



City Council Meeting Schedule October 2020

City Council passed Resolution 20-08 on June 23, 2020, which temporarily designates the location for regular, special and study session meetings to the virtual location until Benton County enters into Phase Three of the Governor's Safe Start Reopening Plan. The City broadcasts City Council meetings on the City's website <https://www.go2kennewick.com/CouncilMeetingBroadcasts>.

October 6, 2020

Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING

October 13, 2020

Tuesday, 6:30 p.m.

WORKSHOP MEETING (the workshop meeting will be done via Zoom and broadcast on the City's website

<https://www.go2kennewick.com/CouncilMeetingBroadcasts>

1. Animal Shelter Update
2. 2021 TPA Budget and Marketing Plan
3. Historic Downtown Kennewick Partnership Update
4. Ethics Code Amendments

October 20, 2020

Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING

October 27, 2020

Tuesday, 6:30 p.m.

WORKSHOP MEETING (the workshop meeting will be done via Zoom and broadcast on the City's website

<https://www.go2kennewick.com/CouncilMeetingBroadcasts>

1. 2021/2022 Biennial Budget Presentation

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

October 2020
Updated 10/16/20

Council Workshop Coversheet



Agenda Item Number	1.	Meeting Date	10/27/2020
Agenda Item Type	Presentation		
Subject	2021/2022 Proposed Biennial Budget		
Ordinance/Reso #		Contract #	
Project #		Permit #	
Department	City Manager		

Info Only	☐
Policy Review	☒
Policy DevMnt	☒
Other	☐

Summary

During the October 27th workshop, we will be presenting to you the 2021/2022 proposed biennial budget. Similar to the last several bienniums, we have used the budgeting by priorities model to evaluate the over 300 services provided to the community. The biennial budget provides a strategic plan for a sustainable operating and capital budget into the future. This model is especially important during these difficult and uncertain times as a result of the pandemic, requiring us to reimagine how we deliver our priority programs and services.

Attached is the budget message which details how the proposed biennial budget implements Council's broad goals for the upcoming biennium. The budget message provides a comprehensive summary of what is included in the proposed budget and also details the changes proposed for the biennium. For the most part, this biennial budget continues to implement the existing biennial budget programs and priorities. However, due to the economic impact of the pandemic, we will be proposing modifications to some programs and a path forward for a sustainable budget into the future. The preliminary budget document will be provided by the required due date of November 2nd and will give you a very good understanding of the budget allocation and program implementation.

We will begin the budget workshop with a presentation on the 2021/2022 proposed budget, followed by the 2021 proposed property tax levy and 2020 proposed final budget adjustment. This biennial budget continues to expand on the work that has been accomplished in the previous bienniums where we established our budgeting by priorities model and identify goals that will implement your priorities. This model and your input into the priorities and policy direction have formed the foundation for the proposed biennial budget that will be presented during the workshop and is included in the attached budget message.

Through

Dept Head Approval

City Mgr Approval

Marie Mosley
Oct 23, 10:18:31 GMT-0700 2020

Attachments: Budget Message



City of Kennewick
Office of the City Manager

**BUDGET TRANSMITTAL
LETTER**

Date: October 27, 2020

To: Don Britain, Honorable Mayor and Members of the City Council

From: Marie E. Mosley, City Manager

Subject: 2021/2022 Biennial Budget Executive Summary

Pandemic, Protests and a Presidential Election, the trifecta that happened in 2020 has significantly affected the current biennium and will have rippling impacts into the 2021/2022 biennium and perhaps even beyond. The years of strategic planning and the leadership of our Council and Community over the past several bienniums will help us weather the effects and has set us up for success in this upcoming biennium and into the future. Now more than ever, our Budgeting by Priorities model positions us to align our resources to focus on the highest priority needs and expectations in the community.

Even under these uncertain and difficult times, it is a privilege to present the proposed 2021/2022 Biennial Budget for your consideration. One way to look at these unprecedented times is that uncertainty brings challenges and with challenges come opportunities. Throughout 2020, we have reinvented how we go about doing business and reimagined the future. This has been an unprecedented year as our community, the nation and the world has dealt with the impacts from the coronavirus pandemic. The restrictions imposed has created uncertainty for the current biennium and certainly into the 2021/2022 biennium. We have seen immense impact on our community due to the shutdown of businesses, activities, schools and essentially life as we all knew it prior to March of 2020. Despite this, we remain very optimistic about our future and this proposed biennial budget will set us up for success into the future as we recover from the pandemic and remain a strong and vibrant community and organization.

Due to the coronavirus, we were not able to have a retreat for this biennial budget although our facilitator prepared a report based on the information he heard from each of you during his interviews. Those interviews and the previous strategic direction for the 2019/2020 biennial budget formed the basis for the departments to submit their budget proposals and program requests for consideration.

For the most part, the 2021/2022 biennial budget maintains our existing programs and services, although there will be areas where we are recommending that programs be realigned or levels of service be reduced in order to provide you with a sustainable budget for the biennium as well as into the future. Maintaining our priority services is only possible because of the strategic planning efforts that have occurred over the past couple of bienniums.

The proposed 2021/2022 budget was developed using our Budgeting by Priorities model where all services have been prioritized based on Council's overall goals and the five major opportunity centers established by Council. These opportunity centers provide a unique vision as we continue to work on recruitment, retention and expansion of businesses in our community:

- Southridge
- Vista Field Redevelopment – improve and connect the Entertainment District to Vista Field
- Bridge to Bridge Area & Downtown – transform and connect the waterfront to the downtown
- Industrial Area South of I-82
- Columbia Park

Our budgeting by priorities model has prepared us to make the decisions necessary in these difficult and uncertain times. This model also will help us to make decisions on resource allocation when our revenues return to pre-pandemic levels. The five priority areas that form the basis of the biennial budget consist of:

- Community Safety
- Economic Development
- Infrastructure & Growth
- Quality of Life
- Responsible Government

The following identify the broad goals in each of the priority areas and the recommended implementation strategies for the 2021/2022 biennium to achieve Council's goals. These implementation strategies provide you with an overview of the changes included in the proposed 2021/2022 biennial budget, which achieves a sustainable operating and capital budget.

Community Safety – “I want to be safe where I live, work and play”

Objective: Continue to Ensure the Safety of our Community by Maintaining Current Service Levels & Partnerships.

- Council objectives are achieved through the following broad programs in Community Safety:
 - Police Services
 - Emergency Medical Services
 - Safe Drinking Water
 - Fire Services
 - Code Enforcement
 - Building Safety

The following are Council's goals for the 2021/2022 biennium and the implementation strategies included in the proposed biennial budget:

- ***Goal #1 – Continued Focus on Combatting Criminal Gang Activity*** – Benton County voters approved a 3/10% public safety sales tax that became effective on 1/1/2015. The City of Kennewick has outlined a program to combat gang activity, which supports our previous citizen budget survey results where the majority of respondents said they were willing to pay more to combat gang activity. This budget continues the implementation and focus of achieving the commitments made to our community when they approved the public safety sales tax.

During the 2019/2020 biennium, we were well-prepared to realign our staffing to address the public safety challenges created by the pandemic. We continued to accomplish the goals initially established when public safety sales tax was approved by creating a mid-shift patrol unit to combat criminal gang and drug activity. We were fortunate to have several in-house Police Cadets ready to become Police Officers when recruiting for the mid-shift patrol unit occurred, which was a pay-off on our investment of public safety sales tax funding in a cadet program. This program continues to provide opportunities for the Police Department to train and invest in our next generation of officers.

During this next biennium, we will increase our efficiency by implementing the Lexipol system that also will assist to develop comprehensive policies to limit agency risk and enhance personnel safety. This will also help to meet ongoing accreditation requirements and maintaining updates to our policies.

We will also continue to work with Benton County and the other partner jurisdictions to implement regional programs that are critical for the safety of our community. Specifically, we will continue with negotiations on the jail contract that expires at the end of 2020. We have also evaluated the existing work crew agreement with Benton County. Since April, 2020 when the COVID-19 pandemic hit, the County discontinued providing the work crew program due to restrictions imposed relating to the pandemic. In light of the future uncertainty regarding the availability of the work crew, we recommend that we discontinue this program permanently and evaluate how best to provide those services and continue to prioritize the highest needs in our community.

- ***Goal #2 – Enhance School Safety*** – Prior to the current 2019/2020 biennium, the Kennewick School District approached the City with a plan to add a school resource officer (SRO) in each of the five middle schools in Kennewick. For years, we have maintained a SRO in each of our three high schools. During the 2018-2019 school year, we worked together to implement a pilot program to place a SRO in two of the five middle schools (Highlands and Park). This pilot program resulted in immediate success and we agreed with the Kennewick School District that having additional officers located in each of the middle schools would help to provide a safer environment for our youth to learn.

Due primarily to issues associated with the pandemic and with schools just now considering hybrid learning, we were not able to fully implement this program during the 2019/2020 biennium. However, we remain committed to the partnership with the school district that will provide a SRO in each of the middle schools.

When we are able to move forward with this partnership, we recommend reallocating the vacant D.A.R.E. Officer position and hiring an additional two officers to supplement the existing two middle school SRO positions (2.5 paid for by the School District and 1.5 paid for by the City, in addition to the D.A.R.E. position that will be reallocated). While we will no longer have a dedicated D.A.R.E. position, the program would continue by having each of the middle school SRO positions teach the D.A.R.E curriculum within the grade schools that feed into their assigned middle school. This will provide the five officers necessary to have a SRO in each of our middle schools while still maintaining this important program. We will remain in contact with the school district on when we can jointly implement this program during the upcoming biennium.

- ***Goal #3 – Strategic Planning for the Fire Department*** – In order to properly prepare and provide for a strategic staffing and deployment model for the fire department, the foundation must be formed. We believe that the foundation starts with a strategic plan. The proposed 2021/2022 biennial budget includes funding to hire a consultant that will assist the city, our regional partners and our community with developing a strategic plan for the Fire Department. At the mid-biennium in 2017, Council implemented the recommendations from the Ambulance Utility rate study that showed we would need consistent increases to the utility's ambulance availability charge over a four-year period beginning in 2018. The funding generated through this new rate structure sustains the staffing resources initially made available by our successful award of a \$2.3M Staffing for Adequate Fire & Emergency Response (SAFER) grant from FEMA. During the current 2019/2020 biennium, in compliance with the SAFER grant requirements, the 12 firefighters have been hired and deployed to support the existing fire station staffing. The strategic plan and standard of coverage established for the future through the strategic planning process will help to determine a sustainable path forward and provide the level of service expected by our community.
- ***Goal #4 – Provide Safe Drinking Water for our Existing and Growing Population*** – In preparation for providing a sustainable operating and capital budget for the biennium and into the future, a Water/Sewer Utility rate study update was conducted during the 2019/2020 biennium. The results of this rate study update was consistent with what has been shared with the Council over the last couple of bienniums, showing we would need rate increases at a similar level each year for the next four years in both our Water and Sewer rates. During the September 22nd Council workshop, the results were shared with the Council and Council adopted a rate increase for both our Water and Sewer utilities at the October 6th Council meeting for the 2021/2022 biennium. This rate adjustment will provide the resources to maintain our existing infrastructure, replace the highest priorities in terms of our aging infrastructure, and address expansion of our infrastructure to accommodate our growing community.

During this biennium, we will update the Water and Sewer Comprehensive Plans, providing the foundation for a rate study update, which will be conducted wards the end of 2022 for consideration with the subsequent biennial budget. These rate adjustments provide the sustainable maintenance and operations for the upcoming biennium. In addition, it will allow those necessary and priority (and in some cases, multi-year) capital projects to be financed. This financing provides a balance between existing and future customers paying for infrastructure that benefits both classes of customers to ensure intergenerational equity.

Economic Development – “I want a diverse and vibrant economy in Kennewick”

Objective: Support Existing Businesses and the Creation of Sustainable Family Wage Jobs.

- Council objectives are achieved through the following broad programs in Economic Development:
 - Tourism
 - Economic Vitality
 - Economic Growth

The following are Council’s goals for the 2021/2022 biennium and the implementation strategies included in the proposed biennial budget:

- ***Goal # 1 – Support and Promote the City’s Industrial Development Area*** – The City was recently successful in bringing approximately 235 acres of land South of I-82 into our urban growth area and then subsequently annexing that land into the City limits. Prior to that, less than 4% of the City’s land use was available for industrial development. There continues to be work on this objective by determining the land use for this area and working to bring in industrial development opportunities. This area will help to support the residential and commercial land use in Kennewick and provide for family wage jobs in the community.

During this biennium, we will work on a comprehensive plan amendment to assign land use designation to this area. The City will also continue its planning efforts for the extension of utilities and infrastructure into this area to facilitate future development. In addition, we will continue to work with the developer, TRIDEC and other partners to bring in new business and jobs to this newly identified industrial development opportunity.

- ***Goal # 2 – Implement the Vision and Policies Established for the City’s Opportunity Centers*** – In addition to the above described opportunity center (now our Southern boundary), the City has established four other opportunity centers with unique visions for the community. We will continue to work on these partnership opportunities and look for creative funding opportunities, such as grants, financing, and rural county capital funds (in partnership with Benton County). The proposed 2021/2022 biennial budget continues to focus on realizing the vision in these opportunity centers:
 - *Bridge to Bridge/Downtown* – In partnership with the Port of Kennewick, the Historical Downtown Kennewick Partnership (HDKP), Columbia Basin College

(CBC) and Benton County, we have begun redevelopment of a blighted area in our community. The vision for this area is to create a destination location and connect our waterfront to the Downtown. The first two phases of the project are completed with the Port providing the buildings for four wineries and a food truck plaza, while the City installed the associated infrastructure, utilizing in part the Rural County Capital Funds that have been allocated by Benton County.

This project will continue in the next biennium as we work on the connection from the waterfront to the downtown. The City received a \$500,000 complete street grant to achieve a more pedestrian friendly connection on Washington Street. Both the Port of Kennewick and the Historical Downtown Kennewick Partnership are important partners for the city to make this project a success. We will continue to seek other partnership opportunities and will be constructing the Washington Street improvements during the biennium.

- o *Vista Entertainment District* – During the current biennium the City and A-1 Pearl development team established a partnership to bring the much needed expansion to the Three Rivers Convention Center, as well as a performing arts center, new headquarter hotel, and an added retail component. Working together, the City will build the Convention Center expansion and A-1 Pearl will build the hotel and retail component. Upon successful completion of this first phase, A-1 Pearl will begin phase 2, which includes additional retail space, office space, and condominiums to support the entertainment district as well as the Vista Field Development vision established by the Port of Kennewick with the assistance of the community and stakeholders. In addition, the City will complete Fire Station #3 in the Vista Field area and work in partnership with the Port of Kennewick on the access road and landscaping that will begin to achieve the vision for this area.
 - o *Columbia Park* – In conjunction with the neighboring jurisdictions and stakeholders in the community, the City will continue to work with our Federal legislators and the US Army Corps of Engineers (USACE) to allow conveyance of the shoreline that is currently owned by the USACE and leased to the local jurisdictions to maintain. Through conveyance, the City will be able to implement some complementary commercial activity that will support the recreation efforts (that is the mission of the USACE) and provide vibrancy to a very under-utilized regional park.
 - o *Southridge* – With the opening of Bob Olson Parkway, significant residential development has occurred and we will be working with the property owners and developers on potential opportunities for mixed use and commercial development in this area that will utilize the infrastructure and planning that has already occurred within this area.
- ***Goal #3 – Support Legislative Efforts for Creative Economic Development Incentives*** – Senator Brown has drafted a bill that would provide a similar type of financing mechanism that the City used in our Southridge area, which was the Local Revitalization

Financing (LRF) program. This would allow the City to provide bonding to construct the infrastructure needed for development. The sales and property tax increments generated from the new development (both from the State & from local taxing authorities) pays the debt service on the bonds issued to build the infrastructure that created the growth. This was a very successful program in our Southridge area (generating over a 500% return on investment to the State). It is the City's intent to utilize this BBE funding, when approved by the legislators and awarded to the City of Kennewick, for the infrastructure for Vista Field development. We will continue to work with our legislators, AWC and lobbyist to support this and other creative economic development incentives that will help the economy to recover from the pandemic and continue to grow and be vibrant.

Reopening our businesses and economic recovery will remain a top priority for the City, as well as a focus on bringing tourism, tournaments and events to our region. In preparation for the reopening of our economy, our recommendation is to leave the Economic Development Manager position that became vacant during the 2019/2020 biennium open through 2021 and focus instead on enhancing our partnership with other economic development organizations working on behalf of the city such as TRIDEC to better leverage our existing partnerships. In addition, we will focus our efforts internally on enhancing our digital marketing and other materials that will help us to be in a better position when the economy opens back up to bring business, industry and tourism to the City. In alignment with that goal, we have included one-time funding to hire a consultant to produce video and marketing information. We will be seeking partnership opportunities to leverage these dollars.

Infrastructure & Growth – “I want a well-maintained city whose infrastructure keeps pace with growth”

Objective: Maintain existing infrastructure and build new infrastructure to support economic development & expansion.

- Council objectives are met through the following broad programs in Infrastructure & Growth:
 - Safe Streets
 - Infrastructure Planning
 - Environmental Services

The following are Council's goals for the 2021/2022 biennium and the implementation strategies included in the proposed biennial budget:

- ***Goal #1 – Strategic Funding & Implementation of the Sustainable Capital Plan*** –The Blue Ribbon Committee was formed and provided a recommendation to the City council regarding priorities and funding for a 25-year strategic general governmental capital program. Since that time, staff continues to update the 25-year capital plan. In an effort to continue implementation of the Blue Ribbon Committee's recommendations, the following is included in this biennial budget:
 - *Pavement Preservation* – Our citizens and Council have identified pavement preservation as a priority and a need for sustainable capital funding into the future. The proposed 2021/2022 biennial budget continues the commitment of

\$2M annually for pavement preservation. We also have funded an evaluation of the pavement condition during 2021 (through prioritization of a small portion of our signal and roundabout capital line items). Once we have evaluated the results of the pavement condition rating system update and assuming the update supports additional investment, we have provided for an additional \$1M in the CIP pavement preservation allocation in 2022, bringing that total biennial amount to \$3M.

- o *One-Time Funding Strategy* – Our general governmental capital projects budget has adequate funding to provide for the priority capital projects in this biennium as well as into the future. One of our existing budget policies is to transfer \$1M in general governmental funding to the capital project fund annually. We are recommending that we forgo the annual transfer for this biennium to help in our pandemic recovery efforts. We believe even without this transfer, we are able to provide for the priority capital projects in this biennium and into the future. This strategy will help to balance our operating and capital priorities, without having to implement immediate reductions that may not be necessary in the long-term, as we work to recover from the pandemic. We are committed to take the appropriate action during the 2021/2022 biennium to have a sustainable operating and capital budget for the future bienniums. The mid-biennium review will be an opportunity to thoroughly review our revenue recovery as well as the priority operating and capital programs and make the appropriate adjustments as necessary.
- o *Other Projects Included in the CIP* – the following are a list of other priority projects that are included to receive funding during the biennium:
 - *Regional Animal Shelter* – The cities of Pasco, Kennewick and Richland have been working together to find the most effective way to replace an end of life animal shelter facility located in Pasco. During the October 13, 2020 Council workshop the City of Pasco, who is the administrative agency for the animal control authority, provided an update and recommendation for replacement of the existing shelter. In alignment with this recommendation, we have included \$2M in the biennial budget for our share of the facility.
 - *Police Fleet Replacement* – ongoing funding from the capital improvement program
 - *Fire Fleet Replacement* – ongoing funding from the capital improvement program & Ambulance Utility
 - *Parks & Street Fleet Replacement* – ongoing partial funding for the highest priority replacements from the capital improvement program
 - *Fire Stations* – we have bonded for and have begun the replacement of Station #3. In addition, we are in the process of purchasing property to rebuild Station #1, which we anticipate will begin in 2021. The planning efforts for a new station in our Southridge area (Station #6) will continue during the upcoming biennium in conjunction with the strategic planning effort we are recommending for the Fire Department.

- *Ridgeline/395 Intersection* – A multi-year project in partnership with WSDOT that will help support the vision for our Southridge opportunity center.
 - *Replacement of City Hall* – Currently the City has aging facilities that are in need of major repair. A facility strategic plan was completed in 2014, which we are proposing to update in this biennium along with a strategic planning effort for the broader civic center complex. The proposed six-year capital improvement program anticipates selling bonds in the next five years for the replacement of City Hall and covering the debt service on those bonds by reallocating existing capital dollars. Also during the upcoming 2021/2022 biennium, while planning for the future City Hall replacement project, we will evaluate the Frost Facility and City Shops to determine the best overall approach to these aging facilities, while also creating a work environment that meets our objectives of providing exceptional customer service and working across departmental lines.
 - *Technology Improvements* – Continue to implement the updated IT strategic plan, which includes several of the highest priority projects that support the replacement of our Enterprise Resource Planning (ERP) and Bi-County Police Information Network (BIPIN) software systems. In addition, we have included funding for network equipment replacement and resiliency priority projects, phase 1 of a workstation replacement project, and telephone system replacements.
- ***Goal #2 – Continue Infrastructure Planning and Development of Creative Solutions to Achieve Council’s Strategic Goals in our Opportunity Centers*** – The proposed 2021/2022 biennial budget anticipates continued work with our legislators, public and private partners to implement the vision of our opportunity centers. Some examples of those would be:
 - *Building Business Ecosystems Bill*
 - *Other Legislative Economic Development Opportunities and Incentives*
 - *Rural County Capital Funds* – in partnership with Benton County & the Port of Kennewick
 - *Grant & Loan Opportunities*
 - *Public/Private Partnership Opportunities*
- ***Goal #3 – Implement Creative Solutions to Maintain the City’s Existing Infrastructure & Provide for Growth in the Most Efficient Manner Possible***
 - *Capital Projects Team* – We are working on consolidating our parks and public works capital projects teams and prioritizing the highest priority general governmental projects for this team to focus on during the biennium. As part of this effort, we will be reviewing several positions to determine how best to transition responsibilities, which may lead to a reduction in the overall number of in-house positions dedicated to this function. These changes may also require contracting project management with outside consultants for some of our major capital projects in the future.

- *Water Sewer Rate Review* – The results of this rate study update was consistent with what we have shared with the Council over the last couple of bienniums. Those results showed we would need rate increases at a similar rate each year for at least the next four years in both our Water and Sewer rates. During the September 22, 2020 Council workshop, the results were shared with the Council and Council adopted a rate increase for both our Water and Sewer utilities at the October 6, 2020 Council meeting for the 2021/2022 biennium. Even after these rate adjustments are implemented, City of Kennewick ratepayers will continue to have some of the lowest water and sewer rates in our local area as well as in relationship to similar sized jurisdictions across the entire state. Those rate increases will sustain our ongoing programs and support the following:
 - *Automated Metering Infrastructure (AMI)* – which will provide the ability to reallocate our existing meter reader positions to priority needs in the City
 - *Continue construction of the new 6MG Reservoir (18th & Kellogg)*
 - *Wastewater Treatment Plan Improvements* – Implement the Florida Green plan for plant expansion and the most effective operations and maintenance of our infrastructure

- *Stormwater Rate Review* – Similar to our Water/Sewer rate study and implementation plan, we continue to implement the recommendations from our most recent Stormwater rate study. With this dedicated funding source, we recommend continuing our current operations and providing the following recommendations from the most recent study to maintain a sustainable operating and capital stormwater utility:
 - *Increase the funding dedicated to drywell repairs and rehabilitation by an additional \$125,000 in this biennium*
 - *Priority Infrastructure capital needs*

Quality of Life – “I want to enjoy access to a variety of amenities and opportunities in a safe environment”

Objective: Maintain Parks, Provide for Diverse Entertainment Options, Offer Recreation Programs for a Well Planned Community.

- Council objectives are met through the following broad programs in Quality of Life:
 - Recreation & Entertainment Opportunities
 - Parks & Facilities
 - Livable Community
 - Community Planning

The following are Council’s goals for the 2021/2022 biennium and the implementation strategies included in the proposed biennial budget:

- ***Goal #1 – Support and Promote Conveyance of Columbia Park*** – In conjunction with the US Army Corps of Engineers (USACE), TRIDEC, our neighboring jurisdictions, and in partnership with our Federal legislators, we are working on conveyance of the portion of the shoreline that is no longer needed by the USACE. Columbia Park is included in

that proposal and we are actively supporting this effort to move forward so that we can better utilize this regional park located along the waterfront in Kennewick. As part of this effort, the City has been working with the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) on a Memorandum of Understanding (MOU) for how we can form a partnership and work together on mutually beneficial projects.

- o *Columbia Park Golf Course & Bite at the Landing* – We are recommending extending the Columbia Park Golf Course contract with CourseCo that is set to expire at the end of 2020 for one additional year as we evaluate options for the future operations of the Golf Course. Similarly, the lease agreement in place for the Bite at the Landing has not had an opportunity to be properly evaluated in 2020 due to the pandemic and the shutdown that occurred in March when the Bite would have been able to open the deck. We will continue to work with both partners during 2021 and provide Council with a recommended path forward for the future.
- ***Goal #2 – Leverage Community Partnerships and Align our Service Delivery to Implement Council Goals and Priorities*** – The following priority programs are recommended for implementation in the 2021/2022 biennium:
 - o *Wildland/Urban Interface Mitigation Plan* – Zintel Canyon is a nature trail in our community that is very under-utilized and has several issues that require mitigation efforts so that we have a nice natural trail that can be utilized as the walking path and nature trail that it was intended. The City has established a cross functional team consisting of Police, Fire, Parks, Public Works, City Attorney, Public Relations and our partner the Kennewick Irrigation District (KID). Priority needs are being identified as well as a long-term plan that will be funded in the upcoming and future bienniums. We will continue to work with the homeowners and stakeholders that abut and utilize this nature trail.
 - o *Recreation Program Recommendations* – In conjunction with our partners, we will evaluate the most appropriate method to deliver services without duplication of effort or competition.
 - *Community Center* – reduce the hours of operation at the community center by three hours on Monday-Thursday and close the facility at 5pm rather than 8pm. This recommendation still allows for additional rentals after hours where the staffing costs associated with the rental are funded by the organization that rents the facility.
 - *Partnership with Boys and Girls Club & YMCA* – we will work with our partners during 2021 to determine where duplication of effort occurs and what is the best method to deliver recreation programs in our community
 - *Reinvent and Restructure Priority Recreation Programs* – we have reviewed our recreation programs and recommend that we restructure and focus our efforts on providing the highest priority and most utilized programs to our community. In doing so, we will be eliminating programs that can be provided by other community partners and businesses.

- *Homelessness & Housing* – we will continue to work with our community partners to identify and implement creative solutions to affordable housing and homelessness concerns. Some of our partner agencies include the Kennewick Housing Authority, Benton County and our existing social service agencies.
- ***Goal # 3 – Prepare for Future Growth through Implementation of our Strategic Comprehensive Plan***
 - *Park & Greenway Maintenance* – in alignment with maintaining our existing level of service in our parks and throughout our greenways, we are continuing to work on creative solutions for ongoing, sustainable maintenance of our Parks & Greenways. Some of the strategies we are recommending to implement are:
 - *Tree Replacement* – Ongoing funding for the priority tree replacement and maintenance program and evaluate the cost/benefit of contracting this service versus having in-house staff perform this maintenance work
 - *Art in the Roundabouts* – Provide funding for maintaining existing and implementing new and creative solutions for art in city roundabouts, which will include sponsorship opportunities.
 - *Jail Crew* – Eliminate the jail work crew currently shared with Benton County. Since April, 2020 this work crew has not operated due to the pandemic and restrictions required at the jail and on the work crew. We are recommending eliminating this contract permanently and to prioritize the services the work crew provided within the existing park maintenance crew and through contracted services.

Responsible Government – “I want a City government that is responsive, responsible and fiscally accountable”

Objective: Provide Exceptional Public Service, Stewardship, Transparency and a Sustainable Future.

- Council objectives are met through the following broad programs in Responsible Government:
 - Risk Management
 - Community Outreach & Engagement
 - Internal Infrastructure
 - Regional Collaboration
 - Sound Financial Management
 - Excellence in Service

The following are Council’s goals for the 2021/2022 biennium and the implementation strategies included in the proposed biennial budget:

- ***Goal #1 – Utilize Creativity and Flexibility in Program Delivery:***
 - *Cross Functional Teams & Staff Development* – as we prepare for 27% of our workforce being eligible for retirement in the next five years, we will continue to focus on cross functional teams and staff development that will provide effective operations and creative solutions that will make us the absolute best organization.
 - *Cross Functional Teams* – examples include:

- Development Review – continue to work across departmental lines and align staffing resources to available funding
 - Inspection Program
 - Zintel Canyon Mitigation and other Opportunities
 - Consolidate and/or Establish Cross Functional Team for Parks & Public Works Capital Project Design and Management
- **Goal # 2 – Maintain Internal Infrastructure**
 - *Implement the IT Strategic Plan* – This biennium we will continue to implement our updated IT strategic plan with the following programs recommended for funding:
 - *ERP/Eden System Replacement* – continue implementation
 - *BIPIN System Replacement* – complete implementation
 - *Network Equipment Replacement* – phase 1 priorities
 - *Network Resiliency* – phase 1 priorities
 - *Telephone System Replacement* – phase 1 priorities
 - *Workstation Replacement* – phase 1 priorities
- **Goal #3 – Enhance and Leverage Community Partnerships for Most Efficient and Effective Service Delivery**
 - *Succession Planning* – we continue to work with existing staff to identify successor interest and provide support to develop that staff for future leadership roles and opportunities within the organization as many of our long-term staff will be retiring and we seek to develop and retain the next generation of our workforce.
 - *Realignment of Existing Personnel* – we continue to evaluate where we can provide efficiencies in service delivery through alignment of staff across departmental lines. An example of this will be the implementation of an Automated Meter Reading (AMR) system that is part of the water and sewer utility’s capital program. We will continue to evaluate how the existing meter readers can be incorporated into other areas in our organization where we have identified needs. We will also focus on implementation of priority capital and recreation programs as we continue to evaluate and realign staffing resources.
 - *Work with Partner Agencies* – we will continue to work with our public partner agencies (KID, Port, Neighboring Jurisdictions, Benton County, PUD, etc.) as well as private businesses and developers, to provide the best service to our citizens and this community.
 - *Budgeting by Priorities Model Evaluation* – throughout the biennium we will be monitoring our revenue projections and providing updates. During the mid-biennium review, priority programs will be evaluated for potential consideration and the lower priority programs will be reduced or eliminated as deemed appropriate. Vacant positions will also be closely monitored and only positions

that are necessary to achieve priority programs will be filled until the economy recovers from the pandemic.

The implementation of your Council goals for each of the priority areas are realized in this proposed biennial budget that also provides for sustainable operating and capital budget strategies into the future. The implementation of these recommendations will become my and the organization's performance goals for the 2021/2022 biennium.

Although we have presented a balanced and sustainable budget, we recognize there are vulnerabilities that exist in this budget and are prepared to address them during the upcoming biennium as we continue to implement a Budgeting by Priorities strategic approach to decision making. In addition, there are strategic funding opportunities that would provide a more sustainable operating and capital budget into the future and achieve Council's long-term goals and priorities that are also aligned with the priorities that we heard from our citizens. Some of the vulnerabilities and opportunities that we will be monitoring and discussing with Council in the upcoming biennium are:

- o **Pandemic Impacts and Recovery** – we will continue to work with the Benton Franklin Health District, Department of Health, the Governor's Office and our regional partners to encourage a safe and responsible reopening of our community. At the time of this writing, we were just moved to phase 2 of the Governor's 4-phase reopening plan from being in phase 1.5 since the first part of July. We continue to promote the reopening of certain activities and industries that are still not allowed in phase 2. We are working to better understand the State's future reopening plans in order for us to prepare for the reopening of additional businesses and activities. We will continue to advocate for a safe, responsible reopening and the recovery of our economy. While doing so, we will be prepared to recommend additional actions that may be necessary in alignment with our budgeting by priorities model and our broad goal of providing a sustainable operating and capital budget not only for the biennium but also into the future.
- o **Contracted Services** – The City of Kennewick has some very large contracted services, such as Jail, District Court, Probation Services, Dispatch Services, Emergency Management, Golf Course Management, Union Contracts and others. In many cases, we have limited control over what our annual assessments will be for these contracts. We will continue to closely monitor these large expenditures and be prepared to modify the budget as needed if our current estimates do not materialize. The largest of these contracted services is the jail contract, which will expire at the end of 2020 and we are currently in the process of negotiating a new contract with Benton County.
- o **State Challenges and Potential Unfunded Mandates** – We will be working to preserve the City's existing state shared revenues, continuing to support revenue flexibility and trying to ensure that additional unfunded mandates are not enacted or that additional fees and charges from the State are not passed on to local governments. This is especially important during these uncertain times when businesses and industries are closed due to the pandemic. The State's current budget forecasts for its General Fund indicate a significant deficit for both its current and upcoming bienniums. It is very possible

legislators will be looking for balancing strategies and we will need to preserve the existing revenue sources that we have at a local level.

- o **Strategies for Aging Infrastructure and Sustainable Capital Funding** – Identifying funding for critical transportation infrastructure, City facilities, and other capital projects continues to be both a challenge and an opportunity for the City. It is important for the City to maintain the proper balance when allocating its limited resources between capital programs and the operating needs of the City and to continue exploring opportunities for dedicated funding sources, like the Transportation Benefit District (TBD) or Metropolitan Park District (MPD) that are discussed below. We will continue to consider these dedicated funding options with Council during the upcoming biennium.
 - o *Transportation Benefit District* – The State has allowed this revenue option to be specifically dedicated for transportation funding. Last year, I-976 passed, which eliminated this funding option. However, recently the State Supreme Court struck down the initiative. More work in the upcoming biennium will be required to determine the legal issues associated with this revenue source. Some of the considerations in reviewing a TBD in the future are discussed below:
 - *Pavement Preservation* – in alignment with past citizen survey results, road maintenance and repairs are a priority for our citizens. This funding source could be dedicated to our pavement preservation program, allowing the City to maintain our existing streets as we identify the priority projects through our pavement management system.
 - *State Legislature & Transportation Commission* – we continue to hear from the state legislature and transportation commission that they expect local governments to implement their local funding options before requesting additional state funding. The State has also not been sympathetic to local governments losing state shared revenues if they have not fully implemented the funding sources directly available to them. I believe that we will continue to see pressure from the State to implement our local taxing authority in order to maintain our current state shared revenues and continue to receive grant opportunities from the State in the future.
 - o *Water Sewer & Stormwater Rate Reviews* – we will continue to evaluate and update our rate study for our water and sewer and stormwater utilities prior to the next biennium to determine how their operating and capital programs are actually performing compared to the rate review expectations. We have utility infrastructure priorities as well as operating needs as we prepare for a sustainable utility into the future. It is important that we balance the burden of infrastructure improvements to our existing and future ratepayers, which can be achieved by financing some of the larger, multi-year infrastructure improvements.
 - o *Ambulance Utility* – the rate study previously conducted identified the full costs to provide Emergency Medical Services (EMS) in our community. We have appropriately allocated our Fire & EMS costs to the Ambulance Utility

(Emergency Medical Services) and the General Fund (Fire Suppression, Prevention and Training). There remains a significant General Fund contribution required to support the Ambulance Utility, leaving a future opportunity to align the cost to provide EMS services with future rate adjustments, resulting in a more sustainable utility and general fund operation.

- o *Metropolitan Park District* – the implementation of a Metropolitan Park District (MPD) would provide a dedicated funding source for parks, trails, and recreation programs within our community. As we continue to review sustainable options that implement the goals and priorities of the Council and our citizens, we may want to consider the opportunities that a MPD can provide to the City of Kennewick and potentially to our region. During this pandemic where we are required to prioritize and ultimately reduce or eliminate some of our recreation programs, this funding source can be considered to help restore programs that become priorities in the future.
- o *Public Facility District* – the Kennewick and Regional Public Facilities District (PFD) is another opportunity to provide priority regional amenities for our community. As we continue to work with the Port of Kennewick to implement the vision of Vista Field and our developer partners to implement the vision of the entertainment district, we will continue to evaluate a combination of options. Those options may include a project utilizing the authority established by the PFD in combination with existing sources that implement the community vision for the Entertainment District and help spur private development opportunities.

In addition to providing a sustainable capital budget, the Council's budgeting by priorities model, described below, will allow us to proactively address changes to priorities or budget assumptions that occur during the biennium.

- o **Budgeting by Priorities** – During this biennial budget process over 300 services were identified and prioritized. This effort allows the City to respond quickly to any unanticipated reduction in revenues or increase in costs that occur during the biennium. The lower priority services will continue to be evaluated to determine if there is an alternative way to deliver these services, or a reduction in service level or elimination of these services is necessary as we continue to evaluate budget vulnerabilities during the upcoming biennium.

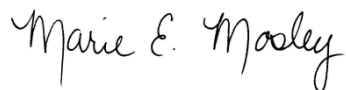
It is important to note that lower priority items are not services deemed needless, inefficient or unwanted by our community. The City takes great pride in delivering every service and citizens have certain expectations for each one. In recent years, City departments have significantly streamlined programs and increased efficiencies to meet priorities with fewer staff and increased population. Due to these recent efforts, further reductions or reallocations in any of these services will be challenging to implement, will result in further vulnerabilities, and may also be difficult for our citizens to accept.

In summary, I believe this proposed biennial budget is fiscally responsible and provides our citizens with creative means to deliver priority services. We recognize there are vulnerabilities, and we are prepared to strategically address them in the upcoming biennium using our budgeting by priorities model to allocate resources based on the priorities of Council and our community for service delivery. During the upcoming biennium we will continue to review and consider strategies that will provide sustainability into the future. The implementation of Council's strategic goals through this biennial budget will set the City up for success and provide a sustainable operating & capital budget and path forward into the future.

I would like to acknowledge and thank our employees who work diligently every day to implement City-wide goals and objectives by providing exceptional customer service to our citizens and who critically evaluate the most innovative and effective manner to deliver those services. I would also like to thank the Department Head team for carefully reviewing their budget submittals and recognizing that there are limited resources to be allocated to City-wide priorities. They have approached this biennial budget as a team and from the perspective of identifying the services our citizens expect as a whole from the City, not from a departmental perspective. They continue to implement innovative solutions for effective service delivery. Finally, I would like to thank Dan Legard for his leadership in preparing the biennial budget document. He and the Finance staff have done an exceptional job, with limited resources, much uncertainty and under a very tight timeframe.

I would be happy to answer any questions that you have regarding this biennial budget and strategies for continuing to optimize our limited resources into the future and in preparation for any unforeseen circumstances and economic recovery from the pandemic during the upcoming biennium.

Respectfully,

A handwritten signature in black ink that reads "Marie E. Mosley". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Marie E. Mosley
City Manager

A faint, light blue background illustration of a tree on the left and a person sitting on a rock in the lower left. The text is centered in the upper half of the slide.

2021/2022 Biennial Budget Recommendations

October 27, 2020
Kennewick City Council Workshop

Biennial Budget Preparation

- ✿ Council-Facilitator Interviews & Written Report (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 22nd Council Workshop – Budget assumptions & projections (incl. impacts of COVID-19)
- ✿ 2021/2022 Biennial Budget – Maintains Existing Programs & sets forth the implementation plan for Council's goals while providing for future sustainability

Priority Areas



*I want to be safe where I live, work
and play.*



Community Safety

Objective – Continue to Ensure the Safety of our Community by
Maintaining Current Service Levels & Partnerships

- ✿ Continued Focus on Combatting Criminal Gang Activity
- ✿ Enhance School Safety
- ✿ Conduct a Strategic Plan for the Fire Department
- ✿ Maintain the Availability of Safe Drinking Water for a Growing Population



Biennial Budget Recommendations

✿ Combat Gang Activity:

- ✧ Continue implementation of existing program commitments
- ✧ Work with Benton County on partnership opportunities
 - ✧ District Court, OPD, Probation contracts
 - ✧ Negotiate a jail contract
 - ✧ Provide Recommendation on the future of the Work Crew Program
- ✧ Implement Lexipol to develop comprehensive police policies

✿ Enhance School Safety:

- ✧ Work with the School District to evaluate SRO's in all 5 middle schools

✿ Strategic Planning for the Fire Department:

- ✧ Hire a Consultant to develop a Strategic Plan
- ✧ Work with the Council, staff, Regional Partners and Community to seek input
- ✧ Provide Recommendation and Strategy for Future Implementation

✿ Safe Drinking Water – Implement recommendations from the Water/Sewer rate study

- ✧ Priority Capital Projects
- ✧ Water and Sewer Comprehensive Plan Updates

*I want a diverse and vibrant economy
in Kennewick.*



Economic Development

Objective – Support Existing Businesses and the Creation of Sustainable Family Wage Jobs

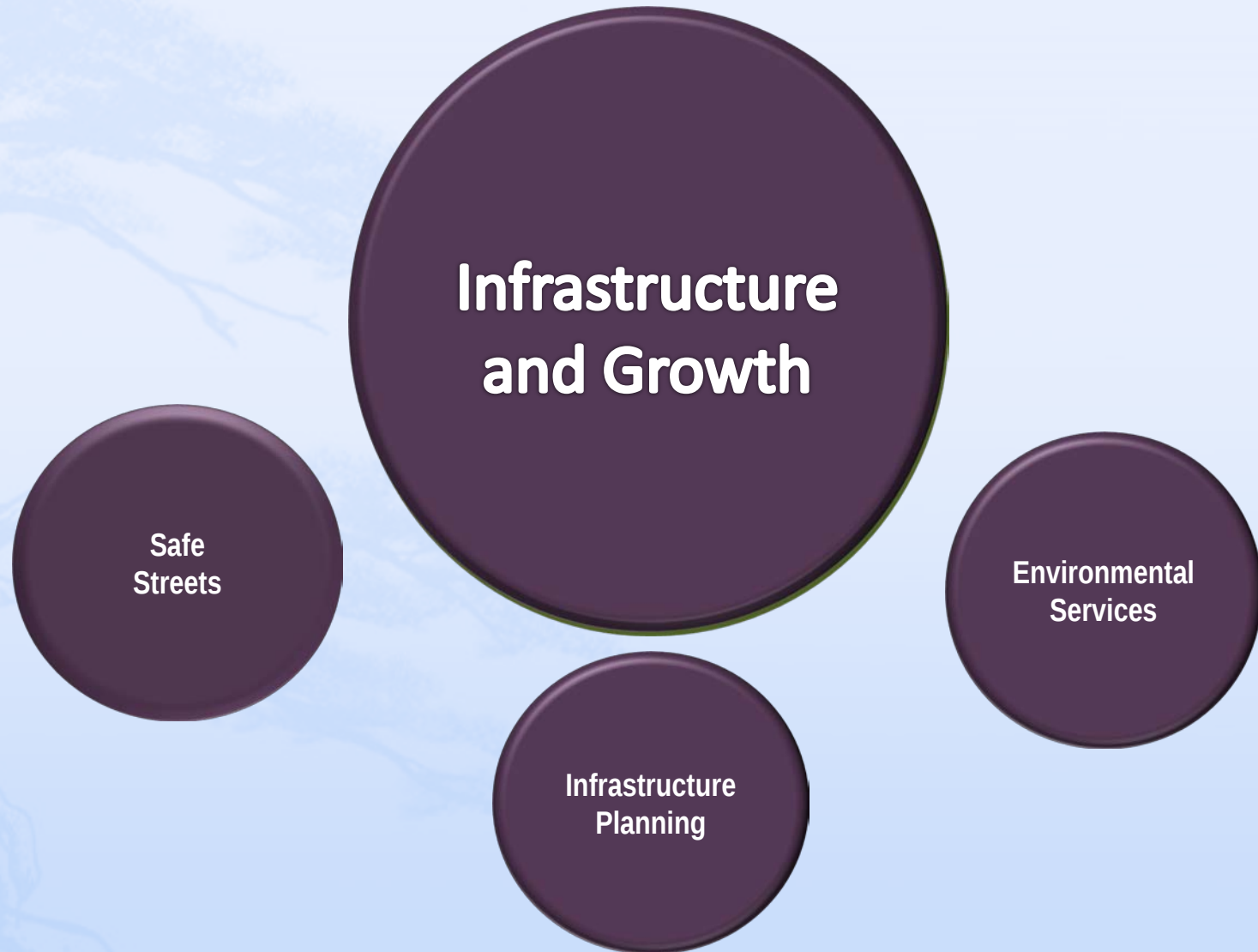
- ✿ Support and Promote the City's Industrial Development Area
 - ✿ Update the Comprehensive Plan
 - ✿ Work with Partners on Development
- ✿ Implement the Vision and Policies Established for the City's Opportunity Centers:
 - ✿ Bridge to Bridge/Downtown
 - ✿ Vista Entertainment District
 - ✿ Columbia Park
 - ✿ Southridge
- ✿ Support Legislative Efforts for Creative Economic Development Incentives



Biennial Budget Recommendations

- ✿ **Support & Promote the Industrial Development Area:**
 - ✱ Implement the comprehensive plan amendment for land use designation
 - ✱ Partnership with the developer and TRIDEC to identify new businesses
 - ✱ Plan for extension of Utilities and Infrastructure
- ✿ **Connect the Waterfront to the Downtown:**
 - ✱ **Wine Village & Columbia Drive** – In partnership with the Port of Kennewick, Columbia Basin College, Benton County and Historic Downtown Kennewick Partnership; Washington Street Improvements making a more pedestrian friendly connection
- ✿ **Vista Field Partnership:**
 - ✱ Identify the funding source for expanding the Convention Center
 - ✱ Work in Partnership with A1 Pearl as they identify funding for the hotel
 - ✱ In partnership with the Port of Kennewick, construct Fire Station #3, the access road and landscaping to achieve the vision for Vista Field
- ✿ **Opportunity Centers:**
 - ✱ Work in partnership with property owners and developers to implement the vision of Southridge
 - ✱ Reopen & Economic Recovery – Focus on Tournaments & Tourism in partnership with Visit Tri-Cities, Toyota Center, Carousel of Dreams, Historic Downtown Kennewick Partnership and others
- ✿ **Support Economic Development Incentives** – work with our legislators and lobbyist to identify and support incentives (including Building Business Ecosystems) to help our economy recover from the pandemic and create growth and vibrancy
- ✿ **Economic Development Priorities** – evaluate the economic development manager position during the biennium and focus efforts on contracting video and digital marketing materials in preparation for the future

I want a well-maintained City whose infrastructure keeps pace with growth.



Infrastructure and Growth

Objective – Maintain Existing Infrastructure and Build New Infrastructure to Support Economic Development & Expansion

- ✿ **Strategic Funding & Implementation of a Sustainable Capital Facilities Plan**
 - ✱ Pavement Rating & Preservation
 - ✱ Transportation Projects
 - ✱ Utility Infrastructure
 - ✱ City Owned Facilities & Parks
- ✿ **Continue Infrastructure Planning and the Development of Creative Solutions to Achieve Council's Strategic Goals in our Opportunity Centers**
- ✿ **Implement Creative Solutions to Maintain the City's Existing Infrastructure & Provide for Growth in the Most Efficient Manner Possible**



Biennial Budget Recommendations

- ✿ Sustainable Funding for Priority General Governmental Capital Facilities Plan:
 - ✿ Pavement Preservation – \$2M annually plus funding of pavement condition rating update and funding for an additional \$1M in 2022 if determined to be needed
 - ✿ One-Time Funding – \$2M Capital Transfer – defer for the biennium
 - ✿ Priority Capital Needs (strategic plan to deal with aging infrastructure, while providing sustainability into the future):
 - ✿ Animal Shelter – \$2M to build shelter in partnership with Pasco & Richland
 - ✿ Police & Fire Fleet Replacement Program
 - ✿ Street & Parks Partial Fleet Replacement – highest priorities
 - ✿ Fire Stations – complete station #3 and begin station #1 replacements
 - ✿ Ridgeline/395 Intersection – in partnership with WSDOT
 - ✿ Replacement of City Hall – (in 5 years) update facility study and include civic center master planning efforts
 - ✿ Technology Improvements – continue implementation of IT Strategic Plan

Biennial Budget Recommendations

✿ Implement Creative Solutions to Maintain Existing Infrastructure:

- ✿ Capital Project Team – Consolidate the Park and PW capital project team and prioritize the highest priority projects

✿ Sustainable Funding for Utility Capital Facility Plan Priority Projects

- ✿ Utility capital Priorities – The following priority projects are included in the Water, Sewer and Stormwater rate study recommendations:
 - ✿ Advanced Metering Infrastructure (AMI) project– continue implementation of the new system along with meters which provide the ability to reallocate existing meter reader positions
 - ✿ Priority plant & infrastructure capital needs
 - ✿ Continue construction of 6MG Reservoir (18th & Kellogg)
 - ✿ Planning for future plant expansion & most effective operations and maintenance of our infrastructure (Florida Green Model for the Wastewater treatment plant improvements)
 - ✿ Increase the funding for drywell repairs and rehabilitation by an additional \$125,000 in this biennium

I want to enjoy access to a variety of amenities and opportunities in a safe environment.



Quality of Life

Objective – Maintain Parks, Provide for Diverse Entertainment Options, and Offer Recreation Programs for a Well Planned Community

- ❁ Support and Promote Conveyance of Columbia Park
- ❁ Leverage Community Partnerships and Align our Service Delivery to Implement Council Goals and Priorities
- ❁ Prepare for Future Growth through Implementation of our Strategic Comprehensive Plan



Biennial Budget Recommendations

- ✿ **Support & Promote Conveyance of Shoreline**
 - ✧ Partner with USACE, TRIDEC & other agencies on Shoreline Reconveyance
 - ✧ Discuss Options for Golf Course Mgmt and Bite at the Landing Partnership
- ✿ **Leverage Partnerships in Community**
 - ✧ Wildland/Urban interface mitigation plan – Zintel Canyon partnership with KID and cross functional team
 - ✧ Recreation Program Recommendations:
 - ✧ Reduce Community Center Hours M-TH closing at 5pm rather than 8pm
 - ✧ Partner with Boys & Girls Club & YMCA – Evaluation of all recreation programs (to include day camp and study hall type of programs) to determine best service delivery method
 - ✧ Realign recreation staffing resources to focus on priority programs
 - ✧ **Housing & Homelessness** – cross functional team partnership with Housing Authority, Benton County Human Services, United Way and Other Agencies
- ✿ **Park & Greenway Maintenance**
 - ✧ Continue tree replacement and maintenance program – highest priority work and evaluate the cost/benefit of contract services vs. in-house crews
 - ✧ Work on creative solutions (Art in Roundabouts); work with Arts Commission and seek sponsorship opportunities
 - ✧ Eliminate jail work crew and reallocate dollars to contract services & seasonal part-time wages as well as prioritizing workload within existing staffing

Columbia Park Golf Course

- ✿ **Quality of Life** - Similar to our Parks, the Golf Course provides our community with Quality of Life, Economic Development opportunities vs. an Enterprise Type of Activity where fees fully cover the cost of the operations
- ✿ **Partnerships:**
 - ✿ **CourseCo** – Operates and maintains the Golf Course and we pay a management fee (Contract)
 - ✿ **Bite at the Landing** – Contract for operations of the Club House Restaurant for a lease payment (Lease Agreement)
 - ✿ Restaurant Operations
 - ✿ Special Events Operations (with potential shared revenue)

Toyota Center & Arena

- ✿ Quality of Life Activities and Economic Driver – Similar to the Golf Course
- ✿ Partnerships:
 - ✧ PFD – Interlocal Agreement for Management
 - ✧ City Owns Toyota Center & Toyota Arena
 - ✧ PFD Owns Convention Center – City & PFD Sales Tax Credit Contributions
 - ✧ VenuWorks – PFD administers the contract for management of the Campus & we pay a Management Fee for Toyota Center & Arena as does the PFD for the Convention Center
 - ✧ Sponsorships – Toyota of Tri-Cities, Retter & Company, HAPO
- ✿ Operating Subsidy – Covered by Admission Tax generated by the Toyota Center/Arena & Lodging Tax

*I want a City government that is responsive,
responsible and fiscally accountable.*



Responsible Government

Objective – Provide Exceptional Public Service, Stewardship, Transparency and a Sustainable Future

- ✿ Utilize Creativity and Flexibility in Program Delivery:
 - ✿ Cross-Functional Teams
 - ✿ Staff Development
- ✿ Maintain Internal Infrastructure
 - ✿ Fully Implement the 5-Year IT Strategic Plan
- ✿ Enhance and Leverage Community Partnerships for Most Efficient and Effective Service Delivery

Leading The Way

We will provide excellent public service and ensure the safety and wellbeing of our community and one another through the empowerment of each employee. *We value...*

INTEGRITY...

INCLUSIVENESS...

STEWARDSHIP...

AND COMMUNICATION

We are accountable to our community for innovative and collaborative efforts that anticipate needs, leverage resources and deliver solutions.

Integrity: We hold ourselves to the highest standard of professionalism and ethical conduct.

Inclusiveness: We embrace diversity and value different perspectives as we work together for the common good.

Stewardship: We ensure the public's resources are used responsibly to provide the greatest benefit.

Communication: We will listen and engage in an open, honest and timely exchange of information.



Biennial Budget Recommendations

- ✿ IT Strategic Plan – Implement recommendations from the updated IT Strategic Plan:
 - ✿ ERP/Eden System Replacement – Continue Implementation
 - ✿ BIPIN System Replacement – Complete Implementation
 - ✿ Network Equipment Replacements – phase 1 priorities
 - ✿ Network Resiliency – phase 1 priorities
 - ✿ Telephone System Replacement – phase 1 priorities
 - ✿ Workstation Replacement – phase 1 priorities

Biennial Budget Recommendations

- ✿ Internal Cross Functional Teams and Succession Planning:
 - ✧ Implement Cross Function Teams:
 - ✧ Development Review
 - ✧ Inspection Program
 - ✧ Zintel Canyon Mitigation & Opportunity
 - ✧ Consolidate Parks & Public Works Capital Program
- ✿ Evaluate Vacant Positions – fill vacancies based on priority work
- ✿ Budgeting by Priorities Model Evaluation:
 - ✧ Monitor Revenue Projections & Provide Updates
 - ✧ Mid-Biennium Review – evaluate potential reductions for implementation as needed and based on priorities

Major Revenue Assumptions

(General & Street Funds)

* Tax Revenues:

- * Sales Tax – 2% incr. in 2021 (relative to 2020) and 3% incr. in 2022 (relative to projected 2021)
- * Property Tax:
 - * 2021 – 1% growth in base levy and 2020 preliminary AV
 - * 2022 – 1% growth in base levy and \$100M in new construction
 - * Projections allow for 5% reduction due to late payments
- * Utility Tax:
 - * Electric – 1% incr. in 2021 and 2.5% incr. in 2022
 - * Telephone – 7.5% reduction each year
 - * Cable – 1% decr. in 2021 and 2.5% decr. in 2022
 - * Other Utilities – generally no growth in 2021 and 2% growth in 2022
- * Gambling/Admissions Taxes – estimated at 60% of 2019 amounts for 2021 and 100% of 2019 amounts for 2022
- * State Shared Revenue – No reduction in current funding

Major Revenue Assumptions (cont'd)

(General & Street Funds)

- * Rec Programs – estimated at 80% of the average of 2018-2019 for 2021 and 100% of the same average for 2022
- * Fines & Forfeitures - estimated at 80% of the average of 2018-2019 for 2021 and 100% of the same average for 2022
- * Facility Rentals – mirrors assumptions for rec programs
- * Interest – low interest rate environment for 2021 and 2022 (0.50% on average)
- * Other Revenues – generally anticipate 2% increase per year (on lower base for 2021)

Major Revenue Assumptions

(Other General Governmental Funds)

- ✿ Public Safety Sales Tax – 1% incr. in 2021 (relative to 2020) and 4.75% incr. in 2022 (relative to projected 2021)
- ✿ Lodging Taxes:
 - ✿ 2021 – 25% reduction (compared to 2019)
 - ✿ 2022 – 5% reduction (compared to 2019)
 - ✿ Trending towards a return to 2019 revenue levels by 2023
- ✿ Real Estate Excise Tax (CIP)– 0% incr. for 2021 and 3% incr. for 2022
 - ✿ Remains \$350K - \$450K below peak revenue in 2019

Major Expenditure Assumptions

(General & Street Funds)

* Personnel Costs:

- * Wages – Per contract terms or anticipated contract terms where applicable
 - * Allowance for Under-Expenditures of \$3M
- * Medical Rates – premium increases of 5% in 2021 and 2022 with increases to employee paid premiums
- * Retirement – Per DRS projections

* Major Interlocal Contract Assumptions:

- * Jail Services – Contract currently in negotiations. Assuming budget allocation of 14.59% of net billable costs based on current contract terms
- * SeComm/BCES – 2021 preliminary assessment & 5% incr. in 2022
- * District Court/OPD – 21.52% and 36% allocation, respectively

Major Expenditure Assumptions (cont'd)

(General & Street Funds)

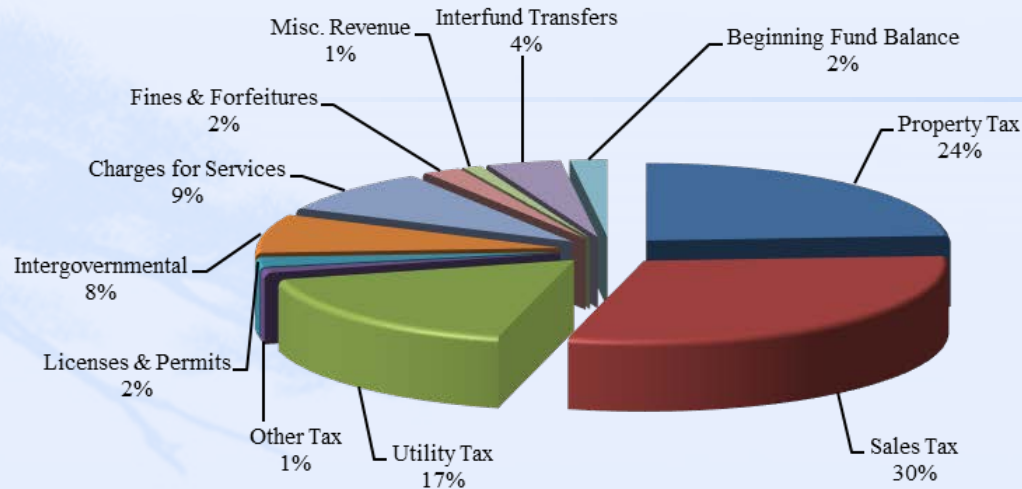
* Transfers:

- * Toyota Center & Arena - \$400K (+\$640K lodging tax)
 - * General Fund contribution offset by admissions taxes receipted into the General Fund
- * Columbia Park Golf Links Operations - \$247K
- * Risk Management - \$1.65M
 - * General & Street Fund's portion of Property/Liability Ins.
- * Ambulance Utility - \$10.12M
 - * No Change in general fund support
- * Capital Improvement Fund – No transfer for 2021/2022

- * Other expenditures – generally no increase for biennium

Sources of Funding – General and Street Funds

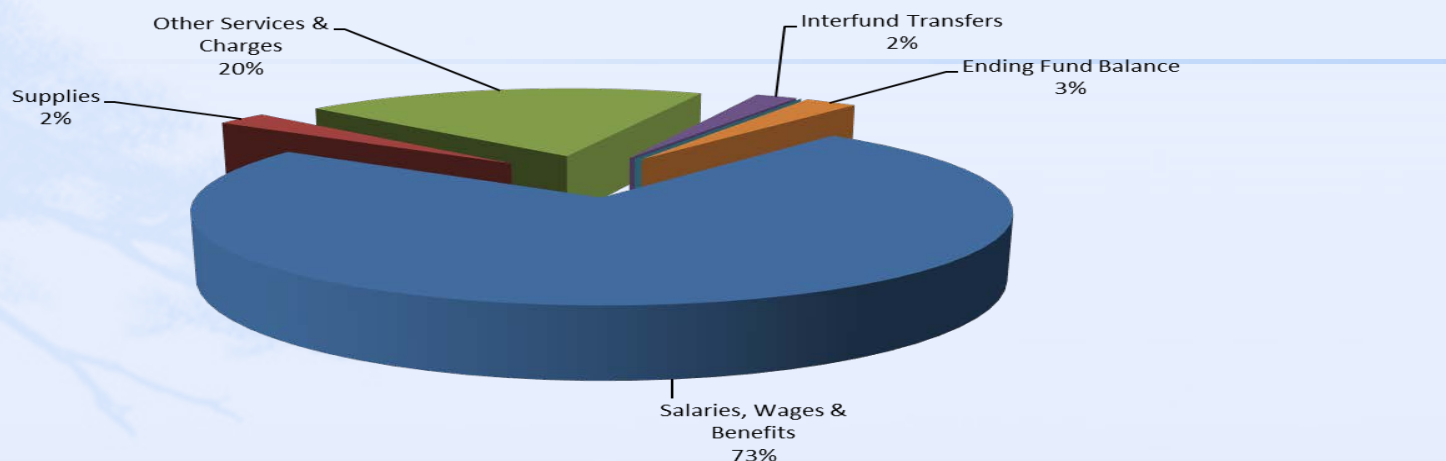
2021/2022 Proposed Budget



Sources of Funding Operating Funds	2017-2018	2019-2020	2021-2022	19/20 - 21/22	
	Actual	Adjusted Budget	Proposed Budget	\$ Change	% Change
Property Tax	\$24,873,815	\$26,019,988	\$27,279,108	\$1,259,120	5%
Sales Tax	29,779,991	32,709,800	33,419,700	709,900	2%
Utility Taxes	18,640,926	18,954,000	19,055,936	101,936	1%
Other Taxes	2,149,206	2,220,400	1,688,700	(531,700)	-24%
Licenses & Permits	2,201,912	2,204,100	2,326,300	122,200	6%
Intergovernmental	8,725,958	9,187,342	8,705,579	(481,763)	-5%
Charges for Services	9,312,434	10,589,701	10,034,615	(555,086)	-5%
Fines & Penalties	1,910,912	2,056,400	1,960,200	(96,200)	-5%
Miscellaneous Revenue	1,191,620	1,155,854	945,000	(210,854)	-18%
Interfund Transfers	5,009,701	4,878,517	4,514,542	(363,975)	-7%
Subtotal Revenues:	103,796,475	109,976,102	109,929,680	(46,422)	0%
Beginning Fund Balance	3,767,421	3,275,166	2,775,000	(500,166)	-15%
Total Sources	\$107,563,896	\$113,251,268	\$112,704,680	(\$546,588)	-0.5%

Uses of Funding – General and Street Funds

2021/2022 Proposed Budget



Uses of Funding Operating Funds	2017-2018 Actual	2019-2020 Adjusted Budget*	2021-2022 Proposed Budget	19/20 - 21/22	
				\$ Change	% Change
Salaries, Wages & Benefits	\$76,645,481	\$80,133,906	\$82,434,833	\$2,300,927	3%
Supplies	3,864,125	3,225,214	2,832,967	(392,247)	-12%
Other Services & Charges	19,521,537	22,237,829	22,249,923	12,094	0%
Interfund Transfers	4,245,400	4,798,000	2,297,400	(2,500,600)	-52%
Capital Outlay	12,187	82,525	-	(82,525)	-100%
Subtotal Appropriations:	104,288,730	110,477,474	109,815,123	(662,351)	-1%
Ending Fund Balance	3,275,166	2,773,794	2,889,557	115,763	4%
Total Uses:	\$107,563,896	\$113,251,268	\$112,704,680	(\$546,588)	-0.5%

2021/2022 Proposed Budget

CITY OF KENNEWICK COMPARATIVE BUDGET SUMMARY

FUND	ACTUAL 2017/2018	ADJUSTED BUDGET 2019/2020	PROPOSED BUDGET 2021/2022	VARIANCE
OPERATING (GENERAL & STREET)	\$107,563,896	\$113,251,268	\$112,704,680	0%
CAPITAL PROJECTS	60,072,401	92,058,650	58,333,125	-37%
ENTERPRISE & INTERNAL SERVICE				
Water & Sewer	53,690,413	85,253,002	68,803,501	-19%
Building Safety	5,613,667	6,136,224	5,560,000	-9%
Medical Services	13,562,131	28,009,491	30,596,950	9%
Coliseum Fund	8,589,045	13,006,545	6,588,000	-49%
Stormwater	3,477,017	6,976,973	6,672,675	-4%
Columbia Park Golf Course	1,636,317	1,462,186	922,500	-37%
Equipment Rental	12,819,671	12,203,348	13,052,260	7%
Risk Management	3,863,391	4,571,537	4,655,275	2%
Central Stores	646,068	652,071	669,750	3%
Subtotal	103,897,720	158,271,377	137,520,911	-13%
DEBT SERVICE	6,822,651	16,847,921	8,648,700	-49%
SPECIAL REVENUE				
Cash Reserve Fund	2,887,200	2,887,200	2,933,400	2%
BI-PIN Operations	697,087	1,168,847	1,779,774	52%
Community Development	1,837,119	2,166,074	1,707,115	-21%
Asset Forfeiture Fund	117,998	182,830	123,500	-32%
Public Safety	5,024,058	4,904,392	4,514,542	-8%
Lodging Tax Fund	3,810,344	4,144,061	3,753,300	-9%
Criminal Justice Sales Tax	5,819,677	6,212,450	6,455,000	4%
HIDTA Program	-	-	4,500,000	-
Subtotal	20,193,483	21,665,854	25,766,631	19%
FIDUCIARY TRUST FUNDS	6,313,455	6,786,857	6,927,010	2%
TOTAL	\$304,863,606	\$408,881,927	\$349,901,057	-14%

Council Compensation

✿ 2020 City Council Compensation Survey:

- ✿ Study utilized cities of similar size and make-up (Council/Manager for Mayor comparisons)
 - ✿ Kennewick Mayor Monthly Salary - \$113 below 75th Percentile
 - ✿ Kennewick Council Monthly Salary - \$120 below 75th Percentile
 - ✿ Council salaries scheduled to increase \$25 per month in 2021 & 2022
 - ✿ Majority of comparators offered medical, dental, vision and life insurance benefits as well as ability to apply for/participate in PERS retirement
 - ✿ A majority of comparators offered medical insurance at varying levels of coverage and premium sharing including:
 - ✿ Full coverage available for council member and dependents with 100% of premium paid by council member
 - ✿ Full coverage for council member and dependents with a percentage premium share
 - ✿ Full coverage for council member only with no premium share
 - ✿ Full coverage for council member and dependents with no premium share
 - ✿ Other benefits offered – mileage or auto allowance, cafeteria plan/allowance, MEBT defined contribution retirement plan

Utility Budget Policies

Operate utilities in a responsive and fiscally sound manner.

- ✿ Utility rate studies shall be conducted at least every five years **and updated every two years in conjunction with the biennial budget process** to update assumptions and ensure the long term solvency and viability of City utilities.
- ✿ Utility rates should be reviewed annually and adjusted if necessary to reflect inflation, construction goals, maintain bond covenants and avoid major periodic increases.
- ✿ Rates for the water/sewer utility ~~shall include~~ **will be established with a target goal to provide** an annual capital contribution equal to the recovery of annual depreciation.

Utility Budget Policies (cont'd)

- Fund balances in enterprise funds shall be maintained at levels established through rate studies or at levels necessary to meet operating capital and contingency requirements.
 - ★ An Operating Reserve with a minimum target balance between 60 and 90 days of O&M expenses shall be maintained in the City's water and sewer, medical services, building safety, and stormwater enterprises funds.
 - ★ The City's water and sewer and stormwater enterprise funds shall maintain a capital reserve with a minimum target balance of one percent of plant-in-service.
- Excess fund balances shall be used to offset rate increases where possible, with any remaining balances being used for approved capital purposes.
- The City's water and sewer and stormwater utilities shall target a minimum debt service coverage ratio of 2 and shall maintain a minimum debt service coverage ratio of 1.25 at all times.



Questions?



2021 Property Tax Levy

Kennewick City Council Workshop

October 27, 2020

Property Tax Distribution

School District - 35¢

State - 30¢

City - 18¢

County - 10¢

Other - 7¢



2020 Total Property Tax Levy – \$10.41 per \$1,000 AV

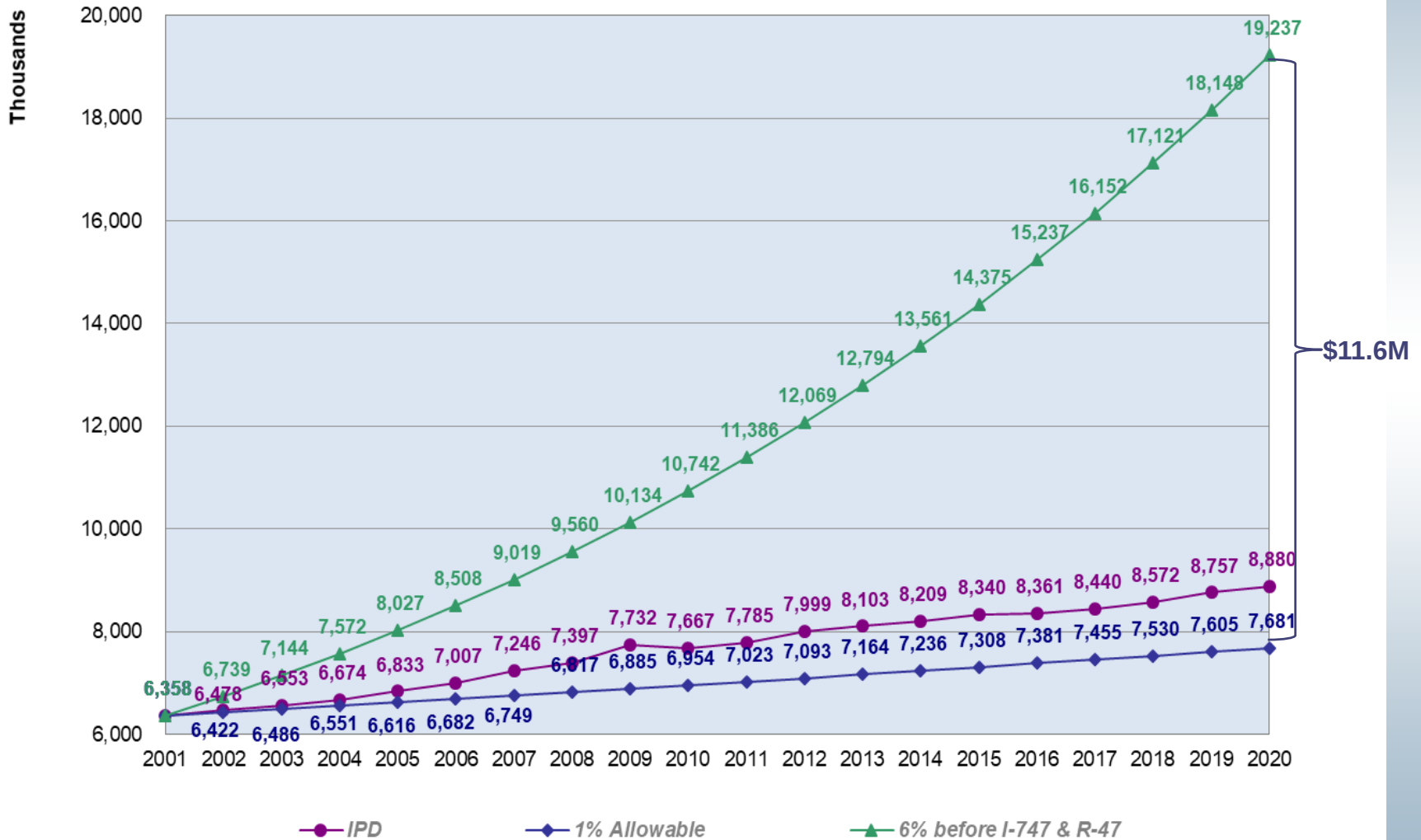
Tri-City 2020 Levy Rate Comparison

	<u>Kennewick</u>	<u>Pasco</u>	<u>Richland</u>
Regular Levy	\$ 1.8587	\$ 1.8075	\$ 2.3013
Voted G.O. Bonds	0.0000	0.0000	0.1892
Library District	<u>0.3283</u>	<u>0.0000</u>	<u>0.0000</u>
Total Rate Per \$1,000	<u><u>\$ 2.1870</u></u>	<u><u>\$ 1.8075</u></u>	<u><u>\$ 2.4905</u></u>

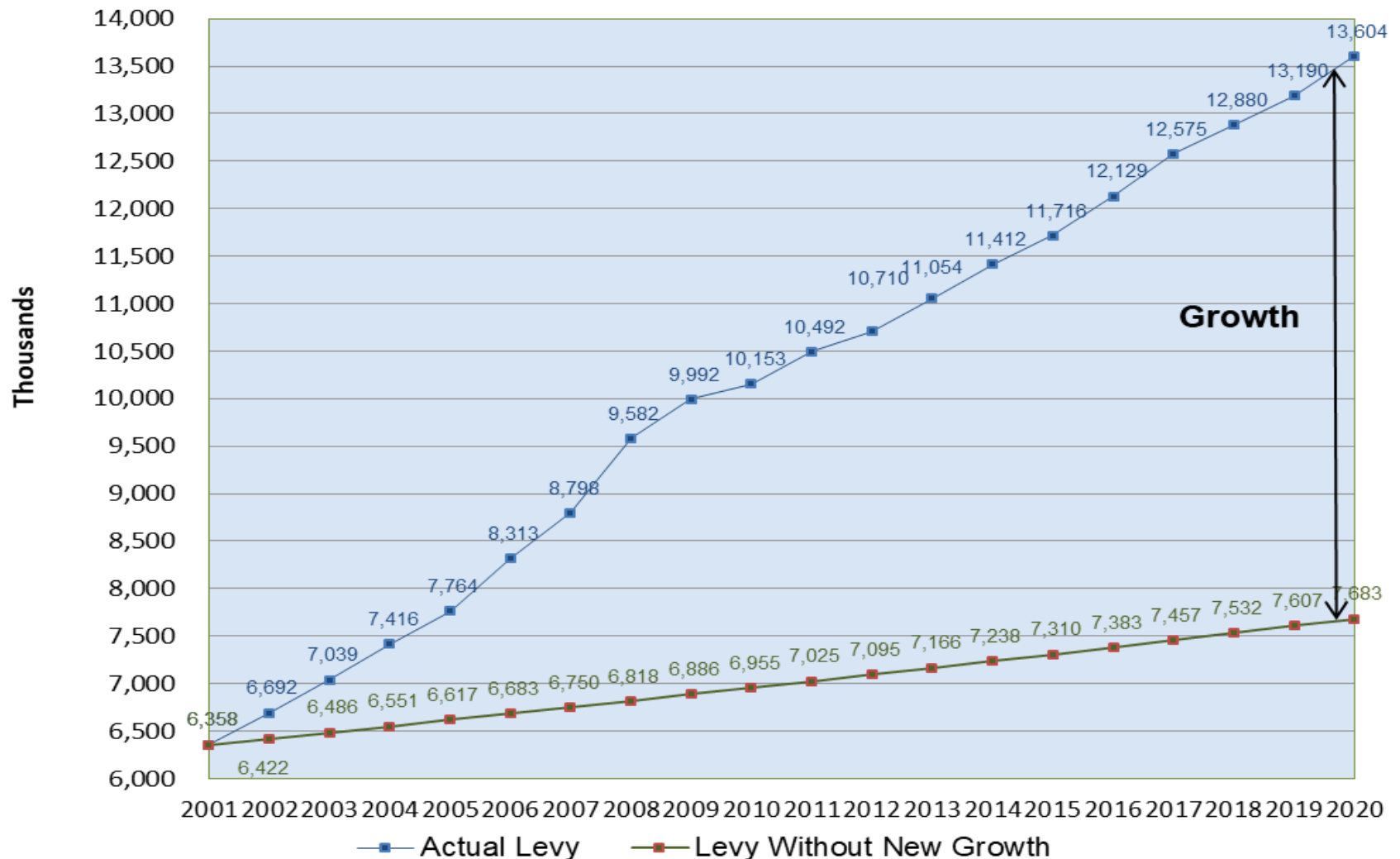
Property Tax Overview

- 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

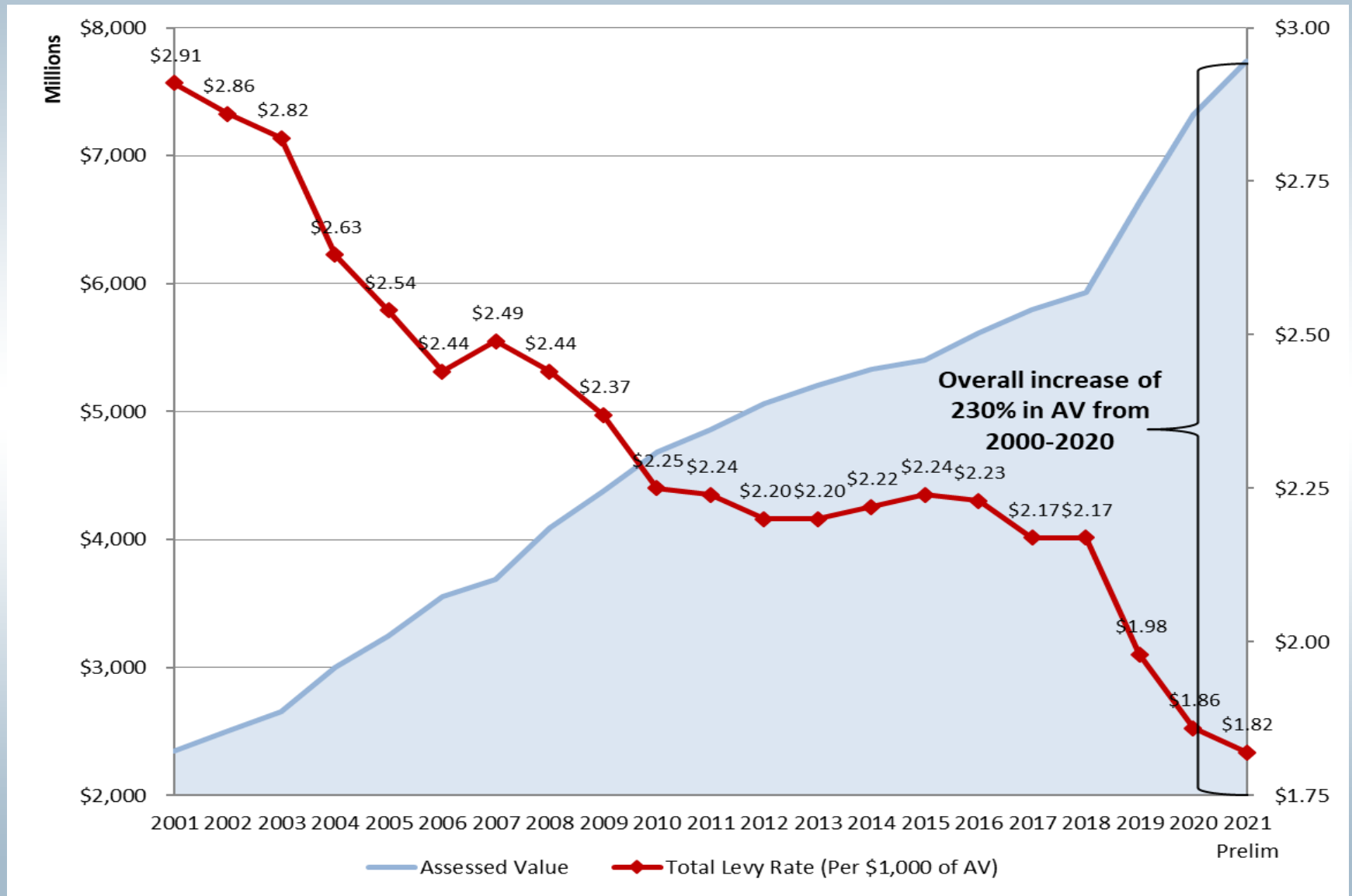
Reduced Levy Capacity



Property Tax Levy History 2001-2020



AV & Levy Rate 2001-2021



2021 Property Tax Levy Proposal

- Property Tax Levy Rate – Reduction of 4¢ to \$1.82 (per \$1,000 AV)
 - Increase of \$3.25 for the owner of a median value home (\$196,100)
 - Assumes AV of home increases by average change in AV for 2020 (3.1%)
 - Assumes levy rate reduction from \$1.86 to \$1.82 per \$1,000 of AV
- Assessed Valuation– Increased by \$362M (Total of \$7.74B)
 - \$197.3M from new construction.
 - o \$55M in Southridge LRA (75% dedicated to LRF program)
 - \$226.3M from revaluation of existing property – 3.1% incr.
- Property Tax Levy – Overall increase of \$504k to \$14,107,874
 - New Construction/Annexation (\$197.3M in AV) - \$367k (\$77k to LRF)
 - Change to Base Levy - \$137k (1%)
 - o Requires a Separate Resolution of Substantial Need
 - o July 2020 IPD = 0.60152%
 - o Additional 0.39848% adds \$55K to levy (0.7¢ per \$1,000 to levy rate)

Questions?

Fall Budget Adjustment (Thousands)

Fund Type	2019/2020 Adjusted Budget	Fall 2020 Budget Adjustment	2019/2020 Adjusted Budget
General & Street	\$ 113,251	\$ 1,354	\$ 114,605
Special Revenue Funds	25,807	798	26,605
Debt Service Funds	16,848	-	16,848
Capital Funds	87,918	182	88,100
Proprietary Funds	158,271	54	158,325
Trust Funds	6,787	-	6,787
Totals:	\$ 408,882	\$ 2,388	\$ 411,270

(0.6% Incr.)

- Includes revised projections for major tax and other revenue sources due to the COVID-19 pandemic.
- Includes department budget reductions in response to anticipated 2019/2020 revenue shortfalls.
- Includes \$3.765M in CARES Act Coronavirus Relief Funds (CRF) awarded to Kennewick.
- Includes \$319K in CARES Act CRF from Benton County to address increased 2020 jail costs.
- Includes \$590K in added HIDTA program costs that are fully reimbursed with a federal grant.
- Includes snow and ice event response costs for the second half of 2019 through 2020.
- Includes \$908K in CARES Act CDBG funding used primarily for microenterprise & utility assistance.
- Includes an additional \$160,000 operating contribution for 2020 for the Toyota Center & Arena.

CITY TAXES & FEES

AVERAGE FAMILY HOUSEHOLD

Assuming a median annual household income of \$55,132 and home value of \$196,100 per the U.S. Census Bureau (2018 data)

Property Taxes

The 2020 Property Tax Levy is \$10.41 per \$1,000 in assessed valuation. The City receives 18¢ 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 portion of 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 (6.5% is added to customer's bill).

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	\$ 2,042	\$ 2,042	\$ 364
Water/Sewer	\$ 704	\$ 94	\$ 610
Utilities	\$ 5,379	\$ 449	\$ 449
Retail Sales	\$ 16,085	\$ 1,383	\$ 137
Admissions/Entertainment	\$ 2,000	\$ 100	\$ 100
Gambling/Arcade Games	\$ 500	\$ 10	\$ 10
State Shared Revenues	\$ 6,512	\$ 1,506	\$ 71
Ambulance Utility	\$ 146	\$ 146	\$ 146
Stormwater Utility	\$ 66	\$ 66	\$ 66
TOTALS:	\$ 33,434	\$ 5,796	\$ 1,953

Admissions Taxes

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

State Shared Revenue

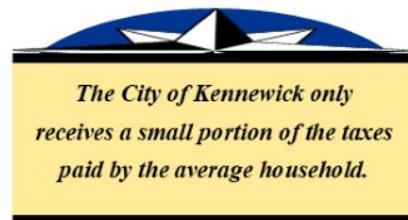
State shared revenues are collected by the State and include Gas Tax, Liquor Tax, PUD Privilege Tax, and Criminal Justice funding. Distributions are made on a per capita basis.

Ambulance Utility Fee

Kennewick citizens pay \$12.16 per month for ambulance services.

Stormwater Utility Fee

Kennewick residents pay \$5.49 per month to help fund the stormwater program.



What does your \$163 per month get you?

For just \$163 per month, the average household in the City of Kennewick receives these basic services.





Questions or Comments

2021/2022 Biennial Budget Recommendations

2021 Property Tax Levy

Fall 2020 Budget Adjustment



City Council Meeting Schedule November 2020

City Council passed Resolution 20-08 on June 23, 2020, which temporarily designates the location for regular, special and study session meetings to the virtual location until Benton County enters into Phase Three of the Governor's Safe Start Reopening Plan. The City broadcasts City Council meetings on the City's website <https://www.go2kennewick.com/CouncilMeetingBroadcasts>.

November 3, 2020

Tuesday, 6:00 p.m.

REGULAR COUNCIL MEETING

November 10, 2020

Tuesday, 6:30 p.m.

WORKSHOP MEETING (the workshop meeting will be done via Zoom and broadcast on the City's website <https://www.go2kennewick.com/CouncilMeetingBroadcasts>)

1. Water Follies Update
2. Council Committee Discussion

November 17, 2020

Tuesday, 6:30 p.m.

REGULAR COUNCIL MEETING

November 24, 2020

Tuesday, 6:30 p.m.

WORKSHOP MEETING (the workshop meeting will be done via Zoom and broadcast on the City's website <https://www.go2kennewick.com/CouncilMeetingBroadcasts>)

1. Comp Plan Amendments

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

November 2020
Updated 10/20/20