




City Council Special Meeting Agenda

October 29, 2024 at 6:30 PM

City Hall Council Chambers - 210 W 6th Ave and Virtual

The City of Kennewick broadcasts Council meetings on the City's website at <https://www.go2kennewick.com/CouncilMeetingBroadcasts>.
Official public notice of the special meeting was posted and distributed October 22, 2024.

1. Call to Order
2. Presentation: 2025/2026 Preliminary Budget
3. Budget Discussion: Property Tax Levy
4. Adjourn

| | | |
|---|--|------------------|
| Council Agenda Coversheet | Item Number: 2. Date: 10/29/2024 | Category: |
|  | Item Type: Presentation Subject: Presentation: 2025/2026 Preliminary Budget Department: Finance | |

Summary

At the October 29th City Council workshop, staff will present the proposed 2025/2026 biennial budget. Similar to the last several bienniums, we have utilized the budgeting by priorities model to evaluate and prioritize the City's available resources to the over 300 services provided to the community. The proposed biennial budget provides a strategic plan for a sustainable operating and capital budget for this biennium and into the future.

The proposed 2025/2026 biennial budget was prepared with the Council's leadership in establishing clear goals and priorities as the foundation for its development. The budget planning process began earlier this year with our Council retreat where the City's priority areas and opportunity centers were discussed and affirmed. In September, City Council was provided with an update on the major revenue and expenditure assumptions that were being utilized to prepare the proposed 2025/2026 biennial budget, as well as a projection of the resources that would be available for the upcoming biennium.

The preliminary budget document will be filed with the City Clerk on October 29, 2024. The document provides much greater detail about the proposed biennial budget, including how resources are allocated and priority programs. The City Clerk will revise the workshop agenda packet to include the preliminary budget and publish the revision on October 29, 2024.

Attachments:

1. Presentation



2025/2026

BIENNIAL BUDGET RECOMMENDATIONS

October 29, 2024

Kennewick City Council Workshop

Biennial Budget Preparation:

- Council Retreat (*Formed the Foundation*):
 - Reaffirmed the 5 Priority Areas & Program Areas
- Overarching Goal – Provide for a Sustainable Operating & Capital Budget for the Future
- Budget Instructions & Preparation – Summer/Fall
- September 24th Council Workshop – Budget Assumptions & Alternative Funding Sources
- October 8th Council Workshop – Capital Improvement Program
- October 22nd Council Workshop – Water / Sewer Utility Rates Discussion
- 2025/2026 Biennial Budget – Maintains existing programs & sets forth the implementation plan for Council’s goals while providing for future sustainability



PRIORITY AREAS



**Community
Safety**



**Economic
Development**



**Infrastructur
e**



**Quality
of Life**



**Responsible
Government**

Biennial Recommendations:

- **Combat Criminal Gang Activity:**
 - Public Safety Sales Tax Commitments
 - Crime fighting strategies & deployment models
- **Continue to Enhance School Safety**
- **Strategic Funding to Maintain Current Service Level for Public Safety**
 - Partial reallocation of the proceeds of the City's existing 6.5% water and sewer utility tax
 - Funds are currently dedicated to pay for LEOFF I medical costs
 - Based on evaluation, staff believes a portion of these funds (\$588K) can be allocated to pay for Public Safety Services in the General Fund in 2025/2026
 - Requires Amendment to Resolution; To Council for Consideration on November 19th



Biennial Recommendations:

- **Fire Department Strategic Plan:**
 - Continue to implement the goals of the strategic plan in the areas of Core Services, Staff Well Being, Effective Administration, Funding, Community Engagement
 - Maintain Current Level of Service for Ambulance Services
 - Enhance the Level of Service for the City's Ambulance Emergency Medical Services Delivery System by Adding a Peak Hour Unit Beginning in 2025; 6 FTE Beginning in 2025
 - Begin Hiring the Required Staff Needed to Operate a New Fire Station (Station 6) in the Southridge Area; 7 FTE in 2026.

- **Maintain the availability of safe drinking water:**
 - Implement Water/Sewer rate study recommendations
 - Water and Sewer renewals and replacements
 - PFAS Treatment System
 - 1 New Maintenance Position in Water Beginning 2025
 - 1 New Maintenance Position in Sewer Beginning 2025

Biennial Recommendations:

- Support and Promote the City's Industrial Development Area:
 - Extension of Utilities
 - Work with TRIDEC, Dept of Commerce and Developer to recruit businesses to the Industrial Area in South Kennewick
- Implement the Vision & Policies Established for the Opportunity Center:
 - Partner with the Kennewick Public Facilities District, A1 Pearl, & Benton County to expand the Convention Center, build a connecting hotel and enhance the amenities in the Entertainment District as well as support the private development in Vista Field
 - Work with property owners and developers on residential and commercial development in Southridge
- Seek Grant Opportunities and Support Legislative Efforts



Biennial Priorities:

- Strategic Funding & Implementation of a Sustainable Capital Facilities Plan
 - Pavement Rating & Preservation ~ \$3M per year
 - General Fund has been contributing \$1M annually for pavement preservation
 - Due to General Fund shortfall, recommend implementation of a Transportation Benefit District to continue to fund pavement preservation as discussed with Council during the September 24, 2024 council workshop
 - Recommend 0.1% Sales Tax Option
 - TBD can be approved by Council after conducting the required public hearing (RCW 36.73.050)
 - TBD boundaries can be the same as the City's boundaries
 - Estimated annual collections is \$3M
 - Increases in sales tax require timing consideration and notification to the Department of Revenue.
 - TBD Public Hearing Anticipated on November 5th with Council Consideration on November 19th



Biennial Priorities:

- Major Street Projects to include:
 - Kennewick Ave – Union to Morain
 - Keene Trail Extension Project (Steptoe to Center Parkway)
 - Arrowhead/Steptoe Traffic Signal
 - Bob Olson and Sherman Traffic Signal
 - Clodfelter & Ridgeline Traffic Signal
 - Quinault/CCB Intersection Improvements
- Other Major Capital Projects to include:
 - Three Rivers Convention Center Expansion Contribution
 - Lawrence Scott Playground Replacement
 - Splash Pad Replacement
- Fleet Replacement – police, fire, municipal services
- Technology Improvements
- Deferred Maintenance Projects

Biennial Recommendations:

- Leverage Community Partnerships & Align Service Delivery
 - Wildland/Urban interface mitigation plan – Zintel Canyon partnership & southern boundary
 - Housing & Homelessness – cross functional team partnership with Housing Authority, Benton County Human Services to implement and support the recovery center, mobile crisis response, co-responders, housing and homeless concerns to include the review of code modifications
 - Recreation Program Recommendations:
 - Special Events – continue to streamline the application process
 - Youth Sports – continue to implement youth sports programming
- Prepare for Future Growth through Implementation of our Strategic Comprehensive Plan
 - Community Planning Comprehensive Plan Update



Biennial Recommendations:

- Utilize Creativity and Flexibility in Program Delivery:
 - Cross-Functional Teams – (i.e. development review, encampment & mitigation, code enforcement)
- Maintain and Enhance Internal Infrastructure
 - Partial reallocation of the Optional Sales Tax from the Capital Improvement Fund to the General Fund to help pay for new software maintenance agreements (\$323K in 2025/2026); Requires amendment to Resolution anticipated to go to Council for consideration on November 19th
 - Complete implementation of the Records Management System (RMS) and Jail Management System (JMS) for BIPIN.
 - Complete implementation of the ERP Project
 - Ongoing updates to the City's network infrastructure equipment
- Enhance & Leverage Strong Community Partnerships for Effective Service Delivery:
 - Work with Partner Agencies
 - Public Outreach – citizen connect, decision engine, cleargov, language line, paperless court system
 - Budgeting by Priorities Model
- Recruit, Retain, Promote & Support our City Employees
 - Officer Health & Resiliency
 - Staff Wellbeing
 - Hire, Promote and Retain – (implement new programs – Careers in Gov, NeoGov, Spark Hire, Background Investigations, flexible workplace, contract negotiations & non-contract, other employee programs)





Major Revenue Assumptio ns

General & Street Funds

Major Revenue Assumptions



- Sales Tax – 3.7% growth in 2025 & 4% growth in 2026
 - Follows projected 1.25% *decrease* in 2024
 - Consistent with June 2024 State Economic Revenue Forecast
 - Reflects partial loss of sales tax revenue from large retail store in 2026
- Property Tax – 1% growth in base levy & \$200M in new construction each year (with 40% of growth in Southridge Local Revitalization Area)
- Utility Taxes:
 - Electric – 1.5% incr. each yr. (consumption) plus proj. public utility district rate increases
 - Telephone – 2% incr. each yr.
 - Cable – 1% incr. each yr. (3% rate growth, less 2% customer reduction)
 - Natural Gas - 1.5% incr. each yr. (customer growth) plus 2% rate incr.
 - Garbage – 1.5% incr. each yr. (customer growth) plus 2% CPI increases
 - Water/Sewer – 1.5% customer growth plus projected rate increases
 - Other – Generally estimate 1.5% customer growth (where applicable) and 4% for rates tied to CPI (where applicable)
- State Shared Revenues – No change to existing allocations

Other Governmental Funds

- Other Revenues – Generally 2% increases per year
- Real Estate Excise Tax (REET) – 3% growth per year
 - Follows decline of 23% in 2023 and projected decline of 3% in 2024
 - Assumes decline in borrowing rates will spur new development
 - Restricted funding source allocated to the capital improvement program
- Lodging Tax Revenue – 2% growth per year
 - Follows projected increase of 3.5% in 2024
 - Restricted funding source for tourism promotion and operation of city owned tourism facilities



Major Expenditure Assumptions

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General & Street Funds

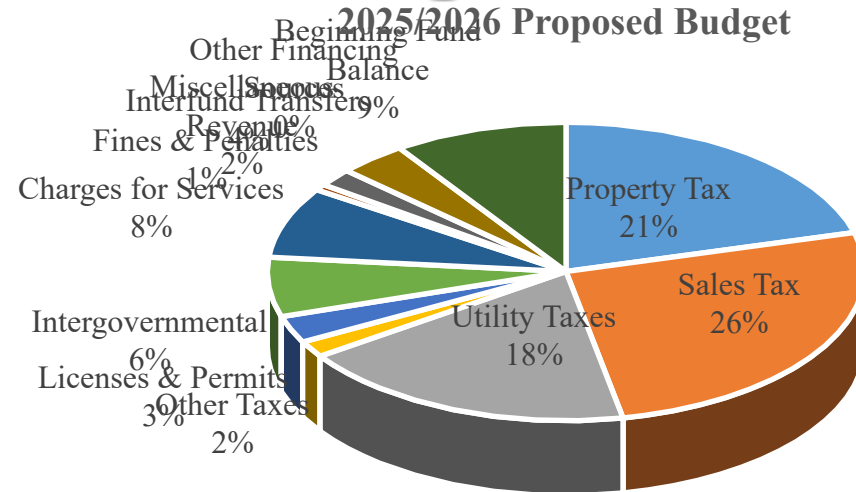
- Salaries & Wages – Per contract terms/projected terms
 - Allowance for Under-Expenditures of \$4.3M
- Medical Rates – 7-9% incr. in 2025 & 5% incr. 2026 with increases to employee paid premiums
- Retirement Rates - Per DRS projections
- Workers' Comp – Per L&I recommended rates for 2025
- Other Benefit Rates – 0% increase in 2025 and 5% increase in 2026
- Major Contract Assumptions:
 - Jail – Allocation of 12.86%; assumption 15% increase 2025 and 5% increase 2026
 - SeComm/BCES – assumption 2% increase in 2025 assessment & 5% increase in 2026
 - District Court – 20.35% allocation based on caseloads; assumption 12% increase 2025 and 5% increase 2026
 - OPD – 48.83% allocation based on caseloads, assumption 29% increase in 2025 and 5% increase for 2026

General & Street Funds

- Other Expenditures – 7.5% increase for the biennium for supplies and 5% increase for other services and charges (excludes certain major contracts)
- General Fund Proposed 2025/2026 Transfers

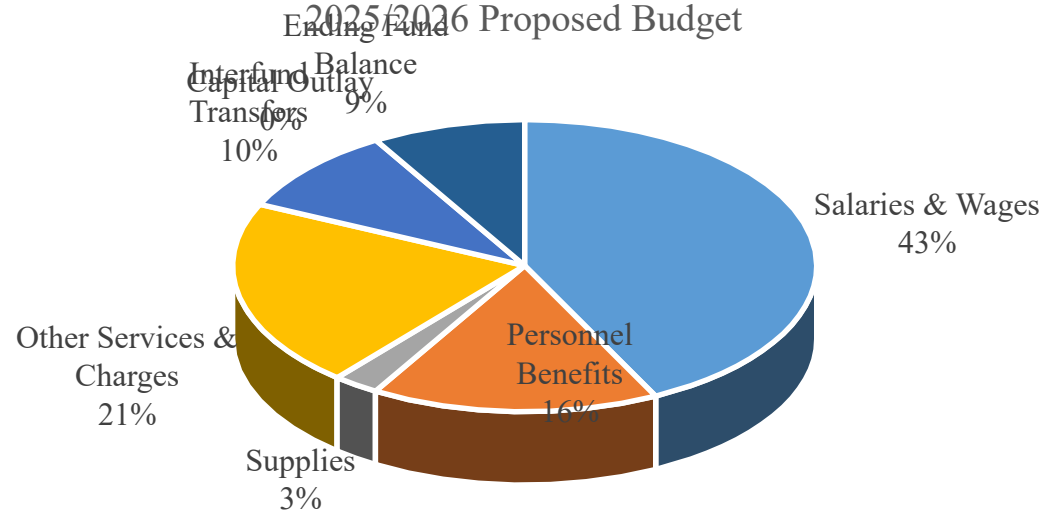
| Fund Receiving Transfer from General Fund | Est. Transfer Amount for Biennium | Est. Transfers % of Total |
|---|-----------------------------------|---------------------------|
| Ambulance Utility Fund | \$10.12M | 72% |
| Risk Management Fund | \$2.9M | 21% |
| Street Fund | \$450K | 3% |
| Coliseum Fund | \$400K | 3% |
| Golf Course Fund | \$118K | 1% |
| Total General Fund Transfers | \$14M | |

Sources of Funding – General & Street Funds



| Sources of Funding | 2021/2022 | 2023/2024 | 2025/2026 | 23/24 - 25/26 | |
|-----------------------------------|----------------------|----------------------|----------------------|--------------------|-----------|
| | Actual | Adjusted Budget | Proposed Budget | \$ Change | % Change |
| General & Street Funds | | | | | |
| Property Tax | \$27,558,943 | \$28,969,702 | \$30,374,000 | \$1,404,298 | 5% |
| Sales Tax | 33,824,812 | 36,180,500 | 38,213,408 | 2,032,908 | 6% |
| Utility Taxes | 24,297,706 | 25,354,000 | 26,939,642 | 1,585,642 | 6% |
| Other Taxes | 2,475,357 | 2,343,400 | 2,612,900 | 269,500 | 12% |
| Licenses & Permits | 3,071,499 | 3,881,600 | 4,282,200 | 400,600 | 10% |
| Intergovernmental | 10,876,577 | 10,780,023 | 9,388,900 | (1,391,123) | -13% |
| Charges for Services | 9,557,962 | 10,342,757 | 11,272,732 | 929,975 | 9% |
| Fines & Penalties | 1,126,438 | 965,900 | 953,100 | (12,800) | -1% |
| Miscellaneous Revenue | 1,356,962 | 2,954,525 | 2,821,500 | (133,025) | -5% |
| Interfund Transfers | 4,637,570 | 4,956,750 | 5,444,694 | 487,944 | 10% |
| Other Financing Sources | - | - | - | - | |
| Subtotal Revenues: | 118,783,827 | 126,729,157 | 132,303,076 | 5,573,919 | 4% |
| Beginning Fund Balance | 5,966,211 | 13,311,301 | 13,783,099 | 471,798 | 4% |
| Total Sources | \$124,750,038 | \$140,040,458 | \$146,086,175 | \$6,045,717 | 4% |

Uses of Funding – General & Street Funds

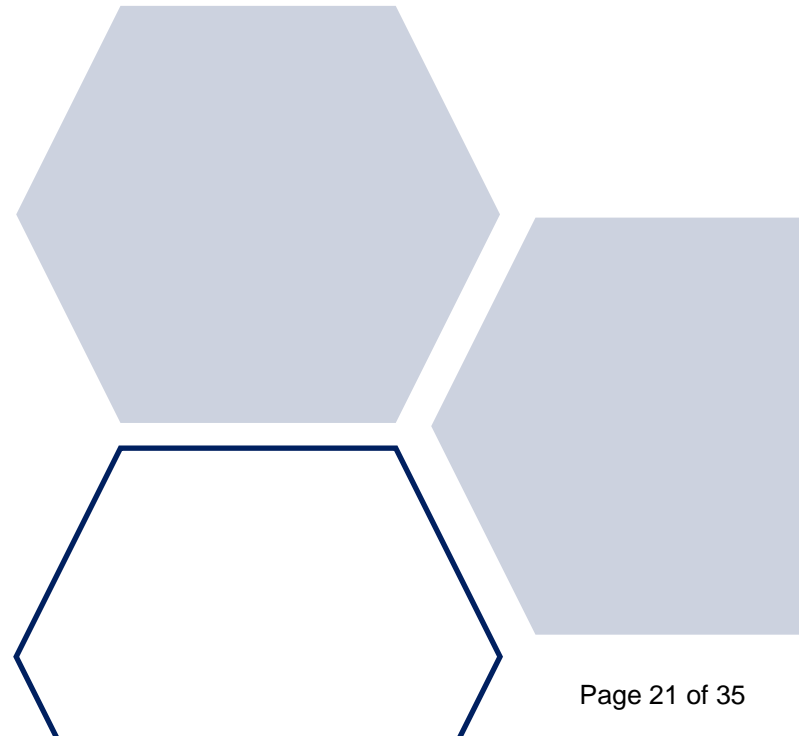


| Uses of Funding | 2021/2022 | 2023/2024 | 2025/2026 | 23/24 - 25/26 | |
|-----------------------------------|----------------------|----------------------|----------------------|--------------------|-----------|
| | Actual | Adjusted Budget | Proposed Budget | \$ Change | % Change |
| General & Street Funds | | | | | |
| Salaries & Wages | \$51,944,691 | 57,146,994 | 62,228,258 | 5,081,264 | 9% |
| Personnel Benefits | 18,779,815 | 22,727,520 | 23,287,939 | 560,419 | 2% |
| Supplies | 3,331,041 | 3,781,891 | 3,740,818 | (41,074) | -1% |
| Other Services & Charges | 22,653,060 | 27,211,850 | 30,392,752 | 3,180,902 | 12% |
| Interfund Transfers | 14,437,104 | 16,191,000 | 14,000,565 | (2,190,435) | -14% |
| Capital Outlay | 293,026 | 37,900 | - | (37,900) | -100% |
| Subtotal Appropriations: | 111,438,737 | 127,097,155 | 133,650,331 | 6,553,176 | 5% |
| Ending Fund Balance | 13,311,301 | 12,943,303 | 12,435,844 | (507,459) | -4% |
| Total Uses: | \$124,750,038 | \$140,040,458 | \$146,086,175 | \$6,045,717 | 4% |

General & Street Funds One-Time

Uses

- Comprehensive Plan Update \$500K
 - Transfer from General Fund to Street Fund \$450K
 - Community Events \$396K
 - Golf Course Improvements \$78K



2025/2026 Proposed Budget

CITY OF KENNEWICK COMPARATIVE BUDGET SUMMARY

| FUND | ACTUAL 2021/2022 | ADJUSTED BUDGET 2023/2024 | PROPOSED BUDGET 2025/2026 | VARIANCE |
|--|-----------------------|---------------------------------|---------------------------------|-------------|
| OPERATING (GENERAL & STREET) | \$ 124,750,038 | \$ 140,040,458 | \$ 146,086,175 | 4% |
| CAPITAL PROJECTS | 68,753,358 | 86,992,332 | 73,176,545 | -16% |
| ENTERPRISE & INTERNAL SERVICE | | | | |
| Water & Sewer | 83,740,715 | 123,045,103 | 80,994,994 | -34% |
| Building Safety | 6,887,606 | 7,147,686 | 7,800,000 | 9% |
| Medical Services | 37,291,757 | 41,353,317 | 47,262,668 | 14% |
| Coliseum Fund | 9,720,281 | 10,815,944 | 10,839,000 | 0% |
| Stormwater | 7,134,839 | 8,023,617 | 9,480,000 | 18% |
| Columbia Park Golf Course | 979,914 | 993,195 | 1,025,000 | 3% |
| Equipment Rental | 13,244,522 | 26,120,078 | 16,491,322 | -37% |
| Risk Management | 5,877,334 | 8,354,425 | 7,286,605 | -13% |
| Central Stores | 740,479 | 697,519 | 727,190 | 4% |
| Subtotal | 165,617,447 | 226,550,884 | 181,906,779 | -20% |
| DEBT SERVICE | 8,233,662 | 7,542,112 | 6,230,384 | -17% |
| SPECIAL REVENUE | | | | |
| Transportation Benefit District Fund* | - | - | 6,000,000 | |
| Arterial Street Fund** | 5,207,517 | 8,000,000 | | |
| BI-PIN Operations | 1,586,339 | 2,088,746 | 2,241,395 | 7% |
| Community Development | 1,655,474 | 2,548,427 | 1,180,000 | -54% |
| Asset Forfeiture Fund | 248,967 | 248,952 | 256,900 | 3% |
| Public Safety | 4,637,570 | 4,956,750 | 4,994,709 | 1% |
| Cash Reserve Fund | 3,214,006 | 3,474,006 | 3,345,000 | -4% |
| Lodging Tax Fund | 4,107,876 | 5,667,449 | 6,641,287 | 17% |
| Criminal Justice Sales Tax | 7,716,796 | 8,804,156 | 9,673,605 | 10% |
| HIDTA Program | 4,240,533 | 4,000,000 | 3,500,000 | -13% |
| Coronavirus Fiscal Recovery | 726,594 | 1,121,034 | 2,118,970 | 89% |
| Subtotal | 33,341,671 | 40,909,520 | 39,951,866 | -2% |
| FIDUCIARY TRUST FUNDS | 6,883,475 | 7,668,660 | 8,169,044 | 7% |
| TOTAL | \$ 407,579,651 | \$ 509,703,966 | \$ 455,520,793 | -11% |

*Pending City Council Approval

**Removed and Replaced with Proposed TBD in 2025/2026

Potential Budget Vulnerabilities

- Economic slowdown
- Risks of persistent inflation
 - Labor shortages and increases to minimum wage
 - Impact of market volatility on consumerism
- 2025 Washington State Legislative Session
 - Will Include adoption of State's 2025-2027 budget
- Succession Planning and Retirements



**QUESTIONS
?**

THANK YOU

10.29.2024

2025 Property Tax Levy

Kennewick City Council Workshop

October 29, 2024

Property Tax Distribution

School District - 38¢

State School - 28¢

City - 17¢

County - 10¢

Other - 7¢



2024 Total Property Tax Levy – \$7.87 per \$1,000 AV

Tri-City 2024 Levy Rate Comparison

| | Kennewick | Pasco | Richland |
|-------------------------------|------------------|-----------------|-----------------|
| Regular Levy | \$1.3246 | \$1.0798 | \$1.7804 |
| Voted G.O. Bonds | 0.0000 | | 0.1378 |
| Library District | 0.2256 | | 0.0000 |
| Total Rate Per \$1,000 | \$1.5502 | \$1.0798 | \$1.9182 |

Property Tax Overview

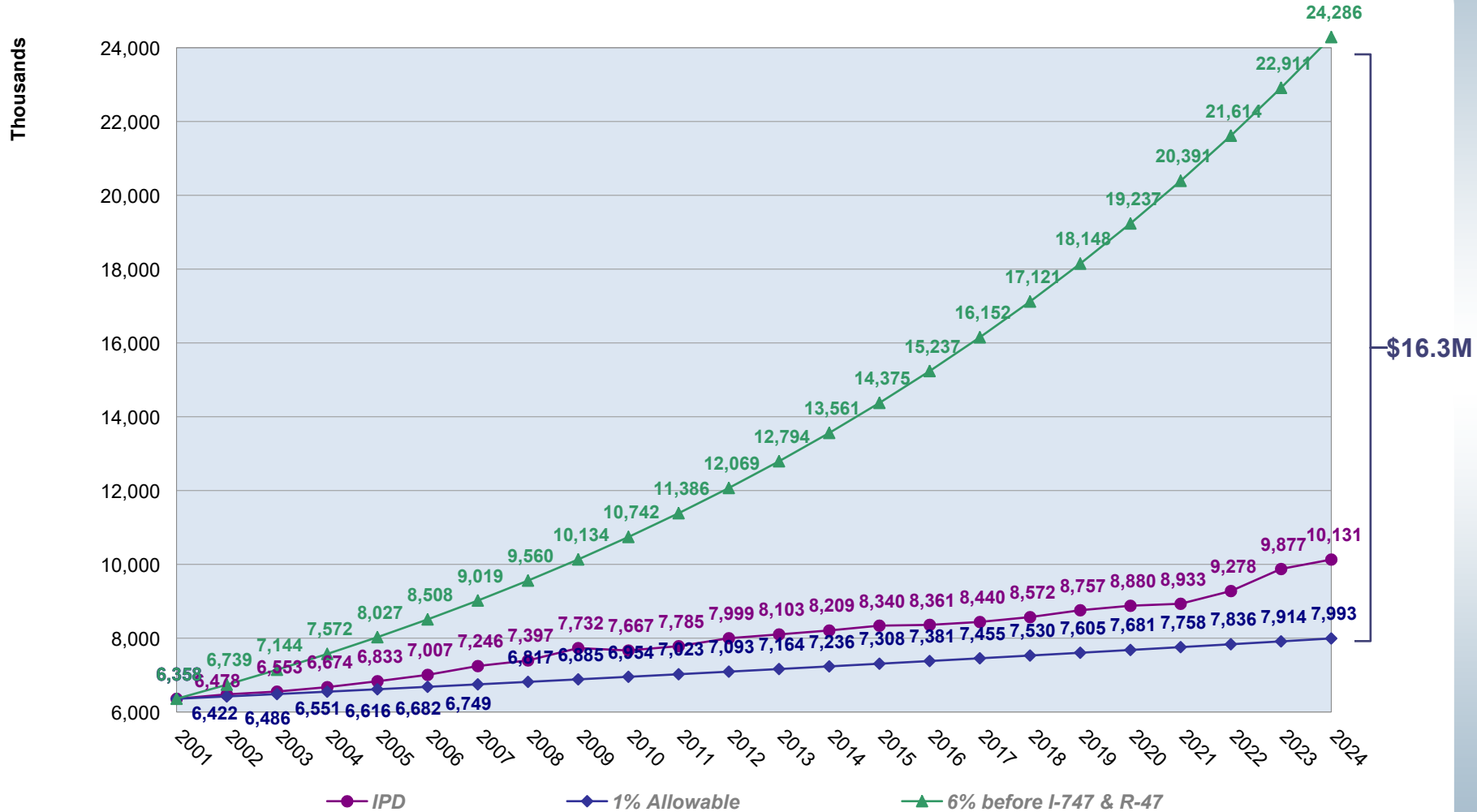
- Statutory Maximum Levy Rate is \$3.325 for Kennewick (\$3.825 less \$.50 library district) without voter approval

- Prior to November, 1997 the base limit factor was 106%

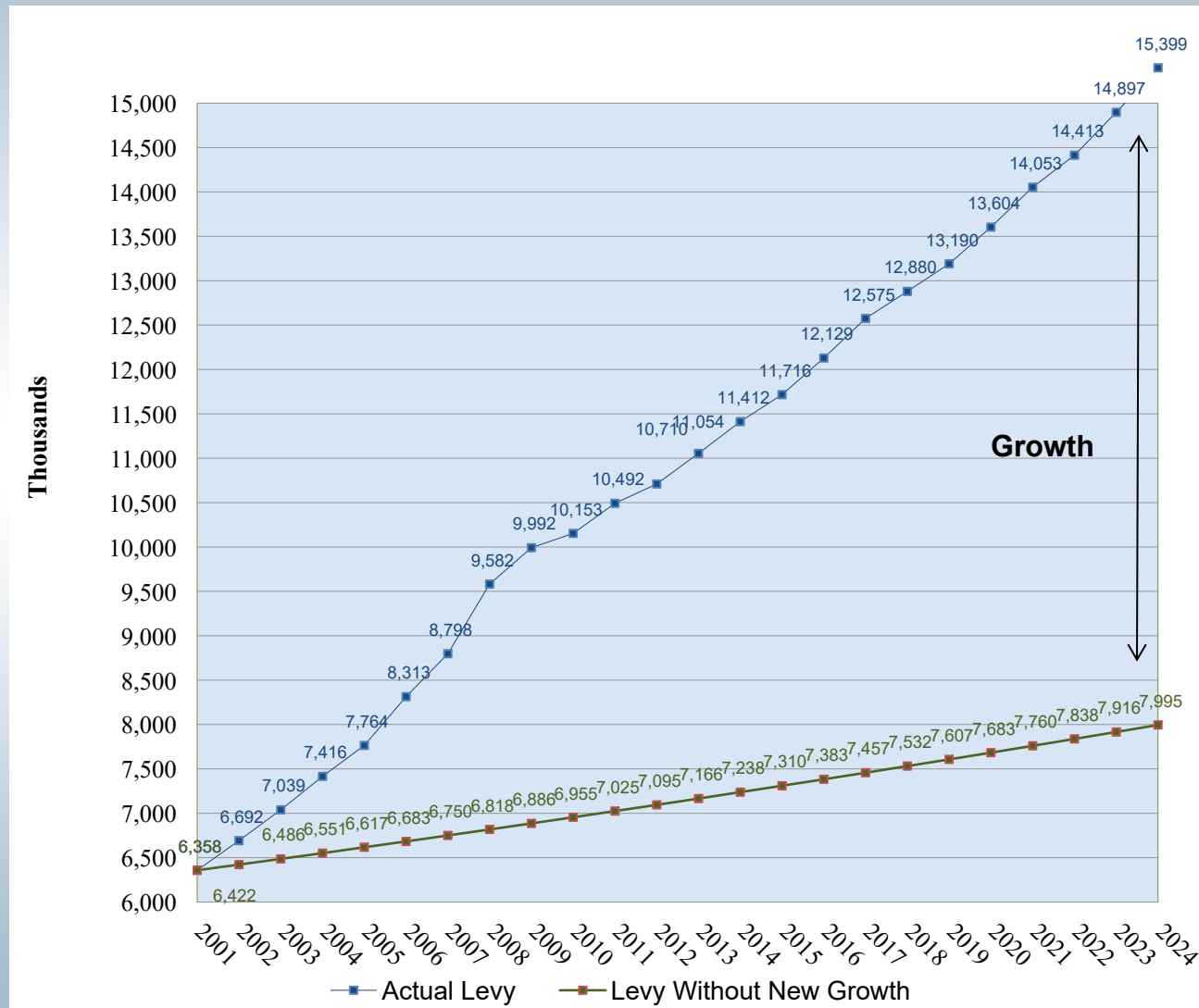
- Referendum 47 (1997) reduced limit to Implicit Price Deflator (IPD) but allowed for up to a 6% increase if approved by a super-majority vote of the Council

- I-747 (2001) reduced the amount the base property tax levy can be increased annually to the lesser of IPD or 1%
 - Revenue derived from New Construction & Annexations are above limit
 - I-747 declared unconstitutional in 2007, but was then added to state law

Reduced Levy Capacity



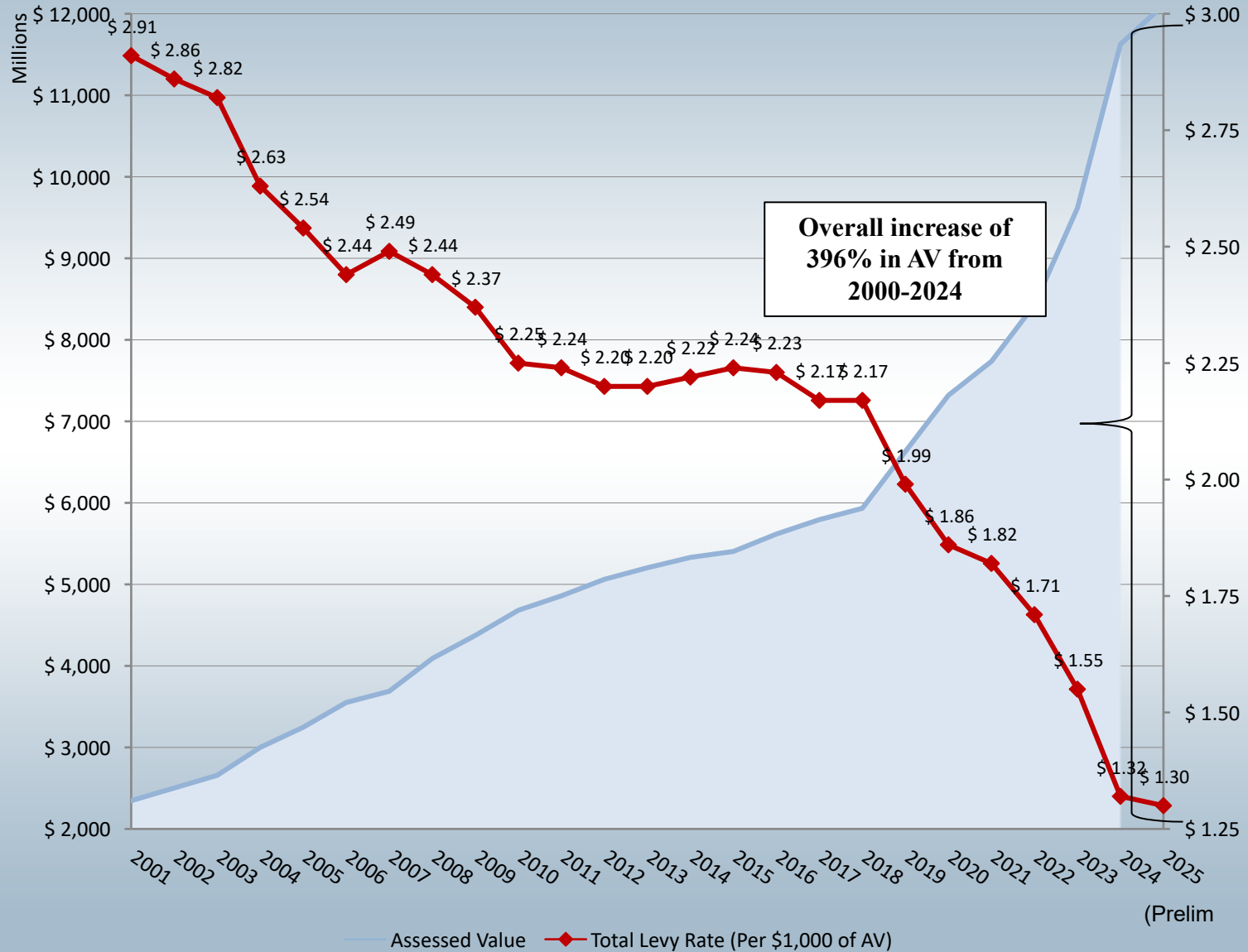
Property Tax Levy History 2001-2024



Property Tax Levy Rate Formula

$$(\text{Total Levy} \div \text{AV}) \times \$1,000 = \text{Rate per } \$1,000 \text{ AV}$$

AV & Levy Rate 2001-2025



2025 Property Tax Levy Proposal

- **Property Tax Levy** – Overall increase of \$448k to \$15,800,172
 - New Construction/Annexation (\$208M in AV) - \$275k
 - Change to Base Levy Under State Law - \$155k (1%)
 - July 2024 IPD = 2.57%
- **Assessed Valuation** – Increased by \$481M (Total of \$12.1B)
 - \$208M from new construction
 - \$85M (40% of total) in Southridge LRA (75% to LRF program)
- **Property Tax Levy Rate** – Reduction of 1¢ to \$1.31 (per \$1,000 AV)
 - Increase of \$10.24 (~85¢/mo.) for a home valued at \$300,000
 - Assumes AV of home increases by ave. change in AV for 2024 (4.14%)
 - Assumes levy rate reduction from \$1.32 to \$1.31 per \$1,000 of AV

Questions?