

City of Kennewick

2015 2nd Quarter

Financial Report



Issue Date: July 31, 2015

OVERVIEW

At the conclusion of the first six months of the City's 2015/2016 biennium, there are a number of important items to report that have a direct impact on the City's current biennial budget and overall financial condition. Most notably, on June 30th, the final day of its fiscal year and its second special legislative session, the Washington State Legislature reached a compromise to pass an operating and capital budget that was signed by the Governor later in the day, averting a partial shutdown of the state government that otherwise would have occurred the following day. Although certainly not perfect, the final state budget does include a number of provisions that are favorable to Kennewick and cities in general including the restoration of state-shared liquor excise tax revenues and merging of medical and recreational marijuana systems under the oversight of the Washington Liquor & Cannabis Board, along with the implementation of moderate marijuana tax revenue sharing program with cities and counties that allow commercial marijuana businesses in their jurisdictions.

Additionally, the legislature finalized legislation early in July on a statewide transportation package. The package is primarily funded

through an increase to the state gas tax of 11.9¢ that will be phased in over the next 12 months and funds a number of important projects statewide and in the local region, including approximately \$15 million towards a \$21 million dollar project in the City of Kennewick to improve the intersection of Ridgeline Drive and State Route 395, which is a high priority project for the Kennewick City Council.

Unfortunately, cities were unsuccessful in restoring the public works trust fund loan program, a program that has been a critical tool for local governments for decades in funding infrastructure projects. The bulk of the funding sources for this

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program were diverted to the State's General Fund during the 2013 legislative session to help address a significant budgetary shortfall at that time. Efforts to reinstate the program in 2015 were unsuccessful and



in fact, the few remaining funding sources for the program were diverted to meet the State's basic education funding requirements.

For readers of the City's quarterly report over the last few years, reporting on the importance that growth and economic development in Kennewick and the Tri-Cities region as a whole have on the City's financial condition is likely beginning to sound like a broken record. However, the fact remains that the City's current budget model is heavily reliant on new growth revenues to fund its priority programs and services. As a result, City staff continues to focus a great deal of attention to the City's key growth indicators.

Employment is likely 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 6% for June, which is approximately 0.5% lower than a year ago at this same time and 0.7% higher than the statewide unemployment rate of 5.3%. However, it is important to note that the June unemployment rate for the Kennewick-Pasco-Richland metropolitan statistical area has not 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 108,600 in June, which is approximately 2,500 jobs higher than reported a year ago and is the high water mark for employment in the region in the last ten years, even exceeding previous peak levels experienced in 2011 when the Hanford area was at its highest

	Comparative Totals	
	2015	2014
Single Family Permits	169	146
Commercial Permits	26	25
Other Permits	818	812
Total Permits	1,013	983
Permit Valuation	\$140,765,967	\$101,504,176
Building Permit Fees	\$958,626	\$783,036
Planning Fees	\$74,340	\$22,401

levels of employment to complete projects funded with \$2 billion in one-time stimulus funding the site received starting in 2009. There is no question that the overall employment level in the Tri-Cities MSA has been a primary driver of many of the positive revenue trends the City has experienced in recent years and thus far during the biennium.

Building permit activity, which is another key indicator of growth in the City, indicates that growth is still occurring within the City. Through the first 6 months of 2015, the Building Safety division issued 1,013 permits with a valuation of approximately \$140.8 million. This activity represents only a 3% increase in the number of permits issued, but is an increase of nearly 39% in the valuation of those permits when compared to the same time period in 2014. The increase in valuation is primarily attributable to the issuance of a permit for construction of a new middle school on Southridge Boulevard and growth in single family dwelling and multi-family permits.

Some of the other more significant projects underway thus far in 2015 include construction of the Southridge Blvd. Middle School, Kennewick School District new

elementary school, Benton PUD, C2 Management Group LLC, Casa Mia Patio Cover and Fence, Kennewick Irrigation pump station, Okanogan Industrial Strip Center, Benton Clean Air Authority, and remodel for Rawlings Flooring, Lutheran Social Services, Peoples Bank, Dentistry for Kids, NW Technical Center, Pacific Crest Planning, Chinook Home Health Care, Tri City Community Health, Great Floors, Desert Law Memorial, and Gretl Crawford Homes and Interiors.

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 as of April 1, 2015 increased to 78,290, which is an increase of slightly less than 1% over the prior year. The number of active water/sewer utility accounts for the City increased by 387 over the past twelve months to 23,022 total accounts, which represented an increase of 2%. Lastly, the City processed 4,351 business licenses through June of 2015, which represents a minor increase of approximately 1%.

SIGNIFICANT EVENTS

On May 5th Council approved the first budget adjustment of

the 2015/2016 biennium. The first budget adjustment of each new

biennium provides an opportunity to carryover balances for projects that

began or were in progress in the prior biennium, but were not completed, and to adjust beginning fund balances amounts estimated during the adoption of the biennial budget to their actual amounts. This budget adjustment also formally appropriates new items that were previously approved by Council. Significant items approved by Council included:

- Appropriate for the City’s 2015 bond issue that will be utilized to acquire land, construct and equip fire station #5 at Kellogg and 10th, and refinance \$5.9 million of the City’s outstanding 2006 police station bonds at a net present value savings of approximately \$483,000.
- Appropriate for increased scope of Edison Widening project funded with a \$900,000 Surface Transportation Program (STP) grant received.

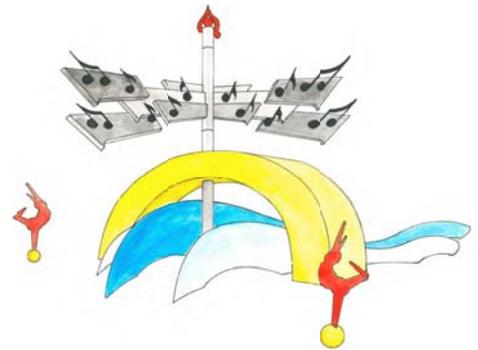
- Appropriate for a \$100,000 Federal Highway Administration (FHWA) grant received for streetscape improvements included in the Columbia Gardens Project.

On June 2, 2015 City Council adopted the six year Transportation Plan (2016-2021). The City is required by state law to update the Six Year Transportation Improvement Plan (STIP) annually and to hold a public hearing to allow citizen input on the updated plan. In order to receive consideration for state or federal highway grants, a project must be included in the STIP. The Plan covers the years 2016 through 2021. All project estimates have been reviewed and updated where required. New projects on the Plan include:

- Clearwater Avenue & Kellogg Street Intersection Improvements.

- Zintel Way/Ridgeline Dr./Bofer Canyon Rd.

City Council authorized the Public Works Director to sign an Artist Services Agreement with C.J. Rench to fabricate, paint and install artwork for the Grandridge Blvd. and Young St. roundabout. A drawing of the artwork is shown below.



GENERAL GOVERNMENT

Table 1 provides a comparison of major revenue sources for the 2015/2016 biennium compared to the previous biennium (2013/2014). Through the first six months of the 2015/2016 biennium, general governmental revenue collections totaled \$24.9 million, which represented 25.8% of the adjusted budget.

General governmental receipts from sales taxes totaled approximately \$5.65 million through June 30, 2015. On a city-wide basis, sales tax receipts increased by 6.4% during this timeframe when compared to this same time period in 2014. A significant factor in this comparison is the sales tax that was generated from the construction of the new Trios Health facility in Southridge during 2014. After backing the sales tax generated from this project out of the 2014 results for this period of time, the increase experienced thus far in 2015 would be closer to 8.8%.

Criminal justice sales tax receipts totaled approximately \$701,000 through June, which represented an increase of 9% when compared to this same time period in 2014. This 1/10% sales tax is distributed within Benton County based on population, rather than point of sale.

Utility tax receipts for the first half of 2015 totaled \$4.5 million, which was a decrease of 5.1% compared to the first six months of 2014. The City receives utility taxes from natural gas, garbage collection, cable television, telephone, electric, ambulance, stormwater and water/sewer services excluding irrigation. The decline in overall utility tax revenue experienced thus far in 2015 is attributable to declines in electric and natural gas utility taxes, which were partially offset by increases in revenue from telephone, garbage and cable utility taxes.

Utility tax revenue received from the sale of electricity had decreased by

8% through June of 2015, based primarily on very mild weather conditions during the first 4 months of the year that reduced consumption for this period.

Utility tax generated from the sale of natural gas has declined by 32% during the first 6 months of 2015, despite a 5.6% rate increase implemented by Cascade Natural Gas in November of 2014. This decline in natural gas utility tax was the direct result of the loss of revenue received from a natural gas broker operating in the area. During 2014, 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 City stopped receiving

utility tax revenue from this broker in July of 2014.

Utility tax revenue derived from telephone services has increased by approximately 2% thus far in 2015, which is attributable to a one-time payment from a telephone provider for back taxes owed from 2010 through May of 2015. Without this one-time payment, telephone utility tax revenue would have declined by nearly 14%, which is attributable to the same factors that have led to declines from this revenue source over the last several years, 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.

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 6% during the first half of 2015, which reflects a moderate rate increase based on the annual change in the consumer price index under the terms of their franchise agreement and growth in the customer base of Waste Management.

Finally, utility tax generated from cable television services increased by 1% through June of 2015, primarily as a result of rate increases implemented by the local cable provider.

Revenue for the 2015/2016 biennium through June from licenses & permits

totaled \$602,000. The predominant sources of revenue within this category are business license fees and construction engineering permits. For the six months ended June 30, 2015, which includes the City's annual renewal period, revenue from business permits has increased by approximately 3% based on a 1% increase in the number of licenses processed during this period. Although business license revenue has increased only moderately thus far, revenue generated from civil permits for residential and commercial construction projects increased by nearly 68%, or approximately \$60,000, when compared to this same timeframe in 2014.

As of June 30, 2015, the City had received \$740,000 in state-shared revenues for the biennium, which consisted of privilege tax payments

from the Benton PUD and Energy Northwest. Privilege tax payments are made in lieu of property taxes since these agencies are exempt from property taxes. The City has received payments of \$425,033 and \$314,963 from these agencies, respectively, based on the 2014 rate revenue for each.

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 \$1.2 million through June of 2015, which was a decline of 6% compared to the same time period in 2014. This decline is attributable to a criminal justice distribution the City received through the State's 'High Crime' program in 2014 of approximately

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

Revenue Source	2015/2016			2013/2014		
	6/30/15	Budget	Received	6/30/13	Actual	Received
Property Tax	\$6,484	\$23,220	27.9 %	\$6,000	\$22,174	27.1 %
Sales Tax	5,654	22,773	24.8	5,120	21,069	24.3
Criminal Justice Sales Tax	701	2,877	24.4	640	2,694	23.8
Electric Utility Tax	1,698	7,464	22.7	1,703	6,703	25.4
Telephone Utility Tax	1,033	3,958	26.1	1,071	4,046	26.5
Water/Sewer Utility Tax	709	3,118	22.7	669	2,918	22.9
Cable TV Utility Tax	372	1,526	24.4	350	1,429	24.5
Garbage Utility Tax	313	1,263	24.8	287	1,174	24.5
Natural Gas Utility Tax	369	1,135	32.5	406	1,088	37.3
Ambulance Utility Tax	23	91	25.6	19	78	24.2
Gambling Tax	398	1,527	26.0	377	1,473	25.6
Other Taxes	208	988	21.0	120	876	13.7
Total Taxes	\$17,962	\$69,940	25.7 %	\$16,762	\$65,722	25.5 %
Licenses & Permits	602	1,350	44.6	476	1,189	40.0
State Shared Revenue	740	1,326	55.8	673	1,377	48.9
State Entitlements	1,240	5,323	23.3	1,114	5,072	22.0
Other Intergovernmental	31	89	34.6	112	311	36.0
Charges for Services:						
Interfund	1,104	4,406	25.0	802	3,893	20.6
Environment	449	3,130	14.3	811	3,423	23.7
Culture & Recreation	226	995	22.8	257	1,041	24.7
Other	312	1,049	29.8	349	1,364	25.6
Fines & Forfeitures	626	2,782	22.5	669	2,529	26.5
Operating Transfers:						
From Public Safety	1,297	5,232	24.8	1,325	4,941	26.8
From Capital Improvement	-	-	-	-	-	-
Others	-	-	-	-	35	-
Interest/Misc.	298	901	33.1	342	1,018	33.6
TOTAL REVENUES	\$24,886	\$96,521	25.8 %	23,692	\$91,913	25.8 %

\$51,000 that was not received in 2015. Cities receive a distribution under this criminal justice program administered through the State if their crime rate for the prior year exceeds 125% of the state-wide average. The City did not qualify for this distribution during the state's 2015 fiscal year under this formula. Additionally, although the City received roughly the same amount of liquor revenues during the first half of 2015 and 2014, these amounts were still well below the historical amount the City has received from this source in the past due to legislation passed by the State in 2013 that 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.

Revenue from fines and forfeitures received by the City from District Court totaled approximately \$626,000 during the first 6 months of the 2015/2016 biennium, which equates to a decrease of 7%.

Though this trend only reflects activity for 6 months, it is primarily attributable to a decrease in revenue from traffic infraction and criminal traffic penalties.

Table 2 provides an expenditure summary by category and department for the City's general governmental operations for the 2015/2016 biennium. At this early stage of the biennium, total expenditures were approximately \$22.7 million, or 23.5% of the adjusted operating budget.

Through the first half of 2015, there were no major categorical or departmental variances of note to report within the City's general governmental operations.

In addition to the revenue and expenditure trends for the City's general governmental operations outlined above, there are several vulnerabilities and opportunities associated with the City's budget to report on that may impact the City during the remainder of the

2015/2016 biennium.

- Agencies from Benton and Franklin Counties continue to work in partnership towards a bi-county dispatch program for public safety personnel. In early 2015, agencies from these counties passed 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.
- Jail costs continue to be one of the largest contracted service expenses for the City, with a

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

Category	2015/2016			2013/2014		
	6/30/15	Budget	Spent	6/30/13	Actual	Spent
Salaries & Benefits	\$16,232	\$69,936	23.2 %	\$16,136	\$67,240	24.0 %
Supplies	749	2,709	27.6	662	2,567	25.8
Other Services & Charges	1,964	7,968	24.7	1,654	7,717	21.4
Intergov't Services & Taxes	2,580	7,470	34.5	3,597	11,317	31.8
Interfund Transfers	1,125	8,392	13.4	90	3,846	2.3
Capital Outlay	-	18	0.0	7	124	-
TOTAL EXPENDITURES	\$22,650	\$96,494	23.5 %	\$22,146	\$92,810	23.9 %
Department						
City Council	\$130	\$540	24.2 %	\$133	\$521	25.5 %
City Manager	171	720	23.8	162	657	24.7
Finance	845	3,348	25.2	865	3,605	
Management Services	1,457	6,272	23.2	1,529	5,602	27.3
City Attorney	353	1,470	24.0	338	1,330	25.4
Civil Service	15	47	30.7	5	34	14.6
Economic Development/Planning	596	2,771	21.5	554	2,104	26.3
Police	9,036	39,201	23.1	9,053	37,496	24.1
Fire	3,538	15,094	23.4	3,960	15,970	24.8
Engineering	847	3,604	23.5	782	3,345	23.4
Employee & Community Relations	852	3,811	22.3	902	3,744	24.1
Parks & Facilities	1,616	7,092	22.8	1,641	6,463	25.4
Non-Departmental	2,239	8,496	26.4	1,239	8,149	15.2
Street Maintenance	956	4,028	23.7	983	3,790	25.9
TOTAL EXPENDITURES	\$22,650	\$96,494	23.5 %	\$22,146	\$92,810	23.9 %

projected cost of \$5.85 million for the 2015/2016 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 city recently received the final 2014 year-end report for the jail from the Benton County Sheriff's Office, which reported that the actual bed day rate for 2014 was \$62.67. This rate was significantly lower than the billing rate of \$67.03 originally

estimated for the year and utilized for 2014 billings by the Sheriff's Office. As a result, the City will receive a credit of \$168,759, which will be applied against 2015 billings for jail services.

Additionally, the estimated 2015 prisoner bed day rate is \$65.95, which is lower than the rate that was anticipated for the year when the 2015/2016 budget was adopted.

As a result of these two factors, it is likely that the City will experience some level of savings on jail costs relative to

the adopted budget during the current biennium.

As we move further 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.

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

FUND	Beginning Balance	Revenues	Expenditures	Ending Balance
GENERAL GOVT:				
General Fund	\$2,424	\$23,930	\$21,695	\$4,659
Street	-	956	956	-
Subtotal	2,424	24,886	22,650	4,659
CAPITAL FUNDS:				
Arterial Street	9	-	-	9
Urban Arterial Street	1,031	1,258	2,614	(325)
Capital Improvement	7,425	11,503	3,526	15,402
Subtotal	8,465	12,761	6,141	15,086
PROPRIETARY FUNDS:				
Water & Sewer	8,193	8,726	9,343	7,576
Medical Services	395	2,824	2,763	456
Building Safety	1,061	962	629	1,394
Coliseum	(641)	1,960	1,928	(609)
Stormwater	718	650	817	551
Columbia Park Golf Course	(1)	144	143	-
Equipment Rental	3,739	1,451	1,205	3,984
Risk Management	497	1,066	959	604
Central Stores	218	116	114	221
Subtotal	14,179	17,900	17,901	14,178
DESIGNATED FUNDS:				
Cash Reserve Fund	2,716	-	-	2,716
Debt Service	5	6,995	6,808	192
BI-PIN Fund	-	215	211	4
Community Development	335	166	249	252
MPD Asst Operations Fund	10	23	9	24
Asset Forfeiture Fund	110	21	22	109
Lodging Tax	124	648	487	286
Public Safety	-	1,297	1,297	-
Criminal Justice Sales Tax	-	662	568	94
LID Guaranty	35	-	-	35
Subtotal	3,334	10,027	9,651	3,710
TOTAL	\$28,401	\$65,575	\$56,343	\$37,633

* 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 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 includes 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 2015/2016 biennial budget was adjusted in May to reflect the carryover of capital projects that began during the last biennium, but were not completed. In total, the adjusted capital budget for the 2015/2016 biennium is approximately \$31.3 million. In addition, \$12.9 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 major street projects. Actual project expenditures through June were \$3.9 million in the capital funds and \$2.1 million in the Water and Sewer and Stormwater Funds.

Major street projects budgeted for the 2015/2016 biennium currently underway include:

Olympia St. - SR 397 to West 27th Ave. – The City received a \$1,710,000 grant from the State Transportation Improvement Board (TIB), a \$192,000 federal grant through Benton County, and \$1,454,000 of federal funds allocated to Kennewick toward the cost of the \$3,850,000 project to widen and reconstruct Olympia St., south of 27th Ave., to the connection with SR 397. The project is complete except for punch list items that will be completed early this year.

Edison St. – Clearwater Ave. to Canal Dr. – The City has received a \$1,170,000 State Transportation Improvement Board grant and a \$900,000 Federal Surface Transportation Program grant for the \$3,100,000 Edison St. widening project. The project will add a center turn lane and bike lanes to the length of Edison Street. Design, permit applications, and right of way acquisition are currently in progress. The project is scheduled to be advertised for construction later this year.

Steptoe Phase III/ West 4th to Sherman St. – The City received a State Transportation Improvement Board 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 10th Ave. was

awarded on July 1, 2014. Plans for the portion of the project from West 10th Ave. to Sherman St. have been completed by HDR Engineering, Inc. Right-of-way acquisition for the remaining parcel is in progress. Phase 3 A and B are scheduled to be completed in February of 2016.

Clearwater Ave. – Leslie to US395 – This project 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.

Columbia Center Blvd. Pavement Preservation – West Clearwater Ave. to Quinault Ave. – This project will overlay Columbia Center Blvd. from West Clearwater Ave. to West Quinault Ave. The contract will include lowering of existing utilities, planning of the existing asphalt, pavement patching, and pavement lane striping, cross walks, stop bars, signage, and removal and replacement of c-curb. The project is being funded in part by a \$951,500 Federal Surface Transportation Program grant.

PROPRIETARY FUNDS

The **Water and Sewer Fund** budget for the 2015/2016 biennium is \$46.7 million, including \$5.3 million in budgeted ending

working capital and \$10.7 million for capital expenditures. Through the first half of 2015, revenues from water and sewer rates were 22.8% of the adjusted budget for

this revenue source, which is in line with projections for the biennium when considering the seasonality of water consumption. 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. Revenue collected for other fees and charges was approximately 29.6% of the adopted budget through June, which is slightly higher than what would be anticipated for this period of time and is attributable to revenue from meter set and sewer connection fees primarily associated with new development.

Interest and other miscellaneous revenues collected were 23.6% of the adjusted budget at the conclusion of June. This revenue category consists primarily of interest earnings and other minor miscellaneous revenue sources.

The revenue category of other financing sources has an adjusted

budget of only \$1.1 million, which includes a \$331,000 state revolving fund loan for improvements at the City's wastewater treatment plant that was carried forward from the 2013/2014 biennium and \$750,000 in anticipated developer contributions associated with development projects that will occur in the City during the biennium including projects occurring in the City's Southridge area. Through June, the utility had received approximately \$25,000 in proceeds from the state revolving fund loan.

After the first six months of the 2015/2016 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 expenditure categories as transfers, debt service and capital expenditures were all in line with budget projections as well.

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

- ASR Feasibility Study – project construction completed, phase 4 cycle testing completed, reviewing report from consultant. Temporary permit received from Department of Ecology for additional cycle testing to be completed between April 1, 2015 and January 1, 2016.
- Zone 4 Reservoir & Booster Station – under construction
- Hildebrand Blvd. – under construction
- Columbia Gardens Winery Waste Treatment Facility – in ground pretreatment system for PH selected, consultant in design phase.

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

	2015/2016			2013/2014		
	6/30/15	Budget	%	6/30/13	Actual	%
Revenues						
Revenue from Rates	7,897	34,648	22.8 %	7,455	32,423	23.0 %
Other Fees & Charges	772	2,607	29.6	603	2,422	24.9
Intergovernmental	-	-	-	-	-	-
Interest & Miscellaneous	31	133	23.6	32	186	17.2
Other Financing Sources	25	1,081	2.3	111	6,051	1.8
TOTAL	\$8,726	\$38,468	22.7 %	\$8,201	\$41,082	20.0 %
Expenditures						
Salaries & Benefits	\$1,995	\$9,084	22.0 %	\$1,755	\$7,455	23.5 %
Supplies	115	568	20.2	113	525	21.5
Other Services & Charges	3,127	14,293	21.9	2,829	13,341	21.2
Transfers:						
General Fund	-	-	-	-	17	-
CIP Fund - Facilities/Capital	40	121	33.4	34	127	26.8
Fleet	-	24	-	-	-	-
Other	-	-	-	-	7	-
Debt Service	2,202	6,529	33.7	1,980	6,113	32.4
Capital Outlay	1,839	9,785	18.8	1,752	15,235	11.5
Sewer Area Charge	25	932	-	-	383	-
TOTAL	\$9,343	\$41,335	22.6 %	\$8,463	\$43,203	19.6 %

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 2015/2016 adopted budget to actual revenues for the biennium, as well as a comparison of these same items for the utility during the 2013/2014 biennium.

The primary revenue source for the Medical Services Fund is the net revenue received from ambulance transports. After experiencing significant growth in the number of billable transports during the prior biennium, the number of billable ambulance transports has also increased again by approximately 5% thus far in 2015. The net monthly revenue recognized from transports during the first six months of 2015 was approximately \$169,000, which is lower than the net monthly revenue of approximately \$180,000 projected in the 2015/2016 adopted budget. At this relatively early stage of the biennium, it is difficult to determine whether or not the results are truly indicative of a long-term trend. Staff will continue to monitor this area

closely as we progress further into the biennium.

In addition to transport revenues, the 2015/2016 biennial budget for the Medical Services Fund also includes a two-year projection of \$5.5 million for revenue from the City's monthly ambulance utility charge. As required under State law, the City completed a comprehensive cost of service study for the ambulance program in 2014 in conjunction with the development of the 2015/2016 biennial budget. The results of that study indicated that the City had capacity to increase its monthly ambulance availability charge assessed to all residential, commercial and multi-family units from its current level at that time of \$5.67 per month to an amount as high as \$9.64 per month. The Kennewick City Council elected to modify the City's ambulance charge to \$6.67 per month effective January 1, 2015 and then to \$7.67 per month effective January 1, 2016, which will bring the City's monthly charge to an amount that is more consistent with the neighboring cities of Richland and Pasco and significantly reduce the amount of the operating contribution

required from the City's General Fund for this program. Additionally, the remaining capacity available for the monthly ambulance charge provides a potential funding source for the future needs of the City's ambulance program. Through June of this year, the Medical Services Fund had received just over \$1 million from this source, which is consistent with budget projections.

After the first six months of the biennium, expenses within the Medical Services Fund were 23.8% of the adjusted budget for the 2015/2016 biennium, which is line with budget projections overall. There appears to be two categorical budget variances in the categories of supplies and intergovernmental services and taxes in terms of the percentage spent through the first 25% of the biennium. However, the percentage spent in each of these areas is skewed as a result of timing issues associated with expenses incurred early in 2015 that will benefit the ambulance utility throughout the entire year.

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

	2015/2016			2013/2014		
	6/30/15	Budget	%	6/30/13	Actual	%
Revenues						
Revenue from Transports	\$1,014	\$4,327	23.4 %	\$1,083	\$4,045	26.8 %
Household Ambulance	1,260	5,480	23.0	1,037	4,210	-
Intergovernmental Revenue	-	-	-	-	18	-
Interest & Miscellaneous	-	-	-	2	1	-
Transfer from General Fund	550	1,825	-	-	-	-
Other Financing Sources	1	-	-	-	12	-
TOTAL	\$2,825	\$11,632	24.3 %	2,122	\$8,286	25.6 %
Expenditures						
Salaries & Benefits	\$2,116	\$8,927	23.7 %	\$1,387	\$5,794	23.9 %
Supplies	94	293	32.2	55	322	17.1
Other Services & Charges	501	2,182	22.9	433	2,012	21.5
Operating Transfer/CIP Fund	9	56	-	-	-	-
Intergov't Services & Taxes	42	160	26.6	101	177	56.9
Capital Outlay	-	-	-	-	31	-
TOTAL	\$2,763	\$11,617	23.8 %	\$1,976	\$8,336	23.7 %

The **Building Safety Fund** utilized to isolate the costs of providing the City's building inspection function, including equipment replacement charges and administrative costs. Table 6 provides a comparison of the budgeted and actual revenues and expenditures for the 2015/2016 biennium, as well as a comparison of these items at the same juncture of the prior biennium.

Building permit fees provide the primary revenue source for this fund. In 2014, building permit revenues increased by 45% when compared to 2013. This increase was attributable to a 3% increase in the number of building permits issued during the year, coupled with a 43% increase in the valuation of permits issued. The

increase in valuation was 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 outlined earlier in this report, the number of building permits issued during the first 6 months of 2015 has increased by 3% compared to the same time period in 2014. The valuation of those permits has increased by 39%, primarily due to an overall increase in single-family residential permits and the issuance of a significant permit for the construction of a new middle school in the City's Southridge neighborhood. As a result of the increase in the number and valuation of permits

issued thus far in 2015, building permit revenue has increased by over 22% during this period.

Operating expenses for the Building Safety Fund were 23.9% of the adjusted budget for the 2015/2016 biennium through June, with no material variances to report. Similar to the discussion earlier in this report within the Medical Services Fund, apparent categorical variances that appear to exist in the expenditure categories of supplies and other services & charges are the result of the timing of certain expenses rather than being reflective of true budget variances.

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

	2015/2016			2013/2014		
	6/30/15	Budget	%	6/30/13	Actual	%
Revenues						
Licenses & Permits	\$959	\$2,485	38.6 %	\$610	\$2,741	22.3 %
Interest & Miscellaneous	4	8	-	2	9	22.2
Transfer from General Fund	-	-	-	-	-	-
TOTAL	\$962	\$2,493	38.6 %	\$612	\$2,750	22.3 %
Expenditures						
Salaries & Benefits	\$472	\$2,077	22.7 %	\$431	\$1,801	23.9 %
Supplies	10	26	37.9	4	25	16.0
Other Services & Charges	135	490	27.6	80	432	18.5
Operating Transfer/CIP Fund	12	35	-	11	17	65
TOTAL	\$629	\$2,629	23.9 %	\$526	\$2,275	23.1 %

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 2015/2016 adopted budget for the facilities 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.

For 2015, the net operating loss approved by the Kennewick Public Facilities District for the Toyota Center and Arena facilities was \$375,000. Through June of 2015, the Toyota Center & Arena had a net operating loss of \$162,800, which is approximately \$33,600 better than the projected net operating loss for the facilities for this period. Although the facilities generated approximately \$110,000 less in net revenue than anticipated for this period, there was a corresponding reduction in variable event and operations expenses.

It is also important to note that events at the Toyota Center & Arena generate admissions tax that is receipted into the City's General Fund and is dedicated under a City Council budget policy to fund the 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 2015/2016 adopted budget also includes a transfer from the Lodging Tax Fund of \$1,097,700 to cover debt service associated with the

acquisition of the facility and to finance the refurbishment of the facilities' marquee sign at the intersection of Okanogan and Columbia

Center Boulevard and a budgeted transfer of \$400,000 from the City's Capital Improvement Fund for capital improvements and new equipment

needed at the facility.

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

	2015/2016			2013/2014		
	6/30/15	Budget	%	6/30/13	Actual	%
Revenues						
Operating Revenue	\$1,559	\$6,250	24.9 %	\$1,509	\$5,519	27.3 %
Capital Contribution	-	-	-	-	-	-
Debt Proceeds	-	400	0.0	-	369	-
Transfers In	401	1,798	22.3	284	2,320	12.2
TOTAL	\$1,960	\$8,448	23.2 %	\$1,793	\$8,208	21.8 %
Expenditures						
Cost of Operations	\$1,722	\$6,950	24.8 %	\$1,728	\$6,400	27.0 %
Interfund Loan Repayment	13	1,098	1.2	18	1,100	1.6
Capital Outlay	193	400	48.3	78	895	8.7
TOTAL	\$1,928	\$8,448	22.8 %	\$1,824	\$8,395	21.7 %

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 2015/2016 biennium and a comparison of these same items for the 2013/2014 biennium. Through June of 2015, revenue collected from the monthly stormwater charge was approximately \$579,000, or 24.8% of the biennial budget of \$2.33 million.

Total expenditures for the Stormwater Utility Fund during the first six

months of 2015 were 17.5% of the 2015/2016 adjusted budget, which is slightly lower than what might be expected at this juncture of the biennium in terms of the percentage expended 6 months into the 24-month biennium. However, there are multiple capital projects within the utility that are funded through grants or state loans that have not been started yet at this juncture of the biennium, which skews the comparison of actual expenditures to the adjusted budget at the conclusion of June.

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

	2015/2016			2013/2014		
	6/30/15	Budget	%	6/30/13	Actual	%
Revenues						
Revenue from Rates	\$579	\$2,333	24.8 %	\$550	\$2,245	24.5 %
Interest & Miscellaneous	2	4	-	1	6	-
Other Financing Sources	69	2,109	-	24	597	4.0
TOTAL	\$650	4,446	14.6 %	575	2,848	20.2 %
Expenditures						
Salaries & Benefits	\$302	\$1,166	25.9 %	\$236	\$1,012	23.3 %
Supplies	7	41	17.0	6	34	17.6
Other Services & Charges	289	932	31.0	274	1,000	27.4
Operating Transfer	5	38	-	32	75	42.7
Debt Service	-	354	-	-	7	-
Capital Outlay	214	2,136	-	11	397	2.8
TOTAL	\$817	\$4,668	17.5 %	\$559	\$2,525	22.1 %

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 2015/2016 biennium, as well as a comparison of these same items for the course during 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 2015, the course has a budgeted net operating loss of \$39,382. At the conclusion of June, the course had a net operating loss of \$14,735, which is approximately \$11,000 higher than the net operating loss projected for this 6-month period. However, it should be noted that the year-to-date operating loss through June is approximately \$20,000 lower than

what was experienced for this same time period in 2014. The operating shortfall relative to budget experienced through June was almost entirely attributable to the number of rounds of golf played at the course during this period of time. The course's budget through June reflected an assumption of 9,428 rounds played. Through June, there were 7,877 rounds played, which equates to a shortfall of 16% compared to the number of budgeted rounds. However, it is also noteworthy that the number of actual rounds played during this period was an increase of over 14% compared to the prior year.

During the preparation of the City's 2015/2016 biennial budget, City Council directed City staff to work with CourseCo to implement new programs in 2015 at the facility to reduce the operating loss to approximately half of what it has been historically. Current operating projections for the course for 2015 indicate that this will be accomplished. City staff will be presenting an update to the Kennewick City Council late in the summer of 2015 that includes an overview of the operating results for the course for the first half of 2015 as well as a recommendation on the future of the course.

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

	2015/2016			2013/2014		
	6/30/15	Budget	%	6/30/13	Actual	%
Revenues						
Charges for Services	\$106	\$506	20.9 %	\$102	\$362	28.2 %
Concessions & Miscellaneous	13	58	22.4	5	39	12.8
Transfers In	25	203	12.3	40	185	21.6
TOTAL	\$144	\$767	18.8 %	\$147	\$586	25.1 %
Expenditures						
General & Administrative	\$41	\$212	19.3 %	\$52	\$210	24.8 %
Maintenance	45	185	24.3	39	172	22.7
Operations	57	252	22.6	53	194	27.3
Capital Outlay	-	100	-	4	11	36.4
TOTAL	\$143	\$749	19.1 %	\$148	\$587	25.2 %

DESIGNATED FUNDS

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

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

Significant events taking place in the **Community Development**

Block Grant / HOME program during the second quarter of 2015 include:

- The 5-Year Tri-Cities HOME Consortium Consolidated Plan and 2015 Annual Action Plan was approved by HUD.
- A contract was received for the 2015 CDBG allocation of \$523,720 and sub recipient contracts have been distributed.
- The \$314,000 W. 5th Ave/Quincy St. to Rainier St. revitalization project was awarded to C and E Trenching in the amount of \$336,845. Work will begin in July and conclude in late September.

- The 2015 Pedestrian Ramp project is out for bid.

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 inter-fund 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 2015/2016 adopted budget included a two-year projection of \$1,782,000 in hotel/motel tax revenue based on an assumption of 2% annual growth in this tax revenue source each year of the biennium. Through the first six months of 2015, receipts of lodging tax receipts have been higher than anticipated, increasing by slightly more than 8% when compared to this same timeframe in 2014.

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. Effective January 1, 2014, the TPA assessment was increased from \$1.50 to \$2.00 per room night in each of the Tri-Cities. 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.

Through June, the City had received and remitted \$250,080 to the TCVCB from the TPA charge in 2015, which was an increase of slightly less than 19% compared to 2014. However, this comparison is skewed as a result of the two month lag that exists between the date a TPA charge is collected at a hotel

and the date it is distributed to the City through the Department of Revenue. Because of this lag, the first two months of TPA charges received by the City in 2014 were based on hotel nights occurring in November and December of 2013, at which time the previous rate of \$1.50 per room night was still in effect.

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 2015/2016 adopted budget for the Public Safety Fund included an estimate of \$5,232,083 in utility tax revenue for the biennium. Through June of 2015, the City had collected \$1,297,004, which was 9% less than this same time period in 2014. As described in more detail earlier in this report, the overall decrease was attributable to an 8% decrease in electric utility tax, a 2% increase in telephone utility tax and a 32% decline in natural gas utility tax.

Revenues collected in the criminal justice sales tax fund represent the City's portion of the voter-approved 0.3% criminal justice (public safety) sales tax that was passed in August of 2014 in Benton County and became effective on January 1, 2015. Under state law,

the proceeds of this tax are split 60/40 between the County and the cities located within the County. The portion of the tax allocated to cities is then distributed based on population. Based on this formula, the City of Kennewick anticipates receiving approximately half of the city portion of the tax, or approximately 20% of the total amount collected. With its share of the proceeds, the City of Kennewick will pay for 3 Police Officer positions that were hired in 2013, as well as hiring 4 new Police Officer positions each year in 2015, 2016 and 2017, and a new support position in both 2015 and 2016. The City will also use the funding freed up from the 3 Police Officer positions hired in 2013 to pay for 3 new Fire Captain positions that will be required when the City opens its 5th Fire Station in 2016.

The City projected criminal justice sales tax revenue of \$3,785,000 for the biennium in the 2015/2015 adopted budget. Due to the two-month lag that exists between the time sales tax is collected by a retailer and the time the City actually receives its portion of the sales tax from the Department of Revenue, the City received its first distribution of criminal justice sales tax in March of 2015 (for January activity) and has received a total of 4 distributions through June. The amount received through June was \$661,777, which is higher than anticipated based on the seasonality of sales tax revenue.

FUTURE OUTLOOK

As the City moves into the second half of 2015 and begins looking ahead towards the second half of its 2015/2016 biennium, there is reason for optimism. The City of Kennewick continues to have a strong economy with a stable rate of growth, driven by high employment in the region. The conclusion of the State's 2015 legislative session resulted in a

relatively positive operating budget for cities, as well as a new transportation package that will be beneficial for Kennewick and the Tri-Cities region as whole by providing funding for several high priority transportation projects over the next 16 years. The conclusion of the 2015 legislative session also provides cities with some certainty regarding the state's 2015-2017 operating budget, which had

been an area of extreme concern due to the many potential budget vulnerabilities facing cities as the state addressed its budget challenges. With the 2015-2017 state budget now finalized, city staff can focus its attention towards capitalizing on the opportunities it has to achieve the Council's goals and objectives to better position the City for the future.

CASH MANAGEMENT

The big story of the 2nd quarter has been the troubles of Greece and that country's position within the European Central Bank. Meanwhile back in the U.S., 2nd quarter results may not be as strong as expected but they did come closer to offering some optimism about the 3rd quarter. If U.S. economic data remains stable, it could be convincing enough to push expectations for a Fed rate increase before the end of 2015. September appears to be the expected timing of the first rate increase in nine years for the Federal Open Market Committee to raise its overnight target rate. At present, it has been stuck between 0.00% and 0.25% for 6 ½ years.

At June 30, the total of the City's investment portfolio (including State Pool balances) was approximately \$10 million higher than the previous quarter end. The primary reason was \$7.6 million net proceeds from a bond issue. The bond proceeds were initially deposited in the State Pool and will be used for construction of Fire Station #5 and to acquire land near existing city facilities in

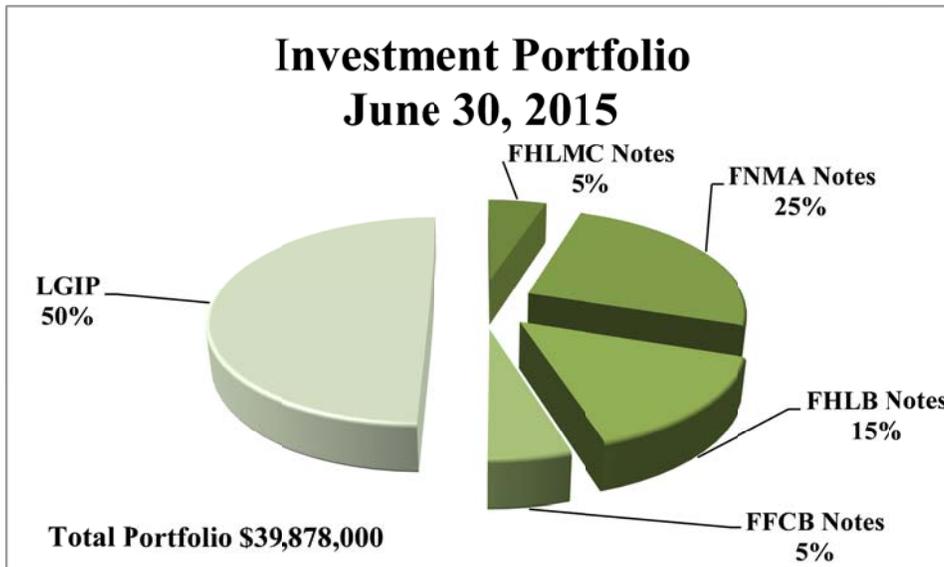
Southridge and the Vista Entertainment District. The second reason for the portfolio increase relates to investment activity of agency securities. During April, three investment instruments with a face value of \$5 million were purchased and a \$1 million investment was called prior to maturity. Details of April purchases are shown in the *Cash & Investment Summary*.

Overall, the city's portfolio had a duration to maturity of 1.07 years. When measuring agency securities only, the duration to maturity extends to 2.12 years. Based on maturity dates, 45% of the agency securities will be ready for re-investment within 2 years and the remainder will mature within the 2 to 4 year range.

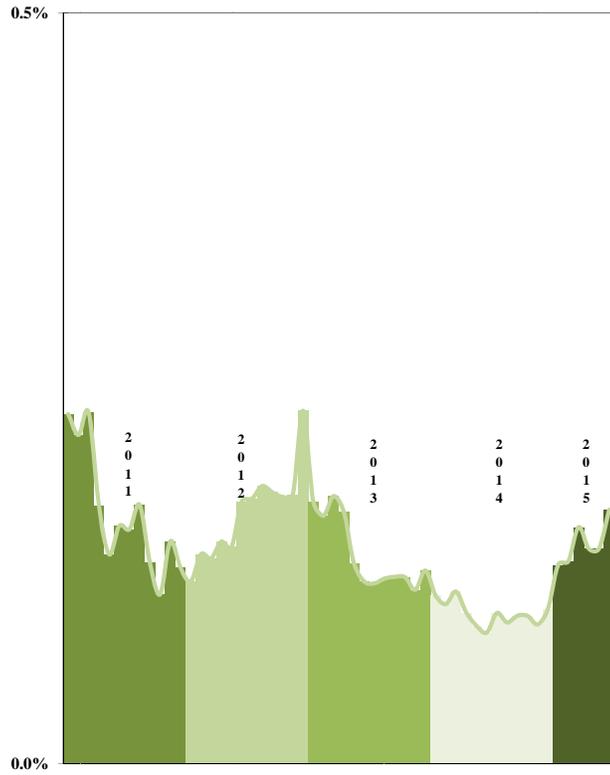
Other highlights for the 2nd quarter 2015:

- The average net yield for city balances invested at the State Pool was .15%. Interest earned during the quarter for Pool balances was \$6,349.
- The market value of agency investments at June 30 was \$20,062,675 or \$46,804 higher than the principal cost. The unrealized gain associated with this difference will not be recorded because the investments will be held until call or maturity date. The book value for the agency investment items was \$20,074,301.

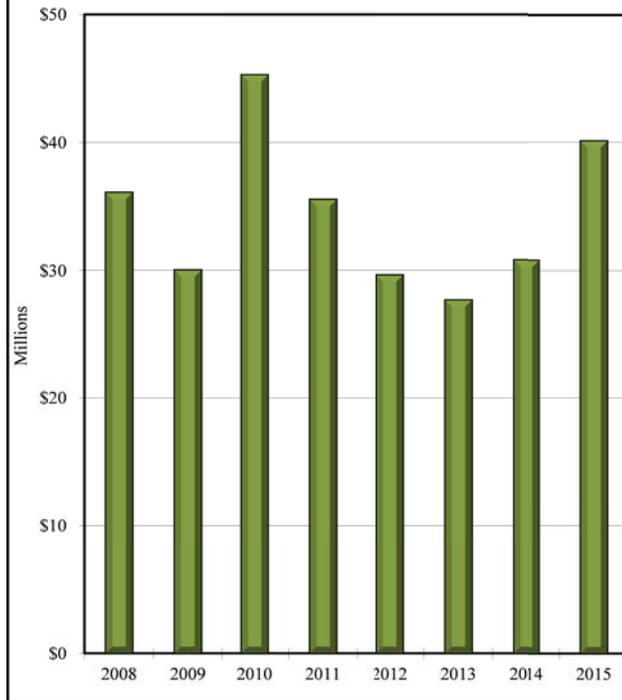
- The City's agency portfolio averaged a .84% rate of return and earned interest of \$45,745.



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



City of Kennewick
Portfolio History



Cash & Investment Summary

As of 6/30/2015

Maturity Date	CUSIP/Ticker	Description	Broker/Dealer	YTM @ Cost	Trade Date	Cost Value
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
1/8/2018	3130A4WB4	FHLB 0.875 1/8/2018	Wells Fargo Securities	0.875	4/2/2015	1,000,000.00
6/20/2018	313383EP2	FHLB 1.25 6/20/2018-13	Time Value Investments	1.25	5/23/2013	2,000,000.00
10/24/2018	3130A4TW2	FHLB Step 10/24/2018-15	Multi-Bank Securities Inc	1.633	4/2/2015	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
6/1/2017	31359MEL3	FNMA 0 6/1/2017	Time Value Investments	0.83	10/11/2012	1,999,715.51
6/1/2017	31359MEL3	FNMA 0 6/1/2017	Wells Fargo Securities	0.869	5/22/2014	2,001,775.50
10/22/2015	3135G0QB2	FNMA 0.5 10/22/2015-13	Vining Sparks	0.466	10/11/2012	2,002,000.00
7/28/2017	3135G0ZF3	FNMA 1.07 7/28/2017-16	Vining Sparks	0.865	4/2/2015	2,009,360.00
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		0.169		<u>19,862,128.49</u>
		Total Investments				39,877,999.50
N/A	CASH	US Bank Operating Account				239,515.25
Total / Average		Total Cash & Investments		0.582		40,117,514.75

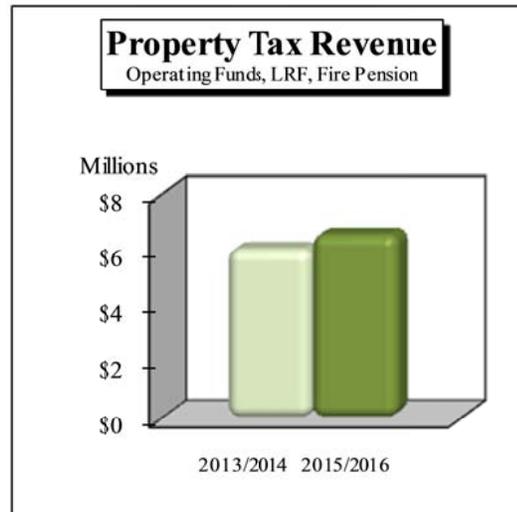


An unlimited hydroplane boat is once again mounted on a pole near the entrances to Columbia Park in Kennewick after a year's absence. This boat is still red, white and blue but the stars are now painted gold to celebrate the return of the Gold Cup to the Water Follies!

MAJOR REVENUE SOURCES

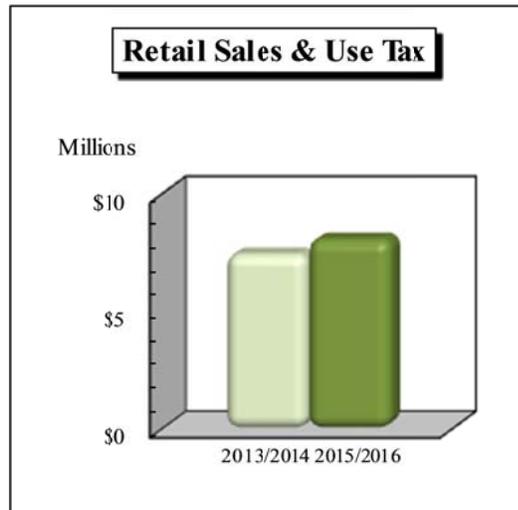
Property Tax Revenue

		2013/2014	2015/2016
Year 1	Jan-Mar	\$740,886	\$869,905
	Apr-Jun	5,286,678	5,679,048
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$6,027,564	\$6,548,953
15/16 Biennial Budget			\$23,909,507
Actual vs Budget			27%



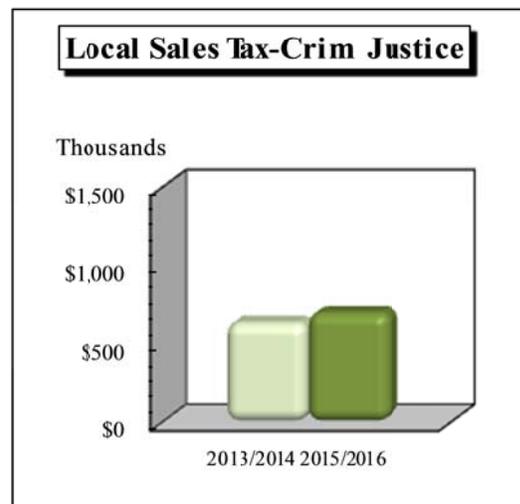
Retail Sales & Use Tax

		2013/2014	2015/2016
Year 1	Jan-Mar	\$3,923,276	\$4,127,346
	Apr-Jun	3,537,338	3,936,663
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$7,460,614	\$8,064,009
15/16 Biennial Budget			\$32,768,600
Actual vs Budget			25%



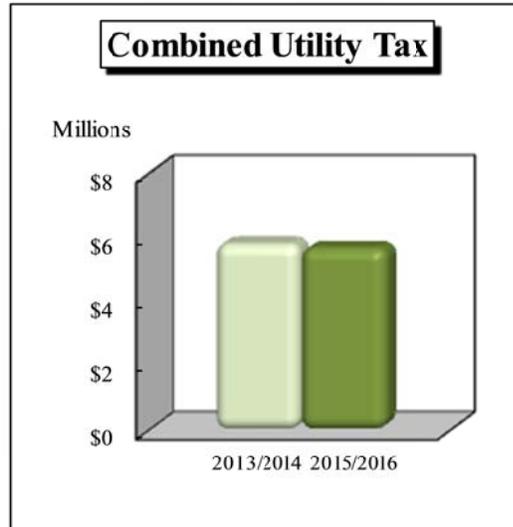
Local Sales Tax-Criminal Justice

		2013/2014	2015/2016
Year 1	Jan-Mar	\$321,544	\$354,963
	Apr-Jun	318,048	345,849
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$639,592	\$700,812
15/16 Biennial Budget			\$2,877,100
Actual vs Budget			24%



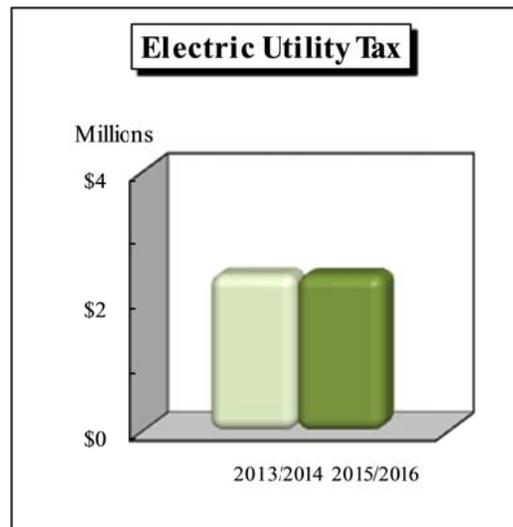
Combined Utility Tax

		2013/2014	2015/2016
Year 1	Jan-Mar	\$3,098,329	\$2,914,806
	Apr-Jun	2,732,493	2,780,909
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$5,830,822	\$5,695,715
15/16 Biennial Budget			\$29,091,015
Actual vs Budget			20%



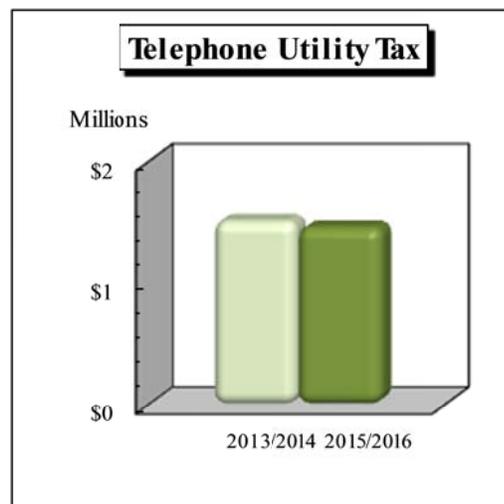
Electric Utility Tax

		2013/2014	2015/2016
Year 1	Jan-Mar	\$1,363,149	\$1,405,732
	Apr-Jun	1,049,449	999,248
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$2,412,598	\$2,404,980
15/16 Biennial Budget			\$10,574,000
Actual vs Budget			23%



Telephone Utility Tax

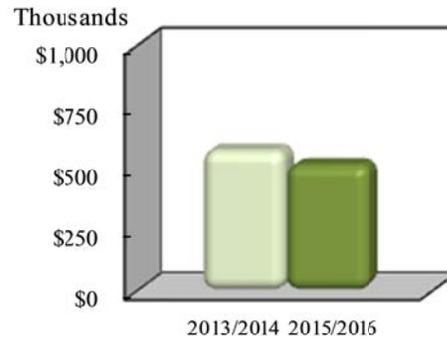
		2013/2014	2015/2016
Year 1	Jan-Mar	\$760,671	\$594,342
	Apr-Jun	757,141	869,580
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$1,517,812	\$1,463,922
15/16 Biennial Budget			\$5,607,166
Actual vs Budget			26%



Natural Gas Utility Tax

		2013/2014	2015/2016
Year 1	Jan-Mar	\$345,858	\$354,432
	Apr-Jun	229,802	161,678
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$575,660	\$516,110
15/16 Biennial Budget			\$1,607,917
Actual vs Budget			32%

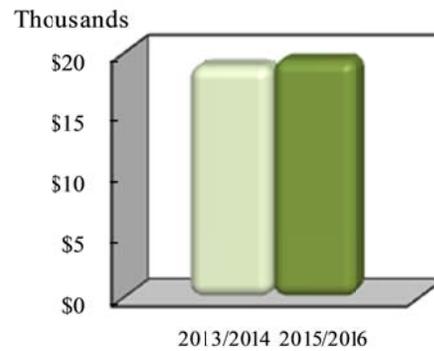
Natural Gas Utility Tax



Ambulance Utility Tax

		2013/2014	2015/2016
Year 1	Jan-Mar	\$9,429	\$7,133
	Apr-Jun	9,494	12,279
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$18,923	\$19,413
15/16 Biennial Budget			\$91,000
Actual vs Budget			21%

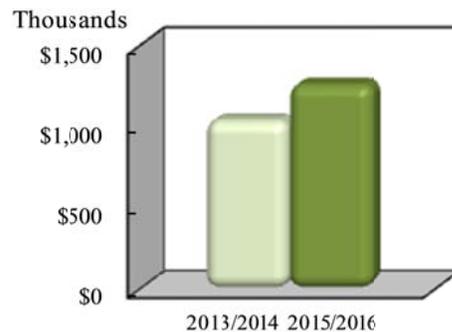
Ambulance Utility Tax



Household Ambulance Tax

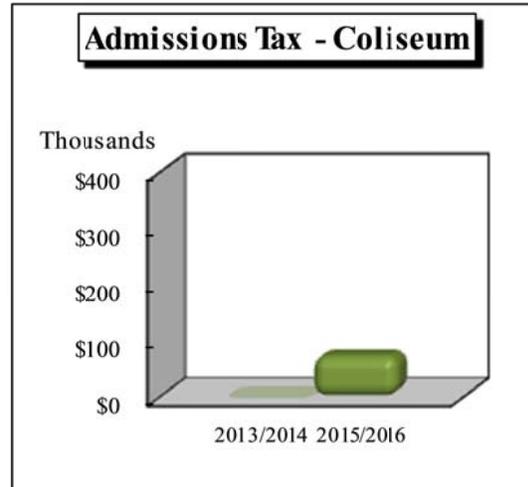
		2013/2014	2015/2016
Year 1	Jan-Mar	\$521,936	\$630,508
	Apr-Jun	515,556	629,138
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$1,037,492	\$1,259,646
15/16 Biennial Budget			\$5,480,000
Actual vs Budget			23%

Household Ambulance Charge



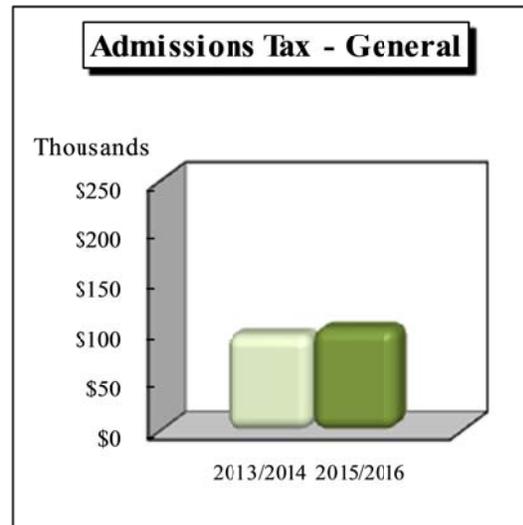
Admissions Tax - Coliseum

		2013/2014	2015/2016
Year 1	Jan-Mar		
	Apr-Jun		71,579
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$71,579	
15/16 Biennial Budget			\$339,000
Actual vs Budget			21%



Admissions Tax - General

		2013/2014	2015/2016
Year 1	Jan-Mar	\$45,474	\$49,516
	Apr-Jun	50,593	52,573
	Jul-Sep		
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
Total		\$96,067	\$102,088
15/16 Biennial Budget			\$509,000
Actual vs Budget			20%



“Adults are just outdated children.”

Dr. Seuss