CITY OF KENNEWICK

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Financial Briefing

HIGHLIGHTS

- Sales tax receipts increase over 2015 in May and year-to-date.
- Admissions Tax revenues trending below budget projections.
- WellCity Award leads to savings in insurance costs.
- City departments working to fill vacant positions.

Revenue Update

Sales Tax received in May (for taxable sales activity from March) totaled $1,517,786, which is 11% more than the City received in May of 2015. Year-to-date, the City has received $7,164,084 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 2% of the growth in sales tax experienced in May and for the year to date.

Admissions Taxes are collected at a rate of 5% on all admissions charges greater than $0.10 within the City, with the exception of school events and events held by bona fide charitable or non-profit organizations. The largest individual source of admissions tax is the revenue from admissions charges to movie theaters. The City's admissions tax revenue is receipted into the General Fund to pay for general operating costs. Additionally, admissions taxes on events held at the Toyota Center & Arena are accounted for separately and are dedicated towards offsetting the portion of the operating contribution required for the facilities that is paid from the General Fund. In the event that an operating contribution is not required, admissions tax revenue would be dedicated towards debt service on the facilities.

The 2015/2016 biennial budget includes an estimate of $509,000 for general admissions tax and $339,000 for admissions tax generated at the Toyota Center & Arena, which assumes 2% growth each year of the biennium in revenue from both sources. In 2015, revenue from general admissions taxes was flat when compared to 2014, while admissions tax receipts on events at the Toyota Center & Arena declined by 4% due to a reduction in the number of participants at events in the facilities during the year. Through the first five months of 2016, general admissions taxes have declined by approximately 18%, while admissions taxes generated at the Toyota Center are flat. The negative trends experienced in general admissions taxes thus far in 2016 is likely attributable to the opening of a new movie theater in the Queensgate area of Richland in the latter half of 2015, which has drawn business away from the two movie theaters located in Kennewick.

Expenditure Update

The Association of Washington Cities (AWC) Employee Benefit Trust recently announced that the City of Kennewick has once again received the **WellCity Award** after meeting all 40 of the program's requirements. As a result of the hard work of the City's Wellness Committee and commitment of city employees to good health and wellness, the City was able to maintain this prestigious designation, which will result in a 2% reduction to medical insurance premium rates in 2017 and will save the City approximately $130,000.

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 May, the City had 23 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 $201,000 per month citywide, with $140,000 of that amount coming from the Operating Funds. In total, the estimated net savings from vacant positions through May was $2,164,000, with approximately $1,494,000 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.