

MUNICIPAL REVENUE REVIEW

IN COLLABORATION WITH:
ASSOCIATION OF WASHINGTON
CITIES



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PRESENTERS



Ronnie Wright
Mayor
City of Oak Harbor



David Goldman
Deputy City
Administrator
City of Oak Harbor

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ABOUT OAK HARBOR

WELCOME TO OAK HARBOR



A wonderful oceanfront community,
providing a beautiful environment to
live, work, and play.

Come Grow With Us!



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AGENDA

Municipal Revenue and Tax Overview

- Property Tax
- Sales Tax
- Utility Taxes
- Local Business & Occupation Tax

Other Revenues

- Transportation Revenues
- Local Option Real Estate Excise Taxes
- Lodging Tax
- State Shared Revenues
- Other Revenues

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REVENUES VS. RESOURCES

REVENUE

- External Source
- Determines Amount Available for Services

RESOURCES

- Includes Revenue and:
 - Fund Balances
 - Reserves
 - Interfund Transactions

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Cities/Towns: Revenues > ⓘ

\$17,496,275,818

FY 2023 ⓘ

\$ Dollars	2020	2021	2022	2023
Categories	> All funds	> All funds	> All funds	> All funds
> Taxes	\$5,307,203,178	\$6,321,832,817	\$6,336,634,763	\$6,645,028,954
> Licenses and Permits	\$387,018,879	\$415,443,833	\$418,472,056	\$414,821,732
> Intergovernmental Revenues	\$1,427,328,770	\$1,629,651,383	\$1,751,332,183	\$1,502,304,565
> Charges for Goods and Services	\$6,345,995,526	\$6,962,946,890	\$7,622,531,531	\$7,256,401,507
> Fines and Penalties	\$88,247,980	\$111,109,571	\$104,343,837	\$125,759,165
> Miscellaneous Revenues	\$845,674,043	\$726,714,974	\$564,364,047	\$1,550,470,131
> Other Proprietary/Trust Revenue	-\$10,671,491	\$16,576,465	-\$6,822,913	\$1,489,764
Grand Total	\$14,390,796,885	\$16,184,275,933	\$16,790,855,504	\$17,496,275,818

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MAJOR SOURCE OF GENERAL REVENUES

- Permitted revenues may be restricted for certain uses.
- According to the MRSC, there are four primary sources of unrestricted tax revenue.
 - Property Tax
 - Sales and Use Tax
 - Utility Tax
 - Local Business & Occupation Tax

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MAJOR SOURCE OF TAXES

\$ Dollars	2020	2021	2022	2023
Categories	> All funds	> All funds	> All funds	> All funds
▼ Taxes	\$5,307,203,178	\$6,321,832,817	\$6,336,634,763	\$6,645,028,954
> Property Tax	\$1,853,872,600	\$1,931,483,984	\$1,954,278,947	\$2,038,692,577
> Retail Sales and Use Taxes	\$1,673,190,643	\$2,294,025,375	\$2,206,676,181	\$2,240,889,886
> Business and Occupation Taxes	\$1,320,233,008	\$1,469,080,014	\$1,583,558,162	\$1,602,396,912
> Excise Taxes in Lieu of Property Tax	\$88,419,633	\$73,365,084	\$79,249,343	\$82,572,626
> Other Taxes	\$371,487,294	\$553,878,360	\$512,872,130	\$680,476,953

* BUSINESS AND OCCUPATION INCLUDES UTILITY TAXES, LOCAL B&O, AND GAMBLING TAX.

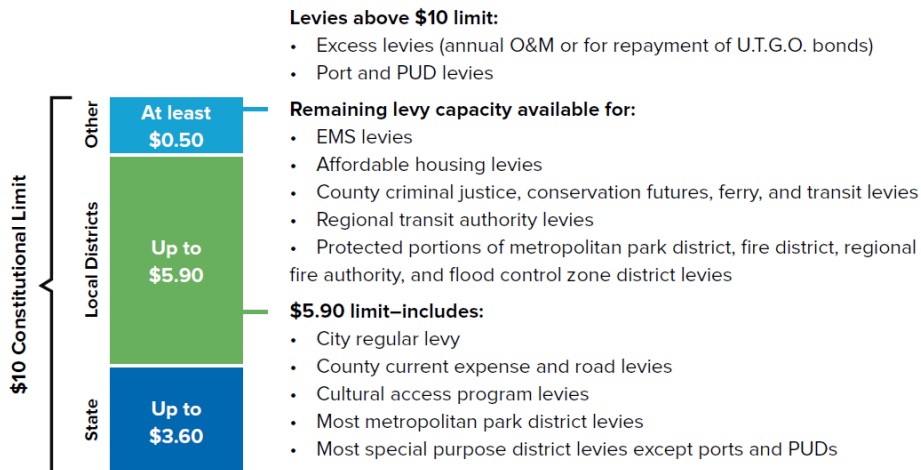
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PROPERTY TAX

- Currently limited to 1% increase per year, plus new construction.
- Council approval required to set levy amount or substantial need.
- Majority received twice a year: May and November.
- Budget Based
 - Taxing jurisdictions set levy amount.
 - Assessors determine property values.
 - Assessed Value x **Levy Rate** = Levy Amount.

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The chart below demonstrates both the \$10 constitutional and \$5.90 local government limits.



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- City statutory maximum regular levy rate is \$3.60
- Maximum can be reduced by:
 - Fire District levy rate (up to \$1.50)
 - Library District levy rate (up to \$0.50)
 - Maximum is increased by \$0.225 if City has firefighters pension fund
- Other property tax levies
 - Excess Levies (Maint. & Ops.)
 - General Obligation Bond Excess Levy (Capital projects)
 - Others

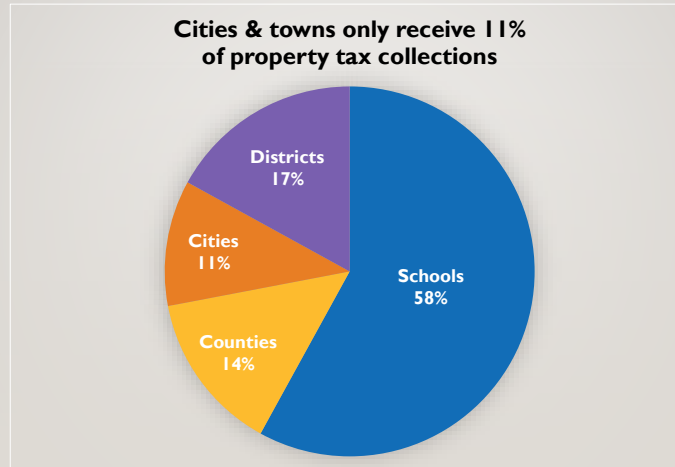
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PROPERTY TAX MYTHS

- When my Assessed Value increases the City gets more revenue.
- If the City raises property taxes by 1% my entire tax bill will go up 1%.
- The City determines the tax rate, the Assessor determines my value and the City gets whatever revenue results.

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STATEWIDE PROPERTY TAX BREAKDOWN



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METHODS OF INCREASING PROPERTY TAX LEVY

- 1% Annual Levy (Lid) Limit
- Levy Lid Lifts
- Excess Levy

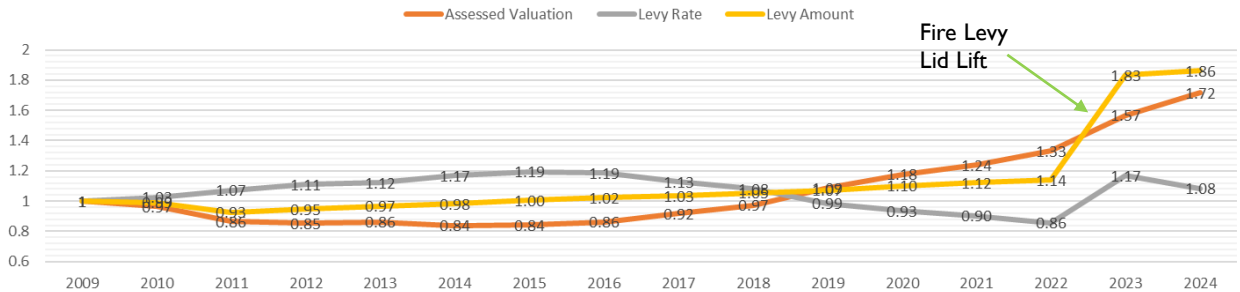
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DECREASING LEVY RATE OVER TIME (OAK HARBOR)

PROPERTY TAX FORMULA: ASSESSED VALUE X LEVY RATE = LEVY AMOUNT

(LEVY LID LIFTS ARE AN EXCEPTION)

Change in Property Tax Components to Base Year



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LEVY LID LIFTS

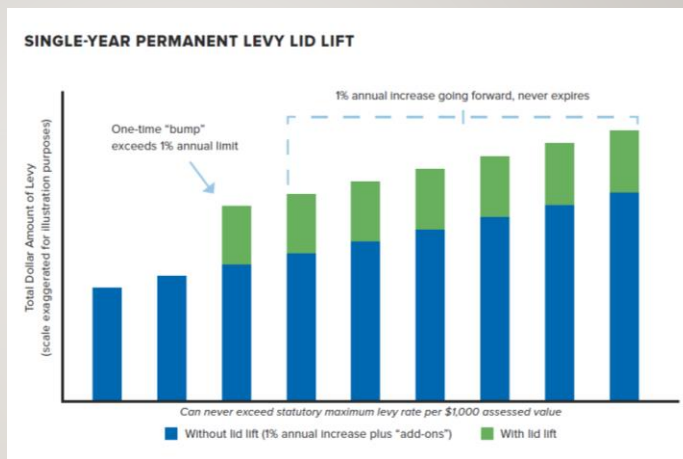
- Allow cities to exceed the 1% annual levy lid.
- 50% vote of the electorate required
- Single-year (one and done) or multi-year (raise lid each year for up to 6 years)
- Permanent (on-going) vs. temporary (expiration date)
- Single-year (any government purpose, but can be limited) or multi-year (limited purpose on ballot)
- Single-year (any election) or multi-year (primary or general)
- If used for debt, may not exceed nine years

Most common is single-year permanent for a specific purpose

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LEVY LID LIFTS

- Single-year Permanent (Most common)



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SALES TAX

Percentage varies by City (7.5% to 10.6%)

State = 6.5%

Remainder varies between:

- City – 1% (basic & optional)
- County
- Special Districts

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Sales Tax Name	Amount	Time	Method	Sharing / Other
Basic & Optional	0.5% & 0.5%	No expiration	Council	County / unrestricted revenue
Affordable Housing Tax Credit	0.0073% / 0.0146%	20 years	Closed	Not required
Annexation Services Credit	0.1% - 0.2%	10 years	Council	Not required
Criminal Justice	0.1%	No expiration	Council	Imposed by County, shared with Cities
Cultural Access Program	0.1%	7 years; 1 renewal	Council or Voters	Not required
Housing & Related Services	0.1%	No expiration	Council or Voters	Not required
Mental Health & Addiction	0.1%	No expiration	Closed to cities	Currently Counties only.
Public Safety Sales Tax	0.1%	No expiration	Voters	County. County can impose 0.3%
Transit	Up to 0.9% / 1.0%	No expiration	Voters	City must have own transit service
Transportation Benefit District	Up to 0.3%	10 years plus renewals	0.1% Council / 0.2% Voters	Not required

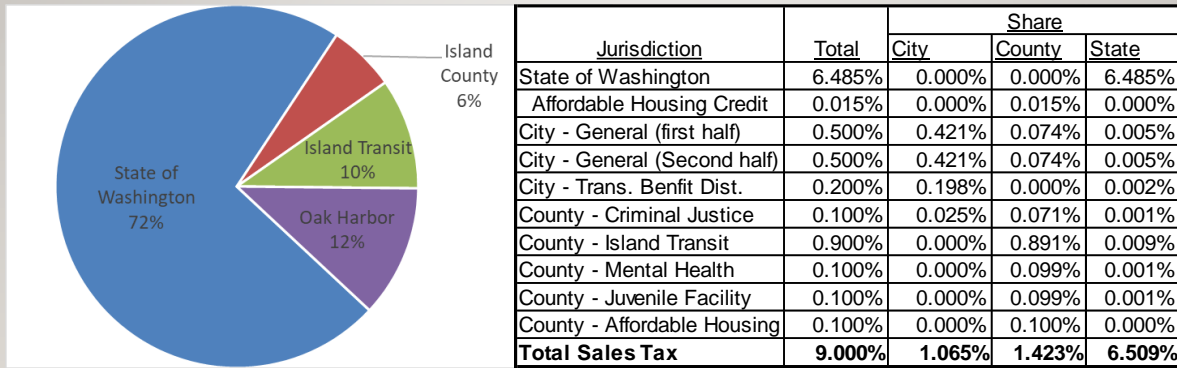
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ISSUES AFFECTING SALES TAX

- Seasonality
- Economic Conditions (growing/shrinking local economy, inflation)
- Local Land Use Decisions
- Economic Development Efforts

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WHERE SALES TAX GOES – OAK HARBOR BREAKDOWN



* Numbers may not foot due to rounding & some funding going to Langley and Coupeville.

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UTILITY TAX

- Tax applicable to public and private utilities.
- Tends to be more regressive than other types of taxes.

Category	2020	2021	2022	2023
Business and Occupation Taxes on Utilities (316.40.00)	\$813,666,385	\$852,741,511	\$888,979,235	\$880,622,772

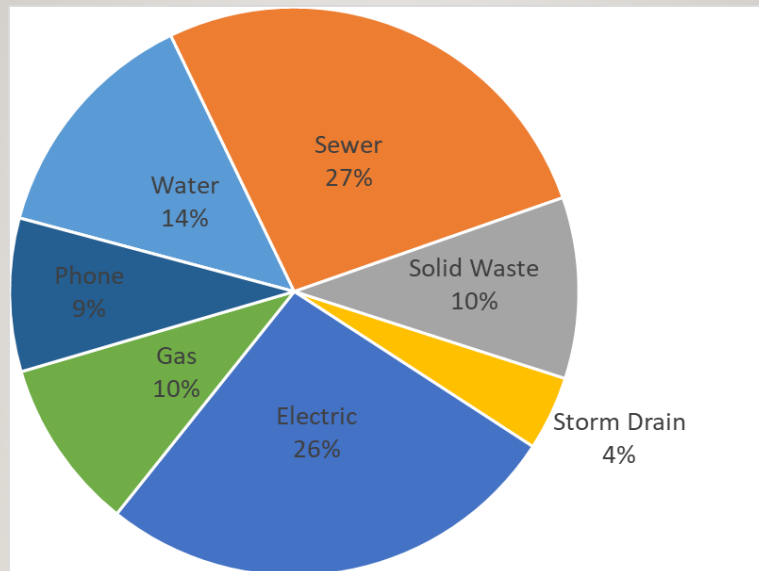
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UTILITY TAXES

Type of Utility	Maximum Utility Tax Rate
Electricity; Natural gas; Steam	6% unless voters approve higher rate (RCW 35.21.870)
Telephone (including cell phone/pager)	6% unless voters approve higher rate (RCW 35.21.870), but when taxing cell phone services cities may not tax Internet services (see below)
Broadcast satellite TV	May not be taxed (see 47 U.S.C. §152 under "Notes" tab)
Cable TV	Tax rate may not be "unduly discriminatory" (see 47 U.S.C. §542(g)(2)(A)); we suggest it should not exceed your other utility tax rates
Internet	May not be taxed (Internet Tax Freedom Act moratorium made permanent in 2016 – see 47 U.S.C. §151 under "Notes" tab)
Sewer; Solid waste; Stormwater; Water	No limit prescribed by state or federal law

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UTILITY TAX BREAKDOWN - OAK HARBOR



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	Population	Water Tax Rate	Sewer Tax Rate	Garbage Tax Rate	Stormwater Tax Rate
City of Anacortes	17,880	7.00%	7.00%	12.00%	7.00%
City of Arlington	21,260	5.00%	5.00%	8.00%	5.00%
City of Bainbridge Island	25,060	6.00%	6.00%	5.00%	6.00%
City of Battle Ground	21,780	12.00%	12.00%	10.00%	12.00%
City of Bellevue	153,900	10.40%	5.00%	4.50%	5.00%
City of Bonney Lake	22,990			6.00%	
City of Bremerton	45,220	15.50%	20.00%	9.50%	20.00%



City of Vancouver	197,600	28.90%	28.90%	28.90%	28.90%
City of Walla Walla	34,020	16.25%	16.25%	16.25%	16.25%
City of Wenatchee	35,650	16.00%	16.00%	16.00%	16.00%
City of West Richland	17,410	13.50%	13.50%	8.50%	6.00%
City of Woodinville	13,450			4.00%	
City of Yakima	98,200	20.00%	20.00%	20.00%	6.00%
City of Yelm	10,680	6.00%	6.00%	6.00%	6.00%
AVERAGE	42,016	10.46%	10.10%	9.23%	8.69%

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LOCAL BUSINESS & OCCUPATION TAX

Category	2020	2021	2022	2023
Business and Occupation Taxes (316.10.00)	\$490,829,169	\$588,291,611	\$662,011,445	\$692,868,726

- Maximum retail tax rate without voter approval is 0.002 x gross annual receipts. (1/5 of 1%).
- Handful of cities have higher grandfathered-in rates.
- Model ordinance requirement
- Minimum tax threshold = \$20,000 gross annual receipts (exempt from tax).
- Tax thresholds range from \$20,000 to \$1,040,000.
- Can collect quarterly or annually.
- Make sure your staff has capacity to handle collections.

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Local business & occupation (B&O) tax rates*

Effective January 1, 2025

City	Phone #	Manufacturing rate	Retail rate	Services rate	Wholesale rate	Tax Threshold**	
						Quarterly	Annual
Aberdeen	(360) 533-4100	0.002	0.003 e	0.0037 e	0.003 e	\$5,000	\$20,000
Algona	(253) 833-2897	0.00045	0.00045	0.00045	0.00045	\$10,000	\$40,000
Auburn****	(253) 392-6496	0.001	0.0005	0.001	0.0018		\$500,000
Bainbridge Island	(206) 780-8668	0.001	0.001	0.001	0.001		\$150,000
Bellevue	(425) 452-6851	0.001596	0.001596	0.001596	0.001596		\$210,000
Bellingham	(360) 778-8010	0.0017	0.0017	0.0044 e	0.0017	\$5,000	\$20,000
Blaine	(360) 332-8311	0.002			0.002		\$250,000
Bremerton	(360) 473-5311	0.0016	0.00125	0.002	0.0016		\$1,040,000
Burien	(206) 241-4647	0.002	0.002	0.002	0.002		\$200,000
Burlington	(360) 755-0531		0.001				\$1,000,000
Cosmopolis	(360) 532-9230	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Covington***		0.002	0.002	0.002	0.002		\$250,000
Darrington	(360) 436-1131	0.00075	0.00075	0.00075	0.00075		\$20,000
Des Moines	(206) 878-4595	0.002	0.002	0.002	0.002		\$50,000
DuPont	(253) 964-8121	0.001	0.001	0.001	0.001	\$5,000	\$20,000
Everett***	(425) 257-8610	0.001	0.001	0.001	0.001	\$5,000	\$20,000
Everson	(360) 966-3411	0.002			0.002		\$1,000,000
Granite Falls**	(360) 691-6441					\$5,000	\$20,000
Hoquiam	(360) 532-5700	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Ilwaco	(360) 642-3145	0.002	0.002	0.002	0.002		\$20,000
Issaquah	(425) 837-3054	0.0012	0.0012	0.0015	0.0012	\$25,000	\$100,000
Kelso	(360) 423-0900	0.001	0.001	0.002	0.001		\$20,000
Kenmore	(425) 398-8900	0.002 *				\$5,000	
Kent	(253) 856-6266	0.00125	0.001	0.002	0.002	\$62,500	\$250,000
Lacey	(360) 491-3214		0.001	0.002		\$5,000	\$20,000
Lake Forest Park	(206) 368-5440	0.002	0.002	0.002	0.002	\$5,000	
Long Beach	(360) 642-4421	0.002	0.002	0.002	0.002	\$5,000	
Longview	(360) 442-5058	0.0015	0.0015	0.002	0.0015		\$100,000
Lyman	(360) 826-3033	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Mercer Island	(206) 275-7783	0.001	0.001	0.001	0.001		\$150,000

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North Bend	(425) 888-1211	0.002	0.002	0.002	0.002	\$5,000	
Ocean Shores	(360) 289-2488	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Olympia	(360) 753-8327	0.001	0.001	0.002	0.001	\$5,000	\$20,000
Pacific	(253) 929-1100	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Port Townsend	(360) 385-2700	0.002	0.002	0.002	0.002	\$0	\$100,000
Poulsbo***	(360) 394-9881	0.002	0.002	0.002	0.002		\$20,000
Rainier	(360) 446-2265	0.002	0.002	0.002	0.002	\$5,000	
Raymond	(360) 942-3451	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Renton	(425) 430-6400	0.00121	0.0007	0.00121	0.00121		\$500,000
Roy	(253) 843-1113	0.001	0.002	0.002	0.001	\$5,000	\$20,000
Ruston	(253) 759-3544	0.0011	0.00153	0.002	0.00102	\$5,000	\$20,000
Seattle	(206) 684-8484	0.00222 v	0.00222 v	0.00427 v	0.00222 v		\$100,000
Shelton	(360) 426-4491	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Shoreline	(206) 801-2324	0.001	0.001	0.002	0.001	\$125,000	\$500,000
Snoqualmie	(425) 888-1555	0.0015	0.0015	0.0015	0.0015	\$5,000	
South Bend	(360) 875-5571	0.001	0.002	0.002	0.002	\$5,000	
Tacoma	(253) 591-5252	0.0011	0.00153	0.004 e	0.00102		\$250,000
Tenino	(360) 264-2368	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Tukwila**	(206) 433-1835	0.00085	0.0005	0.00085	0.00085		\$750,000
Tumwater	(360) 754-5855	0.001	0.001	0.002	0.001	\$5,000	\$20,000
Westport	(360) 268-0131	0.0025 e	0.005 e	0.005 e	0.0025 e	\$5,000	
Yelm	(360) 458-3244	0.001	0.002	0.002	0.001	\$5,000	

(v) = voter approved increase above statutory limit

(e) = rate higher than statutory limit because rate was effective prior to January 1, 1982 (i.e., grandfathered).

*Kenmore's B&O tax applies to heavy manufacturing only.

**Granite Falls repealed its B&O tax for all businesses other than extracting.

***For manufacturing gross receipts over \$8 billion, the B&O rate drops to 0.00025.

****Auburn adopted a B&O tax effective January 1, 2022.

**A Tukwila adopted a B&O tax effective January 1, 2024.

*** Covington and Poulsbo adopted a B&O tax effective July 1, 2024.

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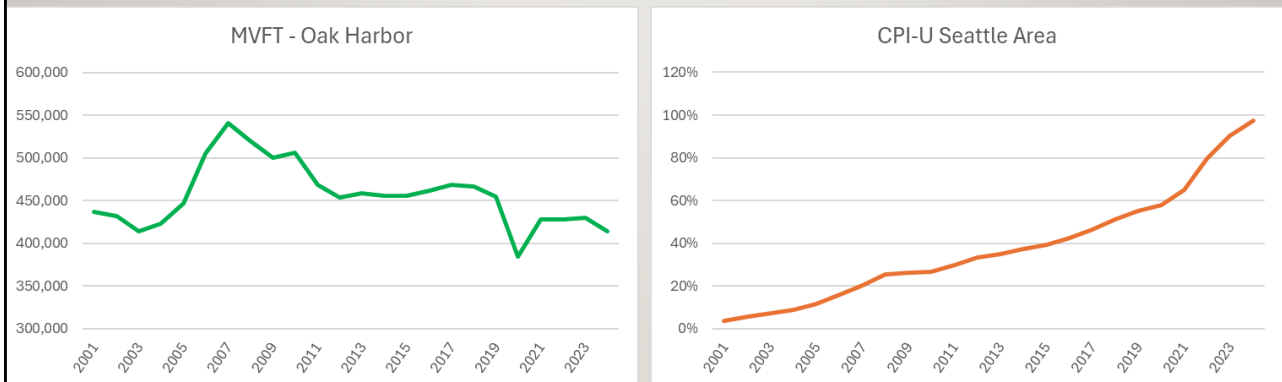
SHARED TRANSPORTATION REVENUES

Category	2020	2021	2022	2023
Capron Refunds (Island and San Juan Counties) (335.00.84)	\$1,321,043	\$1,406,593	\$1,382,931	\$1,393,298
Multimodal Transportation - Cities (336.00.71)	\$6,617,584	\$8,098,955	\$6,464,293	\$9,894,521
Vessel Registration Fees (336.00.84)	\$329,917	\$366,449	\$439,274	\$334,175
Motor Vehicle Fuel Tax - City Streets (336.00.87)	\$89,480,386	\$97,400,824	\$93,180,049	\$90,944,245
State Shared Revenues, Entitlements, and Impact Payments (336)	\$96,427,887	\$105,866,228	\$100,083,616	\$101,172,941

- MVFT – Fuel sales. Population allocation. Restricted for street projects.
- Multimodal – Population allocation. Street and non-auto projects.
- Others – Additional funding for transportation.

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MOTOR VEHICLE FUEL TAX



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LOCAL OPTION REAL ESTATE EXCISE TAXES

<u>Category</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
REET 1 - First Quarter Percent (318.34.00)	\$171,112,513	\$251,954,986	\$220,798,369	\$127,655,742
REET 2 - Second Quarter Percent (318.35.00)	\$163,870,696	\$241,835,430	\$202,768,939	\$118,486,274
REET - One Half Percent (318.36.00)	\$722,202	\$1,614,791	\$931,254	\$1,361,537
Real Estate Excise Tax (318.3)	\$335,705,411	\$495,405,207	\$424,498,562	\$247,503,553

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Lodging Tax (Hotel/Motel Tax)

Quick Summary

- Most cities or towns may impose a lodging tax up to 4%, of which:
 - 2% is a credit against the state sales tax.
 - 2% is in addition to the sales tax rate.
- A few jurisdictions have been grandfathered in with varying rates.
- Revenues are restricted and must generally be used for tourism activities or tourism-related facilities.
- May also be used to repay debt for affordable workforce housing within ½ mile of a transit station.
- Cities of 5,000 or more must establish a lodging tax advisory committee (LTAC) to review funding applications and recommend awards.
- Does not require voter approval.

RCW: [67.28.180](#) and [67.28.181\(1\)](#)

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LODGING TAX

<u>Category</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Hotel/Motel Sales and Use Tax (313.31.00)	\$34,660,332	\$53,716,804	\$67,073,885	\$69,009,768
Hotel/Motel Sales and Use Tax - Convention Center (313.32.00)	\$2,375,631	\$3,396,551	\$6,601,910	\$7,441,707
Hotel/Motel Sales and Use Tax (313.3)	\$37,035,963	\$57,113,355	\$73,675,795	\$76,451,475

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STATE SHARED REVENUES

<u>Category</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Capron Refunds (Island and San Juan Counties) (335.00.84)	\$1,321,043	\$1,406,593	\$1,382,931	\$1,393,298
PUD Privilege Tax (335.00.91)	\$9,422,268	\$10,405,113	\$9,460,108	\$9,598,197
LEOFF Special Funding (335.03.01)	\$6,264,938	\$6,270,911	\$6,614,485	\$5,827,032
2022-2023 biennium one-time allocations (335.04.01)	\$0	\$12,690,495	\$0	\$341,009
State Shared Revenues, Entitlements, and Impact Payments (335)	\$17,008,249	\$30,773,112	\$17,457,524	\$17,159,536
Multimodal Transportation - Cities (336.00.71)	\$6,617,584	\$8,098,955	\$6,464,293	\$9,894,521
Vessel Registration Fees (336.00.84)	\$329,917	\$366,449	\$439,274	\$334,175
Motor Vehicle Fuel Tax - City Streets (336.00.87)	\$89,480,386	\$97,400,824	\$93,180,049	\$90,944,245
City-County Assistance (336.00.98)	\$9,674,295	\$15,994,633	\$14,048,877	\$7,572,302
Streamlined Sales Tax Mitigation Payment (336.00.99)	\$3,334,435	\$10,128,728	\$6,074,900	\$4,925,612
Court Cost Reimbursement - Jury Management (336.01.05)	\$889	\$604	\$549	\$477
Court Cost Reimbursement - LFO Collections (336.01.20)	\$1,141	\$0	\$0	\$15,864
Judicial Salary Contribution - State (336.01.29)	\$646,994	\$616,251	\$733,249	\$617,829
DNR PILT NAP/NRCA (336.02.31)	\$44,874	\$39,290	\$37,645	\$36,452
Harbor Leases (336.02.35)	\$71,898	\$79,205	\$69,039	\$77,900
Payment In-Lieu of Taxes - Game Lands (336.02.51)	\$38,767	\$37,070	\$35,477	\$33,131
Cost Reimbursement - Reinvesting in Youth Program (336.04.62)	\$0	\$0	\$394	\$602
Criminal Justice - Cities - High Crime (336.06.20)	\$10,200,190	\$10,530,294	\$10,443,945	\$11,428,236
Criminal Justice - Violent Crimes/Population (336.06.21)	\$4,387,299	\$7,863,446	\$5,659,402	\$6,701,217
Criminal Justice - Contracted Services (336.06.25)	\$1,027,997	\$1,089,005	\$1,156,411	\$1,095,114
Criminal Justice - Special Programs (336.06.26)	\$5,370,015	\$6,124,227	\$5,940,885	\$5,826,595
Marijuana Enforcement (336.06.41)	\$1,645,864	\$1,681,492	\$2,091,740	\$2,106,818
Marijuana Excise Tax Distribution (336.06.42)	\$5,327,803	\$6,415,008	\$8,074,351	\$7,257,622
DUI and Other Criminal Justice Assistance (336.06.51)	\$733,162	\$817,269	\$414,167	\$426,998
Fire Insurance Premium Tax (336.06.91)	\$2,813,719	\$4,370,893	\$4,733,689	\$4,874,924
Liquor/Beer Excise Tax (336.06.94)	\$31,142,809	\$33,476,764	\$34,316,775	\$32,930,521
Liquor Control Board Profits (336.06.95)	\$40,712,927	\$41,664,796	\$41,286,817	\$38,376,463
PFJ Lodging Tax Distribution (336.07.00)	\$0	\$0	\$0	\$296,594
State Shared Revenues, Entitlements and Impact Payments (336)	\$213,602,965	\$246,795,203	\$235,201,928	\$225,774,212

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OTHER REVENUES

- Development permits and impact fees
- Utility rates & system development charges
- Cost allocations and internal service funds

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CONTACT INFORMATION



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