



CITY OF KENNEWICK

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Financial Briefing

HIGHLIGHTS

- Sales tax receipts for 2015 9% higher than 2014.
- Electric utility tax revenues decline in 2015.
- 2016 Workers' Compensation rates increase by 2% on average for various job classifications.
- State Auditor's Office issues clean opinion for City's 2014 accountability audit.

Revenue Update

Sales Tax received in December (for taxable sales activity from October) totaled \$1,358,035, which is 8.2% more than the City received in December of 2014. For the year, the City received \$16,849,028 in sales tax, which is 9% more than the amount the City received in 2014. The comparison of annual results for 2015 to those of 2014 is also skewed by the one-time sales tax generated from the construction of the new Trios Health facility (hospital) in 2014. Without the sales tax from this project influencing the comparison, the increase in sales tax received by the City in 2015 would have

been closer to 11%. Due primarily to low unemployment levels in the area and continued economic development and growth in the region, a majority of the City's top 50 taxpayers experienced increases in taxable retail sales activity in 2015.

Electric Utility Tax is the City's largest source of utility tax, with an adopted budget of approximately \$10.6 million for the 2015/2016 biennium. At the time the 2015/2016 biennial budget was prepared, projections for electric utility tax reflected anticipated rate increases of 5% by the Benton Public

Utility District (PUD) in both April of 2015 and 2016, and 1% growth in revenue each year resulting from increased consumption from existing and/or new PUD customers. Unfortunately, electric utility tax received by the City in 2015 actually declined by approximately 2%, primarily due to very mild weather conditions during the first 4 months of the year that reduced consumption for this period. Additionally, the PUD implemented only a 3.9% rate increase during 2015, which became effective in September, rather than April.

Expenditure Update

Workers' Compensation Premiums for the City of Kennewick and its employees will be increasing beginning in January of 2016 as a result of rate increases adopted in December by the Department of Labor & Industries (L&I). Overall, the average increase in workers' compensation rates adopted by L&I for all of its 324 risk (job) classifications was 2%. However, rate increases for several of the risk classifications utilized by cities were significantly higher and ranged as high as 13%, including public works,

fire fighters and police. Fortunately, the City's experience rating, which is based on its own individual claims experience and the number of worker hours reported, will be declining by approximately 2% due to the City's strong safety program and workplace culture. As workers' compensation premiums are calculated by multiplying an employer's individual experience factor by the rate established by L&I for each risk classification, a reduction in the City's experience factor helps to at least partially offset the cost of higher L&I rates for 2016.

On December 30th, the City held an exit conference with the Washington State Auditor's Office (SAO) to review the results of the City's **2014 Accountability Audit**. An accountability audit tests the City's safeguards over public resources by testing compliance with state laws and its own policies and procedures. The City of Kennewick received a clean (unmodified) audit opinion for the 2014 time period, which indicates that there were no significant audit exceptions identified during the State Auditor's review.