

# REVENUE SOURCES

The Town receives various types of revenue to support its operations.

## Types of Revenue

- Taxes
- Licenses & Permits
- Intergovernmental
- Charges for Services
- Fines and Forfeits
- Miscellaneous

**TAXES** are those assessments levied for the support of the Town and include property taxes, sales tax, and utility taxes.

**LICENSES & PERMITS** are charges for the issuance of licenses and permits. Licenses are usually required for regulatory purposes such as business licenses. Permits such as building permits aid in the regulation of certain activities.

**INTERGOVERNMENTAL** revenues are grants, state shared monies, state entitlements, and payments for goods and services by one government to another.

**CHARGES FOR SERVICES** are those fees charged for professional services or for services rendered. In the General Fund these are the fees that accompany land use applications.

**FINES & FORFEITS** are penalties imposed as a result of conviction for crimes or infractions. For the Town these fines are parking violations, traffic, and other infractions.

**MISCELLANEOUS** revenue is a catch all for those monies not included in the other categories such as investment interest, rents, and donations.

GENERAL FUND	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	2019 BUDGET	2019 (Through Oct)	2020 Estimate
Taxes*	1,827,243	1,962,613	2,066,369	2,216,136	2,315,539	2,085,000	1,979,725	2,205,000
Licenses & Permits	173,743	137,831	151,167	156,826	209,262	162,750	181,142	140,850
Intergovernmental	42,074	43,814	48,241	49,500	52,782	54,750	48,553	59,500
Charges for Services	33,361	21,336	30,635	21,428	35,852	19,825	16,121	19,710
Fines & Forfeits	71,273	74,239	76,858	78,691	75,344	70,625	72,256	72,725
Miscellaneous	4,820	5,801	10,932	17,146	41,815	23,775	29,741	27,805
<b>TOTAL</b>	<b>2,152,513</b>	<b>2,245,634</b>	<b>2,384,202</b>	<b>2,539,727</b>	<b>2,730,594</b>	<b>2,416,715</b>	<b>2,327,537</b>	<b>2,525,600</b>

\*Does not include 25% of property taxes that are deposited directly to the Street Fund.

# TAXES

## PROPERTY TAX

**PROPERTY TAXES** are levied based on a local ordinance and divided based on 100% of assessed valuation (AV) as determined by the San Juan County Assessor’s Office. The Town can levy an increase of 1% per year plus an adjustment for new construction. By State law the Town can levy up to \$3.17 per assessed valuation with voter approval. The Town’s estimated 2020 levy should be .83490 per \$1,000 of the assessed valuation. On property assessed at \$400,000 the estimated annual taxes paid to the Town would be \$333.96.

**THE VALUATION** of the Town is reassessed annually. State law requires that assessors appraise property at 100% of its true and fair market value. As a property’s assessed valuation changes, the tax rate per \$1,000 is adjusted accordingly.

25% of the property tax revenue collected is deposited directly to the Street Fund.

Property tax revenues help to support streets, police, and fire protection for the Town’s residents.

- PROPERTY TAX IS 17.5% OF THE GENERAL FUND’S TOTAL TAX REVENUE
- 6.56% OF THE GENERAL FUND’S TOTAL REVENUES COME FROM PROPERTY TAXES
- APPROXIMATELY 25% OF THE PROPERTY IN-TOWN IS TAX EXEMPT

	ASSESSED VALUATION	TAX RATE PER/\$1,000	PROPERTY TAX LEVY
<b>2012</b>	561,779,089	0.77726	436,649
<b>2013</b>	467,856,205	0.95764	448,039
<b>2014</b>	446,358,475	1.02684	458,343
<b>2015</b>	443,822,386	1.08081	479,690
<b>2016</b>	468,536,015	1.01786	476,905
<b>2017</b>	479,523,577	1.01421	486,339
<b>2018</b>	533,266,881	0.93531	498,773
<b>2019</b>	581,873,854	0.87971	511,880
<b>2020*</b>	628,217,706	0.83490	524,500

\*Estimate

### TAX LEVY RATES

TAXING JURISDICTION	2017 RATE	2018 RATE	2019 RATE
TOWN OF FRIDAY HARBOR	1.01	.94	.88
SAN JUAN COUNTY	.87	.82	.78
CONSERVATION	.05	.04	.04
PORT OF FRIDAY HARBOR	.18	.16	.15
LIBRARY	.50	.46	.43
CEMETERY DISTRICT	.02	.02	.02
HOSPITAL DISTRICT/EMS	.94	.87	.82
PARKS & RECREATION	.34	.36	.33
LOCAL SCHOOL	.77	.73	.55
LOCAL SCHOOL BONDS	.45	.41	.37
STATE	2.12	2.90	2.65
<b>TOTAL PER \$1,000</b>	<b>7.24736</b>	<b>7.71225</b>	<b>7.01920</b>

# SALES TAX

The Town levies a 1% local retail sales tax on goods and services purchased within the Town. Food and professional services are exempt from this tax. The State collects this tax from retailers and transmits it to the Town on a monthly basis. State law requires that 15% of the revenue generated by this tax go to San Juan County and .001% for State Administration making the Town levy .849% on every taxable dollar.

The criminal justice sales tax is an additional local tax of 0.1% for criminal justice programs. This tax is levied by the County. The distribution of this tax is based on population rather than where the tax is generated. 10% of this tax revenue goes directly to the County with the remaining 90% distributed between the County and the Town on a per capita basis. The Town estimates receiving \$60,000 from this tax in 2020.

The juvenile detention facility tax of 0.1% was approved by the 1995 Legislature for the funding of juvenile detention facilities and jails in counties with populations of less than one million. An additional 0.1% sales tax was added in April 2009 for mental health services. Both of these taxes were levied by San Juan County and are imposed countywide. These extra sales tax collections go to the County.

In mid-2012, the citizens of the Town of Friday Harbor and San Juan County approved an increase in the local sales tax levy for public safety. The Town receives 40% of the

SALES TAX RATES	
STATE	6.5%
CRIMINAL JUSTICE	0.1%
JUVENILE FACILITIES	0.1%
MENTAL HEALTH	0.1%
PUBLIC SAFETY	0.3%
TOWN*	1.0%
TBD (Transportation Benefit District)	0.2%
<b>TOTAL</b>	<b>8.3%</b>
* <b>.849% to Town</b>	
* <b>.15% to San Juan County</b>	
* <b>.001% to State Administrative Fee</b>	

TOWN OF FRIDAY HARBOR SALES TAX REVENUES	
2011	908,108
2012	1,040,222
2013	995,040
2014	812,141
2015	1,092,135
2016	1,151,827
2017	1,010,374
2018	1,298,904
2019 (thru 10/31)	1,159,219
2020 (estimate)	1,200,000

public safety tax revenue collected in the County. A third of the funds received must be used for criminal justice purposes. The remaining funds, per ballot title, must be used by the Town for public works projects.

Most retailers remit their sales taxes to Department of Revenue by the 25th of each month for sales made during the prior month. Businesses are scheduled to report their sales taxes either monthly, quarterly or annually. The Department of Revenue distributes that money to local governments on the last day of the following month after subtracting an administrative fee. This means that there is a minimum of a two-month lag between the time the taxes are collected by the retailer and when they are received by the Town.

The Town's sales tax revenue is not only generated by those businesses located in Friday Harbor or on San Juan Island. Any company doing business within the Town must report their sales tax collected to the Town's tax code. These include catalog sales and internet transactions.

Buyers are responsible for reporting and paying use taxes to the State of Washington's Department of Revenue on purchases made from those states that do not charge sales tax.

The Transportation Improvement District sales tax took effect on April 1, 2015. As of October 2019, the Town has received \$1,302,571 in revenues from this tax. These funds are deposited directly to the Street Capital Fund for transportation projects.

2015 - \$166,162	2016 - \$269,935
2017 - \$288,085	2018 - \$305,574
2019 - \$272,815 (Oct)	2020 - \$290,000 (Budgeted)



# SALES TAX (continued)

Since there is a lag time from when businesses report their sales tax and when the State distributes the sales tax, the sales tax revenue received by the Town in any given year is based on sales from November through October. Also included in the monthly calculation are refunds which may have been for payments many years ago and the collection of taxes from previous periods which may have been owed for many years. When estimating sales tax revenue, the Town must take into account sales that may be a one-time only collection or generated from a large construction project. The Washington State Department of Licensing collects sales tax every time a vehicle is sold and re-licensed.

## 2018 SALES TAX REVENUE DISTRIBUTION

## AMOUNT

STATE	9,728,660
CRIMINAL JUSTICE	149,672
JUVENILE DETENTION	149,672
MENTAL HEALTH	149,672
PUBLIC SAFETY	449,015
TOWN	1,570,056
SAN JUAN COUNTY	224,508
STATE ADMINISTRATION FEE	1,497
<b>TOTAL</b>	<b>12,422,750</b>

**2018 TOTAL TAXABLE  
 SALES & USE IN  
 FRIDAY HARBOR  
 \$149,671,686**

2018 TOWN SALES TAX COLLECTION	
GENERATED	1,570,056
STATE FEE	-1,497
TO SAN JUAN COUNTY	-224,508
TOWN RECEIPTS	1,344,051

2019 TOWN SALES & USE REVENUES	
Thru 10/31	\$1,159,219

# LEASEHOLD TAX

In 1976 the State established a 12% tax to be levied on leases of publicly owned real and personal property. The rate increased to 12.84% in 1987. Cities and counties combined may collectively levy up to 6% of the 12.84%. The maximum rate for cities is 4%. If a city levies this amount, then the county can levy 2% within the incorporated areas. If a city chooses not to levy this tax, the county can levy up to 6% within the city boundaries. The Town has imposed this tax since 1976 at a rate of 4%.

LEASEHOLD TAX REVENUE	
2012	60,105
2013	61,152
2014	70,789
2015	72,406
2016	77,399
2017	85,975



# LICENSES AND PERMITS

## BUSINESS LICENSES

In 2019, a new State mandate began that required all Town businesses to renew their business licenses via the Washington State Department of Revenue (DOR) instead of directly with the Town. The State charges a fee for this service.

Several times a month DOR distributes business license renewal funds to the Town.

The Town increased its business license fee from \$42 to \$50 during this process.

BUSINESS LICENSE REVENUE	
2012	29,875
2013	31,489
2014	34,669
2015*	25,270
2016	30,789
2017	33,782
2018	34,539
2019 (thru Oct)	33,552
2020 (budgeted)	30,000

\*License year prorated

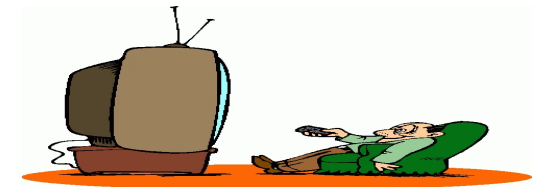
## BUILDING PERMITS

The Town collects fees for plan reviews; and building, plumbing, and mechanical permit processing. The amount of these fees is based on the value of the project.

BUILDING PERMIT ACTIVITY			
YEAR	# PERMITS	VALUATION	\$
2011	62	20,917,297	215,723
2011	41	2,382,560	53,555
2013	50	5,850,491	86,555
2014	61	6,767,379	117,684
2015	41	5,724,162	94,178
2016	70	4,919,022	101,762
2017	56	6,502,689	98,994
2018	51	10,826,394	139,311
2019	45	7,463,853	116,669
2020	?	?	100,000

## CABLE FRANCHISES

In 1973 the Town granted a franchise for the local cable television company to construct and operate a cable system within the Town. Each year the cable company pays the Town 5% of their gross annual revenue for this franchise.



FRANCHISE TAX REVENUE	
2011	11,312
2012	9,133
2013	8,300
2014	13,495
2015	10,911
2016	10,866
2017	7,164
2018	5,453
2019	4,071

## INTERGOVERNMENTAL

State shared revenues represent the local governments' portion of a revenue levied and collected by the State and distributed back to cities and towns in proportion to amounts collected in each jurisdiction. State entitlements are monies furnished by the State and distributed to local governments on a distribution formula based on a per capita basis or other eligibility criteria.

When incorporations of new cities and annexations take place, the per capita amount to each city or town decreases.

State entitlement funds received by the Town are Liquor Profits, Liquor Excise Tax and Criminal Justice Funds.



	CRIMINAL JUSTICE SPECIAL	LIQUOR PROFITS	LIQUOR EXCISE	CRIMINAL JUSTICE POPULATION
2011	.84	6.85	4.96	.25
2012	.85	9.98	3.63	.25
2013	.87	8.99	.29	.26
2014	.89	8.89	1.61	.27
2015	.95	8.76	2.76	.27
2016	.97	8.61	4.43	.28
2017	1.04	8.61	4.67	.31
2018	1.06	8.29	4.92	.31
2019	1.09	8.16	5.14	.33
2020	1.12	8.02	5.49	.31

All cities and towns are guaranteed \$1,000 in criminal justice funds no matter the size of their population.

POPULATION*			
	STATE INCORPORATED	SAN JUAN COUNTY UNINCORPORATED	TOWN OF FRIDAY HARBOR
2011	4,313,267	13,720	2,180
2012	4,379,223	13,785	2,140
2013	4,432,699	13,815	2,185
2014	4,497,409	13,910	2,190
2015	4,564,371	13,965	2,215
2016	4,666,798	14,070	2,250
2017	4,752,834	14,255	2,255
2018	4,836,485	14,465	2,345
2019	4,910,909	14,730	2,420

\*From Washington State Office of Financial Management

## LIQUOR PROFITS & TAXES

Cities and towns are responsible for policing of liquor establishments located within their limits. State law provides that a share of the State collected profits and taxes are returned to cities and towns to help defray the costs of policing liquor establishments. Initiative 1183 specified that local governments are to continue to receive no less liquor revenue than comparable periods prior to December 2011. Additional revenues are also distributed to border towns to enhance public safety.

Even though I-1183 did not affect liquor taxes, the State Legislature passed ESHB 2823 which diverted these funds from cities and towns into the State's General Fund. In 2012, the State Legislature created a permanent transfer from liquor excise tax funds to the state general fund. In 2016, the State increased the distribution of liquor excise tax to cities.

## CRIMINAL JUSTICE

In 1990 the State Legislature passed a bill providing funds for criminal justice purposes. Though distributed on a per capita basis each city and town is guaranteed \$1,000 annually. Referendum 49, passed by the voters in 1998, increased criminal justice funding by requiring a contribution from the State General Fund. The Town receives criminal justice funds for special programs; law enforcement contracts; and DUI programs.

	2011	2012	2013	2014	2015	2016	2017	2018	2019*	2020**
<b>LIQUOR EXCISE TAX</b>	10,972	8,294	1,725	4,418	6,289	10,663	11,121	11,740	13,120	11,500
<b>LIQUOR PROFITS</b>	11,542	21,746	15,345	16,468	15,307	15,221	15,174	14,905	11,437	15,000
<b>MARIJUANA EXCISE</b>							542	3,477	2,045	2,000
<b>BORDER PATROL</b>	1,140	2,003	1,150	1,150	1,150	1,150	1,150	1,150	862	1,150
<b>CRIMINAL JUSTICE</b>	6,486	6,482	6,596	7,092	7,186	7,347	7,245	7,397	7,862	6,750

\*Thru 10/31/19 \*\*Budgeted

## CHARGES FOR SERVICES

<b>REVENUES</b>	
2011	13,658
2012	14,240
2013	11,420
2014	17,874
2015	8,664
2016	19,405
2017	8,450
2018	35,852
2019 (to date)	16,121
2020 (budgeted)	19,710

Charges for services are those fees and charges for professional services or other services rendered. In the Utility Funds these are the user fees charged for water, sewer services, etc. In the Current Fund these are the fees that accompany zoning, subdivision, and land use applications. These fees are associated with growth and development of the Town.

<b>PLANNING PERMIT ACTIVITY</b>									
<b>APPLICATION TYPE</b>	2011	2012	2013	2014	2015	2016	2017	2018	2019
SEPA	3	4	2	2	1	4	0	3	2
CONDITIONAL USE	0	0	0	1	0	0	0	0	0
SUBSTANTIAL DEVELOPMENT	8	8	5	8	4	3	3	2	0
PROPERTY LINE ADJUSTMENT	0	0	1	1	4	5	2	7	2
VARIANCE	1	0	1	0	1	0	0	0	0
SUBDIVISION	0	0	1	0	0	1	0	0	0
PLATS	1	0	1	3	3	3	0	4	0
REZONE	2	0	1	0	1	1	2	2	0



# FINES & FORFEITS

Fines and Forfeits are penalties imposed as a result of conviction for crimes or infractions. For the Town these fines are for parking violations, traffic, and other infractions. The Town contracts with San Juan County District Court to process these infractions.

The Town began time limit parking enforcement in 1983 to relieve parking congestion in the downtown area. In 2010, the Town began charging a fee for the use of parking spaces for such purposes such as construction in the downtown area.

Parking violation fees will increase from \$25/per violation to \$35 in 2020.

	<b>PARKING TICKETS FILED</b>	<b>PARKING REVENUE</b>	<b>TRAFFIC INFRACTIONS FILED</b>	<b>TRAFFIC INFRACTION REVENUE</b>
<b>2011</b>	2,371	66,642	224	21,942
<b>2012</b>	2,445	64,776	262	23,219
<b>2013</b>	2,235	59,969	268	30,657
<b>2014</b>	2,211	58,936	41	8,465
<b>2015</b>	2,211	61,557	45	6,415
<b>2016</b>	2,334	58,668	132	10,405
<b>2017</b>	2,606	67,648	31	5,602
<b>2018</b>	2,296	62,749	114	7,049
<b>2019*</b>	1,944	48,846	291	16,620
<b>2020</b>	1,715	60,000	125	7,500

\*Data through October

# MISCELLANEOUS

Miscellaneous revenue is a catch all for those revenues not included in the other categories. These revenues include investment interest. Interest income depends on money available to invest and the current interest rates. The Town also receives interest from the investment of sales tax and leasehold money held by the State.



	<b>INTEREST INCOME*</b>	<b>OTHER INTEREST</b>
<b>2011</b>	3,064	639
<b>2012</b>	2,905	396
<b>2013</b>	1,794	354
<b>2014</b>	70	408
<b>2015</b>	895	822
<b>2016</b>	2,259	1,036
<b>2017</b>	3,389	1,257
<b>2018</b>	15,757	1,894
<b>2019</b>	20,493	3,566
<b>2020</b>	20,000	2,000

\*Includes annual rebate

The average LGIP interest rate

- ❖ 2014 0.1399%
- ❖ 2015 0.1546%
- ❖ 2016 0.4569%
- ❖ 2017 0.9090%
- ❖ 2018 1.1816%
- ❖ 2019\* 2.4087%

\*Thru October