



# Financial Briefing

## HIGHLIGHTS

- **Sales tax receipts increase over 2015 activity to-date.**
- **First full year of public safety sales tax received.**
- **Finance closes fiscal year 2015.**
- **Toyota Center and Arena operating loss exceeds budget for 2015.**

## Revenue Update

**Sales Tax** received in February (for taxable sales activity from December) totaled \$1,772,395, which is 5.7% more than the City received in February of 2015. Sales tax received from new construction activity was up considerably in February of 2016 compared to February of 2015, which contributed towards the overall increase experienced for the month. Year-to-date, the City has received \$3,115,537 in sales tax, which is 6.5% more than this same time period in 2015. Sales tax received

from new construction activity has also influenced year-to-date results, making up roughly 2% of the growth in sales tax experienced thus far in the year. It's difficult to determine long-term trends from only two months of activity, but February's sales tax distribution is the largest of the year for the City, so sales tax results are off to a positive start for 2016.

In February, the City received \$225,057 for its twelfth monthly distribution

of the voter-approved 0.3% **public safety (criminal justice) sales tax**. Under state statute, Benton County receives 60% of the total sales tax proceeds generated from this source. Cities within Benton County then share in the remaining 40%, which is allocated based on population. Including February's distribution, the City of Kennewick received \$2.3 million from this new revenue source during its first full year, which is approximately \$240,000 more than initially projected for this time period.

## Expenditure Update

**Year-end 2015 Closing** is complete and Finance is working on the financial reports for the year. The City has established several financial/budgetary policies that it monitors closely on an ongoing basis. One of those key policies is related to the ending fund balance for the operating funds (General Fund and Street Fund). The City's policy is to maintain a fund balance equal to 5% of annual operating expenditures to meet cash flow requirements for these funds. At the conclusion of 2015, the City was able to meet this requirement. Additionally, the City also continues to maintain a separate cash reserve fund for revenue stabilization and other contingencies, which currently has a balance of just under \$2.715 million.

Information relating to the financial results for 2015 will be presented to the City Council this spring. Additional information will also be posted on the City's web page under the Finance Department as it becomes available.

The **Toyota Center and Arena (Coliseum Fund)** recently provided the City with its year-end financial results for 2015. For the year, the Toyota Center and Arena facilities had a net operating loss (required operating subsidy) of \$437,987, which was roughly \$88,000 more than the budgeted operating loss of \$350,000 for the year. A significant factor in the final results for the year was the loss of anticipated events and the ancillary revenue generated by those events for the facilities. In accordance with the

City's budget policy, \$150,000 of the operating subsidy required each year for the Toyota Center and Arena is paid from the City's Lodging Tax Fund using lodging tax proceeds, with the remainder of the operating subsidy being paid from the General Fund. Additionally, events held at the facility generate admissions tax, which is receipted into the General Fund under the City's budget policies to help offset the operating loss paid by the fund. For 2015, admissions tax generated at the Toyota Center & Arena totaled \$147,370, which left a net impact to the City's General Fund of approximately \$140,000 to operate these facilities for the year. It is also important to note that events at the Toyota Center & Arena generate a great deal of ancillary revenue that benefits the City, including sales and lodging taxes.