



Financial Briefing

Revenue Update

Highlights

- Sales tax receipts for 2016 4.5% higher than 2015.
- \$4.3m received to date from criminal justice sales tax.
- Final 2015/16 budget adjustment approved.
- Self-insured dental rates set for 2017.
- L&I increases Workers' Compensation rates.

Sales Tax received in December (for taxable sales activity from October) totaled \$1,387,819, which is 2% more than the City received in December of 2015. In 2016, the City received \$17,599,043 in sales tax, which was 4.5% more than 2015. Sales tax received from new construction activity (growth) was a significant factor in the overall increase for 2016, making up approximately 2% of the overall increase in sales tax for the year.

In December, the City received \$196,794 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 December's distribution, the City of Kennewick received just under \$4.3 million from this new revenue source during the 2015/2016 biennium, which is more than initially projected.

The **Fall 2016 Budget Adjustment** was approved by City Council at its

meeting on December 6, 2016. This was the final budget adjustment for the 2015/2016 biennium. The adjustment resulted in an overall increase in appropriations of approximately \$12.7 million, which increased the City's 2015/2016 adjusted budget in total to \$301.8 million. A large majority of this overall increase was attributable to budget adjustments required for the City's 2016 limited tax general obligation (LTGO) bond issue and additional capital expenditures associated with the full completion of Bob Olson Parkway/Hildebrand.

Expenditure Update

The City recently received the 2017 renewal rates for its **self-insured dental plan** administered by Delta Dental of Washington. Based on the City's actual dental claims history, expected inflationary increases in provider rates, and a moderate increase in the administrative fee paid to Delta Dental, the City's premium will be set at \$110 per employee, per month, beginning in January of 2017. This represents a decrease of approximately 3.5% when compared to the 2016 premium of \$114, but is a 3% increase compared to the actual cost per employee, per month in 2016 of \$107. The monthly premium amount 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, it is projected that the City will spend approximately \$480,000 in 2017 for the dental program it offers to its regular full and part-time employees.

Workers' Compensation Premiums for the City of Kennewick and its employees will be increasing beginning in January of 2017 as a result of rate increases adopted by the Department of Labor & Industries (L&I) and a minor increase to the City's claims experience rating. Overall, the average increase in workers' compensation rates adopted by L&I for all

of its 319 risk (job) classifications was 0.7%. However, rate increases for several of the individual risk classifications utilized by cities were significantly higher and ranged as high as 11%, including fire fighters and police. Fortunately, the City's experience rating, which is based on its own individual claims and the number of worker hours reported over the most recent three-year experience period, will only be increasing moderately due to the City's strong safety program and workplace culture. As workers' compensation premiums are calculated by multiplying an employer's individual experience factor by the rate established by L&I for each risk classification, a minor increase to the City's experience factor helps to avoid a more significant overall increase to workers' compensation premiums for 2017.