



# City of Kennewick

## 2015 3rd Quarter

### Financial Report

Issue Date: November 5, 2015

#### OVERVIEW

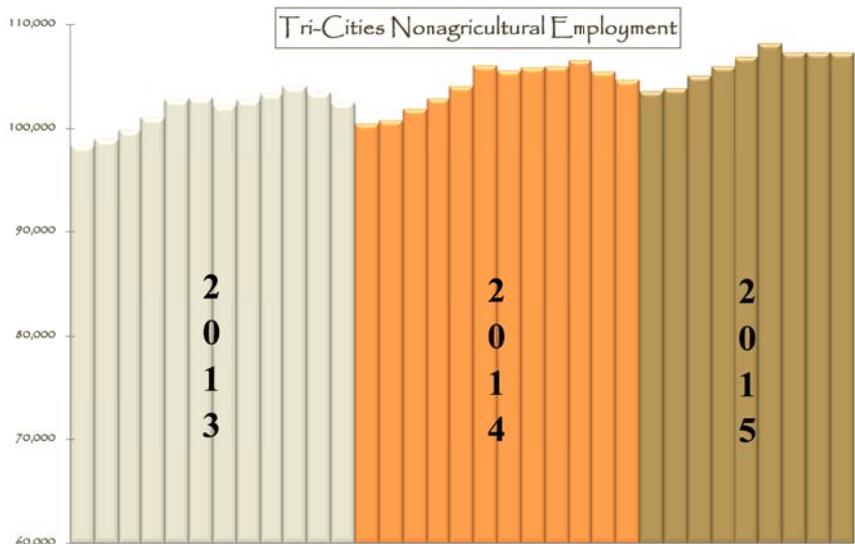
As the City closes in on the mid-point of its 2015/2016 biennium, there are a number of positive items to report that have a direct impact on the City's current biennial budget and overall financial condition. As reported in great detail in the City's previous quarterly report, the State Legislature reached a compromise on a state operating and capital budget during the closing moments of the State's fiscal year, narrowly averting a partial shutdown of the state government. Although certainly not perfect, the final state budget included several provisions that were favorable to Kennewick and cities in general. Additionally, the legislature also finalized a statewide transportation package that is primarily funded through an 11.9¢ increase to the state gas tax and funds a number of important projects statewide and in the local region. Unfortunately, cities were unsuccessful in restoring the public works trust fund loan program, which has been a critical tool for local governments for decades in funding infrastructure projects. The bulk of the funding sources for this program were diverted to the State's General Fund to meet the State's constitutional requirements to fund basic education.

The rate of growth in Kennewick and the Tri-Cities continues to be strong and is a major economic driver for the region and a significant source of revenue for the City to fund City Council's priority programs and services as well. The City's current budget model is heavily reliant on the tax revenues generated from new growth activity in Kennewick. Updates on several of the key growth indicators City staff monitors closely are provided below.

Employment is likely the single most important underlying factor in the overall health of the economy in Kennewick and the Tri-Cities

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region. The preliminary unemployment rate in the Kennewick-Pasco-Richland metropolitan statistical area was estimated at 5.4% for



September, which is approximately 1.3% lower than a year ago at this same time and 0.2% higher than the current statewide unemployment rate of 5.2%. However, it is important to note that the September 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 107,600 in September, which is approximately 1,600 jobs higher than reported a year ago and is the high water mark for employment in the region at this point in the year over the last ten years, even exceeding 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. It is clear that the availability of jobs 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 for all cities, indicates that growth is still occurring within Kennewick. Through the first 9 months of 2015, the Building Safety division issued 1,571 permits with a valuation of approximately \$173.3 million. This activity represents only a 2% in-

New Construction Activity		
	Comparative Totals	
	2015	2014
Single Family Permits	231	223
Commercial Permits	50	41
Other Permits	1,290	1,280
<b>Total Permits</b>	<b>1,571</b>	<b>1,544</b>
Permit Valuation	\$173,349,405	\$139,244,622
Building Permit Fees	\$1,254,725	\$1,134,075
Planning Fees	\$106,090	\$30,175

crease in the number of permits issued, but is an increase of nearly 24% 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 permits for construction of a new middle school on Southridge Boulevard and new elementary school and growth in commercial and multi-family permits.

Some of the other more significant projects underway thus far in 2015 include construction of the Kennewick Irrigation District building, City of Kennewick Master Gardeners, Legacy Management, Kennewick School District: Canyon View Elementary, Washington Elementary and Edison Elementary, Tesla Motors, Vision Clinic, The Living Room Church, Boulder Heights Plaza. Several remodels are underway as well including Costco, Columbia Industries, Papa Johns,

Pizza Hut, Goodwill Industries, Pixel Soft, Old Navy, Kadlec Rheumatology and Luke's Carpet, to name just a few.

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 297 over the past twelve months to 22,994 total accounts, which represented an increase of 1%. Lastly, the City processed 4,584 business licenses through September of 2015, which represents a minor increase of approximately 1.5%.

## SIGNIFICANT EVENTS

On July 7<sup>th</sup> Council authorized the Mayor to sign a consulting agreement with RH2 Engineering, Inc. for engineering services needed to update the 2015 Water Comprehensive Plan. This plan update also has the City of Kennewick as lead agency for the regional water forecast and conservation plan

update. The forecast is required by the Department of Ecology as part of the Quad Cities Water Right Agreement. The forecast is used by local agencies to assist in determining future needs and develop plans to mitigate the growth needs through conservation efforts.

On July 7<sup>th</sup> City Council adopted the 2014 Wastewater Treatment Facility Plan. The work done as part of this plan also includes the necessary review and investigation as needed of the following items: Sensitive Areas; Shorelines; Wetlands; Prime or Unique Farmland; Archeological and Historical Sites; Wild and

Scenic River Act; Species and Habitats.

On July 7<sup>th</sup> City Council authorized the implementation of the Transportation Impact Fee (TIF) Program effective September 1, 2015. The impact fees assessed require new growth and development within the City to pay a proportionate share of the cost of new facilities; such as roads and streets. Administrative personnel will make written findings before approving proposed subdivisions, dedications, short plats, and short subdivisions to serve the new development. The development activities included in the TIF are new residential, commercial, retail, office, and industrial development.

On July 21<sup>st</sup> Council awarded the City-Wide Driveway and Walkway (at the Tri-Cities Visitor and Convention Bureau) Improvement contract to Ray Poland & Sons, Inc. in the amount of \$135,427. Ray Poland & Sons, Inc. was also awarded the City-Wide Pedestrian

Ramp Improvement contract in the amount of \$141,809.

Central Washington Asphalt, Inc. was awarded the Canal Dr./Volland St. Asphalt Repair project in the amount of \$45,000 at the same meeting.

The City received a grant for \$30,000 from the Department of Health to prepare a design for the replacement of the existing Elliot Lake Water System.

The City was awarded the construction portion of the Citywide Safety Improvement Project Federal HSIP Grant increasing the total grant from \$188,000 to \$350,000.

The City was awarded the construction portion of the Clearwater Ave., Leslie Road to US395 Project Federal HSIP Grant increasing the total grant from \$425,000 to \$577,000.

On August 18<sup>th</sup> Council adopted the 2014 General Sewer Plan (GSP).

The GSP identifies capital infrastructure needs over the next 20 years and provides a comparison of operations staff required to maintain the system as we continue to grow. Of significant note and one not identified in the GSP as a liability because it was unknown, is the 24' diameter sewer trunk on Edison Street (in the UPRR easement) that collapsed in July requiring emergency repairs and revealed significant erosion of the concrete pipe that will require additional repairs.

On September 15<sup>th</sup> Council awarded Meridian Construction the contract for the construction of Fire Station #5. The fire and emergency medical services building is 12,556 sq. ft. and will house a combination of six Firefighter/EMT's/Firefighter Paramedics along with up to four Fire/EMS apparatus. The contract was awarded in the amount of \$3,509,978.

## GENERAL GOVERNMENT

Table 1 provides a comparison of major revenue sources for the 2015/2016 biennium compared to the previous biennium (2013/2014). Through nine months of the 2015/2016 biennium, general governmental revenue collections totaled \$34.2 million, which represented 35.5% of the adjusted budget.

General governmental receipts from sales taxes totaled approximately \$8.85 million through September 30, 2015. On a city-wide basis, sales tax receipts increased by 9.6% 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. If the sales tax generated from this project was backed out of the 2014 results for this period of time, the increase

experienced thus far in 2015 would be closer to 12%.

Criminal justice sales tax receipts totaled approximately \$1.1 million through September, which represented an increase of 14% 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 through September of 2015 totaled \$6.7 million, which was a decrease of 2.7% when compared to this same time period in 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, telephone and natural gas utility taxes, which were partially offset by increases in revenue from garbage and cable utility taxes.

Utility tax revenue received from the sale of electricity had decreased by 3% through September 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 revenue derived from telephone services has decreased by only 1% thus far in 2015, which is primarily the result of a one-time payment from a telephone provider for back taxes owed from 2010 through May of 2015 that resulted from an audit. Without this one-time payment, telephone utility tax revenue would have declined by nearly 13%, 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.

Utility tax generated from the sale of natural gas has declined by 29% during the first 9 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 is 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 on sales from this broker for tax purposes

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.

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 7% 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 September of 2015, primarily as a result of rate increases implemented by the local cable provider.

Revenue for the 2015/2016 biennium through September from licenses & permits totaled \$708,000. The predominant sources of revenue within this category are business license fees and construction engineering permits. For the nine months ended September 30, 2015, which includes the City's annual renewal period, revenue from business licenses has increased by approximately 5% based on a 1.5% increase in the number of licenses processed during this period. In addition to the increase experienced in business license revenue, revenue generated from civil permits for residential and commercial construction projects increased by nearly 72%, or approximately \$85,000, when compared to this same timeframe in 2014.

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

Revenue Source	2015/2016			2013/2014		
	9/30/15	Budget	Received	9/30/13	Actual	Received
Property Tax	\$6,734	\$23,220	29.0 %	\$6,441	\$22,174	29.0 %
Sales Tax	8,851	22,773	38.9	7,730	21,069	36.7
Criminal Justice Sales Tax	1,144	2,877	39.8	999	2,694	37.1
Electric Utility Tax	2,575	7,464	34.5	2,510	6,703	37.4
Telephone Utility Tax	1,470	3,958	37.1	1,572	4,046	38.9
Water/Sewer Utility Tax	1,157	3,118	37.1	1,079	2,918	37.0
Cable TV Utility Tax	557	1,526	36.5	525	1,429	36.7
Garbage Utility Tax	476	1,263	37.7	432	1,174	36.8
Natural Gas Utility Tax	421	1,135	37.1	494	1,088	45.4
Ambulance Utility Tax	36	91	39.5	29	78	37.0
Gambling Tax	557	1,527	36.5	564	1,473	38.3
Other Taxes	314	988	31.7	297	876	33.9
<b>Total Taxes</b>	<b>\$24,292</b>	<b>\$69,940</b>	<b>34.7 %</b>	<b>\$22,672</b>	<b>\$65,722</b>	<b>34.5 %</b>
Licenses & Permits	708	1,350	52.5	528	1,189	44.4
State Shared Revenue	740	1,326	55.8	673	1,377	48.9
State Entitlements	1,908	5,323	35.9	1,769	5,072	34.9
Other Intergovernmental	56	89	62.8	236	311	75.8
Charges for Services:						
Interfund	1,618	4,406	36.7	1,462	3,893	37.6
Environment	711	3,130	22.7	1,193	3,423	34.9
Culture & Recreation	376	995	37.8	398	1,041	38.2
Other	469	1,049	44.7	547	1,364	40.1
Fines & Forfeitures	915	2,782	32.9	954	2,529	37.7
Operating Transfers:						
From Public Safety	1,868	5,232	35.7	1,906	4,941	38.6
From Capital Improvement	-	-	-	-	-	-
Others	-	-	-	-	35	-
Interest/Misc.	575	901	63.9	536	1,018	52.7
<b>TOTAL REVENUES</b>	<b>\$34,236</b>	<b>\$96,521</b>	<b>35.5 %</b>	<b>32,874</b>	<b>\$91,913</b>	<b>35.8 %</b>

At the conclusion of September, 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 \$1.9 million through September of 2015, which was a decline of 2% 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 \$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 nine months 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 \$915,000 during the first 9 months of the 2015/2016 biennium, which equates to a decrease of 5%. Though this trend only reflects activity for 9 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. Through 9 months of the biennium, total expenditures were approximately \$34.2 million, or 35.4% of the adjusted operating budget.

Through September 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 projected cost of \$5.85 million

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

Category	2015/2016			2013/2014		
	9/30/15	Budget	Spent	9/30/13	Actual	Spent
Salaries & Benefits	\$24,648	\$69,936	35.2 %	\$24,492	\$67,240	36.4 %
Supplies	1,044	2,709	38.5	973	2,567	37.9
Other Services & Charges	2,883	7,968	36.2	2,358	7,717	30.6
Intergov't Services & Taxes	4,065	7,470	54.4	5,060	11,317	44.7
Interfund Transfers	1,550	8,392	18.5	740	3,846	19.2
Capital Outlay	-	18	0.0	8	124	-
<b>TOTAL EXPENDITURES</b>	<b>\$34,190</b>	<b>\$96,494</b>	<b>35.4 %</b>	<b>\$33,631</b>	<b>\$92,810</b>	<b>36.2 %</b>
<b>Department</b>						
City Council	\$194	\$540	35.9 %	\$196	\$521	37.6 %
City Manager	258	720	35.9	239	657	36.4
Finance	1,255	3,348	37.5	1,305	3,605	
Management Services	2,111	6,272	33.7	2,226	5,602	39.7
City Attorney	525	1,470	35.7	502	1,330	37.7
Civil Service	28	47	60.2	11	34	32.1
Economic Development/Planning	915	2,771	33.0	834	2,104	39.6
Police	13,604	39,201	34.7	13,311	37,496	35.5
Fire	5,552	15,094	36.8	5,964	15,970	37.3
Engineering	1,288	3,604	35.7	1,198	3,345	35.8
Employee & Community Relations	1,331	3,811	34.9	1,417	3,744	37.8
Parks & Facilities	2,524	7,092	35.6	2,530	6,463	39.1
Non-Departmental	3,175	8,496	37.4	2,472	8,149	30.3
Street Maintenance	1,428	4,028	35.5	1,426	3,790	37.6
<b>TOTAL EXPENDITURES</b>	<b>\$34,190</b>	<b>\$96,494</b>	<b>35.4 %</b>	<b>\$33,631</b>	<b>\$92,810</b>	<b>36.2 %</b>

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 received the final 2014 year-end report for the jail from the Benton County Sheriff's Office in May of this year, 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.

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)**

<b>FUND</b>	<b>Beginning Balance</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Ending Balance</b>
<b>GENERAL GOV'T:</b>				
General Fund	\$2,424	\$32,808	\$32,762	\$2,470
Street	-	1,428	1,428	-
Subtotal	2,424	34,236	34,190	2,470
<b>CAPITAL FUNDS:</b>				
Arterial Street	9	-	-	9
Urban Arterial Street	1,031	2,728	3,713	47
Capital Improvement	7,425	14,584	4,560	17,449
Subtotal	8,465	17,312	8,273	17,504
<b>PROPRIETARY FUNDS:</b>				
Water & Sewer	8,193	14,132	14,898	7,427
Medical Services	395	4,257	4,137	515
Building Safety	1,061	1,261	918	1,403
Coliseum	(641)	3,018	3,055	(678)
Stormwater	718	1,121	1,191	648
Columbia Park Golf Course	(1)	221	227	(7)
Equipment Rental	3,739	2,048	1,539	4,247
Risk Management	497	1,130	1,247	380
Central Stores	218	185	182	221
Subtotal	14,179	27,372	27,393	14,157
<b>DESIGNATED FUNDS:</b>				
Cash Reserve Fund	2,716	-	-	2,716
Debt Service	5	6,997	6,810	192
BI-PIN Fund	-	270	266	4
Community Development	335	390	522	203
MPD Asst Operations Fund	10	23	9	24
Asset Forfeiture Fund	110	22	28	104
Lodging Tax	124	1,175	1,214	85
Public Safety	-	1,868	1,868	-
Criminal Justice Sales Tax	-	1,333	897	436
LID Guaranty	35	-	-	35
Subtotal	3,334	12,078	11,614	3,798
<b>TOTAL</b>	<b>\$28,401</b>	<b>\$90,998</b>	<b>\$81,469</b>	<b>\$37,930</b>

## 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, \$10.7 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 September were \$5.4 million in the capital funds and \$2.5 million in the Water and Sewer and Stormwater Funds.

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

**Edison St. – Clearwater Ave. to Canal Dr.** – The City has received a \$1,170,000 State Transportation Improvement Board (TIB) grant and a \$900,000 Federal Surface Transportation Program (STP) 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 in October of 2015.

**Steptoe Phase III/ West 4<sup>th</sup> to Sherman St.** – The City received a State Transportation Improvement Board (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 and is scheduled to be completed February 2016. Plans for the portion of the project from West 10<sup>th</sup> Ave. to Sherman St. have been completed by

HDR Engineering, Inc. Right-of-way acquisition for the remaining parcel is in progress. Phase 3B is 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 nine months of 2015, revenues from water and sewer rates were 37.2% 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 44% of the adopted budget through September, 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 43.6% of the

adjusted budget at the conclusion of September. This revenue category consists primarily of interest earnings and other minor 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 September, the utility had received approximately \$36,000 in proceeds from the state revolving fund loan.

After the first nine 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.

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.
- 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		
	9/30/15	Budget	%	9/30/13	Actual	%
<b>Revenues</b>						
Revenue from Rates	12,891	34,648	37.2 %	11,998	32,423	37.0 %
Other Fees & Charges	1,146	2,607	44.0	913	2,422	37.7
Intergovernmental	-	-	-	-	-	-
Interest & Miscellaneous	58	133	43.6	63	186	33.9
Other Financing Sources	36	1,081	3.3	125	6,051	2.1
<b>TOTAL</b>	<b>\$14,132</b>	<b>\$38,468</b>	<b>36.7 %</b>	<b>\$13,099</b>	<b>\$41,082</b>	<b>31.9 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$3,055	\$9,084	33.6 %	\$2,670	\$7,455	35.8 %
Supplies	268	568	47.2	178	525	33.9
Other Services & Charges	5,990	14,293	41.9	4,745	13,341	35.6
Transfers:						
General Fund	-	-	-	-	17	-
CIP Fund - Facilities/Capital	81	121	66.6	34	127	26.8
Fleet	-	24	-	-	-	-
Other	-	-	-	-	7	-
Debt Service	3,274	6,529	50.1	3,067	6,113	50.2
Capital Outlay	2,165	9,785	22.1	2,969	15,235	19.5
Sewer Area Charge	66	932	-	1	383	-
<b>TOTAL</b>	<b>\$14,898</b>	<b>\$41,335</b>	<b>36.0 %</b>	<b>\$13,664</b>	<b>\$43,203</b>	<b>31.6 %</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 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 sig-

nificant 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 nine months of 2015 was approximately \$171,000, which is lower than the net monthly revenue of approximately \$180,000 projected in the 2015/2016 adopted budget. At this 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 September of this year, the Medical Services Fund had received just under \$1.9 million from this source, which is consistent with budget projections.

After the first nine months of the biennium, expenses within the

Medical Services Fund were 35.6% 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 37.5% 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		
	9/30/15	Budget	%	9/30/13	Actual	%
<b>Revenues</b>						
Revenue from Transports	\$1,537	\$4,327	35.5 %	\$1,675	\$4,045	41.4 %
Household Ambulance	1,895	5,480	34.6	1,566	4,210	-
Intergovernmental Revenue	-	-	-	-	18	-
Interest & Miscellaneous	-	-	-	-	1	-
Transfer from General Fund	825	1,825	-	-	-	-
Other Financing Sources	-	-	-	-	12	-
<b>TOTAL</b>	<b>\$4,256</b>	<b>\$11,632</b>	<b>36.6 %</b>	<b>3,241</b>	<b>\$8,286</b>	<b>39.1 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$3,149	\$8,927	35.3 %	\$2,098	\$5,794	36.2 %
Supplies	133	293	45.5	96	322	29.8
Other Services & Charges	744	2,182	34.1	405	2,012	20.1
Operating Transfer/CIP Fund	47	56	-	-	-	-
Intergov't Services & Taxes	64	160	39.8	415	177	233.9
Capital Outlay	-	-	-	-	31	-
<b>TOTAL</b>	<b>\$4,137</b>	<b>\$11,617</b>	<b>35.6 %</b>	<b>\$3,014</b>	<b>\$8,336</b>	<b>36.2 %</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. 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 9 months of 2015 has increased by 2% compared to the same time period in 2014. The valuation of those permits has increased by 24%, primarily due to an overall increase in commercial and multi-family permit valuation 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 approximately 11% during this period.

Operating expenses for the Building Safety Fund were 34.9% of the adjusted budget for the 2015/2016 biennium through September, 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		
	9/30/15	Budget	%	9/30/13	Actual	%
<b>Revenues</b>						
Licenses & Permits	\$1,255	\$2,485	50.5 %	\$898	\$2,741	32.8 %
Interest & Miscellaneous	6	8	-	3	9	33.3
Transfer from General Fund	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$1,261</b>	<b>\$2,493</b>	<b>50.6 %</b>	<b>\$901</b>	<b>\$2,750</b>	<b>32.8 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$695	\$2,077	33.4 %	\$650	\$1,801	36.1 %
Supplies	13	26	49.9	8	25	32.0
Other Services & Charges	187	490	38.1	155	432	35.9
Operating Transfer/CIP Fund	23	35	-	11	17	65
<b>TOTAL</b>	<b>\$918</b>	<b>\$2,629</b>	<b>34.9 %</b>	<b>\$824</b>	<b>\$2,275</b>	<b>36.2 %</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 facilities in conjunction with its own convention center facility.

The 2015/2016 adopted budget for the Toyota Center & Arena 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 September of 2015, the Toyota Center & Arena had a net operating loss of \$392,300, which is approximately \$21,000 better than the projected net operating loss for the facilities for this period. Although the facilities generated approximately \$195,000 less in net revenue than anticipated for this period, there was a corresponding reduction in variable event and operations expenses. It should also be noted that the months of October through December are generally profitable for the facility due to the beginning of the hockey season and other events at the facilities during this timeframe.

Additionally, it is important to acknowledge 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. The City also receives a great deal of other 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 facilities.

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

	2015/2016			2013/2014		
	9/30/15	Budget	%	9/30/13	Actual	%
<b>Revenues</b>						
Operating Revenue	\$1,919	\$6,250	30.7 %	\$1,925	\$5,519	34.9 %
Debt Proceeds	-	400	0.0	-	369	-
Transfers In	1,099	1,798	61.1	1,153	2,320	49.7
<b>TOTAL</b>	<b>\$3,018</b>	<b>\$8,448</b>	<b>35.7 %</b>	<b>\$3,078</b>	<b>\$8,208</b>	<b>37.5 %</b>
<b>Expenditures</b>						
Cost of Operations	\$2,311	\$6,950	33.3 %	\$2,322	\$6,400	36.3 %
Interfund Loan Repayment	546	1,098	49.7	488	1,100	44.4
Capital Outlay	198	400	49.5	349	895	39.0
<b>TOTAL</b>	<b>\$3,055</b>	<b>\$8,448</b>	<b>36.2 %</b>	<b>\$3,159</b>	<b>\$8,395</b>	<b>37.6 %</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 2015/2016 biennium and a comparison of these same items for the 2013/2014 biennium. Through September of 2015, revenue collected from the monthly stormwater charge was approximately \$868,000, or 37.2% of the biennial budget of \$2.33 million.

Total expenditures for the Stormwater Utility Fund during the first

nine months of 2015 were 25.5% 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 9 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 September.

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

	2015/2016			2013/2014		
	9/30/15	Budget	%	9/30/13	Actual	%
<b>Revenues</b>						
Revenue from Rates	\$868	\$2,333	37.2 %	\$830	\$2,245	37.0 %
Interest & Miscellaneous	2	4	-	2	6	-
Other Financing Sources	250	2,109	-	78	597	13.1
<b>TOTAL</b>	<b>\$1,121</b>	<b>4,446</b>	<b>25.2 %</b>	<b>910</b>	<b>2,848</b>	<b>32.0 %</b>
<b>Expenditures</b>						
Salaries & Benefits	\$457	\$1,166	39.2 %	\$366	\$1,012	36.2 %
Supplies	17	41	40.9	8	34	23.5
Other Services & Charges	410	932	44.0	354	1,000	35.4
Operating Transfer	33	38	-	32	75	42.7
Debt Service	59	354	16.7	-	7	-
Capital Outlay	214	2,136	-	39	397	9.8
<b>TOTAL</b>	<b>\$1,191</b>	<b>\$4,668</b>	<b>25.5 %</b>	<b>\$799</b>	<b>\$2,525</b>	<b>31.6 %</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 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 September, the course

had a net operating loss of \$21,901, which is approximately \$33,000 higher than the net operating loss projected for this 9-month period. However, it should be noted that the year-to-date operating loss through September is approximately \$7,000 lower than what was experienced for this same time period in 2014. The operating shortfall relative to budget experienced through September 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 September reflected an assumption of 15,765 rounds played. For this period, there were actually 13,244 rounds played, which equates to a shortfall of 16% compared to the number of budgeted rounds. However, it is also note-worthy that the

number of actual rounds played during this period was an increase of over 12% compared to the prior year.

At a City Council workshop in September, staff provided a progress update on the Columbia Park Golf Links golf course including an overview of the operating results for the first half of 2015 as well as recommendations for the future of the course. Specifically, city staff recommended further expanding the use of the course to allow for disc golf in addition to traditional golf and foot golf, which will hopefully enhance revenue opportunities for the course as well as increasing activity at the facility. Additionally, staff recommended a new clubhouse at the course to replace the temporary trailer

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

	2015/2016			2013/2014		
	9/30/15	Budget	%	9/30/13	Actual	%
<b>Revenues</b>						
Charges for Services	\$180	\$506	35.6 %	\$167	\$362	46.1 %
Concessions & Miscellaneous	16	58	27.6	9	39	23.1
Transfers In	25	203	12.3	47	185	25.4
<b>TOTAL</b>	<b>\$221</b>	<b>\$767</b>	<b>28.8 %</b>	<b>\$223</b>	<b>\$586</b>	<b>38.1 %</b>
<b>Expenditures</b>						
General & Administrative	\$63	\$212	29.7 %	\$80	\$210	38.1 %
Maintenance	77	185	41.6	64	172	37.2
Operations	87	252	34.5	80	194	41.2
Capital Outlay	-	100	-	4	11	36.4
<b>TOTAL</b>	<b>\$227</b>	<b>\$749</b>	<b>30.3 %</b>	<b>\$228</b>	<b>\$587</b>	<b>38.8 %</b>

currently being used, which would also enhance opportunities to generate revenue at the facility including an expansion of food and beverage services. City staff will be providing a recommendation to Council on how

to fund the clubhouse in the near future, with the goal of completing the clubhouse prior to the 2017 golf season.

## DESIGNATED FUNDS

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

Significant events taking place in the **Community Development Block Grant / HOME** program during the third quarter of 2015 include:

- The CDBG Committee met with applicants in August to hear their proposals for 2016 CDBG funds. Recommendations for funding were finalized after those presentations and will be presented to the City Council in October.
- Work was substantially completed on the W. 5<sup>th</sup> Ave./ Quincy St. to Rainier St. revitalization project. The project was completed on time and within budget.
- The 2015 Pedestrian Ramp project received only one bid for \$141,809 from Ray Poland & Sons and is currently being constructed and scheduled for completion in October.

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 nine months of 2015, receipts of lodging tax receipts have been higher than anticipated, increasing by 13% when compared to this same timeframe in 2014. The growth experienced in this revenue source thus far in 2015 is attributable to several factors, including increased tourism in the area, an outage at

Energy Northwest that brought many temporary workers into the region that elect to stay in hotels, and the opening of the new SpringHill Suites and Hampton Inn hotels in June.

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 September, the City had received and remitted \$434,648 to

the TCVCB from the TPA charge in 2015, which was an increase of 16% 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 September of 2015, the City had collected \$1,868,080, which was 6% less than this same time period in 2014. As described in more detail earlier in this report, the overall decrease was attributable to a 3% decrease in electric utility tax, a 1% decrease in telephone utility tax and a 29% 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 5<sup>th</sup> Fire Station in 2016.

The City projected criminal justice sales tax revenue of \$3,785,000 for the biennium in the 2015/2016 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 7 distributions through September. The amount received through September was \$1,332,305, which is higher than anticipated based on the seasonality of sales tax revenue.

## FUTURE OUTLOOK

As the City moves into the final months 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 many opportunities it has to achieve the City Council's goals and objectives and to better position the City for the future.



## CASH MANAGEMENT

The wait continues to see whether the Federal Open Market Committee will raise interest rates this year or defer until 2016. Inflation remains below the FOMC's target rate of 2% and may be the most likely reason if they do not raise rates this year. Other factors to watch are the slowdown in Chinese growth, stock market volatility and the strengthening dollar.

There was quite a bit of activity in the City's agency securities portion of the investment portfolio during the 3<sup>rd</sup> quarter. In September, three items with a principal cost of \$4.3 million were called prior to their maturity dates. Issuers typically exercise call provisions when the market interest rates are below the coupon rates of the bonds. Another \$2 million bond matured in August. Three items at a principal cost of \$5 million were purchased in September. The new mix of investment percentages by

issuer at quarter end is shown in the pie chart *Investment Portfolio*.

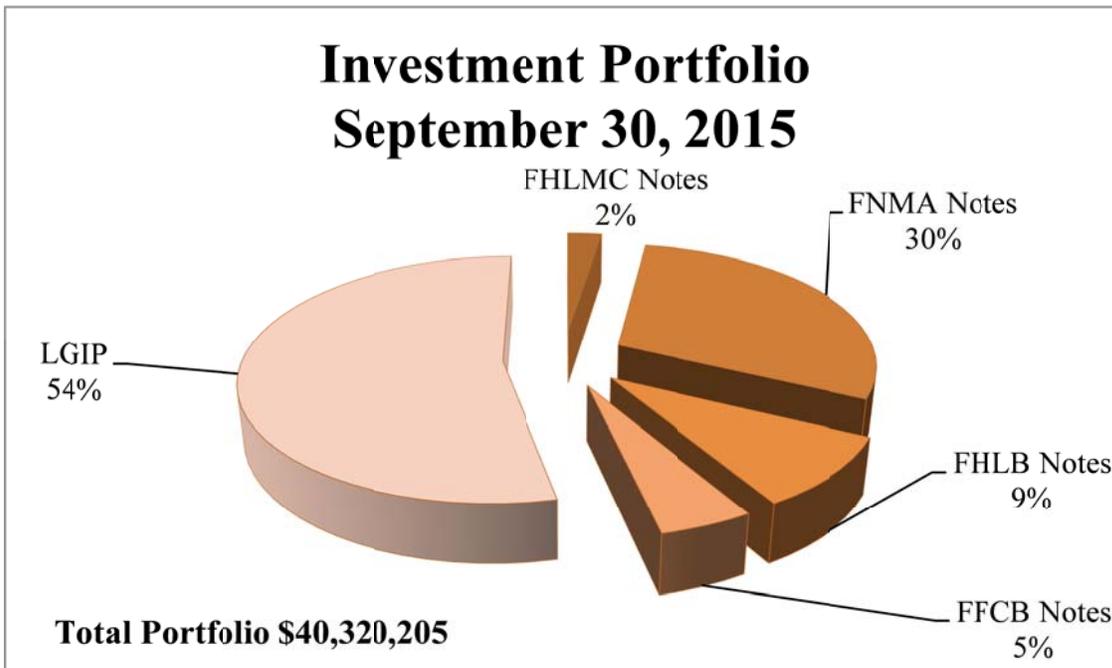
The City's balance in the State Pool was increased by a net \$1.7 million during the quarter. The average balance in the City's account exceeded \$19 million during the three-month period. Approximately \$7 million of the balance was bond proceeds designated for Fire Station #5 construction and future land acquisitions.

Other highlights for the 3rd quarter 2015:

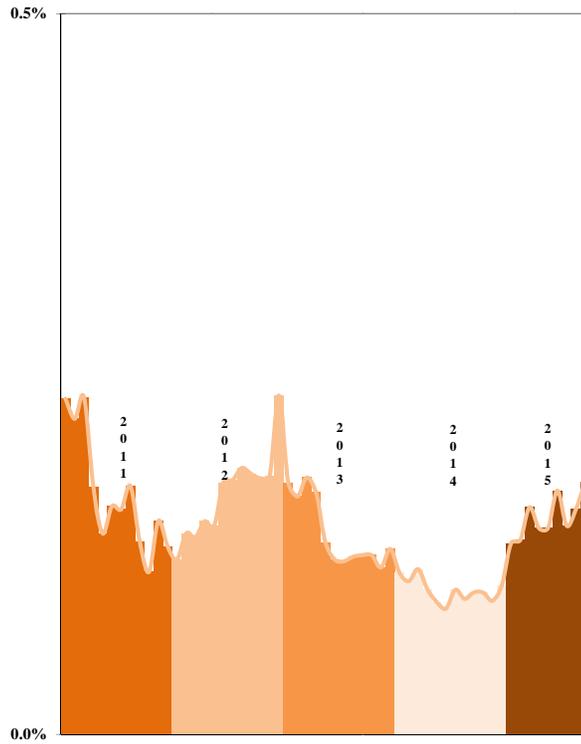
- The City's agency securities portfolio averaged a .98% rate of return at September 30<sup>th</sup> and earned interest of \$48,110 during the quarter.
- The average net yield for city balances invested at the State Pool was .16%.

Interest earned during the quarter for Pool balances was \$7,760.

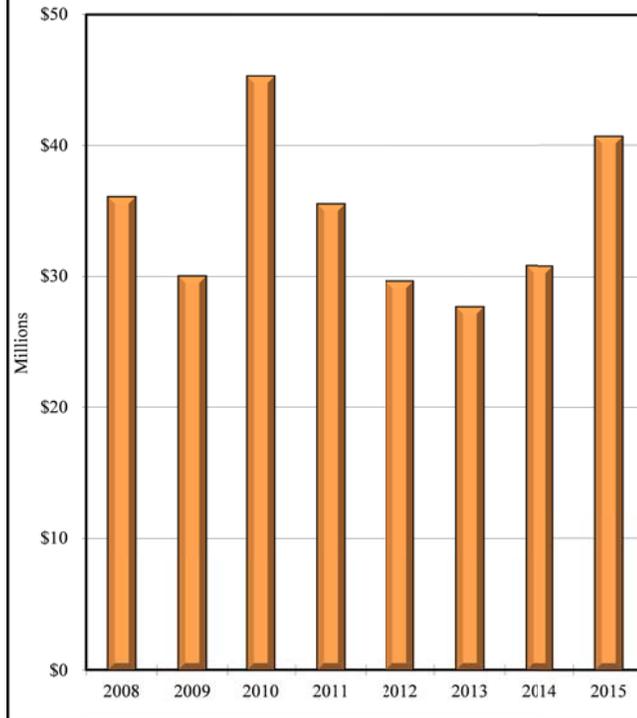
- The market value of agency investments at September 30 was \$18,867,405 or \$118,320 lower than the principal cost. The unrealized loss associated with this difference will not be recorded because the investments will be held until call or maturity date. The book value for the same items was \$18,820,182.



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



**City of Kennewick  
Portfolio History**



## Cash & Investment Summary As of 9/30/2015

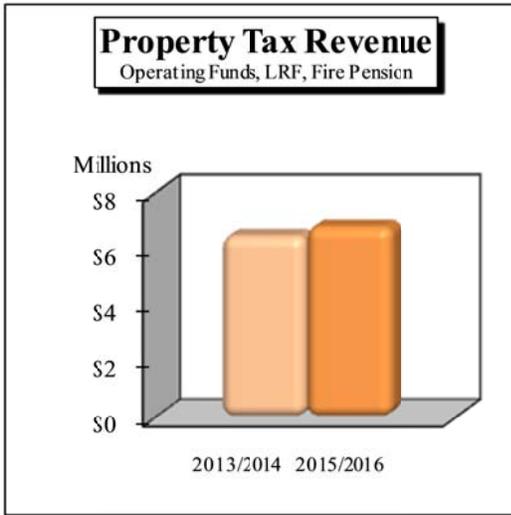
Maturity Date	CUSIP/Ticker	Description	Broker/Dealer	YTM @ Cost	Trade Date	Cost Value
9/9/2019	3133EFCP0	FFCB 1.45 9/9/2019	Wells Fargo Securities	1.49	9/9/2015	1,996,900.00
1/8/2018	3130A4WB4	FHLB 0.875 1/8/2018	Wells Fargo Securities	0.875	4/2/2015	1,000,000.00
6/20/2018	313383EP2	FHLB 1.25 6/20/2018-13	Time Value Investments	1.25	5/23/2013	743,944.02
10/24/2018	3130A4TW2	FHLB Step 10/24/2018-15	Multi-Bank Securities Inc	1.633	4/2/2015	2,000,000.00
9/25/2020	3134G3K90	FHLMC 1.7 9/25/2020	Wells Fargo Securities	1.75	9/9/2015	997,590.00
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
3/29/2019	3136G2LP0	FNMA 1.4 3/29/2019-16	Multi-Bank Securities Inc	1.4	9/9/2015	2,000,000.00
N/A	LGIP	State of Washington LGIP		0.175		<u>21,571,120.28</u>
		Total Investments				40,320,205.31
N/A	CASH	US Bank Operating Account				364,801.78
<b>Total / Average</b>		<b>Total Cash &amp; Investments</b>		<b>0.608</b>		<b>40,685,007.09</b>



# MAJOR REVENUE SOURCES

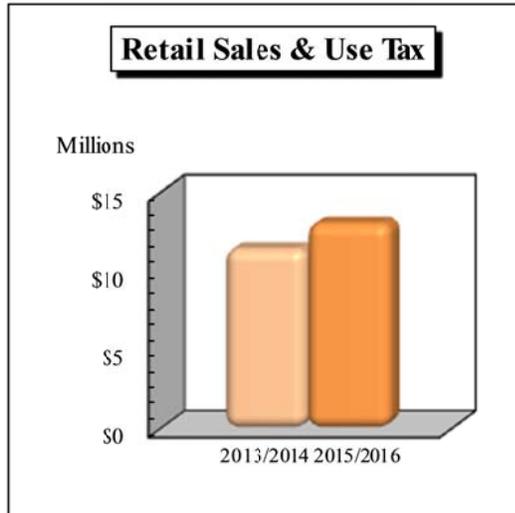
## *Property Tax Revenue*

		2013/2014	2015/2016
Year 1	Jan-Mar	\$740,886	\$869,905
	Apr-Jun	5,286,678	5,679,048
	Jul-Sep	440,895	249,641
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$6,468,459</b>	<b>\$6,798,594</b>
15/16 Biennial Budget			\$23,909,507
Actual vs Budget			28%



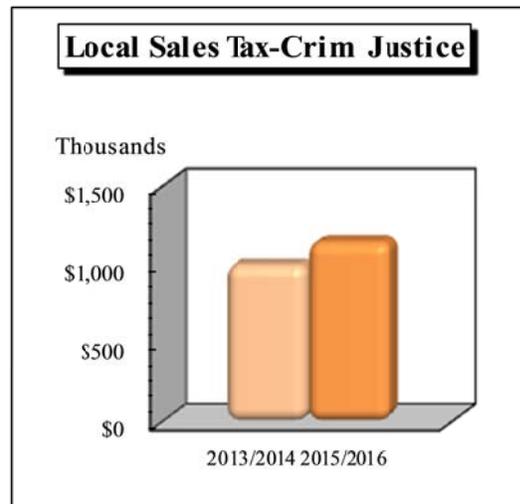
## *Retail Sales & Use Tax*

		2013/2014	2015/2016
Year 1	Jan-Mar	\$3,923,276	\$4,127,346
	Apr-Jun	3,537,338	3,936,663
	Jul-Sep	3,970,129	4,972,086
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$11,430,743</b>	<b>\$13,036,095</b>
15/16 Biennial Budget			\$32,768,600
Actual vs Budget			40%



## *Local Sales Tax-Criminal Justice*

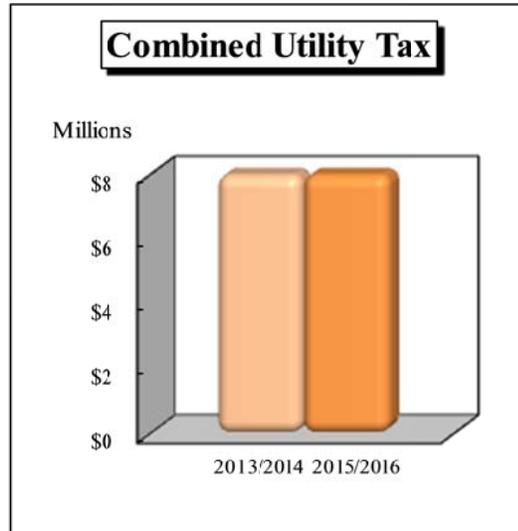
		2013/2014	2015/2016
Year 1	Jan-Mar	\$321,544	\$354,963
	Apr-Jun	318,048	345,849
	Jul-Sep	359,300	443,398
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$998,892</b>	<b>\$1,144,210</b>
15/16 Biennial Budget			\$2,877,100
Actual vs Budget			40%



**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	2,717,018	2,745,596
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$8,547,840</b>	<b>\$8,441,311</b>

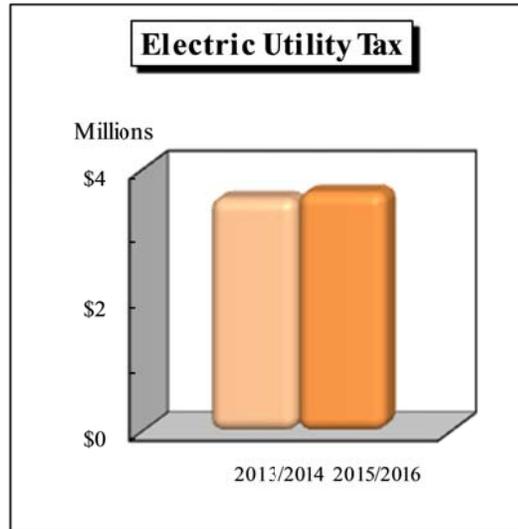
15/16 Biennial Budget \$29,091,015  
 Actual vs Budget 29%



**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	1,143,064	1,243,418
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$3,555,662</b>	<b>\$3,648,398</b>

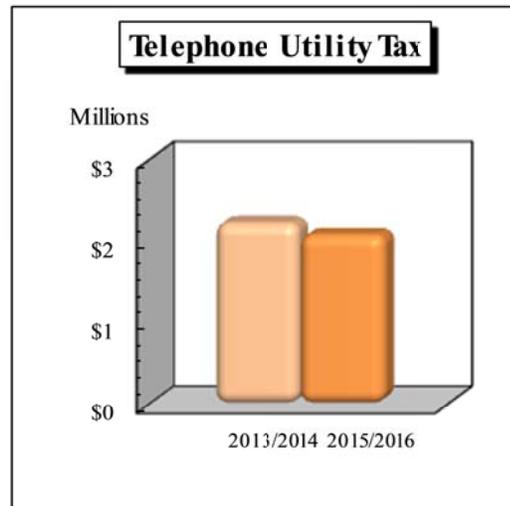
15/16 Biennial Budget \$10,574,000  
 Actual vs Budget 35%



**Telephone Utility Tax**

		2013/2014	2015/2016
Year 1	Jan-Mar	\$760,671	\$594,342
	Apr-Jun	757,141	869,580
	Jul-Sep	710,369	619,050
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$2,228,181</b>	<b>\$2,082,972</b>

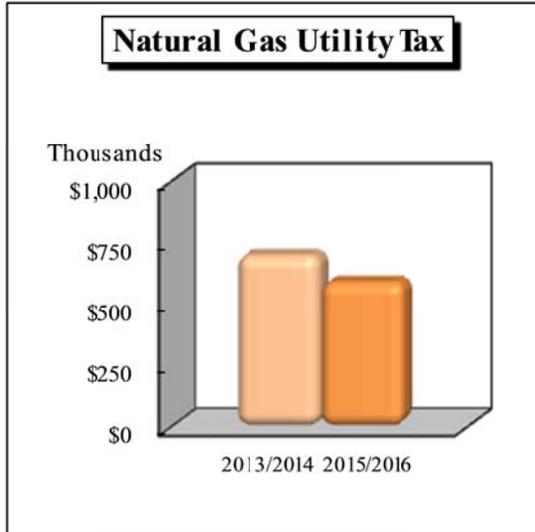
15/16 Biennial Budget \$5,607,166  
 Actual vs Budget 37%





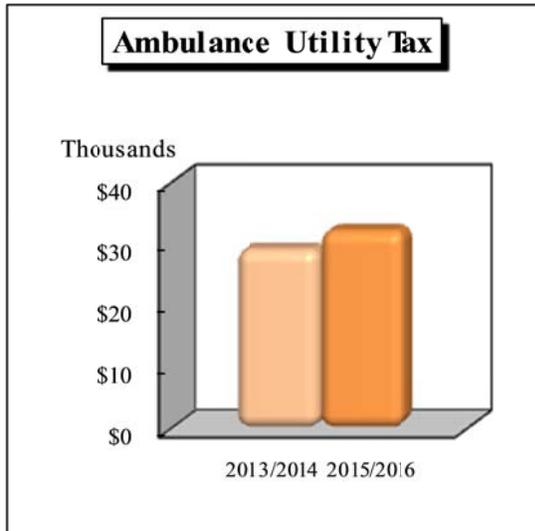
***Natural Gas Utility Tax***

		2013/2014	2015/2016
Year 1	Jan-Mar	\$345,858	\$354,432
	Apr-Jun	229,802	161,678
	Jul-Sep	123,500	74,113
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>	<b>\$699,160</b>	<b>\$590,223</b>	
15/16 Biennial Budget			\$1,607,917
Actual vs Budget			37%



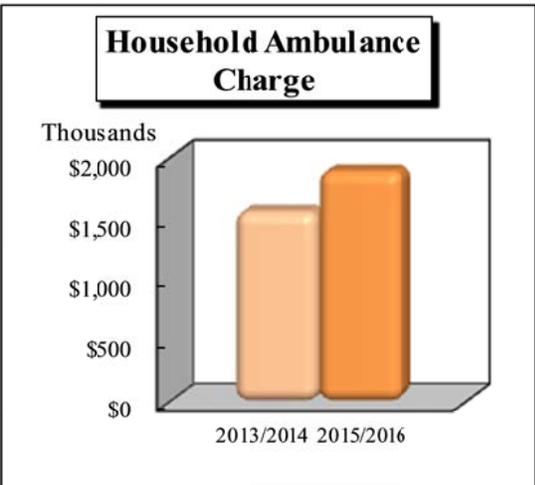
***Ambulance Utility Tax***

		2013/2014	2015/2016
Year 1	Jan-Mar	\$9,429	\$7,133
	Apr-Jun	9,494	12,279
	Jul-Sep	10,136	12,650
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>	<b>\$29,059</b>	<b>\$32,063</b>	
15/16 Biennial Budget			\$91,000
Actual vs Budget			35%



***Household Ambulance Tax***

		2013/2014	2015/2016
Year 1	Jan-Mar	\$521,936	\$630,508
	Apr-Jun	515,556	629,138
	Jul-Sep	528,650	634,975
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>	<b>\$1,566,142</b>	<b>\$1,894,621</b>	
15/16 Biennial Budget			\$5,480,000
Actual vs Budget			35%

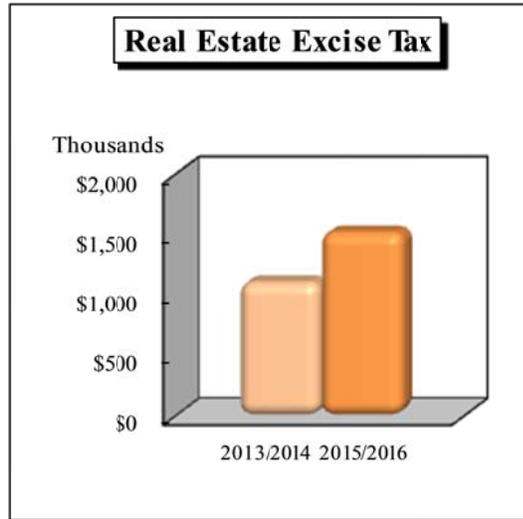




**Real Estate Excise Tax**

		2013/2014	2015/2016
Year 1	Jan-Mar	\$295,652	\$460,297
	Apr-Jun	396,382	566,537
	Jul-Sep	417,881	494,503
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$1,109,915</b>	<b>\$1,521,337</b>

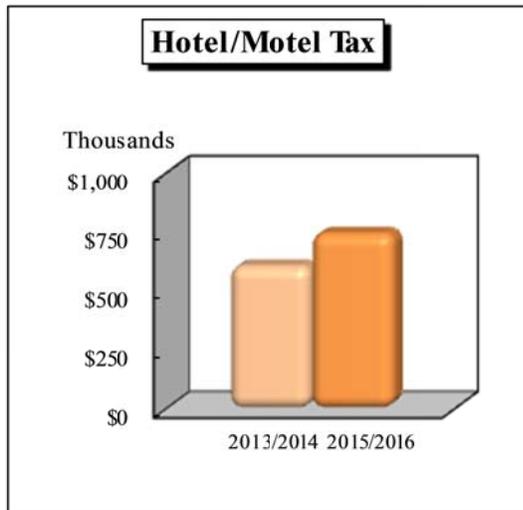
15/16 Biennial Budget Actual vs Budget \$3,292,000  
46%



**Hotel/Motel Tax**

		2013/2014	2015/2016
Year 1	Jan-Mar	\$152,809	\$168,699
	Apr-Jun	199,615	232,836
	Jul-Sep	254,523	341,844
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$606,947</b>	<b>\$743,379</b>

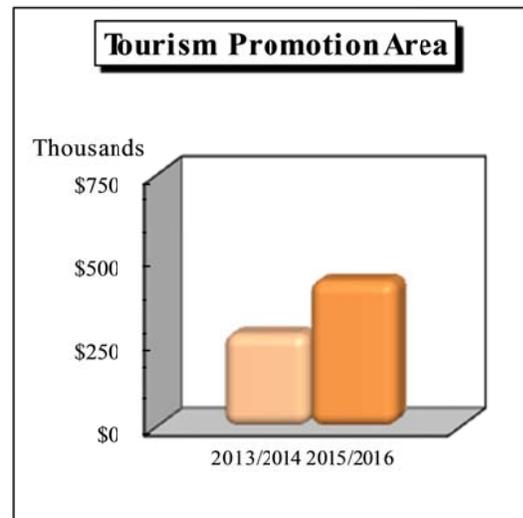
15/16 Biennial Budget Actual vs Budget \$1,782,000  
42%



**Tourism Promotion Area**

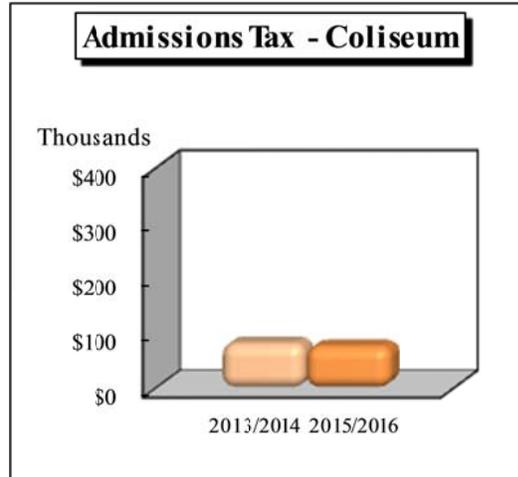
		2013/2014	2015/2016
Year 1	Jan-Mar	\$73,260	\$110,183
	Apr-Jun	92,482	139,897
	Jul-Sep	111,978	184,568
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$277,720</b>	<b>\$434,648</b>

15/16 Biennial Budget Actual vs Budget \$1,082,000  
40%



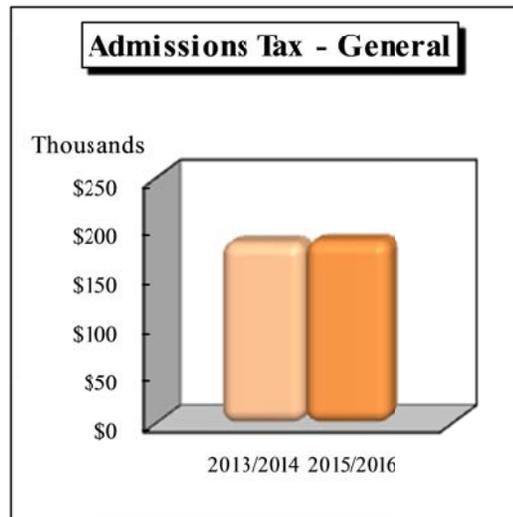
***Admissions Tax - Coliseum***

		2013/2014	2015/2016
Year 1	Jan-Mar		
	Apr-Jun		71,579
	Jul-Sep	81,678	4,810
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$81,678</b>	<b>\$76,389</b>
15/16 Biennial Budget			\$339,000
Actual vs Budget			23%



***Admissions Tax - General***

		2013/2014	2015/2016
Year 1	Jan-Mar	\$45,474	\$49,516
	Apr-Jun	50,593	52,573
	Jul-Sep	87,763	83,286
	Oct-Dec		
Year 2	Jan-Mar		
	Apr-Jun		
	Jul-Sep		
	Oct-Dec		
<b>Total</b>		<b>\$183,830</b>	<b>\$185,374</b>
15/16 Biennial Budget			\$509,000
Actual vs Budget			36%



“When you stop and look around,  
this life is pretty amazing.”