City Council Workshop Agenda

May 27, 2025 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.
Written public comment is accepted pursuant to KMC 2.04.047.

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1. 2024 Year-End Financial Review and Spring 2025 Budget Adjustment

To Assure Disabled Persons The Opportunity To Participate In Or Benefit From City Services, Please Provide Twenty-Four (24) Hour Advance Notice For Additional Arrangements To Reasonably Accommodate Special Needs. Please Be Advised That All Kennewick City Council Meetings Are Audio And Video Taped

Council Agenda Coversheet					Category:
	Item Number:	1.	**Date:**	5/27/2025	
	Item Type:	Presentation			
	Subject:	2024 Year-End Financial Review and Spring 2025 Budget Adjustment			
	Department:	Finance			

Summary

Each spring after Finance completes the process of closing the prior year, staff provides the Council with an updated report on the City's financial condition and a review of the prior year's financial activity. The presentation at the May 27th workshop will cover the 2024 financial results for the City's general governmental operations, capital program, and enterprise operations. Additionally, staff will be providing Council with an overview of the spring 2025 budget adjustment, which is scheduled for City Council's formal consideration at the next regular meeting on June 3, 2025.

Attachments:

1. Presentation

City of Kennewick

2024 FINANCIAL REVIEW

KENNEWICK CITY COUNCIL WORKSHOP

MAY 27, 2025

Purpose of Presentation

1. Overview of Fund Types and 2023/2024 Adjusted Budget
2. General and Street Funds Financial Review
3. 2024 Capital Program Highlights
4. Enterprise Funds Highlights and Financial Review
5. Spring Budget Adjustment

1. Overview of Fund Types and 2023/2024 Adjusted Budget

Fund Types

- **General Governmental Funds:**
  - **General Fund:** to account for financial resources not required to be accounted for in another fund.
  - **Special Revenue Funds:** to account for legally restricted resources.
  - **Capital Projects Funds:** to account for financial resources to be used for acquisition or construction of capital facilities.
  - **Debt Service Funds:** to account for resources accumulated for the repayment of debt.
- **Proprietary Funds:**
  - **Enterprise Funds:** to account for operations that are financed and operated in a manner similar to a private business.
  - **Internal Service Funds:** to account for financing of goods or services provided by one department to another within the government.
- **Trust & Agency Funds:**
  - Funds used to account for assets held by a government in a trustee capacity.

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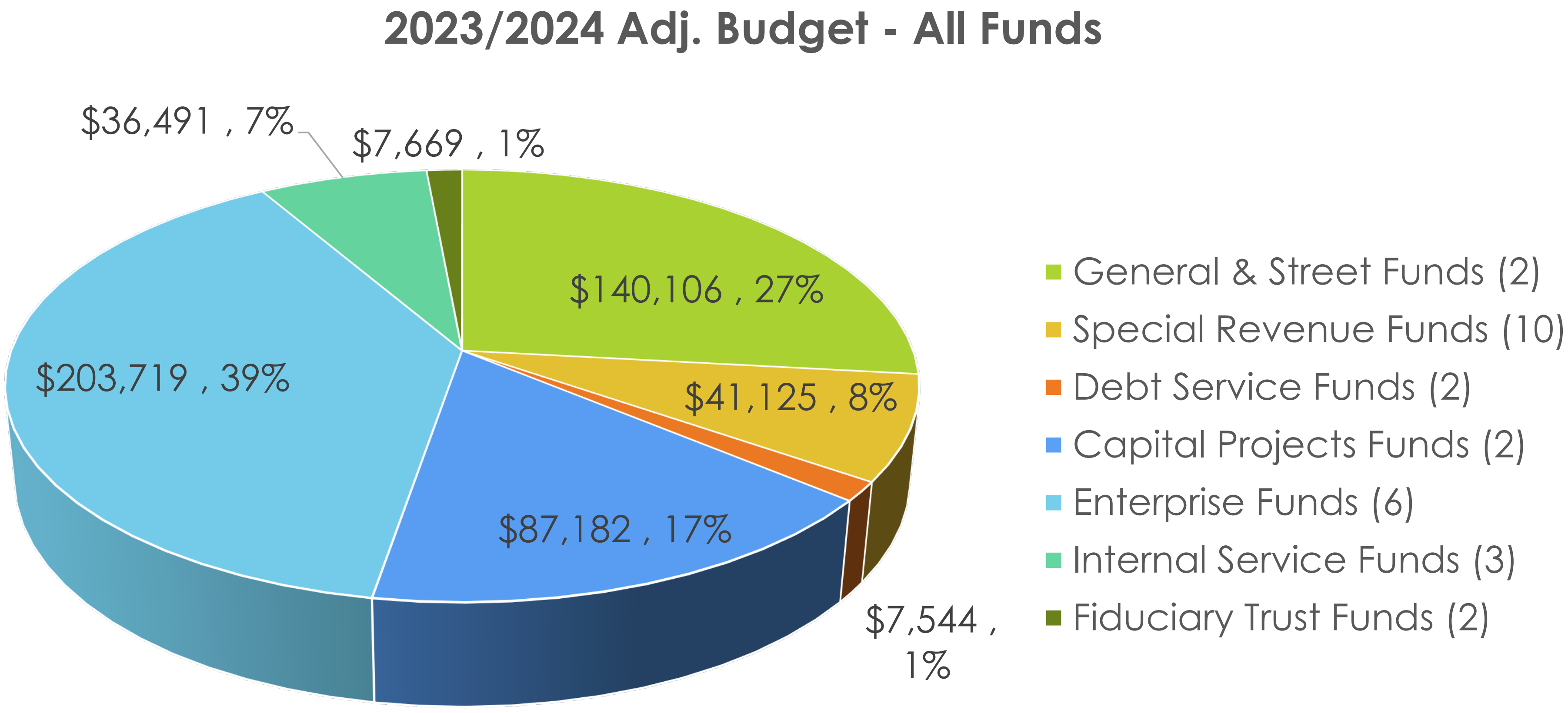
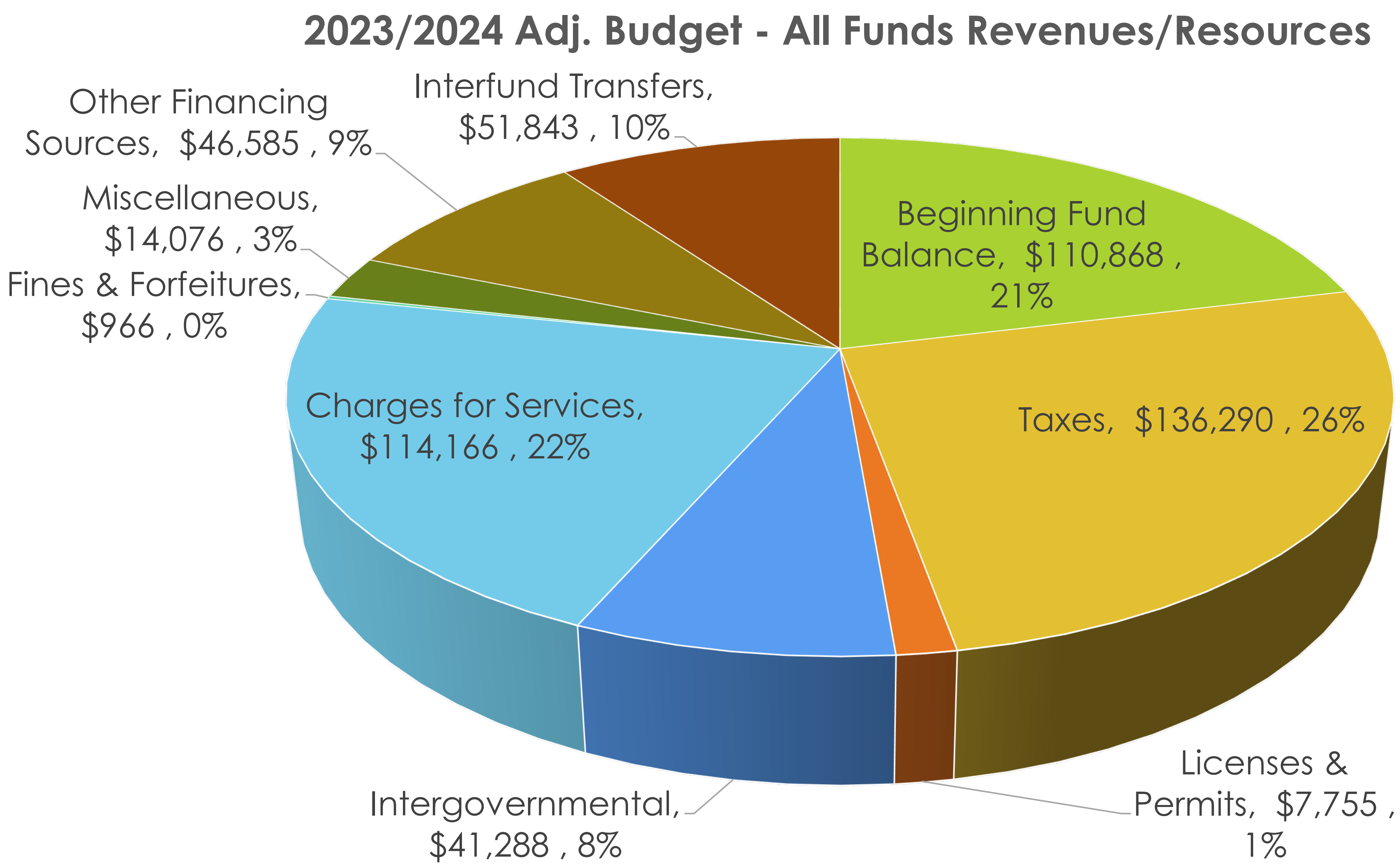
2023/2024 Adj. Budget – All Funds (In Thousands)



Total 2023/2024 Adjusted Budget = $523,836,057

2023/2024 Adj. Budget – All Funds (In Thousands)



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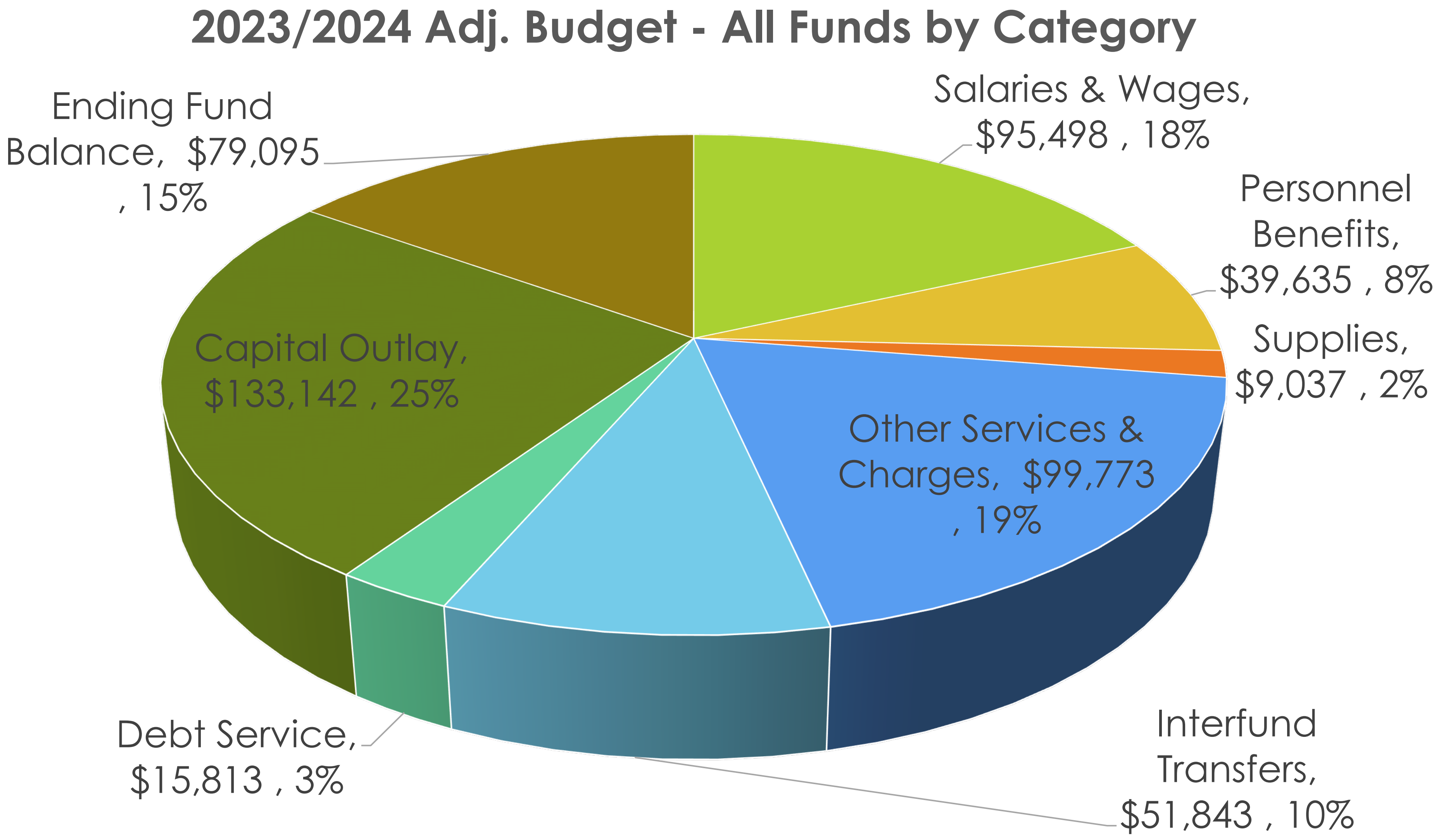


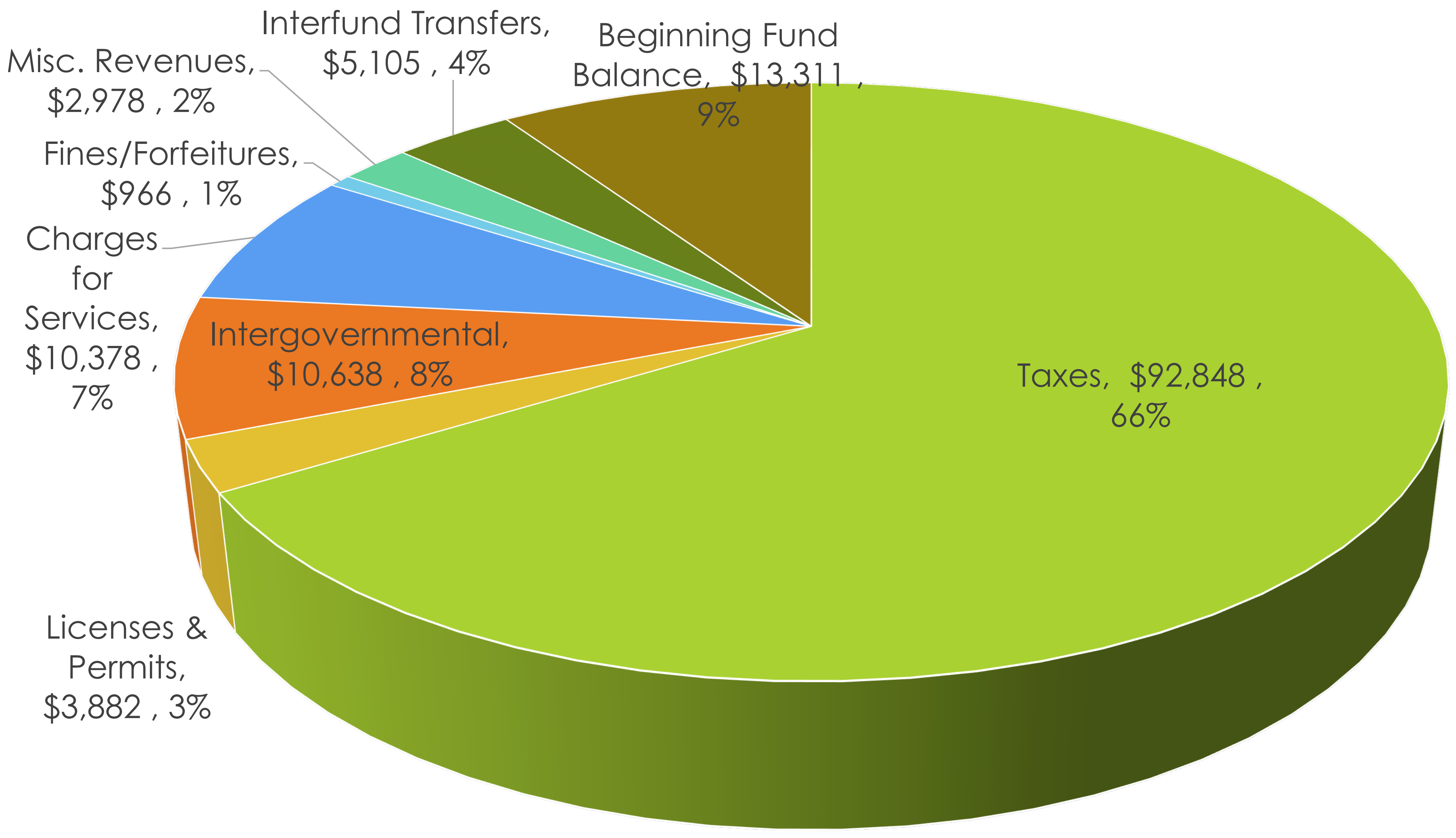
Total 2023/2024 Adjusted Budget = $523,836,057

2. General and Street Funds Financial Review

General & Street Funds

- Police
- Fire Suppression & Inspection
- Planning
- Economic Development
- Engineering
- Parks & Recreation
- Street Maintenance
- Support & Administration Functions (e.g. Council & City Manager, City Attorney, City Clerk, Finance & Customer Service, Purchasing, Information Systems, Human Resources)

2023/2024 Adj. Budget – General/Street Funds (In Thousands)



Total 2023/2024 Adjusted Budget = $140,105,641

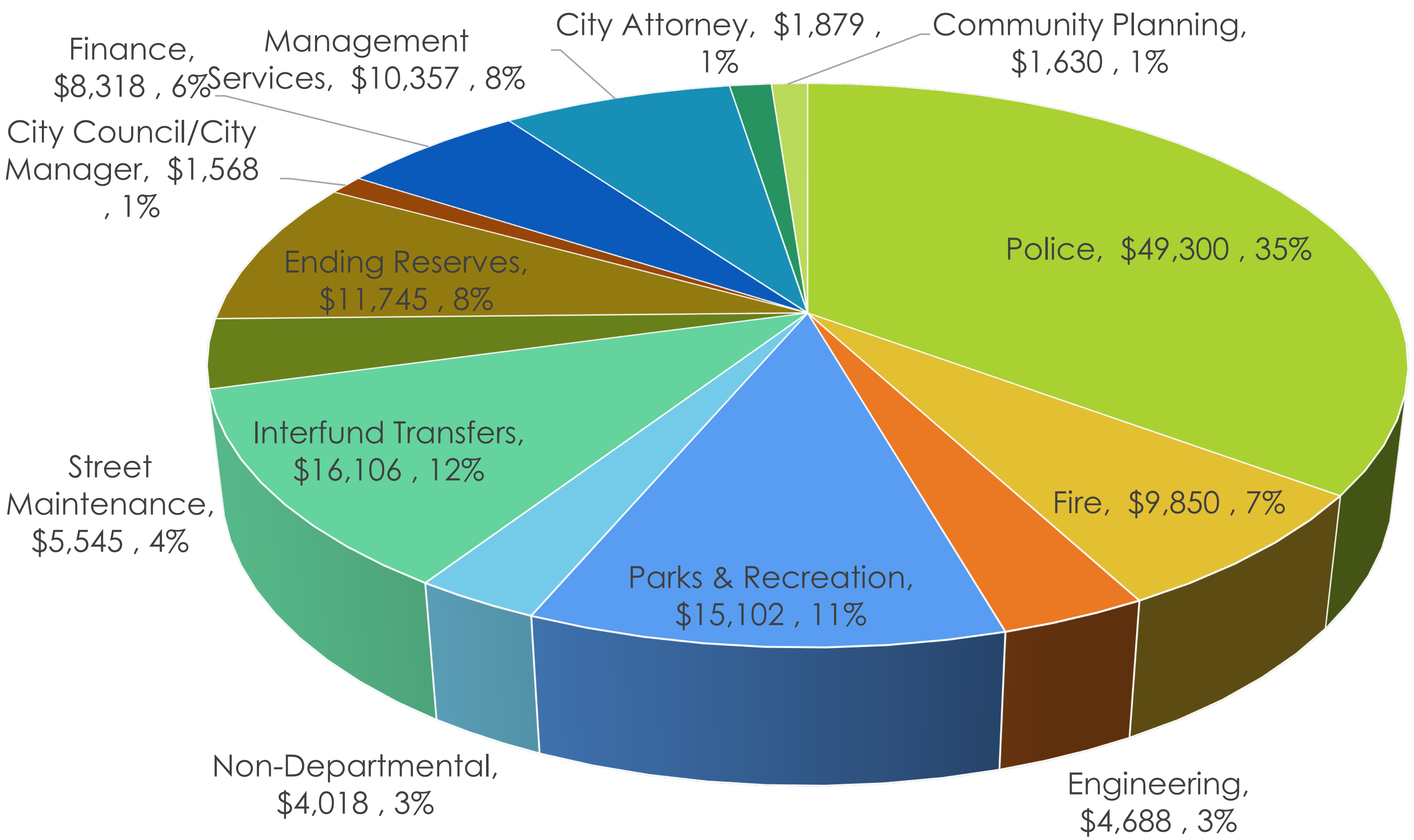
General/Street Funds Revenues

- Revenue increase of 2.2% (approx. $1.4M) compared to 2023
  - **Tax revenue** increased by less than 1% ($402K)
    - Sales tax revenues increased by less than 1% ($83K)
    - Property tax revenues increased 3% ($412K)
    - Overall utility taxes declined 2% ($165K) primarily due to declines in telephone, cable, electric, and gas utility tax collections
    - Admissions taxes increased 27% ($116K)
  - **Licenses & Permits** declined 6% ($121K) due to decrease in cable franchise fee and construction engineer permit collections
  - **Intergovernmental revenues** decreased by 2% ($82K) due to reduction in grant revenue and privilege tax
  - **Charges for services** increased 10% ($483K) due to increases in revenue associated with engineering services, overhead charges, and SRO contract
  - **Misc. revenue** increased 44% ($633K) primarily due to settlement payments received from the One Washington Opioid Settlement

General/Street Funds Revenues (Thousands)

	2023/2024 Adj Budget	2023 Actual	2024 Actual	2023/2024 Actual	2023/2024 Actual as % of Total Budget
Revenues:					
Taxes	$ 92,848	$ 46,045	$ 46,447	$ 92,492	100%
Licenses & Permits	3,882	2,100	1,979	4,079	105%
Intergovernmental Reve	10,638	5,114	5,032	10,145	95%
Charges for Services	10,378	5,080	5,563	10,643	103%
Fines & Forfeitures	966	449	514	962	100%
Miscellaneous Revenue	2,978	1,784	2,564	4,348	146%
Transfers In	5,105	2,502	2,377	4,879	96%
Total Revenues	**$ 126,794**	**$ 63,074**	**$ 64,475**	**$ 127,549**	**101%**

23/24 Adj. Budget – General/Street Funds (In Thousands)



Total 2023/2024 Adjusted Budget = $140,105,641

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General/Street Funds Expenditures

- Expenditure increase of 5.4% (approx. $3.3M) compared to 2023
  - Increase in **salaries & benefits** of 4.7% (approx. $1.8M)
    - Negotiated pay increases for contract personnel & step increase based on performance for non-represented
    - Increase in medical premiums
  - Reduction in **supplies** of 22% (approx. $495K)
    - More supplies purchased in the first half of the biennium (2023) such as protective clothing, facility supplies, and repair and maintenance supplies
    - Decrease in supplies under Snow & Ice Removal due to mild winter
    - Inflationary increases in supplies
  - Increase in **other services & charges** of 15.4% (approx. $1.9M)
    - Increase in assessments for district court, jail services, and office of public defense
  - Slight increase in **transfers out** of less than 1% (approx. $60K)
    - Risk Management Fund (liability insurance premiums)

General/Street Funds Expenditures (Thousands)

	2023/2024 Adj Budget	2023 Actual	2024 Actual	2023/2024 Actual	2023/2024 Actual as % of Total Budget
Expenditures:					
Salaries & Benefits	$ 80,330	$ 38,081	$ 39,883	$ 77,963	97%
Supplies	3,953	2,187	1,691	3,878	98%
Other Services & Charges	27,901	12,657	14,608	27,265	98%
Interfund Transfers	16,106	7,956	8,016	15,972	99%
Capital Outlay	71	52	36	88	124%
Total Expenditures	**$ 128,361**	**$ 60,933**	**$ 64,233**	**$ 125,166**	**98%**

General/Street Funds Reserves

- Ending fund balance > reserve req.
  - One-time funding opportunity
- Increased strategic reserve to $3.4M
  - Together with General Fund reserve, equals 30% of 2024 expenditures
- Opportunities & Vulnerabilities
  - Impacts of inflation and federal monetary policy
  - Future facility & other capital funding, deferred maintenance needs
  - One-time Federal funding fully allocated

General/Street Funds Reserves (Thousands)

	2023/2024 Adj Budget	2023 Actual	2024 Actual	2023/2024 Actual	2023/2024 Actual as % of Total Budget
Total Revenues	$ 126,794	$ 63,074	$ 64,475	$ 127,549	101%
Total Expenditures	$ 128,361	$ 60,933	$ 64,233	$ 125,166	98%
Excess (Deficit) Revs over Exps	(1,566)	2,141	242	2,383	
Beginning Fund Balance	13,311	13,311	15,452	13,311	
Ending Fund Balance	$ 11,745	$ 15,452	$ 15,694	$ 15,694	
Required Ending Fund Balance	$ 4,814	$ 4,814	$ 4,814	$ 4,814	
Excess over Req Reserve	**$ 6,932**	**$ 10,639**	**$ 10,881**	**$ 10,881**	

3. 2024 Capital Program Highlights

2024 Capital Program Highlights

- Transportation
  - 2024 Citywide Pavement Preservation ($4.4M)
  - Deschutes/CCB Intersection (Design/ROW/Constr.)
  - Quinault/CCB Intersection (Design/ROW)
  - Street Lighting
  - Sidewalk Replacement
  - Pedestrian Safety Improvements
  - Columbia Center Blvd Widening

- Parks & Recreation
  - Southridge Complex Improvement
  - Swimming Pool Improvement
  - East Gate Park Walking Path

4. Enterprise Funds Highlights and Financial Review

Water & Sewer Highlights

- Operating revenues slightly higher than anticipated for the biennium
  - Water and Sewer rate revenue incr. by 8.9% & 7.5%, respectively
    - Utility accounts increased by 1.14% in 2024
    - Water consumption increased by 14% overall in 2024
- Interest revenue much higher than anticipated
- Operating expenses in line with the adjusted budget
  - Inflationary pressure for supplies including treatment chemicals
- Capital projects include:
  - Automated metering infrastructure (AMI) Ph. II, Water and Wastewater Plants improvements, Industrial Area Utility Extensions
- Ending reserves higher than anticipated
  - Significant capital projects will be completed in 2025 & beyond
  - Meets policy requirements for operating and capital reserves and debt service coverage ratio

Water & Sewer Fund (Thousands)

	2023/2024 Adj Budget	2023 Actual	2024 Actual	2023/2024 Actual	2023/2024 Actual as % of Total Budget
Revenues:					
Revenue from Rates	$ 61,541	$ 29,749	$ 32,201	$ 61,950	101%
Other Fees & Charges	2,259	1,464	1,710	3,173	140%
Interest & Miscellaneous	212	1,261	1,445	2,706	1276%
Intergovernmental - ARPA	4,516	181	818	1,000	22%
Other Financing Sources	40,700	8,093	3,028	11,121	27%
Total Revenues	**$ 109,228**	**$ 40,749**	**$ 39,202**	**$ 79,951**	**73%**
Expenditures:					
Salaries & Benefits	$ 11,661	$ 5,302	$ 5,248	$ 10,550	90%
Supplies	969	571	485	1,056	109%
Other Services & Charges	23,000	11,427	12,080	23,508	102%
Transfers	167	50	120	169	101%
Capital	70,600	11,803	20,876	32,680	46%
Debt Service	7,482	3,201	3,367	6,569	88%
Total Expenditures	**$ 113,880**	**$ 32,354**	**$ 42,177**	**$ 74,531**	**65%**
Excess (Deficit) Revs over Exps	**$ (4,652)**	**$ 8,394**	**$ (2,974)**	**$ 5,420**	
Beginning Working Capital	$ 25,517	$ 25,517	$ 33,911	$ 25,517	
Ending Working Capital	**$ 20,865**	**$ 33,911**	**$ 30,937**	**$ 30,937**	

Stormwater Utility Highlights

- Operating revenues slightly higher than anticipated for the biennium

- Interest revenue much higher than anticipated

- Total expenditures at only 71% of adjusted budget
  - Operating expenses at 89% of adjusted budget

- Remaining budgeted capital projects include:
  - Ridgeline Drive (Sherman/W 36th) Regional Stormwater Solution, Vancouver St Storm Drainage Extension, Garfield Street Storm Drain Extension

- Reserve levels improved to $3.5M
  - Exceeds operating reserve policy; anticipated to be reduced by the end of 2026

Stormwater Utility Fund (Thousands)

	2023/2024 Adj Budget	2023 Actual	2024 Actual	2023/2024 Actual	2023/2024 Actual as % of Total Budget
Revenues:					
Revenue from Rates	$ 5,420	$ 2,790	$ 2,909	$ 5,699	105%
Interest & Miscellaneous	15	384	147	531	3540%
Intergovernmental	-	75	92	167	
Total Revenues	**$ 5,435**	**$ 3,249**	**$ 3,148**	**$ 6,397**	**118%**
Expenditures:					
Salaries & Benefits	$ 1,808	$ 822	$ 896	$ 1,718	95%
Supplies	55	18	41	59	106%
Other Services & Charges	1,849	704	837	1,541	83%
Transfers	30	14	14	29	97%
Capital	3,934	1,041	1,031	2,071	53%
Total Expenditures	**$ 7,676**	**$ 2,598**	**$ 2,819**	**$ 5,418**	**71%**
Excess (Deficit) Revs over Exps	**$ (2,241)**	**$ 650**	**$ 329**	**$ 979**	
Beginning Working Capital	$ 2,589	$ 2,589	$ 3,239	$ 2,589	
Ending Working Capital	**$ 347**	**$ 3,239**	**$ 3,567**	**$ 3,567**	

Ambulance Utility Highlights

- Growth in total operating revenue of approximately 1% and in line with the adjusted budget:
  - Increase in revenue from availability charge due to growth in commercial and residential units & automatic rate change based on CPI
  - Reduction in net transport revenue
- General Fund contribution remained at $5.06M ($10.12M for biennium)
- Operating expenses increased 8%, but in line with the adjusted budget overall:
  - Personnel costs (including overtime) incr. ~ 7.5%
  - Other costs increased by 11%
    - Inflationary increases in medical and other supplies and services
    - Increase in 2024 assessment for dispatch services
- Ending reserve level (working capital) increase
  - Exceeds budget policy requirement of 60-90 days operating & maintenance expenses
  - Future needs for new station #6

Ambulance Utility (Thousands)

	2023/2024 Adj Budget	2023 Actual	2024 Actual	2023/2024 Actual	2023/2024 Actual as % of Total Budget
Revenues:					
Transport Revenue	$ 9,077	$ 4,435	$ 4,255	$ 8,691	96%
Household Ambulance Charge	13,150	6,239	6,533	12,772	97%
Other Grants	-	101	68	169	
Interest & Miscellaneous	51	355	357	712	1397%
Other Financing Sources	-	76	-	76	
Transfer from Capital Imp Fund	31	-	-	-	0%
Transfer from General Fund	10,120	5,060	5,060	10,120	100%
Total Revenues	**$ 32,428**	**$ 16,266**	**$ 16,274**	**$ 32,539**	**100%**
Expenditures:					
Salaries & Benefits	$ 25,997	$ 12,514	$ 13,458	$ 25,972	100%
Supplies	550	259	309	568	103%
Other Services & Charges	5,382	2,577	2,842	5,420	101%
Transfers	1,344	-	52	52	4%
Capital	-	76	35	111	
Debt Service	-	39	-	39	
Total Expenditures	**$ 33,273**	**$ 15,465**	**$ 16,696**	**$ 32,162**	**97%**
Excess (Deficit) Revs over Exps	**$ (844)**	**$ 801**	**$ (423)**	**$ 378**	
Beginning Working Capital	$ 8,926	$ 8,926	$ 9,727	$ 8,926	
Ending Working Capital	**$ 8,082**	**$ 9,727**	**$ 9,304**	**$ 9,304**	

Building Safety Highlights

- Permit revenues increase by 34% in 2024 and exceeded projections for adjusted 2023/2024 budget

- Interest income revenue significantly higher than forecasted

- Operating expenses increased 8.5%, but in line with adjusted budget for 2023/2024
  - 7.4% increase for personnel costs

- Healthy ending reserve balance and liquidity
  - Exceeds minimum policy target of 60-90 days of operating and maintenance expenses

Building Safety Fund (Thousands)

	2023/2024 Adj Budget	2023 Actual	2024 Actual	2023/2024 Actual	2023/2024 Actual as % of Total Budget
Revenues:					
Licenses & Permits	$ 3,873	$ 2,152	$ 2,874	$ 5,025	130%
Interest & Miscellaneous	150	135	159	294	196%
Total Revenues	**$ 4,023**	**$ 2,287**	**$ 3,032**	**$ 5,319**	**132%**
Expenditures:					
Salaries & Benefits	$ 3,526	$ 1,653	$ 1,777	$ 3,429	97%
Supplies	42	9	7	17	39%
Other Services & Charges	825	416	470	886	107%
Transfers	28	-	31	31	111%
Total Expenditures	**$ 4,421**	**$ 2,078**	**$ 2,286**	**$ 4,363**	**99%**
Excess (Deficit) Revs over Exps	**$ (398)**	**$ 209**	**$ 747**	**$ 956**	
Beginning Working Capital	$ 3,125	$ 3,125	$ 4,080	$ 4,080	
Ending Working Capital	**$ 2,726**	**$ 3,334**	**$ 4,827**	**$ 5,036**	

Toyota Center & Arena Highlights

- Net Operating Loss of $769,901
  - $70K more than annual budget loss of $700K for 2024
  - $78K more than the prior year

- 6% decrease in operating revenues
  - Election and overall economic uncertainty affected number of shows traveling
  - Patron attendance and spending affected by inflation

- 3% decrease in operating expenditures
  - Increase in variable costs including event-related costs and part-time labor
  - Rising minimum wage impacting both part-time and full-time labor costs
  - Increases in maintenance costs

- Loss funded through General & Lodging Tax Funds, partially offset by receipt of Admissions tax from Toyota Center

Toyota Center & Arena Highlights

	2023/2024 Adj Budget	2023 Actual	2024 Actual	2023/2024 Actual	2023/2024 Actual as % of Total Budget
Revenues:					
Coliseum Event Revenue	$ 2,624	$ 1,236	$ 1,236	$ 2,471	94%
Ice Arena Revenue	$ 912	$ 552	$ 462	$ 1,015	111%
Food & Beverage Revenue	$ 3,348	$ 1,897	$ 1,692	$ 3,589	107%
Advertising/Sponsorship Revenue	$ 1,272	$ 574	$ 627	$ 1,201	94%
Miscellaneous Revenue	$ -	$ 1	$ -	$ 1	
Federal Grant - ARPA	$ 1,347	$ -	$ 1,077	$ 1,077	80%
Transfer in - Operations	$ 500	$ 200	$ 300	$ 500	100%
Transfer in - Capital	$ 1,420	$ 679	$ 741	$ 1,420	100%
Total Revenues	**$ 11,423**	**$ 5,138**	**$ 6,135**	**$ 11,274**	**99%**
Expenditures:					
Personnel Costs	$ 5,145	$ 2,580	$ 2,494	$ 5,073	99%
Event Expenses	$ 1,521	$ 770	$ 761	$ 1,531	101%
Occupancy	$ 1,626	$ 892	$ 903	$ 1,795	110%
Services & Operations	$ 830	$ 569	$ 504	$ 1,073	129%
General & Administrative	$ 143	$ 106	$ 94	$ 200	140%
State Taxes	$ 91	$ 33	$ 32	$ 65	72%
Capital Outlay	$ 2,067	$ 363	$ 1,463	$ 1,826	88%
Total Expenditures	**$ 11,423**	**$ 5,314**	**$ 6,250**	**$ 11,564**	**101%**
Excess (Deficit) Revs over Exps	**$ -**	**$ (175)**	**$ (115)**	**$ (290)**	
Beginning Working Capital	$ (17)	$ (17)	$ (192)	$ (17)	
Ending Working Capital	**$ (17)**	**$ (192)**	**$ (307)**	**$ (307)**	

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CP Golf Links Highlights

- Net operating loss of $11K In 2024
  - $89K less than budgeted
  - $60K lower than 2023
- 25% increase in operating revenues compared to 2023
  - Primarily attributable to green and range fees, merchandise sales
- 8% increase in operating expenses compared to 2023
  - 5.6% increase in personnel costs for golf operations and maintenance

Columbia Park Golf Links (Thousands)

	2023/2024 Adj Budget	2023 Actual	2024 Actual	2023/2024 Actual	2023/2024 Actual as % of Total Budget
Revenues:					
Greens & Range Fees	$ 654	$ 338	$ 435	$ 773	118%
Concessions & Other	67	36	34	70	104%
Transfers In - Operations	200	30	64	94	47%
Transfers In - Capital	85	-	-	-	0%
Total Revenues	**$ 1,006**	**$ 404**	**$ 533**	**$ 937**	**93%**
Expenditures:					
General & Administrative	$ 208	$ 101	$ 109	$ 210	101%
Maintenance & Operations	713	344	370	715	100%
Capital Outlay	85	-	-	-	0%
Total Expenditures	**$ 1,006**	**$ 445**	**$ 480**	**$ 925**	**92%**
Excess (Deficit) Revs over Exps	**$ -**	**$ (41)**	**$ 53**	**$ 12**	
Beginning Working Capital	$ 37	$ 37	$ (4)	$ 37	
Ending Working Capital	**$ 37**	**$ (4)**	**$ 50**	**$ 50**	

5. Spring Budget Adjustment

Spring Budget Adjustment (Thousands)

Fund Type	2025/2026 Adopted Budget	Spring 2025 Budget Adjustment	2025/2026 Adjusted Budget
General & Street	$146,086	$803	$146,889
Special Revenue Funds	39,952	191	40,143
Debt Service Funds	6,230	0	6,230
Capital Funds	73,177	10,011	83,188
Proprietary Funds	181,907	44,847	226,754
Trust Funds	8,169	0	8,169
Totals:	**$455,521**	**$55,852**	**$511,373**

- To adjust estimated beginning fund balances to their actual amount
- To carry forward capital projects or other items that were planned or began during the 2023/2024 biennium ($53.3M)
- New budget items or project scope ($2.5M)

Questions?