	84.6
<b>TOTAL</b>	<b>\$7,488</b>	<b>\$9,232</b>	<b>81.1 %</b>	<b>\$7,742</b>	<b>\$8,729</b>	<b>88.7 %</b>

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 KPFDD developed an operating budget for 2014 with the intent for the facilities to remain within the original \$700,000 operating loss budgeted for the 2013/2014 biennium. However, through September of 2014, the net operating loss for the facilities was \$450,567, which unfortunately was approximately \$101,000 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. Unfortunately, despite the fact that both the months of November and December are projected to be profitable for the facilities, it does not appear that the facilities will remain within budget for the 2013/2014 biennium. City staff continues to meet with VenuWorks staff and work with the KPFDD to minimize the operating contribution required for these facilities.

It is also important to note that events at the Toyota Center & Arena generate admissions tax that is

received into the City's General Fund and is dedicated under a City Council budget policy to fund the 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 intersection 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		
	9/30/14	Budget	%	9/30/12	Actual	%
<b>Revenues</b>						
Revenue from Rates	\$1,960	\$2,252	87.0 %	1,372	\$1,639	83.7 %
Intergovernmental	-	-	-	140	220	63.6
Interest & Miscellaneous	5	-	-	2	3	66.7
Transfers In	-	-	-	50	50	100.0
Other Financing Sources	438	3,199	13.7	677	248	273.0
<b>TOTAL</b>	<b>\$2,403</b>	<b>5,451</b>	<b>44.1 %</b>	<b>2,241</b>	<b>2,160</b>	<b>103.8 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$904	\$1,044	86.6 %	\$736	\$849	86.7 %
Supplies	30	53	56.2	24	28	85.7
Other Services & Charges	895	1,308	68.5	667	777	85.8
Operating Transfer	74	75	-	252	254	99.2
Intergov't Services & Taxes	-	-	-	37	45	82.2
Debt Service	-	344	-	-	-	-
Capital Outlay	376	2,962	12.7	16	930	1.7
<b>TOTAL</b>	<b>\$2,279</b>	<b>\$5,785</b>	<b>39.4 %</b>	<b>\$1,732</b>	<b>\$2,883</b>	<b>60.1 %</b>

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 September of 2014, revenue collected from the monthly stormwater charge was approximately

\$1.96 million, or 87% of the biennial budget of \$2.25 million.

Total expenditures for the Stormwater Utility Fund at this juncture of the biennium were 39.4% 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 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		
	9/30/14	Budget	%	9/30/12	Actual	%
<b>Revenues</b>						
Charges for Services	\$350	\$497	70.4 %	\$356	\$365	97.5 %
Concessions & Miscellaneous	29	41	70.7	27	35	77.1
Transfers In	145	143	101.4	191	226	84.5
<b>TOTAL</b>	<b>\$524</b>	<b>\$681</b>	<b>76.9 %</b>	<b>\$574</b>	<b>\$626</b>	<b>91.7 %</b>
<b>Expenditures</b>						
General & Administrative	\$184	\$219	84.0 %	\$191	\$215	88.8 %
Maintenance	155	196	79.1	139	155	89.7
Operations	176	233	75.5	161	178	90.4
Capital Outlay	11	33	33.3	79	79	100.0
<b>TOTAL</b>	<b>\$526</b>	<b>\$681</b>	<b>77.2 %</b>	<b>\$570</b>	<b>\$627</b>	<b>90.9 %</b>

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 Richland's Columbia Point golf course and Pasco's Sun Willows golf course, which has allowed for a unique partnership opportunity between the cities in terms of our ability to better leverage the resources of these facilities and operate the 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 nine months of 2014, the course had a net operating

loss of \$40,238, which was \$33,623 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 third quarter of 2014 include:

- The Historic Downtown Kennewick Partnership has identified two properties that will be receiving facade funds during the fourth quarter. Environmental reviews have been completed for John's Auto Mart and Ed & Moe's Pawn Shop.
- The Tri-Cities HOME Consortium along with our consultant, Linda Rinaldi & Associates has prepared the DRAFT 2015-2019 5-Year Consolidated Plan and will submit the document to each Council for approval in October. The 2015-2019 Plan was originally due to HUD in November, however CDP Notice 14-015

issued October 21, 2014, has changed the due date.

- The DRAFT 2015 Annual Action Plan has been submitted to Council for approval
- The City's Pedestrian Ramp and Audible Crossing Button project has been significantly completed and is waiting for back ordered audible crossing buttons for completion. The project should be wrapped up in November.
- The HOME First-Time Homeowner Down Payment Assistance Program (DPA) has processed 31 applications so far this year resulting in 29 home loans totaling \$250,000 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%. However, through the first 9 months of 2014, lodging tax receipts have increased by nearly 8%.

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 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 September of 2014, the City has received and remitted \$373,940 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 September of 2014, the City had received \$1,984,503 which was an overall increase of 4% when compared to this same time period

in the previous year. As described in more detail earlier in this report, the overall increase was attributable to a 6% increase in electric utility tax and a 20% increase in natural gas utility tax, which was partially offset by a 6% decline in telephone utility tax.

## FUTURE OUTLOOK

As the City moves into the final three months of its 2013/2014 biennium, there are many positive items to report on in terms of its financial condition. Although a number of challenges remain, the outlook for the remainder of the 2013/2014 biennium and the upcoming 2015/2016 biennium is very

positive overall and demonstrates just how strong and resilient the local economy in the Tri-Cities is.

As we move forward, the City's ability to generate new growth-related revenues will remain critical and is necessary to ensure adequate funding for City Council's priority programs and services. As a result, it will

continue to be important for the City to foster and support new economic development efforts as well as making the City a place where our existing businesses want to remain and expand. These actions will help the City's economy remain strong, which in turn generates the funding that is crucial to the City's ability to provide service to the community.

Trios Southridge Hospital



## CASH MANAGEMENT

Minutes from FOMC meetings released during the third quarter indicate the Fed is very wary of raising interest rates too soon. The argument for a later rate increase is becoming clearer and fed funds futures contracts extending out two months to November 2015 support that possibility. Regardless of the date, the reality of a Fed rate increase is still the expectation but the timing is unknown.

There was little change to the composition of the City's investment portfolio during the 3<sup>rd</sup> quarter. In fact the percentages by investment type as illustrated in the *Investment Portfolio* pie chart remained the same. The Agency Securities portion of the City's portfolio was unchanged in the 3<sup>rd</sup> quarter. The terms of the agency

items range from 1 month to 4 2/3 years and the average yield is .973%.

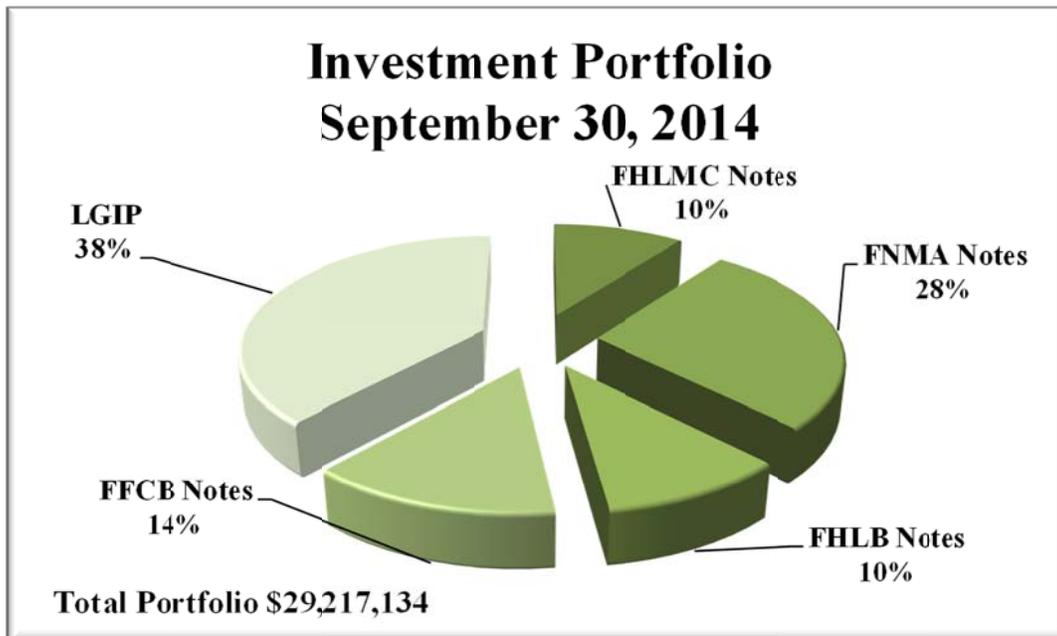
Balances in the State Pool experienced a net increase of \$.4 million by the end of the quarter. The largest component of the entire \$9.9 million deposited to the State Pool during the three-month period was the proceeds of a Public Works Trust Fund Loan. In August, \$3.5 million was received toward the project to construct a new 3 million gallon water reservoir.

Other highlights for the 3<sup>rd</sup> quarter of 2014:

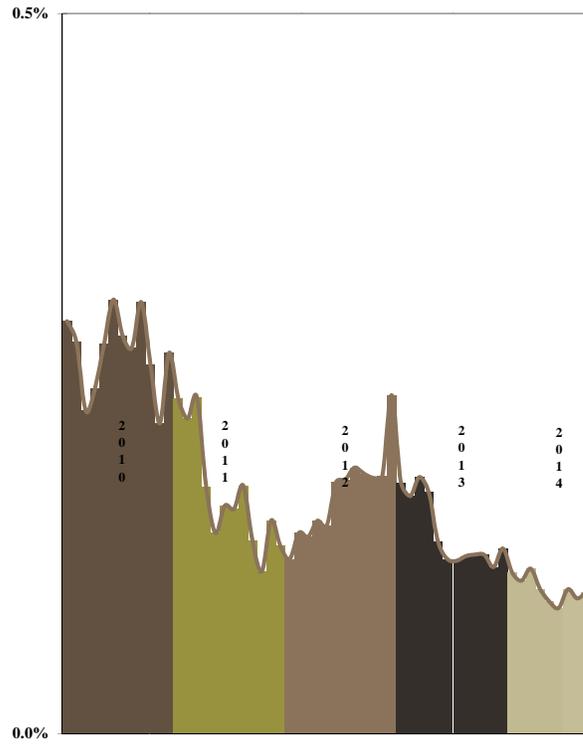
- The yield for city balances invested at the State Pool was .10%. Interest earned

during the quarter for Pool balance s was \$2,560.

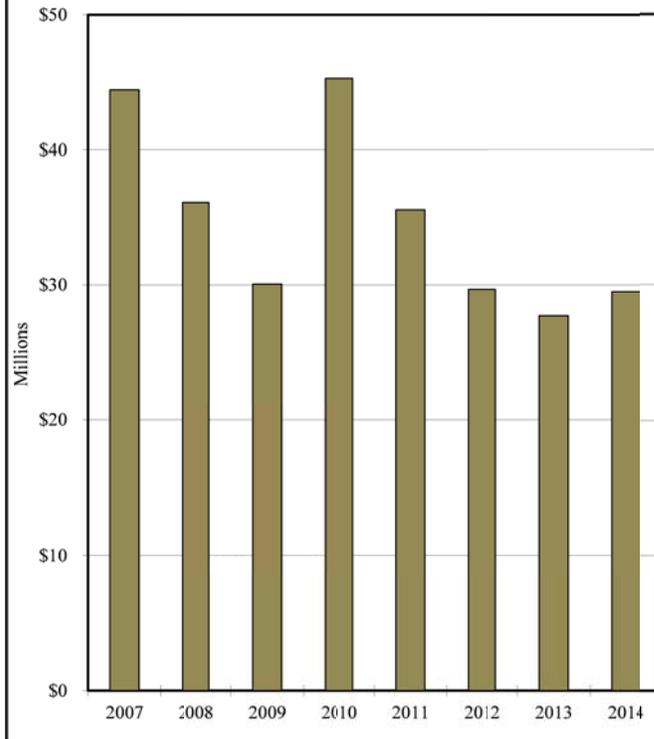
- The City's agency portfolio averaged a .88% rate of return and earned interest of \$39,066.
- The market value of agency investments at September 30 was \$17,965,641 or \$40,080 lower than the principal cost. The unrealized loss associated with this difference will not be recorded because the investments will be held until call or maturity date. The book value for the same items was \$18,041,408.



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



**City of Kennewick  
Portfolio History**



**Cash & Investment Summary**  
As of 9/30/2014

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 Investments	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 Investments	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		0.099		11,211,413.05
		Total Investments				29,217,134.06
N/A	CASH	US Bank Operating Account				273,210.53
<b>Total / Average</b>		<b>Total Cash &amp; Investments</b>		<b>0.632</b>		<b>29,490,344.59</b>

GESA CAROUSEL OF DREAMS

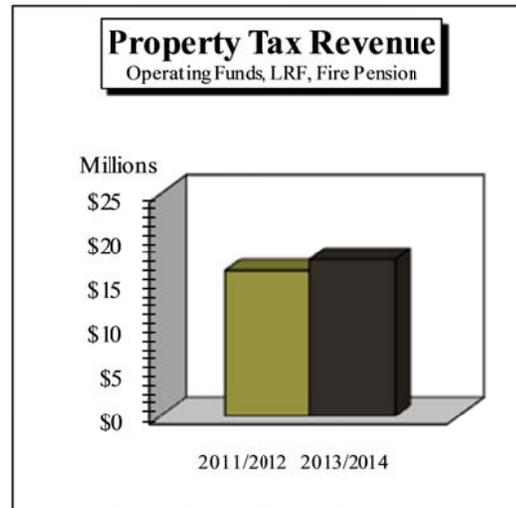


## MAJOR REVENUE SOURCES

### *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	274,609	333,270
	Oct-Dec		
<b>Total</b>		<b>\$16,409,487</b>	<b>\$17,653,172</b>

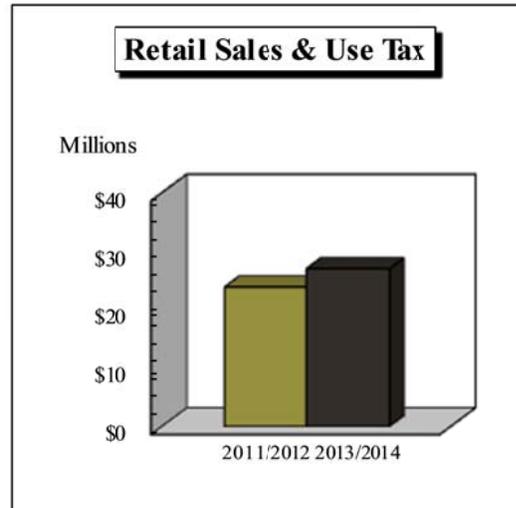
13/14 Biennial Budget \$22,521,204  
 Actual vs Budget 78%



### *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	3,743,820	4,308,194
	Oct-Dec		
<b>Total</b>		<b>\$23,891,168</b>	<b>\$27,010,127</b>

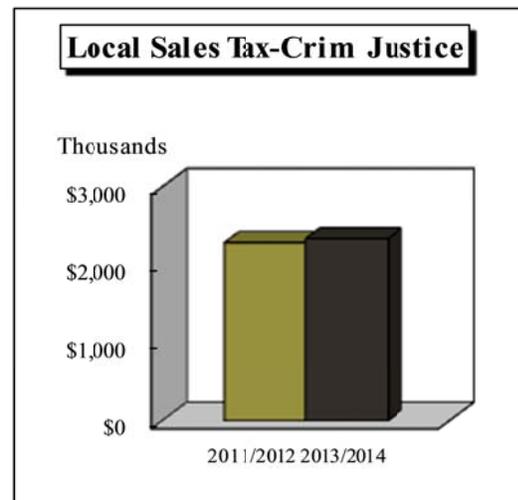
13/14 Biennial Budget \$31,161,023  
 Actual vs Budget 87%



### *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	319,617	358,632
	Oct-Dec		
<b>Total</b>		<b>\$2,284,459</b>	<b>\$2,335,675</b>

13/14 Biennial Budget \$2,766,261  
 Actual vs Budget 84%





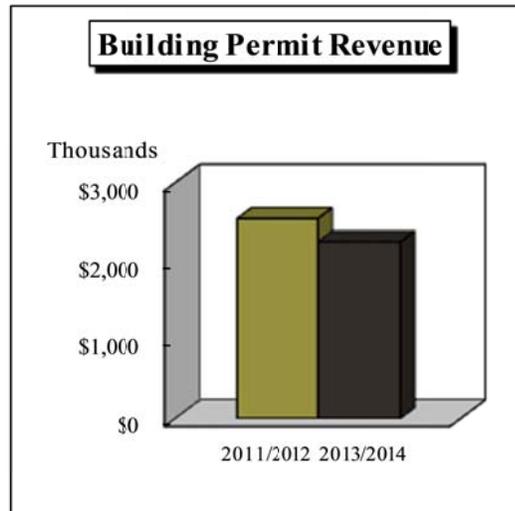




***Building Permit Revenue***

		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	773,041	351,038
	Oct-Dec		
<b>Total</b>		<b>\$2,544,724</b>	<b>\$2,251,778</b>

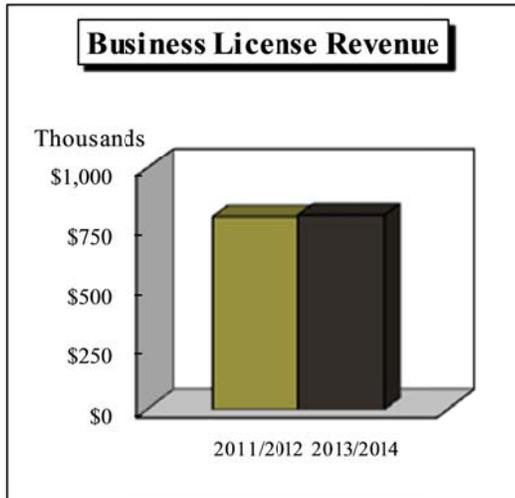
13/14 Biennial Budget \$2,320,000  
 Actual vs Budget 97%



***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	19,367	21,260
	Oct-Dec		
<b>Total</b>		<b>\$796,914</b>	<b>\$804,321</b>

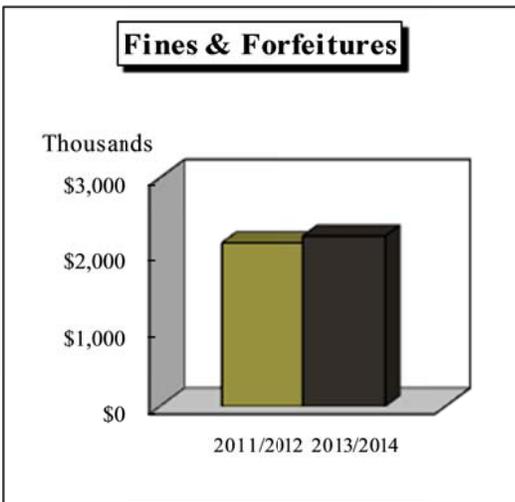
13/14 Biennial Budget \$887,000  
 Actual vs Budget 91%



***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	286,914	286,407
	Oct-Dec		
<b>Total</b>		<b>\$2,141,382</b>	<b>\$2,229,435</b>

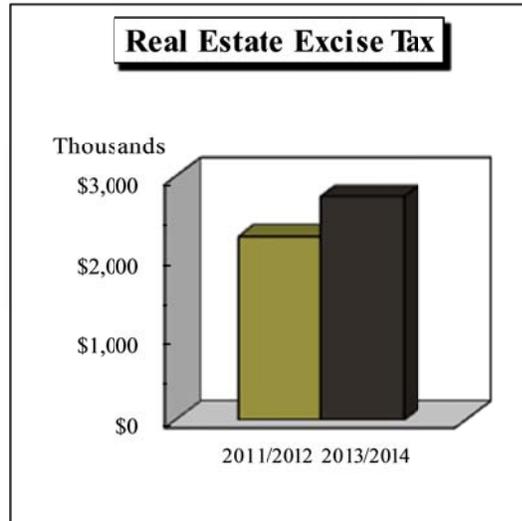
13/14 Biennial Budget \$2,656,000  
 Actual vs Budget 84%



**Real Estate Excise Tax**

		2011/2012	2013/2014
Year 1	Jan-Mar	\$244,725	\$295,652
	Apr-Jun	311,725	396,382
	Jul-Sep	381,190	417,881
	Oct-Dec	315,285	456,426
Year 2	Jan-Mar	234,232	283,886
	Apr-Jun	322,572	409,307
	Jul-Sep	456,878	492,565
	Oct-Dec		
<b>Total</b>		<b>\$2,266,607</b>	<b>\$2,752,098</b>

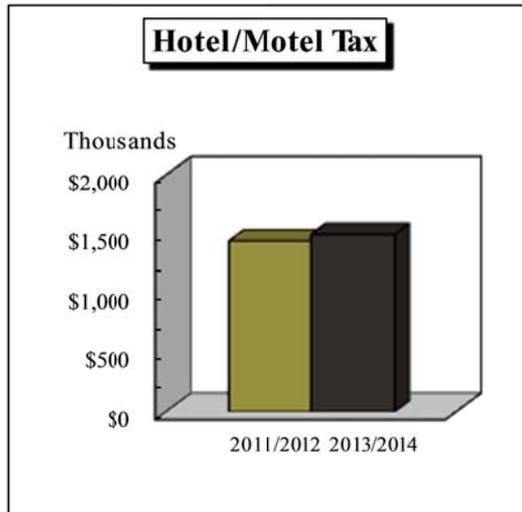
13/14 Biennial Budget \$2,656,000  
 Actual vs Budget 104%



**Hotel/Motel Tax**

		2011/2012	2013/2014
Year 1	Jan-Mar	\$151,353	\$152,809
	Apr-Jun	203,453	199,615
	Jul-Sep	264,845	254,523
	Oct-Dec	217,544	232,254
Year 2	Jan-Mar	145,784	151,458
	Apr-Jun	198,759	215,690
	Jul-Sep	258,120	288,263
	Oct-Dec		
<b>Total</b>		<b>\$1,439,858</b>	<b>\$1,494,612</b>

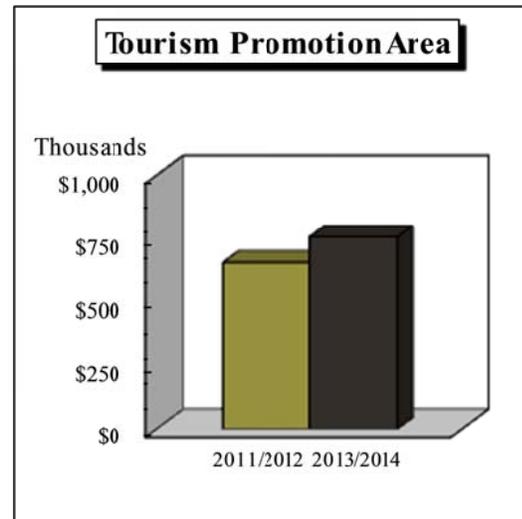
13/14 Biennial Budget \$1,726,000  
 Actual vs Budget 87%



**Tourism Promotion Area**

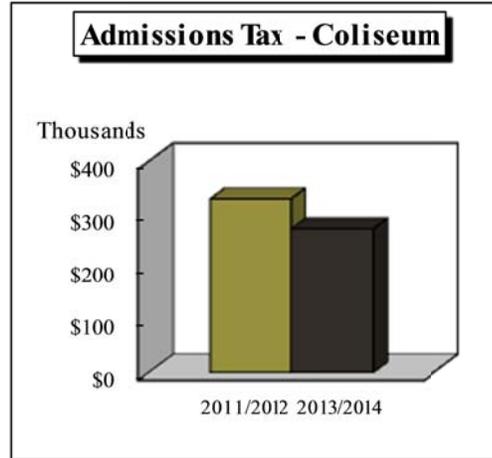
		2011/2012	2013/2014
Year 1	Jan-Mar	\$72,119	\$73,260
	Apr-Jun	95,628	92,482
	Jul-Sep	115,855	111,978
	Oct-Dec	99,631	104,710
Year 2	Jan-Mar	69,063	78,854
	Apr-Jun	90,983	131,495
	Jul-Sep	112,478	163,591
	Oct-Dec		
<b>Total</b>		<b>\$655,757</b>	<b>\$756,370</b>

13/14 Biennial Budget \$784,000  
 Actual vs Budget 96%



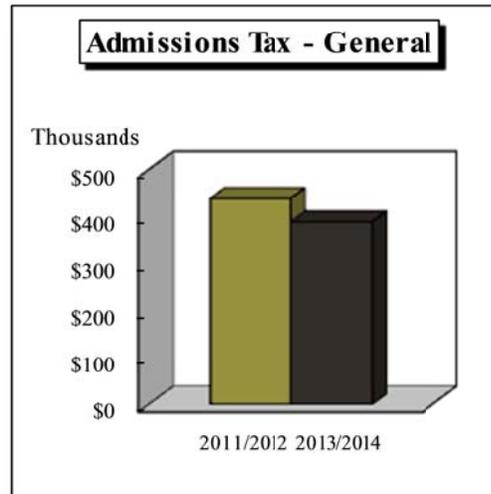
***Admissions Tax - Coliseum***

		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	18,412	37,143
	Oct-Dec		
<b>Total</b>		<b>\$329,828</b>	<b>\$273,412</b>
13/14 Biennial Budget			\$481,000
Actual vs Budget			57%



***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	79,279	47,476
	Oct-Dec		
<b>Total</b>		<b>\$438,416</b>	<b>\$388,122</b>
13/14 Biennial Budget			\$547,000
Actual vs Budget			71%



*“Work hard, stay positive, and get up early.  
It’s the best part of the day.”  
George Allen, Sr.*