



# *Quarterly Financial Report*

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## **Third Quarter 2011**

November 1, 2011

### **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.

### **General Fund 001 Revenues**

The General Fund ended the third quarter of 2011 in reasonably good shape, with total actual revenues near the 75% budget threshold. Comparing total actual to total budgeted revenues through September 30th, the General Fund is 71% of budget in 2011 which is the same as 2010. Comparing 2011 with 2010, total revenues are down \$14,753 which can be attributed to a decline in traffic fine and penalty revenues. Traffic fine and penalty revenues have declined \$21,022 compared to 2010. Also, interest payments for the golf course are now receipted in the Cumulative Reserve as oppose to the General Fund.

Retail sales tax revenues have increased compared to revenues collected in 2010 through third quarter. This increase can be attributed to a major construction project. Factoring this project out of sales tax revenue collected, the City would have experienced a 2.3% decline compared to 2010. City staff are continuing to monitor retail sales and use tax reports closely to ensure businesses are properly coding sales tax.

Utility taxes, which apply to private and public utilities, were 72% of budget in 2011 compared to 74% of actuals in the prior year. Building permit revenues increased slightly over 2010 with a 4% increase, however, total permits issued has declined 7% when compared with 2010. Other building revenues, including zoning and plan checking fees remained flat when compared to 2010.

## New Construction Activity

	2010 Jan - Sept	2011 Jan - Sept	% Change
Single Family Permits	113	103	-8.85%
Commercial Permits	27	10	-62.96%
Other Permits	258	257	-0.39%
<b>Total Permits</b>	<b>398</b>	<b>370</b>	<b>-7.04%</b>
Permit Valuation	\$ 26,894,029	\$ 28,932,510	7.58%
Building Permit Fees	\$ 214,189	\$ 223,488	4.34%

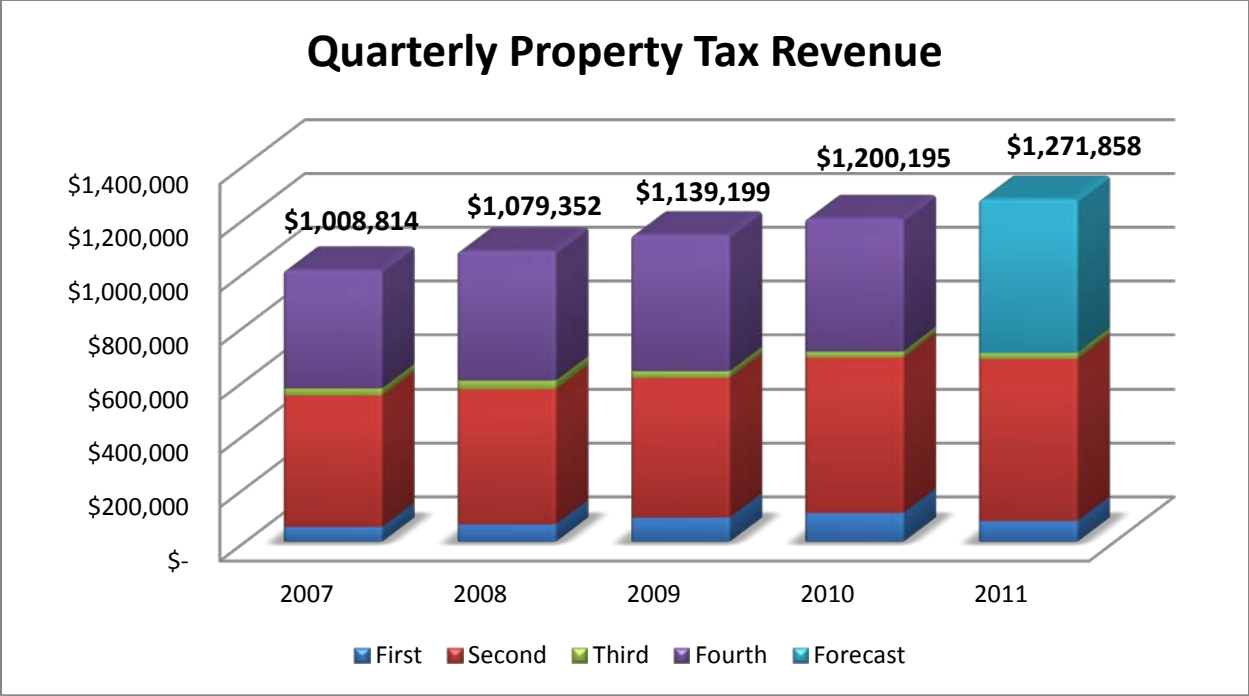
The following table shows the amended annual budget and actual revenues collected through September 30, 2011 and compares this information with actual revenues collected through September 30, 2010 and 2010 actuals for the year. The table also shows the percent of revenues utilized and the remaining uncollected balance through September 30, 2011.

General Fund 001	2011				2010		
	09/30/2011 YTD	Amended Budget	% Received	Remaining	09/30/2010 YTD	Actual	% Received
Property Tax	702,083	1,271,858	55%	569,775	706,557	1,200,195	59%
Sales Tax	511,828	616,701	83%	104,873	475,112	634,205	75%
Utility Taxes	1,111,702	1,535,706	72%	424,004	1,079,963	1,448,889	75%
Other Taxes	11,438	9,700	118%	(1,738)	7,982	10,836	74%
Building Permits	223,488	270,000	83%	46,512	214,189	267,276	80%
Other Licenses & Permits	46,622	49,550	94%	2,928	41,143	42,567	97%
Intergovernmental Revenue	198,838	256,506	78%	57,668	212,696	262,461	81%
Grants - Federal/State/Local	4,220	70,000	6%	65,780	30,871	79,569	39%
Charges for Services	290,206	261,900	111%	(28,306)	231,344	280,987	82%
Fines and Forfeitures	110,057	217,000	51%	106,943	131,106	167,210	78%
Miscellaneous Revenues	89,670	104,001	86%	14,331	70,271	90,668	78%
Other Revenues	22,888	10,000	229%	(12,888)	107,053	161,266	66%
<b>Total Revenues*</b>	<b>3,323,039</b>	<b>4,672,922</b>	<b>71%</b>	<b>1,349,883</b>	<b>3,308,286</b>	<b>4,646,128</b>	<b>71%</b>

\*Excludes charges for services for Solid Waste in 2010 for comparison purposes. Solid waste was moved from the General Fund to Solid Waste Fund 405 in 2011.

### General Fund Major Revenue Sources

Property Tax: Property tax revenues are typically received during the second and fourth quarters of the year. Through third quarter 2011, the City collected 55% of the property taxes projected. Total property tax collections through the third quarter of 2011 were \$702,083, which is 1% less than 2010 collections. The table below reflects quarterly property tax collections from 2007 to 2011.



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 8.3%. For every \$100.00 in applicable sales in West Richland, the consumer pays \$8.30. Of the \$8.30 in sales tax paid, the City receives approximately 85¢ and the remaining \$7.45 is distributed to the state and county.

Comparing 2010 with 2011 retail sales and use tax collections, four sectors increased over 2010 including Construction, Manufacturing, Retail, and Finance and Administrative Support. The City experienced a 12% decline in telecommunications and other services. The decline in Other Sectors is attributed to a company incorrectly coding use tax to the City of West Richland.

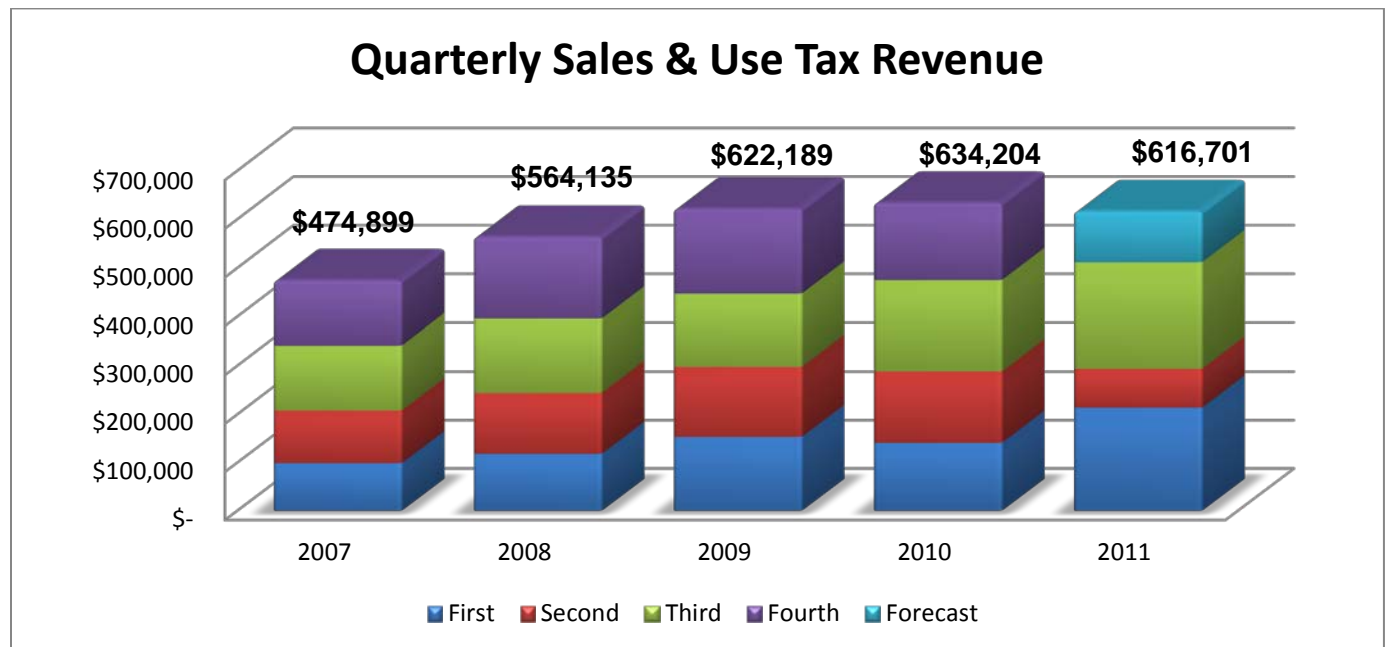
The City received notification from the Department of Revenue (DOR) in October that there was an error on the July 2011 distribution. According to the DOR, a system error resulted in duplicate records that caused the July 2011 distributions to local governments to be overpaid. To correct this overpayment, the DOR will make adjustments to the City’s November 2011 distribution. The adjustment reduces City sales tax revenue in the amount of \$3,064 and also reduces local criminal justice revenue by \$966.

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 2010 with 2011 retail sales and use tax revenue for through third quarter and includes a breakdown by business sector.

Business Sector	Revenue (Jan to Sept)		% Change	% of Total	
	2011	2010		2011	2010
Construction	179,218	117,261	53%	35%	25%
Manufacturing	21,402	16,244	32%	4%	3%
Wholesale Trade	26,280	26,361	0%	5%	6%
Retail	143,560	128,558	12%	28%	27%
Telecommunications & Other Information Services	33,800	38,501	-12%	7%	8%
Finance, Insurance, Real Estate & Administrative Support Services	23,272	20,526	13%	5%	4%
Accommodation and Food Services	30,853	34,615	-11%	6%	7%
All Other Sectors	56,727	92,973	-39%	11%	20%
<b>Total:</b>	<b>515,113</b>	<b>475,039</b>	<b>8%</b>	<b>100%</b>	<b>100%</b>

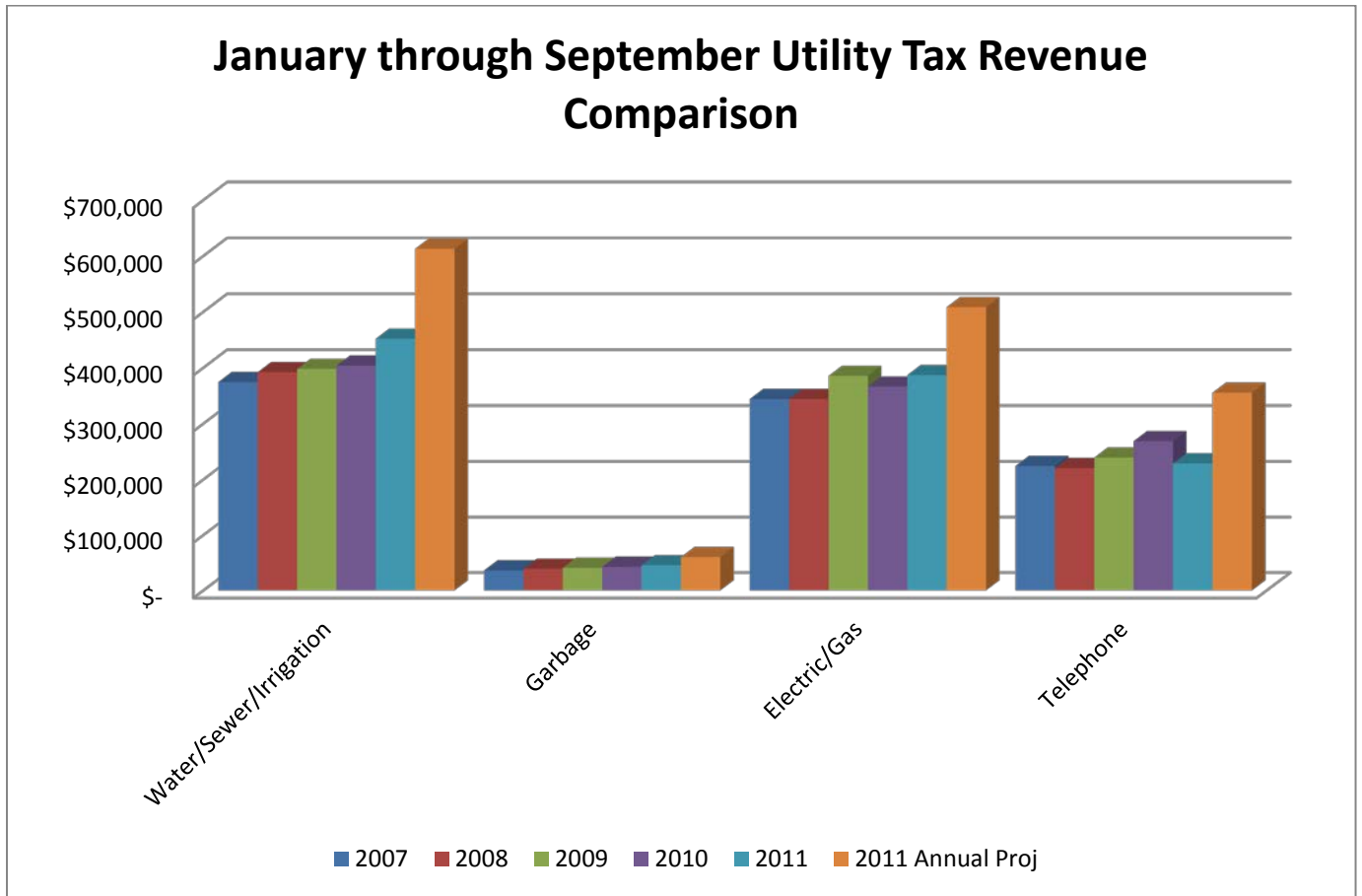
Note: Totals for the quarter listed by sector may slightly differ from the retail sales tax revenue actually received due to adjustments made by the DOR between the time the detailed sales tax reports are received by the City and when the revenue is actually received.

The chart below displays the quarterly retail sales and use tax collected since 2007.



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 and garbage collection services in the City. Total utility revenues remained fairly flat in 2011 when compared to 2010. Revenues collected from telephone utilities declined 15% in 2011 compared to 2010 through third quarter.

The following table reflects utility tax revenue received for the months of January through September from 2007 to 2011 and includes the 2011 annual projections.



## General Fund 001 Expenditures

Departments are prudently managing their budgets. Total General Fund expenditures are 4% below the 75% budget threshold. General Fund expenditures totaled \$3,409,050. Under **Council**, voter registration charges have increased slightly over last year and the City Council amended the 2011 budget to appropriate funds for a community survey. District court expenses under **Police** declined 18% through third quarter 2011 compared to 2010. Total jail costs have increased 11% compared to 2010, but remains within the 75% budget threshold.

The following table shows budgeted and actual expenditures through September 30, 2010 and 2011.

General Fund 001 Expenditure Category	2011				2010		
	9/30/2011 YTD	Amended Budget	% Expended	Remaining	9/30/2010 YTD	Actual	% Expended
Council	62,018	78,100	79%	16,082	45,408	55,066	82%
Mayor	8,871	14,780	60%	5,909	12,563	22,476	56%
Administrative	175,844	236,307	74%	60,463	184,116	249,198	74%
City Clerk	104,960	145,222	72%	40,262	107,361	146,065	74%
Finance	268,908	347,147	77%	78,240	241,946	336,446	72%
Police	1,720,858	2,480,009	69%	759,151	1,850,922	2,509,498	74%
Planning/Community Dev	420,799	551,149	76%	130,350	434,584	572,946	76%
Economic Dev	188,643	282,556	67%	93,913	127,750	242,244	53%
Engineering Services/Polo Dewatering System/Parks	408,150	584,315	70%	176,165	356,878	479,315	74%
Transfers Out	50,000	50,000	100%	-	-	-	-
<b>Total Expenditures*</b>	<b>3,409,050</b>	<b>4,769,585</b>	<b>71%</b>	<b>1,360,535</b>	<b>3,361,527</b>	<b>4,613,254</b>	<b>73%</b>

\*Excludes services for Solid Waste for comparison purposes. Solid waste was moved from the General Fund to Fund 405 in 2011.

## Other Fund Revenues

Other funds include Special Revenue Funds, Capital Funds, and Enterprise Funds. Other fund revenues totaled \$7,005,774 through third quarter 2011. The Street Fund's main revenue source, **fuel tax**, declined 2% in 2011 compared to 2010 and was 71% of the budgeted revenue anticipated for the year. 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.

**Golf interest and principal payments** are now receipted in the Cumulative Reserve. A transfer was also made to the Cumulative Reserve in the amount of \$50,000 from the General Fund which was approved during the passage of the 2011 budget as a set aside for a future City Administrator position.

**Park impact** fee collections have increased over the same period last year. Collections totaled \$134,196. County-wide sales tax collections dedicated for **criminal justice** purposes totaled \$165,719, increasing 13% over last year and are right in line with budget. The City received interlocal funds from City of Richland in the amount of \$254,000 for the **Van Giesen Redevelopment** in Capital Projects Fund 374.

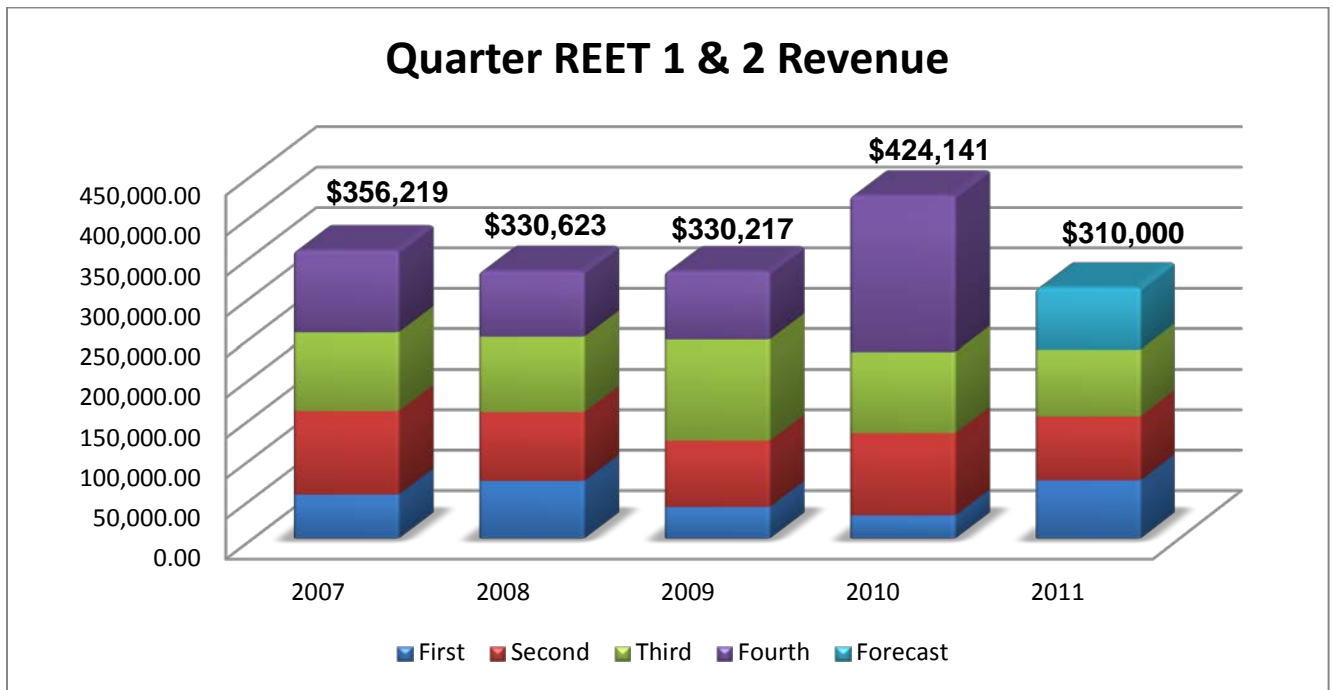
**Charges for services** are driven by monthly utility billings. **Water** revenue is at 73% of budget, which is a slightly higher than in 2010 at 70% of budget. **Sewer** revenue, which is based primarily on a fixed rate structure and usually flows in a more linear fashion, is at 74% of budget through third quarter. **Irrigation** revenue is 78% of budget which is comparable to 2010 and **storm water** revenue is 77% of budget in 2011. Through 2011, \$752,098 has been collected for **solid waste**, which is 79% of budget. **Water system development** fee revenue has declined 6% compared with third quarter 2010. **Sewer system development** fee revenues have also declined 6% compared to 2010.

Revenues by Fund		2011				2010		
Fund	Description	9/30/2011 YTD	Amended Budget	% Received	Remaining	9/30/2010 YTD	Actual	% Received
101	Street	253,165	314,594	80%	61,429	232,003	312,817	74%
103	General Cumulative Reserve	156,735	180,400	87%	23,665	15,050	5,029	299%
104	Park Impact	145,523	113,800	128%	(31,723)	109,080	132,013	83%
105	Criminal Justice	178,888	213,178	84%	34,290	166,429	222,641	75%
121	Library Services	265,661	351,200	76%	85,539	273,589	347,833	79%
133	Real Estate Cons/Mngmt	116	20,000	1%	19,884	198	181	110%
301	Cap Imp - REET 1	118,725	156,500	76%	37,775	116,296	213,696	54%
302	Cap Imp - REET 2	124,124	163,000	76%	38,876	121,113	221,469	55%
320	Cap Imp - CERB/Shelby	-	1,421,962	0%	1,421,962	-	-	
355	Cap Imp - Transportation Imp Prog	94,843	61,000	155%	(33,843)	196,535	222,983	88%
360	Cap Imp - Streets	-	-		-	144	182	79%
373	Cap Imp - Paradise Way Ph 3	45,037	45,000	100%	(37)	265,010	265,114	100%
374	Cap Imp - Van Giesen Redev Ph 1	280,179	279,000	100%	(1,179)	-	-	
401	Water/Sewer Operating	3,613,997	5,586,299	65%	1,972,302	3,411,848	4,868,385	70%
402	Irrigation Utility	48,913	60,574	81%	11,661	48,947	65,396	75%
404	Storm Water Utility	171,513	221,514	77%	50,001	211,219	369,726	57%
405	Solid Waste Utility	752,518	950,000	79%	197,482	-	-	
441	Water System Development	443,429	1,377,800	32%	934,371	334,327	397,854	84%
442	Sewer System Development	296,963	3,969,000	7%	3,672,037	350,638	469,505	75%
451	Water Line Development	8,517	15,900	54%	7,383	5,725	5,875	97%
452	Sewer Line Development	5,536	10,400	53%	4,864	522	804	65%
483	Cap Imp - NWTP Expansion Const	1,392	-		(1,392)	2,064	3,082	67%
	<b>Total Revenues</b>	<b>7,005,774</b>	<b>15,511,121</b>	<b>45%</b>	<b>8,505,347</b>	<b>5,860,737</b>	<b>8,124,584</b>	<b>72%</b>

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 capital projects.

REET collections through third quarter have remained flat compared to 2010. The chart below demonstrates quarterly fluctuations in REET collections since 2007.



### Other Fund Expenditures

Other fund expenditures typically followed historic spending patterns. Operational expenditures for Street, Criminal Justice, and Utility Funds compared favorably to budget. Water and Sewer utility operations were at 66% of budget.

Expenditures by Fund		2011				2010		
Fund	Description	9/30/2011 YTD	Amended Budget	% Expended	Remaining	9/30/2010 YTD	Actual	% Expended
101	Street	215,655	314,594	69%	98,939	159,294	272,880	58%
103	General Cumulative Reserve	65,356	67,500	97%	2,144	31,368	31,368	100%
104	Park Impact	37,219	321,250	12%	284,031	83,059	84,540	98%
105	Criminal Justice	129,204	254,554	51%	125,350	119,014	162,940	73%
121	Library Services	247,622	350,223	71%	102,601	265,234	322,900	82%
133	Real Estate Cons/Mngmt	19,692	20,000	98%	308	-	-	
301	Cap Imp - REET 1	106,707	124,420	86%	17,713	106,837	124,488	86%
302	Cap Imp - REET 2	323,749	466,800	69%	143,051	56,226	58,585	96%
320	Cap Imp - CERB/Shelby	-	1,421,962	0%	1,421,962	-	-	
355	Cap Imp - Transportation Imp Program	113,346	128,000	89%	14,654	255,058	256,032	100%
360	Cap Imp - Streets	-	-		-	15,678	15,678	100%
373	Cap Imp - Paradise Way Ph 3	78,272	82,000	95%	3,728	6,789	227,793	3%
374	Cap Imp - Van Giesen Redev Ph 1	5,075	279,000	2%	273,925	-	-	
401	Water/Sewer Operating	3,610,726	5,464,754	66%	1,854,028	3,478,132	4,607,495	75%
402	Irrigation Utility	37,707	63,125	60%	25,418	28,242	36,280	78%
404	Storm Water Utility	140,775	221,514	64%	80,739	287,971	322,440	89%
405	Solid Waste Utility	691,753	950,000	73%	258,247	-	-	
441	Water System Development	85,144	1,227,620	7%	1,142,476	19,800	161,322	12%
442	Sewer System Development	32,833	4,161,303	1%	4,128,470	5,309	136,329	4%
451	Water Line Development	4,971	31,478	16%	26,507	114	9,093	1%
452	Sewer Line Development	90	59,345	0%	59,255	-	-	
483	Cap Imp - NWTP Expansion Const	110,706	200,000	55%	89,294	25,262	33,157	76%
	<b>Total Expenditures</b>	<b>6,056,600</b>	<b>16,209,442</b>	<b>37%</b>	<b>10,152,842</b>	<b>4,943,388</b>	<b>6,863,320</b>	<b>72%</b>