



CITY OF KENNEWICK

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Financial Briefing

Highlights

- Sales tax receipts through October up 4.7% compared to the same period last year.
- \$3.8 million received to date from criminal justice sales tax.
- Increased tourism and new hotels lead to higher Lodging Tax revenue.
- Council supports rate study recommendations for Water and Sewer Utility.
- Estimated savings from vacant positions is \$118,000 per month.

Revenue Update

Sales Tax received in October (for taxable sales activity from August) totaled \$1,550,453, which is 10% more than the City received in October of 2015. Year-to-date, the City has received \$14,742,285 in sales tax, which is 4.7% more than this same time period in 2015. Sales tax received from new construction activity (growth) in 2016 continues to be a significant contributing factor to the overall results for the year.

In October, the City received \$208,249 for its portion 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 population. Including September's distribution, the City of Kennewick has now received just over \$3.8 million from this new revenue source during the

biennium, which is more than initially projected for this time period.

Lodging Tax receipts for October totaled \$109,009, bringing the total amount collected in 2016 to \$895,648. The City's year-to-date lodging tax revenue is roughly 6% higher in 2016 when compared to the same time period in 2015. The increase the City has experienced is primarily attributable to increased tourism in the region as well as the opening of the SpringHill Suites hotel at the Convention Center and Hampton Inn at Southridge in the second half of 2015.

At its October 18th meeting, Kennewick City Council approved an increase to the City's **water and sewer utility rates** in both 2017 and 2018 based on the recommendations contained in a recently completed water and sewer rate study. Effective January 1st of both 2017 and 2018, the City's water rates will increase by

3.15%, while sewer rates will increase by 5.4% each year. In addition, the City will continue its practice of modifying both water and sewer rates each year based on the annual change in the consumer price index (CPI) during the preceding year. The City's rate study incorporated elements of the most recent water, sewer, and wastewater facility comprehensive plans and contained recommendations for rates over the next ten years based on projected operating and maintenance costs, current and projected debt service requirements, future capital requirements, and overall anticipated customer growth. It had been over 20 years since the City last completed a comprehensive rate study for its water and sewer utility. As part of the recommendations from the plan, the City will also be completing updates to the plan internally every two years and providing updates to City Council in conjunction with the biennial budget process.

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 October, the City had 13 vacant positions, 10 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 \$118,000 per month citywide, with

\$95,000 of that amount coming from the Operating Funds. In total, the estimated net savings from vacant positions through August was \$2,980,000, with approximately \$2,103,000 of that amount representing savings within the Operating Funds.