



## Town of Friday Harbor

60 Second St ~ PO Box 219, Friday Harbor, WA 98250

P: (360) 378-2810 | Fax: (360) 378-2380 | [www.fridayharbor.org](http://www.fridayharbor.org)

# 2026 REVENUE SOURCES

Revenues: 2019 – September 30, 2025

Presented at the November 6, 2025, Council Meeting Budget Work Session

2026 Budget Public Hearing: Property Taxes/Revenue Sources (RCW 84.55.120)

Opened and Continued to November 20, 2025

Ordinances will be presented for approval on November 20, 2025

Prepared by Bethany Berry, Finance Director

October 27, 2025



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## Purpose

The foundation of local government is a strong, stable, financial well-being. Revenues are a key component to help sustain positive fiscal health for both present and future services provided by the Town of Friday Harbor. Some revenue sources are unrestricted and may be used for any lawful governmental purpose, while others are restricted to specific purposes under state law. Additionally, some revenue sources may be imposed permanently, while others are temporary.

The Town has adopted various policies and procedures to support revenue sources and establish fees based on RCWs, WACs, and local laws and regulations. As mandated, the Town operates on a fund accounting level where each service must be self-balancing to track finances for specific activities and to abide by legal restrictions. As a result, individual requirements apply to the various funds recognized by the Town including each utility needing revenue sources to support operational and capital expenditures.

The Town is held responsible for the financial well-being of the Town by the Washington State Auditor's Office (SAO). The SAO provides citizens with independent and transparent examinations of how public funds are being utilized. Additional steps are taken to ensure proper policies and procedures are in place with their recommendations. Visit <https://sao.wa.gov/> for additional information.

## Types of Revenue

The Town of Friday Harbor receives various types of revenue to support its general fund, special revenue funds, capital project funds, and enterprise funds. Enterprise funds are specific to the water, sewer, refuse, and stormwater utilities.

The types of revenue received by the Town include:

- Taxes
- Licenses and Permits
- Intergovernmental Revenues
- Charges for Goods and Services
- Fines and Penalties
- Miscellaneous Revenue
- Other Increases in Fund Resources
- Other Financing Sources

## General Fund

The general fund is considered a governmental fund that is used to account for and report all financial resources not accounted for and reported in another fund.

## Taxes

Local governments in Washington State do not possess inherent taxing authority and must obtain the authority to impose taxes and fees from the state constitution and/or statutes adopted by the state legislature.



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## 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. Under certain conditions, the Town is allowed to increase more than 1% if there is banked capacity available.

In 2025, the Town's highest lawful levy amount was \$583,995.27, excluding refunds, with an actual levy amount of \$585,595.74. For 2026, the Town's highest lawful levy amount is \$595,350.67, excluding refunds, with a \$5,855.96 1% allowable increase and \$3,898.97 for new construction. The refund amount per the County Treasurer is \$2,416.11.

YEAR	ASSESSED VALUATION	TAX RATE PER/\$1,000	PROPERTY TAX LEVY
2019	581,873,854	0.87971	511,879.81
2020	628,233,770	0.83456	524,297.20
2021	672,519,438	0.80592	542,000.00
2022	712,883,514	0.50499	360,000.00
2023	834,938,980	0.56411	471,000.00
2024	916,765,834	0.62954	577,141.52
2025	940,387,239	0.62272	585,595.74

TAX LEVY RATES PER \$1,000 VALUATION			
TAXING JURISDICTION	2023 RATE	2024 RATE	2025 RATE
State Levy Part 1	1.50	1.44	1.51
State Levy Part 2	0.80	0.77	0.81
School Enrichment	0.43	0.37	0.39
School Bond-Cp	0.24	0.21	0.28
SJC Current Expense	0.61	0.54	0.54
SJC Conservation Futures	0.03	0.02	0.02
SJC Roads	0.00	0.00	0.00
Town Of Friday Harbor	0.56	0.63	0.62
Port Of Friday Harbor	0.10	0.09	0.09
Cemetery District	0.01	0.01	0.01
Library District	0.29	0.25	0.41
Fire District	0.34	0.30	0.70
Hospital District	0.58	0.50	0.51
Ems	0.41	0.39	0.40
Park & Recreation	0.31	0.27	0.28
Lopez Solid Waste	0.00	0.00	0.00
Total Rate	6.23775	5.81374	6.57759
Senior Citizen	4.76246	4.45942	5.09442

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

Property tax revenues help to support education, hospitals, streets, police, EMS services, and fire protection for the Town's residents.

75% of the property tax revenue collected is deposited in the general fund and 25% of the property tax revenue collected is deposited in the street fund as adopted by Ordinance No. 1508 on May 2, 2013.

2024 total revenues from property tax are \$569,013 with a fund split of:

- \$426,760 General Fund
- \$142,253 Street Fund

How to calculate property tax: (Assessed Value ÷ \$1,000) x Tax Rate = Tax Bill



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## Retail Sales and Use Tax

Sales tax applies to most retail sales of tangible personal property or select services within Washington as defined in RCW 82.04.050. Use tax applies to purchases made out-of-state and used in Washington. As of 2008, the State of Washington adopted a destination-based sales tax system for all points of delivery. As a result, the Town's sales tax revenue generated by businesses located within Town limits and those who provide goods and services that do not reside in Friday Harbor, including internet transactions. However, motor vehicle and boat sales are taxed based on the location of the dealership or seller as defined in RCW 82.32.730(7).

YEAR	1.0% BASIC SALES AND USE TAX REVENUE
2019	1,404,699
2020	1,206,962
2021	1,602,100
2022	1,721,792
2023	1,792,376
2024	1,729,532
2025 – Thru 9/30	1,248,630

The retail sales and use tax rate is made up of state tax and local tax components. As a result, tax rates vary in different areas depending on which taxes have been imposed by the town, county, and other taxing districts. Businesses must remit sales tax to the Department of Revenue (DOR) with required reporting monthly, quarterly, or annually. DOR distributes revenues to local governments on the last day of the following month, after subtracting a 1% administrative fee, with a minimum of two months' lag between the time the taxes are collected by the retailer and when they are received by the Town. The annual sales tax revenue received by the Town is based on sales from November through October.

The Town's sales and use tax is made up of the following:

- State of Washington Sales Tax
  - Amount: 6.5%
  - Imposed by: The State of Washington
- Basic Sales Tax or First Half-Cent and Optional Sales Tax or Second Half-Cent
  - Amount: 0.5% per half-cent or 1.0%
  - Imposed by the Town and San Juan County, does not require voter approval
  - Revenues are shared with San Juan County
    - Town Receives: 0.425% or 85% of 0.5%
    - San Juan County Receives: 0.075% or 15% of 0.5% of each 0.5%
  - Revenues are unrestricted and may be used for any lawful governmental purpose
- Criminal Justice Sales Tax
  - Amount: 0.1%
  - Imposed by San Juan County, does not require voter approval
  - Revenues are shared with the Town
    - Town Receives: a split of 90% with San Juan County based on a per capita basis
    - San Juan County Receives: 10% plus a split of 90% with the Town based on a per capita basis
  - Revenues are restricted and must be used for criminal justice



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- **Juvenile Facilities Tax**
  - Amount: 0.1%
  - Imposed by San Juan County with a population under 1 million by voter approval
  - Revenues are not shared with the Town
  - Revenues are restricted to use for juvenile detention facilities and jails
- **Mental Health and Chemical Dependency Tax**
  - Amount: 0.1%
  - Imposed by San Juan County beginning in April 2009
  - Revenues are not shared with the Town
  - Revenues are restricted and must be used for mental health and drug treatment purposes
- **Public Safety Tax**
  - Amount: 0.3%
  - Imposed by the Town and San Juan County in mid-2012 by voter approval
  - Revenues shared with San Juan County
    - Town Receives: 40% with 70% deposited into the general fund and 30% deposited into the street fund
    - San Juan County Receives: 60%
    - Revenues are partially restricted
      - 1/3 must be used for criminal justice and/or fire protection
      - 2/3 are unrestricted and may be used for any lawful governmental purpose
- **Emergency Communications Tax**
  - Amount: 0.05%
  - Imposed by San Juan County by voter approval
  - Revenues are not shared with the Town
  - Revenues are restricted and must be used for emergency communications
- **Housing and Related Services Tax**
  - Amount: 0.1%
  - Imposed by San Juan County by voter approval in January 2024
  - Revenues are not shared with the Town
  - Revenues are restricted and must be used for affordable housing, behavioral health, and related services.
- **Cultural Access Program (CAP) Tax**
  - Amount: 0.1% (As of July 1, 2025. Previously 0.2% were used for the imposition of the Emergency Communication Tax as voted on in the 2020 special election.)
  - Imposed by San Juan County for a maximum duration of 7 years that may be renewed
  - Revenues are not shared with the Town
  - Revenues are restricted and must be used to benefit or expand access to nonprofit cultural organizations



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- Transportation Benefit District (TBD) Tax – Deposited into the Street Fund
  - Amount: 0.3%
  - Imposed by the Town with voter approval in 2014 for 10 years. In January 2024, the Council imposed an additional 0.1% that did not require voter approval, bringing the total tax to 0.3%. In November 2024 the voters extended the 0.2% tax for another 10 years, retaining the total tax of 0.3%. TBD sales tax is deposited into the street capital fund for transportation uses.
  - Revenues are not shared with San Juan County
  - Revenues are restricted and must be used for transportation

SALES TAX RATES	IMPOSED BY, REVENUE SHARES	01/01/24 TO 03/31/25	04/01/24 TO 03/31/25	04/01/25 TO 06/30/25	07/01/25 TO PRESENT
Washington State	State	6.50%	6.50%	6.50%	6.50%
Criminal Justice	Imposed by County, Shared Revenue	0.10%	0.10%	0.10%	0.10%
Juvenile Facilities	Imposed by County, County Revenue	0.10%	0.10%	0.10%	0.10%
Mental Health	Imposed by County, County Revenue	0.10%	0.10%	0.10%	0.10%
Public Safety	Imposed by County, Shared Revenue	0.30%	0.30%	0.30%	0.30%
Communications	Imposed by County, County Revenue	0.05%*	0.20%	0.20%	0.05%
Housing and Related Services	Imposed by County, County Revenue	0.10%	0.10%	0.10%	0.10%
Cultural Access Program	Imposed by County, County Revenue	0.00%	0.00%	0.10%	0.10%
Basic Sales Tax First Half-Cent	County and Town, Shared Revenue	0.50%	0.50%	0.50%	0.50%
Basic Sales Tax Second Half-Cent	County and Town, Shared Revenue	0.50%	0.50%	0.50%	0.50%
Transportation Benefit District (TBD)	Imposed by Town, Town Revenue	0.20%	0.30%	0.30%	0.30%
<b>Total Rate</b>		<b>8.60%</b>	<b>8.70%</b>	<b>8.80%</b>	<b>8.65%</b>
State		6.50%	6.50%	6.50%	6.50%
San Juan County		1.90%	1.90%	2.00%	1.85%
Town		0.20%	0.30%	0.30%	0.30%
*Rounded to 0.1% to calculate local rate.					

DOR provides an annual sales tax distribution report that summarizes the distribution of sales tax for each county. In the 2024 calendar year, November 2023 to October 2024, the Town received \$2,895,276 of the total \$17,612,293 local sales and use tax collected in San Juan County. The report can be viewed at:

<https://dor.wa.gov/about/statistics-reports/local-sales-and-use-tax-distribution>.





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## Leasehold Tax (Excise Taxes in Lieu of Property 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%. This tax is imposed by towns and counties; it does not require voter approval. Leasehold tax revenue is unrestricted and may be used for any lawful government purpose.

YEAR	LEASEHOLD TAX REVENUE
2019	104,965
2020	121,813
2021	131,528
2022	144,096
2023	158,247
2024	172,831
2025 – Thru 9/30	137,751

## Licenses and Permits

Towns may impose a variety of taxes and fees for the purpose of regulation pursuant to RCW 35.27.370.

YEAR	BUSINESS LICENSE REVENUE
2019	38,852
2020	38,228
2021	43,733
2022	45,846
2023	44,346
2024	46,358
2025 – Thru 9/30	32,329

## Business Licenses

Entities conducting business in the State of Washington must obtain a business license from the State Department of Revenue. In addition, Friday Harbor endorsements are required for businesses located within town limits or businesses conducting business within the Town of Friday Harbor limits, exclusions apply based on business annual revenues.

Business license fees are collected by the Washington State Department of Revenue (DOR) in addition to their state licensing fees. Throughout the month DOR distributes business license revenues to the Town. License fees are used for administrative costs pertaining to businesses.

## Cable Franchise

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. Fees are unrestricted and may be used for any lawful governmental purposes.

With the increase in streaming services, there has been a decline in revenues the Town receives from this franchise. It is anticipated that this revenue stream will not be reliable in the future.

YEAR	CABLE FRANCHISE REVENUE
2019	4,071
2020	3,177
2021	3,510
2022	2,170
2023	778
2024	351
2025 – Thru 9/30	164





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## Building Permits

The Town collects fees for building permits to supplement the costs of the services provided by the Community Development and Planning Department (CDP) as outlined in RCW 19.27.100 & 82.02.020. Fees are assessed for processing plan reviews; building, plumbing, and mechanical permits; and property development. Each development is a key involvement to the success of the future of Friday Harbor. Each project considers the codes it pertains to, as well as the historical components a property will represent. Both the future and past drive the development of Friday Harbor. These fees are determined by the CDP department based on other similar jurisdictions.

YEAR	PERMIT COUNT	PROJECT VALUATION	REVENUE
2019	53	9,927,215	143,846
2020	34	4,424,223	65,688
2021	39	3,576,532	46,311
2022	33	7,409,594	42,743
2023	48	8,187,731	118,545
2024	55	10,259,999	121,611
2025 – Thru 9/30	33	6389074	83,034

APPLICATION TYPE	2019	2020	2021	2022	2023	2024	2025 Thru 9/30
SEPA	2	8	7	7	0	3	2
SITE PLAN REVIEW	5	10	5	6	5	3	3
SUBSTANTIAL SHORELINE DEVELOPMENT (SSDP)	0	2	0	2	0	1	2
BOUNDARY LINE MODIFICATIONS	3	1	1	0	1	1	2
SIGN PERMITS	20	6	27	23	15	18	21
PLANNED RESIDENTIAL DEVELOPMENT	1	1	0	0	0	0	1
PLATS	2	2	1	2	0	0	1
REZONE	1	1	1	1	2	0	0

## Non-Business Licenses and Permits

Revenue sources include buildings, structures, and equipment, and other non-business licenses and permits.

## Intergovernmental Revenues

Intergovernmental revenues include any federal or state grants, awards, and other contributions. This revenue source pertains to revenues that are grants, loans, or passed-through payments. All revenue sources may be obtained through an application process, state appropriation, or assessed fees and taxes.

## Federal Award Revenues

Federal awards are directly received from the federal agency related to specific federal programs associated with RCWs and/or established in the Code of Laws of the United States. Additionally, revenues may be received indirectly through a state agency or other local government.



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## State Award Revenues

State awards are grants, awards, and other contributions directly or indirectly received from Washington State agencies.

## Local Awards, Entitlements, and Other Payments

Local awards, entitlements, and other payments are cash or other assets received from another local government, excluding services rendered or goods provided.

STATE/FEDERAL/LOCAL REVENUES	2019	2020	2021	2022	2023	2024	2025 Thru 9/30
FEDERAL OTHER AWARDS	-	-	357,938	357,939	-	-	-
FEDERAL INDIRECT AWARDS	-	91,178	-	-	-	-	-
STATE GRANTS, AWARDS, AND CONTRIBUTIONS	-	-	-	-	60,000	93,000	207,000
LOCAL AWARDS, ENTITLEMENTS, AND OTHER PAYMENTS	10,000	10,665	10,000	9,000	20,000	-	-

## State Shared Revenues, Entitlements, and Impact Payments

POPULATION	STATE INCORPORATED	SAN JUAN COUNTY UNINCORPORATED	TOWN OF FRIDAY HARBOR
2019 Estimate	4,910,909	14,730	2,420
2020 Estimate	4,990,690	14,850	2,490
2020 Census	5,037,556	15,175	2,613
2021 Estimate	5,077,235	15,220	2,630
2022 Estimate	5,156,008	15,470	2,680
2023 Estimate	5,222,265	15,635	2,715
2024 Estimate	5,288,492	15,735	2,740
2025 Estimate	5,350,840	15,805	2,745

State shared revenues represent the local government's portion of 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. Per capita distributions are based on prior year population data.

Most State shared and State entitlement funds earmark a certain percentage to cities and towns. These revenues are usually distributed back to cities and towns on a per capita basis. State entitlement funds received by the Town are deposited into the general fund and the street fund based on allowable uses.



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STATE SHARED REVENUES	2019	2020	2021	2022	2023	2024	2025 Thru 9/30
CANNABIS (MARIJUANA) EXCISE TAX	2,726	2,769	3,273	4,259	4,263	4,273	2,847
CRIMINAL JUSTICE POPULATION	1,000	1,000	1,000	1,000	1,001	1,038	818
CRIMINAL JUSTICE SPECIAL PROGRAM	2,529	2,713	2,945	3,205	3,421	3,646	2,864
CRIMINAL JUSTICE CONTRACTED	4,333	4,657	5,046	5,398	5,705	6,108	4,801
LIQUOR EXCISE TAX	13,186	15,637	17,964	18,889	14,078	19,009	13,268
LIQUOR PROFITS	15,249	15,496	15,693	16,271	20,296	16,637	12,221

## Cannabis (Marijuana) Excise Tax

The state imposes a 37% excise tax on the retail sale of cannabis, cannabis concentrates, and cannabis-infused products (RCW 69.50.535 and WAC 314-55-089) and shares some of the excise tax revenues with cities and counties, as mandated by I-502. Beginning in 2022, cities receive a percentage of the excise tax revenues (after various deductions). Previously, the excise tax distributions were fixed by legislative appropriation. Due to cannabis retailers in San Juan County, the Town receives a portion of the tax based on retail sales. There is no clear guidance on the use of these revenues. However, I-501 states that cannabis legalization will “[allow] law enforcement resources to be focused on violent and property crimes [and generate] new state and local tax revenue for education, health care, research, and substance abuse prevention.”

## Criminal Justice Distributions

In 1990 the State Legislature passed a bill providing funds for criminal justice purposes. 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 from the following (3) three programs:

### *Criminal Justice – Population*

Distributed to all cities and towns on a per capita basis, with each city receiving a minimum of \$1,000 no matter how small its population. All revenues must be used for criminal justice purposes as defined in RCW 8.14.330(1)(c) and may not supplant or replace existing funding

### *Criminal Justice – Special Programs*

Distributed to all cities and towns on a per capita basis. All revenues must be used for innovative law enforcement strategies, programs to help at-risk children or child abuse victims, and programs to reduce the level of domestic violence or to provide counseling for domestic violence victims. While these funds must be spent in these specific areas, there is no requirement for how much must be spent in each area.

### *Criminal Justice – Contracted Services*

Distributed to any city or town that contracts for most of its law enforcement services. While the statute doesn't specifically state that revenues are restricted to the provision of law enforcement services, it's implied.



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## Liquor Distributions

Cities and towns are responsible for policing 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. Additional revenues are also distributed to border towns to enhance public safety.

### *Liquor Excise Tax*

Distributed to all cities and towns on a per capita basis depending on actual liquor sales. Revenues are partially restricted – at least 2% must be used for a drug or alcohol treatment program and the remaining 98% is unrestricted and may be used for any lawful governmental purpose.

### *Liquor Profits Tax*

Distributed to all cities and towns on a per capita basis as a flat distribution from liquor licensing fees. Revenues are partially restricted – at least 2% must be used for a drug or alcohol treatment program and at least 20.23% must be used for public safety programs. The remaining 77.77% is unrestricted and may be used for any lawful governmental purpose.

## Charges for Goods and Services

Charges for services include fees and charges for professional services or other services rendered. In the General Fund these are the fees that accompany:

- General government: financial services; sale of merchandise (maps and documents); data/word processing, printing, duplicating, and IT services; and election candidate filing services.
- Public safety: law enforcement services, detention and correction services.
- Natural and economic environment: zoning, subdivision, and land use applications.

CHARGES FOR GOODS AND SERVICES	2019	2020	2021	2022	2023	2024	2025 Thru 9/30
GENERAL GOVERNMENT	316	73	658	-	211	61	966
PUBLIC SAFETY	10,653	8,128	5,214	5,697	4,420	3,887	3,794
NATURAL AND ECONOMIC ENVIRONMENT	11,850	16,300	7,750	29,033	19,500	53,916	52,386

## Fines and Penalties

Fines and Forfeits are penalties imposed because of a 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.

### *Parking Enforcement*

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.



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## Traffic Infractions

Traffic infractions include penalties for speed infractions in a roadway construction (RCW 46.61.527) and an emergency (RCW 46.61.212) zones, violations of speed restrictions within a school or playground zone (RCW 46.61.440), passing school buses (RCW 46.61.370) and certain traffic infractions within school, crosswalk, or playground speed zones (RCW 46.61.235, RCW 46.61.245, RCW 46.61.261), snowmobile registration (RCW 46.10.490), distractive driving (RCW 46.61.672, RCW 46.61.673).

## Non-Traffic Infractions

Non-traffic infractions include penalties for fish and game, wildlife, agriculture, building code violations, standing-stopping pedestrian violations, and litter and junk vehicle violations. (RCW 70.93.060, RCW 70.95.240, RCW 46.55.230), smoking in a public place (RCW 70.160.030).

YEAR	PARKING TICKETS FILED	PARKING REVENUE	TRAFFIC INFRACTIONS FILED	TRAFFIC INFRACTION REVENUE	NON-TRAFFIC INFRACTIONS FILED	NON-TRAFFIC INFRACTIONS REVENUE
2019	2,056	56,286	303	19,015	11	613
2020	1,001	31,437	212	15,177	3	474
2021	1,594	50,920	139	12,427	12	790
2022	1,595	49,939	52	7,683	17	1,007
2023	1,363	43,205	92	7,048	6	1,273
2024	1,291	39,451	79	7,088	2	327
2025 Thru 9/30	875	17,790	74	5,295	4	595

## Miscellaneous Revenues

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 in sales tax and leasehold money held by the State.

MISCELLANEOUS REVENUES	2019	2020	2021	2022	2023	2024	2025 Thru 9/30
INTEREST AND OTHER EARNINGS	59,758	26,591	5,113	59,255	187,023	200,771	44,321
RENTS AND LEASES	3,240	3,120	3,240	-	-	-	-
CONTRIBUTIONS AND DONATIONS FROM NONGOVERNMENTAL SOURCES	782	2,507	500	600	32	-	47
OTHER MISCELLANEOUS	4,398	17,498	8,294	7,960	166,835	8,991	6,902



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## Special Revenue Funds

The special revenue funds account for and report specific revenue sources that are restricted or committed for specific purposes, excluding debt service or capital projects. These funds should be expected to continue utilization with the Town and contain a substantial portion, at least twenty percent (20%), of restricted and committed revenues as a foundational base.

### Street Fund

The street fund is classified as a special revenue fund due to being entirely restricted, committed, and assigned. These restrictions may be imposed by creditors, grantors, contributors, laws or Town Council. The street fund is responsible for all roadways, drainage, traffic and pedestrian services, maintenance, and administration. Revenues for the street fund are dependent on taxes, intergovernmental awards, and state shares.

#### Property Taxes

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 as detailed in the general revenue section of this revenue resource guide.

75% of the property tax revenue collected is deposited in the general fund and 25% of the property tax revenue collected is deposited in the street fund as adopted by Ordinance No. 1508 on May 2, 2013.

#### Public Safety Sales Tax

In mid-2012, the citizens of the Town of Friday Harbor and San Juan County voted in a 0.1% sales tax levy for public safety. The Town receives 40% of the public safety tax revenue collected in the County.

YEAR	PROPERTY TAXES	TBD TAX	PUBLIC SAFETY TAX
2019	127,005	227,676	330,562
2020	132,464	215,270	283,922
2021	136,633	284,170	376,972
2022	88,141	310,678	404,923
2023	117,262	311,783	421,572
2024	142,253	314,252	543,731
2025 Thru 9/30	89,965	440,027	238,033

The use of revenues is one-third criminal justice and two-thirds unrestricted for any lawful governmental purpose. 70% is deposited in the general fund and 30% is deposited in the street fund.

#### Transportation Benefit District (TBD) Sales Tax

Beginning in 2014, the 0.2% Transportation Improvement District sales tax was approved by voters. Beginning January 1, 2024, the Town Council imposed an additional 0.1% that did not require voter approval, bringing the total tax to 0.3%. In November 2024 the voters extended the 0.2% tax for another 10 years, retaining the total tax of 0.3%. TBD sales tax is deposited into the street capital fund for transportation uses.

LICENSES AND PERMITS	2019	2020	2021	2022	2023	2024	2025 Thru 9/30
RIGHT OF WAY PERMITS	3,400	2,600	2,600	4,400	3,120	3,855	2,850

#### Licenses and Permits

The street fund receives permit fees for street and curb use when the right of way is utilized by an outside source.



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YEAR	FEDERAL FUNDING	STATE FUNDING
2019	3,400	230,725
2020	2,600	388,309
2021	2,600	680,086
2022	4,400	89,410
2023	3,120	1,195,665
2024	3,855	497,606
2025 Thru 9/30	-	550,148

## *Intergovernmental*

Federal and state grants are a major revenue source of street funds considering there is not a capability to charge fees for streets and sidewalks like utilities.

The Town has received federal funding from the Department of Transportation and the Department of Treasury.

The Town has received state funding from the Transportation Improvement Board (TIB). grant funding from the Federal Department of Transportation and the Washington Transportation Improvement Board (TIB).

## *State Shared Revenues, Entitlements, and Impact Payments*

State shared revenues represent the local government's portion of 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. Per capita distributions are based on prior year population data.

Most State shared and State entitlement funds earmark a certain percentage to cities and towns. These revenues are usually distributed back to cities and towns on a per capita basis. State entitlement funds received by the Town are deposited into the general fund and the street fund based on allowable uses.

POPULATION	2025 Estimate
STATE INCORPORATED	5,350,840
SAN JUAN COUNTY UNINCORPORATED	15,805
TOWN OF FRIDAY HARBOR	2,745
See page 10 for the 2019-2024 historic population data.	

## *Capron Refunds*

Island counties and cities receive refunds of state gas taxes and motor vehicle license fees to compensate for their lack of state highways and state highway investment. The state refunds all the vehicle license fees (RCW 46.17.350 and RCW 46.17.355) and the first 23 cents per gallon of motor vehicle fuel taxes (RCW 82.38.030(1)) directly or indirectly paid by its residents, minus the state's administrative costs of collecting the taxes and fees. The remaining revenue is then distributed to the county treasurer and split between the county and Friday Harbor based on their proportional assessed valuation.

## *Motor Vehicle Fuel Tax (MVFT) and Increased Motor Vehicle Fuel Tax (MVFT)*

Motor Vehicle Fuel Tax (MVFT) is total per capita distribution depending on amount of gas taxes collected statewide. Revenues are restricted and must be used for streets, roads and highways. Cities and towns must use at least 0.42% for pedestrian, equestrian, or bicycle trails, unless such amount would be \$500 or less per year.





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Increased Motor Vehicle Fuel Tax (MVFT) is a direct total per capita appropriation from the state transportation fund that does not depend on actual fuel sales. Revenues are restricted to being used for street or highway purposes (including eligible pedestrian, equestrian, or bicycle trails).

## Multimodal Funds

Distributed to all cities and towns on a per capita basis. Direct appropriations from the state transportation fund do not depend on actual fuel sales. Revenues are restricted to being used for any transportation purpose.

STATE SHARED REVENUES	2019	2020	2021	2022	2023	2024	2025 Thru 9/30
CAPRON REFUNDS	334,835	340,314	302,452	338,198	339,076	348,463	467,062
MULTIMODAL TRANSPORTATION	3,173	3,246	3,299	3,374	3,464	3,480	2,602
MOTOR VEHICLE FUEL TAX (MVFT)	49,369	49,439	44,578	47,931	49,372	49,623	34,704

## Charges for services

Charges for services include fees and charges for professional services or other services rendered. In the Street Fund these are the fees that accompany:

- Street Maintenance/Repair/Construction Services are received primarily through interlocal agreements with other agencies. In prior years, this included street sweeping services for San Juan County on different islands. Due to scheduling and equipment conflicts, this revenue source is not active currently. Additional payments would include Town staff performing work and submitting for reimbursement.
- Planning and development fees are collected for zoning and subdivision services and growth management act (GMA) impact fees. Both fee types are determined at the planning level through permitting and project requirements.

CHARGES FOR SERVICES	2019	2020	2021	2022	2023	2024	2025 Thru 9/30
STREET MAINTENANCE, REPAIR, AND CONSTRUCTION SERVICES	111,334	1,020	1,634	-	-	-	-
ZONING AND SUBDIVISION SERVICES	-	-	-	4,896	-	-	-
GROWTH MANAGEMENT ACT (GMA) IMPACT FEES	-	-	60,000	-	-	-	-



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## Low Income Assistance and Affordable Housing

In addition to supporting low-income assistance and affordable housing, the Town has two programs to assist other entities through an application process.

### *Utility Connection Charge Deferral Program*

Pursuant to Friday Harbor Municipal Code (FHMC) Section 13.40, a special revenue fund was created to defer the payment of the entire connection charges for the Town's water system and/or sewer system for a limited income household or a nonprofit corporation that provides affordable housing.

A qualified entity may apply at any time for a deferred payment for the water and/or sewer connection charges. The Town Administrator review applications and approves them based on fund availability. Revenues for this fund come from the general fund based on Council approval and availability. All deferred utility connection charges shall be paid back by the applicant or the applicant's successor.

This program has only been utilized in 2022 for the San Juan County Home Trust project located at 260 Price Street. Funds have been entirely paid back by the Home Trust.

### *Affordable Housing Grant Program*

Pursuant to Friday Harbor Municipal Code (FHMC) Section 3.40, a special revenue fund was created for the 5% affordable housing surcharge distribution that is received from the County as detailed in SJC Interlocal Agreement #SJC-05SJ08.

These funds are used as grants to qualified nonprofit entities whose purpose is to assist in providing home ownership to low-income households or operate an emergency housing shelter.

Applications for this grant program are accepted no later than June 1st each year for the following allowable uses:

- Acquisition, construction, or rehabilitation of housing projects or units within housing projects
- Supporting building operation and maintenance costs of housing projects or units within housing projects eligible to receive housing trust funds
- Rental assistance vouchers for housing units that are affordable to very low-income households with incomes at or below fifty percent of the area median income
- Operating costs for emergency shelters and licensed overnight youth shelters

The Town Administrator reviews all applications to ensure eligibility and refers them to the Town Council for consideration and final approval.

YEAR	AFFORDABLE HOUSING
2019	1,581
2020	1,639
2021	2,128
2022	2,267
2023	1,537
2024	1,221
2025 Thru 9/30	-



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YEAR	PARKING	HARBOR IMPROVEMENTS
2019	941	1,237
2020	378	1,315
2021	28,976	30,282
2022	996	1,754
2023	3,158	1,950
2024	3,414	2,587
2025 Thru 9/30	2,232	2,299

## Parking

Donation revenues are received to support the parking fund. This includes developer contributions for “in lieu of parking” fees that will be used to construct parking areas in the town.

## Harbor Improvements

Pursuant to RCW 79.115, titled “Aquatic Lands-Harbor Areas”, any leased harbor area or tideland that is situated within the limits of a town, whether the harbor area or tideland lies within a port district, the rents from the leases shall be paid by the Washington State Treasurer. The State Treasurer remits these funds to the Town in July and January of each year. Revenue is to be used for waterfront-related improvements only.

## Hotel/Motel Lodging Tax

Any city or town has the authority to levy lodging taxes, also known as “hotel/motel taxes,” on all charges for furnishing lodging at hotels, motels, and short-term rentals (STR), including such activities as Airbnb, bed and breakfasts (B&Bs), RV parks, and other housing and lodging accommodations for periods of time less than 30 days. Lodging tax is imposed by the legislative body and does not require voter approval. Revenues are restricted to use for tourism promotion, acquisition of tourism-related facilities, or operation of tourism-related facilities

### *Hotel/Motel Tax “Basic” or “State-Shared” – 1<sup>st</sup>*

Beginning on January 1, 1993, the Town imposed a 2% lodging tax that gets credited against the 6.5% state sales tax rate.

### *Hotel/Motel Tax “Additional” or “Special” – 2<sup>nd</sup>*

Beginning on July 1, 2001, the Town imposed an additional 1.2% special tax on top of the state sales tax rate. On January 1, 2003, the special tax was increased to 2%

YEAR	1 <sup>ST</sup>	2 <sup>ND</sup>	TOTAL
2019	240,164	241,942	482,106
2020	141,845	141,516	283,361
2021	295,152	295,221	590,374
2022	310,736	310,777	621,514
2023	294,834	294,736	589,570
2024	277,825	277,663	555,488
2025 – Thru 9/30	186,841	186,865	373,706



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## Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned. Revenues in these funds support expenditure for capital outlays, including the acquisition or construction of capital facilities or capital assets. The Town recognizes this fund type for Real Estate Excise Taxes (REET).

Real estate excise tax is levied by the State of Washington upon all sales of real estate. As of January 1, 2020, the state moved from a flat rate of 1.28% and implemented a graduated tax scale based on the property selling price. In addition to the state tax, the Town imposed two local real estate taxes; REET 1 and REET 2. Revenue sources for each quarter percentage are restricted to specific purposes and must be accounted for separately.

### Real Estate Excise Tax – 1<sup>st</sup> Quarter Percent

Beginning in 1982, the Town imposed a 0.25% first quarter percent that did not require voter approval. Revenues are restricted based on population and reporting requirements under the Growth Management Act (GMA). The Town may utilize this funding source for any capital purpose identified in a capital improvements plan or local capital improvements for streets, parks, sewers, and water mains. Additionally, the Town may use up to \$100,000 or 25% of available REET 1 funds, whichever is greater but not to exceed \$1 million per year, for the maintenance of capital projects.

### Real Estate Excise Tax – 2<sup>nd</sup> Quarter Percent

Beginning in 1992, the Town imposed a 0.25% second quarter percent that did not require voter approval. Revenues are restricted due to requirements for planning under the Growth Management Act (GMA). The Town may utilize this funding source for more specifically directed infrastructure and parks capital projects. Capital projects must be specified in the capital facilities plan element of the comprehensive land use plan for transportation, water, storm, sewer, and park capital projects. Additionally, the Town may use up to \$100,000 or 25% of available REET 2 funds, whichever is greater but not to exceed \$1 million per year, for maintenance or REET 1 projects with specific purposes and additional reporting requirements.

TYPE	2019	2020	2021	2022	2023	2024	2025
REET – 1st	78,999	102,887	143,521	98,506	97,830	73,854	93,308
REET – 2nd	78,999	102,887	143,521	98,506	97,830	73,854	93,309
<b>TOTAL REVENUE</b>	<b>157,998</b>	<b>205,774</b>	<b>287,041</b>	<b>197,012</b>	<b>195,660</b>	<b>147,708</b>	<b>186,617</b>



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## Enterprise Funds

Enterprise funds are used to report any activity where fees are charged for goods or services. Each fund's principal revenue source must support debt backed solely by a pledge of the net revenues from fees and charges, have a legal requirement to recover costs, and a policy decision to recover costs. The Town establishes an operating fund, capital reserve funds, and debt function funds for each enterprise fund. For reporting purposes, each sub-fund gets rolled into one fund per enterprise activity.

The Town provides utilities for water, sewer, refuse, and stormwater within the Town of Friday Harbor. Each of these utilities are considered a proprietary activity that is separate from general governmental activities. As a result, revenues must meet the expenses of the system, in addition to setting aside reserves. Expenses include operating costs; insurance; taxes; debt service, planning and engineering; reserves for improvements, expansions, and upgrades; and reserves for unforeseen events.

## Water Utility

Treated surface water is the sole source of water for customers served by the Town of Friday Harbor. The Town monitors all aspects of water treatment from the Trout Lake Reservoir & transmission through 12 miles of distribution lines to its customers.

TYPE	2019	2020	2021	2022	2023	2024	2025
INTERGOVERNMENTAL	-	1,835	-	-	-	-	-
CHARGES FOR GOODS AND SERVICES	2,115,273	2,188,691	2,260,494	2,306,443	2,398,297	2,510,041	2,457,244
FINES AND PENALTIES	2,385	360	720	1,530	5,499	4,361	4,545
MISCELLANEOUS REVENUES	212,296	378,537	241,150	255,060	321,446	358,851	302,316
TOTAL REVENUE	2,329,954	2,569,423	2,502,364	2,563,033	2,725,242	2,873,253	2,764,105

## Sewer Utility

The Town provides collection, treatment, and disposal of domestic, commercial, and industrial wastewater in accordance with federal and state regulations. Operations to provide this service include the treatment plant, approximately 40,000 linear feet of sewer pipelines, pump stations, and other related facilities.

TYPE	2019	2020	2021	2022	2023	2024	2025
INTERGOVERNMENTAL	598,465	368,968	364,064	1,000	519,597	6,032	729,267
CHARGES FOR GOODS AND SERVICES	2,425,923	2,348,174	2,573,137	2,586,261	2,743,366	2,567,971	2,144,474
FINES AND PENALTIES	-	-	-	-	-	-	-
MISCELLANEOUS REVENUES	347,418	799,171	389,411	263,635	107,727	106,187	300,489
TOTAL REVENUE	3,371,806	3,516,313	3,326,612	2,850,896	3,370,690	2,680,190	3,174,230



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## Refuse Utility

The Town provides collection of refuse, recycling, yard waste, and plastics recycling for residents and businesses within the Town of Friday Harbor. Recycling is provided by San Juan Sanitation for multi-family residences and businesses.

TYPE	2019	2020	2021	2022	2023	2024	2025
INTERGOVERNMENTAL	-	562	-	-	-	-	-
CHARGES FOR GOODS AND SERVICES	1,117,706	1,070,773	1,259,813	1,257,597	1,308,937	1,445,463	1,253,748
FINES AND PENALTIES	-	-	-	-	-	-	-
MISCELLANEOUS REVENUES	40,424	36,264	30,260	46,555	77,132	73,463	83,451
TOTAL REVENUE	1,158,130	1,107,599	1,290,073	1,304,152	1,386,069	1,518,926	1,337,199

## Stormwater Utility

The Town provides stormwater services for operation and maintenance of the storm drainage system for water runoff, including catch basins and pipes.

TYPE	2019	2020	2021	2022	2023	2024	2025
INTERGOVERNMENTAL	-	542	-	-	-	-	-
CHARGES FOR GOODS AND SERVICES	523,452	525,998	536,896	537,893	559,933	505,112	525,195
FINES AND PENALTIES	-	-	-	-	-	-	-
MISCELLANEOUS REVENUES	77,288	28,294	37,009	32,189	33,567	38,446	40,462
TOTAL REVENUE	600,740	554,834	573,905	570,082	593,500	543,558	565,656

## Fiduciary Funds – Custodial

Fiduciary funds account for assets held by the Town for the benefit of others. Requirements of a fiduciary fund that must be met are that the Town is not a beneficiary, dedicated funds provide benefits with set terms and are legally protected from the Town's creditors. These funds are not required to be reported in a budget.

The Town holds funds in the treasurer's trust for the utility assistance program, and the fiscal agency fund for court and building fees to remit to San Juan County and the State of Washington.

These fund types are not required for budgeting purposes.