



Financial Briefing

Revenue Update

Sales Tax received in March (for sales made in January) totaled \$1,096,619, which is 10.6% more than the City received in March of 2014. Year-to-date, the City has received \$4,021,876 in sales tax, which is 5.5% more than this same time period in 2014. Year-to-date results are 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 March would be an increase of 9.5%. Through the first quarter of the year, none of the City's top 10 taxpayers have experienced a decline when compared to this same time period last year. Similar results were experienced with the City's other top 50 taxpayers. Although results through March 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 three months of activity do not necessarily indicate a long term trend.

During the month of March, the City received its first distribution for its share of the voter-approved **sales and use tax for public safety** (also known as criminal justice sales tax). In August of 2014, voters in Benton County approved a county-wide increase of 0.3% starting in 2015 that is dedicated towards current and future criminal justice needs within Benton County. Because there is a two month lag from the time retail sales tax is collected by a business to the time it is received by the state and distributed to local governments, the City received its first distribution of \$147,195 in March for January 2015 activity.

Initial projections indicated that the new criminal justice sales tax would generate approximately \$9.6 million annually within Benton County. Under state statute, Benton County will receive 60% of the proceeds generated. Cities within Benton County will then

share the remaining 40%, which will be allocated based on population. Under this formula, the City anticipates that it will receive approximately \$1.9 million in criminal justice sales tax for the first full year. The City plans to use this funding towards 15 police officer positions, 2 new support positions and 1 new Assistant City Attorney. Of the 15 police officer positions funded, 12 will be newly authorized. The remaining 3 positions were previously funded through a property tax increase implemented by the City Council in 2013. This funding will now be freed up and utilized for 3 new firefighter positions in the Fire Department that will be needed when the City opens its 5th fire station in the future. In addition to the direct funding received by the City from criminal justice sales tax, the City will also benefit through many of the programs that will be implemented across Benton County as a result of this funding source.

HIGHLIGHTS

- **Sales Tax receipts increase over 2014 activity to-date.**
- **City receives first distribution of criminal justice sales tax.**
- **Columbia Park Golf Links plans to reduce operating loss in 2015.**
- **Toyota Center 2014 operating results reported.**

Expenditure Update

The **Columbia Park Golf Links (Columbia Park Golf Course Fund)** concluded its fourth full year under the management of CourseCo in 2014. CourseCo operates both Columbia Park Golf Links for the City of Kennewick and Columbia Point Golf Course for the City of Richland, which has allowed for a unique partnership opportunity between the two cities in terms of our ability to better leverage the resources of both facilities and operate both courses in a more efficient manner. The financial results for the course in 2014 included a net operating loss (required operating subsidy) of \$82,959, which was roughly \$1,000 more than the budgeted operating loss for the year. The primary factor in the course's inability to meet its budgeted operating loss for the year

was a slight reduction in the number of rounds played at the course in 2014. City staff continues to work with CourseCo on new opportunities to generate revenue and reduce expenses and under the direction of City Council has developed a work plan for 2015 that will reduce the operating contribution required from the City's General Fund to approximately half of what it has been in recent years.

The **Toyota Center and Arena (Coliseum Fund)** recently provided the City with its year-end financial results for 2014. For the year, the Toyota Center and Arena facilities had a net operating loss (required operating subsidy) of \$479,690, which was roughly \$130,000 more than the budgeted operating loss of \$350,000 for the year. A significant

factor in the final results for the year was the loss of anticipated events and the ancillary revenue generated for the facilities that was also lost. In accordance with the City's budget policy, \$150,000 of the operating subsidy required each year for the Toyota Center and Arena is paid from the City's Lodging Tax Fund using lodging tax proceeds, with the remainder of the operating subsidy being paid from the General Fund. Additionally, events held at the facility generate admissions tax, which is received into the General Fund under the City's budget policies to help offset the operating loss paid by the fund. It is also important to note that events at the Toyota Center & Arena generate a great deal of ancillary revenue that benefits the City, including sales and hotel/ motel taxes.