



Financial Briefing

Highlights

- Sales tax receipts up 9.6% compared to the same period last year.
- City receives first increase in gas tax.
- Contract awarded for construction of Fire Station #5.
- Health insurance rate increases slightly less than anticipated for 2016.

Revenue Update

Sales Tax received in September (for sales made in July) totaled \$1,803,673, which is 29% more than the City received in September of 2014. Results for September were influenced significantly by the final distribution received by the City for sales tax generated by the construction of the new Trios M.O.B in Southridge, which opened in July. Additionally, the City received a large amount of back taxes in September owed by a retailer after the conclusion of a Department of Revenue audit. However, even if these items

were backed out of September results, the City would have still experienced an increase of almost 11% for the month. Year-to-date, the City has received \$12,665,367 in sales tax, which is 9.6% more than this same time period in 2014.

In September, the City received its first increase in **motor vehicle fuel tax (gas tax)** resulting from the new state transportation package that was approved during the 2015 legislative session. The package included an overall increase of 11.9¢ to the gas tax over the next two years

with the first increase in August of 2015 and the second in July of 2016. In addition to funding a number of projects statewide, the transportation package also directed a portion of the new gas tax revenue to be allocated directly to cities and counties. This new revenue source is estimated to generate approximately \$150,000 during the 2015/2016 biennium for the City of Kennewick. Gas tax revenues are receipted into the City's Street Fund and help to fund the City's street maintenance and traffic programs.

Expenditure Update

At its September 15, 2015 meeting, the Kennewick City Council awarded a \$3.5 million contract to Meridian Construction for the construction of a 12,556 square foot **fire and emergency medical response building (fire station # 5)** located at 10th and Kellogg, which will have the capacity to house a combination of six Firefighter/EMT's or Firefighter/Paramedics along with up to four fire/emergency medical response apparatus. The City received very favorable bid results after a competitive bid process consisting of 9 bids. Funding for the construction of the station will be provided from the proceeds of a bond issue completed by the City in May of this year. Proceeds from this bond issue will also be used to equip the station and

pay for the acquisition and preparation of the station site for construction.

Health Care Costs constitute a significant portion of the City's overall benefit costs, making up over 50% of the City's benefit expenditures. The Association of Washington Cities (AWC) Employee Benefits Trust recently notified its members of premium rates for 2016 for its Regence/Asuris and Group Health medical plans. Rates for the Regence/Asuris HealthFirst plan will be increasing by 3.1%, which is slightly lower than initial projections provided by the Trust earlier in the year and is also lower than the assumptions utilized when the City's 2015/2016 biennial budget was developed. Rates for AWC's HealthFirst

250 plan will be increasing by 2.5%. The City's non-contract employees will be moving to the HealthFirst 250 plan in 2016 due to the fact that AWC will be discontinuing the HealthFirst plan in 2018 in an effort to avoid the "Cadillac Tax" provision of the federal Affordable Care Act (ACA). And finally, premium rates for AWC's Group Health plans will be increasing by 9.5% in 2016. Although lower than anticipated, these rate increases will add approximately \$195,000 to the City's medical insurance costs for 2016. Fortunately, the City continues to benefit from the hard work of our Wellness Committee and city employees to maintain our designation as a WellCity, which results in a 2% reduction to premium rates and saves the City approximately \$130,000 per year.