



# CITY OF KENNEWICK

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# Financial Briefing

## Revenue Update

### HIGHLIGHTS

- Sales tax receipts through November up 9.1% compared to the same period last year.
- City Council adopts 2016 Property Tax levy at estimated \$2.15 per \$1,000 assessed valuation.
- Mid-Biennium Review and Budget Adjustment presented to Council.
- Council approves 5-year extension with CourseCo to manage Columbia Park Golf Links.

**Sales Tax** received in November (for sales made in September) totaled \$1,416,096, which is 8.6% more than the City received in November of 2014. Results for November were not significantly influenced by construction activity as the amount received from this source was similar in November of 2014. Year-to-date, the City has received \$15,490,993 in sales tax, which is 9.1% more than this same time period in 2014. Bolstered by low unemployment levels in the area and continued economic development and growth in the region, a majority of the City's top 50 taxpayers have experienced increases in taxable retail activity in 2015.

The **2016 Property Tax Levy** was adopted by City Council on November 24, 2015, after holding a public hearing. The 2016 levy is estimated at \$12,128,582 and results in an estimated levy rate of \$2.15 per \$1,000 of assessed valuation (AV), which represents a decrease of 2¢ from the 2015 levy rate. For the owner of a \$200,000 home, the 2016 levy rate results in a reduction of \$4

in property taxes paid to the City when compared to the prior year. The City's preliminary AV increased to \$5.63 billion in total for the 2016 levy, which reflects the addition of \$130.5 million in added AV for new construction and \$89.6 million in added AV from the revaluation of existing properties. The additional AV resulting from new construction also reflects \$46.3 million from the City's Southridge revitalization area.

The adopted levy and levy rate for 2016 also reflect a 1% increase to the prior year's base property tax levy. Under state law, annual increases to the City's base property tax levy are limited to the lesser of 1% or inflation, with inflation being defined as the percentage change in the implicit price deflator for personal consumption (IPD). In most years, these factors result in a limit of 1% growth in base property tax revenue because the IPD (inflation) is higher than 1%. However, in July of 2015 the IPD was 0.251%, which required City Council to pass a separate resolution

authorizing up to the normal 1% increase. City Council's decision to implement a 1% increase for the 2016 property tax levy is consistent with their past policy direction and continued support of their #1 priority area of community safety. When the 2013 property tax levy was adopted, City Council enacted a 1% increase and utilized a small amount of the City's banked levy capacity and dedicated a portion of the levy towards hiring 3 new police officers. At that time, Council also provided policy direction that if criminal justice sales tax was passed by citizens at a future date, the dedicated sales tax revenue would then be used to pay for these 3 officer positions, freeing up the previous property tax funding to pay for 3 new Captain positions that will be required when the City opens a new fire station at 10<sup>th</sup> & Kellogg in 2016.

As is the case each year, the City's levy and levy rate will not be finalized until early January when the County Assessor's Office provides final AV information and certifies the levies of each taxing jurisdiction.

## Expenditure Update

The **Mid-Biennium (Winter 2015) Budget Adjustment** was approved by City Council after a staff presentation including updates on the City's current financial condition at the November 10<sup>th</sup> workshop and a public hearing at its November 17, 2015 council meeting. State law requires cities that prepare a biennial budget to conduct a mid-biennium review and budget modification between September 1<sup>st</sup> and December 31<sup>st</sup> of the first year of the biennium. The mid-biennium budget adjustment included an overall increase in appropriations of approximately \$3.1 million, which represented an increase of approximately

1.1% and brings the City's total adjusted budget for the 2015/2016 biennium to just over \$279.8 million.

In November, City Council approved a new 5-year extension with CourseCo, Inc. to manage and operate the City's **Columbia Park Golf Links** golf course. CourseCo manages golf courses for the cities of Richland and Pasco, which provides for unique partnership opportunities and cost savings for each city. During the preparation of the 2015/2016 biennial budget, City Council directed staff to work with CourseCo to reduce the operating

contribution required for the course and increase its utilization by the public. At a workshop late in the summer, staff presented an update on the course and progress towards Council's goals, which also included a recommendation to move forward with the addition of disc golf at the course, which will expand use of the course by making it a "tri-plex" course offering golf, foot golf and disc golf. Additionally, City Council approved funding for a new club house at the facility during the mid-biennium budget adjustment, which will also expand revenue opportunities and use of the course.