



## Staff Report

October 17, 2022 Council Regular Meeting

3% Utility Tax Presentation

Presenter: Cathy Huber Nickerson, Finance Director

Time Estimate: 15 minutes

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**BACKGROUND:** This presentation provides information on a proposed 3% utility taxes as a revenue source for the City's 2023-2024 biennial budget process.

**SUMMARY:** Utility taxes are considered part of the "Three-Legged Stool" for revenue to fund general operations of a city in Washington State. Utility taxes are imposed on the utility business and not on individual utility customers. Cities are permitted to levy the utility tax upon the income of public and private utilities providing services within the boundaries of that city. In addition, cities may also levy taxes on revenues generated by the city's own utility both inside and outside the city limits.

This presentation will provide information on a 3% proposed utility tax for Council to consider during the 2023-2024 biennial budget process.

### **EQUITY CONSIDERATIONS:**

What are the desired results and outcomes for this agenda item? Staff hopes this presentation will begin a larger conversation around the need to diversify the City's revenues similar to the City's neighboring jurisdictions.

What's the data? What does the data tell us? The data shows the City is not utilizing all the revenue options available.

How have communities been engaged? Are there opportunities to expand engagement? Staff intends to use the month of October to do city-wide public engagement process.

Who will benefit from, or be burdened by this agenda item? All citizens and businesses within the City stand to benefit from the enhance level of service which additional revenues could fund.

What are the strategies to mitigate any unintended consequences? Utilities may pass the utility tax onto their customers but there some options available to the City to mitigate the impact on low-income households.

Does this agenda item have a differential impact on underserved populations, people living with disabilities, and/or communities of color? Please provide available data to illustrate this impact. There may be impacts on some lower income or disabled households, but the City may choose to offer assistance.

Will this agenda item improve ADA accessibilities for people with disabilities? N/A

What potential hurdles exist in implementing this proposal (include both operational and political)? This presentation is for Council information only.

How will you ensure accountabilities, communicate, and evaluate results? N/A

How does this item support a comprehensive plan goal, policy, or other adopted resolution? N/A

**BUDGET IMPACT:** Staff anticipates a 3% utility tax on City utilities which include: stormwater, garbage, water, and sewer to generate the following:

Utility	3% Revenue Estimate
Stormwater	\$63,375
Solid Waste	\$97,992
Water	\$157,906
Sewer	\$296,000
Total	\$615,273

**RECOMMENDATION:** Staff will present the process to impose the 3% utility tax on the City's utilities on November 7, 2022 at the City Council Workshop.