

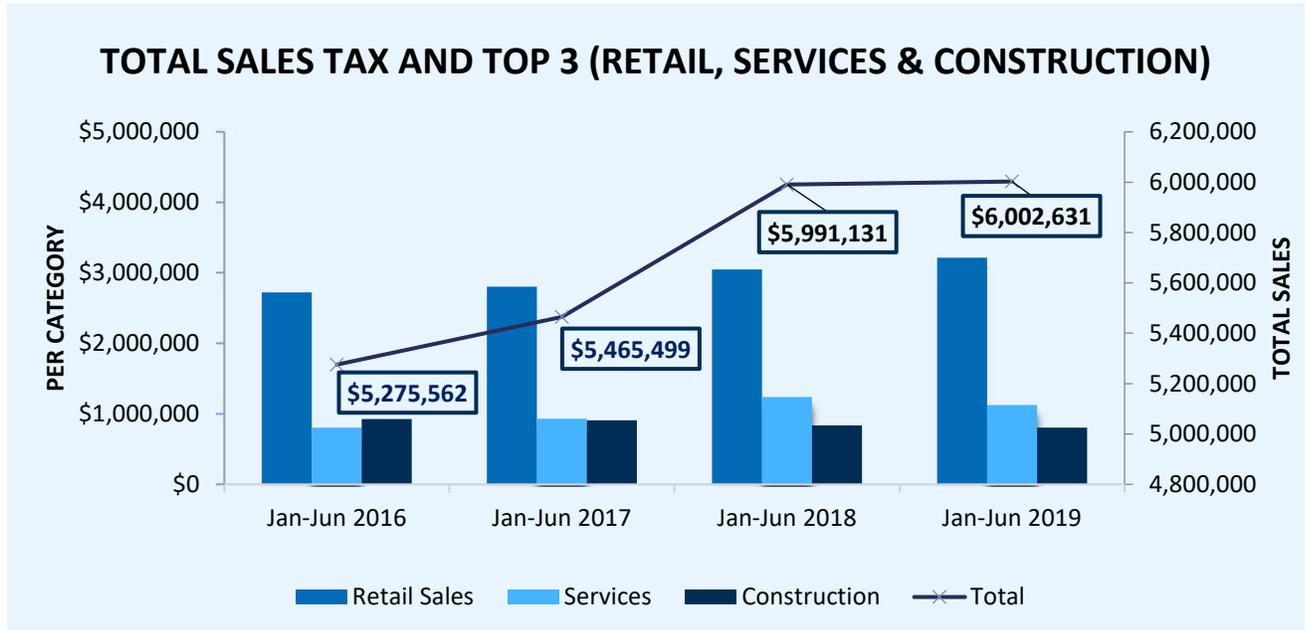
2019

FINANCIAL REVIEW

Presented by: Administrative Services Department
September 3, 2019



Sales Tax Activity



Through June 2019, sales tax revenue collected was \$6,002,631, which is very close to this same time in 2018. The bulk of the sales tax revenue comes from the top three (3) categories, Retail, Services and Construction, equaling 86% of the total sales tax revenue received. Although an increase in retail sales of 5.6% or \$170,002 was realized in 2019, it was offset with decreases in services and construction sales. Decreases in services were 9.2% or \$114,044 and construction sales decreased by 3.7% or \$31,213. Surprisingly construction is holding steady in 2019, even though we experienced severe weather in the months of February and March.

Listed below is a comparison of all nine sales tax categories that were collected through June 2018 and 2019.

CATEGORY	Jan-Jun 2019	Jan-Jun 2018	% 2019 vs. 2018
Retail Sales	3,216,384	3,046,381	5.6%
Services	1,125,845	1,239,889	-9.2%
Contracting	804,507	835,720	-3.7%
Manufacturing	129,553	103,736	24.9%
Trans/Comm/Utilities	176,331	200,303	-12.0%
Government	464	104,894	-99.6%
Wholesale	379,765	391,227	-2.9%
Finance/Insr/Real Estate	46,650	47,502	-1.8%
Other Business	123,132	21,479	473.3%
Total	\$ 6,002,631	\$ 5,991,131	0.2%

Note: Government sales were reclassified as Other Business in 2019 therefore causing an overall decrease for the year, whereas Other Business has a significant increase due to the reclassification.

General Fund Largest Tax Sources "Big 3"



General Fund Tax Sources

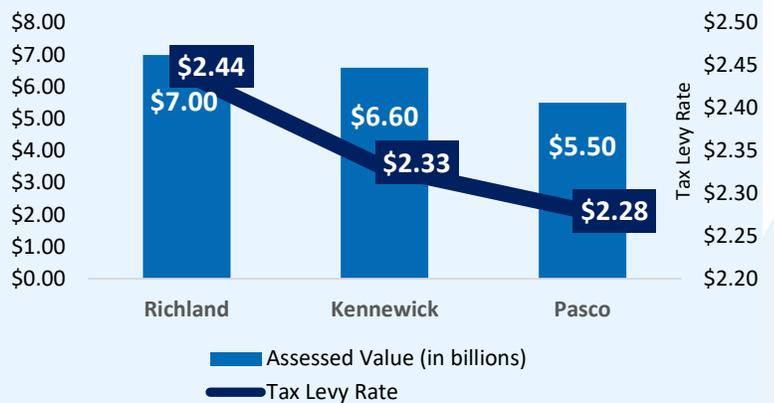
Through June 2019, Property, Sales and Utility Occupation Taxes increased 5.8%, .2% and 9.7% respectively, as compared to the same period last year. The increase in Utility Occupation Taxes is likely attributable to the significant winter weather that the region experienced in February 2019.

Property Tax Levy Rate & Assessed Value – Comparisons

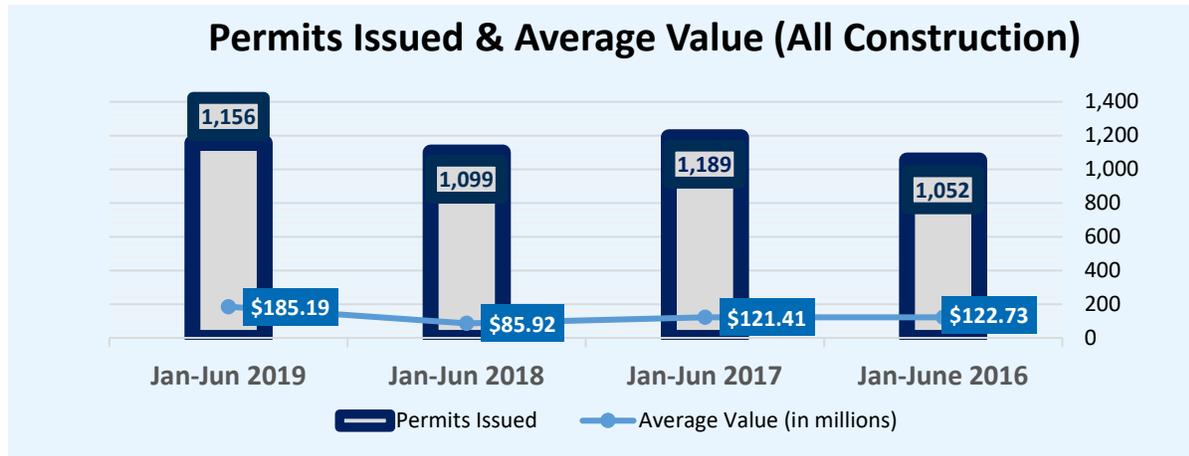
The chart to the right shows a comparison of property tax levy rates and assessed values for the three cities. Richland's assessed value has reached almost \$7 billion with a population of 56,850.

The non-voted property tax levy rate in Richland is well below the maximum of \$3.60 per thousand. In addition, we have more than \$1.5 million in banked capacity because the 1% property tax increase has been banked every year since 2009.

2019 Property Tax Levy Rate & Assessed Value - Richland, Kennewick, Pasco



Business & Construction Activity



Overall, new commercial construction is up \$15 million for 2019, while all construction is up \$59 million when compared to the same period in 2018. Richland also continues to see steady growth in the single-family construction category.

Preferred Freezer Expansion

Economic development in the Horn Rapids/LRF area continues to be strong for 2019. Although many projects are currently underway in this area, arguably the most noticeable in sheer size is the Preferred Freezer expansion project. Preferred Freezer was founded in Richland in July of 2015 but local agricultural business growth and storage demand prompted the \$35 million expansion. The expansion will add 204,000 square feet, which equates to 15.8 million cubic feet of extra cold storage, as well as 75 new jobs to the area.



Public Safety Sales Tax

The Public Safety Sales Tax (PSST) continues to provide our community with additional safety and security by funding six additional Police Officers, one Police Lieutenant and three and one-half support staff in the Police Department. In 2019, \$10,000 in funding went to parks and neighborhood safety projects and \$110,000 in funding in being used for the iLeads replacement project.

Funding also supports the new Fire Data Analyst who works to identify data systems and information sources that facilitate the analysis of emergency responses, organizational needs, city processes and functions, and risk related community patterns and trends. This analysis of prior, current, and projected data serves as a key component to enhancing system critical decision-making processes, and improving resource utilization and asset deployment planning. In addition, the data analyst builds system, organizational, and risk reduction evaluation tools that help position the organization to establish and implement continuous improvement measurement and reporting strategies. Coupled with the analysis and decision-making resources produced, the data analyst works with many multi-disciplinary teams within the fire department, city, community, region, and state to improve how data is utilized to protect and enhance the quality of life for the members of our community.



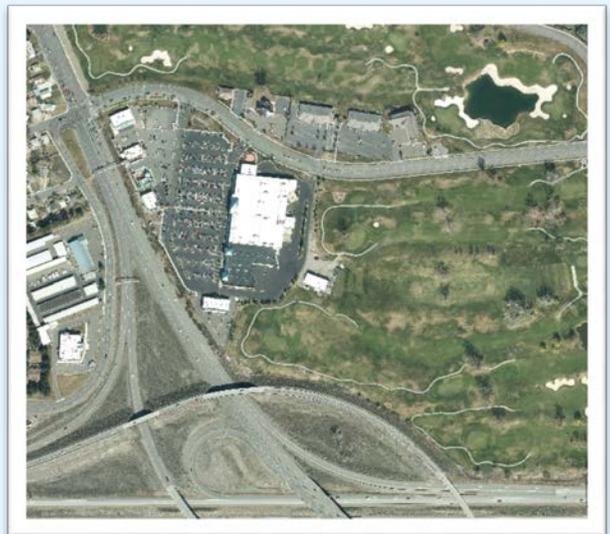
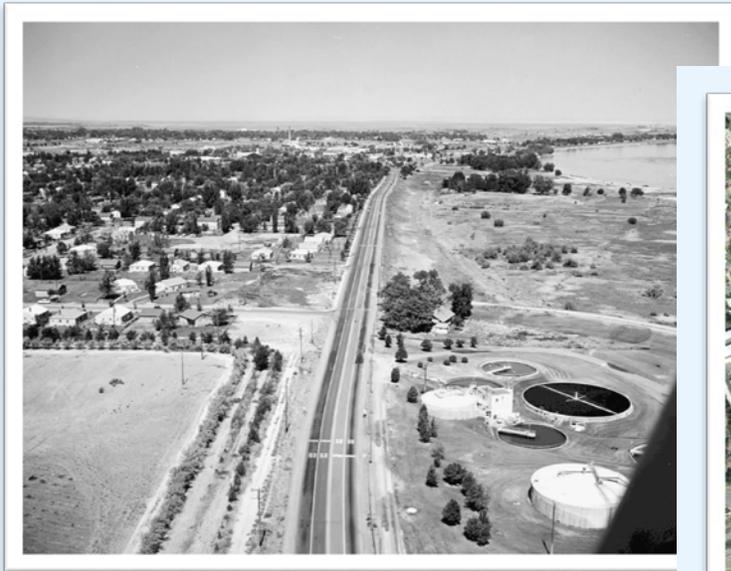
The Fire Department also hired a Fire Logistics Technician position utilizing PSST funds. The technician maintains the inventory of uniforms, supplies and equipment, ordering and distribution of fire suppression/EMS equipment and coordinates vehicle maintenance and repair. Overall, the greatest benefit from these positions comes from their ability to identify outdated or inefficient business practices and helping the department to evolve into more modern and effective processes, which in turn allows savings to be reallocated to higher priorities.

Columbia Point Golf Club

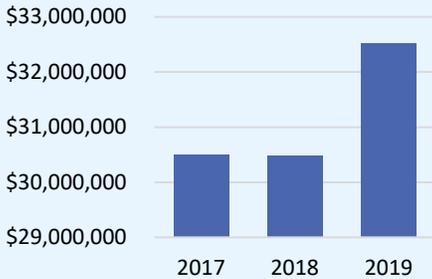
Established between 1963 and 1967, the Columbia Point Golf Club has a rich history in the Richland community and has shared many names such as Richland Point, River Point and the original name being Sham-Na Pum. The flood control Act of 1945 controlled the fluctuating waters of the Columbia River, which allowed for the development of the 18-hole golf course and thereafter, in 1984, the construction of the I-182 corridor with a series of bridges and interchange improvements in Richland. In addition, the sewage treatment plant was removed from the southern entrance of the city in the early 90's, prompting the redevelopment of this area now called Columbia Point. In addition, a revenue bond was taken in 1996 for \$7 million to fund golf course changes and a new clubhouse.

Fast forward to today, in 2019, the mild January weather helped the Golf Course get off to a productive start but heavy snowfall forced the closure of the course from February 4th through March 20th. This closure occurred during a critical time for spring revenue production. During this time, there were 2,050 less rounds of golf than this same period in 2018.

Although the year started slowly, efforts to increase revenues and lower expenses were implemented by delaying several purchases previously budgeted, which included a new cart fleet and maintenance equipment. Overall, because of these cost saving measures, the Golf Course is close to attaining the budgeted net income from operations.



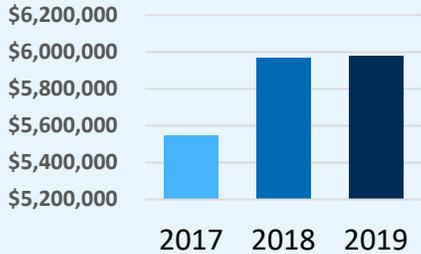
Electric Utility Revenue Comparisons January - June



Electric Utility

As part of a forward rate planning program using a cost of service analysis model, Energy Services implemented an 8% rate increase effective June 1, 2019. The rate increase is due primarily to higher wholesale power costs, which is the most significant operating expense comprising over 60% of expenses. Wholesale power is purchased from Bonneville Power Administration (BPA), which will be implementing a rate increase effective October 1, 2019. To help offset some of those expenses, a portion of our wholesale power will come from a non-federal power marketer at a less expensive rate compared to BPA. New infrastructure installations and replacement of aged infrastructure also causes rate pressures. These infrastructure investments provide safe and reliable electrical service for a growing demand. Electric rates for Richland customers remain competitive in the region.

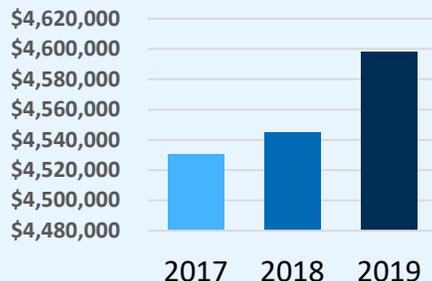
Water Utility Revenue Comparisons January - June



Water Utility

Water revenues remain relatively flat with an overall increase of 0.7% through June when compared to 2018. While revenues increased slightly, consumption decreased. The decrease in consumption is likely due to the milder, cooler summer we are experiencing this year when compared to previous years. Water rates were reviewed in late 2016 to determine whether an increase in rates was needed. No increases are planned for 2019 and the 2020 budget does not anticipate an increase in water rates.

Wastewater Utility Revenue Comparisons January - June

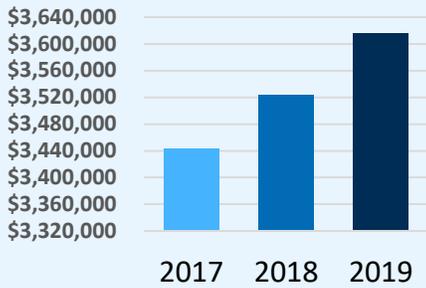


Wastewater Utility

Wastewater revenues increased 1.1% when compared to the same time period in 2018. A rate review was conducted for the Wastewater utility in December 2016, which determined that current rates and reserves were adequate to fund the operations of the utility in 2019 and 2020.



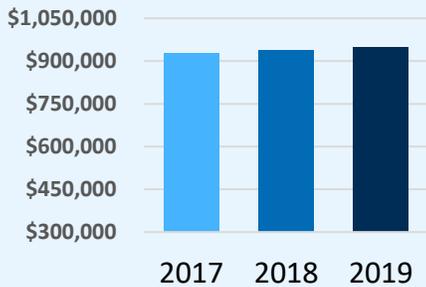
Solid Waste Utility Revenue Comparisons January - June



Solid Waste Utility

Solid Waste collection revenues through June have increased 2.6% when compared to the same time period in 2018. Residential collections increased an overall 2.4% while commercial collections increased 2.9%. Solid Waste implemented a rate increase in January 2019 for all recycling customers, resulting in an increase of 19.3% for residential recycling and an increase of 11.9% for commercial recycling. Landfill self-haul revenue has seen continued growth and is up approximately 11.9%. The City's compost wholesales saw a large decline of 49.4%, while commercial green waste delivered to the landfill has experienced a 4.8% increase. Finally, drop box related revenues have increased 18.2%, which fluctuates with construction activity.

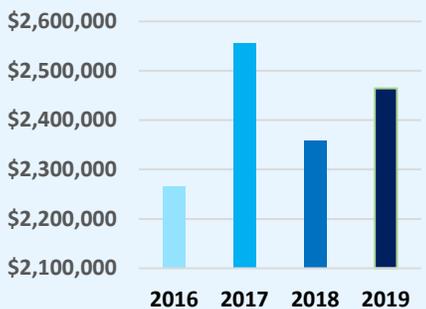
Stormwater Utility Revenue Comparisons January - June



Stormwater Utility

Stormwater revenues increased 1.2% when compared to June 2018. Residential revenue grew by 2.2% while commercial stayed relatively flat with a 0.4% increase. Revenues billed through June are right on target with the projected budget. A rate review for the Stormwater utility was concluded in April 2016, which determined that current rates were adequate to fund the operations of the utility in 2019 and 2020.

Ambulance Utility Revenue Comparisons January - June



Ambulance Utility

Ambulance revenue increased 5% through June 2019 as compared to the same period in 2018. The City also applied for the Ground Emergency Medical Transportation Program (GEMT) revenues, which helps us recover funds that were disallowed under Medicaid. These funds help us offset the cost of services that are not being recouped otherwise.