



Financial Briefing

Revenue Update

HIGHLIGHTS

- Sales Tax receipts increase over 2014 activity to-date.
- 2014 Building Permit revenue reflects increased valuation of new construction.
- 2014-16 contract with IAFF approved.
- Finance closes fiscal year 2014.

Sales Tax received in February (for sales made in December) totaled \$1,676,169, which is 1.7% more than the City received in February of 2014. However, the comparison between February of 2015 and February of 2014 is somewhat skewed by a very large sales tax distribution the City received from the construction of the new Trios Health Facility in February of 2014. Without this non-recurring distribution in 2014, the overall result for the month would have been approximately a 10.9% increase. Year-to-date, the City has received \$2,925,257 in sales tax, which is 3.8% more than this same time period in 2014. Year-to-date results are also 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 February would be an increase of 9.1%. Year to date, only 1 of the top 10 taxpayers was down when compared to this same time period last year. Similar results were experienced with the City's other top 50 taxpayers. Although results through February are very positive overall, it is important to remember that sales tax can be a relatively volatile revenue source, and that the results from only two months of activity do not necessarily indicate a long term trend.

Building Permit revenue collected in 2014 increased by approximately 45% when compared to 2013. This increase was the outcome of a 43% increase in the valuation

of permits issued by the City in 2014, coupled with a more moderate 3% increase in the number of total permits issued. The overall increase in permit valuation for 2014 was the result of significant increases in the valuation of both residential and commercial permits during the year. The increase in valuation of commercial permits was largely attributable to the issuance of a building permit for the Trios Health Medical Office Building (M.O.B) located in Southridge, adjacent to the new Trios Health Hospital. The City monitors building permit activity trends closely as they impact not only the primary revenue source for the Building Safety enterprise fund, but also are a key indicator of the value of new construction for the City's future property tax levies.

Expenditure Update

Contract Negotiations between the City of Kennewick and the International Association of Fire Fighters (IAFF) Local 1296 were recently concluded when the City Council approved a new 3-year contract for 2014 through 2016 at its February 17, 2015 meeting. The IAFF currently represents 76 authorized Fire Fighter positions at the City. The material changes to the contract primarily consisted of wages and benefits.

Year-end 2014 Closing is complete and Finance is working on the financial

reports for the year. The City has established several financial/budgetary policies that it monitors closely on an ongoing basis. One of those key policies is related to the ending fund balance for the operating funds (General Fund and Street Fund). The City's policy is to maintain a fund balance equal to 5% of annual operating expenditures to meet cash flow requirements for these funds. At the conclusion of 2014, the City was able to meet this requirement. Additionally, the City also continues to maintain a separate cash reserve fund for revenue stabilization and other

contingencies. Pursuant to a budget policy that calls for this fund to be increased by the percentage change in the consumer price index (CPI) each year, the balance of this fund was increased to just under \$2.715 million in 2014 from its previous balance of just under \$2.675 million.

Information relating to the financial results for 2014 will be presented to the City Council this spring. Additional information will also be posted on the City's web page under Finance Department as it becomes available.