



## CITY OF KENNEWICK

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# Financial Briefing

## Revenue Update

### HIGHLIGHTS

- Sales tax receipts through July up 6.3% compared to same period in 2014.
- 3% sales and use tax for public safety slightly higher than projections.
- Transportation Impact Fee (TIF) goes into effect September 1st.
- Estimated savings from vacant positions is \$139,000 per month.

**Sales Tax** received in July (for sales made in May) totaled \$1,369,337, which is 5.5% more than the City received in July of 2014. Year-to-date, the City has received \$9,320,079 in sales tax, which is 6.3% more than this same time period in 2014. Year-to-date results are somewhat skewed by the sales tax received from the construction of the Trios Health facility during 2014. Without this activity, results through July of 2015 would have been an increase closer to 9%. At the conclusion of July, all of the City's top taxpayers had experienced at least a slight increase when compared to this same time period last year.

In July, the City also received \$195,380 for its fifth monthly distribution of its share of the voter-approved 0.3% **sales and use tax for public safety** (also known as criminal justice sales tax). To date, the City has received \$857,157, which is slightly higher than initial projections for these first five distributions when considering the seasonality of sales tax activity. Under state statute, Benton County receives 60% of the total sales tax proceeds generated from this source with cities in the County sharing the remaining 40% based on population. Under this formula, the City anticipated that it would receive approximately \$2.05 million in criminal justice sales from its first twelve monthly distributions.

At its July 7, 2015 meeting, the Kennewick City Council approved

the implementation of a new **Transportation Impact Fee (TIF)** that will be effective September 1, 2015. A transportation impact fee is a charge assessed to new development to help partially offset the costs incurred by the City of constructing new transportation projects (e.g. roads, intersections, etc.) that are required to serve the new development. The approval of a TIF came after many months of hard work led by Public Works staff and significant public involvement including numerous meetings with local builders, developers and other stakeholders. The implementation of a TIF also addresses feedback the City received during a 2014 budget survey where 69% of respondents indicated that the City should recover at least a majority of the costs associated with new development through fees. A Blue Ribbon Committee established by City Council to review the City's 20-year capital program also identified a TIF as a recommended funding alternative late in 2014.

Under state law, the proceeds generated from a TIF may only be used towards eligible transportation projects within the City that provide new capacity for growth and were identified through a comprehensive transportation system study. TIF fees cannot be used to address existing deficiencies in the City's transportation system. The City's TIF was established at \$900 per PM peak hour (4-6 PM) trip

generated by the new development. Under a transportation study completed in 2008 and updated earlier this year, it was determined that the City had the ability to implement a TIF as high as \$2,945. However, a \$900 fee was recommended in order to remain competitive with our neighboring jurisdictions and minimize the impact of the new fee on our development partners in the community. In general, single family residential projects will pay a TIF of \$900 while the fee for commercial projects will be calculated using a table generated by the Institute of Transportation Engineers (ITE) that estimates PM peak hour trips based on the type of commercial use and the size of the building constructed. Builders of single family homes will also have the ability to defer payment of the TIF until the earlier of 18 months after a building permit was issued or the sale of the home closes. Commercial projects will pay the TIF prior to receiving a certificate of occupancy.

A TIF program has a number of important benefits including that it is more predictable and easier to calculate for developers. A TIF is also more equitable and consistent for developers than the SEPA based mitigation fees that developers may pay currently on their projects within the City. Lastly, a TIF provides a more flexible funding source and match for transportation project grants for cities to ensure they can provide the transportation facilities needed to serve new growth in their community.

## Expenditure Update

City departments continue to work to fill their **vacant positions** with the right employees to help ensure their ability to deliver the City's priority programs and services. At the conclusion of July, the City had 18 open positions, 14 of which are at least partially funded from the City's General or Street Fund (Operating Funds). A number of these vacant

positions are related to the implementation of the City's new criminal justice sales tax funding that began in March of this year. The projected savings from these vacant positions currently equates to roughly \$139,000 per month citywide, with \$102,000 of that amount coming from the Operating Funds. In total, the estimated net savings from vacant positions

through July was \$802,000 with approximately \$586,000 of that amount representing savings within the Operating Funds. The budget for the City's Operating Funds included a projected allowance for under-expenditures of just under \$1.5 million for the 2015/2016 biennium, which is expected to consist primarily of salary and benefit savings from vacant positions.