



PERMANENT AVAILABLE REVENUE OPTIONS

City Council Workshop
March 27, 2024

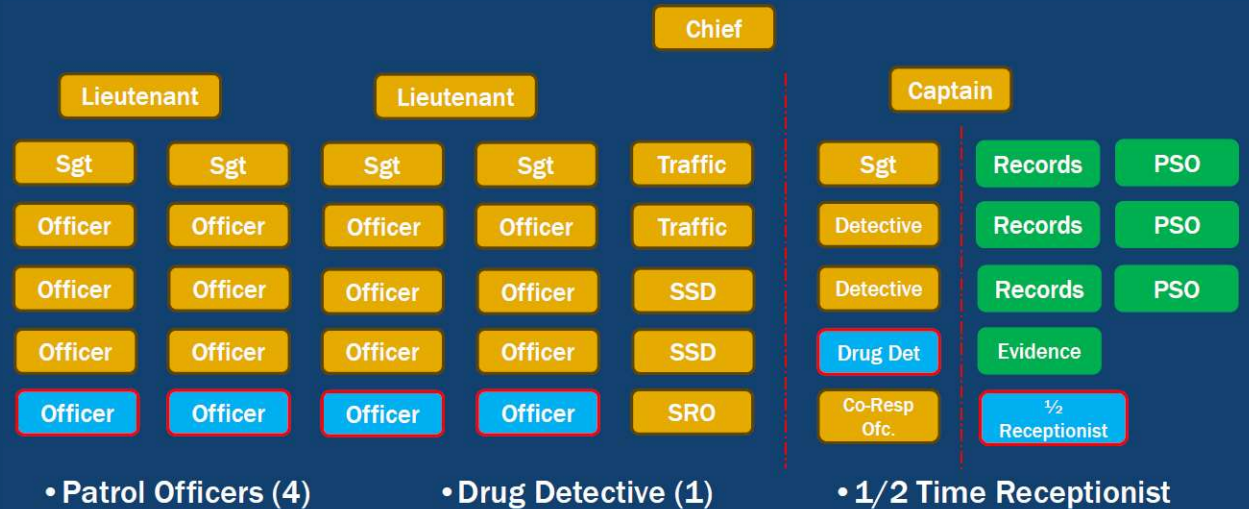


BACKGROUND

- February 28, 2024 Council Workshop - Police Chief Slowik summarized police staffing needs
- Approx. Salary & Benefit cost for 1 Police Officer starting at STEP 1 = \$113,000
- Recommended staffing = 4 Officers, 1 Drug Detective, 1/2 time receptionist.



RECOMMENDED STAFFING





TEMPORARY FUNDING OPTIONS

- DOJ COPS Grant – Will fund a total of \$125,000 per position spread out over three years.
- \$41,666 per year translates to 37% of entry level officer first year and decreasing percentage from there.

	2024	2025	2026
Salary	80,712.00	88,128.00	95,112.00
Benefit Percentage (Est.)	40%	40%	40%
Benefits (Estimated)	32,284.80	35,251.20	38,044.80
Total Payroll	112,996.80	123,379.20	133,156.80
COPS Grant	41,666.00	41,667.00	41,667.00
Percent of Total Payroll	37%	34%	31%
City Share	71,330.80	81,712.20	91,489.80



TEMPORARY FUNDING OPTIONS

- J&J Opioid Settlement – Will provide about \$1,200,000.
- Would fund 1 entry-level Drug Detective for about 8 years.

	2024	2025	2026	2027
Salary*	80,712.00	88,128.00	95,112.00	102,408.00
Benefit Percentage (Est.)	40%	40%	40%	40%
Benefits (Estimated)	32,284.80	35,251.20	38,044.80	40,963.20
Total Payroll	112,996.80	123,379.20	133,156.80	143,371.20

	2028	2029	2030	2031	Total
Salary*	110,064.00	118,092.00	121,634.76	125,283.80	841,434.56
Benefit Percentage (Est.)	40%	40%	40%	40%	40%
Benefits (Estimated)	44,025.60	47,236.80	48,653.90	50,113.52	336,573.83
Total Payroll	154,089.60	165,328.80	170,288.66	175,397.32	1,178,008.39



PERMANENT FUNDING SOLUTIONS

Public Safety Sales Tax

- Would fund 4 police officers.
- Voter approval required. Majority (50%) vote required.
- Filing deadline for August Primary = May. Deadline for November General = August.
- Two options. City led or County led.
- City led = Maximum of 0.1% sales tax. Approximately \$500,000 per year.
- County led = Maximum of 0.3% sales tax. Approximately \$543,000 per year for each 0.1% sales tax.
- Formulas vary based on formulas contained in RCW. See 2023 MRSC Revenue Guide for Cities for more details.



PERMANENT FUNDING SOLUTIONS

City Led

Figures below assume Tax is imposed by Oak Harbor at 0.1% cents

	Oak Harbor	Island County	State	Amount
<u>As a percentage of Tax - Public Safety Tax</u>	84.2%	14.9%	1.00%	1/10 cent
Portion of \$100 Dollar Purchase - Public Safety Tax	\$ 0.084	\$ 0.015	\$ 0.001	\$ 0.100
<u>2020 Estimated Amount - If it had been in effect</u>	\$ 499,409.13	\$ 88,131.02	\$ 5,934.75	\$ 593,474.90

County Led

Figures below assume Tax is imposed by Island County at 0.1% cents

	Oak Harbor	Island County	Langley	Coupeville	State	Amount
<u>As a percentage of Tax - Public Safety Tax</u>	35.2%	59.4%	1.7%	2.7%	1.0%	1/10 cent
Portion of \$100 Dollar Purchase - Public Safety Tax	\$ 0.035	\$ 0.059	\$ 0.002	\$ 0.003	\$ 0.001	\$ 0.100
<u>2020 Estimated Amount - If it had been in effect</u>	\$ 543,075.18	\$ 915,517.63	\$ 25,731.92	\$ 41,537.99	\$ 15,412.75	\$ 1,541,275.48



PERMANENT FUNDING SOLUTIONS

Business and Occupation Tax (B&O Tax)

- MRSC – There are four major general revenue sources available for cities:
 - Property Tax – Limited to 1% plus new construction or requires levy lid lift vote.
 - Sales Tax – Growth has leveled off.
 - Utility Tax – Decreased due to lowering of utility rate.
 - B&O Tax – Available.
- About 50 cities use B&O Tax.



PERMANENT FUNDING SOLUTIONS

Details of B&O Tax

- Council approval.
- Maximum tax rate is $0.002 \times$ gross annual receipts. $0.002 = 1/5$ of 1%.
- Handful of cities have higher grandfathered-in rates.
- Minimum tax threshold = \$20,000 gross annual receipts (exempt from tax).
- Tax thresholds range from \$20,000 to \$1,000,000.
- See 2023 MRSC Revenue Guide for Cities for more details.



Local business & occupation (B&O) tax rates^ Effective January 1, 2023

City	Phone #	Manufacturing rate	Retail rate	Services rate	Wholesale rate	Tax Threshold^^	
						Quarterly	Annual
Aberdeen	(360) 533-4100	0.002	0.003 e	0.0037 e	0.003 e	\$5,000	\$20,000
Algona	(253) 833-2897	0.00045	0.00045	0.00045	0.00045	\$10,000	\$40,000
Auburn****	(253) 392-6496	0.001	0.0005	0.001	0.0018		\$500,000
Bainbridge Island	(206) 780-8668	0.001	0.001	0.001	0.001		\$150,000
Bellevue	(425) 452-6851	0.001596	0.001596	0.001596	0.001596		\$195,000
Bellingham	(360) 778-8010	0.0017	0.0017	0.0044 e	0.0017	\$5,000	\$20,000
Blaine	(360) 332-8311	0.002			0.002		\$250,000
Bremerton	(360) 473-5311	0.0016	0.00125	0.002	0.0016		\$1,000,000
Burien	(206) 241-4647	0.001	0.001	0.001	0.001		\$200,000
Burlington	(360) 755-0531		0.001				\$1,000,000
Cosmopolis	(360) 532-9230	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Darrington	(360) 436-1131	0.00075	0.00075	0.00075	0.00075		\$20,000
Des Moines	(206) 878-4595	0.002	0.002	0.002	0.002		\$50,000
DuPont	(253) 964-8121	0.001	0.001	0.001	0.001	\$5,000	\$20,000
Everett***	(425) 257-8610	0.001	0.001	0.001	0.001	\$5,000	\$20,000
Everson	(360) 966-3411	0.002			0.002		\$1,000,000
Granite Falls**	(360) 691-6441					\$5,000	\$20,000
Hoquiam	(360) 532-5700	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Ilwaco	(360) 642-3145	0.002	0.002	0.002	0.002		\$20,000
Issaquah	(425) 837-3054	0.0012	0.0012	0.0015	0.0012	\$25,000	\$100,000
Kelso	(360) 423-0900	0.001	0.001	0.002	0.001		\$20,000
Kenmore	(425) 398-8900	0.002 *				\$5,000	
Kent	(253) 856-6266	0.001	0.001	0.002	0.002	\$62,500	\$250,000
Lacey	(360) 491-3214		0.001	0.002		\$5,000	\$20,000



Local business & occupation (B&O) tax rates^
Effective January 1, 2023

Kent	(253) 856-6266	0.001	0.001	0.002	0.002	\$62,500	\$250,000
Lacey	(360) 491-3214		0.001	0.002		\$5,000	\$20,000
Lake Forest Park	(206) 368-5440	0.002	0.002	0.002	0.002	\$5,000	
Long Beach	(360) 642-4421	0.002	0.002	0.002	0.002	\$5,000	
Longview	(360) 442-5040	0.001	0.001	0.002	0.001		\$20,000
Lyman	(360) 826-3033	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Mercer Island	(206) 275-7783	0.001	0.001	0.001	0.001		\$150,000
North Bend	(425) 888-1211	0.002	0.002	0.002	0.002	\$5,000	
Ocean Shores	(360) 289-2488	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Olympia	(360) 753-8327	0.001	0.001	0.002	0.001	\$5,000	\$20,000
Pacific	(253) 929-1100	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Port Townsend	(360) 385-2700	0.002	0.002	0.002	0.002	\$0	\$100,000
Rainier	(360) 446-2265	0.002	0.002	0.002	0.002	\$5,000	
Raymond	(360) 942-3451	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Renton	(425) 430-6400	0.00121	0.0007	0.00121	0.00121		\$500,000
Roy	(253) 843-1113	0.001	0.002	0.002	0.001	\$5,000	\$20,000
Ruston	(253) 759-3544	0.0011	0.00153	0.002	0.00102	\$5,000	\$20,000
Seattle	(206) 684-8484	0.00222 v	0.00222 v	0.00427 v	0.00222 v		\$100,000
Shelton	(360) 426-4491	0.001	0.001	0.001	0.001	\$5,000	\$20,000
Shoreline	(206) 801-2324	0.001	0.001	0.002	0.001	\$125,000	\$500,000
Snoqualmie	(425) 888-1555	0.0015	0.0015	0.0015	0.0015	\$5,000	
South Bend	(360) 875-5571	0.001	0.002	0.002	0.002	\$5,000	
Tacoma	(253) 591-5252	0.0011	0.00153	0.004 e	0.00102		\$250,000
Tenino	(360) 264-2368	0.002	0.002	0.002	0.002	\$5,000	\$20,000
Tukwila*^	(206) 433-1835						\$750,000
Tumwater	(360) 754-5855	0.001	0.001	0.002	0.001	\$5,000	\$20,000
Westport	(360) 268-0131	0.0025 e	0.005 e	0.005 e	0.0025 e	\$5,000	
Yelm	(360) 458-3244	0.001	0.002	0.002	0.001	\$5,000	

(v) = voter approved increase above statutory limit

(e) = rate higher than statutory limit because rate was effective prior to January 1, 1982 (i.e., grandfathered).



PERMANENT FUNDING SOLUTIONS

<u>Business Tax</u>	Option 1	Option 2	Option 3
Calculations			
Business Tax Threshold (gross annual receipts)	\$ 5,000,000	\$ 1,000,000	\$ 100,000
Number of Business Applicable	27	178	555
Percent of all Oak Harbor Business Applicable	1.2%	8.2%	26%
Tax Rate	0.002	0.002	0.002
Gross Annual Receipts over Minimum	\$ 396,550,958	\$ 668,847,419	\$ 939,085,520
Annual Revenue Generated	\$ 793,102	\$ 1,337,695	\$ 1,878,171
Maximum	\$ 132,665	\$ 140,665	\$ 142,465
Minimum	\$ 163	\$ 55	\$ 1
Median	\$ 11,121	\$ 1,664	\$ 800



PERMANENT FUNDING SOLUTIONS

Next Steps

- Compared to the attainment of one-time revenues through grants and settlements, permanent recurring revenues sources that can be used to fund on-going personnel, operating, maintenance, and debt payment costs have become rarer.
- Funding in excess of the amount needed for the 4 officers, 1 drug detective, and ½ time receptionist can be used for current and future needs such as:
 - Debt service on borrowed funds to construct potential parks, marina, capital facility projects.
 - On-going anticipated operational and maintenance costs related to upcoming capital projects.
 - Increasing costs of contracted services.

THANK YOU!

