



CITY OF
Vancouver
WASHINGTON

2025-2026 Budget Direction & Policy Framework

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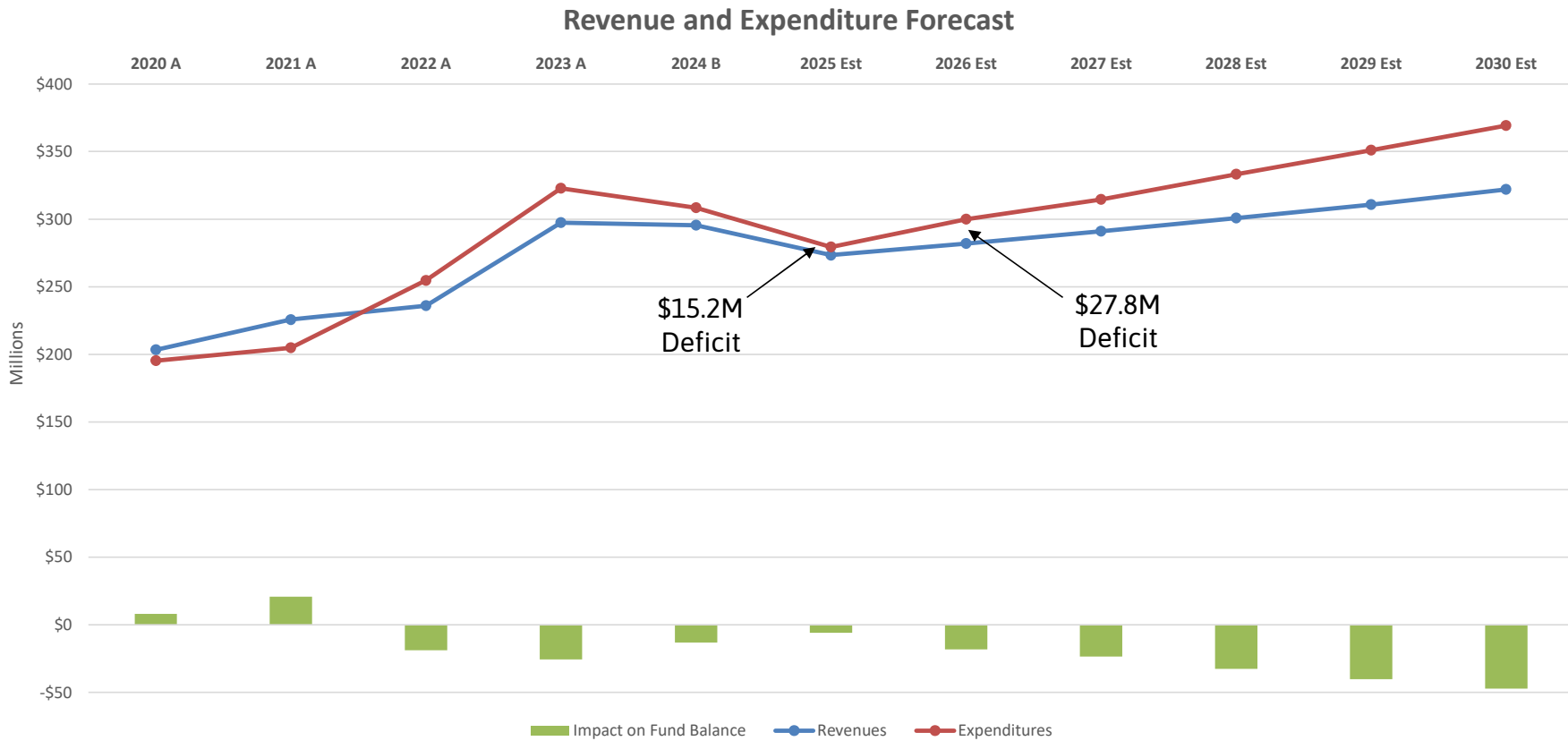


Agenda

- Review 2025-26 Projected Deficit
- Review Revenue Options
- Recommended Budget Framework
- Next Steps: Budget Schedule



2025-2030 General, Street, and Fire Funds Forecast

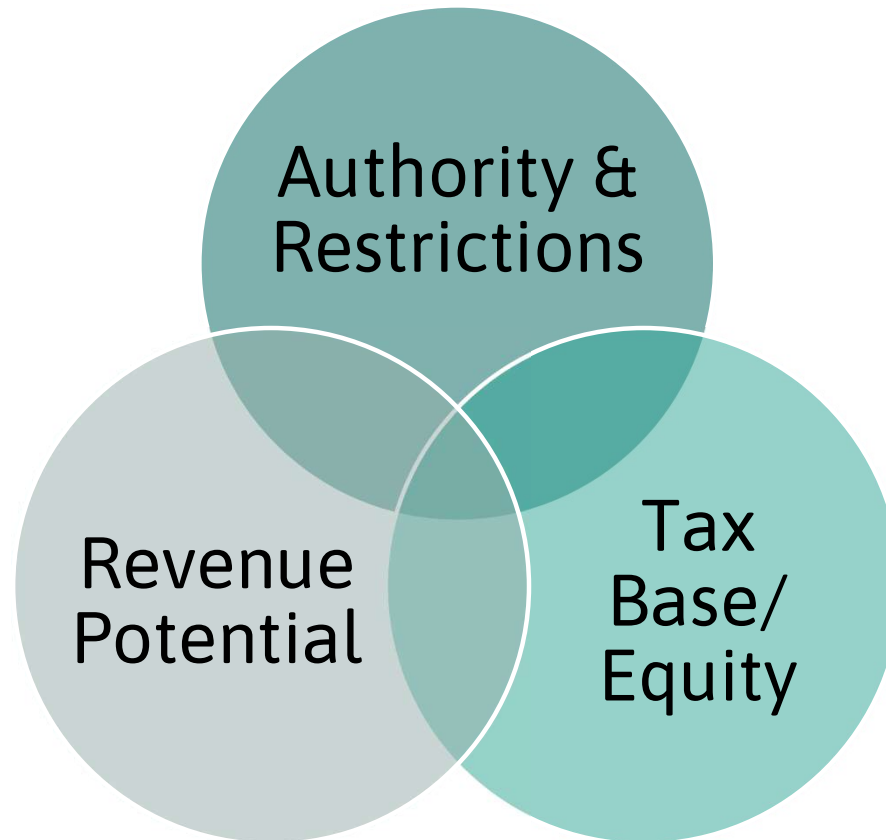


2025-26 Budget: Revenue Options



2025-2026 Budget: Revenue Options

Considerations:



2025-2026 Budget: Revenue Options

Three categories:

- Current adopted taxes and fees that could be increased or expanded to generate additional revenue
- New taxes that could be adopted to generate additional revenue
- Uncommon, but legally authorized taxes





Options in current tax and fee rates to generate additional revenue



2025-2026 Budget: Revenue Options

Utility Tax – City Owned Utilities (sewer, water, drainage, garbage)

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• No statutory limit	<ul style="list-style-type: none">• 1% = ~\$1.8M (Equates to ~\$1.20 per household per month)	<ul style="list-style-type: none">• None – may be used for any general government purpose	<ul style="list-style-type: none">• Current tax rate = 28.9%• Current rate among highest in state• Broad tax base• Equity and competitiveness



2025-2026 Budget: Revenue Options

Property Tax – Banked Capacity

HE0

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• Total levy limit \$2.56	<ul style="list-style-type: none">• ~\$5.5M annually (2025)	<ul style="list-style-type: none">• Must be used for Fire and EMS operating and capital purposes	<ul style="list-style-type: none">• Current 2024 levy rate = \$2.08• Interplay between original levy rate of \$0.50 and maximum banked capacity• Broad tax base• Equity and competitiveness



Slide 9

HE0 We still need to land on how and what we use this for.
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2025-2026 Budget: Revenue Options

Transportation Benefit District (TBD) – License Tab Fee

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Transportation Benefit District Board authority• Maximum \$50 non-voted; Maximum \$100 voted	<ul style="list-style-type: none">• \$10 fee = ~\$1.4M	<ul style="list-style-type: none">• Must be used to for transportation improvements• May offset General Fund support	<ul style="list-style-type: none">• Current rate = \$40• Broad tax base• Payer/community equity

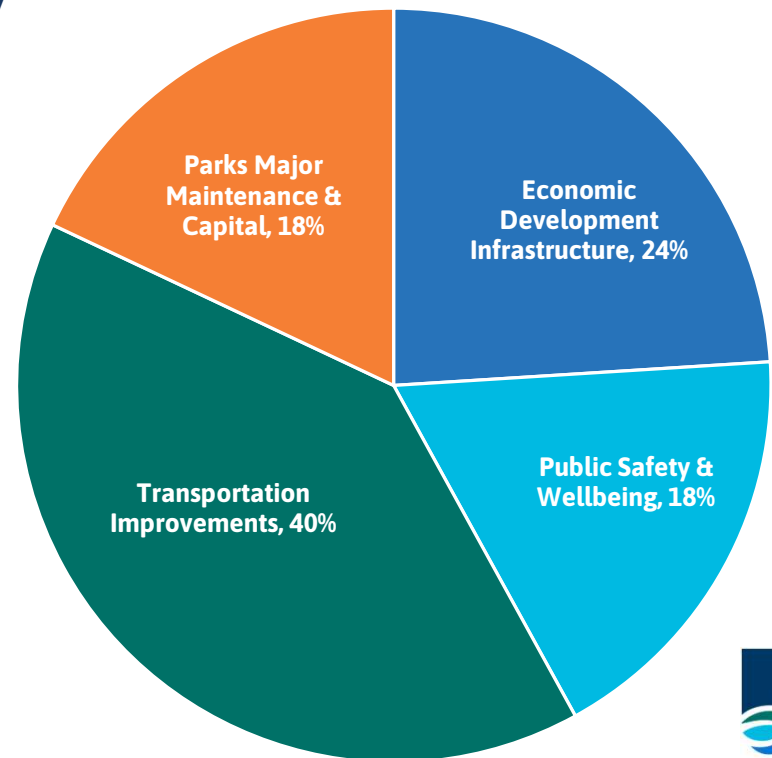


2025-2026 Budget: Revenue Options

Business License Surcharge

- Current business license fee program significantly revised with 2023-24 biennial budget
- In year two of an eight-year phased, programmatic rate increase (2022-2030):
 - Fees increasing from \$200 to \$415
 - Surcharge increasing from \$90 to \$245 per employee
- 2023 revenue = \$8.2M;
2030 forecasted revenue = ~\$20M
- Adopting ordinance specifies revenue to be used as show in chart; may be changed by Council

Current Business License Surcharge
Revenue Use Distribution



2025-2026 Budget: Revenue Options

Business License Surcharge (continued)

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• No maximum	<ul style="list-style-type: none">• Two components:<ul style="list-style-type: none">• Base fee:<ul style="list-style-type: none">• Each \$10 = ~\$0.08M in revenue• Surcharge:<ul style="list-style-type: none">• Each \$10 fee = ~\$0.63M in revenue	<ul style="list-style-type: none">• May be used for any general governmental purpose• Current ordinance allocates use• Allocation may be changed	<ul style="list-style-type: none">• Major program revision adopted with 2023-24 budget• Revised fee structure has generated less revenue than originally forecasted• Planned multi-year phase is not complete• Tax base is business only• Equity / Competitiveness



2025-2026 Budget: Revenue Options

- **Optimizing All Other Fee Revenues**
 - Recreation Fees
 - Update Fee Model (resident vs non-resident)
 - Fire Marshal Fees
 - Land Use, Building, Utilities, Parking and Other Enterprise Fees
 - Balance cost recovery with equity considerations as appropriate





New tax options to generate additional revenue



2025-2026 Budget: Revenue Options

Private Utility Tax – Cable Utility - NEW

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• Typical rate = 6%• Potential for higher rate	<ul style="list-style-type: none">• 1% = ~\$0.3M• 6% rate = ~\$1.9M annually	<ul style="list-style-type: none">• None – may be used for any general government purpose	<ul style="list-style-type: none">• Current tax rate* = 0%• Broad tax base• May decline over time• Impacts to cable providers; ultimate impact to subscribers

*Current franchise fee = 6%



2025-2026 Budget: Revenue Options

Private Utility Tax – Video Streaming Services - NEW

Authority & Limits	Revenue Potential*	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• Conceptual rate = 6%• Potential for higher rate	<ul style="list-style-type: none">• 1% = ~\$0.4M• 6% rate = ~\$2.4M annually	<ul style="list-style-type: none">• None – may be used for any general government purpose	<ul style="list-style-type: none">• Current tax rate = 0%• Broad tax base• May fluctuate / decline over time• Pioneering policy

**Based on national averages of household subscription rates and monthly spend; further analysis needed to verify.*



2025-2026 Budget: Revenue Options

Business & Occupation (B&O) Tax - NEW

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• Maximum rate = 0.2% of gross revenues• May establish different rates for different business segments	<ul style="list-style-type: none">• 1% = ~\$20M+ annually• Depends if the Business License Surcharge (BLS) is rolled back• Difficult to estimate	<ul style="list-style-type: none">• None – may be used for general government purpose	<ul style="list-style-type: none">• Current tax rate = 0%• State of WA B&O tax applies to businesses within City• Broad business base• Competitiveness• Administratively complex



2025-2026 Budget: Revenue Options

Admissions Tax - NEW

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• 5% on movie admission tickets	<ul style="list-style-type: none">• 5% = ~\$0.4M annually	<ul style="list-style-type: none">• None - May be used for any general government purpose	<ul style="list-style-type: none">• Current tax rate = 0%• Declining revenue stream• New tax to administer



2025-2026 Budget: Revenue Options

Commercial Parking Tax - NEW

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• 5% on commercial parking	<ul style="list-style-type: none">• 5% = ~\$0.4M annually	<ul style="list-style-type: none">• Must be used for transportation improvements	<ul style="list-style-type: none">• Current tax rate = 0%• New tax to administer





Uncommon, but authorized taxes



2025-2026 Budget: Revenue Options

Arts and Culture Sales Tax - NEW

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• Maximum 0.1% of Sales Tax• Authorized for 7-year period• May be renewed for successive 7-year period	<ul style="list-style-type: none">• 0.1% = ~\$6.5M annually (2024)	<ul style="list-style-type: none">• May be used for multiple purposes related to cultural access programs (operating & capital)• Portion <u>must</u> be used to support increase cultural program access for students who live in the City	<ul style="list-style-type: none">• Will not close the 2025-26 gap between revenues and expenditures

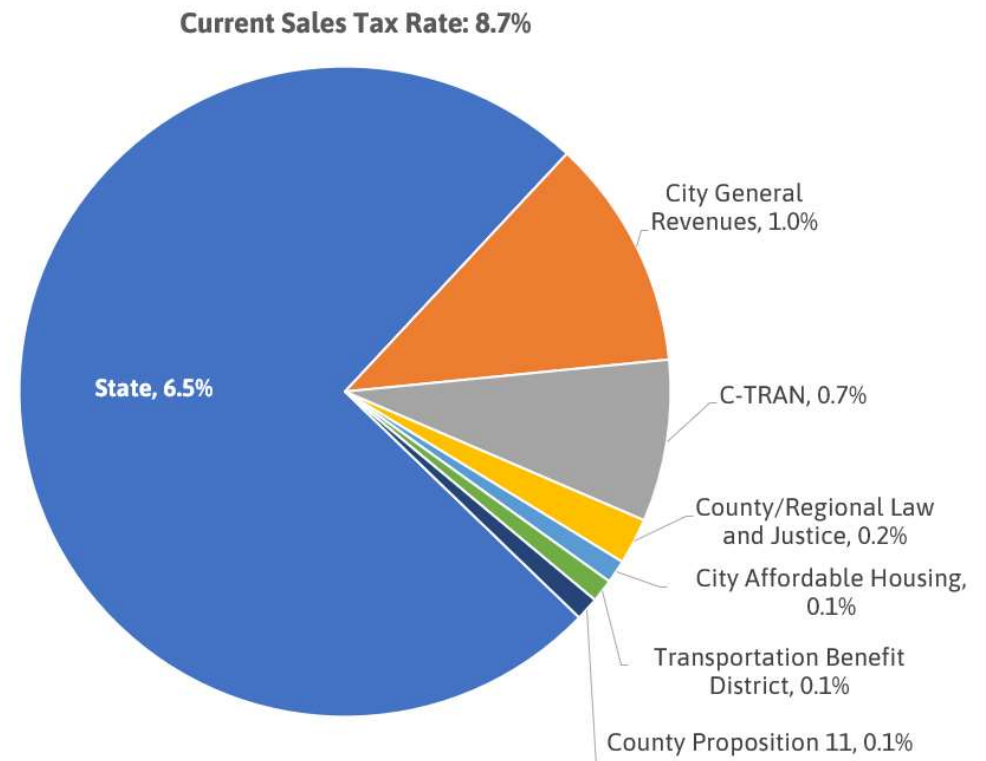


2025-2026 Budget: Revenue Options

- **Arts and Culture Sales Tax – NEW (continued)**

- Current Sales Tax Rates:

- 0% for Cultural Programs
- 1.0% for General City Revenues
- 0.1% for Affordable Housing
- 0.1% for Transportation Benefit District (TBD)



2025-2026 Budget: Revenue Options

Sweetened Beverage Tax - NEW

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• Excise tax applies to distributors of beverages• Seattle = \$0.0175/oz	<ul style="list-style-type: none">• Seattle generates ~\$22M annually	<ul style="list-style-type: none">• In Seattle, dedicated expansion of access to healthy and affordable food and reduce disparities in social, developmental, and education readiness and learning for children and their families	<ul style="list-style-type: none">• Will not close the 2025-26 gap between revenues and expenditures



2025-2026 Budget: Revenue Options

Capital Gains Tax

- Washington State Legislature established a capital gains tax in 2021
- State rate is 7% on gains over \$0.25M
- Councilmanic under home rule authority
- Flexible rate
- Revenue potential in Vancouver unknown



2025-2026 Budget: Revenue Options

Payroll Tax

- Seattle established a payroll excise tax
- Upheld under legal challenge
- Excise tax applies to employer based on gross payroll
- Rate, applicability and exemptions influence potential revenue
- Potential revenue in Vancouver unknown





Voted Revenue Tools



2025-2030 Forecast Horizon: Voted Tools

Voted Tools

- Voted tools, while eligible and appropriate to fund key services, are not expected to be available for budget development for the 2025-26 biennium
 - Potential revenues not reflected in the forecast
- Budget will be developed to identify strong candidate services and functions that could be included in a future voted measure



2025-2030 Forecast Horizon: Voted Tools

Public Safety Sales Tax

- Voted option – 0.1% City's tax
- 1/3 of revenue to fund public safety
- Clark County voters supported in 2022 a 0.1% tax
- Potential revenue ~\$6.5M
- Payer/equity concerns



2025-2030 Forecast Horizon: Voted Tools

Public Safety Levy Lid Lift - Police

- Separate community stakeholder process
- Wide range of levy design options
- Potential revenue is not captured in the current forecast
- If successful, a decision package will be added in 2025



2025-2030 Forecast Horizon: Voted Tools

Capital Bond Levy

- Separate community stakeholder process
- Excess levy dedicated to servicing bonded debt on capital facilities
- 60% voter approval required
- If successfully pursued, a decision package would be added in 2025



2025-2030 Forecast Horizon: Voted Tools

Emergency Medical Services Levy

- Up to \$0.50 levy to support emergency medical services
- Separate community stakeholder process
- If successfully pursued, a decision package would be added in 2025





Questions & Discussion



2025-26 Budget: Recommended Framework



2025-2026 Budget: Framework

Affirm Budget Direction

- Universal Policy Themes
- Budget Priorities
- Fiscal Policies

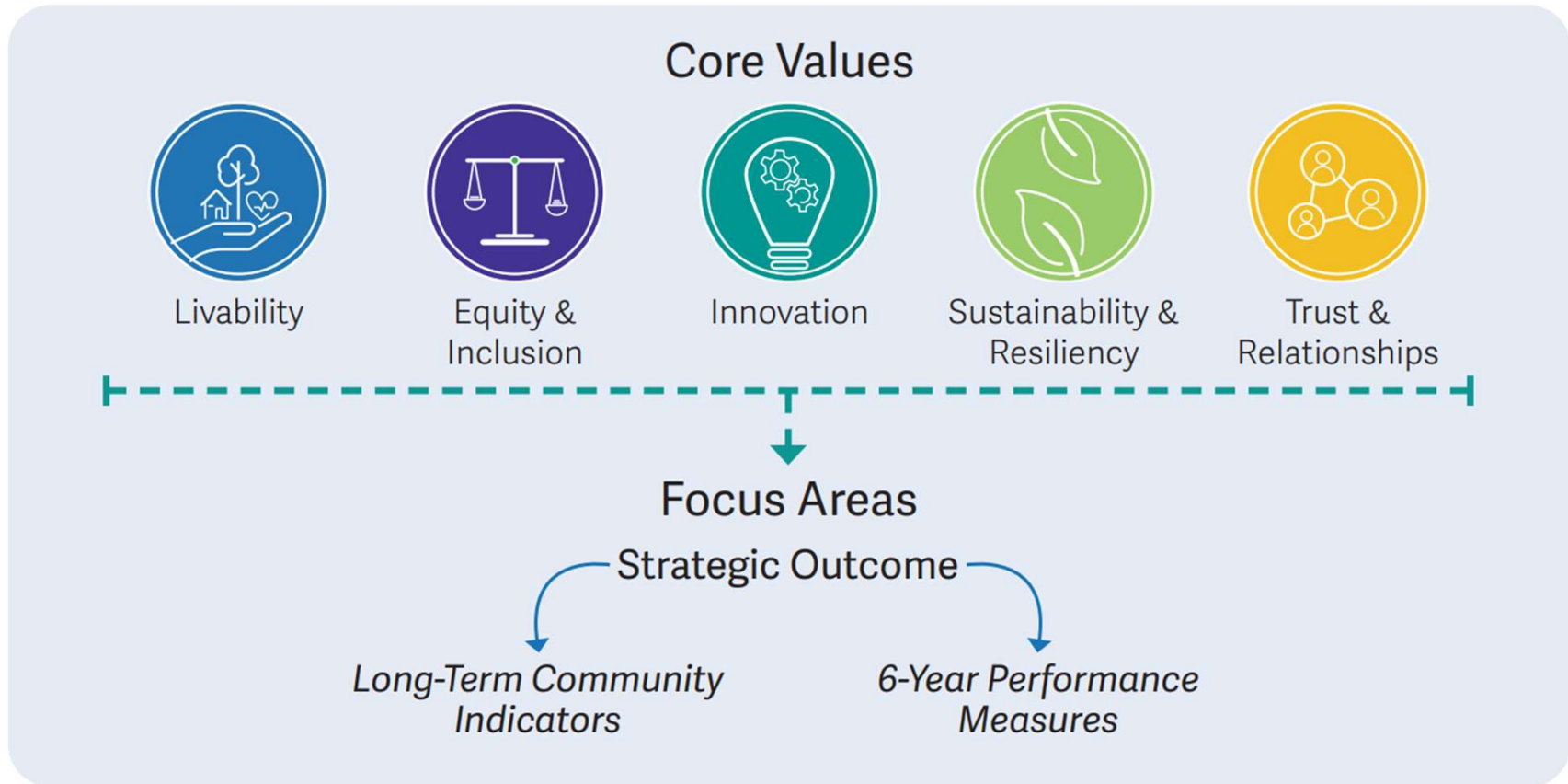


2025-2026 Budget: Framework

- Maintain universal policy themes
- Outcomes of department budgets should support **City priorities**



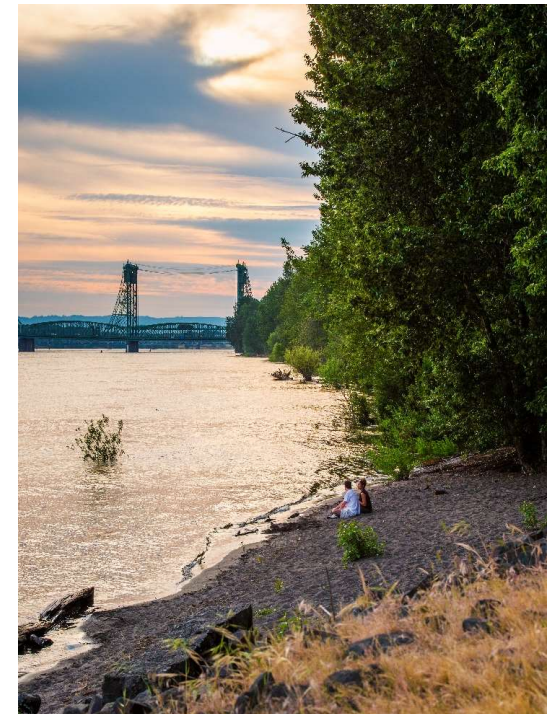
2025-2026 Budget: Priorities



2025-2026 Budget: Focus Areas

Define Outcomes of Budget Changes, consistent with

- Strategic outcomes
- Community indicators
- Performance measures
- Define service level impacts



2025-2026 Budget: Recommended Framework HEO

In the context of the Strategic Plan:

- **Baseline supplies and services across all departments and funds:**
 - Discontinue all limited term positions (unless funded by external revenues)
 - Zero base discretionary spending
 - Zero base and aggressively manage overtime
 - 2023 actual overtime costs = \$14M, primarily public safety



Slide 38

HE0 This section of slides is drafted as a framework to give room to move. May be better to be prescriptive, but that limits creativity and flexibility.

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2025-2026 Budget: Recommended Framework

In the context of the Strategic Plan:

- Prioritize and realign:
 - No reductions in force for fire suppression officers or police officers
 - Consider level of service reductions in non-sworn divisions of public safety in balance with organization-wide priorities
 - Maintain homelessness response resources within the framework of existing special revenues
 - Does not include establishment of a bridge shelter



2025-2026 Budget: Recommended Framework

In the context of the Strategic Plan:

- Prioritize and realign:
 - Realign current general fund resources, with particular focus on:
 - General Fund support of pavement management
 - Business License Surcharge (BLS) allocation
 - Optimize cost allocation of staff to capital projects and enterprise funds



2025-2026 Budget: Recommended Framework

In the context of the Strategic Plan:

- Expand Revenues:
 - Utility Taxes:
 - Cable
 - Video Streaming
 - Proposition 2 - Property Tax Banked Capacity
 - Request \$10 TBD License Tab Increase
 - Parking Tax
 - Optimize all fee for service revenues
 - Adopt arts and cultural access sales tax



2025-2026 Budget: Recommended Framework

In the context of the Strategic Plan:

- Reductions:
 - Close the remaining gap with reductions in services consistent with strategic plan and council/community priorities
 - Projected proportionality of reductions under this recommended framework:
 - 5% - Police and Fire
 - 15% - All other general and street fund service areas
 - Establish clear statement of service level impacts



2025-2026 Budget: Policy Framework

Focus Areas



Slide 43

HE0 Is slide helpful or confusion? Trying to give a sense of relative priority for focus areas while recognizing it is not all or nothing.

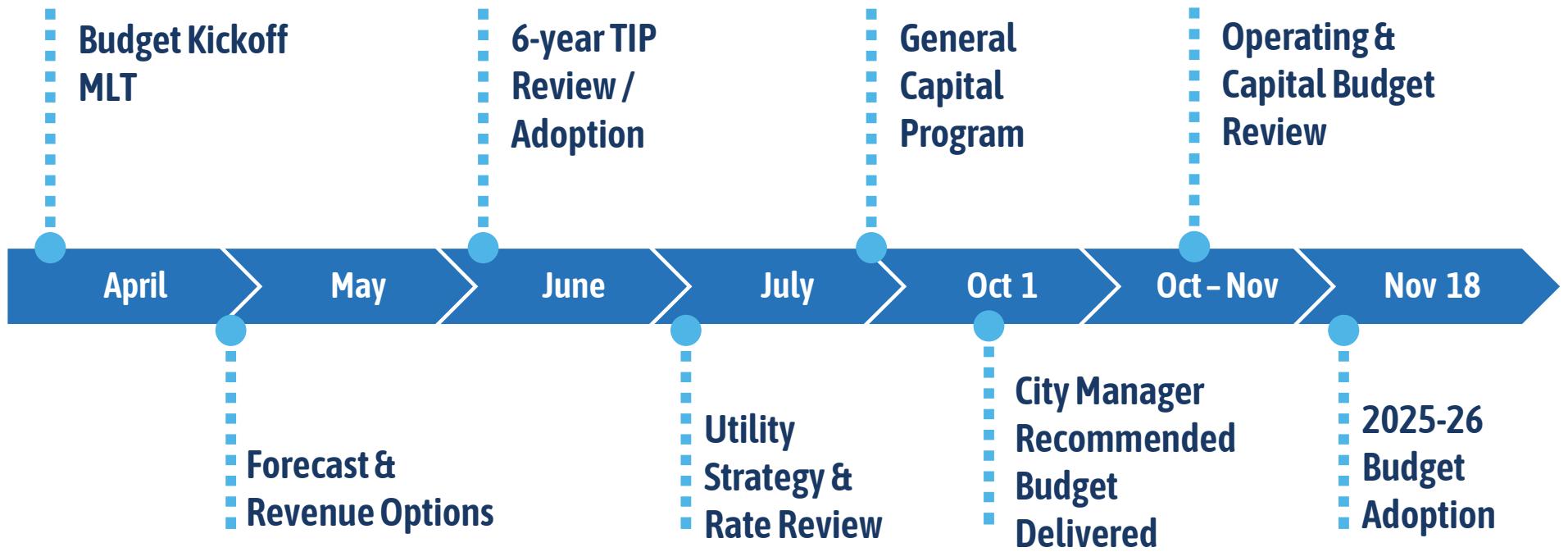
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Questions & Discussion



Budget Process Schedule



Public Outreach (summer)



Thank You



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