



CITY OF KENNEWICK

210 W. 6th Ave. • Kennewick • WA • 99336
www.go2kennewick.com

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Financial Briefing

Revenue Update

HIGHLIGHTS

- Sales tax receipts through June up 8% over last year.
- .3% sales and use tax for public safety higher than initial projections.
- Lodging tax up due to new hotels.
- City working to fill vacant positions.
- Lower fuel costs lead to savings for fleet program for the biennium to date.

Sales Tax received in June (for taxable sales activity from April) totaled \$1,431,094, which is 9% more than the City received in June of 2015. Year-to-date, the City has received \$8,595,178 in sales tax, which is 8% more than this same time period in 2015. Sales tax received from new construction activity has significantly influenced results so far this year and made up roughly 3% of the growth in sales tax experienced in June and has contributed about 2% to the overall results for the year-to-date.

In June, the City received \$186,495 for its 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 June's distribution, the City of Kennewick has now received just over \$3 million from this new revenue source during the biennium, which is higher than initially projected for this time period.

Lodging Tax receipts for June totaled \$94,429, bringing the total amount collected in 2016 to \$435,360. The City's year-to-date lodging tax revenue is roughly 10% higher in 2016 when compared to the same time period in 2015. The increase the City has experienced is primarily attributable to increased tourism in the region and the opening of the SpringHill Suites hotel at the Convention Center and

Hampton Inn at Southridge in July of 2015.

Lodging taxes are comprised of a "basic" 2% hotel/motel tax plus an additional 2% "special" hotel/motel tax, both of which are legally restricted for tourism promotion or expenditures incurred to own or operate tourism facilities. The City has dedicated the use of the "special" 2% hotel/motel tax towards debt service on the Toyota Center & Arena. Additionally, a portion of the "basic" tax is committed to the Tri-Cities Visitor & Convention Bureau for the promotion of tourism. The remaining tax revenues have been dedicated to event promotion, and to help pay a portion (approximately \$150,000 each year) of the Toyota Center & Arena's annual operating subsidy.

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 June, the City had 26 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 multi-year implementation of the City's criminal justice sales tax programs after funding began in March of 2015. The projected savings from these vacant positions currently equates to roughly \$219,000 per month citywide, with \$126,000 of that amount coming from the Operating

Funds. In total, the estimated net savings from vacant positions through June was \$2,323,000, with approximately \$1,615,000 of that amount representing savings within the Operating Funds. Revised estimates for the City's Operating Funds include a projected allowance for under-expenditures of \$2 million for the 2015/2016 biennium, which is expected to consist primarily of salary and benefit savings from vacant positions.

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. In June, the City paid approximately \$2.31 per gallon for fuel on average, which is considerably lower than this initial projection. For the biennium to date, the City's average fuel cost is also considerably below initial budget projections at only \$2.32 per gallon. Based on these trends, it appears the City's fuel costs will be significantly lower than what was initially projected when the budget was adopted. However, as history has demonstrated, fuel prices are extremely sensitive to domestic and world events and can change dramatically in a short period of time.