



CITY OF KENNEWICK

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Financial Briefing

Revenue Update

Sales Tax received in October (for sales made in August) totaled \$1,409,530, which is 5.6% more than the City received in October of 2014. Results for October were not significantly influenced by construction activity as the amount received from this source was similar to the amount received in October of 2014. Year-to-date, the City has received \$14,074,897 in sales tax, which is 9.1% more than this same time period in 2014. Bolstered by low unemployment levels in the region 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 thus far in 2015.

In October, the City also received a \$184,439 distribution for the voter-approved 0.3% **public safety (criminal justice) sales tax**. To date, the City has received \$1,516,744, which

is more than initially projected 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 tax from its first twelve monthly distributions.

Lodging Tax receipts for October totaled \$101,829, bringing the total amount collected in 2015 to \$841,207. The City's year-to-date lodging tax revenue is roughly 13% higher in 2015 when compared to the same time period in 2014. The increase the City has experienced is primarily attributable to increased tourism in the region, an increase in occupancy from

temporary workers coming to the region for the 2015 outage at Energy Northwest, and the opening of the SpringHill Suites hotel at the Convention Center and Hampton Inn at Southridge in July.

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.

Highlights

- Sales tax receipts through October up 9.1% compared to the same period last year.
- 0.3% sales and use tax for public safety remains slightly higher than projections.
- Increased tourism and new hotels lead to higher Lodging Tax revenue.
- Dental insurance premiums to rise by 2% in 2016 to \$114 per employee per month.

Expenditure Update

In October, the City received the 2016 renewal rates for its **self-insured dental plan** administered by Delta Dental of Washington. Based on the City's dental claims history over the prior 12 months, expected inflationary increases in provider rates, and a moderate increase in the administrative fee per employee from Delta Dental, the City's premium will

be increasing to \$114 per employee, per month, beginning in January of 2016. This represents an increase of approximately 2% when compared to the 2015 premium of \$112. The monthly premium is also designed to maintain the City's existing dental reserve level, which is an amount equal to approximately 8 weeks of dental claims expenditures. The

purpose of the City's reserve is to maintain a cash balance sufficient to cover all claims that have been incurred, but not yet reported (IBNR) and also provide a small contingency reserve for any unexpected plan costs. Overall, it is projected that the City will spend approximately \$475,000 in 2016 for the dental program it offers to its regular full and part-time employees.