



CITY OF KENNEWICK

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Financial Briefing

Revenue Update

HIGHLIGHTS

- Sales Tax receipts increase over 2014 activity to-date.
- .3% sales and use tax for public safety slightly higher than projections.
- Spring budget adjustment for capital projects approved by City Council.
- Jail services contract charges lower than estimated for 2014.
- Retirement contribution rates to increase effective July 1, 2015.

Sales Tax received in May (for sales made in March) totaled \$1,366,084, which was 5.6% more than the City received in May of 2014. Year-to-date, the City has received \$6,635,188 in sales tax, which is 6.2% 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 this time period in 2014. Without this activity, results through May would be an increase of 9%. At the conclusion of May, 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 May, the City received \$185,225 for its third 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 \$487,123, which is slightly higher than initial projections for these first three 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. Cities within Benton County then share in the remaining 40%, which is allocated 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.

The **Spring 2015 Budget Adjustment** was approved by City Council on May 5, 2015. This was the first budget

adjustment of the 2015/2016 biennium and included an increase in appropriations of approximately \$42.6 million, which increased the City's 2015/2016 adjusted budget in total to \$276.8 million. The budget adjustment included only \$1.3 million for new capital projects or programs (\$1 million of which was funded with federal grants) and \$9.3 million for the City's 2015 bond issue, which included the refinancing of \$5.945 million of 2006 bonds. The remainder was for the carryover of capital projects from the 2013/2014 biennium that began during the biennium, but were not completed at the conclusion of 2014, and the adjustment of budgeted beginning fund balances to their actual amounts from the estimated balances included in the adopted budget.

Expenditure Update

Jail Services is the largest ongoing contracted service for the City, with projected expenditures of \$5.85 million for the 2015/2016 biennium (including work crew services). The City recently received the final 2014 year-end report for the jail from the Benton County Sheriff's Office, which reported that the actual bed day rate for 2014 was \$62.67. The final rate was significantly lower than the bed day rate of \$67.03 originally estimated for the year and utilized for 2014 billings by the Sheriff's Office, primarily as a result of personnel expenditure savings from vacant positions and higher than anticipated revenue generated from contract housing charges to agencies outside of Benton County that utilized the jail facility for their prisoners. As a result of the fact that the final bed day rate was much lower than the rate billed

throughout the year, the City will receive a credit of \$168,759 for 2014, which will be applied against 2015 billings for jail services.

Additionally, the 2015 prisoner bed day rate is estimated to be \$65.95, which represents an increase of just over 5% compared to the final 2014 rate and is slightly lower than the rate of \$68.58 initially anticipated for the year last fall when the County adopted their 2015/2016 biennial budget.

Retirement contribution rates are scheduled to increase effective July 1st for members of the PERS retirement system. The Pension Funding Council adopted an increase to employer contribution rates that will result in an increase from their current level of 9.21% to 11.18%.

Although the State Legislature has the ability to modify retirement contribution rates during its current special legislative session, this action is not anticipated at this time. The increase to the employer contribution rate for PERS members was anticipated during the preparation of the City's 2015/2016 biennial budget and is primarily attributable to the remaining unfunded actuarial accrued liability for the PERS 1 retirement system as well as rising pension costs resulting from longer life expectancy for retirees.

Employee contribution rates for members of PERS II will also increase by 1.2% to 6.12% effective July 1st. Members of the PERS I system will see no change to their contribution rate and members of the PERS III system will continue to contribute based on the irrevocable election they made upon entering the plan.