

CITY OF LYNDEN

EXECUTIVE SUMMARY



Meeting Date:	July 7, 2025	
Name of Agenda Item:	Discussion on Utility Tax for High Volume Users	
Section of Agenda:	New Business	
Department:	Finance	
Council Committee Review		Legal Review
<input type="checkbox"/> Community Development	<input type="checkbox"/> Public Safety	<input checked="" type="checkbox"/> Yes - Reviewed
<input checked="" type="checkbox"/> Finance	<input type="checkbox"/> Public Works	<input type="checkbox"/> No - Not Reviewed
<input type="checkbox"/> Parks	<input type="checkbox"/> Other: _____	<input type="checkbox"/> Review Not Required
Attachments		
Analysis of Fiscal impact of adjusting or removing Utility Tax limit for high volume users		
Fiscal Impact		
Amount: \$ Source/Fund: 001 – General Fund	Included in the 2025 Budget? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Comments: Fiscal Impact to be determined		
Summary Statement		
<p>The Lynden Municipal Code (LMC) 3.28.060 establishes a limit on Utility Tax for high volume customers. For all utilities, the tax is only charged at full rate of 10% for customers up to \$5,000 in sales. Above this limit, the rate drops to 1%. There is an additional reduction for natural gas utilities. This limit was established in 1985 and has not been adjusted since.</p> <p>Staff are seeking Council guidance on the direction to take with this rate. Increasing the limit or the rate for above the limit will generate additional revenues for the General Fund. The attached analysis provides further details as well as the fiscal impacts of several scenarios.</p> <p>It is important to note that while the City of Lynden currently chooses to itemize the Utility Tax on city-owned utility bills, it is actually a type of Business & Occupation tax and is based on revenues generated by the Utility. The tax is a tax on the Utility, not on the individual customer. The City also has the option to consider it a type of operating expense and build it into the rates, which effectively spread the impact of tax adjustments across all customers.</p>		
Recommended Action		
Direct staff to bring an ordinance to Council to update the Utility Tax base limit and rate per Council recommendation.		