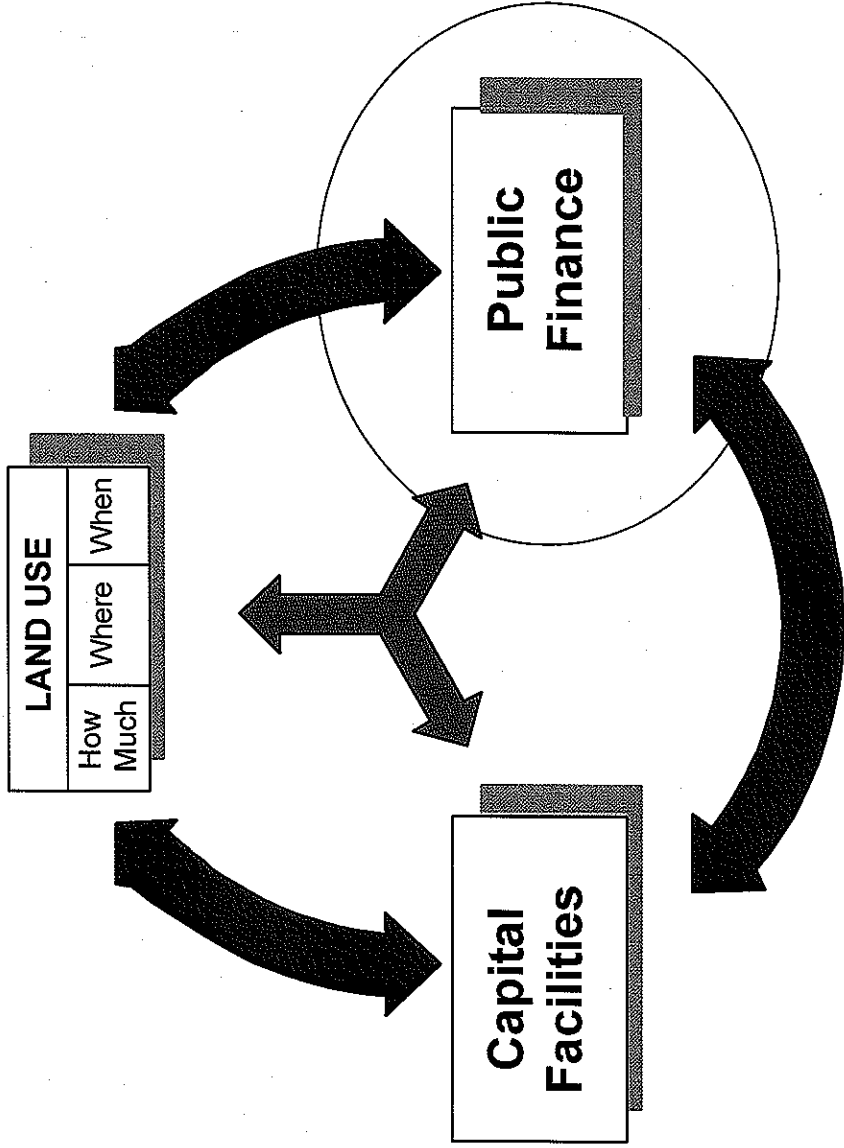


Sultan Fiscal Capacity

Planning Board
February 19, 2008
Dugan Planning Services



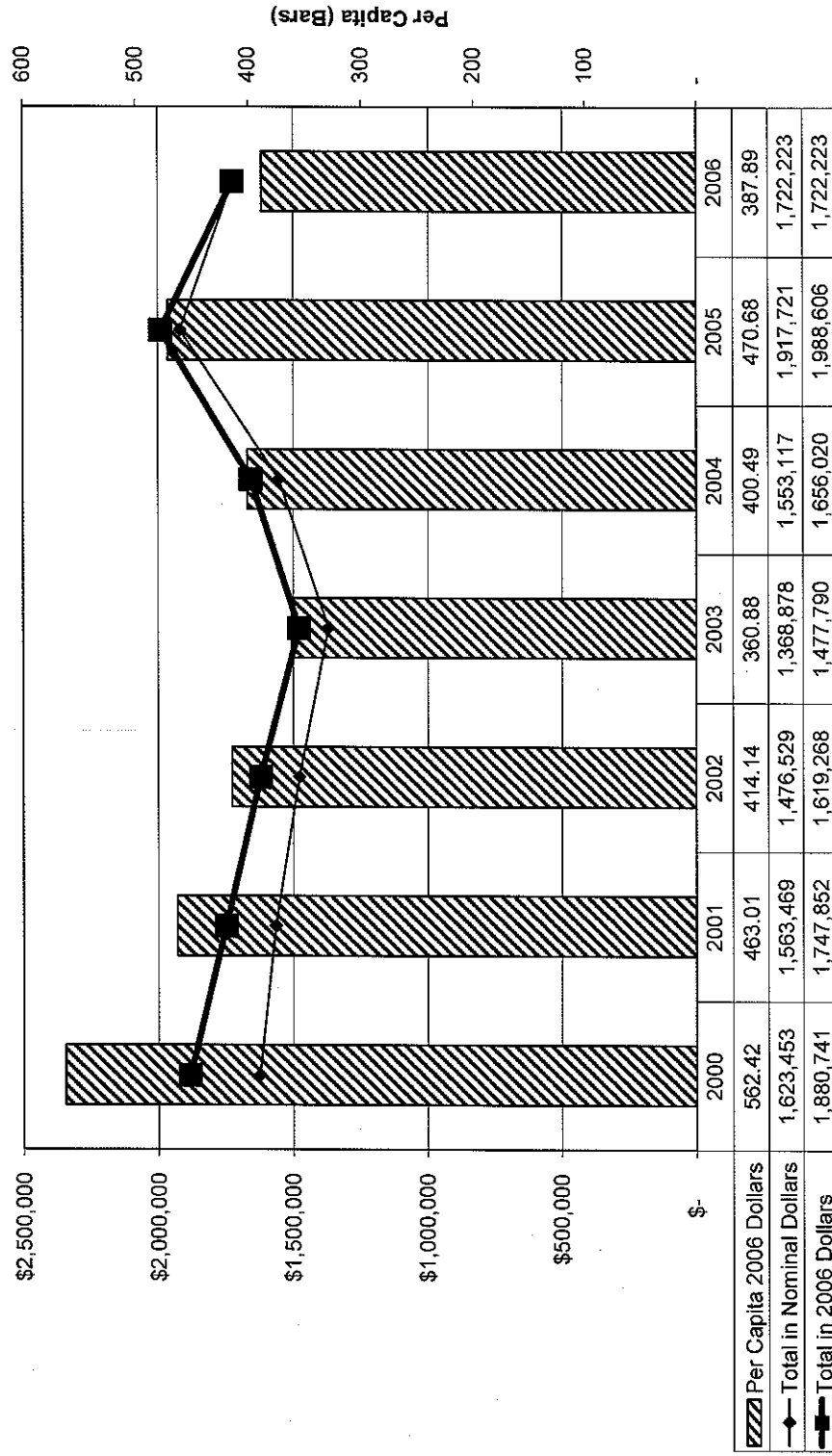
Fiscal Part of the Program

- An inventory of existing fiscal resources.
 - Evaluate current and future fiscal capacity to finance capital facilities.
- Will be followed by a needs analysis.
 - Evaluate the fiscal implications of alternative levels of service.
- Then develop a strategy to finance capital facilities needed to support the land use plan.
 - Long Range Strategy that describes how the comprehensive plan can be financed.
 - Six year Financial Program (CIP).

Fiscal Capacity Analysis

- Examines existing conditions:
 - Revenue.
 - Current Uses of Revenues (Expenses).
- Provides a general description of future fiscal capacity.
- Will basis for forecasting of future revenues and uses in the needs analysis.

City of Sultan, Washington Fiscal Capacity Analysis
General Fund Revenues Adjusted for Inflation and Population Growth
 Source: DPS from Washington State Auditor's Office, Office of Financial Management and MRSC Data



Approach to Understanding Fiscal Capacity

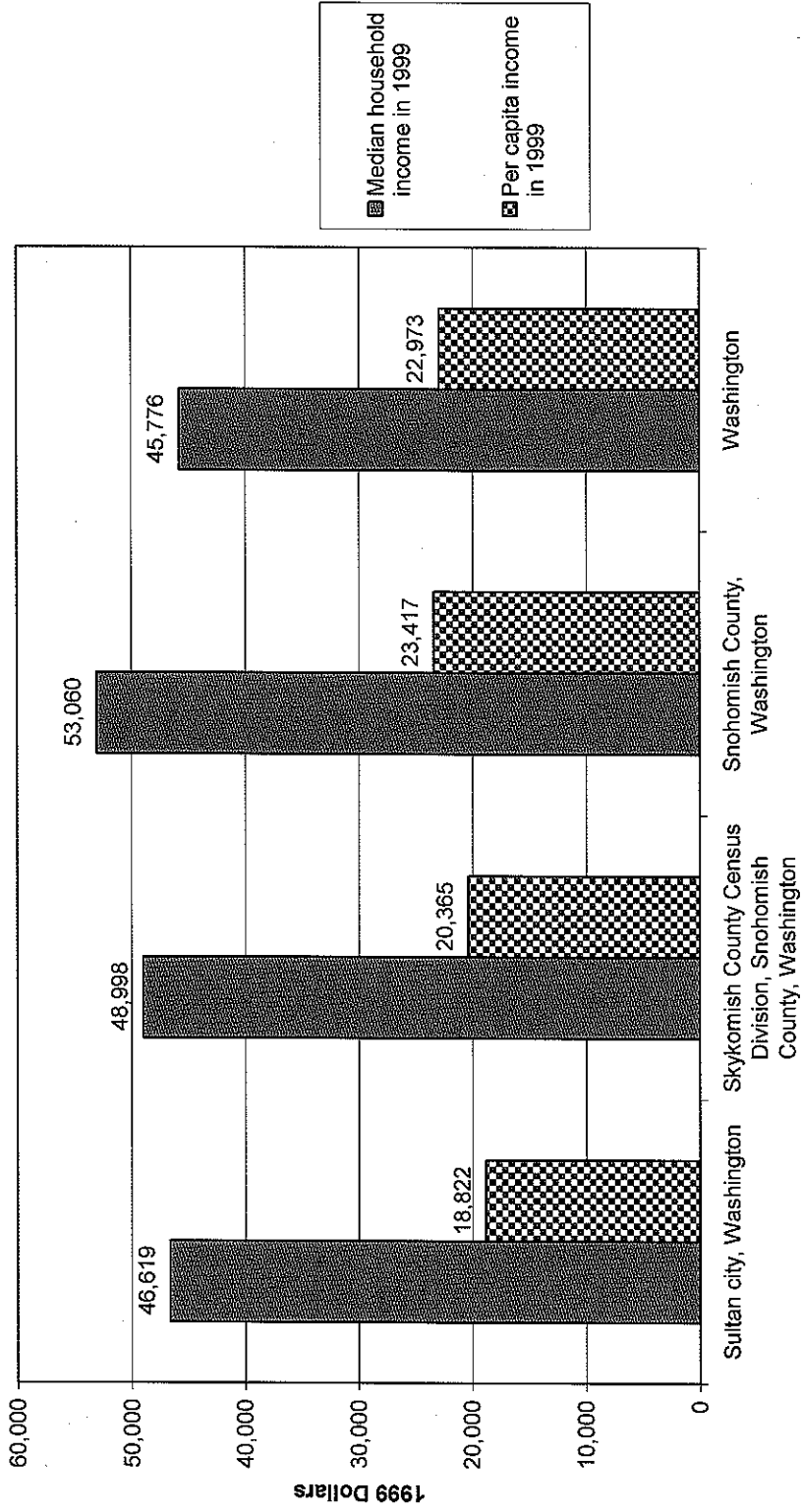
	Types of Revenue				
	Property Tax	Real Estate Excise Tax	Sales Tax	Developer Revenue	Other Revenue
Tax Base					
Tax Effort					
Tax Yield					

Analysis compares Sultan with the state, and county, cities between 3000 and 13,000 in King and Snohomish Counties (with Gold Bar and Monroe added).

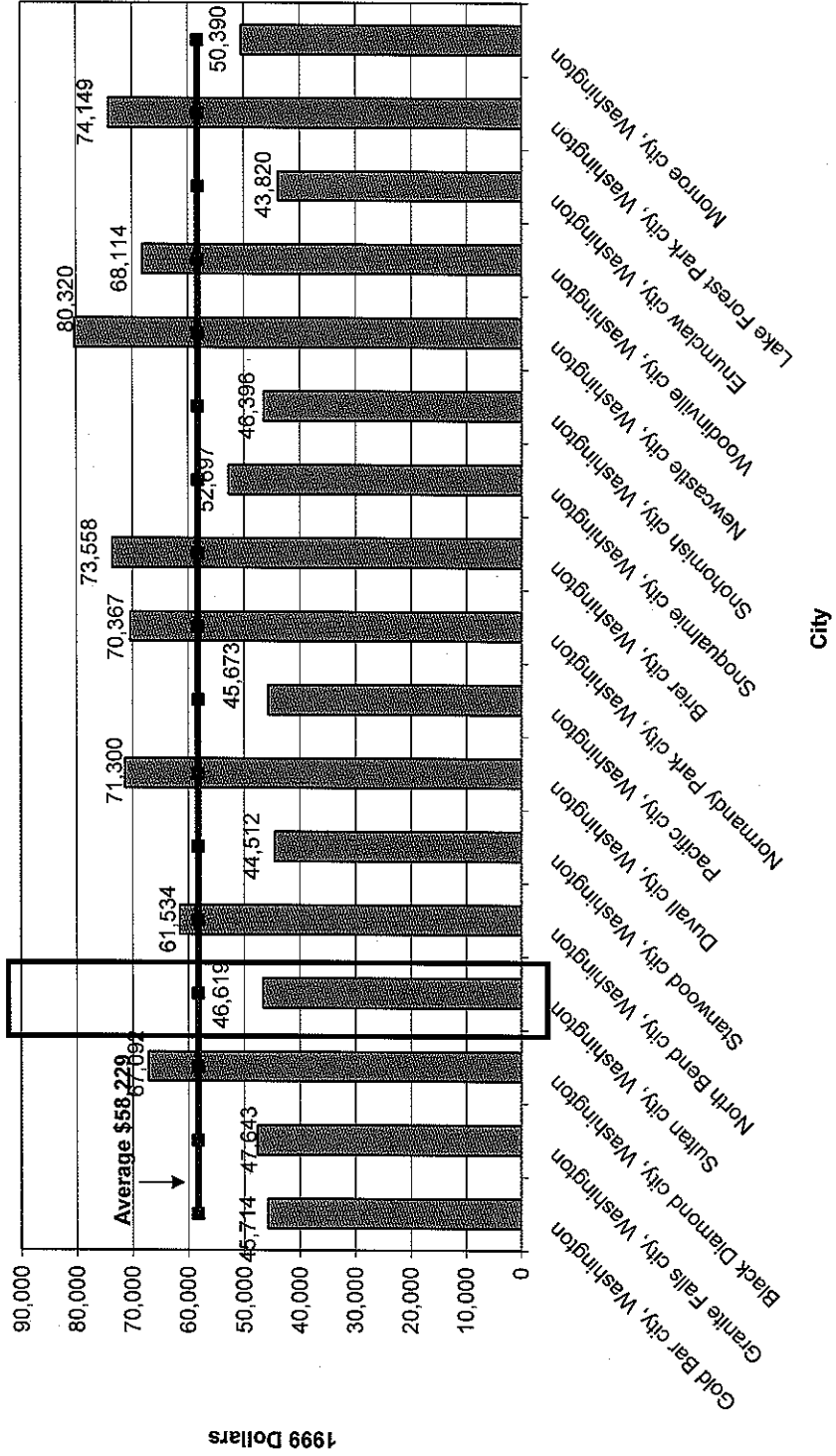
Tax Base

Personal Income The Underlying Tax Base

City of Sultan Washington Fiscal Capacity Analysis
1999 Median Family and Per Capita Income
 2000 Census of Population



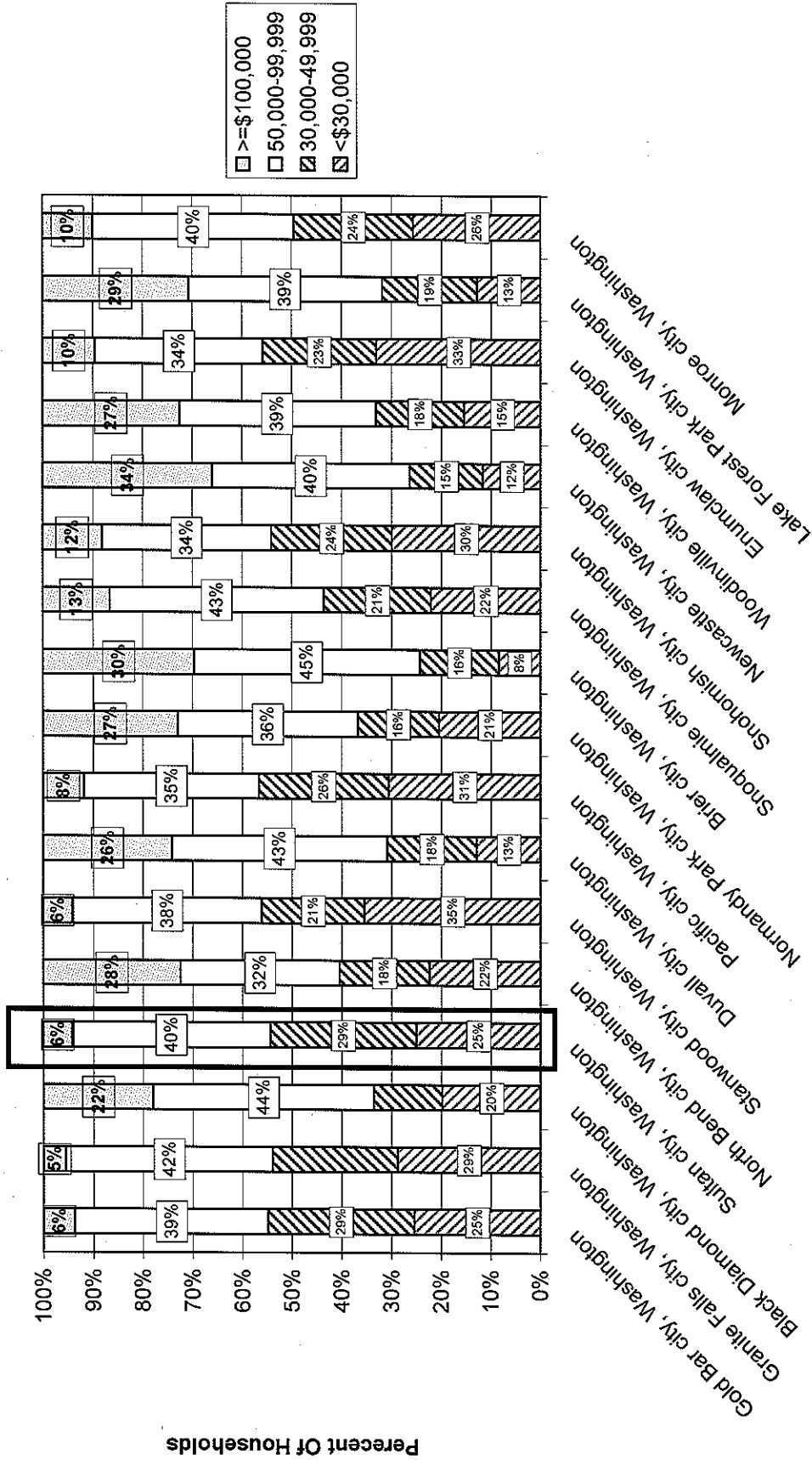
City of Sultan, Washington Fiscal Capacity Analysis
 Median household income in 1999
 2000 Census of Population



City of Sultan, Washington Fiscal Capacity
Income Profile 1999 by Percent of Households

2000 Census of Population

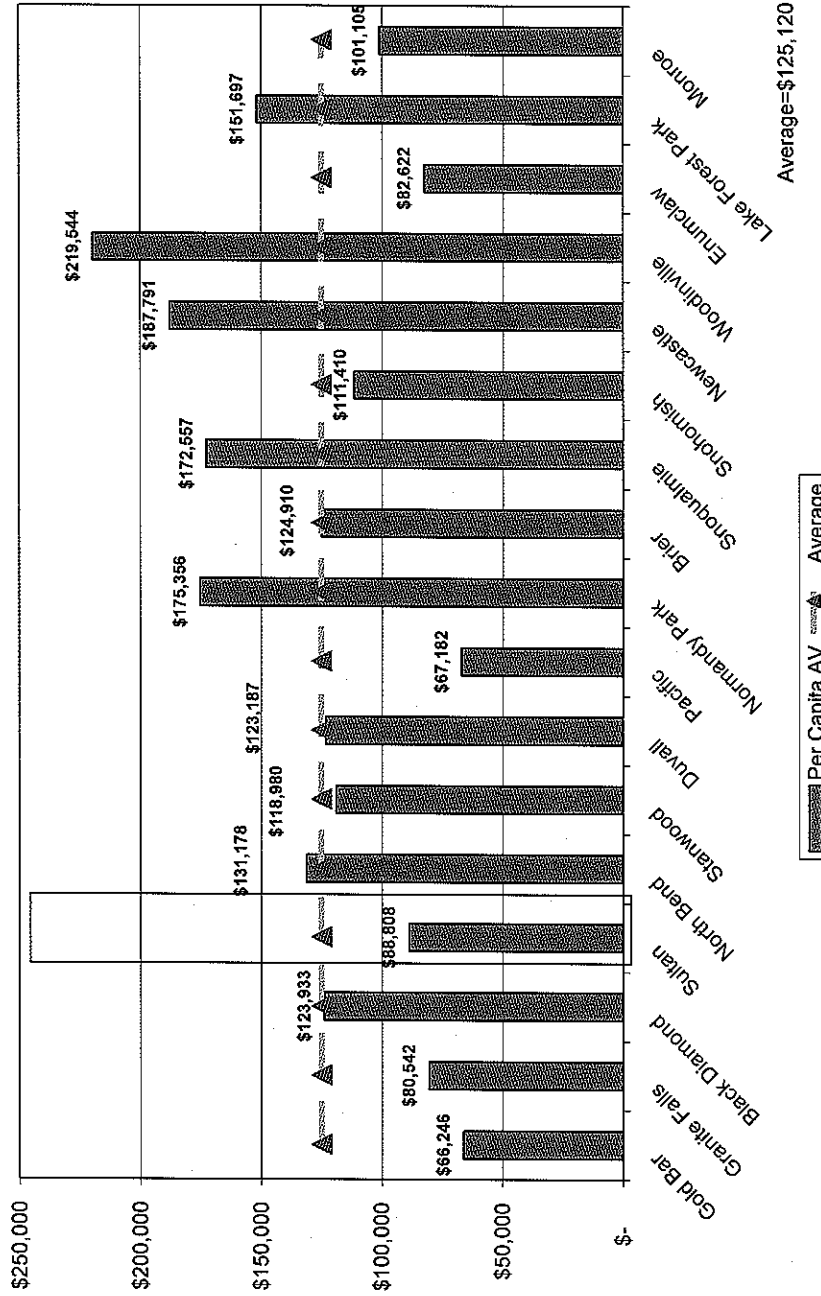
Average Annual Income



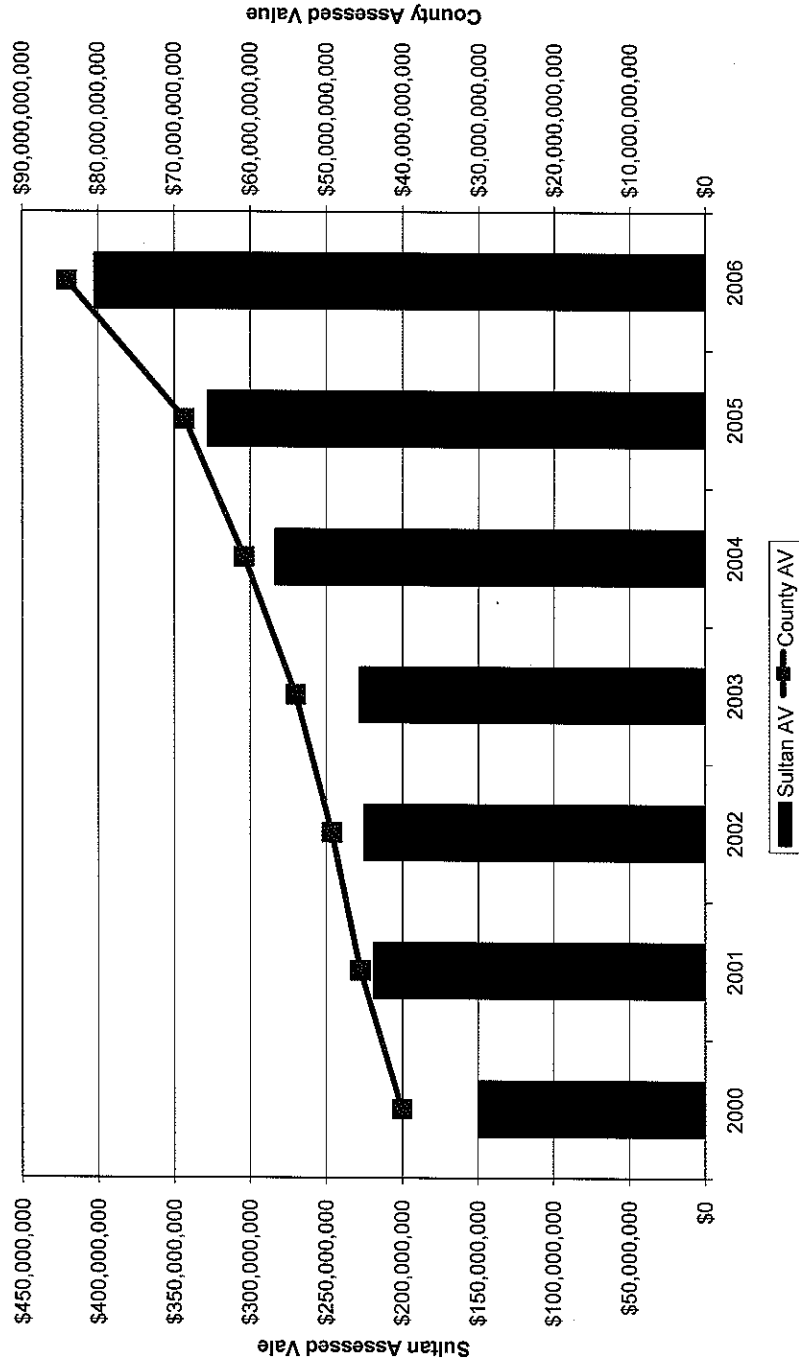
K11C

Assessed Value Tax Base for Property Taxes and REET

City of Sultan, Washington Fiscal Capacity Analysis
Comparative Per Capita Assessed Value by City 2007
 Source: County Assessor Data



City of Sultan, Washington Fiscal Capacity Analysis
Growth in County Assessed Value Compared to City of Sultan: 2000-2006
 Source: County Assessor Office and Department of Revenue

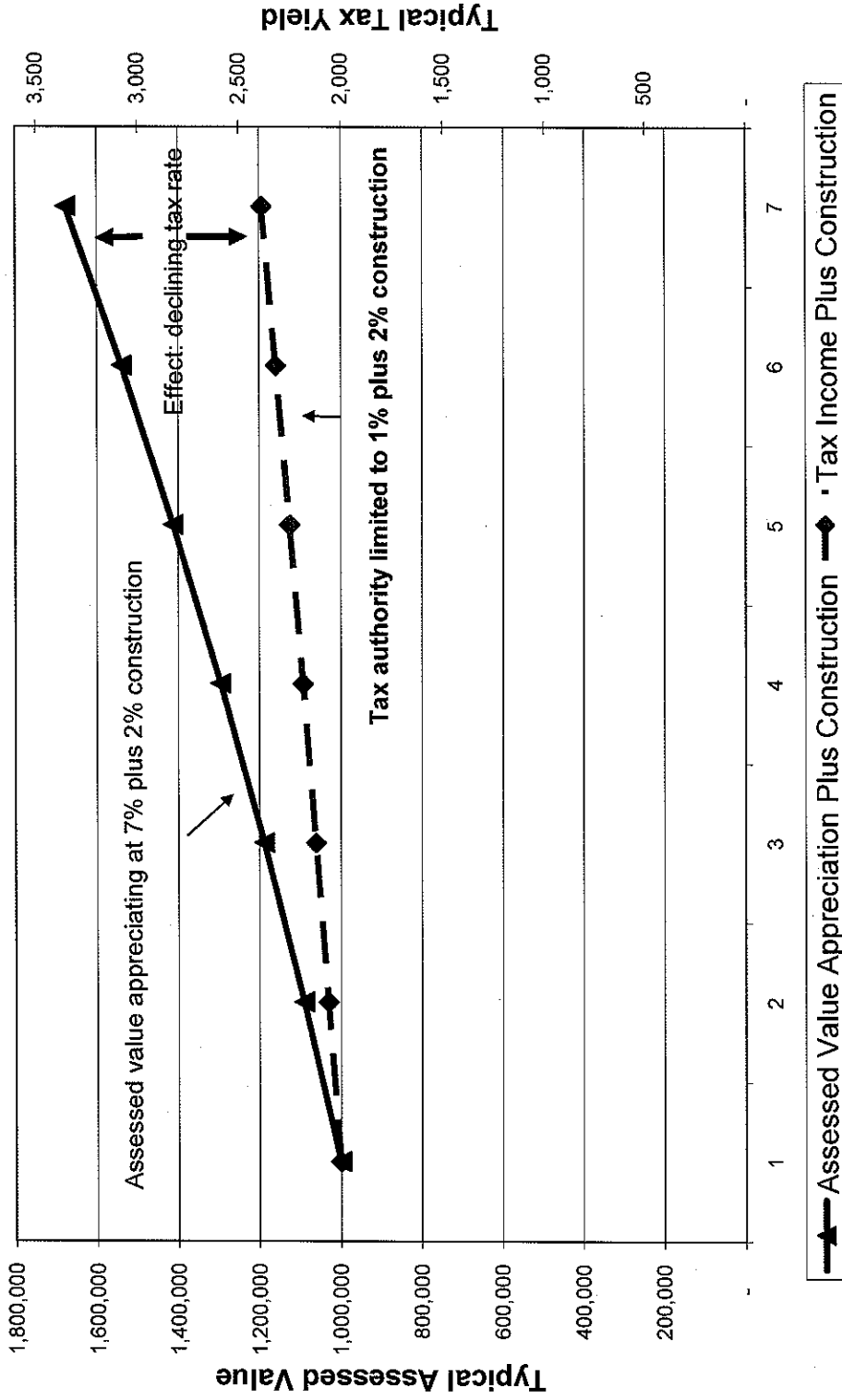


Tax Effort and Yield

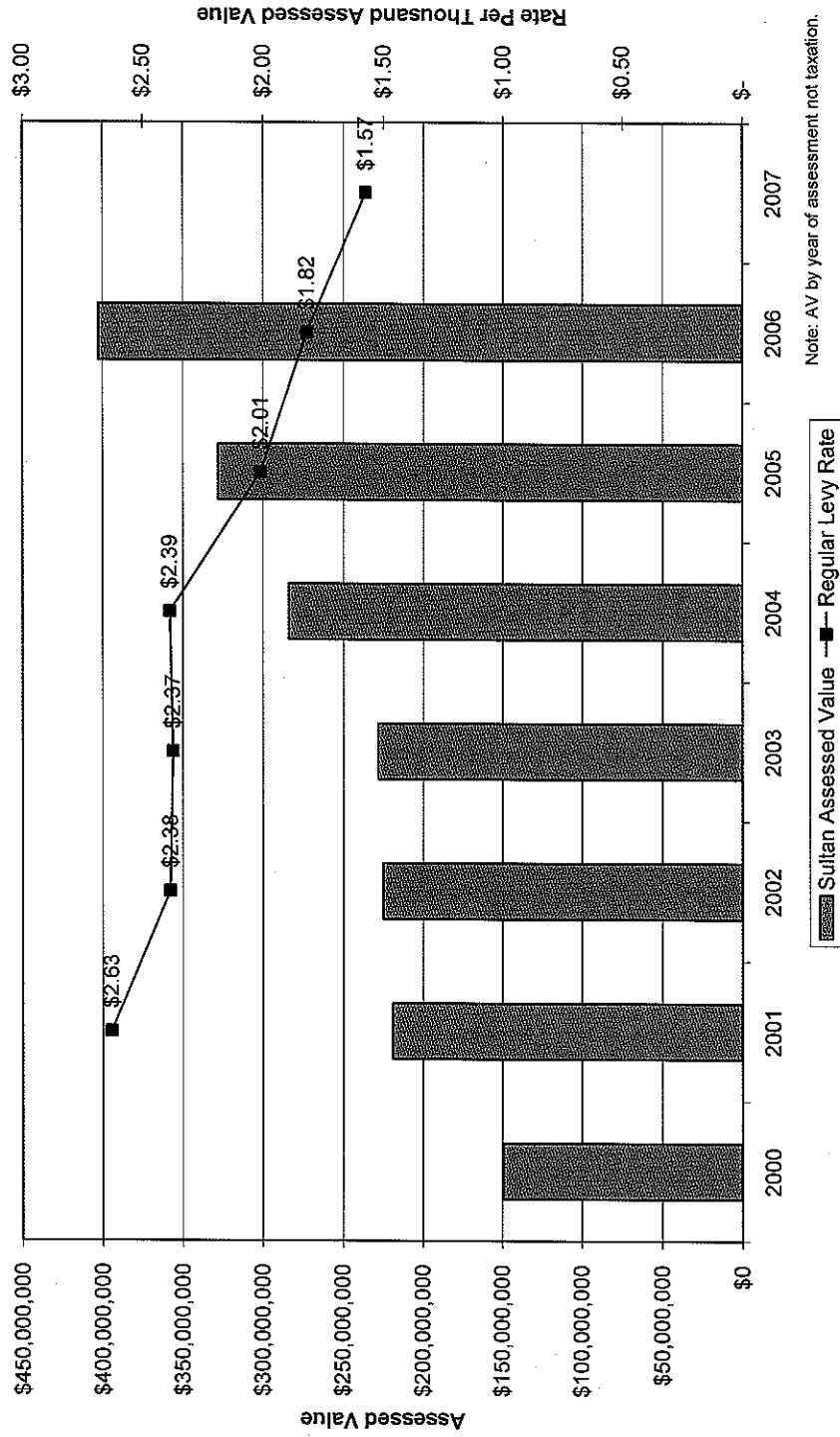
Property Tax Mechanics

- Amount levied last year.
- Plus 1%.
- Plus taxes from new construction added at property tax rate of last year.

How Property Taxes Work



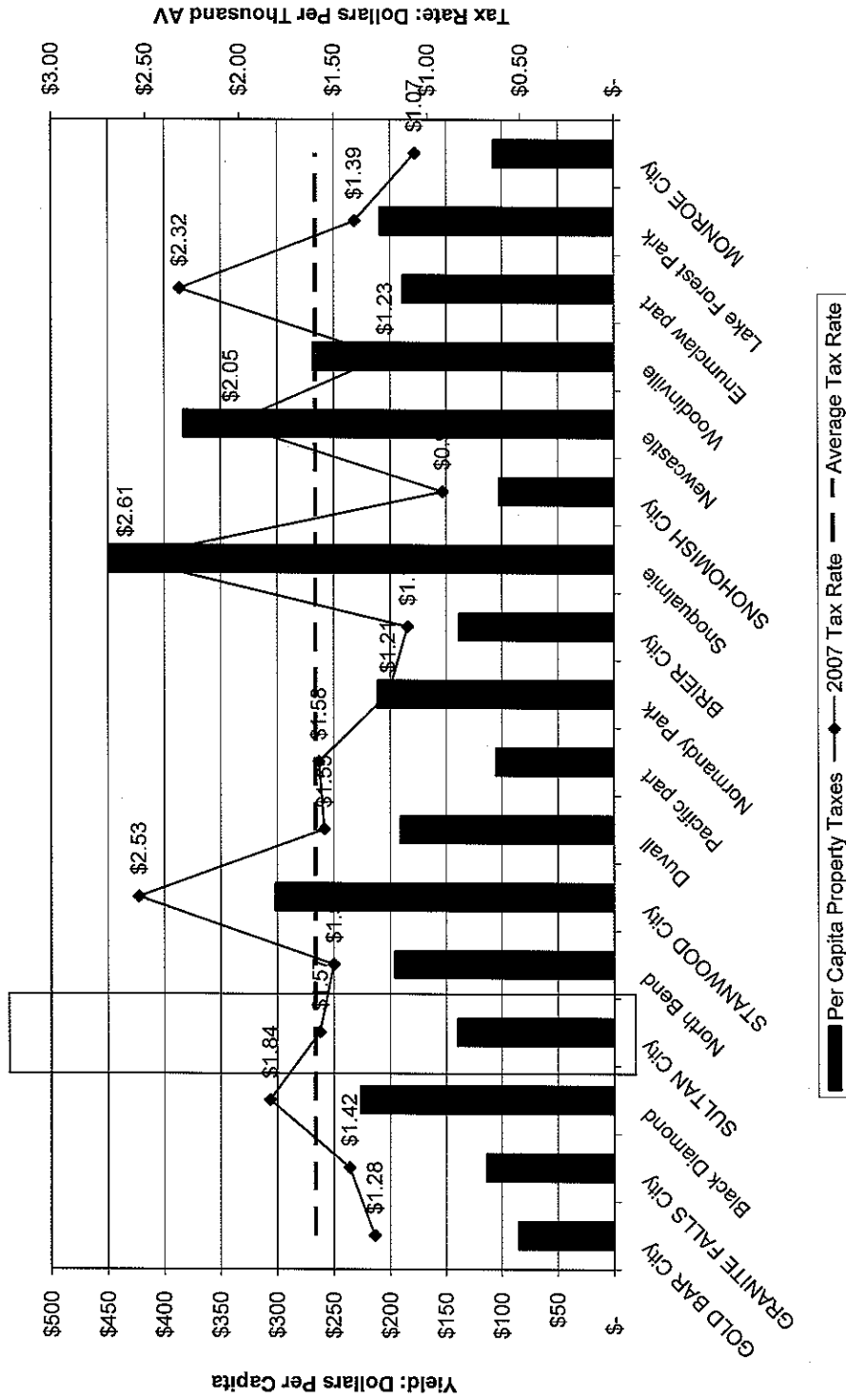
City of Sultan, Washington Fiscal Capacity Analysis
Growth in Assessed Value Compared to Tax Rate: 2000-2006
 Source: County Assessor Office and Department of Revenue



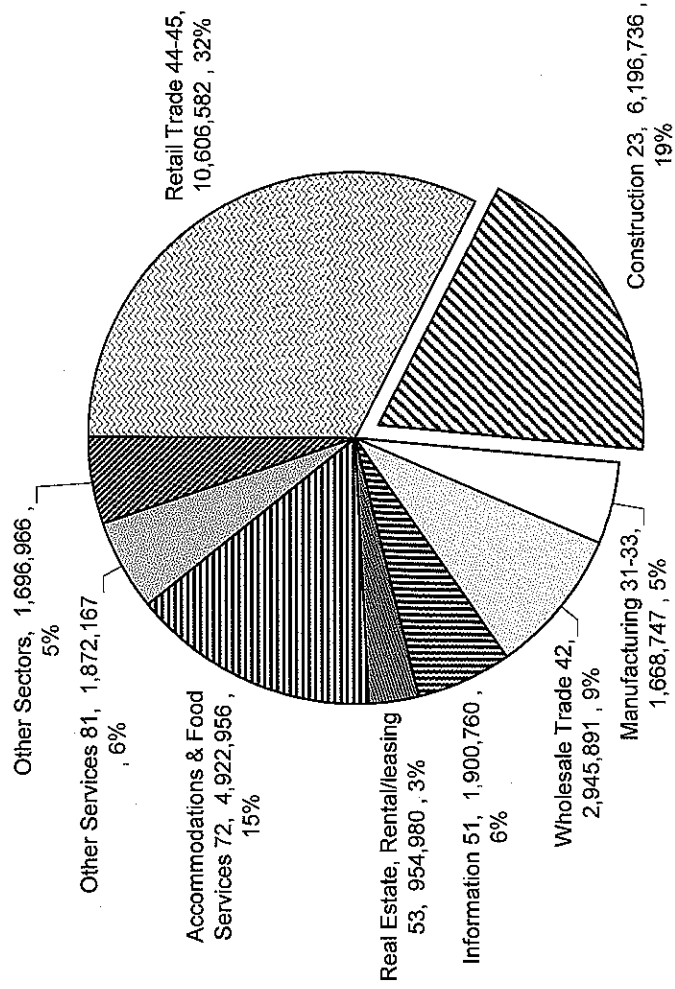
Side Effect of Declining Tax Rate

- Two Limits:
 - All local Governments share a constitutional Limit of \$10 per thousand assessed value.
 - In 2005 this limit for Sultan was \$2.84/Thousand.
 - The 1% Limit Factor.
 - In 2006 this factor limited the rate to \$1.82/Thousand.
- A local government can raise its tax rate up to its share of the constitutional limit with a 50% vote.
 - This can be to authorize debt for specific capital facilities.

City of Sultan, Washington Fiscal Capacity Analysis
Tax Yield and Rates by City; 2007
 Source: County Assessor Data

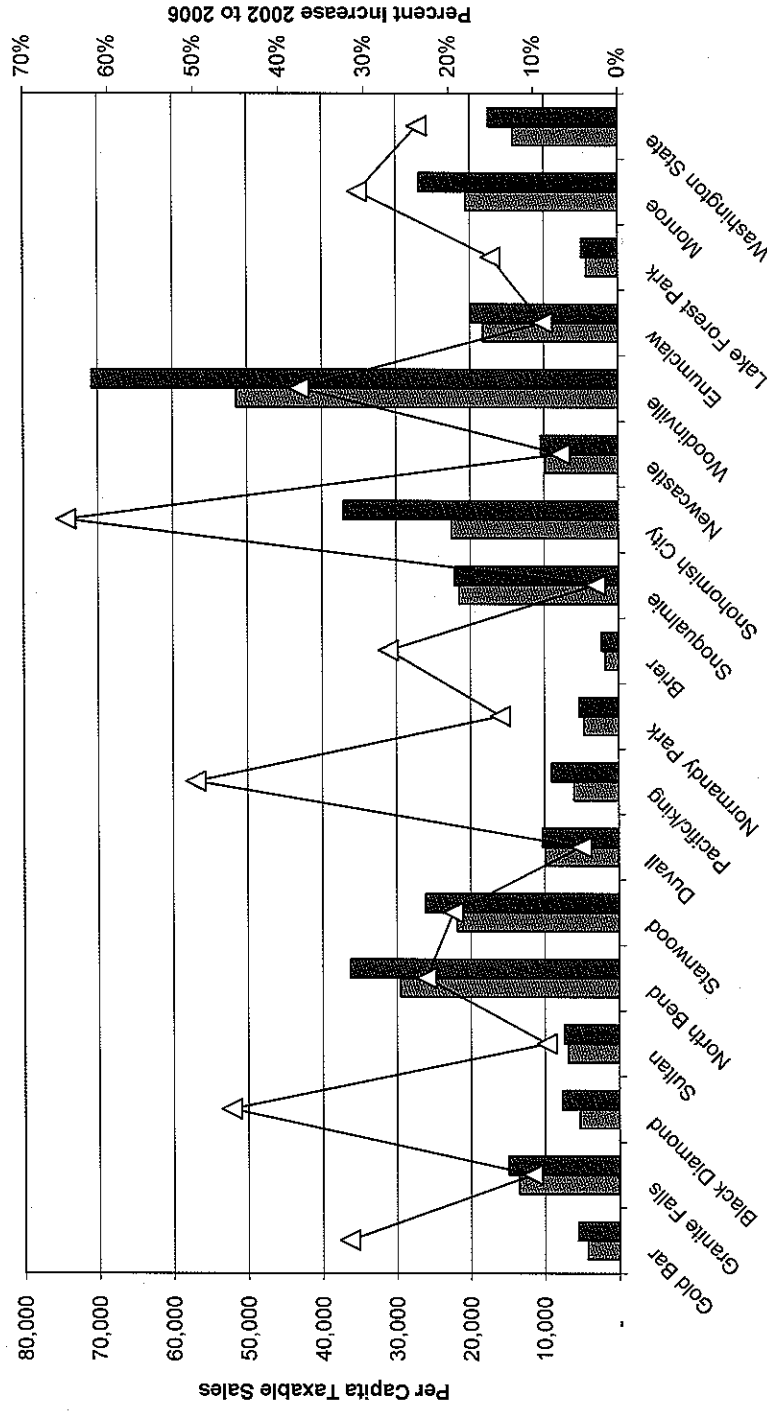


City of Sultan, Washington Fiscal Capacity Analysis
Taxable Retail Sales by Sector, City of Sultan: 2006
 Source: State Department of Revenue



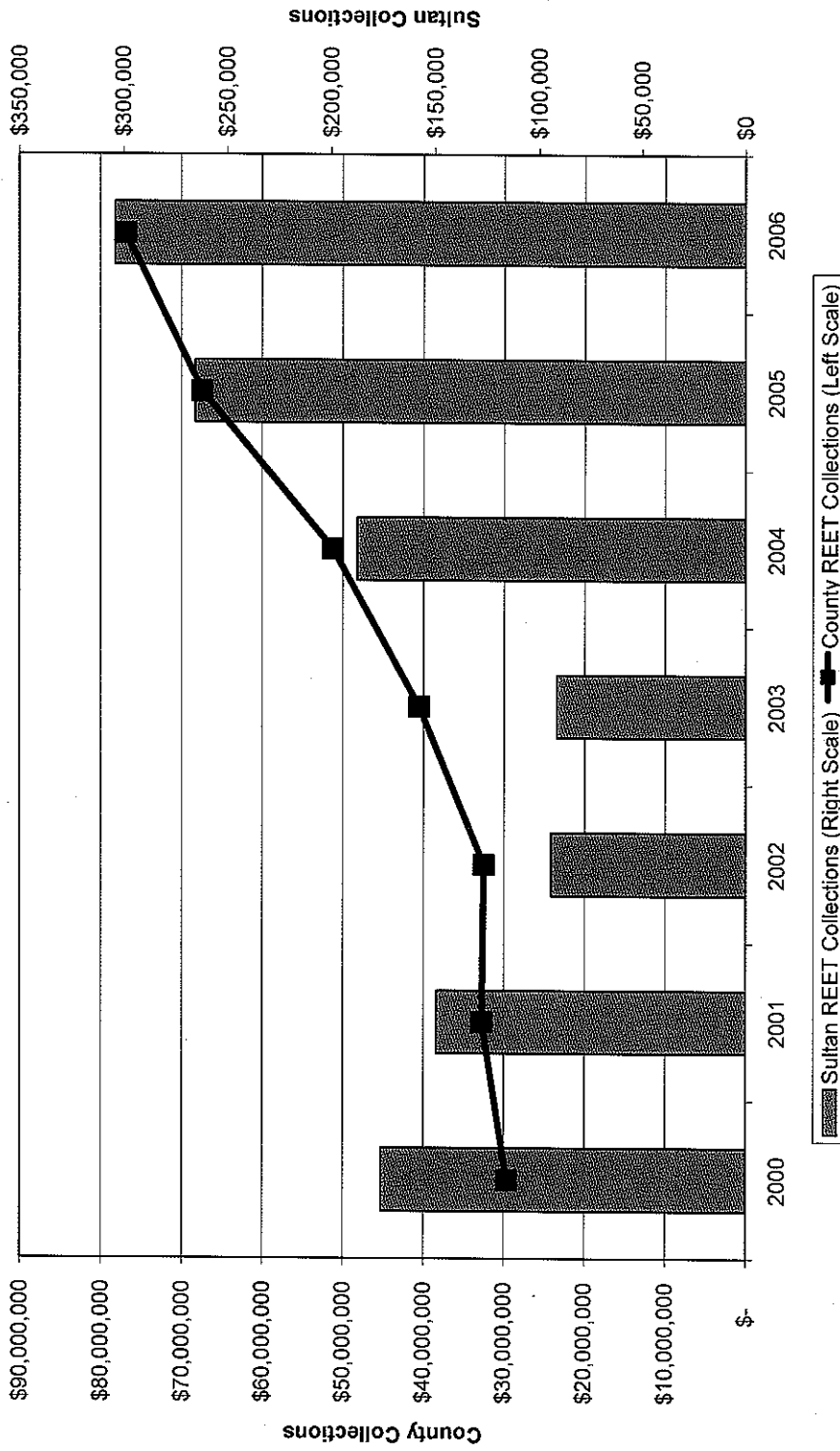
Taxable Retail Sales Tax Base for Sales Taxes

City of Sultan, Washington Fiscal Capacity Analysis
Per Capita Retail Sales 2002 and 2007
 Source: State Department of Revenue

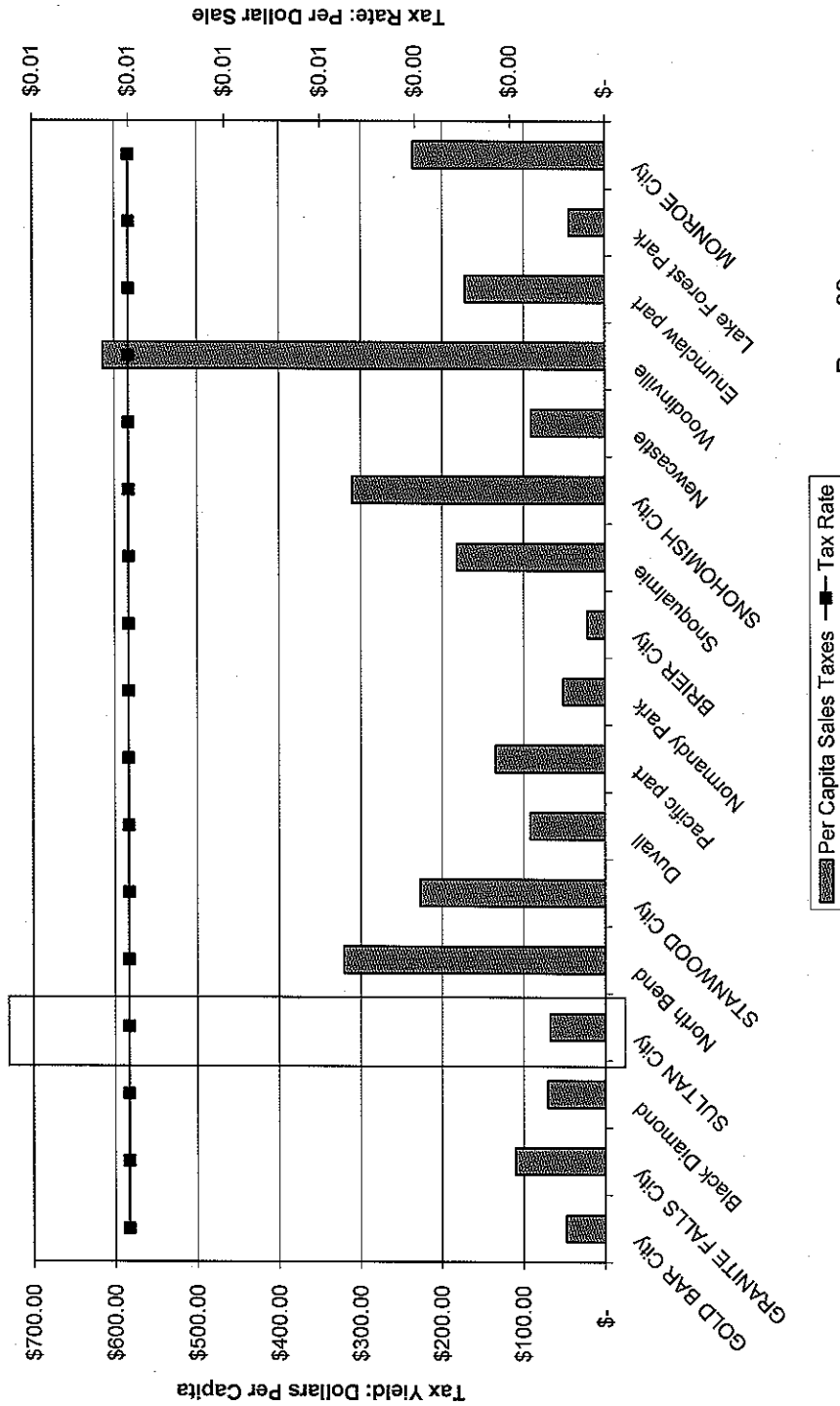


Per Capita Retail Sales 2002 Per Capita Retail Sales 2006 Percent Increase 2002-2006

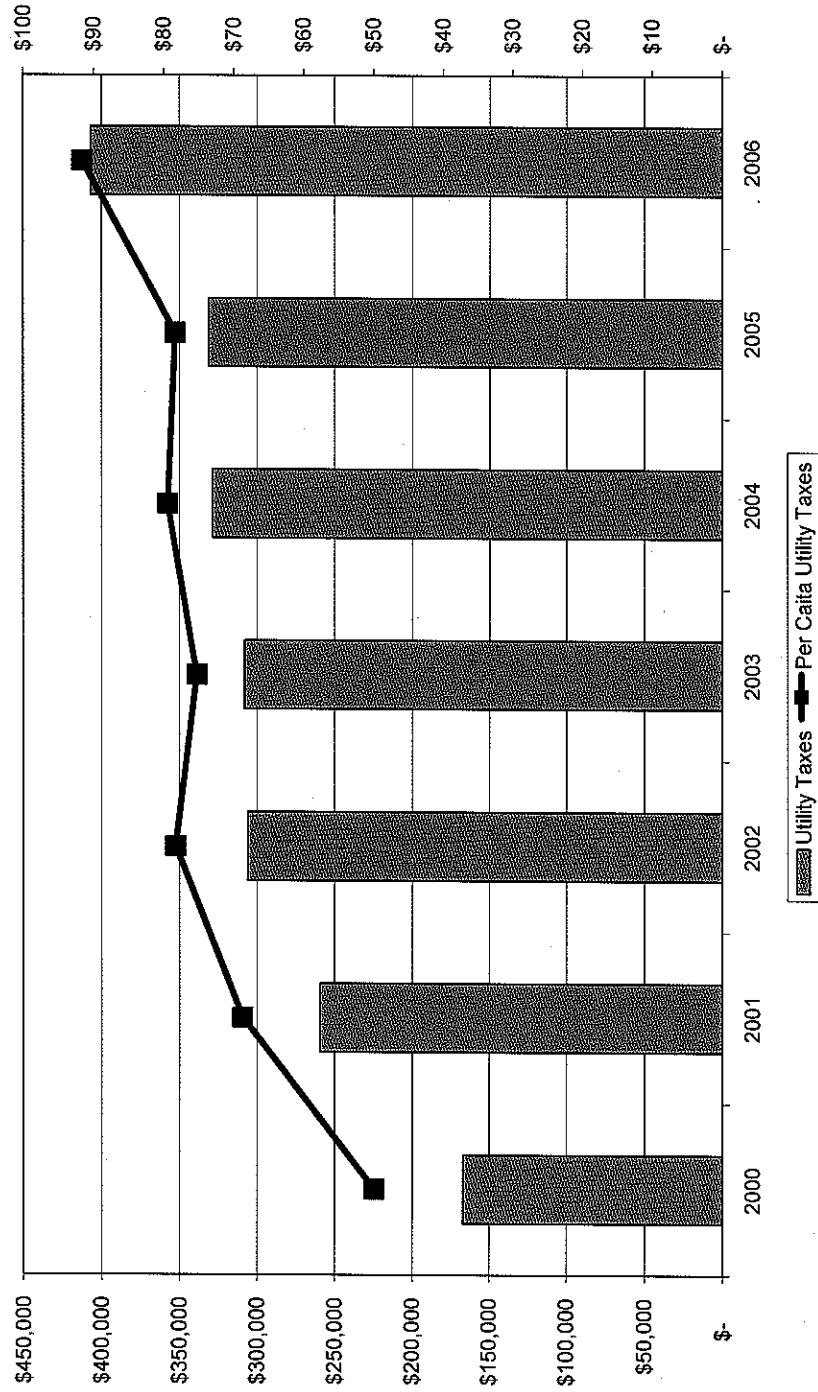
City of Sultan, Washington Fiscal Capacity Analysis
REET Tax Collections, County Compared to City of Sultan: 2000-2006
 Source: Washington State Auditor's Office



City of Sultan, Washington Fiscal Capacity Analysis
Sales Tax Yield and Rates by City; 2006
 Source: Washington State Department of Revenue



City of Sultan, Washington Fiscal Capacity Analysis
City of Sultan Revenue in From Utility Taxes: 2000-2006
 Source: Washington State Auditor's Office



Prospects

Overall

- The population of the City will increase from 4,530 to 11,119—adding about 2,700 units.
- Most new development will probably come in at significantly higher values than existing development.

General Fiscal Pressures

- Comparison of revenues to expenditures indicate short term strains on:
 - General Fund
 - Water Fund
 - Street Fund
- Recent initiatives has placed Sewer Fund in good position

Current Fiscal Pressures On General Government

- Voter initiatives have adversely affected city revenues by eliminating the MVET tax and sales tax equalization.
- The City is heavily dependent on property taxes.
 - The 1% property limit constrains revenue below inflation.
 - The “deficit” between the 1% limit and inflation is made up from property tax revenue from new development.

Assessed Value

- Property appreciation can add over \$1 billion dollars in value by 2025.
 - Since assessed value traditionally increases faster than the cost of living, there will be an increase in real terms. (in Snohomish County values increased between 2% and 3% per year in real dollars since 1986).
- Development as provided in the plan can add another \$1 billion in today's dollars by 2025.

Implications Of Increased Assessed Value Base

- Significantly improved capacity for the Real Estate Excise Tax (REET).
- Significantly Improved capacity for Voter approved financing—especially through levy lifts.

Sales Tax Potential

- Expanded market provided by growth can significantly improve sales tax revenues.
 - The larger population base opens potentials for a wide range of businesses that require larger markets than currently available.
- Increased sales tax potential could relieve fiscal pressures on general fund by providing greater revenue diversity that can grow with growth and inflation.
 - But any growth in sales taxes will be needed to sustain operations.

Other

- Utility Tax capacity will increase with growth in users.
- Developer revenue will increase with development.
- The City has traditionally competed very well for grants and should continue to do so.

Strengths and Challenges

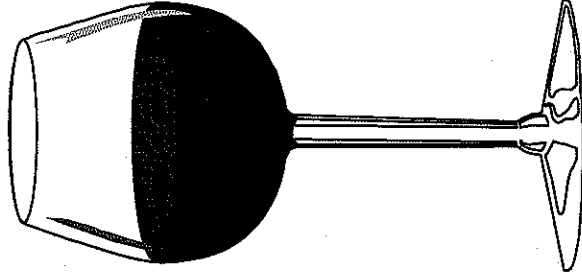
- Significant Strengths
 - Growth of the tax base will generate significant REET revenues and improve the city's capacity for capital finance.
 - New sewer rates have significantly improved the fiscal capacity of that fund.
 - City utility taxes effectively capture revenue from growth.
- Major Challenges
 - Keeping general fund ahead of inflation while serving new growth.
 - Improving the fiscal capacity of the water fund.
 - Providing adequate revenue to maintain city streets.

Overview of the Fiscal Capacity Analysis

- The city has a relatively small tax base that currently produces low revenues in spite of average tax rates.
- The fiscal capacity of the city could significantly improve as the city develops under the comprehensive plan, if the city prudently manages its revenues and costs.
- A lot will depend on how well the city can capture revenue from growth through sales taxes and how well the city manages its on-going costs.

Fiscal Outlook

Near term--the glass is half empty...



Long term--the glass is half full...