



## CITY OF KENNEWICK

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# Financial Briefing

## Revenue Update

### HIGHLIGHTS

- **Sales tax receipts through June up 6.4% compared to the same time period in 2014.**
- **.3% sales and use tax for public safety slightly higher than projections.**
- **Governor signs 2-year State Budget, avoiding state shutdown.**
- **City working to fill vacant and new positions funded with criminal justice sales tax.**

**Sales Tax** received in June (for sales made in April) totaled \$1,315,554, which is 7.6% more than the City received in June of 2014. Year-to-date, the City has received \$7,950,472 in sales tax, which is 6.4% 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 the first half of 2014. Without this activity, results through June of 2015 would be an increase of 9%. At the conclusion of June, all of the City's top 10 taxpayers had experienced at least a slight increase when compared to this same time period last year.

In June, the City received \$174,654 for its fourth 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 \$661,777, which is slightly higher than initial projections for these first four 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.

Just before midnight on Tuesday, June 30<sup>th</sup>, Governor Jay Inslee signed a new 2-year **State Budget**, avoiding a state shutdown that would have occurred if a budget had not been completed by July 1<sup>st</sup>. Although a state shutdown was avoided, the special legislative session isn't over due to disagreement on how to fully address Initiative 1351 on K-12 class size. Additionally, although a transportation package revenue bill was passed by both the House and the Senate, the House still needs to approve the final project list and bonds which are part of the whole package. Despite these outstanding items, a number of issues important to cities were resolved in mostly a favorable manner.

- All current state-shared revenues were retained, including the full distribution of local liquor excise taxes to cities that was scheduled to resume effective July 1, 2015, but was definitely in jeopardy for diversion to the state general fund again.
- Regulation of the recreational and medical marijuana systems was merged and cities retained local land use authority. Additionally, cities that allow recreational marijuana businesses will now receive a

portion of marijuana excise taxes.

- A transportation package was passed (with some additional action by the House still required). The primary revenue source for the program is an 11.9¢ per gallon gas tax increase that will be implemented over the next two years (7¢ in August of 2015 and 4.9¢ in July of 2016). A number of significant local projects are included in the project list waiting for approval from the House, including the City's SR395/Ridgeline intersection project, Richland's Dupontail Bridge, and Pasco's Lewis Street Bridge. Additionally, all cities will receive an increase in direct distributions of gas tax, which is allocated based on population.
- Unfortunately the Public Works Trust Fund loan program, which has been a critical funding source for city infrastructure projects for decades, has essentially disappeared. Projects currently funded will be completed, but there will be no future loan funding for new projects as the revenue streams associated with the program have been diverted to the state's education fund. This is a big loss for cities in need of funding for critical infrastructure projects.

## Expenditure Update

City departments continue to work to fill their **vacant positions** with quality employees that will help to deliver the City's priority programs and services. At the conclusion of June, the City had 21 open positions, 15 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 \$156,600 per month citywide, with \$116,600 of that amount coming from the Operating Funds. In total, the estimated net savings from vacant positions

through the first six months of the biennium was \$662,000, with approximately \$486,000 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.