



# Staff Report – Public Hearing for 2% Utility Tax

November 18, 2024 Regular Meeting

Public Hearing for 2% Utility Tax

Presenter: Cathy Huber Nickerson, Finance Director

Time Estimate: 10 minutes

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**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.

Currently, the City of Camas imposes a 3% utility tax on natural gas companies with the exception of the gas consumed by the City’s industrial customers. Also a 2% utility tax on City of Camas water, sewer, solid waste, and stormwater utilities to start January, 2023. This tax is estimated to generate approximately \$830,666 over the 2023-2024 biennium or for a full year of collection, \$500,000 a year.

Ordinance 22-024 also codified for utility tax assistance program in the form of a rebate and a sunset clause to end at the end of the biennium or the formation of a Regional Fire Authority whichever is first.

The 2025-2026 biennial budget is in substantial need to readopting Chapter 3.10 to utilize the 2% utility tax to fund public health, safety, and welfare in future years.

**BENEFITS FOR THE COMMUNITY:** This utility tax provided diversification of the City’s revenues similar to the City’s neighboring jurisdictions as well as bridge a funding gap in the City’s General Fund until a solution for new funding of the CWFD.

**POTENTIAL CHALLENGES:** Utilities customers may see slightly higher utility bills but there are options available to the City to mitigate the impact on low-income households. The other challenge is the sunset provision of the ordinance which makes it difficult to use the utility tax revenues for ongoing expenditures.

**BUDGET IMPACT:** This funding was incorporated into the 2025-2026 Budget for \$1 million. Repealing the tax would create a funding gap which would need to be addressed.

**RECOMMENDATION:** Staff recommends Council open a public hearing to consider public comment regarding the readoption of the 2% Utility Tax. After hearing public testimony on the 2% Utility Tax, Council may consider approving Ordinance 24-015 for amending the Utility Tax Municipal Code.