



**TOPPENISH CITY COUNCIL
STUDY SESSION AGENDA
OCTOBER 3, 2022 – 5:00 P.M.**

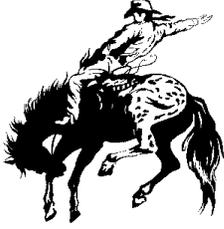
1. Call To Order/Roll Call
2. Approve Agenda
3. **Public Comment**

The City Council welcomes public attendance at Council meetings. This meeting is for the conduct of regular City business. At this time, citizen comments and inquiries about agenda business or general City matters are encouraged. If you wish to address the City Council, please stand or raise a hand so you can be called upon. After you are recognized, please come forward to the lectern, state your name, and address for the public record. Your remarks must be limited to three minutes or less. Please use the microphone.

4. Amend Lodging Tax Advisory Commission Appointment
5. Preliminary 2023 Revenue Estimates
6. Adjournment

Next Regular Council Meeting will be on October 10, 2022

City Council meetings are accessible to persons with disabilities. For individuals who may require special accommodations, please contact City Hall at (509) 865-6754, 24 hours in advance.



City of Toppenish
Executive Department
MEMORANDUM

Agenda Item
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DATE: October 3, 2022
TO: Mayor and Council
CC: Debbie Zabell, City Manager
FROM: Heidi Riojas, City Clerk
RE: Amend Lodging Tax Advisory Committee Appointment

During the September 26, 2022, Regular Meeting, Council appointed members to serve on the. The appointed Chamber representative, Tami Ramirez, is unavailable to attend the LTAC meeting on October 5, 2022.

This is to Amend Lodging Tax Advisory Committee appointment for the Chamber representative from Tami Ramirez to Nick Troy.

Staff Recommendation: Appoint Nick Troy as the Chamber representative to serve on the Lodging Tax Advisory Committee.



**City of Toppenish
Executive Department
MEMORANDUM**

**Agenda Item
5**

DATE: September 30, 2022
TO: Mayor and Councilmembers
FROM: Debbie Zabell, City Manager *DZ*
RE: **Preliminary 2023 Revenue Estimates**

The information provided within is to communicate to the City Council the estimates of revenues from all sources, including the estimate for consideration of setting property tax levy, which are considered for the 2023 Preliminary Budget.

While we are past the uncertainty of COVID-19, as it pertains to the predictability of city revenues, our community along with the nation is experiencing high inflation rates not seen in the 40 years, and we are at or on the brink of an economic recession. These factors give reason to conservatively estimate revenues.

Except as adjusted for rates, and sales tax proceeds, across all City funds, revenues are estimated to be collected moderately higher than the current budget. In both 2020 and 2021, the city received higher than normal sales tax, which was attributed to COVID stimulus money, as well as housing and utility assistance. In 2023, sales tax proceeds continue to be strong as industry has reopened and people have gone back to work

The following Summary of Proposed 2023 Revenues by Source provides an overview of each revenue source and identifies the revenue as restricted or unrestricted in its use. The 2023 Proposed Revenues and Revenue Sources worksheet begins on page 17.

Summary of Proposed 2023 Revenues by Source

Municipal Revenues are categorized into nine categories, as such, the information is provided in the following order:

- 308 Fund Balance
- 310 Taxes
- 320 Licenses and Permits
- 330 Intergovernmental
- 340 Charges for Goods and Services
- 350 Fines and Penalties
- 360 Miscellaneous
- 380 non-Revenues
- 390 Other Financing

Funds may be limited to one revenue stream, while others, such as the General Fund receives revenues from multiple categories. For further reading, the Municipal Research Center has numerous publications that provide in-depth information on revenues. www.mrsc.org.

308 BEGINNING CASH AND INVESTMENTS: The Beginning fund balance equals the previous year's ending fund balance, which is determined by the following formula:

$$\underline{\text{Beginning fund balance} + \text{Revenues} - \text{Expenditures} = \text{Ending Fund Balance}}$$

The fund balance (both beginning and end) consist of cash in the bank, investments in both the Local Government Investment Pool (LGIP), Bonds, and cash on hand (petty cash, etc.). In 2021, the State Auditor's Office reclassified the fund balance into five categories (see next page for listing).

The City Council adopted a Financial Policy that establishes the fund balance minimums. Fund Balance is considered a savings account, where the City can draw revenues from in times of need or if there is an unanticipated expense. The two volatile funds are the General Fund and the Street Fund. The minimum fund balance for these funds is 5% and 15%, respectively.

For clarification, when referring to the total revenue in this document, that amount does not include the beginning fund balance. (Please see the last page of the accompanying 2023 Proposed Revenues and Revenue Sources for the grand total of proposed 2023 revenues by category.)

As required by the State Auditor, Fund Balance is classified as:

Nonspendable: This category applies to items like permanent endowments when the donor stipulates that the principal amount of the contribution must be preserved and invested and only the interest earnings can be used for governmental purposes. (Elmwood Cemetery Endowment Fund 701)

Restricted: This category indicates the portion of fund balance that is subject to externally enforceable legal restrictions (imposed by creditors, grantors, donors, other governments, etc.). The restrictions may also be imposed by law through constitutional provisions or enabling legislation.

Committee: This category indicates the portion of the fund balance that represents resources whose use is constrained by specific limitations that the government imposes upon itself at the highest level of decision making (normally the governing body: e.g., city council) through the most binding formal action (ordinance) and that remains binding unless removed in the same manner.

Assigned: This category indicates the portion of fund balance that reflects a government's intended use of resources. The funds are neither restricted nor committed. Example: the governing body can state its intent to use resources for a specific purpose in an informal way like a motion or other form of a directive. The governing body could also delegate authority to others (city manager, department directors, or managers) to express intent. Transfers of resources to funds other than the general fund represents an assignment.

Unassigned: This category indicates is the amount remaining in the fund after classifying amounts as nonspendable, restricted, committed, or assigned. Unassigned amounts are technically available for any purpose.

310 TAXES: The City receives taxes from multiple resources. The table below identifies the tax and the receiving fund. As noted in the following Summary of Tax Revenues, taxes can be restricted and limited to its use, and some are unrestricted and may be used for any lawful governmental purpose with the fund it resides.

The proposed 2023 Budget includes estimated tax revenues of \$5,919,326. This represents 40.41% of all revenues.

The below table displays the amounts of estimated tax revenue for 2023.

Fund	Property Tax	Sales Tax	Emergency Medical Services	Business & Occupation	Utility Tax	Lodging Tax	Franchise Fee	
001	880,000	1,125,000	118,286	585,540	2,158,735			
030		420,000		220,000				
103		160,000						
106						12,000		
301	40,000							
157				34,500			34,000	
Total 2023 Estimated Tax							5,788,061	\$

Summary of Tax Revenues:

Property Tax: Washington State limits the annual rate of property tax increase to 1% of its true and fair value. The allowable increase limits the amount of property tax that can be collected and used for general municipal services, which include city administration, essential services of police, fire, and permitting, as well as quality of life services such as parks and recreation.

Using the amount levied in 2022 (\$891,789) and funds for new construction (\$4,952) a 1% increase to the property tax levy results in an increase of \$8,918.

The proposed 2023 Budget includes estimated property tax of \$880,000. This represents 6.01% of the total revenues.

The revenue is unassigned and may be used for any lawful governmental purpose.

Emergency Medical Services Tax: By referendum, Yakima County residents authorized the Emergency Medical Service levy. It is a regular property tax in the amount of 0.25 cents per \$1,000 of assessed value. A portion of the tax goes to the Yakima County Department of Emergency Medical Services, with the remainder distributed among the cities and county fire departments for the provision of EMS. The funds are accounted for in the General Fund, with the expenditures being accounted for in the Fire Department - Fire and Rescue Budget.

The proposed 2023 Budget includes estimated EMS tax of \$118,286. This represents .81% of the total revenues. *(2022 Assessed Valuation \$473,147,432 X .25 = \$118,286)*

The revenue is restricted by statute and may only be used for Emergency Medical Services, (Fire and Rescue)

Sales Tax: Sales tax rates vary from city to city depending on exactly which taxes have been imposed – and at what rates – by the city, county, and other taxing districts. Sales tax is accounted for in the General Fund. The 8% sales tax for goods and services purchased in the City of Toppenish, is 8%. It is distributed as follows:

6.5%	State of Washington
.85%	City of Toppenish
.1%	Criminal Justice (1993) (see below)
.3%	Criminal Justice (2005) (see below)
.15%	Yakima County
.1%	Mental Health (effective 4/1/20)
8.0%	Total <i>(sales tax for the cities of Yakima, Union Gap, and Selah are higher due to transit tax)</i>

During the ten years prior to 2020, the city experienced a decline in sales tax revenues. The decline resulted in the city becoming financially dependent on the utility tax it receives from its own utilities. Because of the change in purchasing patterns that occurred during the COVID-19 pandemic (an increase in point of delivery sales) the city experienced an increase in sales tax revenues in 2020 and 2021. This trend has continued into 2022, with sales tax revenues estimated at \$1,125,000.

With the increase sales tax, the city can now look at decreasing its dependence on the utility tax from its own utilities. At this time, staff is estimating a 2% reduction in utility tax from 31% to 29%.

The proposed 2022 Budget includes estimated sales tax of \$1,125,000. This represents 7.68% of the total revenues.

The revenue is unrestricted revenue and may be used for any lawful governmental purpose.

Transportation Benefit District Benefit Fees:

In 2016, the State Legislature provided for cities to absorb Transportation Benefit Districts (TBD) and assume all of its rights, powers, functions, and obligations with the result that the TBD would cease to exist as a separate entity. With the new legislation Toppenish absorbed the TBD, resulting in the vehicle license fees being directed to the city.

The proposed 2023 Budget includes estimated vehicle license fee of \$160,000. This represents 1.09% the total revenues.

The Vehicle License Fee is restricted revenue by statute and may only be used for transportation improvements, maintenance, and operations.

Criminal Justice (Sales) Tax: The City receives taxes from two Criminal Justice resources, these include a .01% tax and a 0.3% tax that is distributed by the State to Yakima County and the cities in Yakima:

- A special 0.1% Criminal Justice Sales Tax was originally approved by the voters of Yakima County in the November 1992 General Election and became effective January 1, 1993. The State allocates this 0.1% criminal justice sales tax revenue between the city and the County. This revenue is restricted to providing criminal justice related services.
- 0.3% Criminal Justice Sales Tax – A special sales tax of 0.3% dedicated to Criminal Justice expenditures was originally approved by the Yakima County voters in November 2004. The tax was renewed for on the November 2021 election, to commence 2023.

The taxes are for sales inside Yakima County only and the proceeds are divided between the county and cities on a predefined formula under which the county receives 60% and all cities within the county share the remaining 40%. Also, of note, both of these taxes are impacted by the same economic factors as sales tax.

The proposed 2023 Budget includes estimated criminal justice tax of \$420,000. This represents 2.87% of the total revenue, as well as 55.85% of the revenues received in the Criminal Justice Fund (030).

The Criminal Justice sales tax is restricted to law enforcement purposes.

Business and Occupation Tax and Utility Tax: Business and Occupation (B&O) and Utility Tax differ in that B&O tax is a tax on public and private utilities that are doing business in the City and Utility Tax is an allowable tax that the city places on its own utilities for doing business in the city.

B&O Tax: The City Council has authorized the collection of B&O tax up to the State’s limit of 6%, which is authorized by RCW 35.21.706. The B&O tax is accounted for in three funds:

General Fund: City’s may impose a business and occupation tax (B&O) upon the income of public and private utilities providing services within the boundaries of the City. These include electricity, gas, and telephone. (Cable TV is also taxable however the city has a separate franchise agreement that is addressed below).

Criminal Justice Fund: As noted above, the State limit on B&O tax is 6%, unless approved by referendum. In 1995, the Toppenish voters approved a referendum to increase the B&O tax on public or private utilities (electricity, natural gas, and telephone) an additional 2½%, for the sole purpose of the funds being used for police purposes.

Mid Valley TV: Through a Franchise Agreement with Charter Cable, the city receives both a franchise fee and B&O tax, (franchise fee of 5% and B&O tax of 6% respectively). These revenues support the operations of Mid-Valley TV (a joint venture between the cities of Toppenish, Wapato, and Granger).

The proposed 2022 Budget includes estimated B&O tax of \$620,040. This represents 4.23% of the total revenues.

The \$585,540 B&O Tax received by the General Fund (001) is unrestricted revenue and may be used for any lawful governmental purpose.

The \$220,000 B&O Tax received by the Criminal Justice Fund (030) is restricted and may only be used for law enforcement purposes.

The \$34,500 B&O Tax received by the Mid-Valley TV Fund (457) is restricted and may only be used for the maintenance and operations of Mid-Valley Television.

Utility Tax: Cities are permitted to levy any amount of utility tax necessary, on its own utilities. The City’s current utility tax is 31% of the utility’s revenues. Based on the limitations of revenue streams from other major revenue sources, (sales tax and property tax) the city is financially dependent on utility tax. The City accounts for Utility Tax in the General Fund, which provides 39.97% of all general fund revenue needed to provide essential and needed municipal services.

The proposed 2023 Budget includes estimated Utility Tax (29%) of \$2,158,735. This represents 14.74% of the total revenues.

The Utility Tax received by the General Fund (001) is unrestricted revenue and may be used for any lawful governmental purpose.

Lodging Tax: Cities have 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. Because the City is over 5,000 population it was required to establish a Lodging Tax Advisory Committee (LTAC), to review all funding applications and recommend awards to the City Council for consideration.

Like sales tax, lodging tax is directly impacted by the economy. Because of the downturn in lodging in early 2000, the City Council authorized 75% of Business License revenue to be accounted for in the Tourism Fund (106) to offset the declining Lodging tax received. In 2022, the City Council reversed this decision. The amount of Business License revenue accounted for in the Tourism Fund (106) will be reduced by 50% in 2022 and will be reduced 25% in 2023 and 2024.

The proposed 2023 Budget includes estimated lodging tax of \$12,000. This represents .08% of the total revenues, 57.83% of the Tourism Fund Revenues.

Lodging Tax Revenue is restricted by statute and must be used for tourism activities or tourism-related facilities.

The Business License Revenue received in the Tourism fund is unrestricted and may be used for any lawful governmental purpose.

Real Estate Excise Tax: Any city or town may impose an excise tax of 0.25% – known as “REET 1” or the “first quarter percent” – upon all real estate sales (RCW 82.46.010(2)). REET 1 was imposed by the City Council and did not require voter approval. All cities in the state have imposed REET 1, except for a few very small cities and towns.

Cities with a population of more than 5,000 that are fully planning under GMA authority must spend the REET 1 revenues on “capital projects” that are listed in the capital facilities plan (CFP) element of their comprehensive plan. When the City establishes and the Council adopts an annual Capital Improvement Plan, the funds from this revenue may be expended.

The proposed 2023 Budget includes estimated REET tax of \$40,000. This represents .27% of the total revenues, as well as 100% of the REET Capital Fund Revenue.

REET Tax Revenue is restricted by statute and may only be spent on “capital projects” that are listed in the capital facilities plan (CFP) element of their comprehensive plan.

320 LICENSES AND PERMITS: The City issues numerous licenses and permits as directed by the Toppenish Municipal Code, as well as Washington State. These include:

- Licenses: Business, Rental, Animal, Yard Sales, and Concealed Weapons Licenses (permits)
- Permits: Building, Plumbing, Mechanical, Sign, Fire, and Street Permits.

Permitting is necessary for the life, and safety of all who work, live, and visit Toppenish. License and Permit revenues, in general, do not cover the costs of administering and inspecting. These revenues are accounted for in the General Fund, Street Fund, and Tourism Fund.

The proposed 2023 Budget includes estimated License and Permit revenues of \$123,450. This represents .84% of total revenues.

License and Permit Revenue are unrestricted and may be used for any lawful governmental purpose. These fees are used to offset the costs of licensing and permitting.

330 INTERGOVERNMENTAL REVENUES: Revenues contained in this category include state and federal grants, state shared revenues, and in lieu taxes.

The proposed 2023 Budget includes estimated intergovernmental revenues of \$571,785. This represents 3.9% of the total revenues.

Grants and Loans: The City contracts with professional engineering firms for grant writing as well as engineering services. This has been successful with the city receiving millions of dollars in grants and low interest loans for capital improvement projects over the years. The majority of grants are secured for street, water, and sewer capital improvement projects. The Police and Fire Departments, as well as the Wellness Group have been successful in writing and receiving grant award. The addition to staff of the Assistant City Manager/Public Works Director position will positively impact grant and loan revenues.

The proposed 2023 Budget includes known grant revenues of \$2,500. This represents .02% of the total Revenues.

General Fund (Fire):	\$1,250.00	(State Grant for medical equipment and supplies)
General Fund (Police)	\$500.00	(Federal Grant for bullet proof vests)
General Fund (HR)	\$250.00	(AWC Wellness Grant, assist w/ maintaining 2% ins. discount)
Welcome Center Fund	\$58,780.00	(Electric Vehicle Charging Station)
Criminal Justice Fund:	\$500.00	(Federal Grant for bullet proof vests)

Grant revenues are restricted to the receiving fund and may only be used for the designated project or equipment and other conditions which may be imposed by the granting agency.

State Shared Revenues: The State of Washington distributes a number of “state shared revenues” to cities, towns, and counties. Some of these revenues are distributed to all entities solely on a population (*per capita*) basis, while others are based on different factors and/or are only distributed to jurisdictions that meet certain criteria. The City’s population from the Office of Financial Management is **8,870**. This number determines the state shared revenues, the city will receive.

For clarification, the state shared revenue received is recorded in four funds, (General, Criminal Justice, Street, & Pension). For ease of reading, the state shared revenue is being grouped together with the explanation of where each revenue is recorded and if the revenue is restricted or unrestricted.

Forecasting state shared revenues can be tricky. First of all, the state fiscal year begins July 1 and ends June 30, while all local governments in Washington use a calendar year budget (Jan 1 to Dec 31). As a result, legislation can and often does impact shared revenue distributions halfway through the local government budget year.

Secondly, state shared revenues may be interrupted by the legislature which meets subsequent to the adoption of the city budget. In recent years, it has added new distributions (increased gas taxes, multimodal transportation, and marijuana excise taxes), reduced distributions (marijuana excise taxes, which were later restored), and attempted to eliminate distributions (the fire insurance premium tax, which was preserved by the governor’s veto).

We need to remember that these resources are vulnerable during each legislative session, especially in times when state revenues are down. It is important for the City Council and Administration to monitor legislative sessions to help stay abreast of changes to these revenue sources. Any shortfalls to these important revenues may have a direct impact on the City’s budget and ability to provide necessary services.

The below chart illustrates the changes per capita distribution amounts: (state shared revenue)

Estimated Per Capita Distributions for Each City/Town						
	2019	2020	2021	2022 Revised	2023 Forecast	2024 Forecast
Gas Tax (MVFT)	\$19.62	\$17.23	\$17.30	\$17.65	\$18.20	\$18.11
Multi-Modal Distribution	1.38	1.36	1.33	1.32	1.30	1.28
Increased MVFT	1.21	1.19	1.16	1.15	1.14	1.12
Liquor Profits	8.15	8.03	7.83	7.77	7.65	7.52
Liquor Excise	5.47	6.34	7.08	7.12	6.86	6.83
Criminal Justice –Special Programs	1.07	1.11	1.15	1.21	1.27	1.32
Criminal Justice –Population ¹	\$0.30	\$0.31	\$0.33	\$0.36	\$0.36	\$0.38

The proposed 2023 Budget includes State Shared revenues of \$326,239. This represents 2.37% of Intergovernmental Revenues.

City-County Assistance Distributions: RCW 82.45.060 imposes a real estate excise tax (REET) on each sale of real property within Washington State. A portion of the state REET is deposited into the city-county assistance account to provide revenue assistance to certain cities and counties that meet the statutory qualifications. Effective January 1, 2020, ESSB 5998 reduced this portion from 1.6% to 1.4%.

These funds were originally intended to mitigate the loss of the motor vehicle excise tax (MVET) that was distributed to local governments as a means of equalization of sales tax. The formula used to allocate city funding is based on a sales and property tax equalization formula and the 2005 MVET backfill levels. The maximum distribution for any eligible city was originally capped at \$100,000, to be increased each year by the July implicit price deflator (IPD) for personal consumption expenditures. The 2022 cap is \$134,500.

The Department of Revenue (DOR) must certify the amounts to be distributed each year by October 1, with preliminary estimates available by September 1. Funds are required to be distributed quarterly on January 1, April 1, July 1, and October 1.

In order for these distribution dates to be met, the transfers are made on the last day of the previous month in conjunction with the regular remittance of revenues from the State Treasurer's Office (OST) to local governments. As a result, the January 1 remittance is received on December 31, which is part of the current budget cycle for cities, towns, and counties instead of being received in the next budget period. This means that, for budgeting purposes, cities and counties are dealing with two different certification years.

From the Department of Revenue: "Here's how it works, when the Council passes the 2023 Budget later this year, we (DOR) will know the amount for which you are certified for 2023, but keep in mind that the first payment from that certification will arrive in December and will become part of the current year's revenues. The amount you forecast for 2023 will depend on the October 1, 2022, certification, less the January distribution (received December 31), plus our best "guesstimate" of your January 2023 distribution, which is certified October 1, 2022, and received December 31, 2022."

The 2023 proposed Budget includes estimated City Assistance revenue of \$146,780. This represents 1.0% of total revenues.

The revenue is unrestricted revenue and may be used for any lawful governmental purpose.

Criminal Justice Revenues: There are two separate criminal justice distributions for cities, created by RCW 82.14.320 and 82.14.330. Each program originally (in state fiscal year 2000) appropriated a total of \$4.6 million, to be increased each July by the "fiscal growth factor" set forth in RCW 43.135.025. The fiscal growth factor is the average annual growth in state personal income for the prior ten fiscal years.

The amount to be distributed for calendar year 2023 is projected to be \$12,084,221 for each program, an increase of 6.0%. Criminal justice revenues created by RCW 82.14.320 are for cities with high crime rates. Since these funds are based on a high crime rate formula, estimating these revenues are difficult.

Criminal Justice Revenues must be used for Criminal justice purposes; they may not replace or supplant existing criminal justice funding. Criminal justice funds created by RCW 82.14.330 have four different components for distribution. The City receives funds for High Crime, Population, and Special Programs.

- **High Crime Distributions:** These funds are distributed partially based on crime rates which are difficult to forecast. The distribution of this revenue is based on the city's crime rate being over 125% of the annual statewide average.

City Criminal Justice – High Crime

Eligible jurisdictions	Any city or town with a crime rate over 125% of the annual statewide average that also meets the other requirements of RCW 82.14.320(2)
Estimated 2023 distribution	<i>No estimate provided. Determined by population, crime rates, and other factors.</i>
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	Criminal justice purposes; may temporarily replace or supplant existing criminal justice funding through December 31, 2023

- Population: 16%, or \$1,933,475, is distributed to all cities and towns on a per capita basis, with each city receiving a minimum of \$1,000 no matter how small its population. For 2023 the estimated distribution is \$0.36 per capita.

City Criminal Justice – Population

Eligible jurisdictions	All cities and towns
Estimated 2023 distribution	\$0.36 per capita; minimum distribution of \$1,000 per city/town, which is factored into our calculations.
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	Criminal justice purposes; may temporarily replace or supplant existing criminal justice funding through December 31, 2023

- Special Programs: 54%, or \$6,525,479, is distributed to all cities and towns on a strictly per capita basis to be used for innovative law enforcement strategies, programs to help at-risk children or child abuse victims, and programs to reduce the level of domestic violence or to provide counseling for domestic violence victims. While these funds must be spent in these specific areas, there is no requirement for how much must be spent in each area. The city’s entire distribution could be spent in only one of these areas if the city wishes. For 2023 the estimated distribution is \$1.27 per capita.

City Criminal Justice – Special Programs

Eligible jurisdictions	All cities and towns
Estimated 2023 distribution	\$1.27 per capita
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	Innovative law enforcement strategies, programs for child abuse victims/at-risk children, and/or domestic violence programs

- Violent Crime: 20%, or \$2,416,844, goes to cities with a three-year average violent crime rate (per 1,000 population) above 150% of the three-year statewide average. No city may receive more than \$1.00 per capita. The 2023 estimates have not been provided.

City Criminal Justice – Violent Crime

Eligible jurisdictions	Any city or town with a violent crime rate over 150% of the three-year statewide average.
Estimated 2023 distribution	<i>No estimate provided. Determined by crime rate and population; no city may receive more than \$1.00 per capita.</i>
Payment received	Quarterly at the end of January, April, July, and October
Revenue must be used for	Criminal justice purposes; may temporarily replace or supplant existing criminal justice funding through December 31, 2023

The 2023 proposed Budget includes estimated Criminal Justice revenue of \$96,265. This represents .66% of total revenues, as well as 11.46% of the Criminal Justice Fund.

The revenue is restricted by statute and may only be used for law enforcement purposes.

Fire Insurance Premium Tax: RCW 41.16.050 requires each municipality having a regularly organized full-time fire department with paid firefighters to establish a firefighters’ pension fund. The state collects a 2% tax on the premiums of all insurance policies written. Of the tax collected on fire policies and the fire component of homeowner’s and commercial multi-peril policies, 25% is distributed to cities and fire districts that have firefighters’ pension funds.

The moneys received from the tax on fire insurance premiums under RCW 41.16.050 are distributed to those cities and fire districts with a pre-LEOFF firefighters’ pension fund based on their proportionate number of paid firefighters, (a calculation known as the “ratio value).

Each year, on or before January 15, cities and fire districts must certify to the State Treasurer their number of paid firefighters. For 2023 the estimated ratio value is \$1,324 per paid firefighter.

The proposed 2022 Budget includes estimated Fire Insurance Premium Tax of \$9,268. This represents .06% of total revenues.

The revenue is restricted by statute and may only be used for pre-LEOFF Fire Pension fund.

Liquor Revenues: Liquor revenues have two separate distributions that are received at different times. There is a state shared distribution from the liquor revolving account for licensing fees (this is referred to by the state and others as “liquor profits”), and there is a distribution from the liquor excise tax account that represents a portion of the excise tax collected on liquor sales. The total distribution from liquor profits is the same each year, while the total distribution for liquor excise taxes varies depending on actual liquor sales.

A requirement for receiving liquor revenues is that the city must devote at least 2% of the liquor profits and liquor excise tax distributions to a licensed or certified alcohol or drug addiction program under RCW 71.24.555. (The city remits this 2% to Yakima County.)

Liquor revenue distributions have seen a lot of changes over the past several years, including:

Liquor Excise Taxes: The distribution formula is as follows:

1. 35% of liquor excise tax collected is deposited in the liquor excise tax fund for distribution to cities, towns, and counties.
2. \$2.5 million each quarter (\$10 million a year) is deducted from the liquor excise tax fund and remitted to the state general fund.
3. Of the remaining amount, 80% is distributed to cities (based on population) and 20% is distributed to counties (based on unincorporated population).

The State has projected a 2.21% decrease to liquor excise tax revenues that are to be deposited into the liquor excise tax fund. After deductions, the total local government distributions are estimated to

be \$36148,742 for cities and \$8,389,671 for counties. For 2023, the estimated distribution is \$6.86 per capita.

The 2022 proposed Budget includes estimated liquor excise tax revenue of \$60,848. This represents .42% of total revenues.

At least 2% is restricted for alcohol or drug addiction. The remaining 98% is unrestricted and may be used for any lawful governmental purpose.

Liquor Board Profits: Not only did Initiative 1183 privatize liquor sales in Washington, but it also changed the types of liquor revenues collected by the state. The State is now collecting revenue in the form of license fees from distributors and retailers, rather than profits from the state-run liquor stores.

An additional distribution of \$10 million per year from the spirits license fees must be provided through the liquor revolving fund for the purpose of enhancing public safety programs. Cities receive 80% or \$39,431,749 annually, distributed proportionately by population, and Counties receive 20% or \$9,857,937 annually, distributed proportionately by unincorporated population. The estimated 2023 distribution is \$7.65 per capita.

The proposed 2023 Budget includes estimated liquor profits tax revenue of \$67,856. This represents .46% of total revenues.

At least 20.23% is restricted to public safety programs (\$13,730 Fund 030). The remaining 77.77% (\$54,125) Fund 001) is unrestricted and may be used for any lawful governmental purpose.

Transportation Distributions: All cities, towns, and counties receive three different transportation distributions. The first, motor vehicle fuel tax (MVFT), which is distributed as a percentage of the fuel taxes collected statewide. The other two, “increased motor vehicle fuel tax” and “multi-modal” distributions, were created in 2015 by 2ESSB 5987 and consist of direct transfers from the state transportation fund, so the allocations are not impacted by actual fuel tax collections.

Motor Vehicle Fuel Tax (MVFT): Motor Vehicle Fuel Tax is received through State distributions of fuel tax on a per capita basis. The distribution formula includes annual road costs and need in addition to population. RCW 47.30.050 requires that at least 0.42% of MVFT funds pedestrian, equestrian, or bicycle trails annually. Cities also have the option to place these dedicated funds in a capital reserve or special revenue fund to accumulate the resources, so long as the funds are used for paths or trails within a 10-year period.

Fuel taxes in Washington are assessed as cents per gallon, so motor vehicle fuel tax (MVFT) revenues – and therefore the MVFT distributions to cities and counties – depend on the number of gallons sold, not the dollar value of the sales. The transportation projections anticipate the resumption of normal activity in the spring of 2022. The estimated 2022 distribution is \$18.20 per capita. (An increase of \$.55 from 2022, or \$4,879)

The proposed 2023 Budget includes estimated MVFT revenue of \$160,000. This represents 1.09% of total revenue, as well as 84.7% of the Street Fund revenues.

The revenue is restricted to highway purposes, with at least .42% being restricted to pedestrian, equestrian, or bicycle trails.

Increased Motor Vehicle Fuel Tax and Multi-Modal Funds: In addition to the monthly gas tax distributions, counties, cities, and towns receive a share of the multi-modal funds and the 2015 increase in fuel tax (RCW 46.68.126). These revenues are split equally between cities and counties and are not impacted by actual fuel sales. The distribution amounts remain the same every year unless the legislature were the change them. The estimated 2023 distribution are as follows: Increased Motor Vehicle Fuel Tax \$1.14 per capita; Multi-Modal Funds \$1.30 per capita.

The proposed 2023 Budget includes estimated Increased MVFT and Multi-Modal revenue of \$21,643. This represents .11.46% of the Street Fund revenues.

The revenues are restricted to any transportation purpose.

The below illustrates the amounts of state shared revenues that the city is estimated to receive in 2023, compared to the revenues actually received in 2022. Of note, is the fluctuation of revenues between years.

2023 State Shared Revenue Estimator	
Select Jurisdiction	2023 Per Capita Estimates for Cities
Toppenish	Liquor Profits \$7.65
	Liquor Excise \$6.86
	Criminal Justice - Population Based \$0.36
	Criminal Justice - Special Programs \$1.27
2022 Population: 8,870	Gas Tax \$18.20
	Increased Gas Tax \$1.14
	Multi-Modal Distribution \$1.30
	Total \$36.78
Estimated Distributions (per capita revenues only)	
Liquor Profits	\$67,856
Liquor Excise Tax	\$60,848
Criminal Justice - Population	\$3,193
Criminal Justice - Special Programs	\$11,265
Gas Tax (MVFT)	\$161,434
Increased MVFT	\$10,112
Multi-Modal Distribution	\$11,531
Total	\$326,239

Toppenish	
Fiscal Year 2022 -- Data Through June 30, 2022	
<i>Note: Distributions shaded in Blue are distributed to the county for distribution to other taxing districts within the county. The county retains only a portion of this amount.</i>	
Total	486,880
City Criminal Justice Assistance - High Crime	69,297
City Criminal Justice Assistance - Innovative Programs	7,892
City Criminal Justice Assistance - Population	2,221
City Criminal Justice Assistance - Violent Crime	8,860
City DUI Enforcement Assistance	1,115
Distressed City Assistance	148,787
Fire Insurance Premium Tax Sharing	8,827
Liquor Excise Tax Sharing	48,168
Liquor Profits Sharing	52,427
Motor Vehicle Fuel Tax Additional Sharing - City	7,686
Motor Vehicle Fuel Tax Sharing - City	117,368
Multimodal Transportation Account Sharing - City	8,784
State Lodging Tax Sharing	5,450

340 CHARGES FOR GOODS AND SERVICES: Charges for goods and services encompasses a variety of activities that the city provides. The following list notes the specific goods or service provided and the estimated revenue for the service:

Service	Fund	Revenue	Service	Fund	Revenue
Bldg. & Fire Plan Review	001	\$63,300	Cemetery Services	108	\$92,500
Court Services	001	\$15,450	Water Distribution	401	\$2,629.180
Abatement Charges	050	\$1,500	Sewer Collection	403	\$3,500.400
Park Use	001	\$1,200	Sewer Treatment		
Swimming Pool/Concession	001	\$54,500	Solid Waste Collection	405	\$1,280,800
Utility Late Fees & NSF	001	\$41,500	Water System Connection	410	\$6,000
Public Records Requests	001	\$2,220	Sewer System Connection	413	\$6,000
Recreation Programs	001	\$54,780	Public Access TV Service	457	\$56,400
Storm Water Collection	101	\$2,220	Total Goods & Services		\$7,807,930

The proposed 2023 Budget includes \$7,807,930 of revenues from Goods and Services. This represents 53.29% of all revenues.

The revenue received for Goods and Services in the General, Street, and Cemetery Funds are unrestricted revenue and may be used for any lawful governmental purpose. These revenues are used to offset the costs of the good or service provided by the city.

The revenue received for Goods and Services in the water, sewer, solid waste, and MVTV are restricted, and may only be used for the specific good or services provided by that fund.

350 FINES AND FORFEITURES: Fines and forfeitures include a number of categories that include civil and criminal fines, as well as court reimbursements. Although the City contracts with the City of Sunnyside’s Municipal Court for Court Services, Toppenish continues to receive all fines and forfeitures owed to the City.

The proposed 2023 Budget includes \$71,175 of revenues from Fines and Forfeitures. This represents .49% of total revenues.

The revenue received for Fines and Forfeitures is unrestricted revenue and may be used for any lawful governmental purpose. These revenues are used to offset the costs of municipal court services.

360 MISCELLANEOUS REVENUES: Miscellaneous revenues is a category of revenues prescribed by the State Auditor’s office, which includes interest, rent and lease, contributions or donations from non-governmental agencies, sale of surplus, as well as unclaimed or forfeited money.

A revenue that is coded in this category is the award of Legend’s 2% funding. Funds are not budgeted until received, as such a budget amendment is prepared when grant funding is received. The proposed 2022 Budget includes \$152,945 of revenues from Miscellaneous Revenues. This represents 1.04% of all revenues.

The revenues are unrestricted and may be used for any lawful governmental purpose. However, contributions towards specific projects or programs should be utilized for the specific purpose.

380 NON-REVENUES: Non revenues are those revenues that have borrowed from another fund, known as an interfund loan, or monies that are being held on behalf of another agency or person. These include retainage being held on capital construction projects, some of the court revenues the city receives, must be passed on to the State.

In addition to funds being held in trust, two specific revenues the City receives are also classified as non-revenues. These include:

- Perpetual Care Revenues received at the time a cemetery lot is purchased. These funds retained in the City’s Cemetery Perpetual Care Fund (701). These funds are being held in trust for care and maintenance of the Elmwood when the cemetery is built out and no longer receiving operating revenues from burials. Estimated non-revenues for the Perpetual Care Fund are \$20,000.
- Housing loan payments received from borrowers of the City’s former Community Development Block Grant Housing Loan program. The City retains these loan payments in two funds.

Older program loan payments are accounted for Special Project Fund (050), and the newer program loan payments are accounted for in the Housing Loan Fund (170). Both of these funds can be utilized for expenditures that benefit the community. Typically, the City receives approval from the State Department of Commerce for larger expenditures. Estimated non-revenues for the Special Revenue and Housing Loan Funds are \$20,000.00 and \$94,400.00, respectively.

The proposed 2023 Budget includes \$134,400 of revenues from non-Revenues. This represents .92% of all revenues.

The revenues being held in trust for the future care of the Elmwood Cemetery are restricted.

The revenues received from housing loan payments, are restricted for governmental use that serves the entire population.

390 OTHER FINANCING: Other Financing includes proceeds from insurance, governmental loans received by the City, as well as (subsidy) transfers from one city fund to another fund. 2023 Budget Transfers required will be calculated and included when the 2023 preliminary expenditures are presented.

2023 Proposed Revenues and Revenue Sources

Fund Name	General	Capital Reserve	Welcome Center	Railroad Facility	PW Bldg
Fund #	001	002	003	004	006
REVENUES:					
308 - Beginning Fund Balance	-	-	-	-	-
310 - Taxes	4,867,561	-	-	-	-
320 - Licenses & Permits	111,000	-	-	-	-
330 - Intergovernmental	267,525	-	-	-	-
340 - Charges for Services	232,950	-	-	-	-
350 - Fines & Forfeitures	68,175	-	-	-	-
360 - Miscellaneous Revenues	23,200	315	58,780	10,450	-
380 - Non Revenues	20,000	-	-	-	-
390 - Other Financing	-	-	-	-	-
Total Revenues:	5,590,411	315	58,780	10,450	-
Total All Revenues:	5,590,411	315	58,780	10,450	-

Fund Name	Library	Urban Develop Grant	Criminal Justice	Special Projects	Street
Fund #	007	021	030	050	101
REVENUES:					
308 - Beginning Fund Balance	-	-	-	-	-
310 - Taxes	-	-	640,000	-	-
320 - Licenses & Permits	-	-	-	-	3,700
330 - Intergovernmental	-	-	111,995	-	183,000
340 - Charges for Services	-	-	-	1,500	2,200
350 - Fines & Forfeitures	-	-	-	-	-
360 - Miscellaneous Revenues	-	-	50	3,100	-
380 - Non Revenues	-	-	-	14,000	-
390 - Other Financing	-	-	-	-	-
Total Revenues:	-	-	752,045	18,600	188,900
Total All Revenues:	-	-	752,045	18,600	188,900

2023 Proposed Revenues and Revenue Sources

Fund Name	Vehicle License Fee	Tourism	Cemetery	Public Safety Grants	Invest Drug Account
Fund #	103	106	108	119	129
REVENUES:					
308 - Beginning Fund Balance	-	-	-	-	-
310 - Taxes	160,000	12,000	-	-	-
320 - Licenses & Permits	-	8,750	-	-	-
330 - Intergovernmental	-	-	-	-	-
340 - Charges for Services	-	-	92,500	-	-
350 - Fines & Forfeitures	-	-	-	-	3,000
360 - Miscellaneous Revenues	-	-	5,050	-	6,100
380 - Non Revenues	-	-	-	-	-
390 - Other Financing	-	-	-	-	-
Total Revenues:	160,000	20,750	97,550	-	9,100
Total All Revenues:	160,000	20,750	97,550	-	9,100

Fund Name	Cable TV	Capital Cable TV	Housing Rehab	Com Economic Develop	REET
Fund #	157	158	170	225	301
REVENUES:					
308 - Beginning Fund Balance	-	-	-	-	-
310 - Taxes	68,500	-	-	-	40,000
320 - Licenses & Permits	-	-	-	-	-
330 - Intergovernmental	-	-	-	-	-
340 - Charges for Services	56,400	-	-	-	-
350 - Fines & Forfeitures	-	-	-	-	-
360 - Miscellaneous Revenues	350	350	1,800	-	2,500
380 - Non Revenues	-	-	80,400	-	-
390 - Other Financing	-	-	-	-	-
Total Revenues:	125,250	350	82,200	-	42,500
Total All Revenues:	125,250	350	82,200	-	42,500

2023 Proposed Revenues and Revenue Sources

Fund Name	Street Capital	Water	Sewer	Solid Waste	Water Capital
Fund #	302	401	403	405	410
REVENUES:					
308 - Beginning Fund Balance	-	-	-	-	-
310 - Taxes	-	-	-	-	-
320 - Licenses & Permits	-	-	-	-	-
330 - Intergovernmental	-	-	-	-	-
340 - Charges for Services	-	2,629,180	3,500,400	1,280,800	6,000
350 - Fines & Forfeitures	-	-	-	-	-
360 - Miscellaneous Revenues	-	34,600	4,800	1,000	-
380 - Non Revenues	-	-	-	-	-
390 - Other Financing	-	-	-	-	-
Total Revenues:	-	2,663,780	3,505,200	1,281,800	6,000
Total All Revenues:	<u>-</u>	<u>2,663,780</u>	<u>3,505,200</u>	<u>1,281,800</u>	<u>6,000</u>

Fund Name	PW Loan Reserve	DOE Loan Reserve	Vehicle Replace	Firefighter Pension	Perpet Care
Fund #	421	427	510	611	701
REVENUES:					
308 - Beginning Fund Balance	-	-	-	-	-
310 - Taxes	-	-	-	-	-
320 - Licenses & Permits	-	-	-	-	-
330 - Intergovernmental	-	-	-	9,265	-
340 - Charges for Services	-	-	-	-	-
350 - Fines & Forfeitures	-	-	-	-	-
360 - Miscellaneous Revenues	-	-	-	-	500
380 - Non Revenues	-	-	-	-	20,000
390 - Other Financing	-	-	-	-	-
Total Revenues:	-	-	-	9,265	20,500
Total All Revenues:	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,265</u>	<u>20,500</u>

2023 Proposed Revenues and Revenue Sources

Sewer Capital 413	Fund Name Fund #	Total 2023 Proposed Revenues	% of Revenue w/o fund balance	% of Revenue with fund balance
REVENUES:				
	- 308 - Beginning Fund Balance	-	0.00%	0.00%
	- 310 - Taxes	5,788,061	39.51%	39.51%
	- 320 - Licenses & Permits	123,450	0.84%	0.84%
	- 330 - Intergovernmental	571,785	3.90%	3.90%
6,000	340 - Charges for Services	7,807,930	53.30%	53.30%
	- 350 - Fines & Forfeitures	71,175	0.49%	0.49%
	- 360 - Miscellaneous Revenues	152,945	1.04%	1.04%
	- 380 - Non Revenues	134,400	0.92%	0.92%
	- 390 - Other Financing	-	<u>0.00%</u>	<u>0.00%</u>
6,000	Total Revenues:	14,649,746	100.00%	100.00%
6,000	Total All Revenues:	14,649,746	100.00%	100.00%

