



# REVENUE SOURCES

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

## ***Types of Revenue***

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

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

**LICENSES & PERMITS** are charges for the issuance of licenses and permits. Licenses are usually required for regulatory purposes such as building or development permits. These fees 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 & PENALTIES** 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	2018 ACTUAL	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL
Taxes*	2,315,539	2,501,819	2,305,506	2,911,074	2,978,071	3,146,379
Licenses & Permits	209,220	202,026	149,731	155,425	196,554	153,961
Intergovernmental	52,782	54,367	149,546	429,411	421,538	135,246
Charges for Services	35,852	22,819	24,501	13,622	34,730	24,131
Fines & Forfeits	75,344	83,542	53,320	69,407	63,212	56,334
Miscellaneous**	88,606	68,178	49,716	17,147	67,815	353,890
<b>TOTAL</b>	<b>2,777,343</b>	<b>2,932,751</b>	<b>2,732,320</b>	<b>3,596,086</b>	<b>3,761,920</b>	<b>3,869,941</b>

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

\*\*2023 includes a payment for Affordable Housing Deferred Utility Connections. Will not occur again unless another development applies and is approved for the program.

TOWN OF FRIDAY HARBOR

GENERAL FUND #001

TAXES

2024

## 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 2024, the Town had \$258.75 in unused capacity. By State law the Town can levy up to \$3.60 per \$1,000 of assessed valuation with voter approval for 2024. The Town's 2023 levy was 0.62954 per \$1,000 of the assessed valuation. On property assessed at \$400,000 the annual taxes paid to the Town would be \$251.82.

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.

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.

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

YEAR	ASSESSED VALUATION	TAX RATE PER/\$1,000	PROPERTY TAX LEVY
2018	533,266,881	0.93532	498,772.66
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

TAX LEVY RATES PER \$1,000 VALUATION			
TAXING JURISDICTION	2022 RATE	2023 RATE	2024 RATE
State Levy Part 1	1.77	1.50	1.44
State Levy Part 2	0.96	0.80	0.77
School Enrichment	0.49	0.43	0.37
School Bond-Cp	0.30	0.24	0.21
SJC Current Expense	0.76	0.61	0.54
SJC Conservation Futures	0.04	0.03	0.02
SJC Roads	0.00	0.00	0.00
Town Of Friday Harbor	0.50	0.56	0.63
Port Of Friday Harbor	0.13	0.10	0.09
Cemetery District	0.01	0.01	0.01
Library District	0.36	0.29	0.25
Fire District	0.42	0.34	0.30
Hospital District	0.70	0.58	0.50
Ems	0.36	0.41	0.39
Park & Recreation	0.39	0.31	0.27
Lopez Solid Waste	0.00	0.00	0.00
<b>Total Rate</b>	<b>7.19064</b>	<b>6.23775</b>	<b>5.81374</b>
<b>Senior Citizen</b>	<b>5.44329</b>	<b>4.76246</b>	<b>4.45942</b>

- 2023 TOTAL REVENUES FROM PROPERTY TAX
  - 351,786 GENERAL FUND
  - 117,262 STREET FUND
- HOW TO CALCULATE PROPERTY TAX:  
(Assessed Value ÷ \$1,000) x Tax Rate = Tax Bill

## RETAIL SALES AND USE TAXES

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. This means that 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.

Most retailers remit their sales taxes to the Department of Revenue (DOR) 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 DOR 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.

Sales and uses tax rate are 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 city, county, and other taxing districts. The Town's sales and use tax is made up of the following:

### STATE OF WASHINGTON SALES TAX

The State of Washington imposes a 6.5% sales and use tax.

### BASIC SALES TAX/FIRST HALF-CENT AND OPTIONAL SALES TAX/SECOND HALF-CENT

The Town and San Juan County each impose the 0.5% basic sales tax and 0.5% optional sales tax on goods and services: totaling 1.0%. Considering both entities impose the same first half-cent and second half-cent, these revenues are shared with the County. The Town receives 0.425% (85% of 0.5%) and the County receives 0.075% (15% of 0.5%) of each 0.5%. The Department of Revenue (DOR) collects these funds and remits them monthly. DOR retains 1% as an administrative fee.

The use of revenues is unrestricted and may be used for any lawful governmental purpose.

### CRIMINAL JUSTICE SALES TAX

San Juan County imposes a Criminal Justice sales tax of 0.1% that does not require voter approval and is shared with the Town. The distribution of this tax is based on population. 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. DOR retains 1% as an administrative fee.

The use of revenues is restricted for criminal justice purposes.

### MENTAL HEALTH & CHEMICAL DEPENDENCY SALES TAX

Beginning in April 2009, the County imposed a countywide 0.1% sales tax for mental health services. These tax collections go to the County to be used for chemical dependency or mental health treatment programs.

### 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.

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%. TBD sales tax is deposited into the street capital fund for transportation uses.



THE TOWN'S ANNUAL SALES TAX  
REVENUE IS BASED ON SALES FROM  
NOVEMBER THROUGH OCTOBER.



TOWN OF FRIDAY HARBOR

GENERAL FUND #001

TAXES

2024

## RETAIL SALES AND USE TAXES CONTINUED...

SAN JUAN COUNTY IMPOSED (No Revenues Distributed to the Town)

Cultural Access Program (CAP) Levy – In July 2020, voters approved a 0.2% increase to sales and use tax within San Juan County to purchase equipment for emergency communication services.

Housing and Related Services – In January 2024, voters approved a 0.1% increase to sales and use tax within San Juan County for affordable housing, behavioral health, and related services.

### RETAIL SALES AND USE TAX DISTRIBUTION

Due to the 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 consider 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.

Sales tax distributions can be viewed at:

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

November Through October	2018	2019	2020	2021	2022	2023
Regular & Optional	1,298,904	1,404,699	1,404,699	1,602,100	1,721,792	1,792,376
Criminal Justice	56,284	79,894	77,042	104,484	115,899	116,476
Public Health & Safety	543,349	758,921	717,568	947,233	1,035,593	1,039,277
<b>TOTAL</b>	<b>1,898,537</b>	<b>2,243,514</b>	<b>2,199,309</b>	<b>2,653,817</b>	<b>2,873,284</b>	<b>2,948,129</b>

## 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%. This tax is imposed by towns and counties; it does not require voter approval.

The largest generator of Leasehold Tax revenue within the Town is the Port of Friday Harbor who must charge leasehold tax on their permanent moorage berths, airport tie downs, and other rental property.

Leasehold tax revenues are unrestricted and may be used for any lawful government purpose.

Sales Tax Rates	
State	6.5%
Criminal Justice (Imposed By County; Shared Revenues)	0.1%
Juvenile Facilities (Imposed By County; County Revenues)	0.1%
Mental Health (Imposed By County; County Revenues)	0.1%
Public Safety (Imposed By County; Shared Revenues)	0.3%
Communications (Imposed By County, County Revenues)	0.2%
Housing & Related Services (Imposed By County, County Revenues)	0.1%
Town (Imposed By Town/County; Shared Revenues)	1.0%
Transportation Benefit District (Imposed By Town; Town Revenues)	0.3%
<b>Total</b>	<b>8.7%</b>

Leasehold Tax Revenue	
2018	96,615
2019	104,965
2020	121,813
2021	131,528
2022	144,096
2023	158,247
2024 (thru Oct)	132,074
2025 (budgeted)	155,000

## 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 to conduct business within the Town of Friday Harbor limits.

In 2019, a new State mandate began that required all businesses to renew their business licenses via the Washington State Department of Revenue (DOR) instead of directly with the Town. Throughout the month DOR distributes business license revenues to the Town.

License fees are used for administrative costs pertaining to businesses.



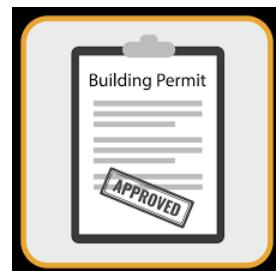
### BUSINESS LICENSE REVENUE

<b>2018</b>	34,539
<b>2019</b>	33,552
<b>2020</b>	38,228
<b>2021</b>	43,733
<b>2022</b>	45,846
<b>2023</b>	44,346
<b>2024 (thru Oct)</b>	38,342
<b>2025 (budgeted)</b>	45,000

## BUILDING PERMITS

The Town collects fees for building permits to cover the costs of the services provided by the Community Development and Planning Department as outlined in RCW 19.27100 & 82.02.020. Fees are assessed for processing plan reviews; building, plumbing, and mechanical permits; and property development. The amount of these fees is based on the value of the project.

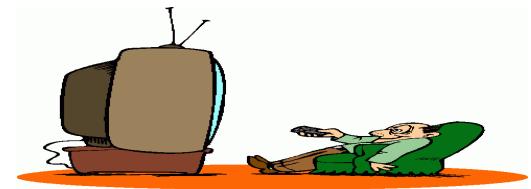
BUILDING PERMIT ACTIVITY			
YEAR	# PERMITS	VALUATION	\$
<b>2018</b>	51	10,826,394	160,909
<b>2019</b>	53	9,927,215	143,846
<b>2020</b>	43	4,928,630	78,942
<b>2021</b>	39	3,576,532	46,311
<b>2022</b>	33	7,409,594	42,743
<b>2023</b>	48	8,187,731	118,545



## 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.



### FRANCHISE TAX REVENUE

<b>2018</b>	5,453
<b>2019</b>	4,071
<b>2020</b>	3,177
<b>2021</b>	3,510
<b>2022</b>	2,170
<b>2023</b>	778
<b>2024 (thru Oct)</b>	263
<b>2025 (budgeted)</b>	200

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. 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.

#### CANNABIS (MARIJUANA) EXCISE TAX

The state imposes a 37% excise tax, and a portion is distributed to cities and counties as mandated by I-502. The distributions depend significantly on local policies and regulations.

Beginning in 2022, revenues began being distributed based on two separate components:

- Per capita share: distributions to cities and counties that do not prohibit cannabis businesses.
- Retail share: distributions where cannabis retailers are located.

There is no clear guidance for use of revenues.

#### CRIMINAL JUSTICE DISTRIBUTION

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 are 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 that are restricted to specified criminal justice purposes from the following programs:

- Population: based on population for all cities/towns.
- Special Programs: innovative law enforcement, at-risk children and child abuse victims, or domestic violence programs.
- Contracted Services: distributed when a city or town contracts for a majority of its law enforcement services.

#### LIQUOR DISTRIBUTIONS

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. Additional revenues are also distributed to border towns to enhance public safety.

Distributions are based on two separate components:

- Liquor Profits: flat distribution from licensing fees. 2% of revenues must be used for drug or alcohol treatment programs. The rest is unrestricted.
- Liquor Excise: distribution based on liquor sales. 2% must be used for drug or alcohol treatment programs, 20.23% must be used for public safety programs, and the remaining is unrestricted.

POPULATION – POSTCENSAL ESTIMATES			
Year	State Incorporated	SJ County Unincorporated	Town
2018	4,836,485	14,465	2,345
2019	4,910,909	14,730	2,420
2020	4,990,690	14,850	2,490
2020 Census	5,037,556	15,175	2,613
2021	5,077,235	15,220	2,630
2022	5,156,008	15,470	2,680
2023	5,222,265	15,635	2,715
2024	5,288,492	15,735	2,740

\*From WA State Office of Financial Management  
<https://ofm.wa.gov/washington-data-research/population-demographics/population-estimates/historical-estimates-april-1-population-and-housing-state-counties-and-cities>

## TOWN OF FRIDAY HARBOR

GENERAL FUND #001

INTERGOVERNMENTAL/SERVICE CHARGES

2024

## INTERGOVERNMENTAL CONTINUED...

The following distributions were made to the Town for intergovernmental revenues in the general fund:

Distributions	2018	2019	2020	2021	2022	2023	2024 (thru Oct)	2025 (budgeted)
Marijuana Excise	3,477	2,726	2,769	3,273	4,259	4,263	2,176	4,200
Criminal Justice	7,397	7,862	8,371	8,990	9,603	10,127	10,791	10,500
Liquor Excise Tax	11,740	13,186	15,637	17,964	18,889	14,078	9,632	15,000
Liquor Profits	14,905	15,249	15,496	15,693	16,271	20,296	8,175	21,000
Border Patrol	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150

## CHARGES FOR 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 zoning, subdivision, and land use applications. These fees are associated with growth and development of the Town.

REVENUES	
2018	35,852
2019	22,819
2020	24,501
2021	13,622
2022	34,730
2023	24,131

PLANNING PERMIT ACTIVITY						
Application Type	2018	2019	2020	2021	2022	2023
SEPA	3	2	8	7	7	0
Site Plan Review	0	5*	10	5	6	5
Substantial Shoreline Development (SSDP)	2	0	2	0	2	0
Boundary Line Modifications	7	3	1	1	0	1
Sign Permits	0	20*	6	27	23	15
Planned Residential Development	0	1*	1	0	0	0
Plats	4	2	2	1	2	0
Rezone	2	1	1	1	1	2

\*New type added (eliminated Conditional Use, Variance & Subdivision because little activity reported in prior years)



## TOWN OF FRIDAY HARBOR

## GENERAL FUND #001

## OTHER REVENUE

2024

## FINES & PENALTIES

Fines and Forfeits are penalties imposed as a result 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.

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.

YEAR	Parking Tickets Filed	Parking Revenue	Traffic Infractions Filed	Traffic Infraction Revenue
2018	2,296	62,749	114	7,049
2019	2,056	56,286	303	19,015
2020*	1,001	31,437	212	15,177
2021	1,594	50,920	139	12,427
2022	1,595	49,939	52	7,683
2023	1,363	18,725	92	8,064

## \*\*COVID-19 impact



## 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.

General Fund	Interest Income	Other Interest
<b>2018</b>	45,609	3,092
<b>2019</b>	55,338	4,420
<b>2020</b>	23,914	2,677
<b>2021</b>	3,501	1,612
<b>2022</b>	56,087	3,168
<b>2023</b>	177,820	9,203

## The average LGIP interest rate

❖ 2018	1.1816%
❖ 2019	2.3074%
❖ 2020	0.6368%
❖ 2021	0.1047%
❖ 2022	1.6560%
❖ 2023	5.1105%



## TOWN OF FRIDAY HARBOR

STREET FUND #101

SPECIAL REVENUE

2024

Special revenue funds are utilized for specific revenue resources that are restricted, committed, or assigned for specific purposes. These restrictions may be imposed by creditors, grantors, contributors, laws or Town Council. The street fund is classified as a special revenue fund due to being entirely restricted, committed, and assigned.

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

***Types of Revenue***

- **Taxes**
- **Licenses & Permits**
- **Intergovernmental**
- **Charges for Services**
- **Miscellaneous**

**TAXES** are those assessments levied for the support of the Town and include property taxes, transportation benefit district sales and use tax, and public transportation systems sales and use taxes.

**LICENSES & PERMITS** are charges for the issuance of licenses and permits. Permits are required for regulatory purposes such as right of way uses in the street and curbs

**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 including:

- Maintenance & Construction Services
- Zoning & Subdivision Services
- Growth Management Act (GMA) Impact Fees

**MISCELLANEOUS** revenue is a catch all for those monies not included in the other categories such as:

- Interest and Other Earnings
- Rents and Leases
- Contributions and Donations from Nongovernmental Sources
- Special Assessments
- Other Miscellaneous

STREET FUND	2018 ACTUAL	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL
Taxes	634,280	685,243	631,656	797,775	803,742	850,617
Licenses & Permits	2,475	3,400	2,600	2,600	4,400	3,120
Intergovernmental	3,313,065	741,482	739,343	1,069,589	481,322	1,597,231
Charges for Services	0	111,334	1,020	61,634	4,896	0
Fines & Forfeits	0	0	0	0	0	0
Miscellaneous	23,473	33,033	82,549	22,776	66,808	67,301
<b>TOTAL</b>	<b>3,973,293</b>	<b>1,574,492</b>	<b>1,457,168</b>	<b>1,954,374</b>	<b>1,361,168</b>	<b>2,518,269</b>

## TAXES

### 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.

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%. TBD sales tax is deposited into the street capital fund for transportation uses.

## INTERGOVERNMENTAL

**FEDERAL AND STATE GRANTS** are a major revenue source of the street fund considering there is not a capability to charge for streets like utilities. The Town has received grant funding from the Federal Department of Transportation and the Washington Transportation Improvement Board (TIB)

**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. 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 include:

- Capron Refund: a share of the state gas tax and vehicle license fees are distributed to compensate for the lack of state highways. Revenues are placed in the street fund to be used for street purposes.
- Motor Vehicle Fuel Tax (MVFT): distributed on a per capita basis based on the amount of gas taxes collected statewide to be used for street purposes.
- Multimodal Funds: distributed on a per capita basis directly from the state transportation fund to be used for transportation purposes.



## TOWN OF FRIDAY HARBOR

## SPECIAL REVENUE FUND #125

## SPECIAL REVENUE

2024

Special revenue funds are utilized for specific revenue resources that are restricted, committed, or assigned for specific purposes. These restrictions may be imposed by creditors, grantors, contributors, laws or Town Council. The Town has four special revenue funds under the 125-fund number; Low Income and Affordable Housing, In Lieu of Parking, Harbor Improvements, and Hotel/Motel.

The Town receives various types of revenue to support its special revenue fund.

***Types of Revenue***

- **Taxes**
- **Intergovernmental**
- **Charges for Services**
- **Miscellaneous**

**TAXES** are those assessments levied for the support of the Town and include hotel/motel taxes.

**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. For utility funds, this includes:

- Filing and Recording Fees
  - Recording Surcharge for Affordable Housing

**MISCELLANEOUS** revenue is a catch all for those monies not included in the other categories such as:

- Interest and Other Earnings
- Contributions and Donations from Nongovernmental Sources
- Other Miscellaneous

SPECIAL REVENUE FUND	2018 ACTUAL	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL
Taxes	487,494	482,106	283,361	590,374	621,514	589,570
Licenses & Permits	0	0	0	0	0	0
Intergovernmental	910	946	11,142	1,305	22,754	1,950
Charges for Services	1,380	1,581	1,639	2,128	2,267	1,537
Fines & Forfeits	0	0	0	0	0	0
Miscellaneous	31,600	22,464	8,074	29,775	13,797	43,749
<b>TOTAL</b>	<b>521,384</b>	<b>507,097</b>	<b>304,216</b>	<b>623,582</b>	<b>660,332</b>	<b>636,806</b>

## LOW INCOME & AFFORDABLE HOUSING

### UTILITY CONNECTION CHARGE DEFERRAL FUND

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 reviews 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.



### 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 1<sup>st</sup> 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.

## IN LIEU OF PARKING

Revenues for this department will come from donations including those developers that contribute funds "in lieu of parking." These funds 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 or not 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.

## LODGING TAX (HOTEL/MOTEL 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. The tax is collected as a sales tax and paid by the customer at the time of the transaction. These taxes may be imposed by the legislative body and do not require voter approval. Taxes are collected by the State and remitted to the Town two months later.

### BASIC OR STATE-SHARED LODGING TAX

Beginning on January 1, 1993, the Town imposed a 2% lodging tax that gets credited against the state sales tax rate. This tax is imposed by the legislative body and does not require voter approval.

### ADDITIONAL OR SPECIAL TRANSIENT RENTAL TAX

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%. This tax is imposed by the legislative body and does not require voter approval.



LODGING TAX DISTRIBUTIONS		
YEAR	LODGING	TRANSIENT RENTAL
2018	243,647	243,847
2019	241,942	240,164
2020	141,516	141,845
2021	295,221	295,152
2022	310,813	310,736
2023	294,736	294,83
2024 (thru Oct)	225,677	225,839

### USE OF REVENUES

Revenues are restricted to use for tourism promotion, acquisition of tourism-related facilities, or operation of tourism-related facilities.

Funds may be used directly by the Town or indirectly through a convention and visitor's bureau or destination marketing organization. Indirect funds are reviewed and distributed by the LTAC Committee.

### LTAC COMMITTEE

The Lodging Tax Advisory Committee (LTAC) has been established under FHMC 2.66 to review applications for funding from lodging taxes collected by the Town and make recommendations to the Town Council on those applications and related lodging tax issues. The committee is comprised of seven voting members including two Town Council members and at least two members representing lodging establishments. The Town Council may appoint an eighth member at large to act as an alternate. Members are appointed by the Mayor with concurrence from the Council. Members are appointed to three-year terms.

## REAL ESTATE EXCISE TAXES

The State of Washington levies a real estate excise tax (REET) upon all sales of real estate under chapter 82.45 RCW. The tax rate used to be a flat 1.28%, but effective January 1, 2020, the state implemented a graduated tax scale based on the selling price of the property, with the sale price thresholds adjusted on a four-year schedule (see RCW 82.45.060). However, the sale of real property classified as timberland or agricultural land remains taxed at a flat 1.28% regardless of the sale price. There are two REET options for cities and towns; REET 1 & REET 2. Taxes are collected by San Juan County and remitted to the Town the following month.

### REET 1 – FIRST QUARTER PERCENT

Beginning in 1982, the Town imposed a 0.25% REET tax for all real estate sales. This tax is imposed by the legislative body and does not require voter approval.

Revenues are restricted to specific uses based on population size and Growth Management Act (GMA) planning. Due to the population being under 5,000, use of these funds may be for:

- Any capital purpose identified in a capital improvement plan for improvements to streets, parks, sewers, water mains, or Town Hall.
- Acquisition of real and personal property associated for capital improvements.

Use of up to \$100,000 or 25% of available REET funds, whichever is greater but not exceeds \$1 million per year, for Maintenance of capital projects. Additional reporting requirements must be adopted as part of the budget process if use is for maintenance.

REET DISTRIBUTIONS		
YEAR	REET 1 First Quarter Percent	REET 2 Second Quarter Percent
2018	74,847	74,847
2019	78,999	78,999
2020	97,104	97,104
2021	143,521	143,521
2022	98,506	98,506
2023	97,830	97,830
2024 (thru Oct)	65,543	65,543

### REET 2 – SECOND QUARTER PERCENT

Beginning in 1992, the Town imposed an additional 0.25% REET tax for all real estate sales. This tax is imposed by the legislative body and does not require voter approval.

Revenues are restricted to specific uses based on population size and GMA planning. Due to the population being under 5,000, use of these funds may be for:

- Any capital purpose identified in a capital improvement plan for improvements to streets, parks, sewers, water mains, or Town Hall.
- Acquisition of real and personal property associated for capital improvements.
- Use of up to \$100,000 or 25% of available REET funds, whichever is greater but not exceeds \$1 million per year, for Maintenance of capital projects. Additional reporting requirements must be adopted as part of the budget process if use is for maintenance.



## TOWN OF FRIDAY HARBOR

REET FUND #315

CAPITAL PROJECTS

2024

## REAL ESTATE EXCISE TAXES CONTINUED...

The Real Estate Excise Tax fund is primarily funded through the REET tax. However, a small portion of the revenues received in this fund are from investment earnings. Below shows the revenue types received in this fund.

REET FUND	2018 ACTUAL	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL
Taxes	149,694	157,998	194,208	287,042	197,012	195,660
Licenses & Permits	0	0	0	0	0	0
Intergovernmental	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0
Fines & Forfeits	0	0	0	0	0	0
Miscellaneous	31,319	36,515	11,469	19,616	39,004	123,663
<b>TOTAL</b>	<b>181,013</b>	<b>194,513</b>	<b>205,677</b>	<b>306,658</b>	<b>236,016</b>	<b>319,323</b>

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.



#### SEWER/WASTEWATER 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.



#### 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.



#### STORMWATER UTILITY

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

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

#### ***Types of Revenue***

- **Intergovernmental**
- **Charges for Services**
- **Fines and Penalties**
- **Miscellaneous**

#### **INTERGOVERNMENTAL**

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

**FINES & PENALTIES** are penalties imposed as a result of non-payment for utilities.

#### **CHARGES FOR SERVICES**

are those fees charged for professional services or for services rendered. For utility funds, this includes:

- User Fees: Monthly Base Fees and Consumption Charges
- Connection Fees
- Repair or Construction Services
- Planning and Development Fees

**MISCELLANEOUS** revenue is a catch all for those monies not included in the other categories such as:

- Interest and Other Earnings
- Rents and Leases
- Contributions and Donations from Nongovernmental Sources
- Special Assessments
- Other Miscellaneous

## TOWN OF FRIDAY HARBOR

## UTILITY FUNDS

2024

WATER FUND #410	2018 ACTUAL	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL
Taxes	0	0	0	0	0	0
Licenses & Permits	0	0	0	0	0	0
Intergovernmental	0	0	1,835	0	0	0
Charges for Services	2,224,895	2,115,273	2,188,691	2,260,494	2,306,443	2,398,297
Fines & Forfeits	1,800	2,385	360	720	1,530	5,499
Miscellaneous	255,173	212,296	378,537	241,150	255,060	321,446
<b>TOTAL</b>	<b>2,481,868</b>	<b>2,329,954</b>	<b>2,569,423</b>	<b>2,502,364</b>	<b>2,563,033</b>	<b>2,725,242</b>

SEWER FUND #420	2018 ACTUAL	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL
Taxes	0	0	0	0	0	0
Licenses & Permits	0	0	0	0	0	0
Intergovernmental	117,562	598,465	368,968	364,064	1,000	519,597
Charges for Services	2,256,126	2,425,923	2,348,174	2,573,137	2,586,261	2,743,366
Fines & Forfeits	0	0	0	0	0	0
Miscellaneous	266,031	347,418	799,171	19,616	263,635	107,727
<b>TOTAL</b>	<b>2,639,720</b>	<b>3,371,806</b>	<b>3,516,313</b>	<b>3,326,612</b>	<b>2,850,896</b>	<b>3,370,690</b>

## TOWN OF FRIDAY HARBOR

## UTILITY FUNDS

2024

REFUSE FUND #430	2018 ACTUAL	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL
Taxes	0	0	0	0	0	0
Licenses & Permits	0	0	0	0	0	0
Intergovernmental	0	0	562	0	0	0
Charges for Services	1,127,006	1,117,706	1,070,773	1,259,813	1,257,567	1,308,937
Fines & Forfeits	0	0	0	0	0	0
Miscellaneous	34,730	40,424	36,264	30,260	46,555	77,132
<b>TOTAL</b>	<b>1,161,736</b>	<b>1,158,130</b>	<b>1,107,599</b>	<b>1,290,073</b>	<b>1,304,122</b>	<b>1,386,069</b>

STORMWATER FUND #450	2018 ACTUAL	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL
Taxes	0	0	0	0	0	0
Licenses & Permits	0	0	0	0	0	0
Intergovernmental	0	0	542	0	0	0
Charges for Services	519,607	523,452	525,998	536,896	537,893	559,933
Fines & Forfeits	0	0	0	0	0	
Miscellaneous	48,800	77,288	28,294	37,009	32,189	33,567
<b>TOTAL</b>	<b>568,407</b>	<b>600,740</b>	<b>554,834</b>	<b>573,905</b>	<b>570,082</b>	<b>593,500</b>