



## *Quarterly Financial Report*

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### **Second Quarter 2016**

August 16, 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 second quarter 2016. The number of single family permits issued in 2016 did decline by 14% (a difference of 8 permits) compared to 2015. 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 6.3% for June, which is an increase of 0.50% compared to June 2015. The state preliminary unemployment rate is at 5.8% and the national unemployment rate is 4.9% for June 2016. Non-farm employment in the Tri-Cities was up roughly 2,797 jobs in June when compared to June 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. Comparing total actual to total anticipated revenues through June 30th, the General Fund is 77% 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 22% 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 253 new business licenses through second quarter 2016 compared to 183 in 2015. As of June 30, 2016 there are a total of 1,315 active city business licenses.

Intergovernmental revenues include PUD privilege tax, city assistance, liquor excise tax and liquor control board profits. These revenues increased 22% 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 22% 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 \$70,395 has been collected from liquor excise tax revenues through second quarter 2016 compared to \$21,098 in the prior biennium.

Building activity is an important key indicator of growth. Through second quarter 2016, the City has processed eight fewer single family permits than in the prior year. The City processed two new commercial permits through second quarter 2016. Other permits increased 29% 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.

<b>New Construction Activity</b>			
	<b>2015 Jan - Jun</b>	<b>2016 Jan - Jun</b>	<b>% Change</b>
Single Family Permits	58	50	-14%
New Commercial Permits	1	2	100%
Other Commercial Permits	8	11	38%
Other Permits	161	208	29%
<b>Total Permits</b>	<b>228</b>	<b>271</b>	<b>19%</b>
Permit Valuation	\$ 23,629,975	\$ 45,611,935	93%
Building Permit Fees	\$ 171,891	\$ 233,949	36%

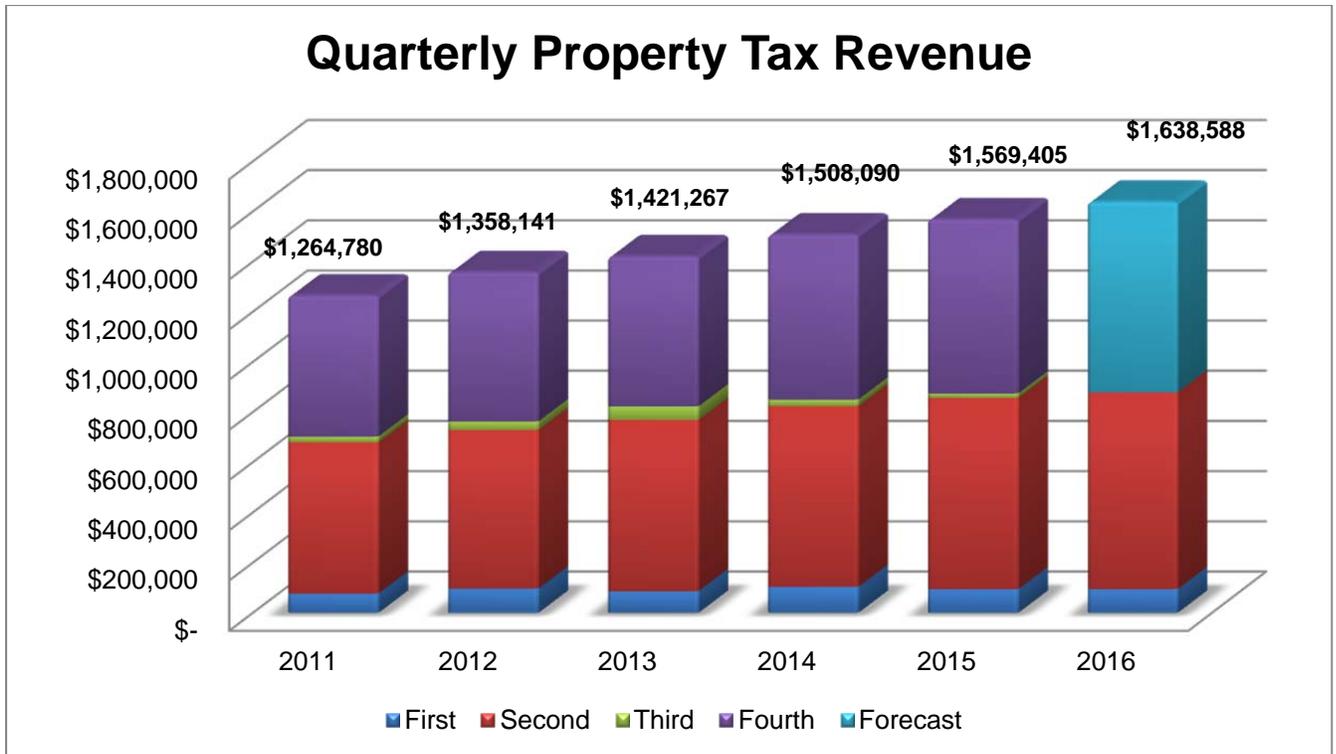
The following table shows the amended biennial budget and actual revenues collected through June 30, 2016 and compares this information with 2013 and 2014 biennial budget actuals through June 30, 2014.

### General Fund 001 Revenues

General Fund 001	2015-2016 Biennial Budget					
Revenue Category	01/01/2013 - 06/30/2014 Actual	01/01/15 - 06/30/16 YTD Actual	% Change from Prior Year	2015-2016 Amended Budget	2015-2016 % Received	2015-2016 Remaining
Property Tax	2,244,776	2,460,374	10%	3,207,993	77%	747,619
Sales Tax	1,010,507	1,231,204	22%	1,496,984	82%	265,780
Utility Taxes	2,658,327	2,747,546	3%	3,686,236	75%	938,690
Other Taxes	12,962	15,053	16%	21,868	69%	6,815
Building Permits	443,232	618,633	40%	747,055	83%	128,422
Other Licenses & Permits	191,856	245,746	28%	307,038	80%	61,292
Intergovernmental Revenue	425,067	519,682	22%	673,312	77%	153,630
Grants - Federal/State/Local	181,807	16,299	-91%	-	#DIV/0!	(16,299)
Charges for Services	852,438	1,085,040	27%	1,340,424	81%	255,384
Fines and Forfeitures	320,376	350,000	9%	441,870	79%	91,870
Transfer In	10,000	302,385	2924%	589,767	51%	287,382
Miscellaneous & Other Revenues	38,273	383,231	901%	387,221	99%	3,990
<b>Total Revenues</b>	<b>8,389,621</b>	<b>9,975,192</b>	<b>19%</b>	<b>12,899,768</b>	<b>77%</b>	<b>2,924,576</b>

### 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 through second quarter 2016 totaled \$783,657. 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.

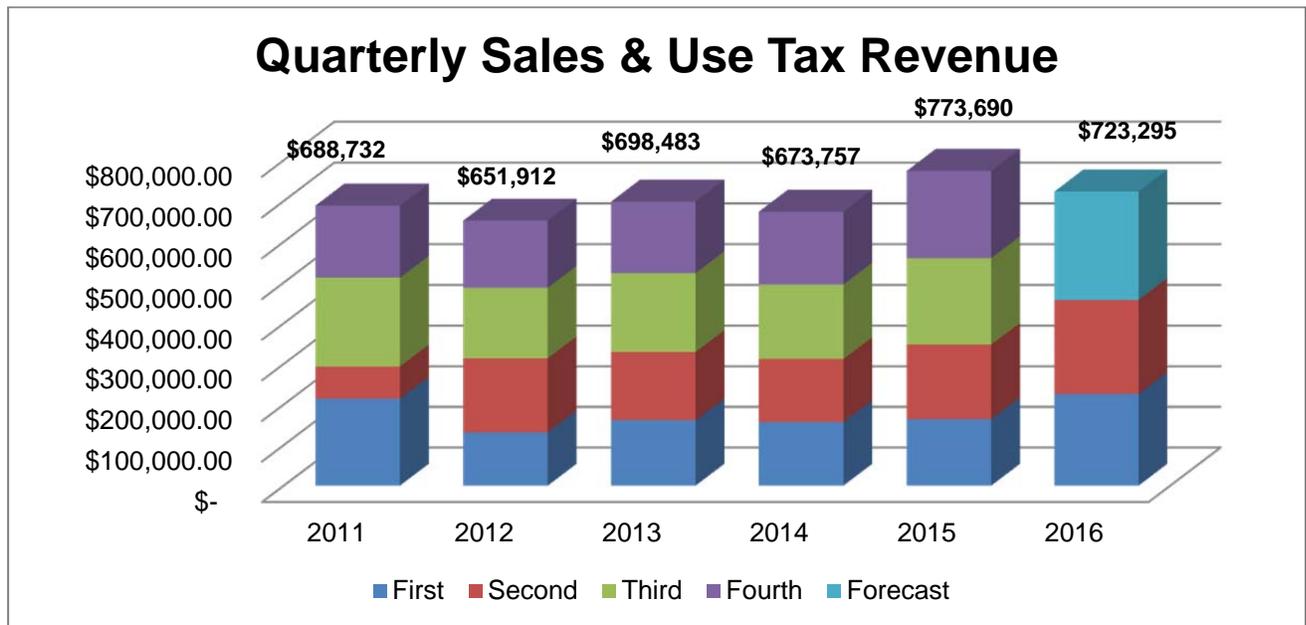
In 2016, sales tax revenue increased 32% compared to the prior year. All business sectors experienced growth except for manufacturing. West Richland has a heavy reliance on construction sales tax revenue, which is considered a one-time revenue source. Construction experienced a 77% increase compared to 2015 and consisted of 31% of the total sales tax revenue collected in 2016. Sales tax collections from retail experienced an 18% 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 June 30th and includes a breakdown by business sector.

Business Sector	Revenue (Jan - Jun)		% Change	% of Total	
	2016	2015		2016	2015
	Construction	\$140,278	\$79,350	77%	31%
Manufacturing	\$10,933	\$12,054	-9%	2%	3%
Wholesale Trade	\$34,320	\$26,436	30%	8%	8%
Retail	\$135,750	\$114,686	18%	30%	33%
Telecommunications & Other Information Services	\$30,314	\$28,457	7%	7%	8%
Finance, Insurance, Real Estate, Administrative Support Services, & Public Administration	\$55,461	\$44,971	23%	12%	13%
Accommodation and Food Services	\$26,557	\$21,803	22%	6%	6%
All Other Sectors	23,900.3	\$19,541	22%	5%	6%
<b>Total</b>	<b>\$457,514</b>	<b>\$347,298</b>	<b>32%</b>	<b>100%</b>	<b>100%</b>

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.

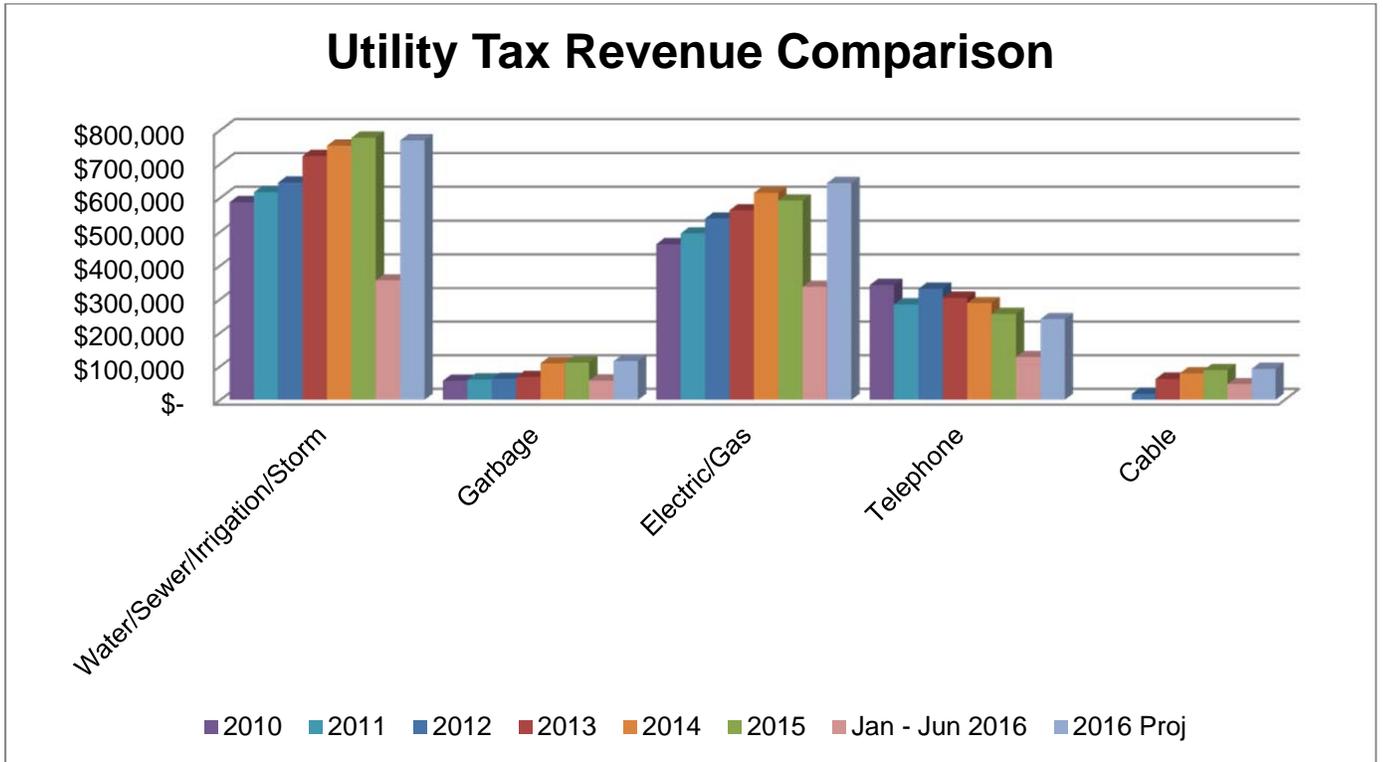
The chart below displays the quarterly retail sales and use tax collected since 2011.



**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 3% through second quarter 2016 compared to the 2013-2014 biennium.

Revenues collected from telephone utilities decreased 2% compared to 2015. Utility tax collections for electric increased 6% compared to the prior year.

The following table reflects utility tax revenue received for years 2010-2015 and January through June 2016.



### General Fund 001 Expenditures

Total General Fund expenditures were 63% of the 2015-2016 biennial budget. General Fund expenditures totaled \$8,677,486. This is a 13% 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.

- The Clerk coordinated implementation of MobileGuard for text message archiving.
- The Clerk installed Open Office on all police department laptops, and upgraded Autocad and Civil 3d for engineers.
- The Clerk assisted with planning and preparation of IT infrastructure at the future municipal services facility.

### **Finance Department**

- In second quarter 2016, the Finance Department assisted with providing information to the Library Blue Ribbon Committee to assist with finding a solution to the library funding challenge. The Finance Department also coordinated a town hall on library funding in June.
- The Department worked on filling 3 vacant department positions.
- Finance staff prepared and submitted the 2015 Annual Financial Report to the WA State Auditor's Office.
- 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.
- The Finance Department began preparation of the 2017-2018 budget.

### **Community Development**

- Community Development developed design standards for the Belmont property which were approved by Council.
- The Department has been working on updating the City's Comprehensive Plan including the transportation element.
- Community Development has been working on marketing the Belmont property.
- Staff has been working regionally on a way finding signage program.

### **Police Department**

- The Police Department is working with City Civil Service Commission and Public Safety Testing to test and review applicants for two vacant police officer positions.
- The Department has completed its second 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 2016 Citizens Academy began in April and was very successful with approximately 30 participants.

### **Public Works - Engineering Department**

- Coordinated and/or drafted and negotiated several inter-local agreements with agencies including:

- Benton County for Joint City/County Plan for Solid Waste Management per RCW 70.95.080;
- City of Richland for water and sewer service at the intersection of Kennedy and Keene and street lights on Van Giesen's Yakima River Bridge on Richland's portion;
- Richland School District on N. 62<sup>nd</sup> Ave Storm Water Retro-fit Project and on Paul Keith Wetland Pathway Project; and
- Benton County for S. 38<sup>th</sup> Ave/Mt. Adams View Drive Project.
- The Department drafted and negotiated a franchise agreement ordinance with PocketiNet for fiber services.
- Public Works coordinated Strategic Energy Management Funding Agreement with Benton REA regarding potential energy savings at the City's waste water treatment plant.

The following table shows the amended biennial budget and expenditures through June 30, 2016 and compares this information with 2013-2014 expenditures through June 30, 2014. The table also includes the General Fund ending fund balance on June 30, 2016.

## 001 General Fund Expenditures

General Fund 001	2015-2016 Biennial Budget					
Expenditure Category	01/01/2013 - 6/30/2014 Actual	01/01/2015 - 6/30/2016 YTD Actual	% Change from Prior Year	2015-2016 Amended Budget	2015-2016 % Expended	2015-2016 Remaining
Council	104,244	109,848	5%	148,646	74%	38,798
Mayor	18,584	22,702	22%	33,751	67%	11,049
City Clerk	173,098	192,845	11%	262,047	74%	69,202
Finance	808,612	1,000,273	24%	1,405,289	71%	405,016
Police	3,704,376	4,366,513	18%	6,545,044	67%	2,178,531
Community Development	1,111,924	1,001,428	-10%	1,635,013	61%	633,585
Public Works*	1,058,769	906,620	-14%	1,333,962	68%	427,342
Non-Departmental	403,459	651,270	61%	1,890,718	34%	1,239,448
Transfers Out	329,959	425,989	29%	425,989	100%	-
<b>Total Expenditures</b>	<b>7,713,025</b>	<b>8,677,486</b>	<b>13%</b>	<b>13,680,459</b>	<b>63%</b>	<b>5,002,973</b>
Ending Fund Balance 6/30/16	3,893,301					

\*Public Works includes Engineering Services, Polo Dewatering System, Fire Hydrant Maintenance, Senior Center and Parks

### 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 \$27,383,757 in the 2015-2016 biennium through second quarter 2016.

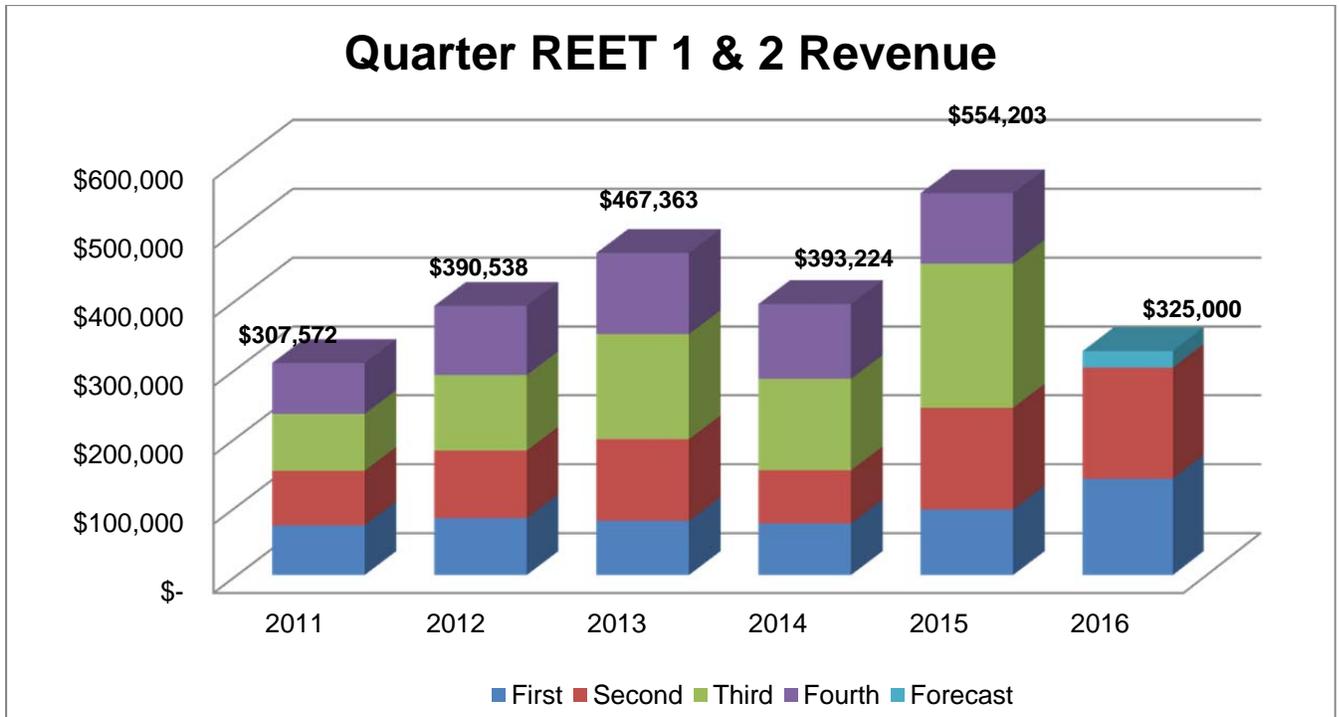
Of note are the following revenues through second quarter 2016 for other funds compared to 2015:

- The Street Fund's main operating revenue source is the **fuel tax** which increased 6% through second quarter 2016 compared to the prior year and was 74% of the projected revenue anticipated for the biennium. Collections totaled \$429,181 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 6% in 2016 compared to the prior year and collections totaled \$55,520 for 2016.
- Criminal Justice Tax Revenues
  - County-wide sales tax collections dedicated for **criminal justice** increased 9% in 2016 compared to 2015 and a total of \$133,946 was collected in 2016.
  - 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. In 2016, \$199,381 was collected from this sales tax.
- Total **Library** revenues were 69% of the biennial budget and increased 3.7% in second quarter compared to 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 second quarter increased 24% compared to 2015. The chart below demonstrates quarterly fluctuations in REET collections since 2011.

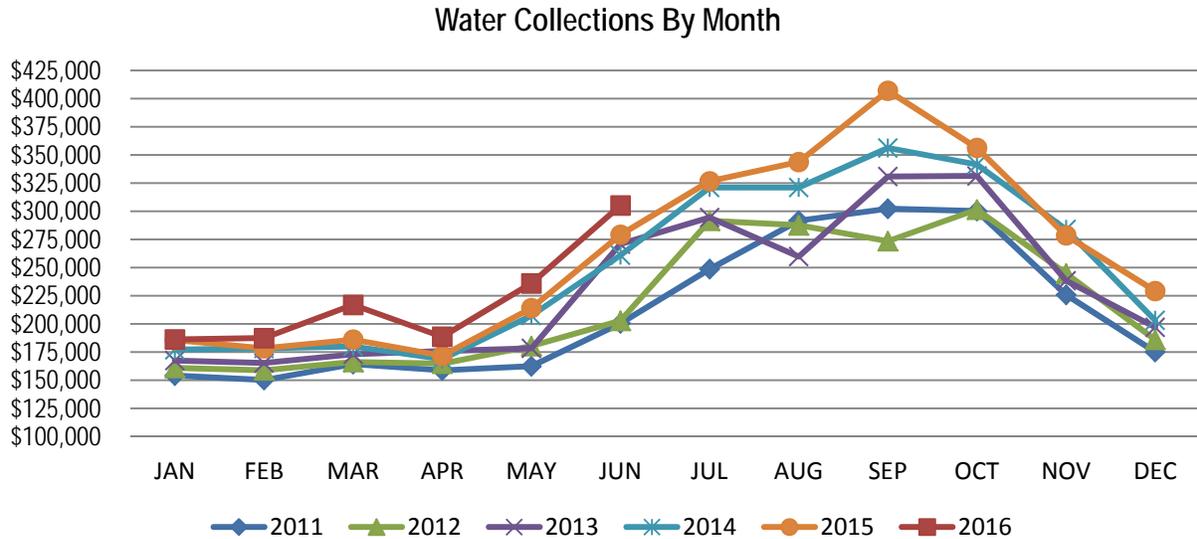


- Transportation impact fee revenues, in **Fund 355 Transportation Improvement Program**, totaled \$71,778 through second quarter 2016 and were 102% of the budget for the biennium. The City experienced an increase in TIP fees in 2015 with the construction of the new middle school at Keene and Belmont, as well as from the SSC North America Project and construction of the City’s Municipal Services Facility.

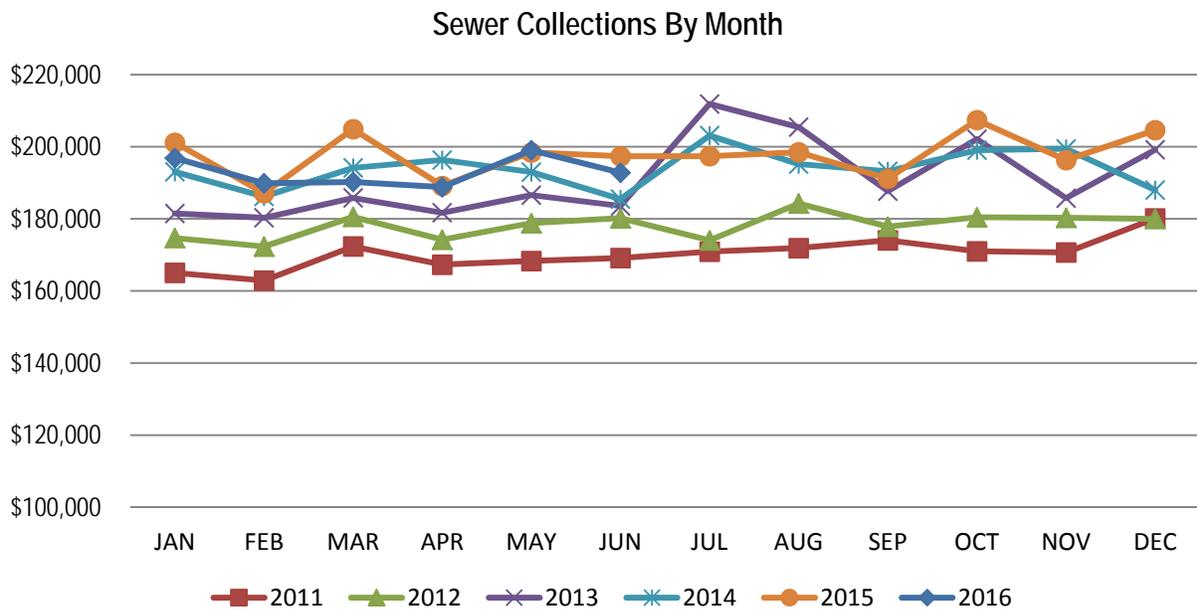
It is important to note, these funds are used for capital transportation projects. Collections may fluctuate based on the number of transportation mitigation agreements executed by City Council.

## Utilities

- **Water** collection revenue increased 10% through second quarter 2016 compared to 2015 and was 74% of the biennial budget. As of June 30, 2016, there were 4,621 water accounts billed (excludes city and hydrant rental accounts).

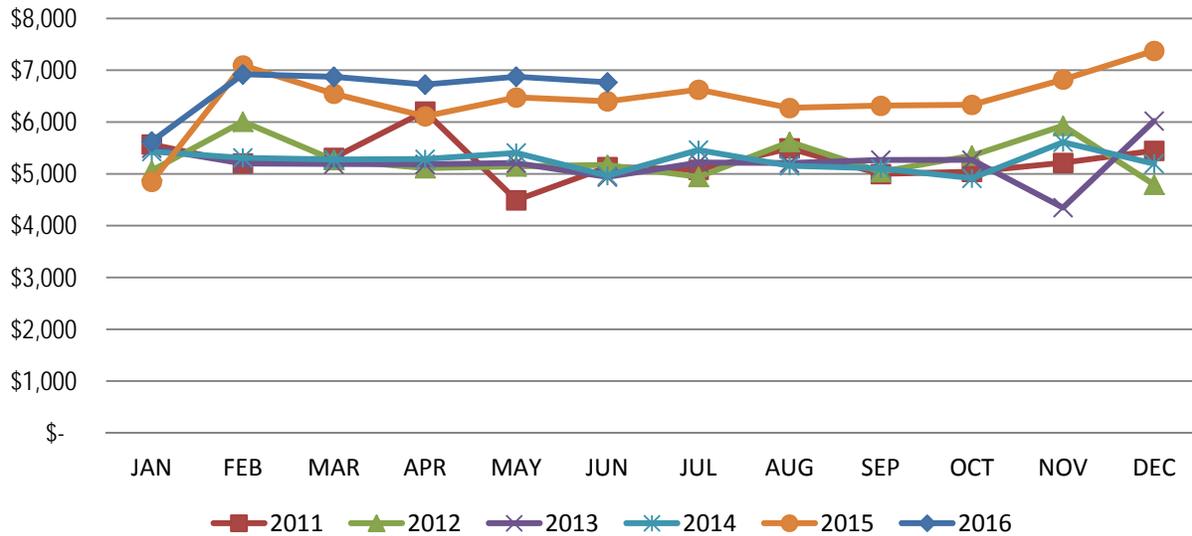


- Sewer** collection revenue, which is based primarily on a fixed rate structure, was 74% of the budgeted revenue for the biennium and decreased 2% compared to 2015. This decline is attributed to a reduction in the base sewer rate which became effective December 22, 2015.



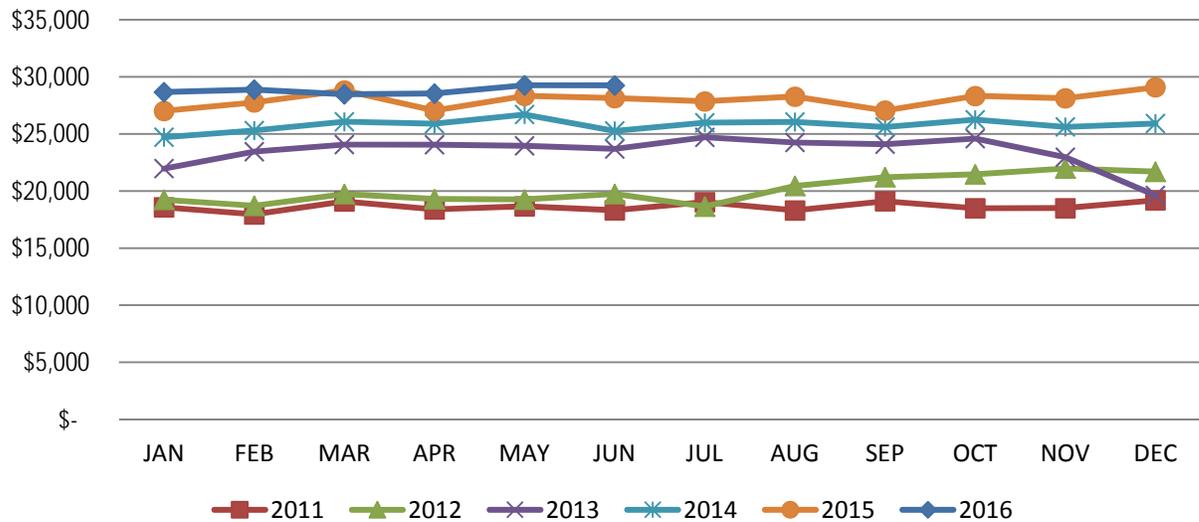
- Irrigation** revenue collections increased 8% compared to the prior year and were 71% of the biennial budget. This increase is attributed to a rate increase which went into effect December 22, 2015.

Irrigation Collections By Month

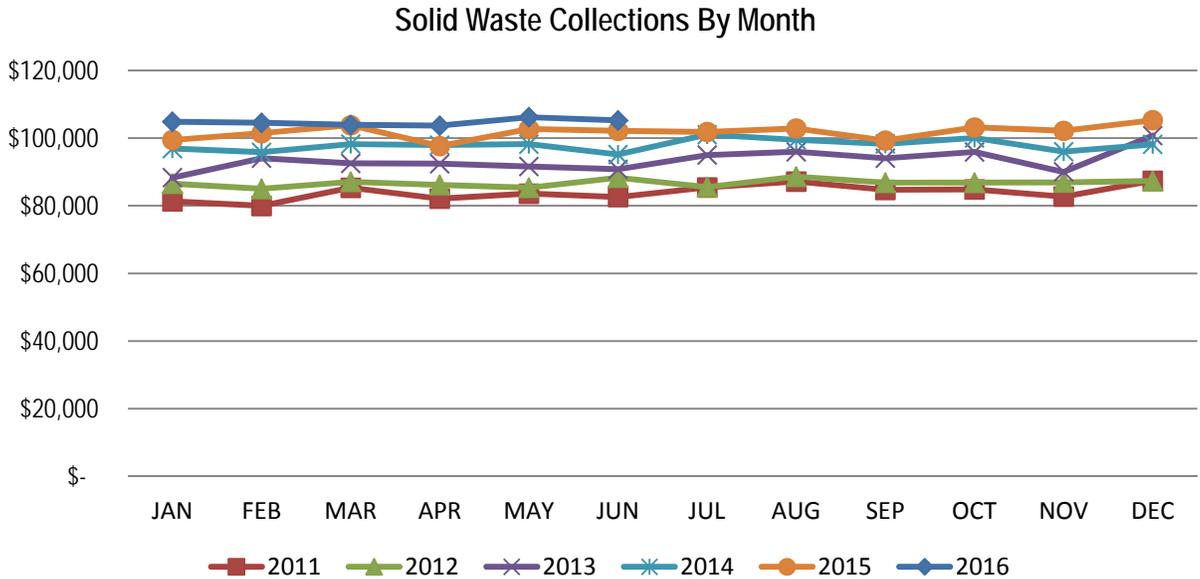


- **Stormwater** collections increased 4% in 2016 compared to 2015 and was 75% of the budgeted revenue for the biennium.

Stormwater Collections By Month



- **Solid waste** collections were 75% of the budgeted revenue for the biennium. Solid waste revenue increased 3% compared to the prior year.



- **Water system development** fee revenue collected through second quarter 2016 totaled \$145,465. Approximately 90% of the revenue budgeted for the 2015-2016 biennium has been collected.
- **Sewer system development** fee revenue collected through second 2016 totaled \$151,746. Approximately 83% 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 June 30, 2016 for other funds and compares this information with 2013-2014 actuals.