



CITY OF KENNEWICK

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Financial Briefing

Revenue Update

HIGHLIGHTS

- Sales tax receipts through August up 7.4% compared to same period in 2015.
- 0.3% sales and use tax for public safety slightly higher than projections.
- Benton PUD rate increase affects utility tax revenue as well as electricity costs for the City.
- Estimated savings from vacant positions is \$190,000 per month.

Sales Tax received in August (for taxable sales activity from June) totaled \$1,627,883, which is 5.6% more than the City received in August of 2015. Year-to-date, the City has received \$11,665,329 in sales tax, which is 7.4% more than this same time period in 2015. Sales tax received from new construction activity has significantly influenced results so far this year, making up approximately 2% of the overall growth in sales tax experienced for the year-to-date.

In August, the City received \$234,988 for its monthly distribution of the voter-approved 0.3% **public safety (criminal justice) sales tax**. 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 popula-

tion. Including August's distribution, the City of Kennewick has now received just over \$3.4 million from this new revenue source during the biennium, which is more than initially projected for this time period.

In August, the **Benton PUD Commissioner's approved a rate increase** of approximately 4.9% effective September 1, 2016. This rate increase was anticipated when the City prepared its most recent projections for the 2015/2016 biennial budget for the mid-biennium review this past November, although it was expected to be implemented earlier in 2016. Rate increases enacted by the Benton PUD have a significant budgetary impact on the City, both in terms of the revenue collected through the City's electric utility tax and power costs paid to the Benton

PUD related to operations of City facilities.

The City currently assesses a utility tax of 8.5% on revenue generated from the sale of electricity. A portion of the City's overall electric utility tax rate (2.5%) was approved by voters in the mid-90's along with a similar utility tax rate increase for natural gas and telephone sales and was dedicated towards 32 public safety positions hired at that time. In total, the City received just over \$4.7 million in electric utility tax in 2015.

On an annual basis, the City pays approximately \$1.4 million to the Benton PUD for electricity to operate City facilities. The majority of this amount (approximately 2/3) is paid by the City's water and sewer utility to operate the water and sewer treatment plants and other utility facilities.

Expenditure Update

City departments continue to work to fill their **vacant positions** with the right employees to help ensure their ability to deliver the City's priority programs and services. At the conclusion of August, the City had 23 vacant positions, 17 of which are at least partially funded from the City's General or Street Fund (Operating Funds). A number of these vacant

positions are related to the multi-year implementation of the City's criminal justice sales tax programs after funding began in March of 2015. The projected savings from these vacant positions currently equates to roughly \$190,000 per month citywide, with \$140,000 of that amount coming from the Operating Funds. In total, the estimated net savings from vacant

positions through August was \$2,733,000, with approximately \$1,896,000 of that amount representing savings within the Operating Funds. Revised estimates for the City's Operating Funds included a projected allowance for under-expenditures of \$2 million for the 2015/2016 biennium, which is expected to consist primarily of salary and benefit savings from vacant positions.