



CITY OF KENNEWICK

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

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Financial Briefing

Revenue Update

Highlights

- Sales tax receipts through November up 4.7% compared to the same period last year.
- \$4.1 million received to date from criminal justice sales tax.
- City Council adopts 2017 Property Tax levy at estimated \$2.17 per \$1,000 assessed valuation.
- 2017/18 Biennial Budget formally adopted by City Council.

Sales Tax received in November (for taxable sales activity from September) totaled \$1,468,938, which is 4% more than the City received in November of 2015. Year-to-date, the City has received \$16,211,224 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 November, the City received \$214,742 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 under \$4.1 million from this new revenue source during the biennium, which is more than initially projected for this time period.

The **2017 Property Tax Levy** was adopted by City Council on November 8, 2016, after holding a public hearing. The 2017 levy is estimated at \$12,575,166 and results in an estimated total levy rate of \$2.17 per \$1,000 of assessed valuation (AV), which represents a decrease of 6¢ from the 2016 total levy rate. The primary factor in the overall reduction to levy rate was the completion of a voter approved levy in 2016 for repayment of bonds issued in 1996 to construct the Mid-Columbia Library (MCL) facility on Union Street and make improvements to the MCL's Keewaydin Park Branch. For the owner of a \$200,000 home, the 2017 levy rate results in a reduction of \$12 in property taxes paid to the City when compared to the prior year.

The City's preliminary AV increased to slightly less than \$5.8 billion in total for the 2017 levy, which reflects the addition of \$116.3 million in added AV for new construction and \$52.9 million in added AV from the revalua-

tion of existing properties. The additional AV resulting from new construction also reflects \$21.7 million from the City's Southridge revitalization area. The adopted levy and levy rate for 2016 also reflect a 0.953% increase to the prior year's base property tax levy. Under state law, annual increases to the City's base property tax levy are limited to the lesser of 1% or inflation, with inflation being defined as the percentage change in the implicit price deflator for personal consumption (IPD). In most years, these factors result in a limit of 1% growth in base property tax revenue because the IPD (inflation) is higher than 1%. However, in July of 2016 the IPD was 0.953%, which reduced the limit for the annual increase below 1%.

As is the case each year, the City's levy and levy rate will not be finalized until early January when the County Assessor's Office provides final AV information and certifies the levies of each taxing jurisdiction.

Expenditure Update

The City's **2017/2018 Biennial Budget** was formally adopted by City Council after conducting a public hearing on November 8, 2016. The total adopted budget for all City funds for the 2017/2018 biennium is \$270,821,269, which includes a general operating budget (General and Street Funds) of \$103,653,008. It is also important to note that the City does not include any

estimate for the carryforward of capital project budgets that will not be closed at the conclusion of the prior biennium when it adopts a new biennial budget. Instead, the actual carryforward of capital project budgets is added to the new biennial budget during the first budget adjustment of the biennium, which can add anywhere from 5-10% to the City's overall budget. The adoption of the 2017/2018 budget is

the culmination of a tremendous amount of work completed by City staff and City Council over the past year and continues to meet a number of the Council's goals and objectives within its priority areas of Community Safety, Economic Development, Infrastructure & Growth, Quality of Life and Responsible Government.