



CITY OF
Vancouver
WASHINGTON

2025-2026

Budget – Revenue

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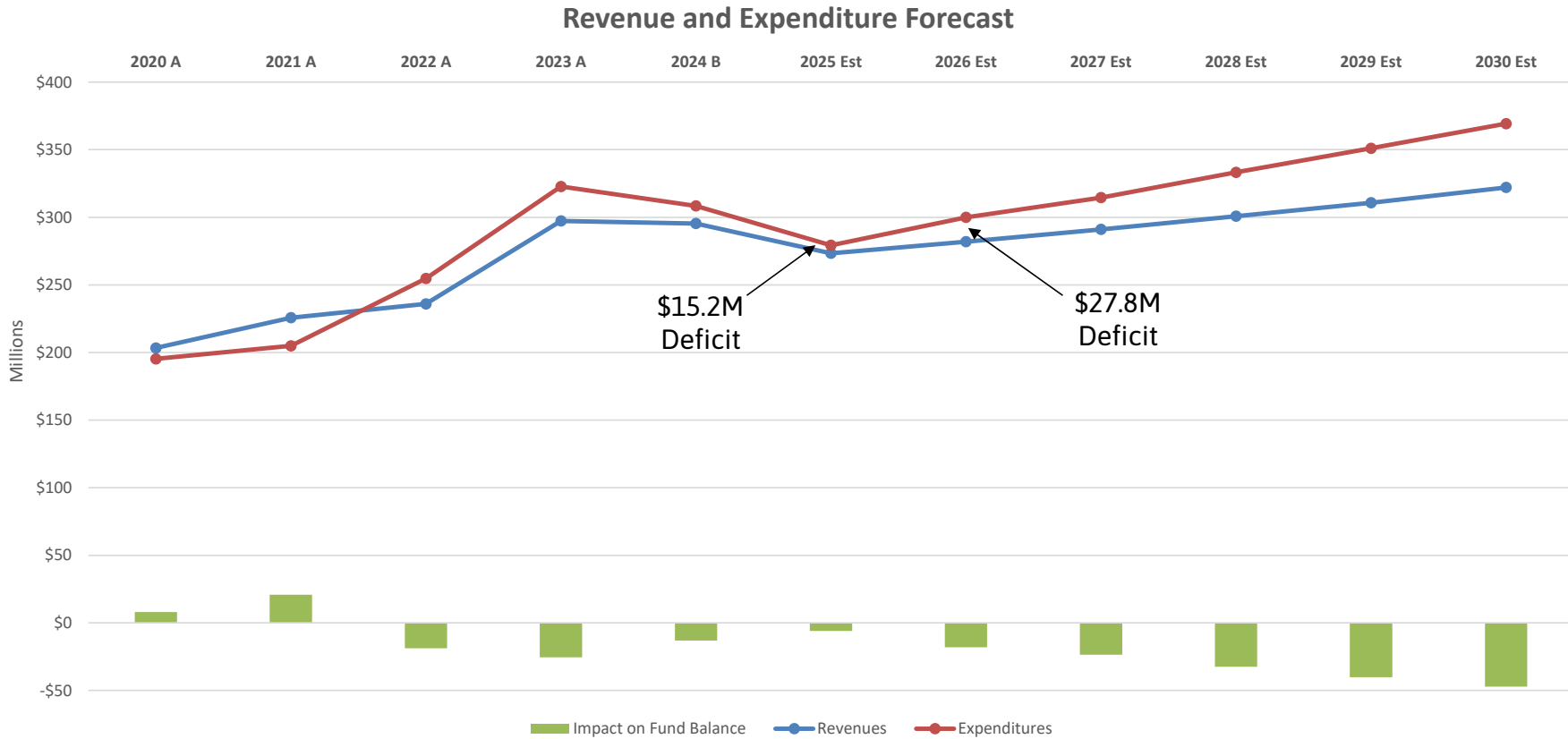


Agenda

- Review and affirm a shared understanding of forecasted 2025-2026 deficit.
- Review and affirm the range of revenue tools to contribute to a balanced budget solution.
- Review and seek direction on a preferred option to fund the planned bridge shelter.
- Next Steps



2025-2030 General, Street, and Fire Funds Forecast



Revenue Options



2025-2026 Budget: Revenue Options

Private Utility Tax – Cable Utility - Confirm

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 – Cable Utility – Additional Consideration

- **Recommendation: implement a 6% Cable Utility Tax ~\$1.9 Mil in new revenue**
 - Additional considerations:
 - Estimated new city cost to collect ~\$0
 - Simplification of utility tax code expected as part of implementation



2025-2026 Budget: Revenue Options

Video Streaming Services/Digital Goods tax

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Potential councilmanic excise tax authority (home rule)• May be Business & Occupation Tax rate of 0.471% on all “digital goods” in state law	<ul style="list-style-type: none">• Unknown at this time	<ul style="list-style-type: none">• None – if viable, may be used for any general government purpose	<ul style="list-style-type: none">• No current tax• Potentially broad tax base• May fluctuate / decline over time• Additional research needed – Vancouver would be pioneering policy



2025-2026 Budget: Revenue Options

Video Streaming Services/Digital Goods Tax – Additional Considerations

- ***Recommendation: Additional research needed - unreliable revenue source for 2025-2026***
 - Additional Information:
 - Potential excise tax
 - Potential statutory B & O authority
 - No other precedents in the State of Washington
 - Difficult to collect – other jurisdictions that taxed these services are struggling to collect revenue pending legal challenges, some have seen none after implementation in 2019.



2025-2026 Budget: Revenue Options

Commercial Parking Tax - NEW

Authority & Limits	Revenue Potential	Restrictions	Considerations
<ul style="list-style-type: none">• Councilmanic authority• Wide range of rate setting authority (gross proceeds, number of vehicle stalls, zoning, geography, etc.)• Would apply to public and private parking	<ul style="list-style-type: none">• 5% on gross revenues ~\$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%• Broad latitude in rate setting• Initial recommendation likely to be simplest to administer• Likely result in new administration cost of at least \$250K



2025-2026 Budget: Revenue Options

Commercial Parking Tax – NEW- Additional Consideration

- **Recommendation: implement as a new revenue source**
 - Staff will refine recommendation to generate a targeted net \$500K from this source, focusing on :
 - It does not impact housing affordability
 - Supports ease of administration
 - Establishes equitable rate
 - Recommends rules for administering the tax, including provisions for reporting by commercial parking businesses, collection, and enforcement.



2025-2026 Budget: Revenue Options

Property Tax – Proposition 2 Banked Capacity

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



2025-2026 Budget: Revenue Options

Property Tax – Banked Capacity

- **Recommendation: implement banked capacity dedicated to Proposition 2 investments**
 - Up to \$1.9 Mil per year to cover inflation costs for Fire Proposition 2-funded positions
 - Up to \$3.6 Mil per year to fund debt service to be issued in 2025 to replace stations 3 and 6.
 - Additional capital needed in the future to complete the full scope of capital included in the Proposition 2



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

Admissions Tax – New

- **Recommendation: implement as a new revenue source**
 - Adopt the admissions tax at 5%, applicable to commercially ticketed events (primarily movie tickets)
 - Consider nexus with support of arts and cultural programming, including the planned Arts hub



2025-2026 Budget: Revenue Options

Culture Access 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

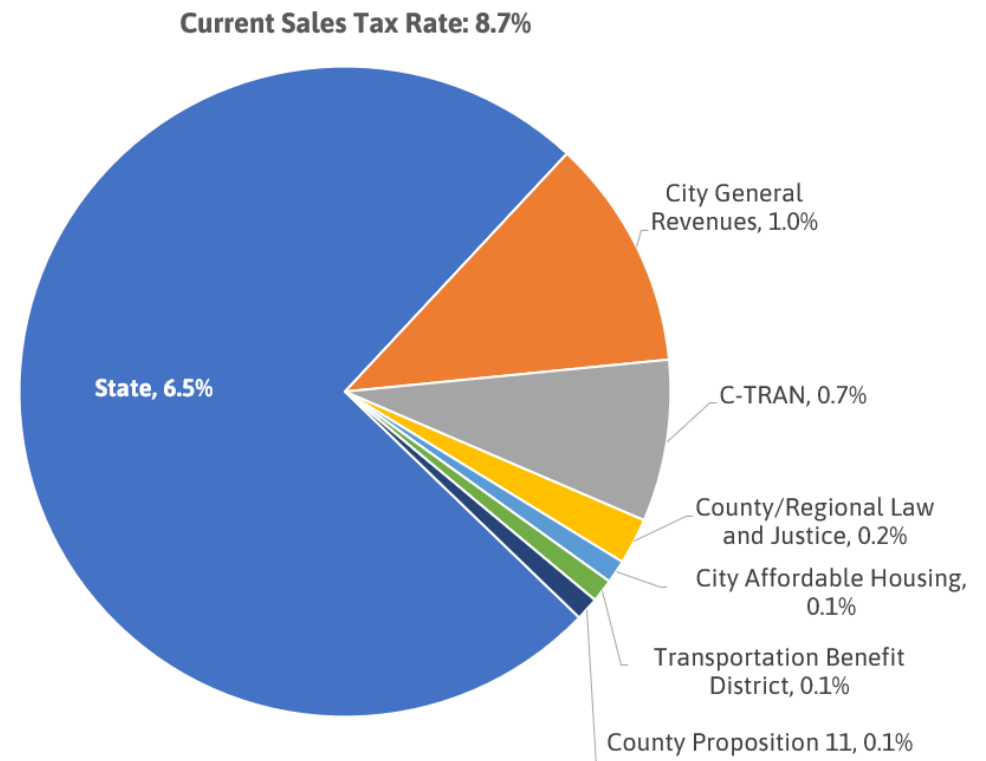


2025-2026 Budget: Revenue Options

- **Cultural Access 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

Cultural Access Sales Tax – New

- **Recommendation: implement new revenue**
 - Adopt the 0.1% Cultural Access Sales Tax
 - Engage with the Arts, Culture & Heritage Commission to explore:
 - Support of arts and cultural programming consistent with state law
 - Nexus with planned Arts Hub
 - Non profit arts organizations



Funding Bridge Shelter Operations and Capital

- Estimated annual cost of operations and wrap around services \$6-7 mil annually (2026 dollars)
 - 24/7 Site operator: ~\$4.0 m
 - Medical assisted treatment (MAT) provider: ~\$1.0 m
 - Building & site maintenance: ~\$1.0 m
 - Building utilities: ~\$1.0 m
- One time cost of land acquisition and construction: \$16 mil (2025)



2025-2026 Budget: Bridge Shelter Funding Options

	Accelerate Implementation & Re-direct Business License Surcharge	B&O for Retail only at \$1 per \$1000
Projected New Revenue	\$7 Mil	\$6.5 Mil + supplement from AH Prop Tax
Implementation	2026	2026
Pros	<ul style="list-style-type: none"> • Known mechanism • Easy administration • Paid by all businesses 	<ul style="list-style-type: none"> • New source that does not require trade-offs • Broader revenue base
Cons	<ul style="list-style-type: none"> • Reduces future funding for Parks and Economic Development • Speeds up fee/surcharge implementation from 7 years to 4 years 	<ul style="list-style-type: none"> • Linked to economic fluctuations • Paid by retail sector only - concentrated • No current administrative capacity to administer



2025-2026 Budget: Bridge Shelter Funding 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">• 0.1% = ~\$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: Bridge Shelter Funding Options

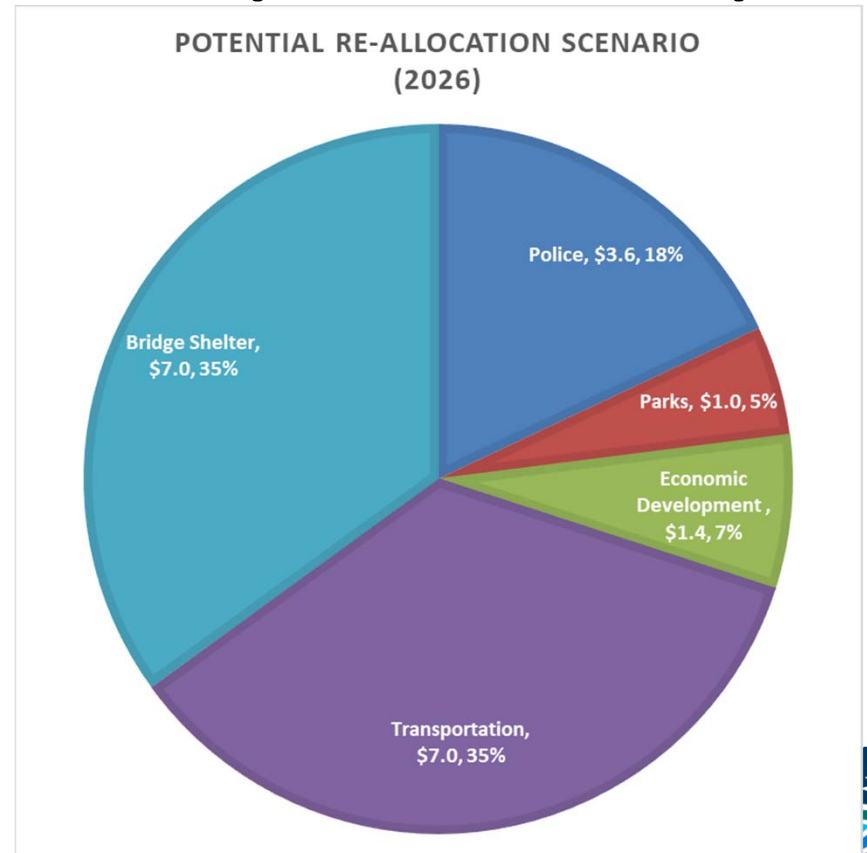
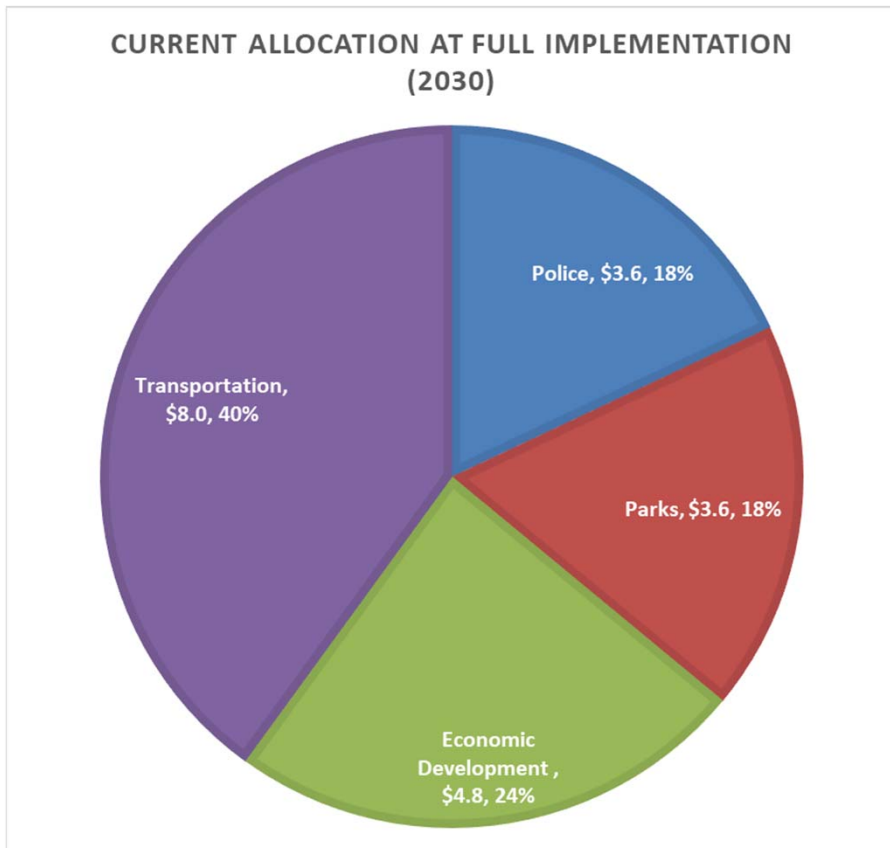
Business & Occupation (B&O) Tax – 0.001 on retail only:

- Estimated net annual revenue ~\$6 mil/year
- Additional administration cost \$400K
- Proposed Use:
 - Bridge Shelter operations
 - Tie to use via enacting ordinance
 - Sunset upon closure of shelter



2025-2026 Budget: Bridge Shelter Funding Options

BLS Re-allocate and Accelerate Full Implementation by 2026



2025-2026 Budget: Bridge Shelter Funding Options

BLS Re-allocate and Accelerate Full Implementation by 2026

- Rate would increase from \$125/FTE in 2024 to \$245/FTE in 2026 instead of 2030.
- Would result in some residual funds for economic development and parks capital
- Proposed Use:
 - Bridge Shelter operations
 - Tie to use via enacting ordinance
 - Sunset upon closure of shelter



2025-25 Budget: Recommended Revenues Summary

- Recommended Revenue Options would generate approximately \$3.8 mil/year (\$7.6 mil/biennium) that would be applicable to the current budget gap
- Other revenue options will potentially fund increases in certain related programs
- Council direction needed on bridge shelter funding



2025-2026 Summary Revenue Recommendations

Source	Dollar Amount	Restrictions?	Applicable to close the Budget Gap for 2025-2026?	New Expense in addition to the Gap?	Additional Consideration
Cable Tax 6%	1.9 Mil	No	Yes	No	Move forward
TBD License \$10	\$1.4 Mil	Yes – Transportation Only	No	Yes	New Transportation Expenses
Commercial Parking Tax	\$0.5 Mil	Yes – Transportation Only	No	Yes	New Transportation Expenses
Banked Capacity	\$5.5 Mil	Yes – Prop. 2 Authorized expenses	\$1.9 Mil -Yes	Yes, \$3.6 Mil	Move forward



2025-2026 Summary Revenue Recommendations

Source	Dollar Amount	Restrictions?	Applicable to close the Budget Gap for 2025-2026?	New Expense in addition to the Gap?	Additional Consideration
Admissions Tax	\$0.4 Mil	No	No	Yes	Consider nexus to arts, culture and heritage programs, including Planned Arts hub
Arts & Culture Sales Tax	\$6.5 Mil	Yes, a portion has to be used for access to culture	No	Yes, for access to culture and for arts and culture expenses	Additional evaluation is needed



2025-2026 Budget: Bridge Shelter Funding

Options & Council Direction

BLS Acceleration & Reallocation

- Accelerate BLS implementation from 2029 to 2026.
- Reallocate new revenue from economic development and parks infrastructure to shelter
- Sunset allocation upon shelter closure; return to original allocation

Retail Only Business & Occupation Tax

- 0.1% applicable to retail gross receipts only
- Tied to shelter operations by ordinance
- Sunset upon closure of shelter



2025-2026 Budget: Recommended Framework *In the context of the Strategic Plan:*

- GF and GF Supported Funds Recommended Revenue:
 - Utility Taxes:
 - Cable
 - Expand current city utility tax to all gross revenues of the City's Water, Sewer, Solid Waste and Drainage utilities; potential new revenue ~\$4-5 million annually
 - Request \$10 TBD License Tab Increase
 - Parking Tax
 - Proposition 2 - Property Tax Banked Capacity
 - Optimize all fee for service revenues



2025-2026 Budget: Recommended Framework

In the context of the Strategic Plan:

- Recommended New Initiative Revenue:
 - Bridge Shelter: per Council direction
 - Arts Hub and Operations:
 - Arts and cultural access sales tax
 - Admissions Tax
 - Additional Transportation Expenses funded by the new revenues

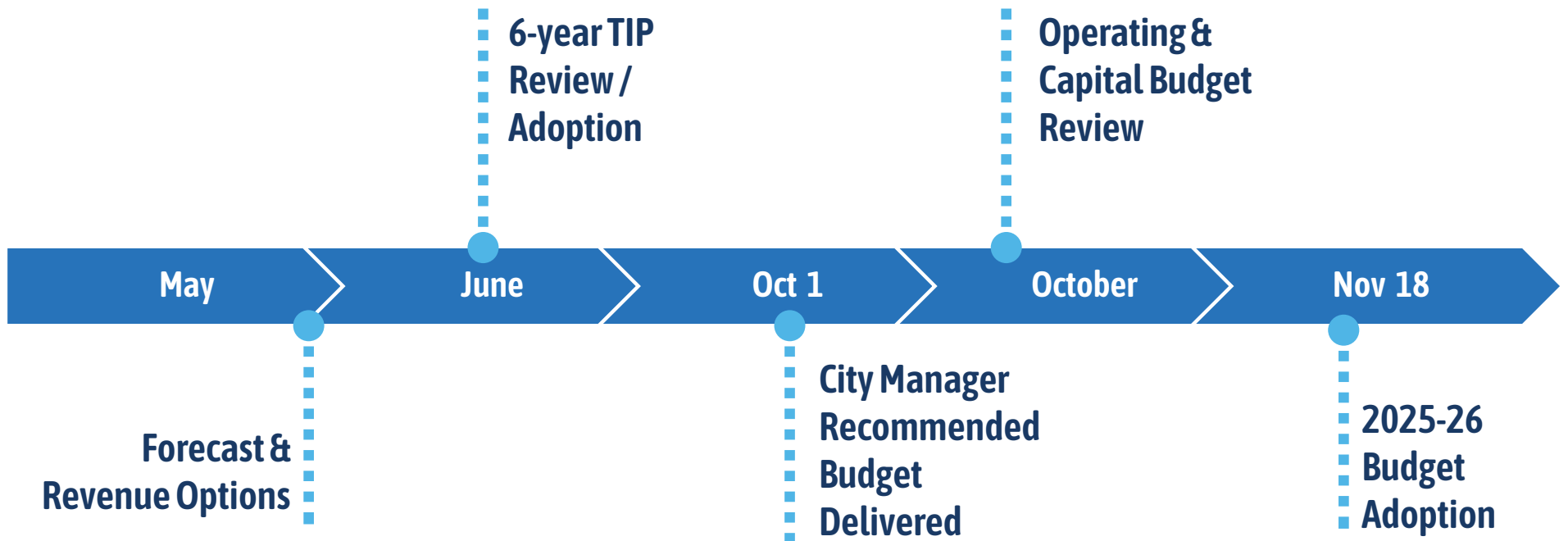




Questions & Discussion



Budget Process Schedule



Public Outreach (summer)



Thank You



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