



Quarterly Financial Report

First Quarter 2016

May 17, 2016

Overview

The Quarterly Financial Report provides a summary budget to actual comparison of revenues and expenditures for each fund through the end of the most recently completed fiscal quarter. The information contained in this report is unaudited and prepared on a cash basis. Furthermore, the information contained in this report is preliminary and adjustments may need to be made in accordance with the Budgeting, Accounting and Reporting System (BARS) in preparation of the annual financial report.

The financial condition and economic trends continue to be relatively positive for the City of West Richland through the first quarter 2016. West Richland continues to experience moderate growth driven by high employment in the region. Staff will continue to monitor this very closely for any signs of weakness. Growth related activity is crucial to providing the funding necessary to support programs and services for the community.

According to the most recent labor data issued by the Bureau of Labor Statistics, the unemployment rate in the Kennewick-Pasco-Richland metropolitan statistical area is currently estimated at 7.4% for March, which is the same rate as March 2015 and 1.6% higher than the statewide March unemployment rate of 5.8%. The national unemployment rate for March 2016 was 5%. Non-farm employment in the Tri-Cities was up roughly 3,600 jobs in March when compared to March 2015. Industries that have contributed to this growth include education and health services, leisure and hospitality, transportation and utilities, professional and business services, financial activities and government.

General Fund 001 Revenues

Summary

The City's General Fund is the primary fund used to account for the City's general purpose revenues such as utility, property and sales taxes. General Fund revenues typically pay for citywide services such as public safety, community development, parks, and administration. The General Fund ended first quarter in good shape compared to budget. Comparing total actual to total anticipated revenues through March 31st, the General Fund is 61% of the 2015-2016 biennial budget. Total revenues collected in the General Fund increased 19% compared to the previous biennium.

Retail sales and use tax increased 17% compared to the prior biennium. The City experienced gains in most major business sectors including construction, retail, whole sale trade, and accommodation and food service.

The City processed 112 new business licenses through first quarter 2016 compared to 67 in 2015. As of March 31, 2016 there are a total of 1,238 active city business licenses.

Intergovernmental revenues include PUD privilege tax, city assistance, liquor excise tax and liquor control board profits. These revenues increased 23% compared to the 2013-2014 biennium. The increase was mainly due to increases in city assistance and liquor excise tax revenues. City Assistance revenues increased 24% compared to 2013-2014 biennium.

The City experienced an increase in liquor excise tax revenues due to the reinstatement of the full distribution of liquor excise revenues in 2015. In 2013, the state legislature temporarily eliminated liquor excise tax revenues with cities. Furthermore, the state legislature approved cutting liquor excise tax revenues shared with cities in half in 2013 and permanently diverting these funds to the state general fund. Fortunately, the legislature approved restoring these funds to cities in 2015. West Richland received its first full distribution of liquor excise tax in October of 2015. A total of \$51,873 has been collected from liquor excise tax revenues through first quarter 2016 compared to \$17,090 in the prior biennium.

Building activity is an important key indicator of growth. Through first quarter 2016, the City has processed seven fewer single family permits than in the prior year. The City processed one commercial permit in first quarter 2016 which was similar to first quarter 2015. Other permits increased 17% compared to the prior year. The City experienced a significant increase in permit valuation in 2016 because of a permit issued to the Richland School District for a new middle school at Belmont and Keene. The permit valuation for the middle school is \$25,600,000.

New Construction Activity			
	2015	2016	% Change
	Jan - Mar	Jan - Mar	
Single Family Permits	35	28	-20%
New Commercial Permits	1	1	0%
Other Commercial Permits	5	3	-40%
Other Permits	66	77	17%
Total Permits	107	109	2%
Permit Valuation	\$ 12,332,073	\$ 36,053,946	192%
Building Permit Fees	\$ 89,528	\$ 159,320	78%

The following table shows the amended biennial budget and actual revenues collected through March 31, 2016 and compares this information with 2013 and 2014 biennial budget actuals through March 31, 2014.

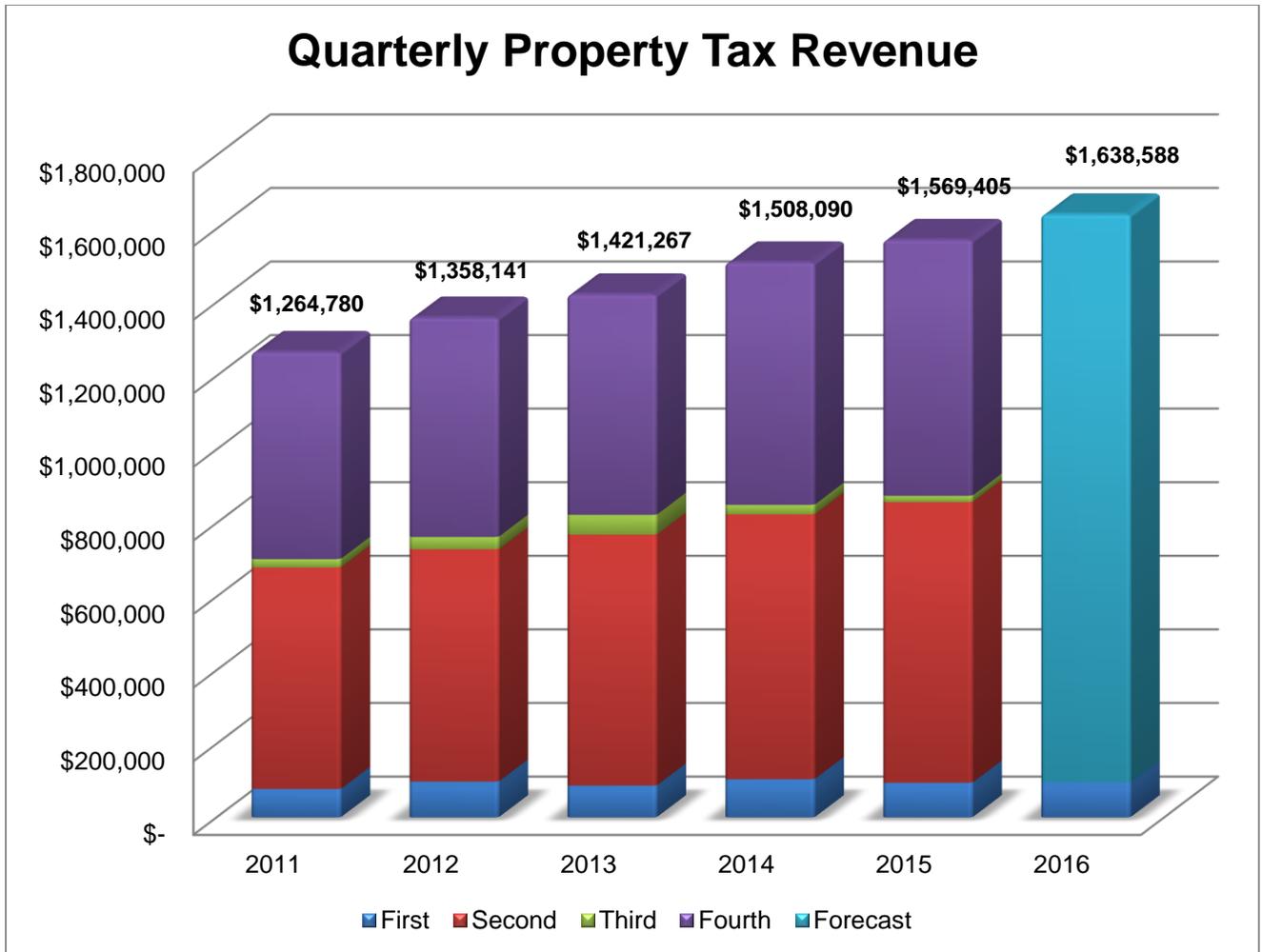
General Fund 001 Revenues

General Fund 001 Revenue Category	2015-2016 Biennial Budget					
	01/01/2013 - 03/31/2014 Actual	01/01/15 - 03/31/16 YTD Actual	% Change from Prior Biennium	2015-2016 Amended Budget	2015-2016 % Received	2015-2016 Remaining
Property Tax	1,524,788	1,664,165	9%	3,207,993	52%	1,543,828
Sales Tax	854,945	999,433	17%	1,496,984	67%	497,551
Utility Taxes	2,226,138	2,291,685	3%	3,686,236	62%	1,394,551
Other Taxes	10,883	13,762	26%	21,868	63%	8,106
Building Permits	377,225	543,960	44%	747,055	73%	203,095
Other Licenses & Permits	160,064	208,275	30%	307,038	68%	98,763
Intergovernmental Revenue	319,846	394,200	23%	673,312	59%	279,112
Grants - Federal/State/Local	176,198	11,070	-94%	-	#DIV/0!	(11,070)
Charges for Services	704,633	931,648	32%	1,340,424	70%	408,776
Fines and Forfeitures	261,332	291,012	11%	441,870	66%	150,858
Transfer In (1)	10,000	217,683	2077%	589,767	37%	372,084
Miscellaneous & Other Revenues	36,404	345,703	850%	387,221	89%	41,518
Total Revenues	6,662,456	7,912,596	19%	12,899,768	61%	4,987,172

Note 1: In August of 2014, voters showed their support to strengthen public safety in Benton County by approving Proposition 14-5 which increases local sales taxes by 0.3 percent. A portion of these funds are transferred from Criminal Justice Fund 105 to the General Fund to be used as defined in RCW 82.14.340. Funds will be transferred to the General Fund beginning in June 2015.

General Fund Major Revenue Sources

Property Tax: Property tax revenues are typically received during the second and fourth quarters of the year. Total property tax collections in first quarter 2016 totaled \$94,760. The table below reflects quarterly property tax collections from 2011 to 2016.



Retail Sales and Use Tax: The sales tax base is the selling price of tangible personal property and selected food and services. The current sales tax rate for West Richland is 8.6%. For every \$100.00 in applicable sales in West Richland, the consumer pays \$8.60. Of the \$8.60 in sales tax paid, the City receives approximately 85¢ for general fund services. The remaining \$7.75 is distributed to the state and county.

First quarter 2016 sales tax revenue increased 38% compared to first quarter 2015. All business sectors have seen growth. West Richland has a heavy reliance on construction sales tax revenue, which is considered a one-time revenue source. Construction experienced a 79% increase compared to 2015 and consisted of 31% of the total sales tax revenue collected in first quarter 2016. Sales tax collections from retail experienced a 20% increase and consisted of 30% of total sales tax revenue collected in 2016.

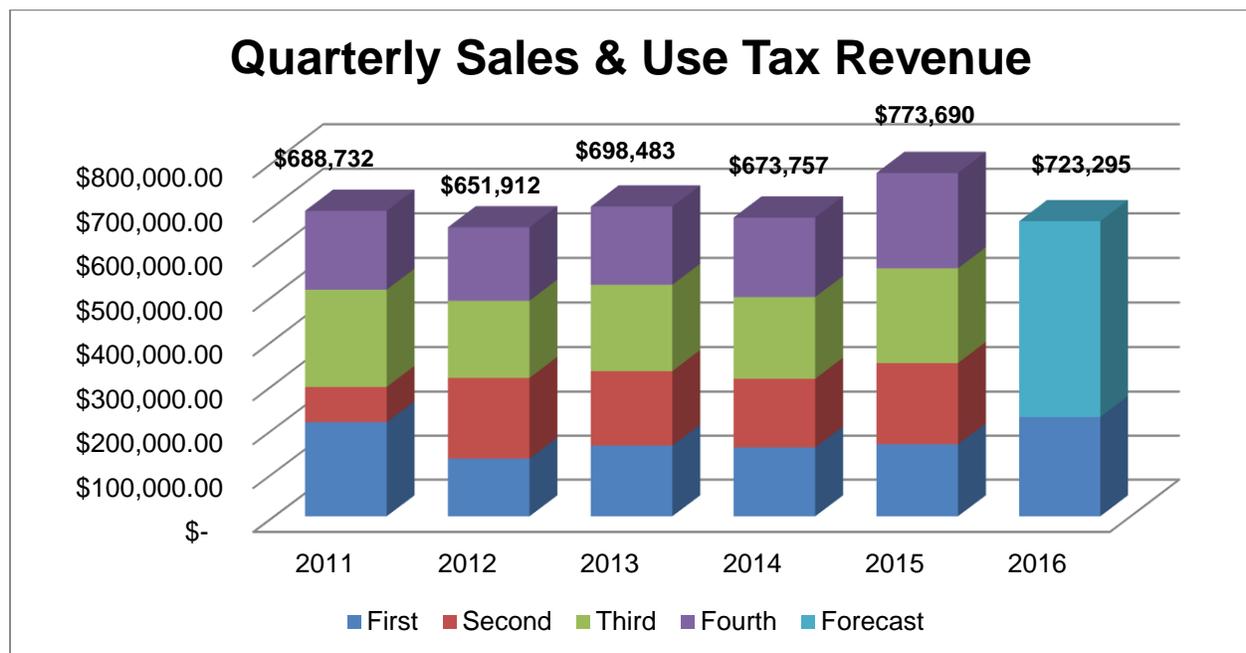
Sales tax collections fluctuate from quarter to quarter due to seasonal activity. The City typically receives more sales tax revenue in the second half of the year. The following table compares

2016 with 2015 retail sales and use tax revenue through March 31st and includes a breakdown by business sector.

Business Sector	Revenue (Jan - Mar)		% Change	% of Total	
	2016	2015		2016	2015
Construction	\$69,183	\$38,598	79%	31%	24%
Manufacturing	\$7,152	\$5,930	21%	3%	4%
Wholesale Trade	\$16,313	\$11,442	43%	7%	7%
Retail	\$67,908	\$56,584	20%	30%	35%
Telecommunications & Other Information Services	\$15,453	\$14,008	10%	7%	9%
Finance, Insurance, Real Estate, Administrative Support Services, & Public Administration	\$25,941	\$19,720	32%	11%	12%
Accommodation and Food Services	\$12,930	\$10,213	27%	6%	6%
All Other Sectors	\$10,864	\$7,341	48%	5%	4%
Total	\$225,744	\$163,837	38%	100%	100%

Note: Totals for the quarter listed by sector may slightly differ from the retail sales tax revenue actually received due to adjustments made by the DOR between the time the detailed sales tax reports are received by the City and when the revenue is actually received.

The chart below displays the quarterly retail sales and use tax collected since 2011.

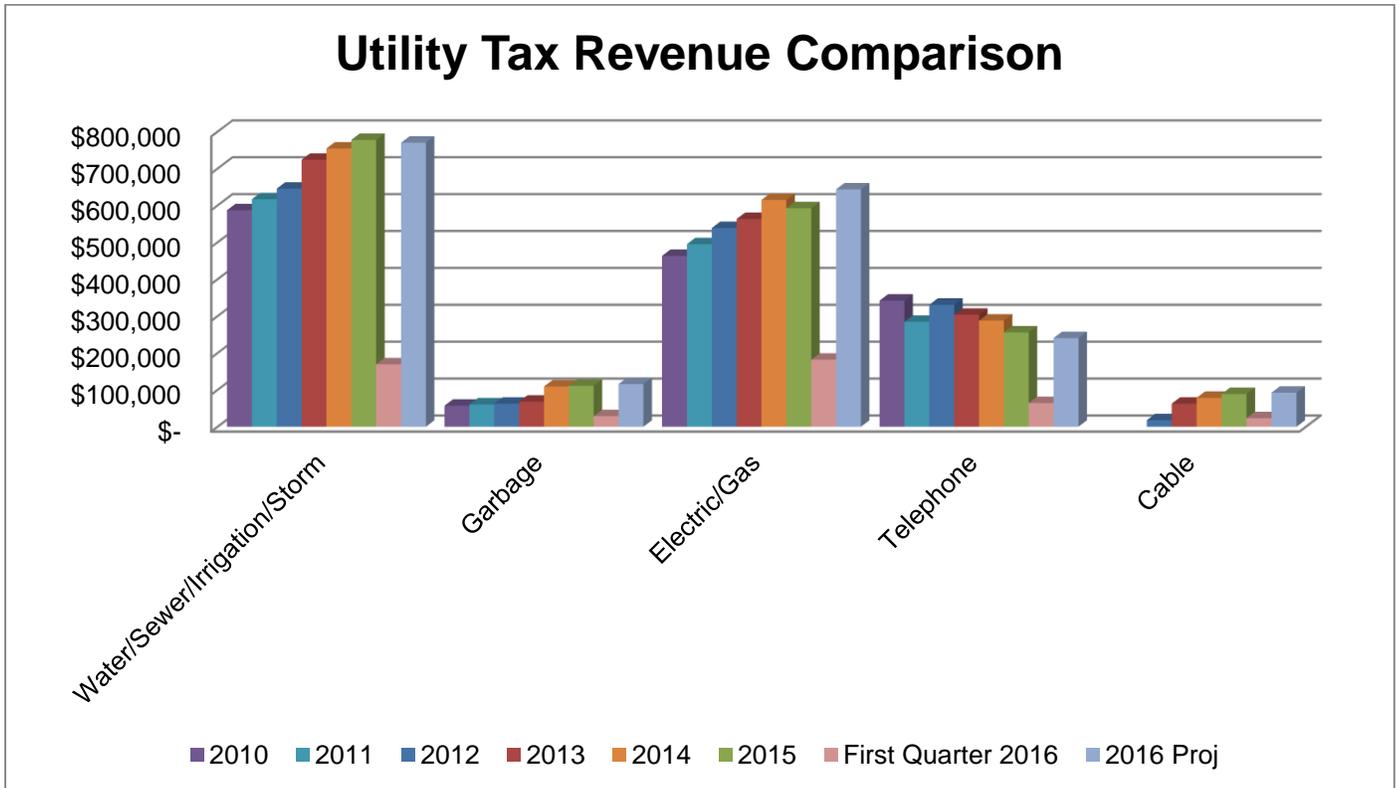


Utility Taxes: The City collects both internal and external utility taxes. Internal taxes are paid by the City’s utility funds to the General Fund. External taxes are paid by providers of telephone,

electric, gas, garbage collection and cable services in the city. Total utility tax revenues increased 4% in first quarter 2016 compared to first quarter 2015.

Revenues collected from telephone utilities increased 5% compared to the prior year. Utility tax collections for electric increased 4% compared to first quarter 2015.

The following table reflects utility tax revenue received for the months of January through March from 2010 to 2016.



General Fund 001 Expenditures

Total General Fund expenditures were 51% of the 2015-2016 biennial budget. General Fund expenditures totaled \$7,014,243. This is a 9% increase over the prior year. Part of the increase is attributed to a transfer approved by Council during the March 3, 2015 budget amendment to transfer unanticipated fund balance from the General Fund to the Cumulative Reserve Fund. The capital expenditure for the General Fund’s portion of the Municipal Services Facility is also budgeted in 2015-2016.

2016 Project/Program Highlights:**City Clerk**

- The City Clerk has been working on improving and upgrading the City's IT and network systems, including purchase and installation of new server, upgrading city computers where necessary, installing and configuring new Mobile Public Safety software on police laptops, and setup of new police department windows phones and related text messaging archival.

Finance Department

- In first quarter 2016, the Finance Department assisted with coordinating the formation of the Library Blue Ribbon Committee and provided staff assistance to the committee including providing city financial information and funding options available to assist with finding a solution to the library funding challenge.
- The Department worked on filling 4 vacant department positions.
- Finance staff began preparation of the 2015 Annual Financial Report due to the State Auditor's Office at the end of May.
- City departments have been very successful obtaining federal, state and local grants and low interest loans. The Finance Department assisted departments with accounting and reimbursement requests for projects funded through grants and loans.

Police Department

- The Department is working with City Civil Service Commission and Public Safety Testing to test and review applicants for the position of Police Officer. This effort is in preparation for anticipated vacancies in the coming year.
- The annual training program for the agency has been implemented and several training event and classes have been conducted. The Department held its annual Taser instructor certification / re-certification course in March. The course brings current instructors up to date on use of the Taser device in force response applications. Attendees came from all over Washington as far away as American Territories in the Pacific.
- The Department has completed its first quarter of the four Patrol squad structure and having four Sergeants supervising operations. This has been found to be very beneficial for staff and the public.
- The Neighborhood Liaison Officer program continues with officers focusing attention on identifying specific problem areas. In particular officers have been making contact at multi-family housing complexes and businesses to assess what can be done to improve community safety.

- The 2016 Citizens Academy is scheduled to start in April and this year will be the department's largest class of 30 participants. There has been a very good response due to the efforts of class coordinator, Sergeant Ryan Boyce.
- The administrative staff continue to adapt to extra supervision and increased case load with additional officers working Patrol and Investigations. The number of Administrative positions has not changed in many years so the increased workload on the existing staff has been a burden. A review of the administrative clerical needs is being performed prior to the 2017/2018 budget.

The following table shows the amended biennial budget and expenditures through March 31, 2016 and compares this information with 2013-2014 expenditures through March 31, 2014. The table also includes the General Fund ending fund balance on March 31, 2016.

001 General Fund Expenditures

General Fund 001	2015-2016 Biennial Budget					
	01/01/2013 - 3/31/2014 Actual	01/01/2015 - 3/31/2016 YTD Actual	% Change from Prior Biennium	2015-2016 Amended Budget	2015-2016 % Expended	2015-2016 Remaining
Council	93,546	98,805	6%	148,646	66%	49,841
Mayor	15,698	18,445	17%	22,751	81%	4,306
City Clerk	142,924	158,515	11%	256,047	62%	97,532
Finance	664,939	819,130	23%	1,405,289	58%	586,159
Police	3,046,621	3,613,884	19%	6,545,044	55%	2,931,160
Community Development	933,549	793,700	-15%	1,652,013	48%	858,313
Public Works - Engineering Services/Polo Dewatering System/Fire Hydrant Maint/Other	489,879	346,454	-29%	526,574	66%	180,120
Public Works - Parks	405,161	408,608	1%	807,388	51%	398,780
Non-Departmental	338,664	565,931	67%	1,890,718	30%	1,324,787
Transfers Out	304,959	190,773	-37%	425,989	45%	235,216
Total Expenditures	6,435,941	7,014,243	9%	13,680,459	51%	6,666,216
Ending Fund Balance 3/31/16	3,493,978					

Other Fund Revenues

Other funds include General Cumulative Reserve and Real Estate Conservation and Management Funds, Special Revenue Funds, Capital Funds, and Enterprise Funds. Other fund revenues totaled \$21,880,184 in the 2015-2016 biennium through first quarter 2016.

Of note are the following revenues in first quarter 2016 for other funds compared to 2015 first quarter:

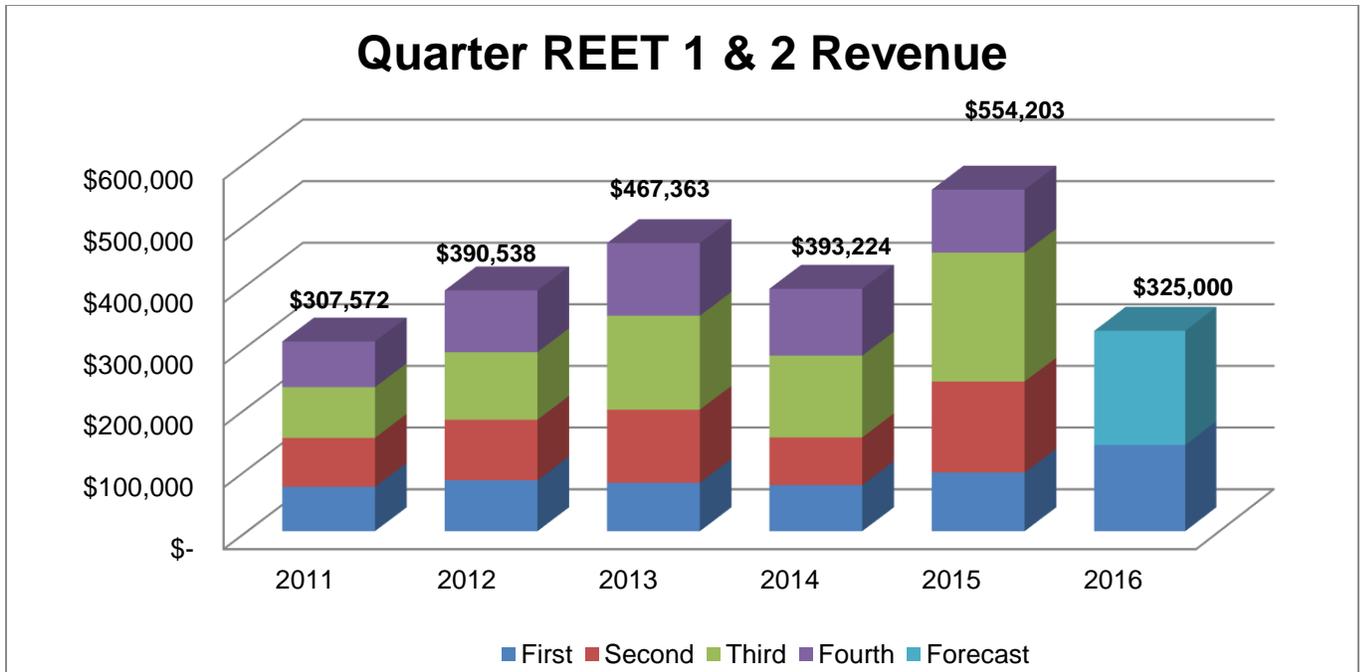
- The Street Fund's main operating revenue source is the **fuel tax** which increased 8% through first quarter 2016 compared to the prior year and were 65% of the projected revenue anticipated for the biennium. Collections totaled \$358,776 through the 2015-

2016 biennium. Fuel tax is tied to the number of gallons sold, not the price per gallon. The fuel tax is collected at the state level and distributed to cities based on percent of population as compared with the State.

- **Park impact** fee collections increased 58% in 2016 compared to the prior year and were 88% of the projected revenue anticipated for the biennium and collections totaled \$143,348.
- Criminal Justice Tax Revenues
 - County-wide sales tax collections dedicated for **criminal justice** increased 7% in 2016 compared to 2015 and totaled \$333,046 for the biennium.
 - In August of 2014, voters showed their support to strengthen public safety in Benton County by approving **Proposition 14-5 which increases local sales taxes by 0.3 percent**. These funds are receipted into the Criminal Justice Fund 105 and a portion of these funds are transferred to the General Fund to be used as defined in RCW 82.14.340. Total funds collected in 2016 were \$99,200 and a total of \$431,249 was collected for the biennium.
- Total **Library** revenues were 57% of the biennial budget and increased 4% in first quarter compared to first quarter 2015. The City of West Richland contracts with Mid-Columbia Libraries (MCL) for library services. Of the 8.5% of gas, telephone, and electric utility tax revenues collected by the city, 2.5% is dedicated to fund library services including the contract fee for service with MCL, as well as maintenance and capital costs for the library facility.
- **Real Estate Excise Tax:** Real Estate Excise Tax (REET) in the amount of one-quarter of one percent of the selling price is imposed on property sales in the City of West Richland. The tax is deposited into the Capital Improvement REET 1 Fund and is restricted to fund any capital purpose identified in a capital improvement plan and local capital improvements including those listed in RCW 35.43.040.

There is an additional one-quarter of one percent real estate excise tax on real estate sales within the city limits. According to state law, cities planning under GMA have the authority to levy a second quarter percent tax (REET 2). Funds from REET 2 are placed in the Capital Improvement REET 2 dedicated to street preservation projects.

REET collections through first quarter increased 47% compared to 2015. The chart below demonstrates quarterly fluctuations in REET collections since 2011.



- Transportation impact fee revenues, in **Fund 355 Transportation Improvement Program**, totaled \$33,416 in first quarter 2016 and were 95% of the budget for the biennium. The City experienced an increase in TIP fees in 2015 with the construction of the new middle school at Keene and Belmont, as well as from the SSC North America Project and construction of the City’s Municipal Services Facility.

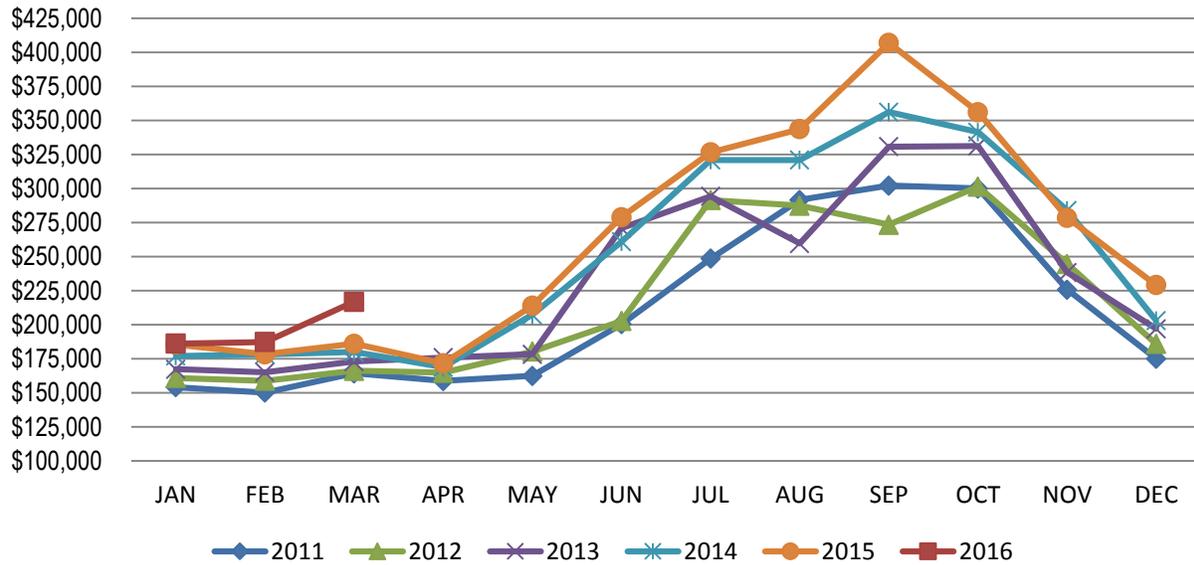
It is important to note, these funds are used for capital transportation projects. Collections may fluctuate based on the number of transportation mitigation agreements executed by City Council.

Utilities

As of March 2016, there are 4,856 active residential, commercial, and multifamily utility accounts.

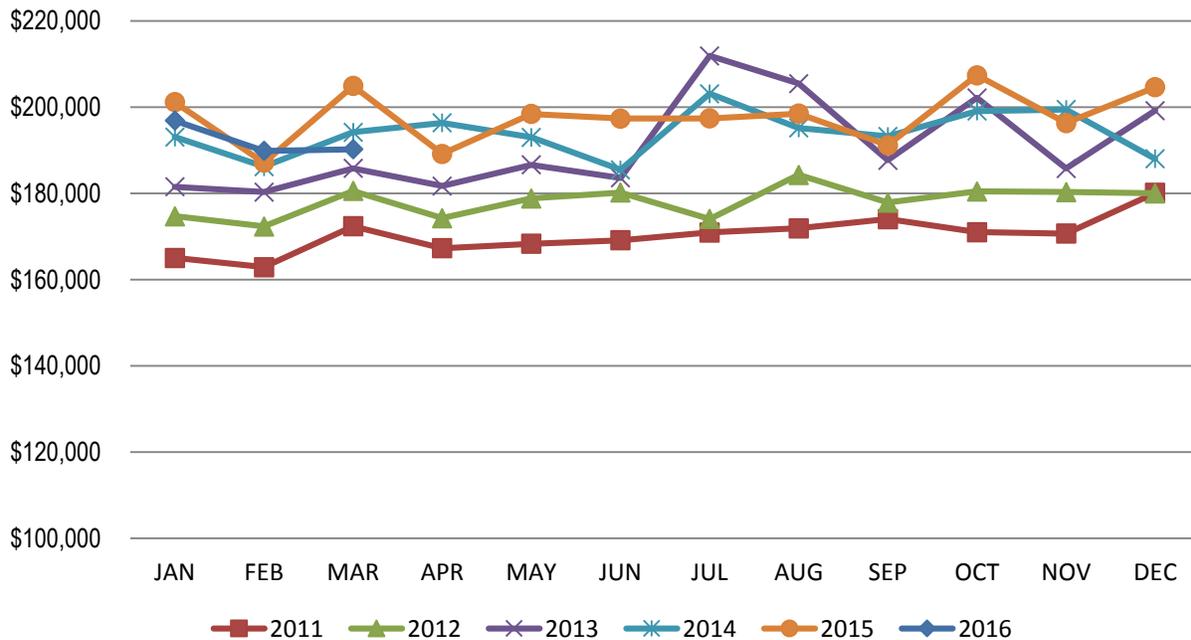
- **Water** collection revenue increased 9% in first quarter 2016 compared to 2015 and was 62% of the biennial budget.

Water Collections By Month

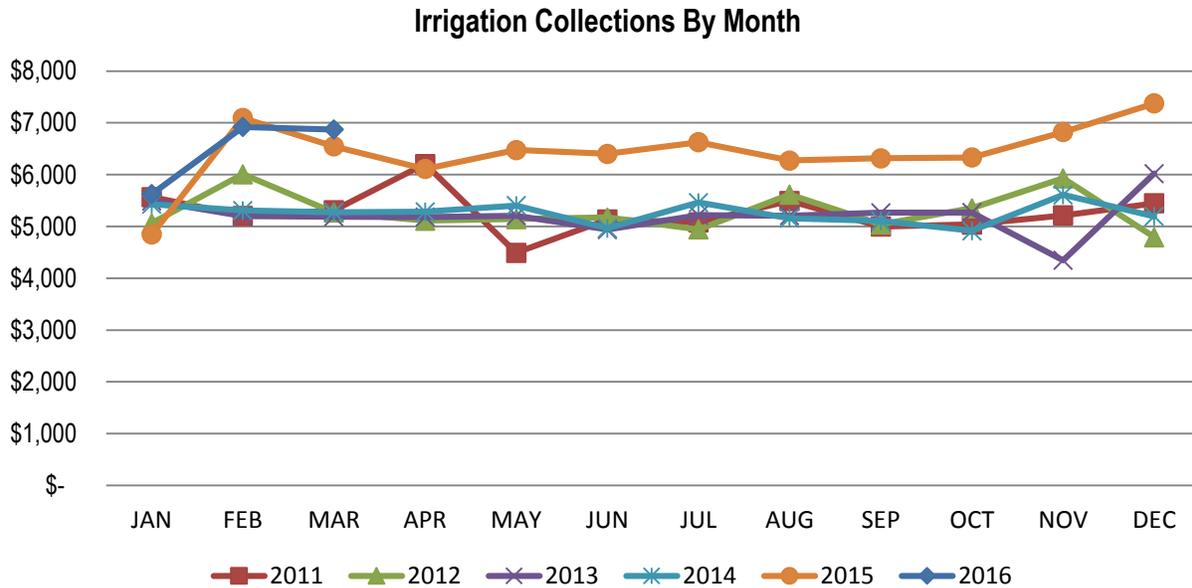


- Sewer** collection revenue, which is based primarily on a fixed rate structure, was 62% of the budgeted revenue for the biennium and decreased 3% compared to 2015. This decline is attributed to a reduction in the base sewer rate which became effective December 22, 2015.

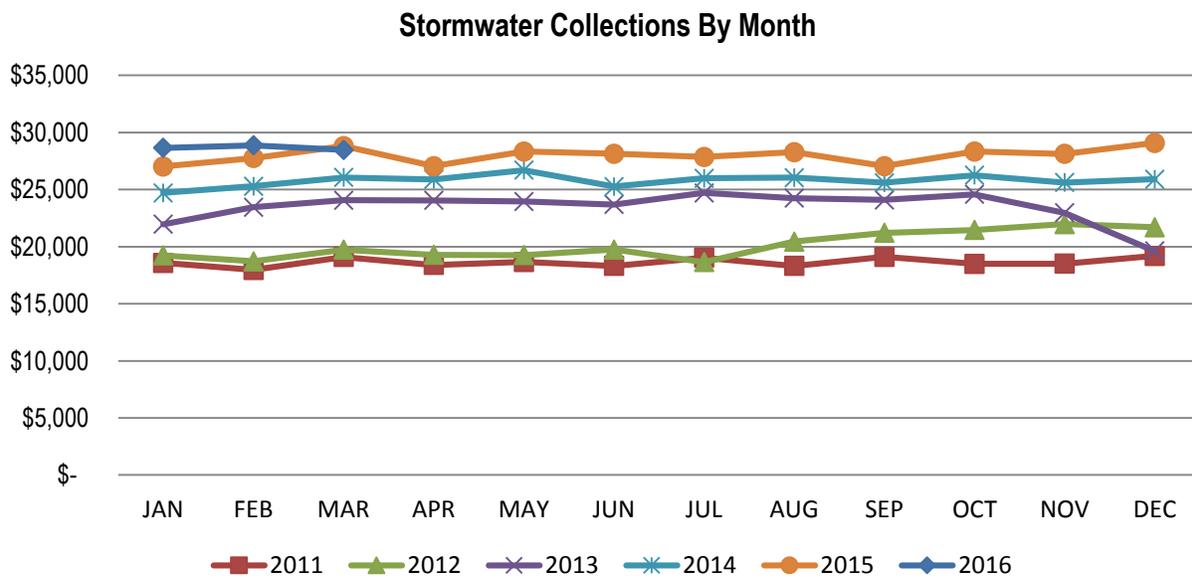
Sewer Collections By Month



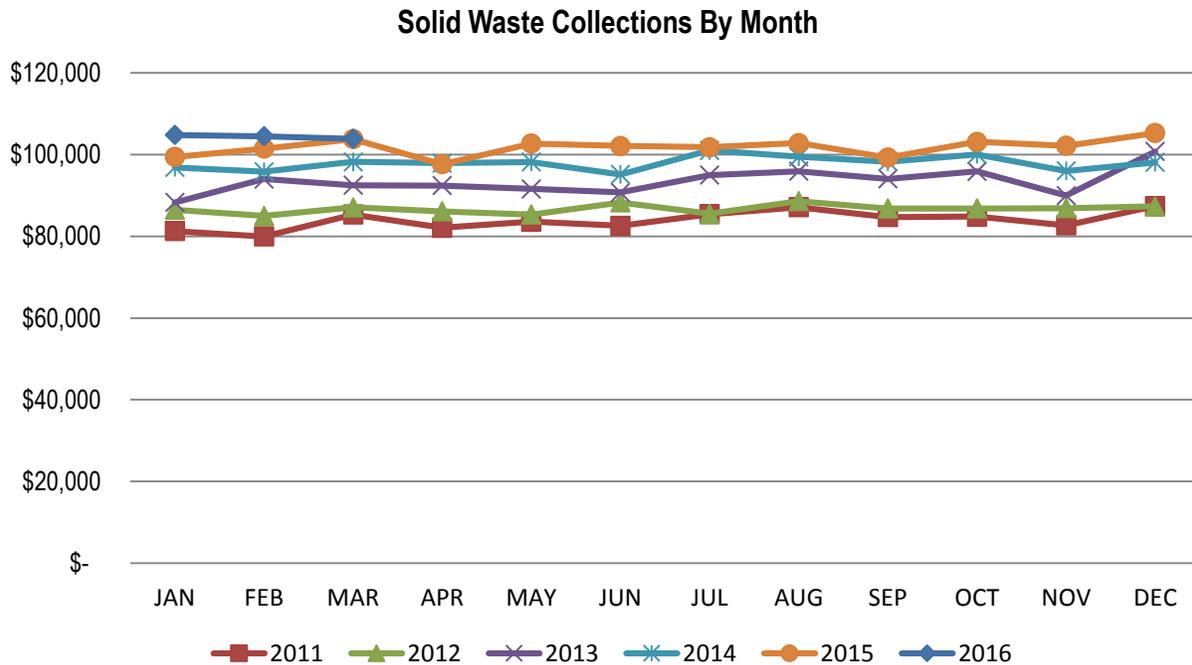
- **Irrigation** revenue collections increased 9% compared to the prior year and were 59% of the biennial budget. This increase is attributed to a rate increase which went into effect December 22, 2015.



- **Stormwater** collections totaled \$86,119 in the first quarter 2016 and was 62% of the budgeted revenue for the biennium.



- **Solid waste** collections were 62% of the budgeted revenue for the biennium. Solid waste revenue increased 3% compared to the prior year.



- **Water system development** fee revenue collected in first quarter 2016 totaled \$95,390. Approximately 82% of the revenue budgeted for the 2015-2016 biennium has been collected.
- **Sewer system development** fee revenue collected in first quarter 2016 totaled \$89,811. Approximately 74% of the revenue budgeted for the 2015-2016 biennium has been collected.

The following table shows the amended biennial budget and actual revenues collected through March 31, 2016 for other funds and compares this information with 2013-2014 actuals.

Other Fund Revenues

Revenues by Fund		2015-2016 Biennial Budget					
Fund	Description	01/01/2013 - 3/31/2014 Actual	01/01/2015 - 3/31/2016 YTD Actual	% Change from Prior Biennium	2015-2016 Amended Budget	2015-2016 % Received	2015-2016 Remaining
002	General Cumulative Reserve	478,526	309,496	-35%	250,476	124%	(59,020)
003	Real Estate Cons/Mgmt.	34,473	34	-100%	5,100	1%	5,066
101	Street	467,579	1,685,229	260%	1,909,292	88%	224,063
104	Park Impact	120,885	143,921	19%	164,000	88%	20,079
105	Criminal Justice	465,699	975,582	109%	1,433,493	68%	457,911
121	Library Services	490,288	468,898	-4%	819,565	57%	350,667
301	Cap Imp - REET 1	271,781	347,336	28%	325,810	107%	(21,526)
302	Cap Imp - REET 2	445,945	347,515	-22%	327,000	106%	(20,515)
309	Cap Imp - Yakima River Gateway	-	262,531	#DIV/0!	1,609,519	16%	1,346,988
320	Cap Imp - CERB/Shelby	182,106	999,898	449%	1,252,310	80%	252,412
355	Cap Imp - Transportation Imp Program	316,966	1,899,330	499%	2,286,481	83%	387,151
374	Cap Imp - Van Giesen Redev Ph 1	1,059	182	-83%	350	52%	168
401	Water/Sewer Operating	6,766,085	8,165,904	21%	13,692,583	60%	5,526,679
402	Irrigation Utility	78,776	98,928	26%	165,335	60%	66,407
404	Storm Water Utility	499,866	551,147	10%	1,459,900	38%	908,753
405	Solid Waste Utility	1,413,248	1,535,216	9%	2,468,558	62%	933,342
441	Water System Development	627,992	1,174,771	87%	7,360,998	16%	6,186,227
442	Sewer System Development	502,026	1,251,051	149%	5,062,057	25%	3,811,006
451	Water Line Development	19,257	35,806	86%	16,200	221%	(19,606)
452	Sewer Line Development	8,831	14,910	69%	10,400	143%	(4,510)
461	Cap Imp - PW Maintenance Facility	-	3,020	#DIV/0!	1,755,000	0%	1,751,980
482	Cap Imp - Street Decant Facility	-	1,609,477	#DIV/0!	2,014,000	80%	404,523
	Total Revenues	13,191,389	21,880,184	66%	44,388,427	49%	22,508,243

Other Fund Expenditures

2016 Project/Program Highlights:

Through first quarter 2016, the Public Works Department has been very busy working on a number of transportation and utility projects many of which are funded with grant revenue. The City has been very successful over the past year in obtaining several state and federal grants for transportation and stormwater projects.

2016 Transportation Projects Include:

- Belmont Blvd Phase 3&4 Project
- S. 38th Ave/Mt. Adams View Drive Project
- Paul Keith Wetland Pathway Project

2016 Utility Projects Include:

- Well #11 Project
- Biosolids Facility Project
- Industrial Process Water Treatment Facility Project
- Brotherhood Reservoir Project
- N. 62nd Ave Stormwater Retro-fit Project
- Ironton Drive Stormwater Retro-fit Project

2016 Other Significant Projects:

- Yakima River Gateway Project – Approximately 65% of this project is funded through grants including \$1.3 million from the WA State Recreation and Conservation Office. This important community project serves to acquire land for a trail and riverfront park development with water access amenities along the Yakima River including walking, biking, fishing, swimming and picnicking.
- Municipal Services Facility – This facility located near Belmont and Keene is 20 years in the making. The Municipal Services Facility will provide much needed space for public works engineering, administrative, and maintenance staff and community development staff, as well as improve department service, efficiencies and response time to residents.

The following table shows the amended biennial budget and expenditures through March 31, 2016 and compares this information with 2013-2014 actuals. The table also includes ending fund balances on March 31, 2016 for other funds.

Other Fund Expenditures

Expenditures by Fund		2015-2016 Biennial Budget						Ending Fund Balance 3/31/2016
Fund	Description	01/01/13 - 3/31/2014 Actual	01/01/15 - 3/31/16 YTD Actual	% Change from Prior Biennium	2015-2016 Amended Budget	2015-2016 % Expended	2015-2016 Remaining	Ending Fund Balance 3/31/2016
002	General Cumulative Reserve	262,678	83,305	(1)	166,557	50%	83,252	557,514
003	Real Estate Cons/Mgmt.	3,411	-	-	29,000	0%	29,000	28,945
101	Street	416,120	1,472,287	254%	1,993,583	74%	521,296	326,431
104	Park Impact	4,391	269,116	6028%	365,647	74%	96,531	315,773
105	Criminal Justice	369,616	718,960	95%	1,383,934	52%	664,974	561,428
121	Library Services	505,231	519,638	3%	879,740	59%	360,103	101,521
301	Cap Imp - REET 1	134,465	118,883	-12%	203,096	59%	84,214	529,418
302	Cap Imp - REET 2	377,703	560,736	48%	666,117	84%	105,381	352,089
309	Cap Imp - Yakima River Gateway	-	375,263	#DIV/0!	2,037,383	18%	1,662,120	315,132
320	Cap Imp - CERB/Shelby	182,089	1,000,355	449%	1,252,310	80%	251,955	-
355	Cap Imp - Transportation Imp Program	221,686	1,907,646	761%	2,373,666	80%	466,020	245,834
374	Cap Imp - Van Giesen Redev Ph 1	-	212,035	0%	276,775	77%	64,740	64,604
401	Water/Sewer Operating	5,819,048	6,877,107	18%	15,472,056	44%	8,594,949	6,668,110
402	Irrigation Utility	109,295	88,901	-19%	167,406	53%	78,505	72,878
404	Storm Water Utility	400,542	500,855	25%	1,571,602	32%	1,070,747	454,853
405	Solid Waste Utility	1,253,211	1,409,581	12%	2,475,448	57%	1,065,867	305,441
441	Water System Development	364,789	1,362,552	274%	7,820,029	17%	6,457,477	1,042,096
442	Sewer System Development	302,613	2,188,581	623%	5,877,382	37%	3,688,801	160,763
451	Water Line Development	8,029	30,505	280%	47,742	64%	17,238	38,463
452	Sewer Line Development	138	223	62%	81,923	0%	81,700	86,211
461	Cap Imp - PW Maintenance Facility	-	838,736	#DIV/0!	4,044,325	21%	3,205,589	1,453,610
482	Cap Imp - Street Decant Facility	-	1,417,684	-	2,014,000	70%	596,316	191,793
	Total Expenditures	10,735,055	21,952,945	104%	51,199,721	43%	29,246,776	13,872,908