



# City of Kennewick

2014

4th Quarter

## Financial Report

Issue Date: March 17, 2015

### OVERVIEW

As the City of Kennewick concludes its 2013/2014 biennium, its overall financial condition remains relatively healthy and reflects the consistent growth in the City that has been present during the last several years. While this growth has helped to maintain our local economy and generated new growth revenues for the City to fund our priority programs and services, this budget model is not sustainable over a long period of time, and any significant reduction in growth in our community would likely result in budgetary challenges for the City. In light of how important growth revenues are to the City's overall financial health, staff continues to

focus a great deal of attention to our key growth indicators.

Employment may be the single most important metric in evaluating the overall health of the economy in Kennewick and the Tri-Cities region. The preliminary unemployment rate in the Kennewick-Pasco-Richland metropolitan statistical area was estimated at 8.8% for December, which is approximately 0.1% lower than a year ago and 2.5% higher than the statewide unemployment rate of 6.3%. However, it is important to note that the December unemployment rate for the Kennewick-Pasco-Richland metropolitan statistical area has not

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been seasonally adjusted as of the release of this report, whereas the State unemployment rate has been. 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 December, which is approximately 3,500 jobs higher than reported a year ago. Employment levels throughout 2014 were at the highest levels experienced in the area in the last 10 years, and even exceeded 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.

### New Construction Activity

	Comparative Totals	
	2014	2013
Single Family Permits	302	284
Commercial Permits	256	213
Other Permits	1,496	1,492
Total Permits	2,054	1,989
Permit Valuation	\$181,177,996	\$126,738,304
Building Permit Fees	\$1,623,412	\$1,117,704
Planning Fees	\$35,275	\$35,876

Building permit activity, which is another key indicator of the growth in the City, demonstrates that growth is still occurring within the City. During 2014, the Building Safety division issued 2,054 permits with a valuation of approximately \$181.2 million. Although this represents only a 3% increase in the number of permits issued when compared to 2013, the total valuation of these permits is an increase of 43%. 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 fourth quarter of 2014 include construction of the Hidden Meadows Apartments, MC Kay Mini Storage, Kennewick Vision Care Facility and remodels at Columbia River Plumbing, Planned Parenthood, Cline Computers, Story Point Community Church, and KFC/A&W.



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 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 402 over the past twelve months to 22,766 total accounts, which represented an increase of 2%. Lastly, the City processed 4,568 business licenses in 2014, which equates to a decrease of less than half of 1%.

## SIGNIFICANT EVENTS

City staff recently completed a cost of service study for the City's ambulance utility. Council approved increasing ambulance utility rates \$1.00 per month effective January 1, 2015 raising the current charge from \$5.67 to \$6.67 and an additional increase for \$1.00 in 2016. One of the areas reviewed with the study was to ensure that the true costs of operating the ambulance utility are being captured and paid for by the utility. The final results of the cost of service study demonstrate capacity for a monthly availability charge of \$9.64 for the City's ambulance service.

The City adopted the property tax levy for 2015 on November 4, 2014. The total operating levy for 2014 was estimated at \$11,769,154, of which \$96,000 is allocated to the Firemen's Pension Fund based on the

recommendation of the most recent actuarial study and \$159,025 will be allocated to the Capital Improvement Fund per the requirements of the local revitalization financing (LRF) program. An excess levy of \$410,000 will provide for the debt service on the City's voter approved library bonds. The 2015 levy includes a 1% increase to the City's base levy as allowed under state law. The levy also reflects increases in assessed valuation of \$112.7 million for new construction, including \$42.6 million in the City's Southridge local revitalization area for a total assessed valuation of \$5.47 billion.

On November 18th Council adopted the 2015/2016 Biennial Budget. The 2015/2016 adopted biennial budget is fiscally responsible and aligned with Council goals & priorities. It outlines potential

opportunities and vulnerabilities and provides a path forward for the upcoming biennium. The operating budget is balanced and provides opportunities in the upcoming biennium to evaluate alternative funding sources and to make decisions based on the budgeting by priorities model, which was established over the past biennium with Council's leadership. This biennial budget is a culmination of months of Committee & Council work that began in January with a retreat.

The following touches on a few goals that are incorporated in the proposed biennial budget:

- Criminal Justice Sales Tax Strategic Staffing Implementation – Benton County voters approved a 3/10% criminal justice sales tax that

will be implemented on 1/1/2015. The City of Kennewick has outlined a program to combat gang activity, which supports the citizen survey results where the majority of respondents said they were willing to pay more to combat gang activity. This budget segregates the criminal justice sales tax proceeds and associated costs into a separate fund and provides for the hiring new officers.

- Build, Equip and Staff Fire Station #5 – The adopted budget assumes the issuance of Councilmanic bonds to construct and equip a new fire station at 10th & Kellogg, with the debt service funding to come from the existing Capital Improvement Program. The Adopted budget also includes hiring 3 Captain positions with the property tax funding used to hire 3 police officers this past biennium. Consistent with the commitment made at that time, those officers will now be funded with the additional 3/10% criminal justice sales tax funding approved by the voters in Benton County.
- Implementation of the Biennial Economic Devel-

opment Marketing Plan – In an effort to facilitate and enhance our partnership with the development community, this budget aligns our resources to more effectively collaborate to identify creative solutions.

- Strategic Funding & Implementation of the Sustainable Capital Plan – This biennial budget includes existing funding for several projects that include the following:
  - Completion of Steptoe/Hildebrand extension
  - Begin infrastructure improvements in the Urban Growth Area, South of I-82 with funding that was provided by the State
  - Pavement Preservation Program
  - Vehicle & Equipment Replacement Program
  - Facility Strategic Plan Implementation
  - IT Strategic Plan Implementation

Many other goals are incorporated in the biennial budget. Additional goals and strategies can be found in the 2015/2016 Biennial Budget on the internet.

On December 2, 2015 Council passed the final budget adjustment to the City’s 2013/2014 biennial budget. Significant items included:

- Appropriate for revised revenues and expenditure projections within all City funds.
- Appropriate 2014 Community Development Block Grant program allocations.
- Appropriate for Columbia Center Blvd. overlay project funded primarily through a surface transportation program grant.
- Appropriate for modifications to capital project estimates for the 2013/2014 biennium within the City’s capital program.
- Appropriate for revisions to estimate capital project costs resulting from scope changes in the Water and Sewer Fund including the City’s Aquifer Storage & Recover project and to remove budgeted funding and project expenditures for items that were originally anticipated to be funded through PWTF loans but were not awarded funding including an automated meter reading system.

## GENERAL GOVERNMENT

Table 1 provides a comparison of major revenue sources for the 2013/2014 biennium compared to the previous biennium (2011/2012). At the conclusion of the 2013/2014 biennium, general governmental revenue collections totaled \$91.9 million, which represented 98% of the adjusted budget.

General governmental receipts from sales taxes totaled approximately \$21.1 million in 2014. On a city-wide basis, sales tax receipts increased by 2.9% in 2014 after

experiencing a 6.1% increase in 2013. A significant factor in the comparison of sales tax received in 2014 relative to 2013 is the sales tax that was generated from the construction of the new Trios Health facility in Southridge during both years. After backing the sales tax generated from this project out of the comparison of 2014 and 2013 results, the increase for 2014 was actually 3.5%.

Criminal justice sales tax receipts totaled approximately \$2.7 million

for the biennium after experiencing an increase of just under 2% in 2014. This 1/10% sales tax is distributed within Benton County based on population, rather than point of sale.

Utility tax receipts totaled \$17.4 million during the 2013/2014 biennium. For 2013, utility tax receipts increased by 4% overall based on increases from all utility tax sources other than telephone. In 2014, utility tax revenue declined by less than 1% overall when compared

to 2013. This overall decline was primarily attributable to decreases in telephone and natural gas utility taxes, which were largely offset by increases in garbage, cable and electric utility taxes.

Utility tax revenue derived from telephone services decreased by approximately 7% 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.

Utility tax generated from the sale of natural gas declined by 22% in 2014, despite an 18% rate increase implemented by Cascade Natural Gas in November of 2013. The decline in natural gas utility tax experienced in 2014 was the direct result of the loss of revenue received from a natural gas broker operating in the area. During the year, a determination was made by the Washington State Department of Revenue that the nexus for tax purposes on sales from this broker was actually occurring in a neighboring City where the broker's customers used the gas, rather than in Kennewick where title to the natural gas transferred to the customer. As a result of this determination, the revenue the City had been receiving from this broker ceased during the year. Additionally, the City was required to refund a portion of the brokered natural gas use tax that had been received from this provider dating back to 2013.

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 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 increased by 4% in 2014, based primarily on increases in consumption based on the fact that the PUD has not implemented a

rate increase since 2012.

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. During 2014, gambling tax receipts increased by 3% in comparison to 2013.

The category of other taxes includes receipts from admissions taxes and leasehold excise taxes. Total collections from this category totaled approximately \$876,000 for the biennium.

Revenue for the 2013/2014 biennium from licenses & permits totaled \$1.2 million. The predominant sources of revenue within this revenue category are business license fees and construction

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

Revenue Source	2013/2014			2011/2012		
	Actual	Budget	Received	Actual	Budget	Received
Property Tax	\$22,174	\$22,209	99.8 %	\$20,879	\$20,761	100.6 %
Sales Tax	21,069	20,930	100.7	19,399	19,322	100.4
Criminal Justice Sales Tax	2,694	2,766	97.4	2,605	2,639	98.7
Electric Utility Tax	6,703	6,997	95.8	6,199	6,490	95.5
Telephone Utility Tax	4,046	4,669	86.6	4,742	5,639	84.1
Water/Sewer Utility Tax	2,918	2,942	99.2	2,382	2,392	99.6
Cable TV Utility Tax	1,429	1,322	108.1	1,317	1,376	95.7
Garbage Utility Tax	1,174	1,181	99.4	1,096	1,132	96.8
Natural Gas Utility Tax	1,088	971	112.0	997	1,078	92.5
Ambulance Utility Tax	78	80	98.0	59	59	100.7
Gambling Tax	1,473	1,837	80.2	1,832	1,738	105.4
Other Taxes	876	1,113	78.7	1,021	1,080	94.5
<b>Total Taxes</b>	<b>\$65,722</b>	<b>\$67,017</b>	<b>98.1 %</b>	<b>\$62,529</b>	<b>\$63,707</b>	<b>98.2 %</b>
Licenses & Permits	1,189	1,168	101.8	1,102	1,055	104.5
State Shared Revenue	1,377	1,254	109.8	1,144	1,050	108.9
State Entitlements	5,072	4,891	103.7	5,187	5,118	101.3
Other Intergovernmental	311	244	127.3	559	611	91.4
Charges for Services:						
Interfund	3,893	4,366	89.1	3,811	3,817	99.9
Environment	3,423	3,283	104.3	3,037	2,786	109.0
Culture & Recreation	1,041	1,084	96.0	1,036	996	104.0
Other	1,364	1,261	108.1	1,593	1,666	95.6
Fines & Forfeitures	2,529	2,658	95.2	2,425	2,757	88.0
Operating Transfers:						
From Public Safety	4,941	5,265	93.8	4,974	5,503	90.4
From Capital Improvement	-	-	-	97	97	100.0
Others	35	35	-	514	769	66.8
Interest/Misc.	1,018	1,217	83.6	871	957	91.1
<b>TOTAL REVENUES</b>	<b>\$91,913</b>	<b>\$93,745</b>	<b>98.0 %</b>	<b>\$88,878</b>	<b>\$90,890</b>	<b>97.8 %</b>

engineering permits. Although business license revenue increased by less than 1% in 2014, revenue generated from civil permits for residential and commercial construction projects increased by nearly 41%, or approximately \$42,000.

The City received \$1.4 million in state-shared revenues during the 2013/2014 biennium, 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 \$5.1 million for the 2013/2014 biennium. Revenue received in this category was up significantly 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 \$2.5 million for the 2013/2014 biennium. The amount of revenue received from this source was essentially unchanged 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: General Governmental Expenditures (in \$1,000's)**

Category	2013/2014			2011/2012		
	Actual	Budget	Spent	Actual	Budget	Spent
Salaries & Benefits	\$67,240	\$68,835	97.7 %	\$61,961	\$64,566	96.0 %
Supplies	2,567	2,924	87.8	2,648	3,092	85.7
Other Services & Charges	7,717	7,838	98.5	7,449	8,030	92.8
Intergov't Services & Taxes	11,317	10,585	106.9	10,472	9,294	112.7
Interfund Transfers	3,846	4,385	87.7	6,375	6,522	97.7
Capital Outlay	124	123	101.2	69	4	-
<b>TOTAL EXPENDITURES</b>	<b>\$92,810</b>	<b>\$94,689</b>	<b>98.0 %</b>	<b>\$88,974</b>	<b>\$91,508</b>	<b>97.2 %</b>
<b>Department</b>						
City Council	\$521	\$543	96.0 %	\$495	\$504	98.2 %
City Manager	657	654	100.4	529	573	92.3
Finance	3,605	3,647	98.8	3,204	3,646	
Management Services	5,602	5,875	95.4	5,245	5,632	93.1
City Attorney	1,330	1,384	96.1	1,265	1,407	89.9
Civil Service	34	37	93.2	24	45	53.3
Economic Development/Planning	2,104	2,384	88.3	1,991	2,037	97.7
Police	37,496	38,482	97.4	34,395	35,394	97.2
Fire	15,970	16,224	98.4	14,647	15,380	95.2
Engineering	3,345	3,229	103.6	2,895	3,254	89.0
Employee & Community Relations	3,744	3,955	94.7	3,669	3,981	92.2
Parks & Facilities	6,463	6,781	95.3	5,481	5,760	95.2
Non-Departmental	8,149	7,560	107.8	11,300	9,777	115.6
Street Maintenance	3,790	3,934	96.3	3,834	4,118	93.1
<b>TOTAL EXPENDITURES</b>	<b>\$92,810</b>	<b>\$94,689</b>	<b>98.0 %</b>	<b>\$88,974</b>	<b>\$91,508</b>	<b>97.2 %</b>

Table 2 provides an expenditure summary by category and department for the City's general governmental operations for the 2013/2014 biennium. At the conclusion of the biennium, total expenditures were approximately \$92.8 million, or 98% of the adjusted operating budget.

At the end of the 2013/2014 biennium, there were no major categorical variances of note to report within the City's general governmental operations. From a departmental perspective, the only material variance to report existed in the Engineering Division, where actual expenditures exceeded the adjusted budget by roughly 4%. This variance was attributable to

personnel costs that were charged to the Engineering Division related to design work completed on internal capital projects for the City. Because the General Fund is reimbursed for these costs from the City's capital funds, it received additional revenue that offset the additional personnel costs. It is also important to note that the City adopts its budget at the fund level

rather than at the department or division level, meaning that the legal budget authority is set at the fund level.

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 during the 2015/2016 biennium.

- Similar to recent bienniums, the State struggled to adopt a balanced budget for its 2013-2015 biennium. The 2013 legislative session ran to the last day of the 2011-2013 fiscal biennium, at which time a new 2-year state budget was adopted, narrowly averting a state shut-down. The 2013-2015 State 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. Initial estimates for the State's upcoming 2015-2017 biennium reflect a shortfall of up to \$2 billion, primarily as a result of the State's requirements to fund basic education resulting from a recent State Supreme Court decision where it was ruled the State had not met its statutory obligations in this area. The City will be as proactive as possible to attempt to restore funding it lost during the previous State biennium, while ensuring at a minimum that no new legislation that is harmful to cities is implemented.

work in partnership towards a bi-county dispatch program for public safety personnel. In early 2015, Benton and Franklin County agencies will be developing a resolution related to the formation of the Multi-Agency Three Rivers Information and Communications Services (MATRICS) entity, which will be followed by a series of interlocal agreements to establish the by-laws and operating parameters for the new agency. The implementation of MATRICS will mean a significant improvement to the level of service offered for the area's public safety departments

and may also have a positive long-term impact on the operating costs for dispatch services.

- In August of 2014, Benton County voters approved a 3/10% public safety sales tax that will be utilized by the County and cities within the county for much needed enhancements to public safety programs. The City of Kennewick's portion of the proceeds will primarily be utilized to hire 12 new police officers and 2 new support positions over a period of 3 years, in addition to providing

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

<b>FUND</b>	<b>Beginning Balance</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Ending Balance</b>
<b>GENERAL GOV'T:</b>				
General Fund	\$3,320	\$88,123	\$89,020	\$2,424
Street	-	3,790	3,790	-
Subtotal	3,320	91,913	92,810	2,424
<b>CAPITAL FUNDS:</b>				
Arterial Street	134	1,555	1,680	9
Urban Arterial Street	924	12,351	12,245	1,031
Capital Improvement	7,169	18,844	18,587	7,425
Subtotal	8,227	32,750	32,512	8,465
<b>PROPRIETARY FUNDS:</b>				
Water & Sewer	10,314	41,083	43,203	8,193
Medical Services	445	8,286	8,336	395
Building Safety	586	2,750	2,275	1,061
Coliseum	(454)	8,208	8,395	(641)
Stormwater	395	2,848	2,525	718
Columbia Park Golf Course	(1)	586	587	(1)
Equipment Rental	3,323	6,430	6,013	3,739
Risk Management	627	3,418	3,549	497
Central Stores	202	474	458	218
Subtotal	15,436	74,083	75,341	14,178
<b>DESIGNATED FUNDS:</b>				
Cash Reserve Fund	2,655	61	-	2,716
Debt Service	3	6,176	6,174	5
BI-PIN Fund	-	596	596	-
Community Development	61	2,030	1,756	335
MPD Asst Operations Fund	13	49	52	10
Asset Forfeiture Fund	119	114	124	110
Lodging Tax	226	2,647	2,748	124
Public Safety	-	4,941	4,941	-
LID Guaranty	35	-	-	35
Subtotal	3,111	16,615	16,392	3,334
<b>TOTAL</b>	<b>\$30,094</b>	<b>\$215,361</b>	<b>\$217,054</b>	<b>\$28,401</b>

- Agencies from Benton and Franklin Counties continue to

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

funding for 3 existing police officer positions that were funded through the City's 2013 property tax levy. The funding for these 3 positions will be reallocated to pay for 3 new Captain positions in the Fire Department, which will be needed when the City opens its fifth fire station in 2016.

The public safety sales tax provides a much needed

dedicated funding source for criminal justice programs including combatting criminal gang activity in the region. It will also be a challenge for the City of Kennewick to fill these new positions in a timely fashion with only the most qualified candidates to ensure continuity in the high level of service provided by the Kennewick Police Department.

As we move into 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.

## 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 an update to the CIP extending from 2015 through 2020 in conjunction with its adoption of the 2015/2016 biennial budget in November. 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 update reflected the latest projections for the 2013/2014 biennium. In total, the adjusted capital budget for the 2013/2014 biennium was approximately \$34.6 million. In addition, \$24.2 million was 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 major street projects. Actual project expenditures for the biennium were \$18.3 million in the capital funds and \$16.3 million in the Water and Sewer and Stormwater Funds, due in

large part to the fact that many of these projects will not be completed until sometime during the next biennium and therefore the budget for these projects will be carried forward to 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 of 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 complete except for punch list items that will be completed early next 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 2016.

**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 in 2015.

**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 are 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 for the 2013/2014 biennium was \$55.3 million, including \$5.1 million in budgeted ending working capital and \$21.2 million for capital expenditures.

At the conclusion of 2014, revenues from water and sewer rates were 99.2% of the adjusted biennial budget for this revenue source, which represented a shortfall of approximately \$265,000. The adjusted budget was developed based on an assumption of 4% revenue growth each year of the biennium resulting from moderate increases in water consumption and anticipated rate changes tied to the annual change to the consumer price index. Actual revenue collected during the biennium for other fees and charges exceeded the 2013/2014 adjusted budget of just over \$2 million, which was primarily attributable to revenue generated from meter set fees and customer account fees.

Interest and other miscellaneous revenues ended the biennium at 90.6% of the 2013/2014 adjusted budget. This revenue category consists primarily of interest earnings and other relatively minor miscellaneous revenue sources.

The revenue category of other financing sources had an adjusted budget of just under \$10.1 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 \$6.25 million in anticipated proceeds from Public Works Trust Fund (PWTF) loans for 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. During the biennium, the City received approximately \$6.1 million from these sources. The remaining budgeted proceeds from these financing sources will be carried forward to the 2015/2016 biennial budget along with the corresponding balances for the capital projects that will be funded by these sources.

For the 2014 calendar year and the 2013/2014 biennium, 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 expense 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 under-way include:

- ASR Feasibility Study – project construction completed, phase 4 cycle testing completed, reviewing 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		
	Actual	Budget	%	Actual	Budget	%
<b>Revenues</b>						
Revenue from Rates	32,423	32,688	99.2 %	30,014	30,159	99.5 %
Other Fees & Charges	2,422	2,015	120.2	1,787	1,706	104.7
Intergovernmental	-	-	-	193	-	-
Interest & Miscellaneous	186	206	90.6	198	392	50.5
Other Financing Sources	6,051	10,075	60.1	930	4,113	22.6
<b>TOTAL</b>	<b>\$41,083</b>	<b>\$44,984</b>	<b>91.3 %</b>	<b>\$33,121</b>	<b>\$36,370</b>	<b>91.1 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$7,455	\$7,834	95.2 %	\$6,524	\$7,123	91.6 %
Supplies	525	580	90.5	436	658	66.2
Other Services & Charges	13,341	13,590	98.2	11,795	12,046	97.9
Transfers:						
General Fund	17	17	-	338	598	-
CIP Fund - Facilities/Capital	127	127	99.8	139	139	100.0
Stormwater	-	-	-	50	375	-
Other	7	15	-	6	-	-
Debt Service	6,113	6,800	89.9	6,384	6,288	101.5
Capital Outlay	15,235	20,488	74.4	7,214	16,975	42.5
Sewer Area Charge	383	725	-	-	-	-
PWTF Projects	-	-	-	3	-	-
<b>TOTAL</b>	<b>\$43,203</b>	<b>\$50,174</b>	<b>86.1 %</b>	<b>\$32,889</b>	<b>\$44,202</b>	<b>74.4 %</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 during the prior biennium, the number of billable ambulance transports increased by 8% in 2013 and an additional 2% in 2014. The net monthly revenue received from transports during the biennium was approximately \$169,000, which is significantly less than the net monthly revenue of approximately \$189,000 projected in the 2013/2014 adjusted budget. This budget variance was primarily attributable to a reduction in the amount of Medicare and Medicaid reimbursement rates and a higher

volume of calls billed at a basic life support (BLS) level, which has 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 included a two-year projection of \$4.22 million for revenue from the City's monthly

ambulance utility charge. For the biennium, actual receipts were 99.8% of this amount.

At the conclusion of the 2013/2014 biennium, expenses within the Medical Services Fund were 95.4% of the adjusted 2013/2014 budget, with no material variances to report.

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

	2013/2014			2011/2012		
	Actual	Budget	%	Actual	Budget	%
<b>Revenues</b>						
Revenue from Transports	\$4,045	\$4,537	89.2 %	\$3,860	\$4,029	95.8 %
Household Ambulance	4,210	4,220	99.8	2,747	2,767	-
Intergovernmental Revenue	18	16	-	-	-	-
Interest & Miscellaneous	1	1	-	15	4	-
Transfer from General Fund	-	-	-	1,325	1,400	94.6
Other Financing Sources	12	12	100.0	-	-	-
<b>TOTAL</b>	<b>\$8,286</b>	<b>\$8,785</b>	<b>94.3 %</b>	<b>7,947</b>	<b>\$8,200</b>	<b>96.9 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$5,794	\$6,091	95.1 %	\$5,540	\$5,594	99.0 %
Supplies	322	279	115.4	247	237	104.1
Other Services & Charges	1,925	2,097	91.8	1,759	1,151	152.8
Operating Transfer/CIP Fund	87	87	-	40	40	100.0
Intergov't Services & Taxes	177	185	95.9	1,020	1,052	96.9
Debt Service	-	-	-	84	84	100.0
Capital Outlay	31	-	-	-	-	-
<b>TOTAL</b>	<b>\$8,336</b>	<b>\$8,739</b>	<b>95.4 %</b>	<b>\$8,690</b>	<b>\$8,158</b>	<b>106.5 %</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.

During 2014, the Building Safety division issued 2,054 permits with a valuation of approximately \$181.2 million. Although this represents a 3%

increase in the number of permits issued when compared to 2013, the total valuation of these permits is a much more significant increase of 43%. 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 increased by 45% during this time period.

Operating expenses for the Building Safety Fund were 98.9% of the adjusted budget during the biennium, with no material variances to report.

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

	2013/2014			2011/2012		
	Actual	Budget	%	Actual	Budget	%
<b>Revenues</b>						
Licenses & Permits	\$2,741	\$2,320	118.2 %	\$2,743	\$2,401	114.2 %
Interest & Miscellaneous	9	-	-	2	4	50.0
Transfer from General Fund	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$2,750</b>	<b>\$2,320</b>	<b>118.5 %</b>	<b>\$2,745</b>	<b>\$2,405</b>	<b>114.1 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$1,801	\$1,818	99.1 %	\$1,697	\$1,865	91.0 %
Supplies	25	26	97.0	17	18	94.4
Other Services & Charges	432	440	98.2	339	343	98.8
Operating Transfer/CIP Fund	17	17	-	111	126	88
<b>TOTAL</b>	<b>\$2,275</b>	<b>\$2,301</b>	<b>98.9 %</b>	<b>\$2,164</b>	<b>\$2,352</b>	<b>92.0 %</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 provided 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 was 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 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, the actual net operating loss for the facilities was \$479,690, which unfortunately was approximately \$130,000 higher than the operating loss originally projected for the year. Similar to 2013, the primary factor in this budgetary shortfall was a lack of events at the facilities. City staff continues to meet with VenuWorks staff and work with the KPFD to minimize the operating contribution required for these facilities and a plan has been developed to bring the net operating loss for the facilities down from 2013 and 2014 levels.

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 2014, the City received approximately \$154,000 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 included 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 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 City Council early in 2013. The loan will be repaid over a 7-year period with excess lodging tax proceeds.

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

	2013/2014			2011/2012		
	Actual	Budget	%	Actual	Budget	%
<b>Revenues</b>						
Operating Revenue	\$5,519	\$6,547	84.3 %	\$6,559	\$6,691	98.0 %
Capital Contribution	-	-	-	12	-	-
Debt Proceeds	369	400	92.3	-	-	-
Transfers In	2,320	2,325	99.8	2,054	2,216	92.7
<b>TOTAL</b>	<b>\$8,208</b>	<b>\$9,272</b>	<b>88.5 %</b>	<b>\$8,625</b>	<b>\$8,907</b>	<b>96.8 %</b>
<b>Expenditures</b>						
Cost of Operations	\$6,400	\$7,247	88.3 %	\$7,304	7,418	98.5 %
Interfund Loan Repayment	1,100	1,052	104.6	991	987	100.4
Capital Outlay	895	933	95.9	434	500	86.8
<b>TOTAL</b>	<b>\$8,395</b>	<b>\$9,232</b>	<b>90.9 %</b>	<b>\$8,729</b>	<b>\$8,905</b>	<b>98.0 %</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. For the 2013/2014 biennium, revenue collected from the

monthly stormwater charge was approximately \$2.24 million, or 99.7% of the biennial budget of \$2.25 million.

Total expenditures for the Stormwater Utility Fund during the biennium were only 43.4% of the

2013/2014 adjusted budget, with no material variances to report. A considerable portion of the capital outlay budgeted for the 2013/2014 will likely be completed during the next biennium and will therefore be carried forward to the 2015/2016 biennial budget.

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

	2013/2014			2011/2012		
	Actual	Budget	%	Actual	Budget	%
<b>Revenues</b>						
Revenue from Rates	\$2,245	\$2,252	99.7 %	\$1,639	\$1,525	107.5 %
Intergovernmental	-	-	-	220	320	68.8
Interest & Miscellaneous	6	-	-	3	-	-
Transfers In	-	-	-	50	375	13.3
Other Financing Sources	597	3,199	18.7	248	1,080	23.0
<b>TOTAL</b>	<b>\$2,848</b>	<b>5,451</b>	<b>52.2 %</b>	<b>2,160</b>	<b>3,300</b>	<b>65.5 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$1,012	\$1,044	97.0 %	\$849	\$902	94.1 %
Supplies	34	53	63.9	28	61	45.9
Other Services & Charges	1,000	1,343	74.5	777	675	115.1
Operating Transfer	75	76	-	254	255	99.6
Intergov't Services & Taxes	-	-	-	45	394	11.4
Debt Service	7	344	2.1	-	40	-
Capital Outlay	397	2,962	13.4	930	930	100.0
<b>TOTAL</b>	<b>\$2,525</b>	<b>\$5,821</b>	<b>43.4 %</b>	<b>\$2,883</b>	<b>\$3,257</b>	<b>88.5 %</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, as well as a comparison of these same items for the course during the 2011/2012 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.

For the 2014 calendar year, the course had a net operating loss of \$82,959, which was \$985 higher than projected for the year. Similar to 2013, the main factor in this budgetary shortfall was a significant reduction in the

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

	2013/2014			2011/2012		
	Actual	Budget	%	Actual	Budget	%
<b>Revenues</b>						
Charges for Services	\$362	\$387	93.6 %	\$365	\$369	98.9 %
Concessions & Miscellaneous	39	41	95.3	35	36	97.2
Transfers In	185	203	90.8	226	286	79.0
<b>TOTAL</b>	<b>\$586</b>	<b>\$631</b>	<b>92.8 %</b>	<b>\$626</b>	<b>\$691</b>	<b>90.6 %</b>
<b>Expenditures</b>						
General & Administrative	\$210	\$219	95.9 %	\$215	\$216	99.5 %
Maintenance	172	194	88.5	155	161	96.3
Operations	194	185	104.9	178	202	88.1
Capital Outlay	11	33	33.0	79	112	70.5
<b>TOTAL</b>	<b>\$587</b>	<b>\$631</b>	<b>93.0 %</b>	<b>\$627</b>	<b>\$691</b>	<b>90.7 %</b>

number of rounds of golf played at the course and a corresponding reduction in operating revenues. City

staff is working closely with CourseCo to implement several new programs in 2015 at the facility that

will hopefully reduce the operating loss for the course in the future.

## 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 fourth quarter of 2014 include:

- The Historic Downtown Kennewick Partnership completed two façade projects for John's Auto Mart and Ed & Moe's Pawn Shop. The façade upgrades have resulted in three new jobs.
- The 2015 Annual Action Plan and 2015-2019 Tri-Cities HOME Consortium Consolidated Plan were approved by Council and will be submitted to HUD after the City receives the contract for 2015 funding.
- Construction of pedestrian ramps and installation of audible crossing buttons were completed for the City.
- A total of 34 first-time homebuyer downpayment applications were taken in 2014 resulting in 32 home loans.

- Staff has begun the process of reporting on the 2014 Annual Action Plan through the Consolidated Annual Performance and Evaluation Report (CAPER) which is due to HUD 30 days after year-end.

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 included a two-year projection of \$1,731,000 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, lodging tax proceeds increased by 7.3% in 2014, which resulted in a two year total from this revenue source of \$1,740,430.

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%. During 2014, the City received and remitted \$521,559 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 included 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. In 2014, the City received \$12,440,606, which was an overall decrease of 2.4% when compared to the previous year. As described in more detail earlier in this report, the overall decrease was attributable to a 7% decrease in telephone utility tax and a 26% decline in natural gas utility tax, which was partially offset by a 4% increase in electric utility tax.

## FUTURE OUTLOOK

As the City concludes its 2013/2014 biennium and moves into the 2015/2016 biennium, its financial condition remains very strong overall, thanks in large part to the growth that has occurred in the region and has been so beneficial in terms of providing new revenue to

fund the City's priority programs and services. Although a number of budget challenges remain, the outlook for the upcoming biennium is very positive.

As has been the case for several bienniums now, the City's ability to continue influencing new economic

development that generates new growth-related revenues is critical to ensuring adequate funding for City's programs and services. These efforts will help the City's economy to remain vibrant and strong, which in turn generates the funding that is crucial to the City's ability to serve its citizens.

### Columbia Center Blvd Safety Project

Before



After



## CASH MANAGEMENT

As we wrap up one year and move into 2015, the Federal Reserve has said it will be patient on the timing of the first interest-rate increase since 2006. In 2014, the economy showed slow and continued improvement with strong job gains and a lower unemployment rate. Most analysts predict that the Fed is likely to raise rates this year, but the timing is uncertain. In addition, 2015 is expected to bring its share of volatility.

In October, one agency security with a face value of \$1 million matured which accounts for the change in this sector of the City's investment portfolio. At yearend, the City held 10 agency securities which accounted for 55% of the City's investment

portfolio at cost. Details of individual items are shown in the *Cash & Investment Summary* chart.

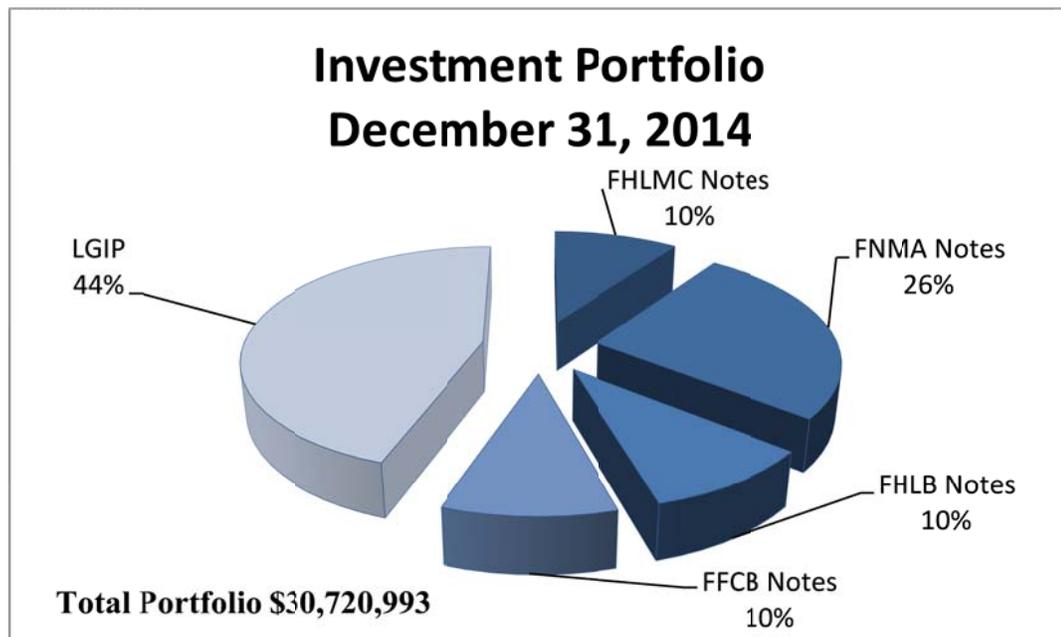
Balances in the State Pool at December 31 comprised 44% of the City's investment portfolio. There was a net gain of \$2.5 million from the prior quarter. The net earnings rate for the LGIP averaged .098%. Interest earned during the quarter was \$3,263.

Other highlights for 2014:

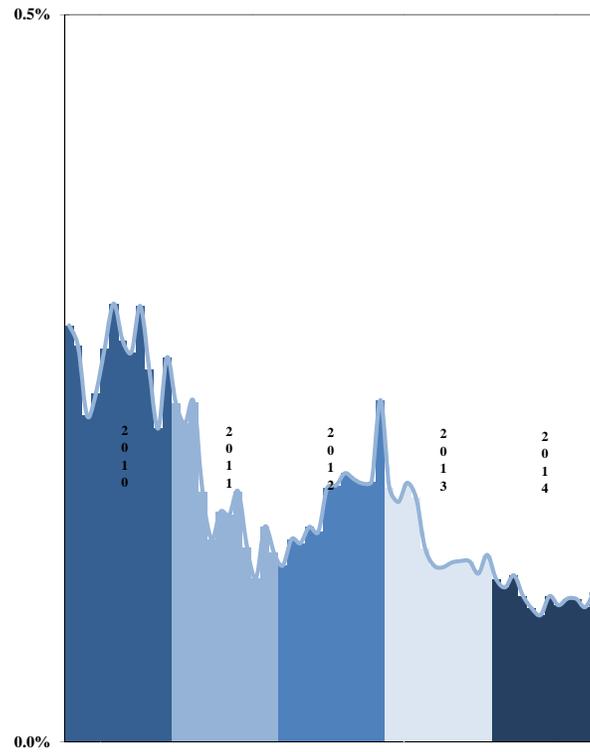
- The annualized rate of return for City balances invested at the State Pool was .10%. Interest earned during the year for Pool balances was \$9,280.

- The City's agency portfolio averaged a .89% rate of return and earned interest of \$177,039.

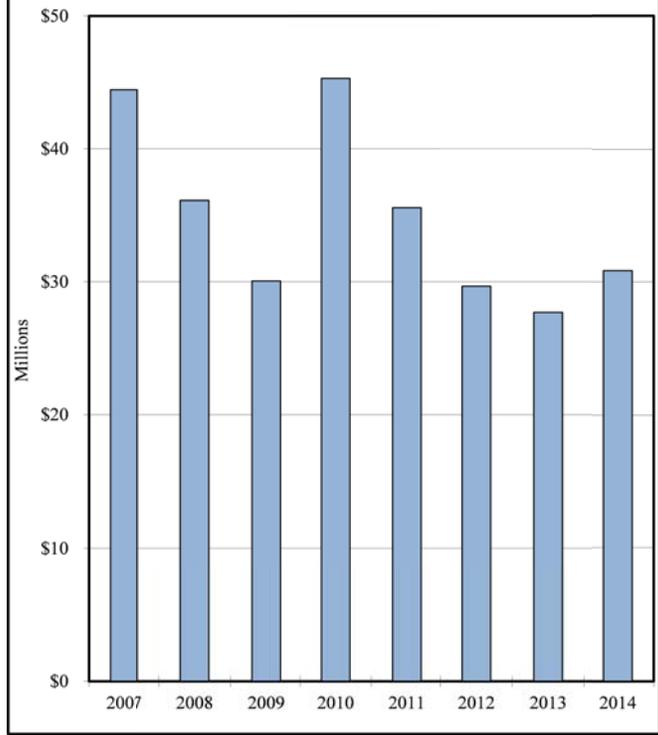
The market value of agency investments at December 31st was \$17,001,957, or \$4,254 lower than the principal cost. The unrealized loss associated with this difference will not be recorded because the investments will be held until call or maturity date. The book value for the same items was \$17,049,595.



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



**City of Kennewick  
Portfolio History**



## Cash & Investment Summary

### As of 12/31/2014

Maturity Date	CUSIP/Ticker	Description	Broker/Dealer	YTM @ Cost	Trade Date	Cost Value
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		0.103		<u>13,714,782.02</u>
		Total Investments				30,720,993.03
N/A	CASH	US Bank Operating Account				124,214.19
<b>Total / Average</b>				<b>0.605</b>		<b>30,845,207.22</b>

Blue Bridge over the Columbia River

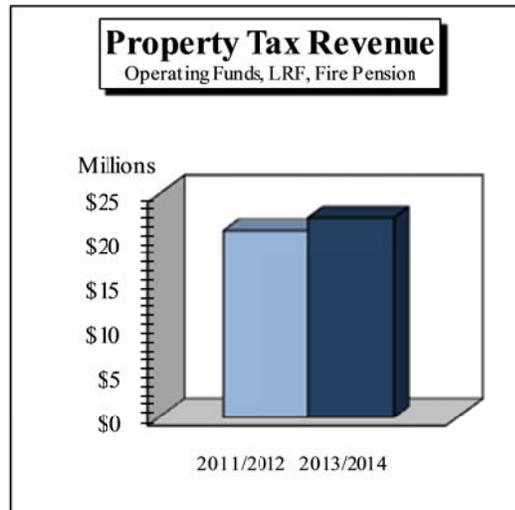


## MAJOR REVENUE SOURCES

### *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	4,562,352	4,738,910
<b>Total</b>		<b>\$20,971,839</b>	<b>\$22,392,082</b>

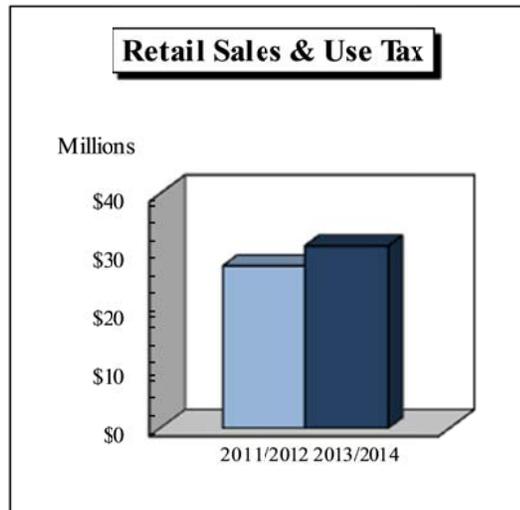
13/14 Biennial Budget \$22,431,204  
 Actual vs Budget 100%



### *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	3,860,473	4,119,822
<b>Total</b>		<b>\$27,751,641</b>	<b>\$31,129,949</b>

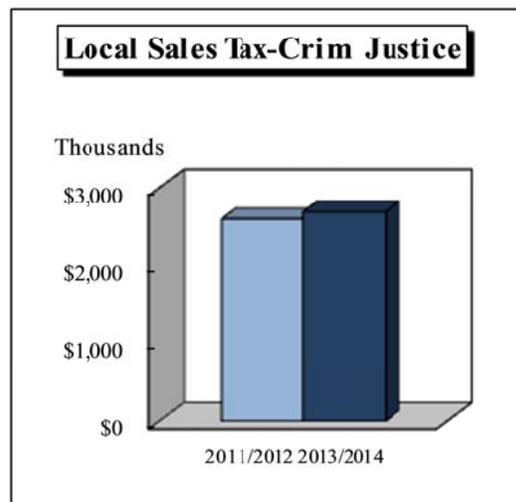
13/14 Biennial Budget \$31,397,023  
 Actual vs Budget 99%



### *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	320,861	358,179
<b>Total</b>		<b>\$2,605,320</b>	<b>\$2,693,854</b>

13/14 Biennial Budget \$2,766,261  
 Actual vs Budget 97%

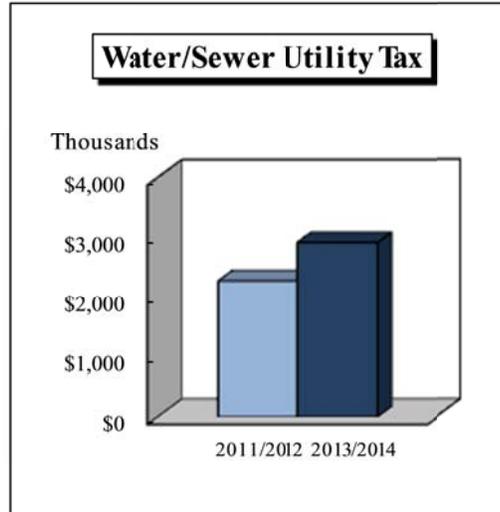




***Water/Sewer Utility Tax***

		2011/2012	2013/2014
Year 1	Jan-Mar	\$213,800	\$306,155
	Apr-Jun	247,731	362,587
	Jul-Sep	291,736	410,356
	Oct-Dec	265,658	354,299
Year 2	Jan-Mar	277,635	314,106
	Apr-Jun	337,556	374,501
	Jul-Sep	392,049	424,417
	Oct-Dec	245,470	371,253
<b>Total</b>	<b>\$2,271,636</b>	<b>\$2,917,674</b>	

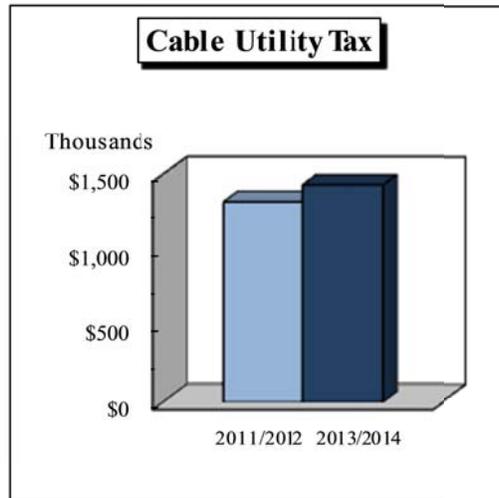
13/14 Biennial Budget \$2,941,932  
 Actual vs Budget 99%



***Cable TV Utility Tax***

		2011/2012	2013/2014
Year 1	Jan-Mar	\$170,678	\$172,351
	Apr-Jun	173,375	177,600
	Jul-Sep	168,742	175,160
	Oct-Dec	158,278	175,480
Year 2	Jan-Mar	158,901	180,232
	Apr-Jun	162,516	184,852
	Jul-Sep	160,453	179,929
	Oct-Dec	164,546	183,831
<b>Total</b>	<b>\$1,317,489</b>	<b>\$1,429,435</b>	

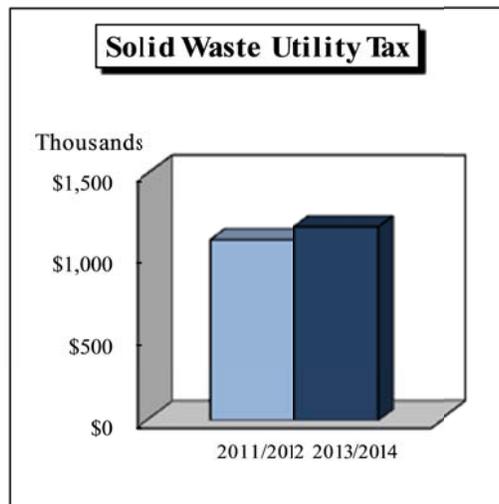
13/14 Biennial Budget \$1,322,000  
 Actual vs Budget 108%



***Solid Waste Utility Tax***

		2011/2012	2013/2014
Year 1	Jan-Mar	\$129,858	\$140,716
	Apr-Jun	134,660	146,420
	Jul-Sep	135,323	144,433
	Oct-Dec	135,319	145,816
Year 2	Jan-Mar	134,709	141,644
	Apr-Jun	141,031	152,932
	Jul-Sep	142,276	151,063
	Oct-Dec	142,902	150,537
<b>Total</b>	<b>\$1,096,078</b>	<b>\$1,173,561</b>	

13/14 Biennial Budget \$1,181,000  
 Actual vs Budget 99%

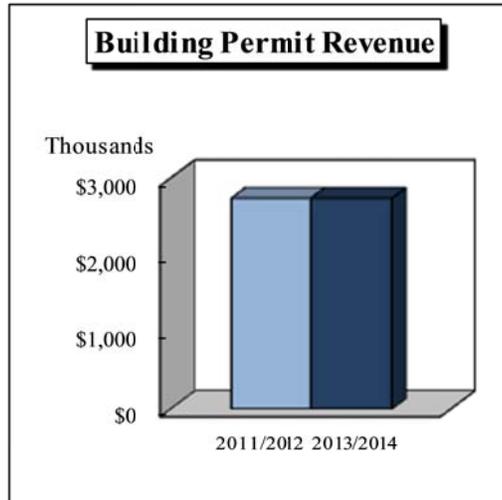




***Building Permit Revenue***

		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	198,170	489,337
<b>Total</b>	<b>\$2,742,894</b>	<b>\$2,741,115</b>	

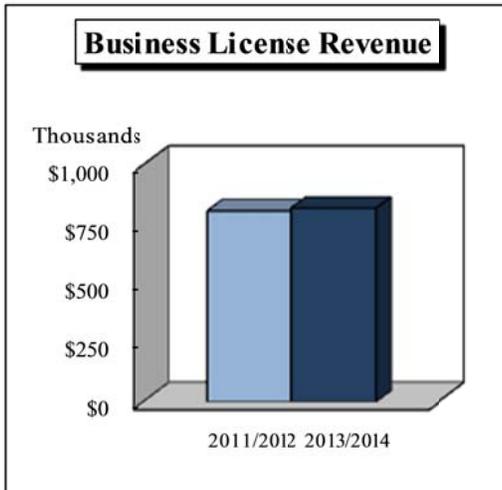
13/14 Biennial Budget \$2,320,000  
Actual vs Budget 118%



***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	9,450	13,788
<b>Total</b>	<b>\$806,364</b>	<b>\$818,109</b>	

13/14 Biennial Budget \$887,000  
Actual vs Budget 92%



***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	293,452	299,782
<b>Total</b>	<b>\$2,434,834</b>	<b>\$2,529,217</b>	

13/14 Biennial Budget \$2,656,000  
Actual vs Budget 95%

