



CITY OF KENNEWICK

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Financial Briefing

HIGHLIGHTS

- Sales tax receipts for January 7.5% higher than last year.
- City's property tax rate decreases slightly in 2016.
- Employee dental premiums will rise by less than 2% in 2016.
- Lower fuel prices in 2015 lead to savings in Fleet program.

Revenue Update

Sales Tax received in January (for taxable sales activity from November) totaled \$1,342,942, which is 7.5% more than the City received in January of 2015. Sales tax received from new construction activity was up considerably in January of 2016 compared to January of 2015, which contributed significantly towards the overall increase experienced for the month. In January, sales tax received from 8 of the City's top 10 taxpayers increased when compared to January of last year. A majority of the City's other top 50 taxpayers also experienced at least moderate increases for the month. It's difficult to determine trends from only one month of activity, so it will be important

to monitor results in the coming months. The City's latest sales tax projections reflect an assumption of 3% growth in sales tax revenue during 2016.

The City's **2016 Property Tax Levy** was finalized by the County Assessor and formally adopted by the Benton County Commissioners in early January. Kennewick City Council adopts the City's levy each year in November as required under state law using preliminary assessed valuation data provided by the County Assessor at that time. The final levy is then modified to reflect final assessed valuation data, based on the Council's intent when it adopted the City's levy in November.

The 2016 levy will be \$12,128,715, plus an excess levy of \$403,000 for the City's voted library bonds. The City's final assessed valuation increased by approximately \$213 million overall for the year to \$5.6 billion, which was attributable to approximately \$134 million in added assessed value from new construction and annexations and a net increase of approximately \$79 million in assessed value of property already on the tax rolls. The City's 2016 levy rate will be \$2.16 per \$1,000 of assessed valuation, plus an additional 7¢ per \$1,000 of assessed valuation for the City's voted library bonds. This represents an overall decrease of about 1¢ to the City's levy rate.

Expenditure Update

Dental Premiums for the City's self-insured dental plan increased by \$2 to \$114 per employee, per month, in January of 2016. The 2016 premium was determined based on actual dental claims and administrative costs for 2015, which averaged just over \$107 per employee, per month, and projected increases in costs of approximately 7% for 2016. The monthly premium is also designed to maintain the City's existing dental reserve level, which is an amount equal to approximately 8 weeks of dental claims expenditures. The purpose of the City's reserve is to maintain a cash balance sufficient to

cover all claims that have been incurred, but not yet reported (IBNR) and also provide a small contingency reserve for any unexpected plan costs. Overall, the City currently expends approximately \$445,000 per year for the dental program it offers to its regular full and part-time employees.

Fuel Costs continue to be an area of the City's budget that must be monitored closely due to the volatility of fuel prices. The City's 2015/2016 budget for fuel is roughly \$1.2 million and was projected based on historical consumption patterns and an average price per gallon of \$3.55

for the biennium. During 2015, the City paid only \$2.42 per gallon on average, which is significantly lower than anticipated. More recently, the City is paying below \$2 per gallon as the price of fuel has declined in conjunction with oil prices. Based on activity through the first 13 months of the 2015/2016 biennium, it appears the City's actual fuel expenditures for the biennium will be significantly lower than what was initially projected when the budget was adopted. However, as recent history has demonstrated, fuel prices can change dramatically in a short period of time.