



City Council Meeting Schedule November 2017

November 7, 2017
Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING

November 14, 2017
Tuesday, 6:30 p.m.

WORKSHOP MEETING - CANCELLED (Due to lack of quorum)

November 21, 2017
Tuesday, 5:30 p.m.

WORKSHOP MEETING

1. Mid-Biennium Review
2. 2018 Property Tax Levy

Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING

November 28, 2017
Tuesday, 5:30 p.m.*

WORKSHOP MEETING - **Please note the time change*

1. Park Impact Fees
2. Diversity Commission
3. Small Cell Facilities Code Amendments
4. Vista Field Master Plan
5. City Manager's Accomplishments

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 Taped

November 2017
Updated 11/14/17

Council Workshop Coversheet



Agenda Item Number	1.	Meeting Date	11/21/2017
Agenda Item Type	Presentation		
Subject	2017/2018 Mid-Biennium Review		
Ordinance/Reso #		Contract #	
Project #		Permit #	
Department	Finance		

Info Only	☐
Policy Review	☒
Policy DevMnt	☒
Other	☐

Summary

The City of Kennewick is nearing completion of the first year of the 2017/2018 biennium. State law requires municipalities that prepare a biennial budget to have a mid-biennium review and public hearing sometime between September 1st and December 31st of the first year of the biennium. Staff will be providing a PowerPoint presentation at the November 21st workshop that satisfies this requirement. A budget adjustment ordinance will also be presented for Council's consideration following a public hearing at the City Council meeting later in the evening.

The mid-biennium presentation will include a discussion of the following items:

- Updated assumptions for major revenues and expenditures and revised financial projections for the City's General and Street Funds for the 2017/2018 biennium.
- An overview of significant budget opportunities and vulnerabilities.
- Recommendations based on rate studies previously completed and reviewed with Council for the City's ambulance and stormwater utilities.
- A summary by fund type of the proposed mid-biennium budget adjustment.

Through

Dept Head Approval

City Mgr Approval

Dan Legard
Nov 14, 16:47:55 GMT-0800 2017

Marie Mosley
Nov 16, 21:00:52 GMT-0800 2017

Attachments: PowerPoint



2017/2018 MID BIENNIUM REVIEW
COUNCIL WORKSHOP NOVEMBER 21, 2017

AGENDA

- 2017/2018 General Governmental Projections
- Opportunities and Vulnerabilities
- Mid-Biennium Recommendations
- Overview of Mid-Biennium Budget Adjustment

CITY TAXES & FEES

AVERAGE FAMILY HOUSEHOLD

Assuming an average 4-person family with a \$200,000 home and household Adjusted Gross Income between \$70,000-\$80,000 per year

Property Taxes

The 2017 Property Tax Levy is \$11.44 per \$1,000 in assessed valuation. The City receives 19¢ per \$1.00 paid.

Sales Taxes

The City receives just 0.85% of the 8.6% Sales Tax rate. In addition, the criminal justice sales tax of 0.10% and a voter approved public safety sales tax is distributed back to all jurisdictions in Benton County based on population through State Shared Revenues.

Utility Taxes

The City levies an 8.5% utility tax on electric, natural gas & telephone services, 7% on cable & garbage, and 15.5% on water/sewer services.

Gambling Taxes

The City currently levies a 10% tax for punch-board, pull-tab, and card room activities; 5% for bingo; and 2% for amusement games.



How much does the City of Kennewick receive from the average household?



	Estimated Annual Spending	Estimated Annual Tax	Amount Distributed to the City
Property Tax	\$ 2,288	\$ 2,288	\$ 434
Water/Sewer	\$ 580	\$ 78	\$ 502
Utilities	\$ 5,759	\$ 472	\$ 472
Retail Sales	\$ 27,228	\$ 2,342	\$ 231
Admissions/Entertainment	\$ 2,000	\$ 100	\$ 100
Gambling/Arcade Games	\$ 500	\$ 10	\$ 10
State Shared Revenues	\$ 5,500	\$ 1,436	\$ 142
Ambulance Utility	\$ 93	\$ 93	\$ 93
Stormwater Utility	\$ 34	\$ 34	\$ 34
TOTALS:	\$ 43,982	\$ 6,853	\$ 2,018

Admissions Taxes

The City collects a 5% admissions tax on admission charges to any place or event, except school events.

State Shared Revenue

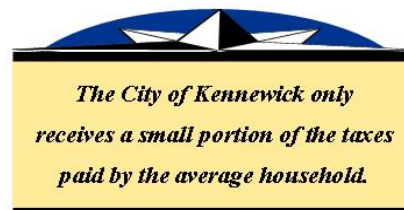
State shared revenues are collected by the State and include Gas Tax, Liquor Tax, PUD Privilege Tax, and Criminal Justice funding. Distributions are made on a per capita basis.

Ambulance Utility Fee

Kennewick citizens pay \$7.78 per month for ambulance services.

Stormwater Utility Fee

Kennewick residents pay \$2.81 per month to help fund the stormwater program.



What does your \$168 per month get you?

For just \$168 per month, the average household in the City of Kennewick receives these basic services.



2017/2018 REVENUE ASSUMPTIONS

Item	Adopted Budget Assumptions	Revised Assumptions
Sales Tax	Incr. of 3% in '17 & '18	1% decr. in '17 & 3% incr. in '18 plus impacts of Mainstreet Fairness Legislation
Electric Utility Tax	4.9% rate incr. 9/1/16 plus 4% incr. in '17 & '18 from rate incr. and incr. customer/consumption	1.9% rate incr. Oct. '17 & incr. consumption due to winter weather. No rate incr. in 2018.
Telephone Utility Tax	5% decr. in '17 & '18	5% decr. in '17 & '18
Other Utility Taxes	Growth of 1.5% - 3% per year	Growth of 0-7.5% per year
Property Taxes	Prelim '17 levy & proj. '18 levy (\$100M new construction)	Actual '17 levy & prelim '18 levy (\$95.6M new construction)
Gambling Taxes	2% growth in '17 & '18	25% decline in '17 due to casino closure & 2% growth in '18
Fines & Forfeitures	Growth of 2% in '17 & '18	20% decr. in '17 & 2% growth in '18

2017/2018 REVENUE ASSUMPTIONS (CONT'D)

Item	Adopted Budget Assumptions	Revised Assumptions
State Shared Revenues	No reductions of liquor excise tax or other state shared revenues during the 2017 or 2018 legislative sessions	No reductions of liquor excise tax or other state shared revenues during the 2017 or 2018 legislative sessions
Transfers In	See Utility Tax Items	See Utility Tax Items

2017/2018 EXPENDITURE ASSUMPTIONS

Salaries & Wages – Per actual/anticipated contract terms (no change)

Retirement Contributions– Per State Actuary (no change)

Medical Insurance– 7.2% premium increase in '18 (vs. 5% in budget)

& all employees move to Healthfirst 250 plan

Vacancy Savings - Actual through September plus \$1.125M

Major Contracts– Projected based on adopted 2018 budgets

- + Jail Services – 19.78% of BCSO 2017/2018 budget
- + BCES (Dispatch) – 1.3% incr. to assessment in 2018 (vs. 7.5% incr.)
- + District Court/OPD – Reduction in % allocation for 2018 (vs. no change)

Winter Weather – “Normal” weather conditions/service levels for '18

2017/2018 BUDGET PROJECTIONS

	2017/2018 Biennial Budget		
	Adjusted Budget	Revised Projections	Variance
Revenues:			
Taxes	\$ 74,331,224	\$ 74,842,324	\$ 511,100
Licenses & Permits	1,789,000	1,790,600	1,600
Intergovernmental Revenues	8,020,115	8,367,626	347,511
Charges for Services	8,907,108	8,613,708	(293,400)
Fines & Forfeitures	2,472,800	1,939,600	(533,200)
Miscellaneous Revenue	924,700	1,109,800	185,100
Transfers In	4,740,000	4,913,750	173,750
Total Revenues	\$ 101,184,947	\$ 101,577,408	\$ 392,461
Expenditures:			
City Council/City Manager	\$ 1,338,993	\$ 1,342,593	\$ 3,600
Finance	4,204,058	4,193,555	(10,503)
Management Services	7,002,931	6,942,784	(60,147)
City Attorney	1,511,667	1,481,120	(30,547)
Civil Service	47,250	47,250	-
Community Planning	1,565,426	1,565,426	-
Police	40,248,042	39,891,138	(356,904)
Fire	16,355,304	16,402,725	47,421
Public Works - Engineering	3,931,328	4,109,547	178,219
Employee & Community Relations	12,879,732	13,057,568	177,836
Non-Departmental	7,969,900	8,429,900	460,000
Public Works - Streets	4,670,326	4,673,786	3,460
Total Expenditures	\$ 101,724,957	\$ 102,137,392	\$ 412,435
Revenues above (below) Expenditures	\$ (540,010)	\$ (559,984)	\$ (19,974)
Beginning Fund Balance	\$ 3,767,421	\$ 3,767,421	\$ -
Ending Fund Balance	\$ 3,227,411	\$ 3,207,437	\$ (19,974)
Estimated Required Ending Fund Balance	\$ 2,543,124	\$ 2,553,435	\$ 10,311
Amount Above (Below) Req Reserve	\$ 684,287	\$ 654,002	\$ (30,285)

BUDGET OPPORTUNITIES & VULNERABILITIES

Major Tax Revenues:

- Sales
- Utility (Telephone & Electric)
- Property Tax Model

State Budget (Operating & Capital)

Labor Relations:

- 3 open bargaining units operating under expired contracts

Interlocal Services – Jail, SeComm, District Court/OPD

Capital Project/Pavement Preservation Funding

Winter Weather Conditions

STORMWATER UTILITY RATE STUDY RESULTS

- Existing rate structure not meeting full cost recovery goals
 - Insufficient reserve levels
 - General Fund contribution required in 2016
 - Sustainable M&O and capital programs not supported by current rate structure
- Without future rate modifications, ability to meet National Pollutant Discharge Elimination System (NPDES) permit requirements in jeopardy









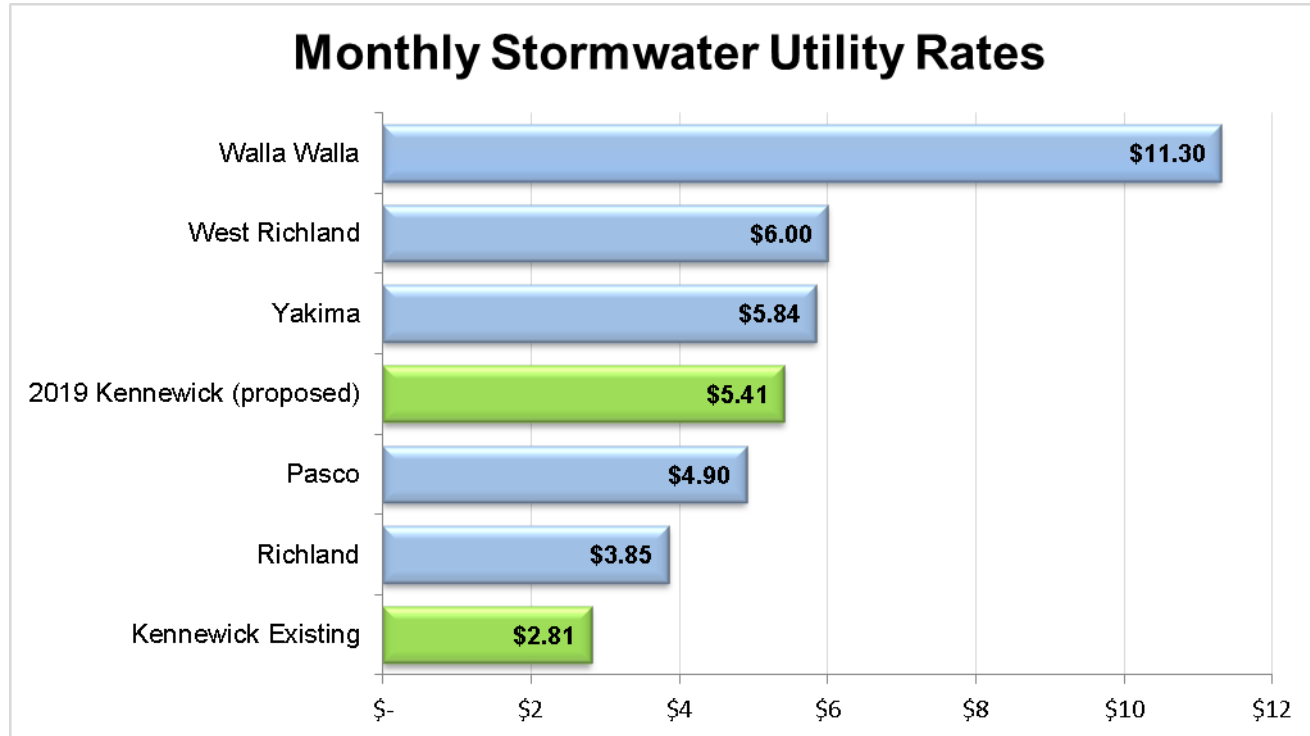


Stormwater Summary of Alternatives

Stormwater Sample Bill	Existing	2018	2019	2020	2021	2022
Alt 1: Up Front Increase						
Annual 2.5% CPI Increase		\$ 0.07	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.14
Proposed Additional Increase		<u>\$ 2.18</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Increase		\$ 2.25	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.14
Sample Residential Monthly Bill	\$ 2.81	\$ 5.06	\$ 5.18	\$ 5.31	\$ 5.45	\$ 5.58
Alt 2: Phased In Increase						
Annual 2.5% CPI Increase		\$ 0.07	\$ 0.10	\$ 0.14	\$ 0.14	\$ 0.14
Proposed Additional Increase		<u>\$ 1.23</u>	<u>\$ 1.20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Increase		\$ 1.30	\$ 1.30	\$ 0.14	\$ 0.14	\$ 0.14
Sample Residential Monthly Bill	\$ 2.81	\$ 4.11	\$ 5.41	\$ 5.55	\$ 5.69	\$ 5.83



Stormwater Monthly Bill Comparisons



Note: Assumes 1 equivalent residential unit

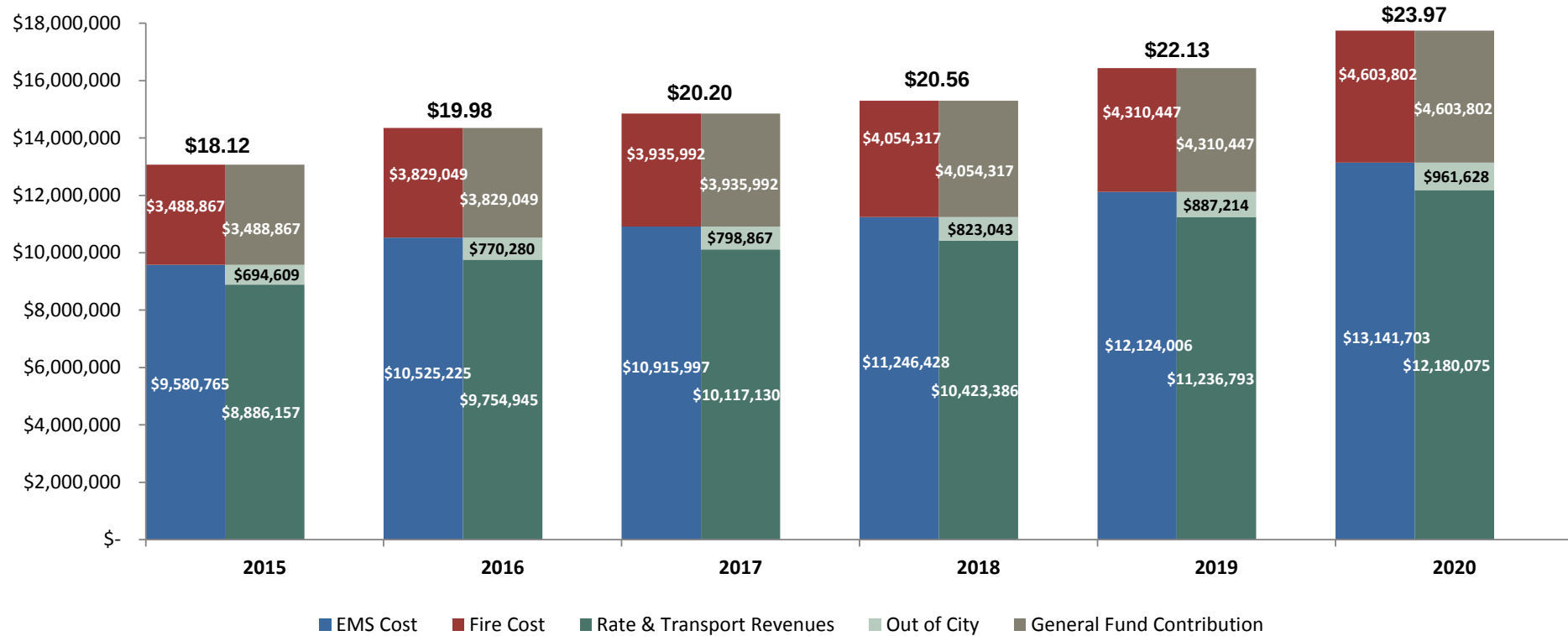
- ◆ Exhibit does not include any 2018 or 2019 rate increases in other jurisdictions

AMBULANCE UTILITY RATE STUDY RESULTS

- Ambulance utility charge recovering only 36% of full cost to provide service (2015)
 - Full cost recovery rate = \$18.12/mo.
- With addition of station #5 in 2016, full cost recovery rate projected to increase to \$19.98/mo.
- Five year forecast anticipates opening of station #6 and a full cost recovery rate equal to \$23.97/mo. by 2020



Full Cost Rate Forecast

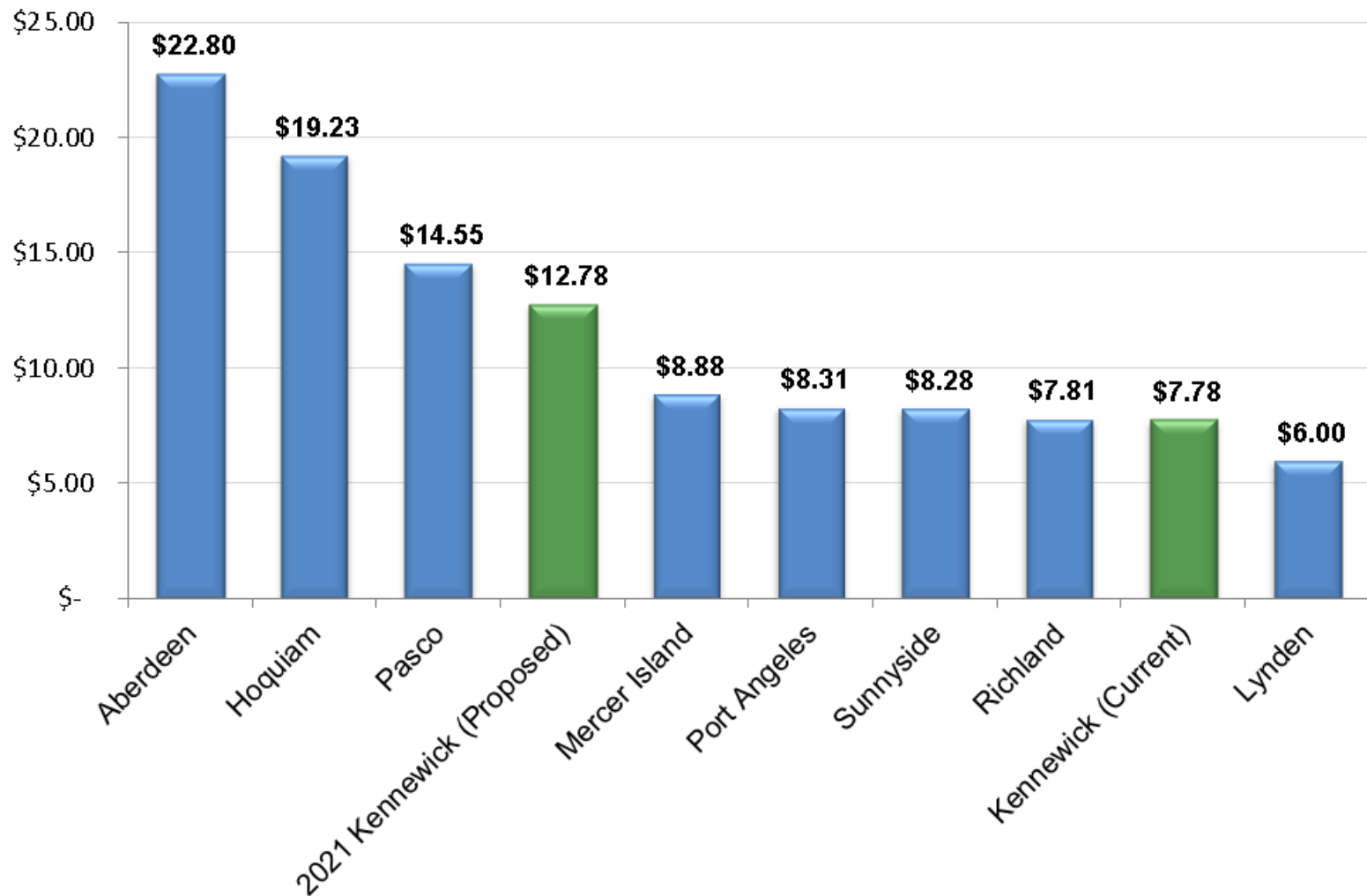


AMBULANCE UTILITY RATE RECOMMENDATION

- Annual increases of \$1.25 to monthly rate in 2018-2021
 - Maintain current policy of annual CPI increase
- Prepare for opening of Station #6 including full staffing by 2021
 - Ongoing evaluation of bond market conditions to identify best time to finance construction
- Hire Deputy Fire Chief 7/1/18



Monthly Ambulance Utility Rate Comparisons



MID-BIENNIUM BUDGET ADJUSTMENT (IN THOUSANDS)

	2017/2018 Adjusted Budget	Mid-Biennium Budget Adjustment	Revised Budget
General/Street Funds	\$ 104,930	\$ 248	\$ 105,178
Special Revenue Funds	22,319	2,342	24,661
Debt Service Funds	6,857	-	6,857
Capital Projects Funds	63,593	(105)	63,488
Enterprise/Internal Svc Funds	108,914	475	109,389
Trust Funds	6,368	-	6,368
Totals:	\$ 312,981	\$2,960	\$ 315,941

Major items included:

(0.9% Incr.)

- To appropriate for a Surface Transportation Block Grant (STBG) for arterial pavement preservation.
- To appropriate for STBG awards for Metaline Ave. & W. 10th Ave. widening projects.
- To appropriate for 2017 HUD Block Grant allocations.
- To appropriate for Hansen Park improvements funded with a state RCO grant.
- To appropriate for Vista Field water system improvements partially funded by a Port of Kennewick contribution.
- To appropriate for conversion of historic planning and land use files to digital format.
- To appropriate for new Project Engineer, Office Specialist and M&C Craftworker positions.
- To appropriate for the City's new 5 year janitorial contract.

Questions?
Questions?

Council Workshop Coversheet



Agenda Item Number	2.	Meeting Date	11/21/2017
Agenda Item Type	Presentation		
Subject	Property Tax Levy 2018		
Ordinance/Reso #		Contract #	
Project #		Permit #	
Department	Finance		

Info Only	☐
Policy Review	☒
Policy DevMnt	☒
Other	☐

Summary

The City is required to hold a public hearing each year by November 30th to adopt the property tax levy for the following year. The required public hearing for the 2018 property tax levy is scheduled to occur at the November 21st City Council meeting, immediately following a pre-meeting workshop. During the pre-meeting workshop, staff will provide a presentation outlining the proposed 2018 property tax levy.

Through

Dept Head Approval

City Mgr Approval

Dan Legard
Nov 14, 15:34:27 GMT-0800 2017

Marie Mosley
Nov 16, 21:14:18 GMT-0800 2017

Attachments: Presentation

2018 Property Tax Levy

Kennewick City Council Workshop

November 21, 2017

Property Tax Distribution

School District - 44¢

State - 19¢

City - 19¢

County - 11¢

Other - 7¢

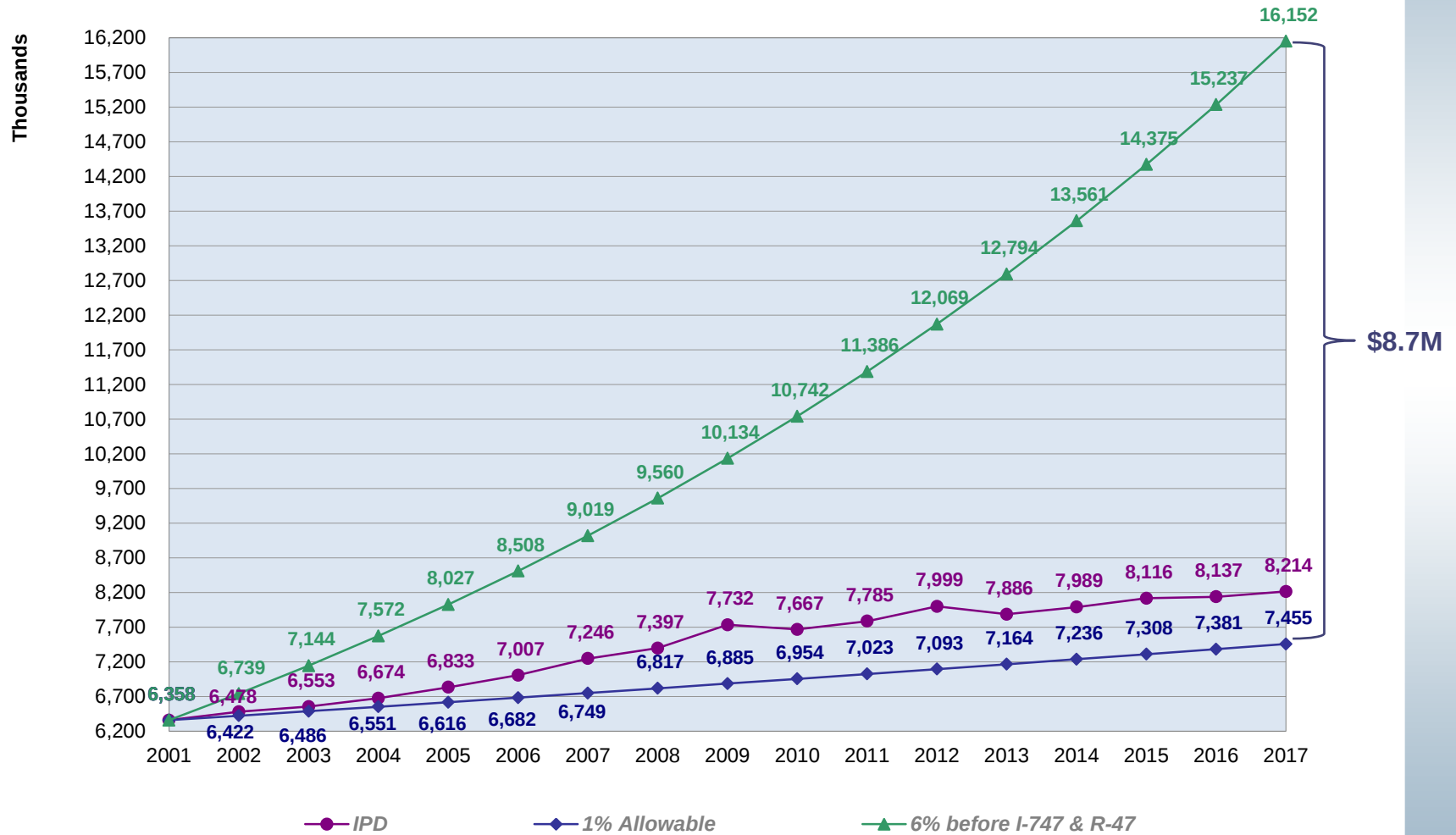


2017 Total Property Tax Levy – \$11.44

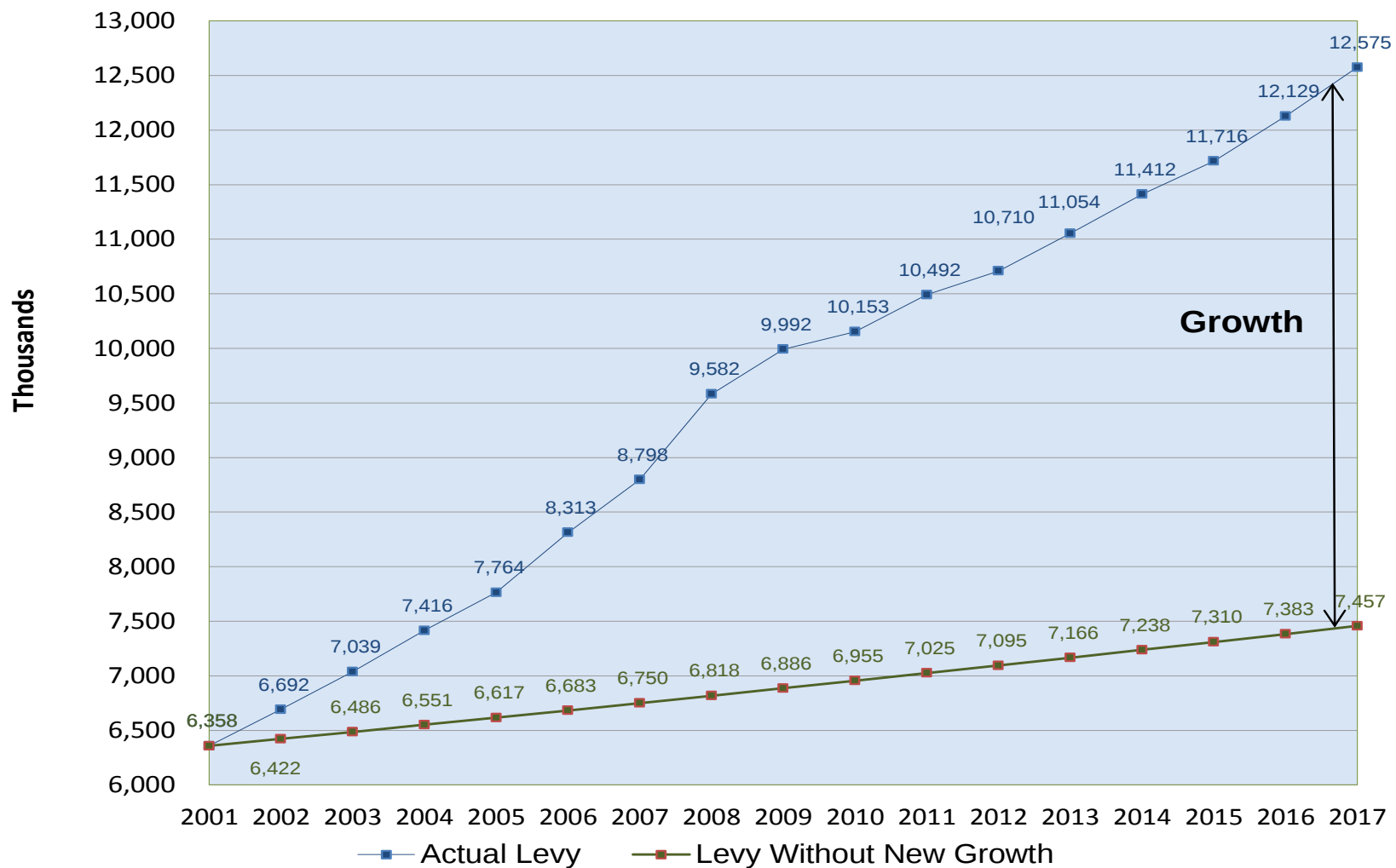
Property Tax Overview

- 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 limit 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

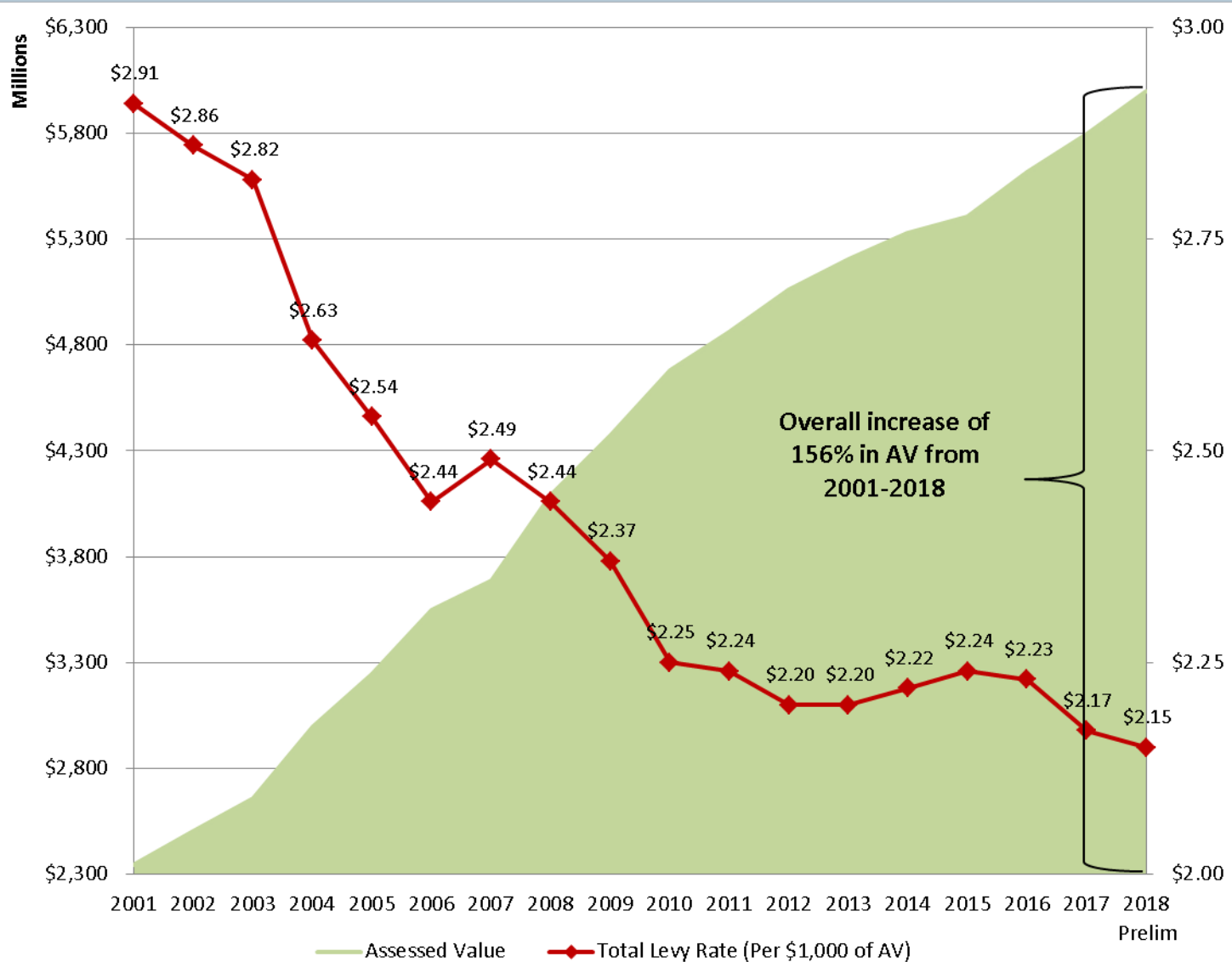
Reduced Levy Capacity



Property Tax Levy History 2001-2017



AV & Levy Rate 2001-2018



2018 Property Tax Levy Proposal

- Property Tax Levy Rate – Reduction of 2¢ to \$2.15 (per \$1,000 of AV)
- Assessed Valuation– Increased by \$203M (Total of \$6B)
 - \$96M from new construction.
 - o \$11M in Southridge LRA (75% dedicated to LRF program)
 - \$1M from Annexation
 - \$106M from revaluation of existing property
- Property Tax Levy – Overall increase of \$307k to \$12,882,140
 - New Construction/Annexation (\$96M in AV) - \$210k (\$23k to LRF)
 - Change to Base Levy - \$126k (1%)
 - o July 2017 IPD = 1.553%

Tri-City 2017 Levy Rate Comparison

	<u>Kennewick</u>	<u>Pasco</u>	<u>Richland</u>
Regular Levy	\$ 2.1703	\$ 1.8802	\$ 2.6641
Voted G.O. Bonds	0.0000	0.0000	0.3208
Library District	<u>0.3645</u>	<u>0.0000</u>	<u>0.0000</u>
Total Rate Per \$1,000	<u><u>\$2.5348</u></u>	<u><u>\$1.8802</u></u>	<u><u>\$2.9849</u></u>

Questions?



City Council Meeting Schedule December 2017

December 5, 2017
Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING

December 12, 2017
Tuesday, 6:30 p.m.

WORKSHOP MEETING

1. TRIDEC Update
2. Kennewick Historic Downtown Update
3. Port of Kennewick Update
4. Animal Control Authority

December 19, 2017
Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING - Cancel (tentative)

December 26, 2017
Tuesday, 6:30 p.m.

WORKSHOP MEETING - Cancelled

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December 2017
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