



CITY OF KENNEWICK

210 W. 6th Ave. • Kennewick • WA • 99336
www.go2kennewick.com

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Financial Briefing

Revenue Update

HIGHLIGHTS

- **New construction contributes to 6.7% increase in January sales tax receipts.**
- **2015 Property Tax Levy finalized by County Assessor.**
- **Dental premiums to remain at \$112 per employee in 2015.**
- **City benefits from lower fuel prices.**

Sales Tax received in January (for sales made in November) totaled \$1,249,088, which is 6.7% more than the City received in January of 2014. Sales tax received from new construction activity was up considerably in January of 2015 compared to January of 2014, which increased the overall result for the month by approximately 2%. In January, 2 of the top 10 taxpayers were down when compared to January of last year. A majority of the City's other top 50 taxpayers experienced at least moderate increases for the month. It's difficult to determine trends from only one month of activity, so it will be important to monitor results in the coming months. The City's 2015/2016 adopted budget reflects an assumption of 3% growth in sales tax each year of the biennium.

The City's **2015 Property Tax Levy** was finalized by the County Assessor and formally adopted by the Benton County Commissioners in early January. Kennewick City Council adopts the City's levy each year in November as required under state law using preliminary assessed valuation data provided by the County Assessor at that time. The final levy is then modified to reflect final assessed valuation data, based on the Council's intent when it adopted the City's levy in November.

The 2015 levy will be \$11,716,379, plus an excess levy of \$410,000 for the City's voted library bonds. The City's final assessed valuation increased by approximately \$73 million overall for the year to \$5.4

billion, which was attributable to approximately \$88 million in added assessed value from new construction and a net decrease of approximately \$15 million in assessed value of property already on the tax rolls. This net decrease was attributable to the removal of the value of the new Trios hospital in Southridge that had previously been added to the tax rolls through 2013 while being constructed by a private company. After the facility was occupied by Trios Health in July of 2014, the hospital district applied for and received a property tax exemption later in the year. The City's 2015 levy rate will be \$2.17 per \$1,000 of assessed valuation, plus an additional \$0.08 for the City's voted library bonds.

Expenditure Update

Dental Premiums for the City's self-insured dental plan remained at \$112 per employee, per month, in January of 2015. The 2015 premium was determined based on actual dental claims and administrative costs for 2014, which averaged just over \$107 per employee, per month, and projected increases in costs of approximately 5% for 2015. 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, the City currently expends approximately \$454,000 per year for the dental program it offers to its regular full and part-time employees.

Fuel Costs continue to be an area of the City's budget that must be monitored closely due to the volatility of fuel prices. The City's 2015/2016 budget for fuel is roughly \$1.2 million and was projected based on historical consumption patterns

and an average price per gallon of \$3.55 for the biennium. During the month of January, the City paid only \$1.97 per gallon on average, which is significantly lower than the price the City was paying only 6 months ago when the 2015/2016 biennial budget was developed. This dramatic, and in many ways unprecedented, change in price demonstrates just how quickly fuel prices can change based on world events. As a result, with only one full month of the biennium completed, it's much too early to predict what type of fuel cost savings the City may have for the full biennium.