Lacey City Council Worksession Agenda

Refer to the bottom of the agenda for meeting information.

Tuesday, January 13, 2026	6:00 PM	Council Chambers and Online

1. Call to Order

2. Roll Call

3. Land Acknowledgement

We, the City of Lacey, are on the ancestral land of the Tribal People of the Treaty of Medicine Creek, including the Nisqually Indian Tribe and Squaxin Island Tribe. We acknowledge and remember those Tribal People not recognized today who were absorbed or relocated into other tribes for survival. We recognize the ancestors and their descendants who are still here. We recognize and respect the Tribal People of the Treaty of Medicine Creek as the traditional stewards of this land since time immemorial and their role today in taking care of these lands in perpetuity. We recognize and have the responsibility to call attention to the histories of dispossession, forced removal, and abridged treaty rights that allowed our nation, state, and city to develop as they have today. We recommend that community members read the Medicine Creek Treaty of 1854.

4. Approval of the Agenda

5. Public Comment

Refer to the bottom of the agenda for instructions on how to provide public comment.

6. Agenda Items

A. **Fire District 3 Presentation**
Chief Schmidt
Deputy Chief Cerovski

B. **Gambling Tax Discussion**
Rick Walk, City Manager
Shannon Kelley-Fong, Assistant City Manager

C. **Intergovernmental Board and Commission Assignments**
Mayor Andy Ryder

D. **2026 Councilmember Travel**
Rick Walk, City Manager

7. Adjourn

Meeting Information:

Attendance (Remote or In-Person)

The public may attend the meeting in person, or you may view or listen to the meeting using one of the following platforms:

In-Person:	Council Chambers at Lacey City Hall 420 College Street SE, Lacey, WA 98503
Zoom:	https://us02web.zoom.us/webinar/register/WN_4aBPxGJhQpG6gIJN_SSNUQ
Website:	https://cityoflacey.org/government/public-meetings/
Facebook:	https://www.facebook.com/cityoflacey
YouTube:	https://www.youtube.com/watch?v=3H6sC_KAqQs
Phone:	(888) 788-0099 or (877) 853-5247 (Webinar ID 829 3245 8372)

Verbal Public Comment

Each speaker is limited to three minutes. Comments are welcome on matters connected to City business or specific agenda items.

Prior to starting your comments, please provide your:

a. Name
b. City of residence or connection to the City
c. Topic or subject matter of your comments

Those wishing to provide verbal public comment may do so in person or by Zoom:

In-Person:	Use the sign-up sheet located in the Council Chambers.
Zoom:	Preregister using the following Zoom link no later than two hours prior to the meeting: https://us02web.zoom.us/webinar/register/WN_4aBPxGJhQpG6gIJN_SSNUQ Instructions and access details will be provided once registration is complete.

Written Public Comment

Public comments may also be submitted by email to PublicComment@cityoflacey.org. The commenting period will close two hours before the meeting time. Written comments will be provided to the City Council electronically prior to the meeting. Comments will not be addressed during the Council meeting; however, comments received will be added to the official record.

STAFF REPORT

Council Worksession
January 13, 2026

Subject:	Gambling Tax Discussion
To:	Lacey City Council
Prepared by:	Shannon Kelley-Fong
Department Director:	Shannon Kelley-Fong, Assistant City Manager SKF
Reviewed By:	Troy Woo, Finance Director TW
Final Review:	Rick Walk, City Manager RW

Purpose: Briefing

Recommendation: Review only. Discuss gambling tax options and provide direction to staff on next steps

Brief: Over the past few months, the Lacey City Council reviewed and discussed potential, select revenue options for the City. In October, after discussing potential changes to gambling taxes and social card house prohibitions, the City Council requested additional information, including a review of a potential graduated increase in social card game rates and stakeholder outreach. Additional information and considerations are provided in this Staff Report.

Alternatives:

1. No change: Continue as is. Keep the current social card games rate (7.5%); keep the current punchboard or pull-tab rate (4%); do not repeal the prohibition of social card games in Lacey.

2. Keep the current social card games rate (7.5%); increase punchboard or pull-tab rate from 4% to 8% increasing general fund revenue by an estimated $40,000; Approve repealing the prohibition of social card games in Lacey. The three changes above would require the adoption of ordinances at a future meeting.

3. Change the social card games rate incrementally, **Table G** provides a few options; increase punchboard or pull-tab rate from 4% to 8% increasing general fund revenue by an estimated $40,000; Approve repealing the prohibition of social card games in Lacey. The three changes above would require the adoption of ordinances at a future meeting.

4. Some other option not contemplated in the above.

5. Provide direction to City staff on other elements to consider. After further diligence on these elements, City Staff would then return to the Council to review additional materials for consideration.

Table AA provides a succinct overview of options 1-3.

Prior Review:
Council Regular Meeting - 12/2/2025 Link
Council Worksession - 10/14/2025 Link
Council Regular Meeting - 9/16/2025 Link
Council Worksession - 9/9/2025 Link
Council Regular Meeting - 8/19/2025 Link

Advisory Board Recommendation(s):

Not Applicable

Fiscal Impact:
Budgeted Item: No
Amount: Varies, $40,000 - $140,000 increase in revenue in the general fund
Project Code: N/A

Funding Source: Revenue for general fund

Attachments:
1. UPDATED REPORT: Potential Revenue Options: An Analysis of Select Tools Available to the City, Option 1-7
2. Draft Lacey Municipal Code Language, Repealing Chapter 5.06
3. Draft Lacey Municipal Code Language, Amending Chapter 3.06.010, increasing Punchboard or Pull-Tab gambling tax rates
4. Draft Lacey Municipal Code Language, Amending Chapter 3.06.010, increasing Punchboard or Pull-Tab gambling tax rates, and increasing social card game rates

Policy or Legal Alignment:
1. 2025 Work Plan: Financial Planning, Review of Potential Revenue Sources

Table AA			
Alternative Overview			
	Alternative #1	**Alternative #2**	**Alternative #3**
Social Card Game Rate	No change, 7.5%	No change, 7.5%	Increase incrementally, see Table G for examples
Social Card Game Prohibition	No change, keep the prohibition	Repeal the prohibition	Repeal the prohibition
Punchboard / Pull Tab Rate	No change, 4%	Increase to 8%	Increase to 8%
Future action required	No	Ordinances	Ordinances

Table G						
Gambling Tax – Social Card Game Graduated Increase Options						
	Option A		**Option B**		**Option C**	
Year	**Rate**	**Est. Revenue**	**Rate**	**Est. Revenue**	**Rate**	**Est. Revenue**
Current	7.5%	$500,000	7.5%	$500,000	7.5%	$500,000
January 1, 2026	8%	$533,333	8.5%	$566,667	9.0%	$600,000
January 1, 2027	8.5%	$566,667	9.5%	$633,333	9.5%	$633,333
January 1, 2028	9%	$600,000	10.5%	$700,000	10.0%	$666,667

Background: At the City Council Worksession on August 19, 2025, the Lacey City Council reviewed information on commercial gambling taxes (gambling taxes). At this discussion, the City Council reviewed:

1. The statutory framework for gambling taxes, see **Attachment 1** for more details. The discussion focused primarily on social card games and punchboard or pull-tab tax rates.

2. The City's current gambling tax rates, state maximum rates, and potential options available to the City, see **Table A**.

3. An analysis of comparable cities statewide, see **Table B** for social card games and **Table C** for punchboard or pull tabs.

4. Potential general fund revenue increases for gambling taxes, see **Table D** and **Table H**.

After receiving this information, the City Council primarily focused its discussion on increasing the tax rate for social card games. The City Council requested additional information on this topic, including a potential graduated increase in tax rates and stakeholder outreach.

Staff performed the requested analysis and outreach, including contacting the owner of the Lacey Fortune Casino; see below for more details. With this additional information, the Staff seeks direction from the City Council before proposing any draft ordinance for City Council consideration.

Gambling Tax

For more information on all utility taxes, see **Attachment 1**. Gambling activities are regulated by the state, with the Washington State Gambling Commission regulating and licensing most gambling activities under chapter 9.46 RCW. Cities and towns are limited in their authority to regulate gambling, but they may prohibit any or all gambling activities for which licenses are required.

Lacey Municipal Code (LMC), Section 3.06 sets the gambling tax for the City. In brief, the following are the rates established for commercial gambling:

Table A			
Lacey Commercial Gambling Tax Rates, State Requirements, Options			
Activity	**City rate**	**Max Rate**	**Options**
Amusement games	-	Actual costs of enforcement, not to exceed 2% of net receipts	Add
Bingo	5%, no taxes on first $10,000 of gross receipts	5% of net receipts	Remove $10,000 threshold
Punchboards or pull-tables	4% of gross receipts	10% of net receipts	Increase by up to an additional 6%
Raffles	5% - no taxes on first $10,000 of gross receipts	5% of net receipts	Remove $10,000 threshold
Social Card Games	7.5%	20% of gross receipts	Increase by up to an additional 12.5%

Table B provides Social Card Tax rates in other comparable-sized Washington state cities.

Table B		
Comparable cities with Social Card Game Tax Rates		
City	**Population**	**Rate**
Yakima	98,200	10.0%
Kirkland	93,570	11.0%
Pasco	80,180	10.0%
Redmond	75,270	12.0%
Sammamish	68,150	11.0%
Tukwila	22,960	11.0%
Renton	109,700	10.0%
Lakewood	64,670	11.0%
Kent	137,900	11.0%
Federal Way	102,900	10.0%
Shoreline	60,320	10.0%
Lacey	58,180	7.5%
Burien	52,490	11.0%
University Place	35,420	5.0%
Walla Walla	34,020	8.0%
Des Moines	33,160	9.0%
SeaTac	31,910	11.0%
Tumwater	26,360	20.0%
Average	**65,853**	**10.5%**
Source: AWC 2024 Utility and Fee Survey, plus additional research		

Table C provides Punchboard or Pull-Tab rates in other comparable-sized Washington state cities.

Table C		
Comparable cities with Punchboard or Pull-Tab Tax Rates		
City	**Population**	**Rate**
Yakima	98,200	10%
Kirkland	93,570	5%
Pasco	80,180	10%
Redmond	75,270	1%
Sammamish	68,150	5%
Shoreline	60,320	5%
Lacey	58,180	4%
Olympia	54,749	3%
Burien	52,490	5%
Bothell	48,940	
Issaquah	40,950	5%
Wenatchee	35,650	
University Place	35,420	5%
Walla Walla	34,020	8%
Des Moines	33,160	5%
SeaTac	31,910	5%
Tumwater	26,360	3%
Average	**54,749**	**5.3%**
Source: AWC 2024 Utility and Fee Survey, plus additional research		

Social Card Games: The City could increase its gambling tax rate for social card games from 7.5% to 20%. For each 0.5% increase in the rate, revenue would increase by $33,333 (see **Table D**). The City could also remove the prohibition on additional social card games, allowing more of these businesses to operate in Lacey. Currently, Lacey has only one social card game operator, Fortune Casino, formerly known as Hawk's Prairie Casino.

Table D		
Social Card Game Rate – Projected Revenues		
Rate	**Est. Revenue**	**Difference**
7.5% (current)	$500,000	$(0)
8.0%	$533,333	$33,333
8.5%	$566,667	$66,667
9.0%	$600,000	$100,000
9.5%	$633,333	$133,333
10.0%	$666,667	$166,667
10.5%	$700,000	$200,000
11.0%	$733,333	$233,333
11.5%	$766,667	$266,667
12.0%	$800,000	$300,000
12.5%	$833,333	$333,333
13.0%	$866,667	$366,667

For background, after receiving information from the then owners of Hawk's Prairie Casino, in 2014, with Ordinance 1430, the Lacey City Council reduced the gambling tax rate from ten percent (10%) to:

- April 2014: 9.17 percent (9.17%)
- January 2015: 8.33 percent (8.33%)
- January 2016: 7.5 percent (7.5%)

The rate has not changed since 2016. As part of conducting further research on this topic, City staff reached out to the current owner of Fortune Casino to discuss a potential increase in social card game tax rates. The owner commented that the Lacey Fortune Casino's profitability lags behind that of the company's other social card houses. The owner expressed concern that any increases to the social card game tax could result in the business ceasing operations.

Publicly available information from the Washington State Gambling Commission (WSGC), demonstrates that social card game revenue at the Lacey Fortune Casino has increased post-pandemic (2022 and 2023). However, at the same time, total expenses have also increased, resulting in a lower net income than in 2019, before the pandemic (see **Table E**). Notably, total expenses may include various incurred costs, such as operational expenses and capital projects.

Table E							
Washington State Gambling Tax Card Room Financial Statements: Fortune Casino Lacey, 2018-2023							
Company	**Year**	**Card Room Revenue**	**Other Revenue**	**Total Revenue**	**Total Expenses**	**Net Income or (Loss)**	**Link**
Fortune	2023	$6,959,544	$1,952,231	$8,911,775	$8,655,240	$256,535	Link
Fortune	2022	$6,680,576	$1,636,958	$8,317,534	$7,663,119	$654,415	Link
Hawks Prairie	2021	$3,893,250	$890,944	$4,784,194	$2,604,793	$2,179,401	Link
Hawks Prairie	2020	$1,437,083	$386,907	$1,823,990	$3,200,579	$(1,376,589)	Link
Hawks Prairie	2019	$4,580,299	$1,097,852	$5,678,151	$4,942,287	$735,864	Link
Hawks Prairie	2018	$4,854,743	$957,535	$5,812,278	$4,944,453	$867,825	Link

Regarding comparative profit margins, in 2023, of the four Fortune Casinos locations listed in the publicly available WSGC reports, Lacey Fortune Casino was the second least profitable, having expended over 97% rate of expenditures to revenues, as shown in **Table F**.

Table F				
Washington State Gambling Tax Card Room Financial Statements: Fortune Casinos, 2023				
Fortune Locations	**Total Revenue**	**Total Expenses**	**Net Income or (Loss)**	**Expenses to Revenue %**
Renton	$ 23,353,245	$18,423,746	$4,929,499	78.9%
Tukwila	$ 16,120,545	$15,047,585	$1,072,960	93.3%
Lacey	$8,911,775	$ 8,655,240	$256,535	97.1%
LaCenter	$8,548,116	$ 8,635,558	$(87,442)	101.0%

The informational comments outlined above raises concerns about increasing the social card game tax rate at this point. An option for the City Council consideration is to take no action on rates applied to social card games, monitor social card game revenues over the next few years, and revisit this topic in the future.

If the City Council would like to take a different approach, **Table D** above provides an estimated projection of social card game tax revenues based on historical revenue. Notably, any adjustment to this tax rate carries the risk of unintended consequences, including the potential loss of this revenue source.

The City Council requested a review of a potential graduated increase in gambling tax rates for social card games. **Table G** presents three options for consideration.

Table G						
Gambling Tax – Social Card Game Graduated Increase Options						
	Option A		**Option B**		**Option C**	
Year	**Rate**	**Est. Revenue**	**Rate**	**Est. Revenue**	**Rate**	**Est. Revenue**
Current	7.5%	$500,000	7.5%	$500,000	7.5%	$500,000
January 1, 2026*	8%	$533,333	8.5%	$566,667	9.0%	$600,000
January 1, 2027	8.5%	$566,667	9.5%	$633,333	9.5%	$633,333
January 1, 2028	9%	$600,000	10.5%	$700,000	10.0%	$666,667
* If pursued, the effective date would be later than January 1, 2026, given the current timeline. As a result, the estimated revenue would be reduced for 2026.						

Attachment 2 provides draft language that would repeal Lacey Municipal Code 5.06, Social Card Games Prohibited. While this would not increase revenue sources in the short term, it would allow other similar businesses to establish themselves in Lacey and could provide long-term benefits.

Attachment 4 provides draft language that would amend Lacey Municipal Code 3.06.010, Gambling Tax as outlined in **Table G - Option A**, increasing the social card game tax rate to 9% over the next three years (0.5% per year). This would increase general fund revenues by $33,333 annually.

Punchboard or Pull-Tabs: The City could increase the gambling tax rate on punchboard or pull-tabs from 4% up to 10%. For each 0.5% increase in the rate, this would increase revenue by $5,000.

Table H provides an estimated projection of punchboard or pull-tab revenues, based on historical revenue from existing punchboard or pull-tab revenues.

Table H		
Pull Tabs Rate – Projected Revenues		
Rate	Est. Revenue	Difference
4.00%	$40,000	$0
4.50%	$45,000	$5,000
5.00%	$50,000	$10,000
5.50%	$55,000	$15,000
6.00%	$60,000	$20,000
6.50%	$65,000	$25,000
7.00%	$70,000	$30,000
7.50%	$75,000	$35,000
8.00%	$80,000	$40,000
8.50%	$85,000	$45,000
9.00%	$90,000	$50,000
9.50%	$95,000	$55,000
10.00%	$100,000	$60,000

Table I provides gambling tax rates for punchboard or pull-tab in other comparable-sized Washington state cities.

Table I Comparable cities with Punchboard or Pull-Tab Tax Rates		
City	**Population**	**Rate**
Yakima	98,200	10%
Kirkland	93,570	5%
Pasco	80,180	10%
Redmond	75,270	1%
Sammamish	68,150	5%
Shoreline	60,320	5%
Lacey	58,180	4%
Olympia	54,749	3%
Burien	52,490	5%
Bothell	48,940	-
Issaquah	40,950	5%
Wenatchee	35,650	-
University Place	35,420	5%
Walla Walla	34,020	8%
Des Moines	33,160	5%
SeaTac	31,910	5%
Tumwater	26,360	3%
Average	**54,749**	**5.3%**
Source: AWC 2024 Utility and Fee Survey, plus additional research		

Attachment 3 provides a draft ordinance increasing the gambling tax rates for punchboard or pull-tab to 8%. This would increase general fund revenue by approximately $40,000. While this would increase the City's tax rate above the average, it would remain lower than several peer jurisdictions, including Yakima and Pasco (10%), and comparable to Walla Walla (8%).

Potential Revenue Options:
An Analysis of Select Tools Available to the City

January 13, 2025

This report was developed as directed by the Lacey City Council in the 2025 Work Plan.

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This report was a cross-departmental effort. Various members of the team helped define and review revenue options and provide input into the report.

Revenue Options Team:

Rick Walk, City Manager
Shannon Kelley-Fong, Assistant City Manager
Troy Woo, Finance Director
Robert Hollis, Deputy Police Chief
Vanessa Dolbee, Community and Economic Development Director
Scott Egger, Public Works Director
Aubrey Collier, City Engineer
Kristy Wolf, Financial Services Manager
Chelsea Yarwood, Accounting Manager
Elissa Fontaine, City Clerk
Anna McBee, Police Records Supervisor
Sadie Siglin, Management Analyst
Donna Feliciano, Communications Specialist

Table of Contents

Use

This document is not intended to offer specific recommendations. Rather, it serves as a technical resource to support informed policy deliberation.

In some instances, it includes staff perspectives explaining specific challenges.

Executive Summary

The City of Lacey (City) is facing a structural imbalance between its General Fund recurring revenues and ongoing expenses.

The City maintains a six-year financial forecast for the General Fund. Forecasting is a long-term planning tool that encourages strategic thinking and provides decision-makers with tools to make more informed business decisions by focusing on strategic objectives and the future impact of current decisions.

The Lacey City Council (City Council) adopted the City's 2025 budget on December 17, 2024. The budget is balanced but includes $1,759,545 in one-time general fund reserves to fund ongoing operations. The budget highlights that the City cannot depend exclusively on cost-cutting measures without significant service disruptions to address future budget deficits. The City Manager is taking important steps to address the growing gap between revenues and expenditures, including directing the performance of an internal analysis of every budget line item (see below) as part of the 2026 Budget process. Still, multiple forecasts developed in 2025 show that from 2027 to 2030, expenditures are expected to continue to grow and outpace revenues.

To ensure long-term financial stability, without significantly disrupting existing programs and services, it is imperative to identify new revenue sources and strengthen existing revenue streams. The 2025 budget summary emphasizes this urgent need stating:

> "As a result of slowing revenue growth and rising labor costs, the Adopted 2025 Budget maintains service levels, programs, and City Council priorities and initiatives, but is balanced using one-time reserves. **Although this approach helps avoid immediate service cuts, it highlights the need for more sustainable financial planning in the future. To address this, the City will focus on developing strategies throughout 2025 aimed at expanding economic development, increasing revenue streams, and reducing expenditures.** These strategies will be incorporated into the 2026 Budget. The foresight of the City Council in establishing budget policy implementation reserves has provided a valuable buffer, allowing the City time to craft thoughtful, long-term solutions without causing abrupt disruptions to community services.

PROBLEM STATEMENTS

- Expenditures are outpacing Revenues
- Relying on reserves to fund recurring expenditures creates structural imbalances and is fiscally unsustainable
- Additional revenue is necessary for the continuity of existing services and programs

> These reserves give Lacey the flexibility to adapt to current financial challenges while safeguarding the services its residents rely on."

If this imbalance is not addressed, the General Fund could exhaust its reserves within a few years, leaving reduced funding for strategic projects, capital investments, and ultimately forcing service reductions in the future.

On January 30 and 31, 2025, the City Council held their annual retreat to determine City Council priorities for 2025. The second day of this retreat was focused on exploring financial strategies. Building off the 2025 budget, the City Manager and Director team provided information on local economic trends and development activity, current and projected financial obligations of the city, historic revenue and expenditure trends and the project six-year financial model. Through a facilitated conversation, the City Council identified potential short- and long-term financial strategies warranting additional analysis and consideration for sustaining future city operations and services. Long-term strategies focused on city investments to incentivize private development and the creation of a 5-year economic plan. Short-term strategies focused on the adoption of new and/or the expansion of existing taxes and fees.

An outcome of the retreat was that the City Council adopted the 2025 Lacey City Council Work Plan. The Work Plan identifies the further exploration of potential revenue sources as a priority in 2025, with an anticipated schedule as indicated in the following table:

ANTICIPATED REVIEW TIMELINE FOR POTENTIAL REVENUE SOURCES*	
QUARTER 1, 2025	• Economic Investment Strategy • Metropolitan Park District
QUARTER 2, 2025	• Economic Development Strategy
QUARTER 3, 2025	• Technology Fees • Public Records Fees
QUARTER 4, 2025	• B&O Taxes • Gambling Taxes • Franchise Fees • Determine action for potential revenue sources
Quarter 1, 2026	• Implement revenue strategies • Utility Taxes

*Lacey City Council 2025 Work Plan, adopted May 20, 2025

To meet this task, this report provides additional background and information on possible revenue options that the City Council could consider. An accompanying presentation to the City Council to discuss the report will take place, as anticipated above, through several Council Work Sessions from August through October 2025.

This report presents eight (8) potential revenue options available to the City under current law as identified by the City Council to further explore as part of their 2025 Retreat. Each option includes information on estimated revenue, time to implement, administrative effort, legal and procedural requirements, volatility, and who ultimately bears the cost. Revenue options include changes to existing fees and taxes, as well as new tax options, including one tool that was recently provided by the State Legislature in 2025.

Importantly, this document is not a set of recommendations. It is a technical resource designed to support informed policy deliberation. Staff are available to provide additional analysis if the City Council would like to explore any of the options in greater detail. This report is accompanied by a **Revenue Tool** that enables Councilmembers to explore the potential impact of adjusting existing tax rates or adding additional revenue sources.

Notably, the City's budget challenges are not unique. Cities across Washington face similar constraints due to the state's revenue structure. Simply, there is a structural issue: the two main pillars of General Fund revenues, property tax and sales tax, have not kept pace with inflation. Meanwhile, the cost of providing existing public services continues to rise, and the City has gradually provided more services to the community over time due to a combination of state mandates and community-driven priorities.

To illustrate this point, the following are a few cities that are currently or have recently faced similar fiscal challenges, though unique to each jurisdiction:

- Sammamish
- Everett
- Centralia
- Olympia
- Tukwila

General Revenue & Expenditure Projections

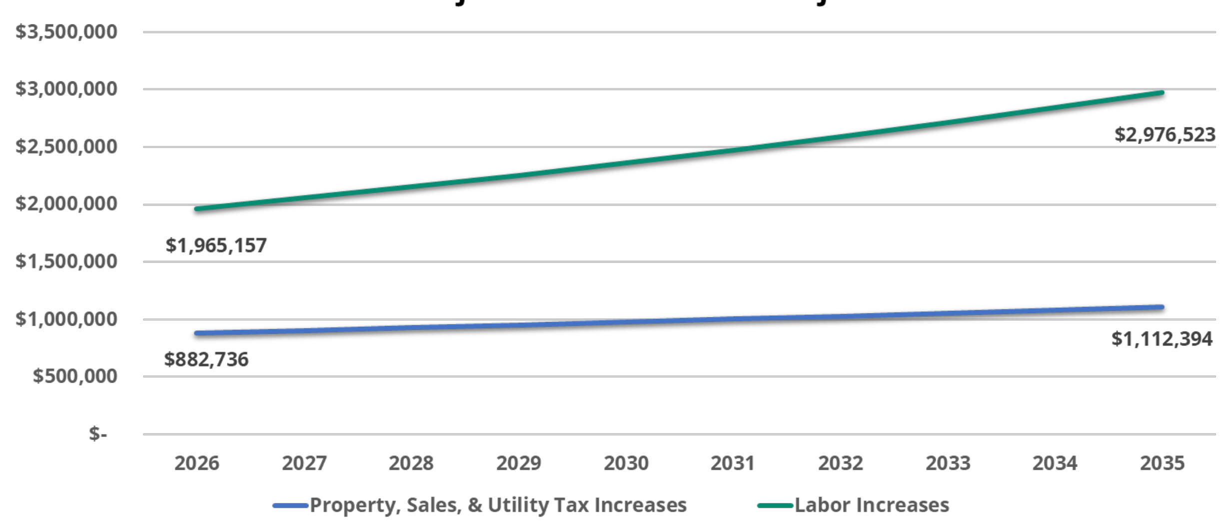
At the City Council retreat and subsequent City Council meetings, the City Council reviewed revenue and expenditure projections for 2025. While revenues have shown steady year-over-year growth, even without significant expansion to retail brick-and-mortar, expenditure increases have remained consistent. They are projected to outpace revenues in the coming years.

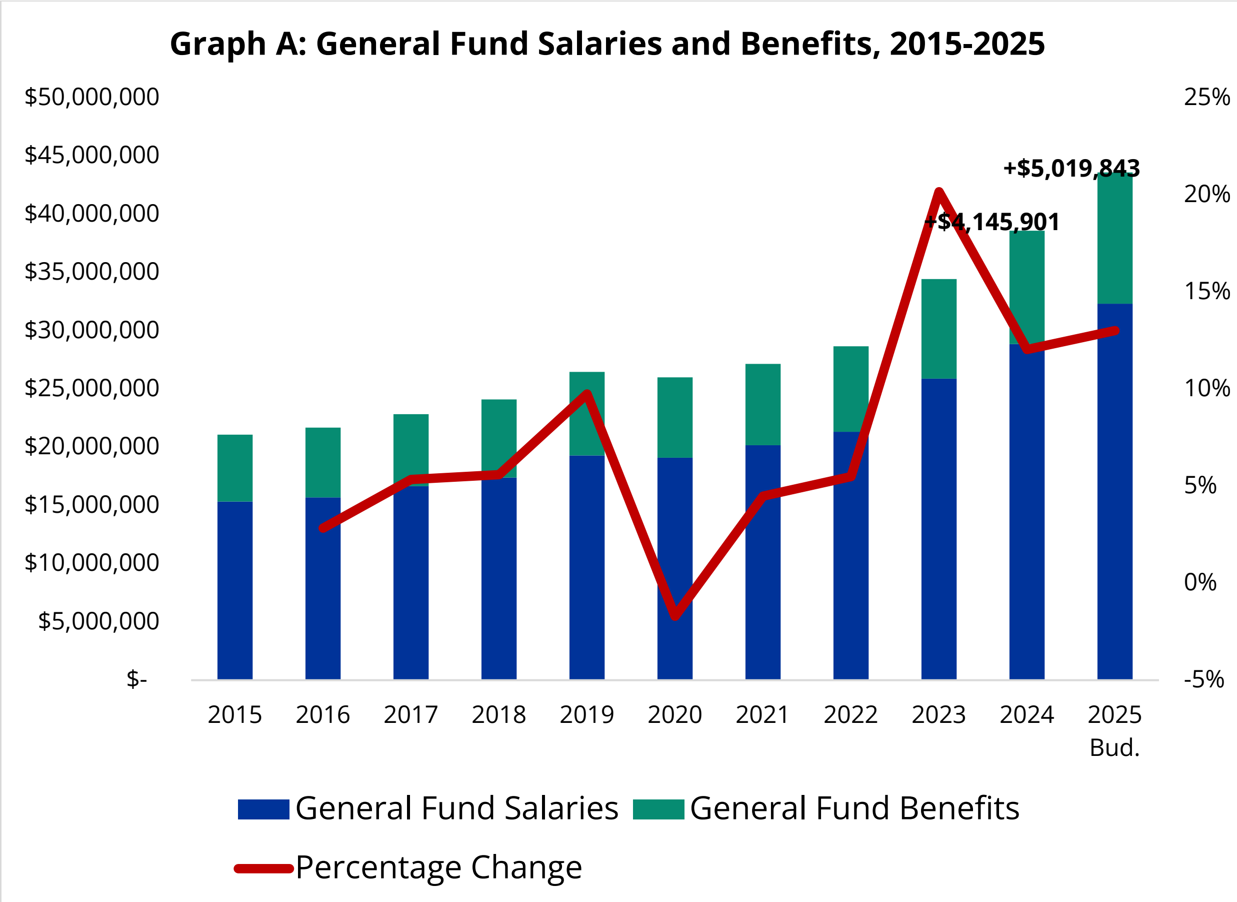
The City's largest expenditure category is labor. A notable example is the 15% increase in labor costs the City has faced over the last two years. During the same period, revenues increased nearly 6%. With staffing levels remaining unchanged, the labor cost increase is projected to be 4% for salaries and 6% for benefits year-over-year, driven by wage and benefit adjustments, see **Chart 2** and **Graph A**.

In 2023-2024...	
Labor increased	**Revenue increased**
15%	**6%**

Chart 2 displays projected labor growth alone in comparison to the growth of major general fund revenues, including property, sales, and utility taxes.

Chart 2
General Fund Major Revenue v. Labor Projected Growth



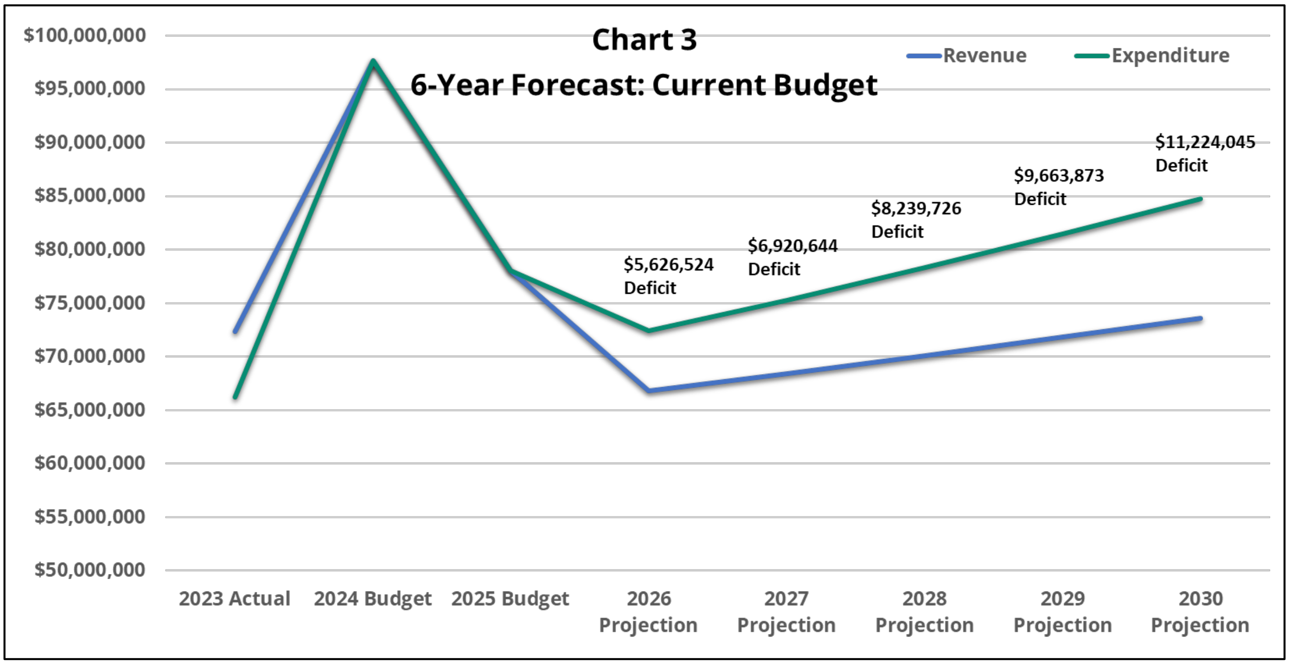


At the retreat, the City Council reviewed six-year financial forecasts for four separate potential outcomes, see **Chart 3** to **Chart 6**, below. All four models did not include consideration of new public defense standards, or maintenance and operation of the new police station and training facility, Cuoio Park, or Regional Athletic Complex Phase III, and other park improvements.

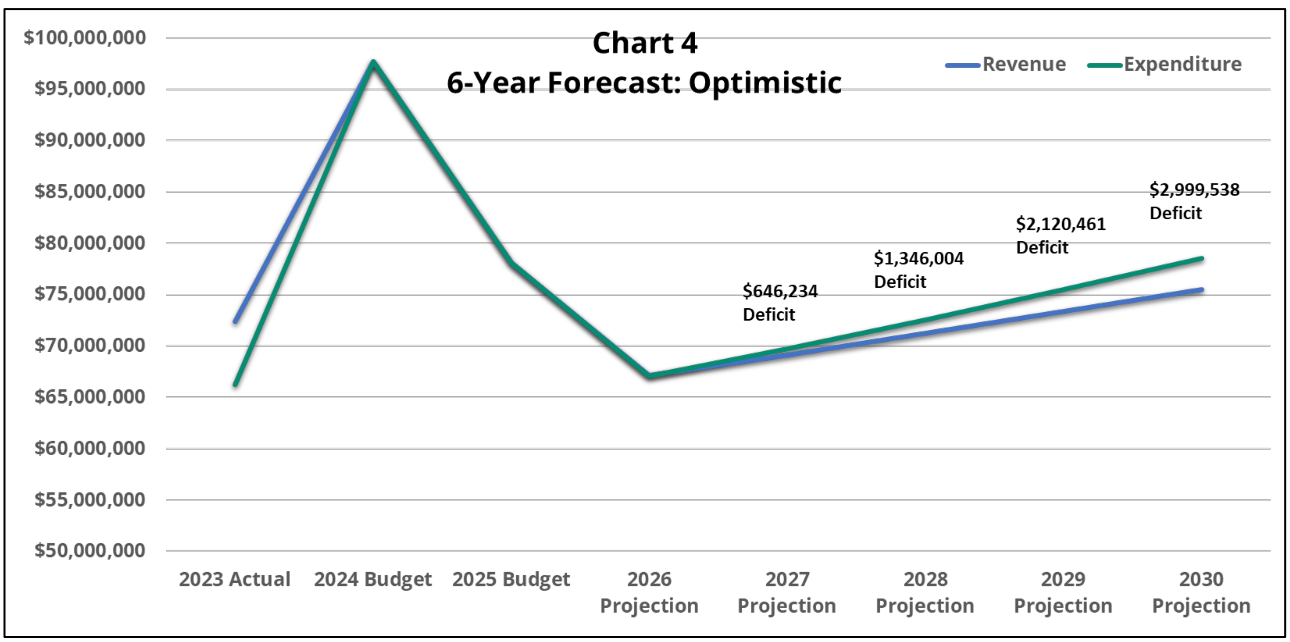
FUTURE BUDGET OBLIGATIONS

- 2026 Cuoio Park Phase 1A: +$220,493/year
- 2026 New Police Station & Training Facility Operations & Maintenance: (+$474,950/year)
- 2026 – 2035 Public Defense: additional $80,000/each year for 10 years+ inflation
- 2028 RAC Phase 3: +$350,000/year

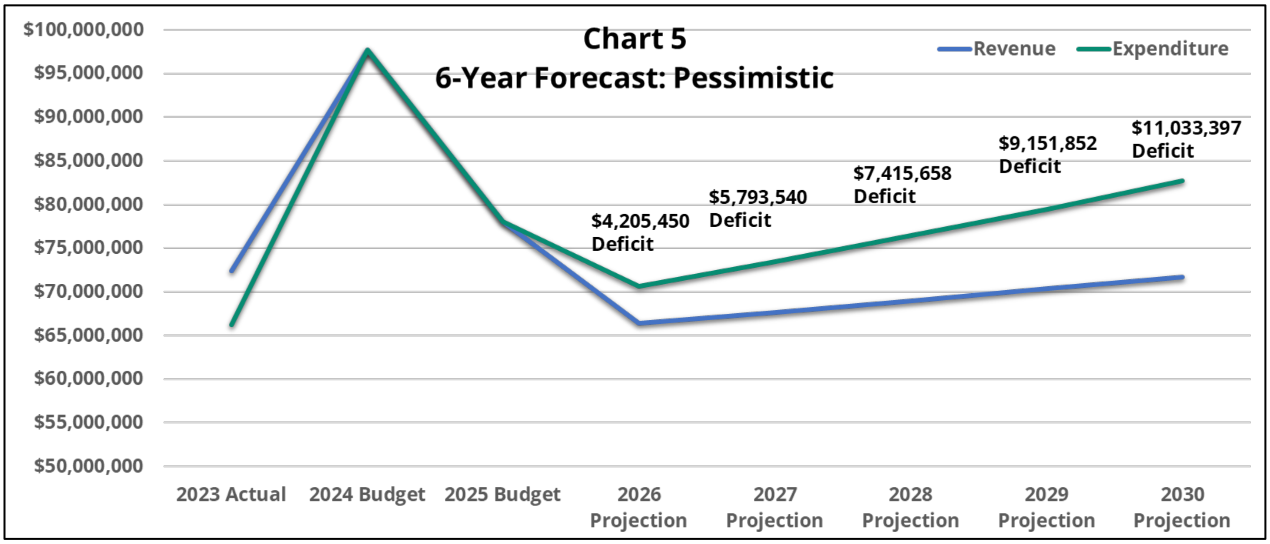
Current Budget Forecast: This model assumes 100% of the expenditure budget is spent and 2% revenue growth. The six-year forecast is displayed in **Chart 3.**



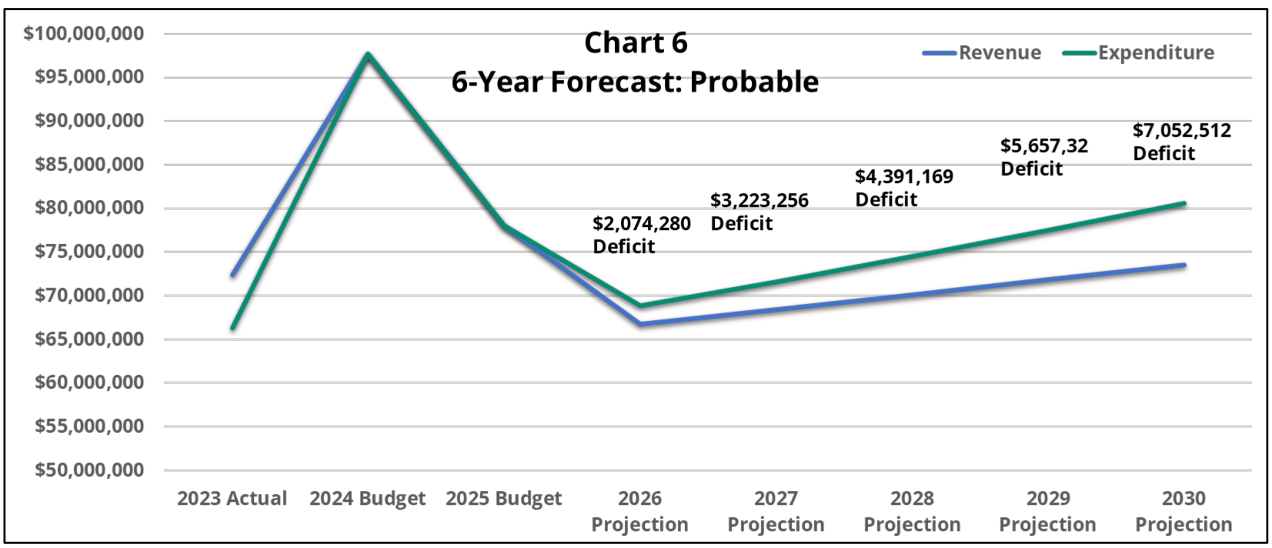
Optimistic Budget Forecast: This model assumes 92.5% of the expenditure budget is spent and a higher revenue growth of 3%. The six-year forecast is displayed in **Chart 4.**



Pessimistic Budget Forecast: This model assumes 97.5% of the expenditure budget is spent and a lower revenue growth of 1%. The six-year forecast is displayed in **Chart 5.**



Probable Budget Forecast: This model follows historical trends and assumes 95% of the expenditure budget is spent and revenue growth of 2%. The six-year forecast is displayed in **Chart 6.**



All four financial forecasts indicated that without new revenue sources or adjustments to current services, City expenditures will exceed projected revenues by 2027, with most reaching this point by 2026. These forecasts also indicate that by 2030, the annual shortfall between expenditures and revenues is projected to range from $3 million to over $11 million.

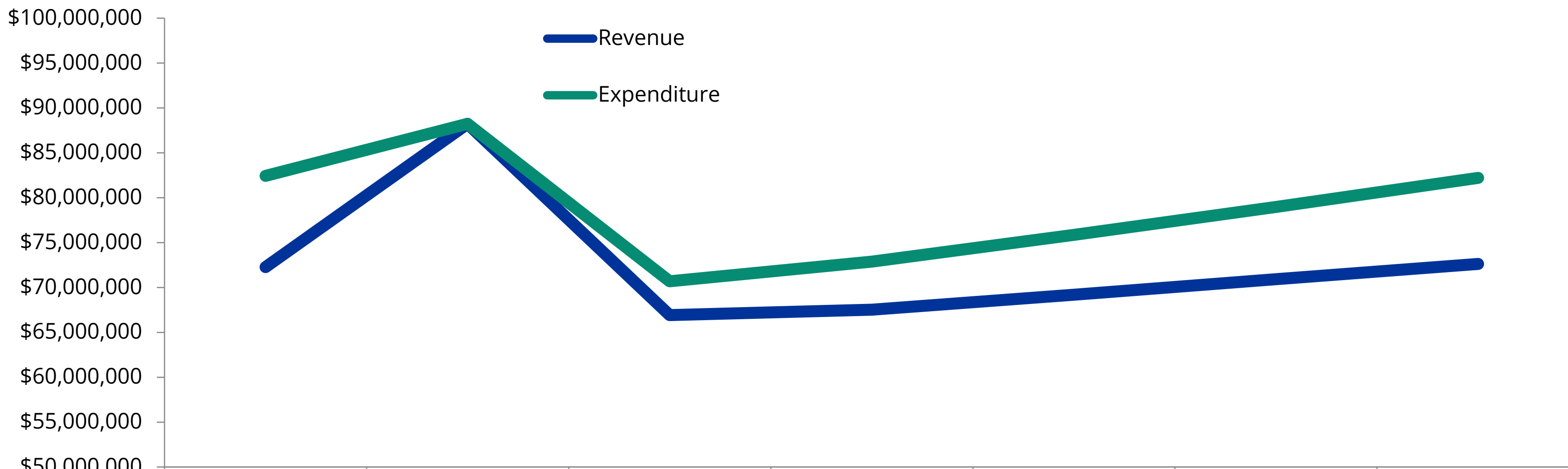
By 2030…

forecasts indicate the gap between expenditures and revenues will be between

$9.5M – 12+M

At the Regular Council Meeting on August 12, 2025, the City Council received an updated 6-Year Financial Model without new obligations based on current spending and revenues, see **Graph B**. Similar to the previous models, the deficit remains significant. In 2026, the projected gap between expenditures and revenues is anticipated to be around $3.76 million. By 2030, the projected gap increases to around $9.5 million.

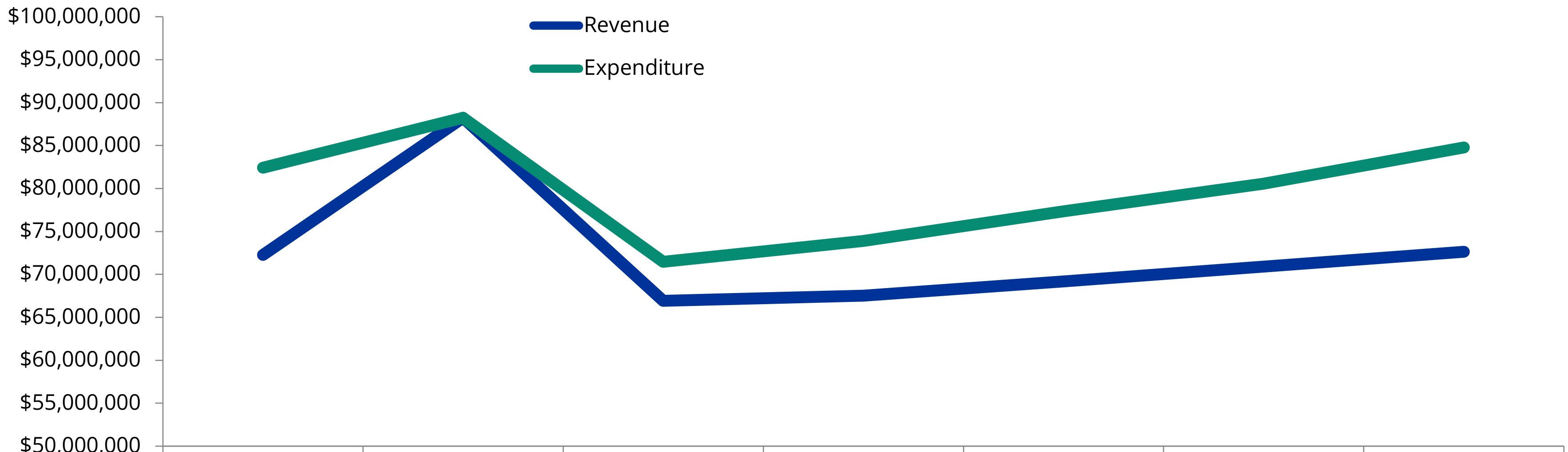
Graph B: Updated 6-Year Financial Model without Obligations (8/12/2025)



	2024 Act.	2025 Bud.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Revenue	72,257,130	88,231,083	66,922,069	67,511,453	69,196,285	70,912,310	72,630,600
Expenditure	82,419,131	88,231,083	70,689,144	72,873,592	75,846,832	78,954,665	82,199,032
Gap	(10,162,001)	-	(3,767,075)	(5,362,139)	(6,650,547)	(8,042,355)	(9,568,432)

At this meeting, the City Council also received an updated 6-Year Financial Model that takes into consideration new obligations as well as current spending and revenues, see **Graph C**. In 2026, the projected gap between expenditures and revenues is anticipated to be around $4.5 million. By 2030, the projected gap increases to around $12 million.

Graph C:
Updated 6-Year Financial Model with Obligations (8/12/2025)



	2024 Act.	2025 Bud.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Revenue	72,257,130	88,231,083	66,922,069	67,511,453	69,196,285	70,912,310	72,630,600
Expenditure	82,419,131	88,231,083	71,464,587	73,902,428	77,334,027	80,561,660	84,760,805
Gap	(10,162,001)	-	(4,542,518)	(6,390,975)	(8,137,742)	(9,649,350)	(12,130,205)

General Fund 10-Year Spending Analysis (2015-2024):

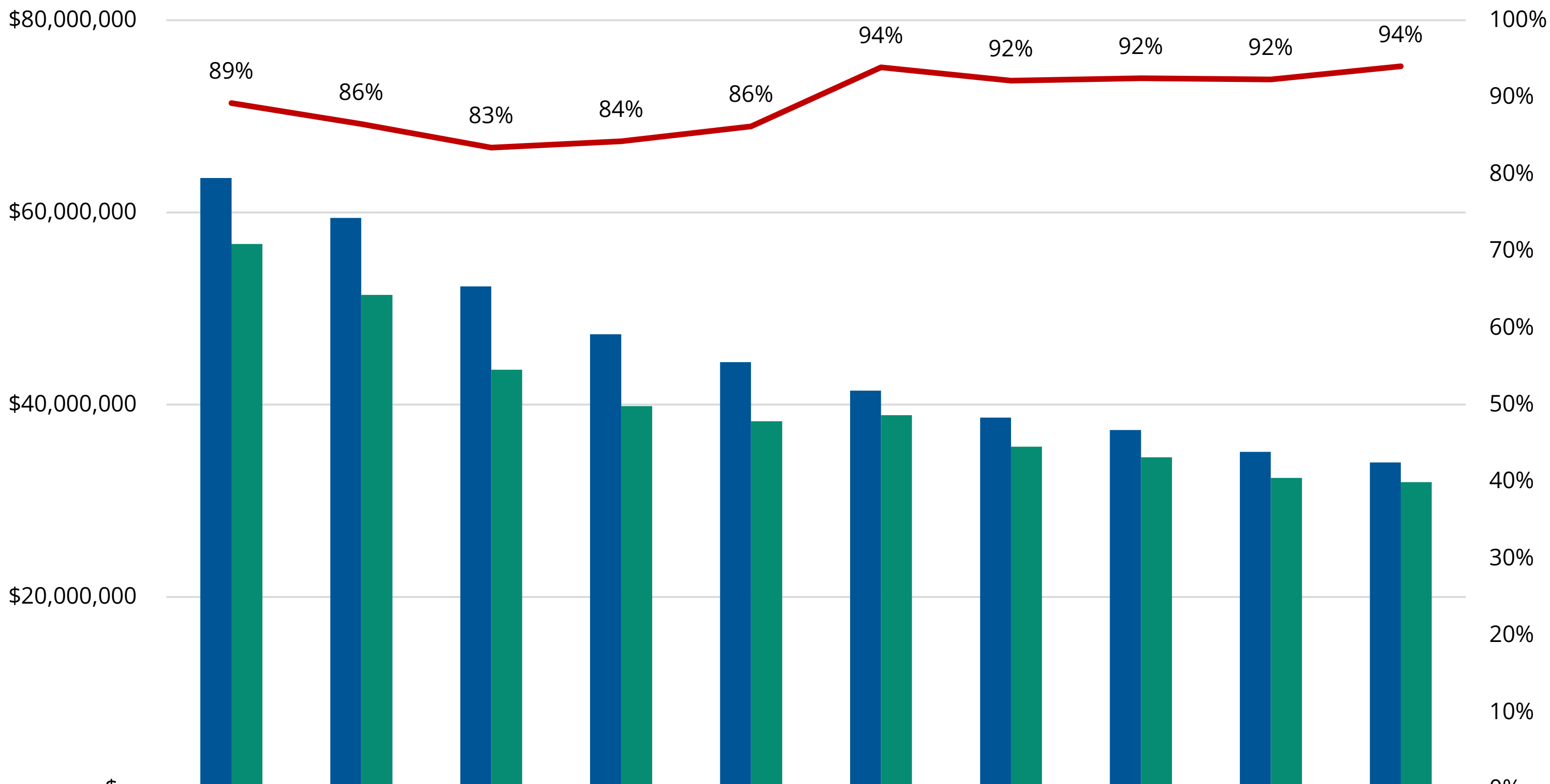
As part of this process, staff performed a 10-year analysis of past budgets versus expenditures to get an understanding of long-term trends regarding budget use.

For the general fund operating expenses only, **Graph E** illustrates the General Fund Budget compared to Actual Expenditures from 2013 to 2024. During these ten years, actual operating expenditures averaged 89% of the budget, three percentage points higher than when taking into account the full general fund. In 2015, the organization spent 94% of its operating budget, a figure that declined by five percentage points by 2024.

The City expended an average of 94% of all budgeted General Fund Labor between 2014 and 2024. If you take out the pandemic years of 2020-2022, this average increases to 96%

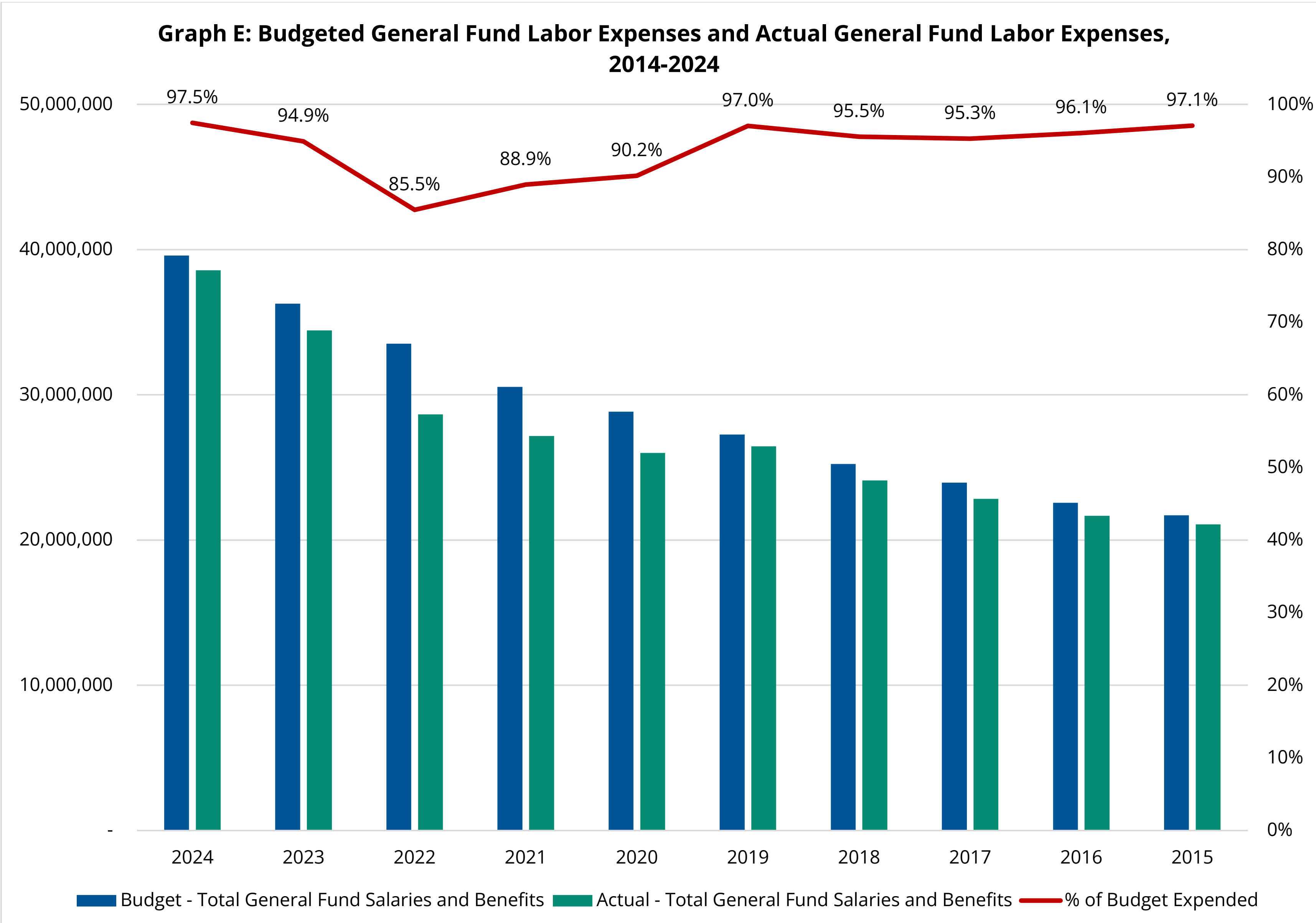
Table X Comparison of General Fund Budget and Expenditures, 2015-2024	
General Fund Options	**% Budget Spent**
General Fund - Operating only	89%
General Fund - Labor only	96%

Graph E: 10-Year Spending Analysis: General Fund Budget vs Actuals, Operating Only, 2015-2024



	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Op. only : Budget	$63,584,1	59,437,42	52301944	47,318,14	44,425,79	41,458,69	38,664,85	37,358,20	35,101,17	33,996,83
Op. only: Actuals	56,732,34	51,411,45	43,636,53	39,866,09	38,292,31	38,911,27	35,618,38	34,541,13	32,401,60	31,959,50
% Spent	89%	86%	83%	84%	86%	94%	92%	92%	92%	94%

Op. only : Budget Op. only: Actuals % Spent


Graph E: Budgeted General Fund Labor Expenses and Actual General Fund Labor Expenses, 2014-2024
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
-
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
97.5%
94.9%
85.5%
88.9%
90.2%
97.0%
95.5%
95.3%
96.1%
97.1%
2024
2023
2022
2021
2020
2019
2018
2017
2016
2015
Budget - Total General Fund Salaries and Benefits
Actual - Total General Fund Salaries and Benefits
% of Budget Expended

The above analyses highlight the need to perform an internal review of past expenditures. Analyzing each budget line item based on historical spending, especially underspending, may be crucial for ensuring efficient resource allocation. By examining past expenditures, the City may be able to identify patterns where certain areas consistently do not fully utilize allocated funds. This exercise, see below, could allow for more accurate future budgeting, as funds can be reallocated to areas.

Internal Budget Analysis Efforts

Concurrently with this report, the City Manager requested staff to perform an internal assessment of historical spending patterns and budget line item use as part of the 2026 Budget process. This assessment will help identify potential opportunities to reduce the overall budget without compromising current operations by strategically reducing or eliminating unused or underused accounts, resulting in immediate budget savings while promoting more efficient allocation of resources.

However, it's essential to highlight the potential long-term impact on reserves that these types of changes could have. Unspent savings from these accounts often contribute to strategic budgeting buffers. In addition, City reserves are frequently used to finance large-scale capital projects (e.g., Phase 1A of Greg Cuoio Park, Police Station, etc.). By reducing year end savings directed to reserves, large capital projects may take longer to develop and complete.

As part of this process, the City Council will need to carefully consider what the right balance is between maintaining strategic reserves, and using available funding to support essential services.

Financial Planning

Building on the foundation of the six-year financial forecasts, at the City Council Retreat, the City Council participated in a revenue exercise to identify potential future revenue sources. Through this process, the City Council identified revenue opportunities in two primary categories:

(1) Encourage private investment through the expansion of commercial brick-and-mortar development, and

(2) Consider existing and some new taxes and fees.

From this exercise and subsequent discussion, the City Council identified, from a more extensive list, the following potential revenue sources for further exploration:

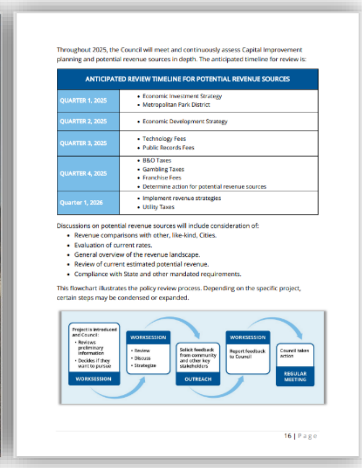
- **Economic Investment Strategy:** Review potential City investments to incentivize private development.

- **Economic Development Strategy:** Develop a 5-Year strategy to attract private development.
- **Business and Occupation Taxes (B&O):** Review existing rates and explore the addition of Warehousing and Manufacturing collection.
- **Franchise Fees:** Examine solid waste and other franchise agreements.
- **Gambling Tax:** Explore increasing the Gambling Tax rate and the number of gaming tax establishments.
- **Lodging Taxes:** Explore adjustments to funding priorities and distribution.
- **Public Records Fees:** Update and expand fees for qualified public records requests.
- **Technology Fees:** Explore implementation of convenience fees to support the maintenance of permitting systems.
- **Utility Taxes:** Consider adjustments to utility taxes, planned for early 2026.

The City Council also conducted a prioritization exercise to assess the fiscal impacts of upcoming capital projects. This analysis showed that, regardless of prioritization, completing any of these capital projects in the coming years would likely necessitate additional revenue sources. Without these new revenue streams, the City would require a considerable amount of time to build up the reserves needed to fund these projects.

However, the ability to save reserves for this purpose is limited based on the existing budget structural deficit.

In preparation for future financial planning discussions, the City Council requested additional information on revenue sources and how the City's financial position compares to other Washington cities. **This report serves to help fulfill this request and meets the 2025 Work Plan item of Financial Planning and Potential Revenue Sources Review.**


Throughout 2025, the Council will meet and continuously assess Capital Improvement planning and potential revenue sources in depth. The anticipated timeline for review is:

ANTICIPATED REVIEW TIMELINE FOR POTENTIAL REVENUE SOURCES	
QUARTER 1, 2025	• Economic Investment Strategy • Metropolitan Park District
QUARTER 2, 2025	• Economic Development Strategy
QUARTER 3, 2025	• Technology Fees • Public Records Fees
QUARTER 4, 2025	• B&O Taxes • Gambling Taxes • Franchise Fees • Determine action for potential revenue sources
Quarter 1, 2026	• Implement revenue strategies • Utility Taxes

Discussions on potential revenue sources will include consideration of:
- Revenue comparisons with other, like-kind, Cities.
- Evaluation of current rates.
- General overview of the revenue landscape.
- Review of current estimated potential revenue.
- Compliance with State and other mandated requirements.

This flowchart illustrates the policy review process. Depending on the specific project, certain steps may be condensed or expanded.

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This report was developed both in response to a formal request by the City Council to evaluate potential new revenue sources and is intended to support long-term financial planning and decision-making by providing a resource on available revenue options.

The report provides an in-depth analysis of the potential revenue sources identified by the City Council above. **Appendix 1** provides a list of revenue sources not contemplated in this report, but also available to the City.

Purpose of This Report

This report was developed in response to the priority adopted by the City Council in the 2025 Work Plan to develop additional information on potential new revenue sources available to the City. It is intended to support the City Council as they evaluate options for addressing the City's long-term structural budget imbalance—an imbalance in which expenses are projected to grow faster than revenues, even under optimistic assumptions and without new programs, staffing increases, or reliance on one-time revenues.

The City, like many local governments in Washington, is constrained by the state's policy environment that limits local revenue flexibility, particularly regarding property tax growth and other general fund revenues. At the same time, the cost of maintaining existing services is rising due to state mandates, inflation, labor market pressures, aging infrastructure, and community service expectations (e.g., residents and businesses expect greater levels of service to respond to today's environment).

FACTORS CONTRIBUTING TO RISING COSTS

- New state mandates
- Inflation
- Labor Market
- Aging infrastructure
- Community service expectations

Recognizing these pressures, the City Council prioritized the need to identify strategies to improve long-term financial sustainability. This includes both increasing revenue and more aggressively controlling expenditure growth. Although the City's work to evaluate expense reductions is still underway as part of the 2026 Budget process, the revenue analysis is being presented first. These two efforts, revenue analysis and expenditure analysis, are intended to complement each other as part of a broader strategy to strengthen the City's financial outlook and be incorporated into the City's budget process.

This report provides a comprehensive overview of revenue options currently available to the City under existing state law, including options that are within the City's direct control (e.g., can be implemented by councilmanic action) and those that may require voter approval. Each revenue analysis includes estimates of potential revenue, volatility of that funding, implementation timelines, legal authority, administrative effort, level of stakeholder engagement, and equity considerations. No specific recommendations are made; instead, the report is structured to support City Council deliberation by offering a clear, consistent analysis across a wide range of revenue mechanisms.

Ultimately, this document is intended to be a technical resource, not a policy directive. It frames the revenue choices available to the City in the context of its legal, economic, and political environment. The City Council may determine the next steps, including which options to advance for further public engagement or implementation.

Readers should use this document to:

- **Understand the landscape of options:** The report provides an overview of all identified revenue tools selected by the City Council at the 2025 Retreat and prioritized in the 2025 Work Plan, with the addition of one new revenue tool recently created by the state legislature in 2025.

- **Compare revenue tools side-by-side:** Each option is presented using a consistent set of criteria to enable comparison of factors such as revenue potential, time to implement, legal requirements, and administrative effort. **Table A** summarizes all of these elements in a matrix to allow for quick comparison.

- **Identify follow-up questions and areas for further analysis:** The information presented here represents staff knowledge as of the date of this report. The City Council or staff may determine that further legal, financial, or community engagement work is needed to consider or pursue a given option.

City leadership may use this document in conjunction with the parallel work being conducted to examine growth of expenditures. Together, these efforts are intended to support a long-term, sustainable financial future for the City.

This report is accompanied by a **Revenue Tool,** **Appendix 2**, that enables Councilmembers to explore the potential impact of adjusting existing tax rates or adding additional revenue sources.

Image 1: Snapshot of the Revenue Tool

#	Revenue Concept	Potential Rate	Current Rate	Current Revenue	Estimated Revenue	Estimated Additional Revenue
1	Technology Fees	0.0%	0.0%	$ -	$ -	
2	Body Worn Camera	$0.00	0.0%	$ -	$ -	
3	Franchise Fee - Solid Waste	0.0%	0.0%	$ -	$ -	$ -
4.1	Gambling Tax - Social Card	7.5%	7.5%	$ 580,000	$ 580,000	$ 0
4.2	Gambling Tax - Punch/Pull Tabs	4.0%	4.0%	$ 40,000	$ 40,000	$ -
5.1	Utility Tax - Water	6.0%	6.0%	$ 1,300,000	$ 1,300,000	$ -
5.2	Utility Tax - Solid Waste	6.0%	6.0%	$ 485,000	$ 485,000	$ -
5.3	Utility Tax - Sewer	6.0%	6.0%	$ 1,500,000	$ 1,500,000	$ -
5.4	Utility Tax - Stormwater	6.0%	6.0%	$ 300,000	$ 300,000	$ -
5.5	Utility Tax - Cable	0.0%	0.0%	$ -	$ -	$ -
6.1	B&O - Retail	1.0%	1.0%	$ 2,312,100	$ 2,312,100	$ -
6.2	B&O - Warehouse	0.0%	0.0%	$ -	$ -	$ -
6.3	B&O - Manufacturing	0.0%	0.0%	$ -	$ -	$ -
7	Lodging Tax	30.0%	30.0%	$ 188,000	$ 188,000	$ -
8	Sales Tax - HB2015	0.0%	0.0%	$ -	$ -	$ -
						$ 0
	Annual Capital Funds	$ -				

	Budget	Optimistic	Pessimistic	Probable	Updated Probable (WO/OB)	Updated Probable (W/OB)
Budget Gap - Labor	$ 5,700,000	$ 700,000	$ 4,250,000	$ 2,100,000	$ 3,767,075	$ 4,542,518
Budget Gap - Capital	$ -	$ -	$ -	$ -	$ -	$ -
Budget Gap - Total	$ 5,700,000	$ 700,000	$ 4,250,000	$ 2,100,000	$ 3,767,075	$ 4,542,518
Est. New Revenues	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Difference	$ (5,700,000)	$ (700,000)	$ (4,250,000)	$ (2,100,000)	$ (3,767,075)	$ (4,542,518)
Potential Actions	Reduce services	Reduce services	Reduce services	Reduce services	Reduce services	Reduce services

Dimensions of Analysis

Each revenue option is presented with a consistent set of criteria to enable comparison of factors, including:

- **Term:** An estimate for how long a given revenue option would take to implement, when revenue collection would commence, and what level of City resources would be required.

- **Revenue Estimates:** The amount of revenue expected to be collected from the given revenue option. This is presented as a point estimate (a single number). It should be understood, however, that the actual amount collected could vary from this estimate.

- **Volatility / Potential Year-over-year (YOY) shifts:** An assessment of the stability or fluctuation of revenue sources, including an estimate of year-to-year shifts based on available data, when possible.

- **Administrative Effort:** A description of the effort and complexity involved in implementing and collecting the revenue.

- **Offsetting Expenditures:** Costs that the City would incur to collect a given revenue. This reduces the net financial benefit to the City.

- **Level of Stakeholder Engagement:** A description of the effort and complexity involved in target outreach to gather input, clarify concerns, and ensure transparency.

- **Peer Usage**: A listing of peer governments that collect a given revenue. Where feasible, specific financial information about the rates or amounts collected by peers is provided.

- **Who Pays:** A description of the people, organizations, or other parties that would directly be impacted by having to pay for the revenue option.

- **Equity Implications:** An assessment of how the revenue option affects different income groups and communities. This analysis usually considers whether the revenue option is regressive (disproportionately impacts lower-income households), progressive (higher-income households pay a larger share relative to their income), or proportional (affects all income levels equally). Most revenue options available to local governments in Washington State are regressive.

- **Control/Implementation Authority:** The role the City plays in implementation, as well as legal, procedural, or technical considerations that are needed to implement a revenue option.

- **Other Considerations:** Any information that may be important for consideration and analysis of the revenue option that does not easily fit into the dimensions of analysis listed above.

Matrix of All Revenue Options

Each option is presented using a consistent set of criteria to enable comparison of factors such as revenue potential, time to implement, legal requirements, and administrative effort. **Table A** summarizes all of these elements to allow for quick comparison. The matrix is color-coded using the following scales:

- **Red:** Less revenue, high volatility, high effort, high inequity
- **Yellow:** Moderate revenue, moderate volatility, moderate effort, regressive
- **Green:** High revenue, low volatility, lower effort, more equity

Table A

Matrix of All Revenue Options

Revenue Concept	Annual Est. Revenue	Volatility	Est. YOY shifts	Control	Term	Implementation Authority	Administrative Effort	Stakeholder Engagement	Who Pays	Equity
1. Technology Fees	$20K - $150K	Very High - Dependent on Permits	10-30+%	City control	Short-term, 12 months	Councilmanic -Resolution	Minimal	Moderate: Focused	Applicants	Proportional
2. BWC Redaction Fees	$1K - $5K	Very High - Dependent on certain types of requests	10-30+%	City control	Short-term, 12 months	Councilmanic - Resolution	Minimal	Moderate: Focused	Requestors	Regressive; exemptions make it less regressive
3. Franchise Fees: Solid Waste	$40K - 400K	Stable - Essential service, reoccurring	0-3%	City control	Short-term, 12-18 months	Councilmanic - RFP, Franchise Agreement	Moderate	Few 0-30 impacted	Company - typically directly passed on to Customer	Regressive
4.1 Gambling Taxes: Social Card Games	$100K - $800K	High - Discretionary Spending	5-15+%	City controls	Short-term, 12 months	Councilmanic - Ordinance	Low	Few 0-30 impacted	Establishment	Proportional

Table A										
Matrix of All Revenue Options										
Revenue Concept	Annual Est. Revenue	Volatility	Est. YOY shifts	Control	Term	Implementation Authority	Administrative Effort	Stakeholder Engagement	Who Pays	Equity
4.1 Gambling Taxes: Punch/Pull Tabs	$5K - $60K	High - Discretionary Spending	5-15+%	City controls	Short-term, 12 months	Councilmanic - Ordinance	Low	Few 0-30 impacted	Establishment	Proportional
5. Utility Taxes (Water, Sewer, Stormwater, Cable)	$500K - $4M+	Stable - Essential service, reoccurring	0-3%	City control	Short-term, 12 months	Councilmanic - Ordinance	High	High: Community-wide	Customer	Regressive; exemptions make it less regressive
6.1 B & O Tax: Retail	$580K - $2.3M	Moderate - Tied to revenues	3-10%	City control	Short-term, 12-18 months	Councilmanic - Ordinance	Low	High: Businesses	Businesses - typically indirectly passed on to Customers	Proportional
6.2 B&O Tax: Manufacturing	$2K - $4K	Moderate - Tied to revenues	3-10%	City control	Short-term, 12-18 months	Councilmanic - Ordinance	High	High: Businesses	Businesses - typically indirectly passed on to Customers	Proportional
1. 6.3 B&O Tax: Wholesale	$83K - 166K	Moderate - Tied to revenues	3-10%	City control	Short-term, 12-18 months	Councilmanic - Ordinance	High	High: Businesses	Businesses - typically indirectly passed on to Customers	Proportional
7. Lodging Tax (Allocation)	$60K - $300K	High - Discretionary Spending, tourism, economy	5-15%	City control	Short-term, 4 months	Councilmanic - Council Approval	Low	Few 0-30 impacted	Lodging Customers	Regressive; about use, not collection

Table A										
Matrix of All Revenue Options										
Revenue Concept	Annual Est. Revenue	Volatility	Est. YOY shifts	Control	Term	Implementation Authority	Administrative Effort	Stakeholder Engagement	Who Pays	Equity
8.1 Public Safety Sales Tax (HB 2015)	$1.86M	Moderate - Dependent on spending	3-10%	City control	Short-term, 6-12 months	Councilmanic - Council Approval	Moderate -High Grant documentation	High: Community messaging	Customer	Regressive
8.2 Public Safety Grant (HB 2015)	$125,000 per position	Funding limited to 3 years	0%	CJTC Competitive process	Short term	CJTC Competitive process	Reporting will be required	Low	State	State funding

1. Technology Fees

The State of Washington regulates development permit fees through RCW 82.02.020, which states that a city may "collect reasonable fees from an applicant for a permit or other governmental approval to cover the cost…of processing applications, inspecting and reviewing plans, or preparing detailed statements [related to SEPA reviews]".

Cities may collect a technology fee (also known as a technology surcharge) as a percentage of a permit fee. The purpose of this surcharge is to provide the necessary funds to maintain the technology-dependent service levels used by departments directly connected with development services, in the case of the City, the Community and Economic Development and Public Works Departments. These fees are intended to help ensure the sustainability and efficiency of various technological services directly related to permitting. Currently, the City spends over $117,000, see **Table G**, annually on technology-supported systems associated with permit-related services delivered by Public Works and Community and Economic Development. Technology fees are a tool that can support the maintenance and improvements to technology-dependent services.

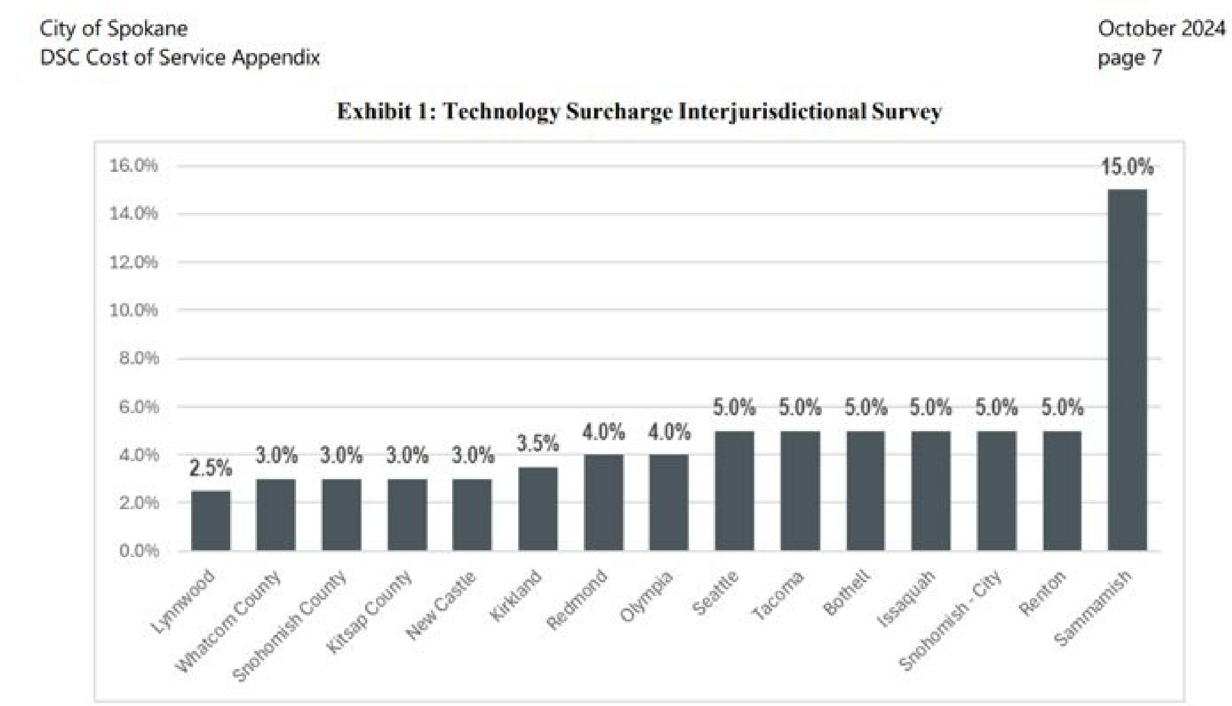
Over time, cities are becoming more dependent on technologies to provide efficient and responsive customer service. Technology improvements over the last few decades have resulted in:

- Improved efficiencies in the delivery of services for the development community and community members (e.g., access, time, transparency, interactive)
- Easier access to over-the-counter and small permits
- More accurate information
- Greater internal consistency
- Streamlined review workflows
- Reduced paper use and increased sustainability
- Accumulation of better data, leading to more data-informed decisions
- Necessary to meet state requirements (e.g., SSSB 5290)

Revenues are restricted and must be used for development services technologies, e.g., annual maintenance or licensing and system replacement costs.

How do other local governments address support technology maintenance and upgrades through fees? A study performed by the FCS Group for the City of Spokane surveyed the technology fees in various Washington state jurisdictions. The report found that there is a notable variance in technology fee rates, ranging from a minimum of 2.5 percent to a maximum of 15.0 percent. The most frequently used rates were 3.0 percent and 5.0 percent. The City of Spokane ultimately adopted a 2.5 percent technology fee.

Graph 1A
FCS Group Study for Spokane – Technology Fee Survey



For more information on Technologies fees, please see the FCS Group study, as well as the MRSC page on Information Technologies.

1. Technology Fee

Description	Apply a Technology Fee to all development permits, including CED and PW. Create an exemption for permits associated with affordable housing.
Estimated Annual Revenue	$12,500 for each 0.5% increase in Technology Fees, see **Table 1B**. $12,000 to $150,000+ depending on rate.
Time to Implement	Short-term, 6-12 months
Offsetting Expenditures	None

Control and Implementation Requirements	Councilmanic: • Amend necessary fee schedules or documents by ordinance.
Administrative Effort	Administrative effort is low. The City will need to complete the following tasks to implement the new tax rate: • Amend necessary fee schedules or documents by ordinance. • Provide notice to community members.
Peer Usage	See **Graph 1A** for a more extensive list. Technology fees of comparable cities: • **Kirkland**: 3.5% • **Bothell**: 5% • **Olympia**: 4% • **Lynnwood**: 2.5% • **Issaquah**: 5%
Volatility	Very High – Dependent on permitting levels, fluctuations are anticipated to be around 10% to 30+% annually based on past data, see **Table 1C**.
Who Pays	Applicants: Individuals or organizations applying for permits.
Equity Implications	The fee is proportional as it is based on a percentage of the permit fee. However, homeowners and small businesses may feel the impact of these charges more than large developers. The City could implement an exemption to this fee for affordable housing. However, please see "Other Considerations" for a broad discussion of equity and development fees.
Other Considerations	Even with the addition of a technology fee, the City's current development fees would remain significantly lower than comparable cities. Many cities try to recover 75% to 100% of the costs for processing permits (development fee cost recovery) as allowed per state law. In 2024, the City recovered approximately 69.7% of CED costs and 38% of PW costs. As a result, the general fund is used to cover the remaining costs. The City's cost recovery rate is influenced by several factors, including the intensity of development. With recent development activity leveling off, and without further changes, the City is likely to see cost recovery rates more in line with 2024

levels—lower than in previous years that experienced periods of high multifamily development.

While lower cost recovery rates may encourage some economic and housing development, it is potentially regressive as lower-income community members may be disproportionately affected by indirectly supporting permits that could primarily benefit other individuals or developers, with little (if any) residual positive impact for them. This could also lead to underinvestment in services that would directly positively impact the whole community rather than a select few, e.g., general fund dollars could be used for park and recreation development or programming.

The City has over $117,000 in existing technology costs associated with development services, see **Table 1G**. A technology fee may defray some of these costs and provide some relief to the general fund. In addition to existing costs, the City anticipates future technology needs to improve services, upgrade and maintain systems, and meet new state mandates.

Table 1B provides an estimated projection of Technology Fee revenues, based on historical revenue of all development services permits.

Table 1B		
Technology Fee Projected Revenues		
Rate	Est. Revenue	Difference
0.0%	$ -	$ -
0.5%	$12,500	$12,500
1.0%	$25,000	$25,000
1.5%	$37,500	$37,500
2.0%	$50,000	$50,000
2.5%	$62,500	$62,500
3.0%	$75,000	$75,000
3.5%	$87,500	$87,500
4.0%	$100,000	$100,000
4.5%	$112,500	$112,500
5.0%	$125,000	$125,000
5.5%	$137,500	$137,500
6.0%	$150,000	$150,000
6.5%	$162,500	$162,500
7.0%	$175,000	$175,000
7.5%	$187,500	$187,500
8.0%	$200,000	$200,000
8.5%	$212,500	$212,500
9.0%	$225,000	$225,000
9.5%	$237,500	$237,500
10.0%	$250,000	$250,000
10.5%	$262,500	$262,500
11.0%	$275,000	$275,000
11.5%	$287,500	$287,500
12.0%	$300,000	$300,000
12.5%	$312,500	$312,500

Table 1C provides historical revenue of all development services permits, including year-to-year shifts in revenue.

Table 1C CED and PW Permit Fee Revenues and Year-to-Year Changes, 2013-2024		
Year	**Permit Fee Revenue**	**YOY Shifts**
2024	$2,316,668	-28%
2023	$3,234,601	28%
2022	$2,530,277	-8%
2021	$2,751,510	21%
2020	$2,279,013	-41%
2019	$3,869,042	26%
2018	$3,071,579	45%
2017	$2,117,594	-26%
2016	$2,872,405	46%
2015	$1,968,661	20%
2014	$1,637,294	39%
2013	$1,176,727	
Average	**$2,316,668**	**11%**

Table 1D uses historical revenue from all development services permits to provide examples of revenue generated by different Technology Fee percentages, ranging from 1% to 6%, for the past ten-years.

Table 1D							
CED and PW Permit Fee Revenues and Technology Fee Projections, 2013-2024							
Year	Permit Fee Revenue	1% Fee	2% Fee	3% Fee	4% Fee	5% Fee	6% Fee
2024	$2,316,668	$23,167	$46,333	$69,500	$92,667	$115,833	$139,000
2023	$3,234,601	$32,346	$64,692	$97,038	$129,384	$161,730	$194,076
2022	$2,530,277	$25,303	$50,606	$75,908	$101,211	$126,514	$151,817
2021	$2,751,510	$27,515	$55,030	$82,545	$110,060	$137,576	$165,091
2020	$2,279,013	$22,790	$45,580	$68,370	$91,161	$113,951	$136,741
2019	$3,869,042	$38,690	$77,381	$116,071	$154,762	$193,452	$232,143
2018	$3,071,579	$30,716	$61,432	$92,147	$122,863	$153,579	$184,295
2017	$2,117,594	$21,176	$42,352	$63,528	$84,704	$105,880	$127,056
2016	$2,872,405	$28,724	$57,448	$86,172	$114,896	$143,620	$172,344
2015	$1,968,661	$19,687	$39,373	$59,060	$78,746	$98,433	$118,120
2014	$1,637,294	$16,373	$32,746	$49,119	$65,492	$81,865	$98,238
2013	$1,176,727	$11,767	$23,535	$35,302	$47,069	$58,836	$70,604
Average	**$2,316,668**	**$26,044**	**$52,088**	**$78,133**	**$104,177**	**$130,221**	**$156,265**

Table 1E and **Table 1F** provide examples of common permit fee costs and show how the addition of a Technology Fee would impact the overall fees.

Table 1E							
Example of CED Common Permit Fee Costs and Technology Fees							
Permit Fee	**Cost**	**1%**	**2%**	**3%**	**4%**	**5%**	**6%**
Demolition Permit	$91	$0.91	$1.82	$2.73	$3.64	$4.55	$5.46
Plumbing Permit (Whole House)	$254	$2.54	$5.08	$7.62	$10.16	$12.70	$15.24
Residential Roof	$213	$2.13	$4.26	$6.39	$8.52	$10.65	$12.78
Mechanical Permit (Whole House)	$381	$3.81	$7.62	$11.43	$15.24	$19.05	$22.86
Grading Permit (8,000 cy)	$861	$ 8.61	$17.22	$25.83	$34.44	$43.05	$51.66
Building Permit (2,500 SF Home)	$6471	$64.71	$129.42	$194.13	$258.84	$323.55	$388.26

Table 1F							
Example of PW Common Permit Fee Costs and Technology Fees							
Permit Fee	**Cost**	**1%**	**2%**	**3%**	**4%**	**5%**	**6%**
Plan Check: Water/Sewer (1st 150')	$341.10	$3.41	$6.82	$10.23	$13.64	$17.06	$20.47
Plan Check: Street (1st 150')	$341.10	$3.45	$6.89	$10.34	$13.78	$17.23	$20.67
Inspection: Water/Sewer (1st 150')	$408.63	$3.48	$6.96	$10.44	$13.92	$17.40	$20.88
Inspection: Street (1st 150')	$407.46	$3.51	$7.03	$10.54	$14.05	$17.57	$21.08
Inspection: Signals (per Intersection)	$3,067.56	$3.55	$7.09	$10.64	$14.19	$17.74	$21.28
ROW: Overhead Utilities (1st 150')	$365.13	$3.58	$7.16	$10.74	$14.33	$17.91	$21.49

Table 1G provides examples of current technology costs associated with CED and PW development services.

Table 1G			
Examples of Current Development Services Technology Costs			
Department	**Item**	**Annual Cost**	**Purpose / Notes**
PW	Bluebeam	$3,000	Allow for more efficient permit processing: • PDF solution tailored for architecture and construction • Helps standardize communication and improve review quality with customizable tools • More efficient review and workflows
PW	Virtual Project Manager	$10,000	Allow for more efficient project management
PW	iPads	$2,500	Streamlines field inspections
CED	ICC Code Updates	$13,552	Ensure access to current building codes online.
CED	Cell Phone	$9,631	Cell phones for more efficient customer service.
CED	iPads	$4,084	Streamlines field inspections
CED	Bluebeam	$10,648	Allow for more efficient permit processing
CED	TRAKiT License	$63,762	Online Permit Portal - Permitting Software • Convenient submission • Track permit applications • More efficient workflows • Improves record keeping • More efficient record requests
ALL		**$117,177**	

2. Copying Charges for Public Records: Body-Worn Cameras Redactions

Under the Public Records Act (PRA), cities have a few options for calculating the charges for copies of public records, see **Option 1 to Option 3** below.

These allowable charges are mainly limited to the costs incurred by the city in making and producing copies of the records. Under the PRA, cities generally cannot charge for staff time spent locating a public record or making it available for inspection (including any time spent reviewing or redacting records). However, there are some limited exceptions for certain law enforcement records. Law enforcement records, specifically body camera redactions, criminal history records information, traffic accident reports, department audio, visual, or photographic material, are labor-intensive for response. Annual City costs to respond to law enforcement public records requests is likely well over $385,000 annually taking into account staff and technology resources, see **Table 2A1**.

Table 2A1 Public Record Costs and General Estimates 2024	
Total estimated costs (includes staff compensation and legal review)	$442,426
Total public records requests - Citywide	3,510
Total public records requests - LPD	3,053
% of LPD based on City-wide requests*	87%
Estimated cost for LPD-related requests based on % of City-wide requests*	$384,911
Total requests including BWC**	7.9% citywide 9% LPD
* Estimates based on best available data. These are general estimates. ** Average based on data from 2024/2025.	

For records requests, the City adopted the default charges outlined in RCW 42.56.120 to apply to requests for copies of public records, see **Option 2**. Many other agencies within the state charge a fee to recoup a portion of this cost, exempting out certain requestors defined by RCW.

Option 1: Actual Costs: Cities can charge the actual cost incurred for providing copies by adopting a statement of costs, after notice and a public hearing (RCW 42.56.070(7)). For hard copies, actual cost includes: the cost of paper; the per-page cost for use of agency copying equipment; the cost of postage or delivery charges and the container used for delivery; and staff time to *copy and send* the requested public records. For electronic copies, actual cost includes: The cost of electronic production or file transfer of a record; The use of cloud-based storage and processing services; The transmission of records in electronic format, including the transmission charge and the media device used for delivery; and Staff time to *copy and send* the requested public records.

Option 2: Statutory Default Charges (Current City status – no change): Adopt the statutory default charges in RCW 42.56.120, see **Table 2A**.

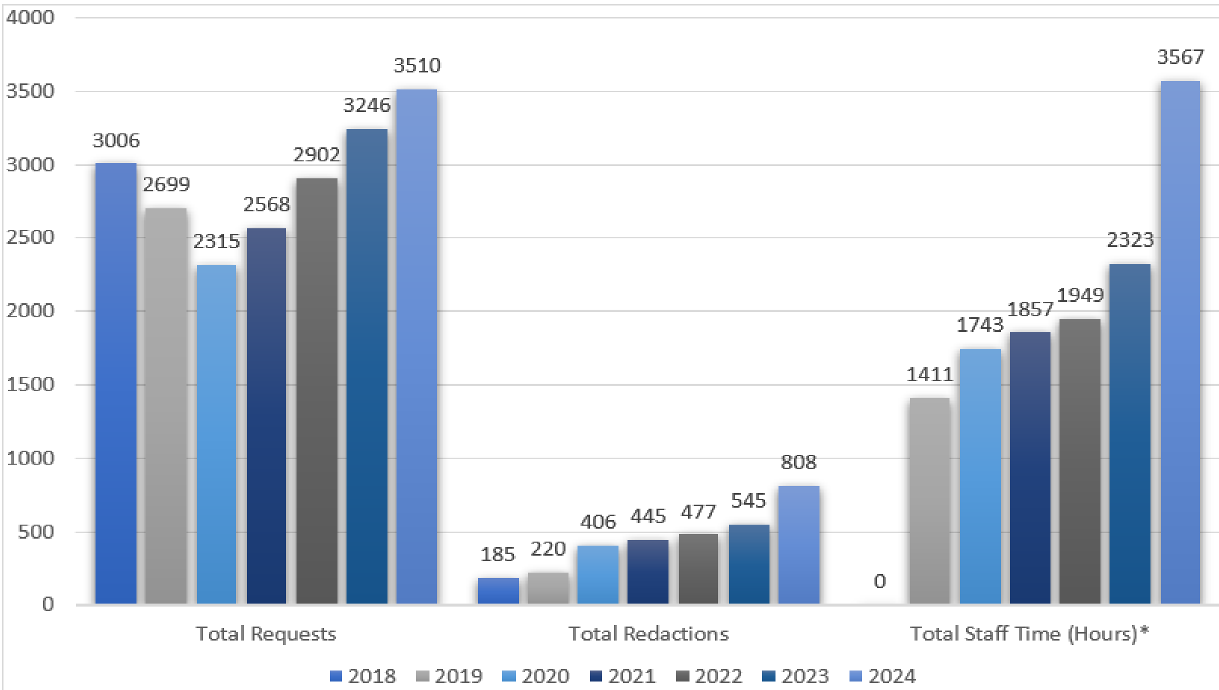
Table 2A Statutory Default Charges	
Inspection of records:	No charge
Photocopy of paper records, or printed copies of electronic records, or use of City's equipment to photocopy public records:	15 cents per page
Records scanned into an electronic format, or use of City's equipment to scan records:	10 cents per page
Files and attachments uploaded to email, cloud-based data storage services, or other means of electronic delivery:	5 cents for each 4 electronic files or attachments
Files and attachments transmitted in electronic format, or the use of City's equipment to send the records electronically:	10 cents per gigabyte
Digital storage media or device provided by the City:	Actual cost
Container or envelope used to mail copies:	Actual cost
Postage or delivery charges:	Actual cost

Option 3: Flat Fee Up To $2 Per Request: Cities have the option to charge a flat fee of up to $2 per request as an alternative to actual or default costs if the agency reasonably estimates and documents that the costs are equal or more than $2. This flat fee can only be charged once per request and not per installment (RCW 42.56.120(2)(d)). At this time, staff do not recommend adopting a flat fee per request. While this model could generate more revenue, it does not offset the staff time and resources required to process large, multi-installment requests. Retaining the default copying charges may also help to discourage excessive or frivolous requests.

Option 4: Fees for Body Worn Camera: Law enforcement agencies may require any requester not listed in RCW 42.56.240(14)(e) to pay the reasonable costs of redacting any portion of the body-worn camera recording before disclosure.

Since 2020, the City has experienced an increase in the total number of public record requests. With this increase, the City has also experienced a direct rise in redactions and staff time required to respond, see **Graph X**, below.

Graph X: Public Records Request Trends, 2018 - 2024



In 2023, the average cost per record request was $115. Of all 3,246 requests, only $55 was recovered. In 2024, the average cost per request was $126. Of all 3,510 requests, only $8 was recovered. At this time, staff do not recommend any changes to copying charges for general record requests as revenue enhancements would be de minimis and associated offsetting expenditures would increase (e.g., it would require more staff time to process than would likely be recovered). While **Option 3** would likely recover more costs than the current model, it eliminates the City's ability to charge based on actual or customized costs—an important tool for discouraging excessive or frivolous requests. Under this option, a large request would cost the same as a small one: just $2.

For more information on Public Record Costs, please see the MRSC page on Copying Charges for Public Records.

Law Enforcement Records: Per state law, law enforcement agencies may recover costs for the following:

- Body Camera Redaction: RCW 42.56.240(14) allows agencies to charge for staff time *spent redacting body camera video recordings for certain requestors*, in addition to the regular costs allowed under RCW 42.56.070(7).

- Criminal History Records Information
- Traffic Accident Reports
- Sheriff Department Audio, Visual, or Photographic Materials

The City implemented a body-worn camera (BWC) program in April 2023. Since launching the BWC program, the City has retained 114,500+ BWC videos. Starting in July 2024, the City began capturing data on public records requests involving body-worn video footage. From July 2024 to July 2025, the Lacey Police Department (LPD) closed 3,281 public records requests with 302 requests containing BWC. Notably, for every one hour of video requested, it takes LPD staff an estimated two (2) to seven (7) hours to review and redact.

The City could recover costs spent redacting body camera video recordings for certain requestors while also mitigating potential BWC disclosure requests by establishing a per-minute BWC disclosure cost.

Notably, per state law, BWC disclosure costs would not apply to the following requestors:
- A person, or an attorney representing a person, directly involved in the incident;
- A person or their attorney who requests BWC relevant to a criminal case involving that person;
- The executive director from either the Washington state commission on African American affairs, Asian Pacific American affairs, or Hispanic affairs; or
- An attorney who represents a person regarding a potential civil cause of action involving the denial of civil rights under…(attorney must explain the relevancy and request relief from redaction costs)

Several Washington state jurisdictions have performed studies to establish per-minute BWC redaction cost rates, including the City of Seattle and City of Sumner. **Table 2B** provides a summary of several jurisdictions with adopted per-minute BWC redaction cost rates.

Table 2B		
BWC Redaction Costs		
City	**Costs per minute**	**Expenses Recovered**
Seattle	$0.82	N/A
Kent	$0.91	$750 (2018, all) $4,235 (2019, all)
Tukwila	$0.63	N/A
Sumner	$0.86	N/A
Olympia	$0.81	N/A
Bellingham	$0.75	$2,000 (2023, 911/BWC)
Kirkland	$0.84	$2,509 (2023, PD/BWC)

Based on the studies mentioned above, Staff performed a per-minute cost analysis for the City, resulting in a $0.90 cost per minute, see **Graph 2C**.

Graph 2C	
Lacey BWC Request Cost Study	
Police Records Specialist, Step 1	
A. Monthly Salary	$5,543.70
B. Monthly Benefits	$3836.67
C. Total Monthly Salary/Benefits (A+B)	**$9,380.37**
BWC License Fees*	
D. Monthly Professional License	$31.71
E. Monthly Redaction Assistance User License	$6.58
F. Total Monthly License Fees (D+E)	**$38.32**
Average Minutes worked by staff per month	
G. 174 hours per month x 60 minutes	10,440
Estimated Cost per Minute (C+F)/G	**$0.90**
* Includes sales tax	

For more information on BWC disclosure cost, please see the MRSC page on Disclosure of Law Enforcement Video Footage.

2. Body-worn Camera Redactions	
Description	Apply a BWC Charge of $0.90 per minute
Estimated Annual Revenue	$1,000 to $5,000 annually
Time to Implement	Short-term, 6-12 months
Offsetting Expenditures	None
Control and Implementation Requirements	Councilmanic: • Amend appropriate code and fee schedules, ordinance/resolution

Administrative Effort	Administrative effort is low. The City will need to complete the following tasks to implement the new tax rate: • Amend appropriate code and fee schedules, ordinance/resolution • Create a charge with Finance
Peer Usage	See **Table 2B** for a more extensive list. BWC Charges of comparable cities: • **Olympia:** $0.81 • **Kent:** $0.91 • **Kirkland**: $0.84
Volatility	Very High – Dependent record requests, fluctuations are anticipated to be around 10% to 30+% annually based on past data, see **Graph X**.
Who Pays	Record requesters, with some exemptions.
Equity Implications	Flat fees can be regressive. However, there are exemptions, including not charging a person or an attorney representing a person who is directly involved in the incident.
Other Considerations	Implementing a fee for BWC disclosure may help discourage frequent, frivolous, or large-scale requests, particularly from serial or national requesters. The City has observed that following high-profile incidents or "media" involved incidents, e.g., a First Amendment auditor, there is often an influx of requests for BWC video. While this could save staff resources, on the whole, implementing this would result in de minimis revenue.

3. Franchise Fees – Solid Waste

Franchise fees are charges levied on private utilities for their use of City streets and other public properties to place utility infrastructure and to recoup City costs of administering franchise agreements.

The franchise fees on light, natural gas, and telephone utilities are limited by statute to the actual administrative expenses incurred by the City directly related to receiving and approving permits, licenses, or franchises (RCW 35.21.860). In addition, cities may impose franchise fees to recover administrative costs for sewer and water. A reasonable franchise fee may be imposed on solid waste providers.

Cable TV franchise fees are governed by the Federal Cable Communications Policy Act of 1996. They are negotiated with cable companies for an amount not to exceed 5% of gross revenues, regardless of the administrative costs (47 U.S.C. §542(a) and (b)).

Solid Waste and Cable TV franchise fees are unrestricted and may be used for any lawful governmental purpose.

For more information on Franchise Fees, please see page 137 of the MRSC's Revenue Guide for Washington Cities and Towns.

The City's franchise agreement with Comcast sets the cable franchise fee rate at 5%; the state maximum for cable franchise fees.

Table 3A Franchise Fee Rates, State Requirements, Options			
Activity	**City rate**	**Max Rate**	**Examples**
Cable	5%	5%	Olympia – 5% Tumwater – 5%
Solid Waste	**-**	Reasonable	Lakewood – 4% Redmond – 5%

The City could pursue adding a solid waste franchise fee. This fee would need to be reasonable. Given the relative stability of this service, solid waste may provide a long-term revenue solution, especially compared to a cable franchise fee.

For more information on Solid Waste Collection, please see MRSC's solid waste collection, recycling and disposal page. In summary, cities have the following six options for solid waste collection:

Option 1: Local Government Provides Collection Service
Many local governments in Washington require all individuals to sign up for solid waste collection. Others provide municipal collection service but do not require participation.

Option 2: Municipality Contracts with Other Municipalities
Under the Washington State Interlocal Cooperation Act (Ch. 39.34 RCW), a municipality can contract with another local agency, city, or county for solid waste collection services.

Option 3: Municipality Contracts with Private Firm While Still Controlling Billings and Rates
Municipalities may enter into contracts with waste haulers for collection and recycling services, but continue to provide billing and control rates.

Option 4: Municipality Contracts with Private Firm with Municipality Only Controlling Rates
A municipality can contract with a private waste hauler for collection and recycling services, including billing, while the city controls rates.

Option 5: Municipality Licenses or Franchises to Private Firm
Municipalities may grant a franchise or license to a waste hauler or haulers, with the Washington Utilities and Transportation Commission (UTC) controlling billing and rates.

Option 6: UTC Sets Rates and Service Area
Although the state requires counties and cities to plan for solid waste management and gives them the authority to provide solid waste collection services (or contract for the service), they are not *required* to provide collection services. If a municipality chooses this option, the UTC sets the service area and the rates to be charged by private firms that serve the city.

Currently, the City operates under **Option 6** of the above; however, it could elect to operate under **Option 5** and collect a solid waste franchise fee. To establish a solid waste franchise fee, the City would need to update its municipal code, release a request for services for solid waste providers, and then execute a contract with a solid waste provider. Currently, the City does not provide direct collection service or contract with another jurisdiction or a private entity for collection. Instead, the City allows the UTC to set rates and to determine the private firm that serves Lacey.

3. Franchise Fee – Solid Waste	
Description	Grant a franchise to a waste hauler and charge a reasonable franchise fee
Estimated Annual Revenue	$40,500 to $485,000, depending on different variables For each 0.5% increase $40,500, see **Table 3C**
Time to Implement	Short-term, Twelve months
Offsetting Expenditures	None
Control and Implementation Requirements	Councilmanic: o Amend LMC, Title 3, to include Collection of Franchise Fees o Create a request for proposal/qualifications o Select a private solid waste provider o Negotiate and execute a contract with a private solid waste provider
Administrative Effort	Perform any necessary outreach to the community. The City will need to complete the following tasks to implement the new tax rate: • Amend LMC, Title 3, to include Collection of Franchise Fees • Create a request for proposal/qualifications • Select a private solid waste provider • Negotiate and execute a contract with a private solid waste provider
Peer Usage	The AWC Utility and Fee Survey (2024, self-reporting tool) lists 19 jurisdictions with solid waste franchise fees. The following are a few comparable cities; see **Table 3E** for a more exhaustive list.

Table 3B		
Solid Waste Franchise Fees Other Jurisdictions		
Organization	**Population**	**Solid Waste**
Redmond	75,270	5.00%
Burien	52,490	13.10%
Bothell	48,940	5.00%
University Place	35,420	5.00%
Des Moines	33,160	13.00%
Peer Average	**49,056**	**8.22%**

Who Pays	While the provider pays the franchise fee, the cost of the franchise fee is passed on to the consumer by the provider.
Equity Implications	The tax is regressive. The cost of the franchise fee is passed on by the provider to the consumer, with lower-income individuals paying a larger percentage of their income in taxes. High-income households may use more utilities in total, but they can absorb the cost more easily.
Other Considerations	Instead of creating a franchise fee for solid waste, the City could consider increasing the solid waste utility tax. This would reduce the need to go out for an RFP and select a private company. However, the City would lose the ability to negotiate service costs directly.

Table 3C provides an estimated projection of solid waste franchise fees, based on historical revenue from solid waste utility tax revenues.

Table 3C		
Solid Waste Franchise Fees – Projected Revenues		
Rate	**Est. Revenue**	**Difference**
0% Current)	$0	$0
0.5%	$40,417	$40,417
1.0%	$80,833	$80,833
1.5%	$121,250	$121,250
2.0%	$161,667	$161,667
2.5%	$202,083	$202,083
3.0%	$242,500	$242,500
3.5%	$282,917	$282,917
4.0%	$323,333	$323,333
4.5%	$363,750	$363,750
5.0%	$404,167	$404,167
5.5%	$444,583	$444,583
6.0%	$485,000	$485,000

Table 3D provides historical revenue for solid waste utility taxes, including year-to-year shifts in revenue, from 2017 to 2024.

Table 5F		
Solid Waste Utility Tax Revenues, 2017-2024		
Year	**Revenue**	**YOY Shifts**
2024	$573,130	0%
2023	$574,594	8%
2022	$533,206	12%
2021	$476,150	9%
2020	$438,611	7%
2019	$410,801	1%
2018	$405,451	16%
2017	$349,765	

Table 3E provides an example of solid waste franchise fees in other Washington state cities.

Table 3E		
Solid Waste Franchise Fees in Other Jurisdictions		
Organization	**Population**	**Garbage**
Redmond	75,270	5.0%
Burien	52,490	13.1%
Bothell	48,940	5.0%
University Place	35,420	5.0%
Des Moines	33,160	13.0%
SeaTac	31,910	5.0%
Mukilteo	21,590	7.0%
Monroe	19,700	6.0%
Centralia	18,360	6.0%
Ridgefield	13,640	10.0%
Sumner	10,800	2.5%
DuPont	10,180	5.0%
North Bend	7,915	6.0%
Pacific	7,270	6.0%
Clarkston	7,215	6.0%
Brier	6,590	3.0%
Granite Falls	4,705	7.0%
Chelan	4,390	6.0%
Clyde Hill	3,110	6.0%
Average	**21,719**	**6.5%**

4. Gambling Tax – Social Card Games & Punchboard / Pull Tabs

Gambling activities are regulated by the state, with the Washington State Gambling Commission regulating and licensing most gambling activities under chapter 9.46 RCW. Cities and towns are limited in their authority to regulate gambling, but they may prohibit any or all gambling activities for which licenses are required.

For more information on Gambling Tax, please see page 119 of the MRSC's Revenue Guide for Washington Cities and Towns. Revenues are restricted and must be used for public safety purposes.

Lacey Municipal Code (LMC), Section 3.06 sets the gambling tax for the City. In brief, the following are the rates established for commercial gambling:

Table 4A Lacey Gambling Tax Rates, State Requirements, Options			
Activity	**City rate**	**Max Rate**	**Options**
Amusement games	-	Actual costs of enforcement, not to exceed 2% of net receipts	Add
Bingo	5%, no taxes on first $10,000 of gross receipts	5% of net receipts	Remove $10,000 threshold
Punchboards or pull-tables (commercial)	4% of gross receipts	10% of net receipts	Increase by up to an additional 6%
Raffles	5% - no taxes on first $10,000 of gross receipts	5% of net receipts	Remove $10,000 threshold
Social Card Games	7.5%	20% of gross receipts	Increase by up to an additional 12.5%

From the above, the most significant revenue impact would be to consider increasing the tax rate for Social Card Games, which could increase revenues by $33,333 to $833,333. The City Council could also consider repealing the prohibition on additional card houses, as part of this process or separate from it. This could potentially include a more complete review of Title 16 to determine appropriate locations for social card rooms. Title 16 would require zoning text amendment through the legislative review process.

Increasing Punchboard or pull-table rates could increase revenues by $5,000 to $60,000, see **Table 4E** and **Table 4F.**

4.1 Social Card Games	
Description	Increase the Lacey Gambling tax rate for Public Card Rooms/Social Card Games. Lacey's current rate is: 7.5%
Estimated Annual Revenue	$33,337 to $40,000 for each 0.5% increase in the Gambling tax for Social Card Games, see **Table 4B**.
Time to Implement	Short-term, 6-12 months
Offsetting Expenditures	None
Control and Implementation Requirements	Councilmanic: • Amend the tax rate in LMC 3.08.030 • Follow the regulations outlined in RCW 9.46.110 • Council could also repeal the prohibition on additional card houses through an ordinance.
Administrative Effort	Administrative effort is low. The City will need to complete the following tasks to implement the new tax rate: • Amend LMC 3.06.010 • Update the Gambling tax return form and public guidance • Provide timely advanced notice to impacted taxpayer (1).
Peer Usage	See **Table 4D** for a more extensive list. Current Gambling tax card room rates of comparable cities: • **Lakewood**: 11% • **Shoreline**: 10% • **SeaTac**: 11-20% • **Tukwila**: 11-20% • **Renton**: 10% • **Kent**: 11% • **Burien**: 11%

Volatility	High - Discretionary Spending, fluctuations are around 5% to 15+% annually. Depended on economic conditions and consumer behavior.
Who Pays	Local casinos pay the Gambling Tax. Around 2012, the then-owners of the Fortune Casino (formerly Hawk's Prairie Casino) requested a reduction in gambling taxes for social card games. In response, in 2014, the Lacey City Council adopted Ordinance 1430, providing for a gradual reduction of the gambling tax rate top the present rate of 7.5%. The Casino has since been acquired by a larger operator that has multiple locations across Washington, including in jurisdictions with higher social card game taxes, e.g., Lakewood, WA.
Equity Implications	The tax is proportional as it is based on a percentage of gross revenue.
Other Considerations	The City's current tax rate is at the low end of its peer and neighboring cities. Based on this, the risk of the Casino relocating to other cities for a lower rate is minimal. In addition to increases to the tax rate, the City could also allow for additional social card game establishments. This would have a more long-term impact on revenue. In addition, having more Social Card establishments does not necessarily mean that consumer behavior will change substantially. This may result in revenue shifts, rather than increases. Other planned developments in Lacey may impact the operations of existing social card game establishments. Gambling tax revenues are required to be allocated for public safety, which would be a straightforward criterion to satisfy within the general fund.

Table 4B provides an estimated projection of Social Card tax revenues, based on historical revenue from existing Social Card tax revenues.

Table 4B		
Social Card Rate – Projected Revenues		
Rate	Est. Revenue	Difference
7.5% (current)	$500,000	$(0)
8.0%	$533,333	$33,333
8.5%	$566,667	$66,667
9.0%	$600,000	$100,000
9.5%	$633,333	$133,333
10.0%	$666,667	$166,667
10.5%	$700,000	$200,000
11.0%	$733,333	$233,333
11.5%	$766,667	$266,667
12.0%	$800,000	$300,000
12.5%	$833,333	$333,333
13.0%	$866,667	$366,667
13.5%	$900,000	$400,000
14.0%	$933,333	$433,333
14.5%	$966,667	$466,667
15.0%	$1,000,000	$500,000
15.5%	$1,033,333	$533,333
16.0%	$1,066,667	$566,667
16.5%	$1,100,000	$600,000
17.0%	$1,133,333	$633,333
17.5%	$1,166,667	$666,667
18.0%	$1,200,000	$700,000
18.5%	$1,233,333	$733,333
19.0%	$1,266,667	$766,667
19.5%	$1,300,000	$800,000
20.0%	$1,333,333	$833,333

Table 4C provides historical revenue for Social Card tax revenues, including year-to-year shifts in revenue.

Table 4C City Social Card Revenues, 2013-2024		
Year	Social Card Revenue	YOY Shifts
2024	$596,078	14%
2023	$521,966	4%
2022	$501,043	72%
2021	$291,994	171%
2020	$107,781	-69%
2019	$343,522	-6%
2018	$364,106	17%
2017	$310,374	-6%
2016	$331,807	-14%
2015	$385,702	-6%
2014	$409,396	-4%
2013	$426,185	

Table 4D provides Social Card Tax rates in other comparable-sized Washington state cities.

Table 4D Comparable cities with Social Card Game Tax Rates		
City	**Population**	**Rate**
Yakima	98,200	10.0%
Kirkland	93,570	11.0%
Pasco	80,180	10.0%
Redmond	75,270	12.0%
Sammamish	68,150	11.0%
Tukwila	22,960	11.0%
Renton	109,700	10.0%
Lakewood	64,670	11.0%
Kent	137,900	11.0%
Federal Way	102,900	10.0%
Shoreline	60,320	10.0%
Lacey	58,180	7.5%
Burien	52,490	11.0%
University Place	35,420	5.0%
Walla Walla	34,020	8.0%
Des Moines	33,160	9.0%
SeaTac	31,910	11.0%
Tumwater	26,360	20.0%
Average	**65,853**	**10.5%**
Source: AWC 2024 Utility and Fee Survey, plus additional research		

Increasing Punchboard or pull-table rates could increase revenues by $5,000 to $60,000, see **Table 4E** and **Table 4F.**

4.2 Punchboard or Pull-Tab rates (commercial)	
Description	Increase the Lacey's Punchboard or Pull-Tab rate. Lacey's current rate is: 4.0%
Estimated Annual Revenue	$5,000 to $60,000, $5,000 for each 0.5% increase in the rate, see **Table 4E.**
Time to Implement	Short-term, 6-12 months
Offsetting Expenditures	None
Control and Implementation Requirements	Councilmanic: • Amend the tax rate in LMC 3.06.010 • Follow the regulations set forth in RCW 9.46.110
Administrative Effort	Administrative effort is low. The City will need to complete the following tasks to implement the new tax rate: • Amend LMC 3.06.010 • Update the Gambling tax return form and public guidance • Provide timely advanced notice.
Peer Usage	See **Table 4G** for a more extensive list. Current Gambling tax card room rates of comparable cities: • Pasco: 10% • Shoreline: 5% • SeaTac: 5% • Yakima: 10% • Kent: 10% • Sammamish: 5%
Volatility	High - Discretionary Spending, fluctuations are around 5% to 30+% annually. Depended on economic conditions and consumer behavior.

Who Pays	Businesses with punchboards and pull-tabs.
Equity Implications	The tax is proportional as it is based on a percentage of gross revenue.
Other Considerations	None.

Table 4E provides an estimated projection of Punchboard or Pull Tab revenues, based on historical revenue from existing Punchboard or Pull Tab revenues.

Table 4E		
Pull Tabs Rate – Projected Revenues		
Rate	**Est. Revenue**	**Difference**
4.00%	$40,000	$0
4.50%	$45,000	$5,000
5.00%	$50,000	$10,000
5.50%	$55,000	$15,000
6.00%	$60,000	$20,000
6.50%	$65,000	$25,000
7.00%	$70,000	$30,000
7.50%	$75,000	$35,000
8.00%	$80,000	$40,000
8.50%	$85,000	$45,000
9.00%	$90,000	$50,000
9.50%	$95,000	$55,000
10.00%	$100,000	$60,000

Table 4F provides historical revenue for Punchboard or Pull-Tab revenues, including year-to-year shifts in revenue.

Table 4F		
Pull Tab Revenues, 2013-2024		
Year	**Revenue**	**YOY Shifts**
2024	$48,117	26%
2023	$38,233	-8%
2022	$41,749	42%
2021	$29,435	16%
2020	$25,350	-49%
2019	$49,818	19%
2018	$41,809	-17%
2017	$50,509	-7%
2016	$54,367	9%
2015	$49,676	

Table 4G provides Punchboard or Pull-Tab rates in other comparable-sized Washington state cities.

Table 4D Comparable cities with Punchboard or Pull-Tab Tax Rates		
City	**Population**	**Rate**
Yakima	98,200	10%
Kirkland	93,570	5%
Pasco	80,180	10%
Redmond	75,270	1%
Sammamish	68,150	5%
Shoreline	60,320	5%
Lacey	58,180	4%
Olympia	54,749	3%
Burien	52,490	5%
Bothell	48,940	
Issaquah	40,950	5%
Wenatchee	35,650	
University Place	35,420	5%
Walla Walla	34,020	8%
Des Moines	33,160	5%
SeaTac	31,910	5%
Tumwater	26,360	3%
Average	**54,749**	**5.3%**
Source: AWC 2024 Utility and Fee Survey, plus additional research		

5. Utility Tax

Cities are authorized to levy a business and occupation tax (RCW 35.22.280(32)) on public utility businesses based on revenues they generate within that city; this is known as a utility tax. Similarly, cities are also authorized to impose a utility tax on its own utilities, e.g., stormwater, water, sewer, etc.

Revenues are unrestricted and may be used for any governmental purpose.

There are some limitations to utility taxes. The rate of taxes for electric, phone, and natural gas utilities is limited to 6% without voter approval. There is no limitation on tax rates for water, sewer, solid waste, or stormwater utilities.

Internet and satellite TV may not be taxed, and cable TV has special provisions (tax rate may not be "unduly discriminatory"). The rate on cable TV is governed by the Cable Communications Policy Act of 1984 (47 U.S.C. §542(g)(2)(A)), which simply requires that the rate not be "unduly discriminatory against cable operators and subscribers." If a city has set all its tax rates at 6%, the rate on cable TV should probably be no higher than that. However, if rates on utilities other than electric, gas, or telephone are higher than 6%, an argument can be made that the tax on cable TV can be higher than six percent without being "unduly discriminatory," because all the rates over which the jurisdiction's legislative body has control are higher than six percent. However, the Telecommunications Act of 1996 preempts local government taxation of direct broadcast satellite television services, except for sales of equipment such as satellite reception dishes (see 47 U.S.C. §152 under "Notes" tab)

Notably, the City offers two utility relief programs for community members.

UTILITY RELIEF PROGRAMS

The City offers two utility relief programs:

- Lacey Utility Discount Program (LUPD) – Seniors / Disabled
- Lacey Utility Assistance Program (LUAF) – General Population

Lacey Utility Discount Program (LUDP)

The City offers a 50% discount on residential City utility services (water, sewer, and stormwater) for eligible low-income senior or disabled community members who apply. To be qualified, a person must be:

- **Low Income**: Must have a combined disposable income that's less than 50%of the median income for Thurston County, adjusted for household size; and one of the following:
  - **Older Adults**: 62 years or older, or

- **Person with a Disability**: Must be currently disabled according to the Social Security Administration, or be a veteran with a disability, certified by the Veterans' Administration, with at least a 40% disability.

See LMC 13.70.037 as an example for the stormwater utility relief program. As of October 2024, 281 households were approved for utility discounts.

Lacey Utility Assistance Program (LUAF)
The City also offers the Lacey Utility Assistance Fund (LUAF). This donation-supported fund helps low-income families and individuals with their City water bills. Individuals and families who qualify (eligibility is based on 150% of the Federal Poverty Levels) can get up to $75, twice a year, if the program has funds available. The Community Action Council handles this program for the City (see here for more information). On average, this program helps around 50 to 150 people each year.

For more information on Utility taxes, please see page 92 of the MRSC's Revenue Guide for Washington Cities and Towns.

Lacey Municipal Code (LMC), Section 3.01 sets utility taxes for the City, see **Table 5A**.

Table 5A			
Lacey Utility Tax Rates, State Requirements, Options			
Activity	**City rate**	**Max Rate**	**Examples**
Electric	6%	6%*	Olympia – 9%*
Phone	6%	6%*	Olympia – 9%*
Natural Gas	6%	6%*	Olympia – 9%*
Water	6%	No limit	Tumwater – 12%* Olympia – 12.5%*
Sewer	6%	No limit	Tumwater – 12%* Olympia – 12.5%*
Solid Waste	6%	No limit	Tumwater – 6% Olympia - 12.5%*
Stormwater	6%	No limit	Tumwater – 12%* Olympia - 12.5%*
Cable	0%	Can't be unduly discriminatory	Tumwater – 6% Olympia - 6%*
* Requires voter approval for over 6%			

The City is at the upper statutory limit for electric, phone, and natural gas utility rates without voter approval.

However, water, sewer, solid waste, and stormwater utility rates could be increased by Council action. The City Council could also establish a cable utility tax. The analysis below focuses on the Councilmanic options.

5. Utility Tax – Water, Sewer, Solid Waste, Stormwater, Cable Rates	
Description	Increase the utility tax rate on one or more of the following: Water, Sewer, Solid Waste, Stormwater, or Cable.
Estimated Annual Revenue	$500,000 to $5,000,000+ depending on different variables For each 0.5% increase: • Solid Waste: $40,500 • Water: $108,000 • Sewer: $125,000 • Stormwater: $25,000 • Cable: $60,000 For estimated revenues for each respective utility, see **Table 5B to Table 5M.**
Time to Implement	Short-term, Twelve months
Offsetting Expenditures	None
Control and Implementation Requirements	Councilmanic*: • Amend the LMC 3.01.040 • Update the utility tax return form and public guidance • Send timely advanced notice to impacted taxpayers *The rate of taxes for electric, phone, and natural gas utilities is limited to 6% without voter approval. There is no limitation on tax rates for water, sewer, solid waste, or stormwater utilities.
Administrative Effort	Perform any necessary outreach to the community. The City will need to complete the following tasks to implement the new tax rate: • Amend LMC 3.01.040 • Update the utility tax return form and public guidance

- Send timely advanced notice to impacted taxpayers

Peer Usage

See **Table 5K** for a more extensive list. At 6% for all utility tax rates, Lacey is well below the peer average for solid waste, water, sewer, and stormwater utility tax rates.

Organization	Population	Garbage	Water	Sewer	Storm water	Cable
Lacey	58,180	6.0%	6.0%	6.0%	6.0%	0%
Peer Avg.	**57,451**	**9.95%**	**8.97%**	**7.89%**	**8.13%**	**5.75%**

Who Pays

While the utility tax is paid by the business that is providing the respective service, the cost of the tax is passed on to the consumer by the business.

Equity Implications

The tax is regressive. The cost of the tax is passed on by the business to the consumer, with lower-income individuals paying a larger percentage of their income in taxes. High-income households may use more utilities in total, but they can absorb the cost more easily.

The City provides a utility tax relief program for City utilities for qualifying low-income seniors and disabled persons.

Other Considerations

None

Table 5B provides an estimated projection of solid waste utility tax revenues at different rates, based on historical revenue.

Table 5B Solid Waste Utility Taxes – Projected Revenues		
Rate	**Est. Revenue**	**Difference**
6.0% (current)	$485,000	$-
6.5%	$525,417	$40,417
7.0%	$565,833	$80,833
7.5%	$606,250	$121,250
8.0%	$646,667	$161,667
8.5%	$687,083	$202,083
9.0%	$727,500	$242,500
9.5%	$767,917	$282,917
10.0%	$808,333	$323,333
10.5%	$848,750	$363,750
11.0%	$889,167	$404,167
11.5%	$929,583	$444,583
12.0%	$970,000	$485,000

Table 5C provides an estimated projection of water utility tax revenues at different rates, based on historical revenue.

Table 5C		
Water Utility Taxes – Projected Revenues		
Rate	**Est. Revenue**	**Difference**
6.0% (current)	$1,300,000	$-
6.5%	$1,408,333	$108,333
7.0%	$1,516,667	$216,667
7.5%	$1,625,000	$325,000
8.0%	$1,733,333	$433,333
8.5%	$1,841,667	$541,667
9.0%	$1,950,000	$650,000
9.5%	$2,058,333	$758,333
10.0%	$2,166,667	$866,667
10.5%	$2,275,000	$975,000
11.0%	$2,383,333	$1,083,333
11.5%	$2,491,667	$1,191,667
12.0%	$2,600,000	$1,300,000

Table 5D provides an estimated projection of sewer utility tax revenues at different rates, based on historical revenue.

Table 5D		
Sewer Utility Taxes – Projected Revenues		
Rate	**Est. Revenue**	**Difference**
6.0% (current)	$1,500,000	$-
6.5%	$1,625,000	$125,000
7.0%	$1,750,000	$250,000
7.5%	$1,875,000	$375,000
8.0%	$2,000,000	$500,000
8.5%	$2,125,000	$625,000
9.0%	$2,250,000	$750,000
9.5%	$2,375,000	$875,000
10.0%	$2,500,000	$1,000,000
10.5%	$2,625,000	$1,125,000
11.0%	$2,750,000	$1,250,000
11.5%	$2,875,000	$1,375,000
12.0%	$3,000,000	$1,500,000

Table 5E provides an estimated projection of stormwater utility tax revenues at different rates, based on historical revenue.

Table 5E Stormwater Utility Taxes – Projected Revenues		
Rate	Est. Revenue	Difference
6.0% (current)	$300,000	$-
6.5%	$325,000	$25,000
7.0%	$350,000	$50,000
7.5%	$375,000	$75,000
8.0%	$400,000	$100,000
8.5%	$425,000	$125,000
9.0%	$450,000	$150,000
9.5%	$475,000	$175,000
10.0%	$500,000	$200,000
10.5%	$525,000	$225,000
11.0%	$550,000	$250,000
11.5%	$575,000	$275,000
12.0%	$600,000	$300,000

Table 5F provides historical revenue for solid waste utility taxes, including year-to-year shifts in revenue, from 2017-2024.

Table 5F Solid Waste Revenues, 2017-2024		
Year	Revenue	YOY Shifts
2024	$573,130	0%
2023	$574,594	8%
2022	$533,206	12%
2021	$476,150	9%
2020	$438,611	7%
2019	$410,801	1%
2018	$405,451	16%
2017	$349,765	

Table 5G provides historical revenue for water utility taxes, including year-to-year shifts in revenue, from 2017-2024.

Table 5G		
Water Revenues, 2017-2024		
Year	Revenue	YOY Shifts
2024	$1,279,266	7%
2023	$1,199,347	9%
2022	$1,096,612	8%
2021	$1,017,048	9%
2020	$ 934,269	5%
2019	$ 888,730	1%
2018	$ 878,512	7%
2017	$ 824,612	

Table 5H provides historical revenue for stormwater utility taxes, including year-to-year shifts in revenue, from 2017-2024.

Table 5H		
Stormwater Revenues, 2017-2024		
Year	Revenue	YOY Shifts
2024	$336,104	6%
2023	$317,578	6%
2022	$299,579	12%
2021	$267,279	8%
2020	$246,409	5%
2019	$233,725	10%
2018	$211,910	6%
2017	$199,853	

Table 5I provides historical revenue for sewer utility taxes, including year-to-year shifts in revenue, from 2017-2024.

Table 5I		
Sewer Utility Revenues, 2017-2024		
Year	Revenue	YOY Shifts
2024	$1,541,383	12%
2023	$1,375,942	4%
2022	$1,324,164	11%
2021	$1,193,306	8%
2020	$1,107,547	4%
2019	$1,068,828	6%
2018	$1,007,573	4%
2017	$968,771	

Table 5J provides an estimated projection of cable utility tax revenues at different rates, based on historical cable franchise fee revenue (rate 5%).

Table 5J Cable TV Utility Taxes – Projected Revenues		
Rate	Est. Revenue	Difference
0.00% (current)	$ -	$ -
0.50%	$ 60,000	$60,000
1.00%	$ 120,000	$120,000
1.50%	$ 180,000	$180,000
2.00%	$ 240,000	$240,000
2.50%	$ 300,000	$300,000
3.00%	$ 360,000	$360,000
3.50%	$ 420,000	$420,000
4.00%	$ 480,000	$480,000
4.50%	$ 540,000	$540,000
5.00%	$ 600,000	$600,000
5.50%	$ 660,000	$660,000
6.00%	$ 720,000	$720,000
6.50%	$ 780,000	$780,000
7.00%	$ 840,000	$840,000
7.50%	$ 900,000	$900,000
8.00%	$ 960,000	$960,000
8.50%	$ 1,020,000	$1,020,000
9.00%	$ 1,080,000	$1,080,000
9.50%	$ 1,140,000	$1,140,000
10.00%	$ 1,200,000	$1,200,000
10.50%	$ 1,260,000	$1,260,000
11.00%	$ 1,320,000	$1,320,000
11.50%	$ 1,380,000	$1,380,000
12.00%	$ 1,440,000	$1,440,000
12.50%	$ 1,500,000	$1,500,000
13.00%	$ 1,560,000	$1,560,000
13.50%	$ 1,620,000	$1,620,000
14.00%	$ 1,680,000	$1,680,000

Table 5K provides historical revenue for cable tv franchise fees (rate 5%), including year-to-year shifts in revenue, from 2017-2024.

Table 5K Franchise Fee Revenues (Rate 5%), 2017-2024		
Year	Revenue	YOY Shifts
2024	$622,882	-6%
2023	$664,027	-5%
2022	$699,700	0%
2021	$701,709	2%
2020	$688,538	1%
2019	$680,874	0%
2018	$680,732	-5%
2017	$716,488	2%

Table 5K2 provides a comparison of gas, electric, telephone, and cable utility rates for other comparable-sized Washington state cities. The average for each utility rate is at above 6%.

Table 5K2 Comparison of Peer Jurisdictions by Select Housing Attributes and Utility Discount Programs						
Organization	**Population**	**Medium household Income**	**Renter Occupied**	**Owner Occupied**	**Poverty-level**	**Utility Discount Programs***
Yakima	98,200	$61,776	46%	54%	13.4%	F
Kirkland	93,570	$144,080	43%	57%	6.4%	SLI, DLI
Pasco	80,180	$84,337	33%	67%	13.5%	SLI
Redmond	75,270	$172,979	58%	42%	5.8%	SLI, DLI
Shoreline	60,320	$113,336	33%	67%	8.4%	L
Lacey	58,180	$87,277	43%	57%	11%	SLI, DLI, L, O
Olympia	57,970	$76,930	49%	51%	6.0%	SLI, DLI, L
Burien	52,490	$90,597	43%	57%	10.4%	L
Bothell	48,940	$66,045	37%	63%	5.8%	SLI, F
Issaquah	40,950	$89,767	41%	59%	5.9%	SLI, F, L
Wenatchee	35,650	$70,000	48%	52%	11.7%	SLI, DLI, F
University Place	35,420	$94,952	41%	59%	8.6%	
Walla Walla	34,020	$65,493	40%	60%	14.4%	SLI, DLI, L, F
Des Moines	33,160	$89,787	39%	61%	10.7%	
AVERAGE	**57,412**	**$93,383**	**42%**	**58%**	**9%**	

Source: https://censusreporter.org/profiles/, (predominately ACS 2023 5-year)
***** AWC 2024 Utility and Fee Survey, plus additional research, general - may not apply to all utilities

F= Flexible Payment Schedules
SLI = Senior Low Income
DLI= Disable Low Income
L = Low Income general
O = Other

Table 5L provides a comparison of gas, electric, telephone, and cable utility rates for other comparable-sized Washington state cities. The average for each utility rate is above 6%.

Table 5L					
Comparison of Gas, Electric, Telephone, and Cable Utility Tax Rates					
Organization	Population	Natural gas*	Electric*	Telephone*	Cable TV
Yakima	98,200	6.0%	6.0%	6.0%	6.0%
Kirkland	93,570	6.0%	6.0%	6.0%	6.0%
Pasco	80,180	8.5%	8.5%	8.5%	8.5%
Redmond	75,270	6.0%	6.0%	6.0%	6.0%
Shoreline	60,320	6.0%	6.0%**	6.0%	6.0%
Lacey	58,180	6.0%	6.0%	6.0%	-
Olympia	57,970	9.0%	9.0%	9.0%	6.0%
Burien	52,490	6.0%	6.0%	6.0%	6.0%
Bothell	48,940	6.0%	6.0%	6.0%	6.0%
Issaquah	40,950	6.0%	6.0%	6.0%	3.0%
Wenatchee	35,650	6.0%	6.0%	6.0%	5.0%
University Place	35,420	6.0%	6.0%	6.0%	6.0%
Walla Walla	34,020	6.0%	6.0%	6.0%	6.0%
Des Moines	33,160	6.0%	6.0%	6.0%	10.0%
AVERAGE	**57,412**	**6.4%**	**6.4%**	**6.4%**	**5.75%**

Source: AWC 2024 Utility and Fee Survey, plus additional research
** Franchise fee
REMINDER: The rate of taxes for electric, phone, and natural gas utilities is limited to 6% without voter approval. There is no limitation on tax rates for water, sewer, solid waste, or stormwater utilities.

Table 5M provides a comparison of garbage, water, sewer, stormwater, and cable utility rates for other comparable-sized Washington state cities. The average for each utility rate varies, but in all categories but cable, rates are well above 6%. The average cable utility rate is 5.75%, however the mode (most frequent) is 6%.

Table 5M						
Comparison of Garbage, Water, Sewer, Stormwater, Cable Utility Tax Rates						
Organization	**Population**	**Garbage**	**Water**	**Sewer**	**Stormwater**	**Cable TV**
Yakima	98,200	20.0%	20.0%	20.0%	15.0%	6%
Kirkland	93,570	9.5%	11.8%	9.5%	6.98%	6%
Pasco	80,180	8.5%	8.5%	8.5%	8.5%	8.5%
Redmond	75,270	6.0%	1.0%	1.0%	1.0%	6%
Shoreline	60,320	6.0%	-	6.0%	6.0%	6%
Lacey	58,180	6.0%	6.0%	6.0%	6.0%	0%
Olympia	57,970	12.5%	12.5%	12.5%	12.5%	6%
Burien	52,490	6.0%	8.0%	8.0%	-	6%
Bothell	48,940	5.0%	11.0%	0.1%	6.0%	6%
Issaquah	40,950	6.0%	3.0%	3.0%	3.0%	3%
Wenatchee	35,650	16.0%	16.0%	16.0%	16.0%	5%
University Place	35,420	6.0%	6.0%	6.0%	6.0%	6%
Walla Walla	34,020	13.8%	13.8%	13.8%	13.8%	6%
Des Moines	33,160	18.0%	-	-	13.0%	10%
AVERAGE	**57,451**	**9.95%**	**8.97%**	**7.89%**	**8.13%**	**5.8%**
Source: AWC 2024 Utility and Fee Survey, plus additional research						

6. Business & Occupation (B&O) Tax Changes

Any city may impose general business and occupation (B&O) taxes on local businesses. These are typically levied as a percentage of the gross receipts of a business, less some deductions. According to the Association of Washington Cities (AWC), 49 of Washington's 281 cities levy this tax as of 2022 (17% percent). Note, utility businesses are exempt from general B&O tax provisions, but are subject to utility taxes.

B&O tax revenues are unrestricted and may be used for any lawful governmental purpose. Within a single business class (manufacturing, retail, etc.) the B&O tax rates must be the same, however rates may vary between classes. Imposition of tax generally does not require voter approval, but may be subject to referendum. All ordinances that impose a B&O tax for the first time or raise rates should provide for a referendum procedure (RCW 35.21.706).

Importantly, as MRSC highlights, **cities thinking of levying a local B&O tax should consider whether they have the staff time and expertise necessary to administer this tax**. Establishing a B&O tax system requires routine audits by city staff to ensure compliance with the regulations and proper collection of B&O tax income. As a result, staffing resources necessary to perform this work may expend more resources than the revenues received, creating a net-zero impact on the city.

A model ordinance, which had to be adopted by all cities with an existing B&O tax no later than December 31, 2004, exempted gross receipts under $20,000 per year and provided certain mandatory definitions, penalty and interest provisions, and payment periods. Some of the model ordinance provisions are mandatory, while others are non-mandatory (RCW 35.102.040). Any city that adopts an ordinance that deviates from the non-mandatory provisions of the model ordinance must make a description of such differences available to the public, in written and electronic form (RCW 35.102.040(4)).

Cities that levy the B&O tax must allow for allocation and apportionment – meaning that they must allow businesses that operate within multiple jurisdictions to apportion, or divide, their taxable income among the jurisdictions in which they do business (See RCW 35.102.130). In 2019, the model ordinance was updated to simplify the current two-factor method of allocation and apportionment.

For more information on B&O taxes, please see page 81 of the MRSC's Revenue Guide for Washington Cities and Towns.

Lacey Municipal Code (LMC), Section 3.02 sets B&O taxes for the City. Currently, the City imposes the following B&O tax rate identified in **Table 6G**. In addition, in alignment with the model ordinance, the City code establishes an annual threshold of $20,000, and a quarterly threshold of $5,000.

Table 6G			
Lacey B&O Tax Rates, State Requirements, Options			
Business Class	**City rate**	**Max Rate**	**Options**
Manufacturing	-	.002%	Add rate up to .002%
Retail	.001%	.002%	Add rate up to .002%
Services	.002%	.002%	
Wholesale	-	.002%	Add rate up to .002%

Of the above options, increasing the B&O Retail rate would generate the most revenue while adding minimal administrative burden, as the City already administers this tax. In contrast, implementing B&O tax rate changes for Manufacturing and Wholesale would introduce additional administrative responsibilities and, according to a previous study, may not yield significant revenue for the City.

2019 Study: The City looked at estimating potential B&O Tax from Manufacturing and Wholesaling in 2019. Unfortunately, that effort found that there was no exact data on the amount of revenues that would be subject to City B&O tax exist for manufacturing or wholesaling.

As a proxy, the City staff used Department of Revenue data for sales subject to sales tax in Lacey for all businesses engaged in manufacturing and engaged in wholesaling, based on their NACIS Code. Using the two-digit NACIS Codes to ensure that all businesses of those two types were captured, the results, multiplied by .001 yielded the estimate that it is unlikely that the City would receive more than $1,570 with a rate of .001 was imposed on manufacturing businesses. At a rate of .002, the total would have been around $3,140. The estimated collections for .001 rate for wholesale business was “not likely exceed $64,130.” At a rate of .002, the total for wholesale businesses would likely be around $128,260. **Table 6B** provides a summary of the 2019 findings. See **Appendix 3** for the full 2019 memorandum, Estimate of Potential B&O Tax from Manufacturing and Wholesaling, and a summary of the data shortcomings.

Table 6B		
2019 Estimates Manufacturing and Wholesale B&O Taxes		
Rate	Manufacturing	Wholesale
.001	$1,570	$64,130
.002	$3,140	$128,260

To account for the potential growth of these sectors over the past six years and inflation, this study increased the 2019 finding by 30%. **Table 6C** provides an updated estimate for 2025.

Like the first study, this estimate has significant shortcomings.

Table 6C		
2025 Estimates Manufacturing and Wholesale B&O Taxes (30% increase)		
Rate	Manufacturing	Wholesale
.001	$2,041	$83,369
.002	$4,082	$166,738

Given the limited funding above, the analysis provided below only considers an increase to B&O taxes for retail. City Council could direct staff to conduct a more in-depth analysis of manufacturing and wholesale B&O taxes.

System Updates: The City is currently exploring new systems to improve the collection of existing B&O retail and services taxes, including modernizing filing and payment systems, strengthening enforcement and compliance, and enhancing education and outreach. The goal of this initiative is to improve the effectiveness and fairness of B&O tax collection. This new system, including staff and technology, is anticipated to be offset by the increased B&O collection it generates through improved education, enforcement, and compliance.

6.1 B&O Taxes – Retail increase	
Description	Increase the B&O gross receipts tax rates for retail. Lacey's current rate is .001; the City could increase the rate up to .002
Estimated Annual Revenue	$580,000 to $2,310,000. An increase of $578,000 for each 0.25% increase, see **Table 6F**.
Time to Implement	Short-term, 6-12 months
Offsetting Expenditures	Minimal
Control and Implementation Requirements	Councilmanic • Amend LMC Chapters 3.02 • Adopt new Business License Fee Resolution. • Coordinate the Business License fee changes with the WA Department of Revenue (DOR) *Note that the B&O tax increase in LMC Chapter 3.02 is subject to referendum as set forth in RCW 35.21.706.
Administrative Effort	The administrative effort is low. City staff will need to complete the following: • Perform outreach to businesses that would potentially be impacted • Amend LMC Chapters 3.02 • Coordinate changes with the DOR • Update public guidance and tax forms on the City's website • Provide timely advanced notice to businesses • Minimal additional administrative effort as the City is currently collecting B&O taxes for retail
Peer Usage	See **Table 6E** for a more extensive list. • Shoreline: 0.001 • Olympia: 0.001 • Burien: 0.001 • Issaquah: 0.0012 • Des Moines: 0.002 • Tumwater: 0.001
Volatility	Moderate – Tied to revenues, fluctuations are around 3% to 10+% annually. Depended on economic conditions and consumer behavior.

Who Pays	Retail businesses - typically indirectly passed on to Customers
Equity Implications	B&O tax revenues are proportional as the tax is based on a percentage of gross income received by the business.
Other Considerations	Given that the City already collects B&O revenues, costs to implement this tax would be relatively low.

In addition to B&O tax rates, the City could also consider a number of other business license rated adjustments. There are three general categories of business licenses: general licenses, regulatory licenses, and revenue-generating licenses. General business licenses and regulatory business licenses are typically designed to regulate business activity and recoup administrative costs. However, some cities have established revenue-generating business licenses (such as so-called "head taxes") that are based on a variety of criteria such as number of employees, employee hours worked, or business square footage. This report does not contemplate these changes; see **Appendix 1** for a brief overview of these revenues.

Table 6E provides an example of B&O Tax rates in other comparable-sized Washington state cities.

Table 6E

B&O Tax Rates in comparable-sized jurisdictions

Organization	Population	B&O tax	Manufacturing	Retail	Services	Whole sale	Tax Threshold: Quarterly	Tax Threshold: Annual
Yakima		No						
Kirkland	93,570	No						
Pasco	80,180	No						
Redmond	75,270	No						
Shoreline	60,320	Yes	.001	.001	.002	.001	$125,000	$500,000
Lacey	58,180	Yes	.000	.001	.002	.000	$5,000	$20,000
Olympia	57,970	Yes	.001	.001	.002	.001		
Burien	52,490	Yes	.001	.001	.001	.001	$5,000	$200,000
Bothell	48,940	No						
Issaquah	40,950	Yes	.0012	.0012	.0015	.0012	$25,000	$100,000
Wenatchee	35,650	No						
University Place	35,420	No						
Walla Walla	34,020	Yes						
Des Moines	33,160	Yes	.002	.002	.002	.002	$-	$50,000
Tumwater		Yes	.001	.001	.002	.001	$5,000	$20,000
AVERAGE	**57,451**	**50% Yes**	**0.10%**	**0.12%**	**0.18%**	**0.10%**	**$32,000**	**$174,000**

AWC Local Business & Occupation tax rates full list, see here.

Local business & occupation (B&O) tax rates^

Effective January 1, 2025

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		$210,000
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		$1,040,000
Burien	(206) 241-4647	0.002	0.002	0.002	0.002		$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
Covington*^^		0.002	0.002	0.002	0.002		$250,000
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	0.00125	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)442-5058	0.0015	0.0015	0.002	0.0015		$100,000
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
Poulsbo*^^	(360) 394-9881	0.002	0.002	0.002	0.002		$20,000
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	0.002	0.002	0.002	0.002	$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	0.00085	0.0005	0.00085	0.00085		$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).

*Kenmore's B&O tax applies to heavy manufacturing only.

**Granite Falls repealed its B&O tax for all businesses other than extracting.

***For manufacturing gross reciepts over $8 billion, the B&O rate drops to 0.00025.

****Auburn adopted a B&O tax effective January 1, 2022.

*^ Tukwila adopted a B&O tax effective January 1, 2024.

*^^ Covington and Poulsbo adopted a B&O tax effective July 1, 2024.

NOTE: This list is provided for informational purposes only. Tax rates may apply to businesses categories other than those above. Thresholds are subject to change. Exemptions, deductions, or other exceptions may apply in certain circumstances. Contact the city finance department for more information.

^ Tax rates are provided for cities with general local B&O taxes as of the date listed. If a city is not listed, they have not reported to AWC that they have a local B&O tax. Contact the city directly for specific information or other business licenses or taxes that may apply.

^^Thresholds listed are related to when tax is due to a city. License and registration thresholds may be different and vary by city. Please contact the city finance department to learn about their requirements.

For more information: FileLocal filelocal-wa.gov and Business License Service dor.wa.gov/manage-business/city-endorsements

Table 6F provides an estimated projection of B&O tax retail revenues, based on historical revenue.

Table 6F			
7.1 Estimated B&O Tax Revenue - Retail			
Rate	Current Revenue	Est. Revenue	Difference
.000	$-	$-	$(2,312,100)
.00025		$578,025	$(1,734,075)
.00050		$1,156,050	$(1,156,050)
.00075		$1,734,075	$(578,025)
.001 (current)	$2,312,100	$2,312,100	$-
.00125		$2,890,125	$578,025
.00150		$3,468,150	$1,156,050
.00175		$4,046,175	$1,734,075
.00200		$4,624,200	$2,312,100

Table 6G provides an estimated projection of B&O tax manufacturing revenues based on the 2019 memorandum.

Table 6G			
7.2 Estimated Tax Revenue - Manufacturing			
Rate	Current Revenue	Est. Revenue	Difference
.00000 (current)	$-	$-	$-
.00125		$1,963	$1,963
.00150		$2,355	$2,355
.00175		$2,748	$2,748
.00200		$3,140	$3,140

Table 6H provides an estimated projection of B&O tax manufacturing revenues based on the 2019 memorandum.

Table 6H			
7.2 Estimated Tax Revenue - Warehousing			
Rate	Current Revenue	Est. Revenue	Difference
.00000 (current)	$-	$-	$-
.00125		$104,211	$104,211
.00150		$125,054	$125,054
.00175		$145,896	$145,896
.00200		$166,738	$166,738

7. Lodging Tax

For more information on Lodging Tax please see MRSC's Revenue Guide for Washington Cities and Towns. ,Lodging Tax section, page 74.

The Washington State Legislature establishes the laws and rules governing the imposition, use, and requirements related to lodging taxes.

Cities have the authority to levy lodging taxes, also known as "hotel/motel taxes," on all lodging charges at hotels, motels, and short-term rentals (such as VRBO or Airbnb), bed and breakfasts (B&Bs), RV parks, and other accommodations for stays of fewer than 30 days. The tax is collected as a sales tax and paid by the customer at the time of the transaction. A City Council may impose these taxes (councilmanic); it does not require voter approval.

There are two lodging tax options:

- A **"basic"** or **"state-shared"** lodging tax up to 2% that is taken as a credit against the 6.5% state sales tax rate, so that the lodging patron does not see any tax increase. (RCW 67.28.180)

- An **"additional"** or **"special"** lodging tax up to 2% on top of the state sales tax rate that results in a higher tax bill for the patron. (RCW 67.28.181)

Use of Revenues: State law limits use of lodging tax revenues exclusively for the following expenditures (RCW 67.28.1815 and RCW 67.28.1816):

- Tourism marketing;
- Marketing and operations of special events and festivals designed to attract tourists;
- Operations and capital expenditures of tourism-related facilities owned or operated by a municipality or a public facilities district; or
- Operations of certain tourism-related facilities owned or operated by nonprofit organizations.

"Tourism" means economic activity resulting from tourists, which may include sales of overnight lodging, meals, tours, gifts, or souvenirs.

The municipality may use lodging tax revenues to support staff for its Lodging Tax programs.

Lodging Tax Advisory Committees: Any city with a population of 5,000 or more that has imposed lodging taxes – the basic state-shared or the additional/special taxes – must establish a lodging tax advisory committee (LTAC) (RCW 67.28.1817). LTAC membership shall include at least two members who are representative of businesses required to collect tax and at least two members who are persons involved in activities authorized to be funded by lodging tax revenues. One member shall be an elected official of the municipality, serving as the chair.

All prospective funding recipients must apply to the LTAC for consideration. The LTAC will review the applications and make funding recommendations to the City Council for consideration.

Reporting Requirements: All cities and towns receiving lodging tax revenues must report annually to the Joint Legislative Audit & Review Committee (JLARC) (RCW 62.28.1816) and report the following information:

- All lodging tax revenue received;
- All lodging tax revenue distributed and/or expanded;
- All recipients of lodging tax monies, including the city itself, that may have directly used lodging tax funds for qualifying facilities, tourist events, or tourism administration; and,
- For all recipients, the actual number of people traveling for business or pleasure on an overnight trip in paid accommodations, traveling 50 or more miles away from their business or place of residence for the day or overnight, or traveling from another country or state.

Application and Award Process: In cities that are required to establish an LTAC, organizations seeking lodging tax revenue must submit a formal application for consideration. As part of the application, applicants are required to provide the estimated number of people traveling for business or pleasure on a trip for the following categories:

- Away from their place of residence or business and staying overnight in paid accommodations;
- To a place fifty miles or more one way from their place of residence or business for the day or staying overnight; or
- From another country or state outside of their place of residence or their business.

Applicants who receive funding will later have to provide the actual estimated attendance for their activities in the same categories.

The LTAC reviews all applications for lodging tax revenue and recommends a list of candidates and funding levels to the city council for final determination. A city council "may choose *only recipients* from the list of candidates and recommended amounts provided by the local lodging tax advisory committee" (RCW 67.28.1816(2)(b)(ii), emphasis added). The city council may not award funds to any applicant that LTAC did not recommend. The city council is not required to fund all the recommended applicants and may choose to authorize awards to only some or even none of the recommended recipients. An informal opinion from the Attorney General's Office in 2016 states that a city council may award amounts different from the LTAC's recommended amounts, but only after satisfying the procedural requirements of RCW 67.28.1817(2), which requires the municipality to submit its proposed change(s) to the LTAC for review and comment at least 45 days before final action is taken.

City Uses: Lacey Municipal Code (LMC), Section 3.03, sets the lodging tax rate at 4% (the state maximum) for the City. The City collects the maximum rate and cannot collect additional lodging tax funds. Rather than collecting additional funds from lodging taxes, the City could consider distributing funds to support City facilities that promote tourism. One consideration could be to strategically direct lodging tax funding to support City facilities that increase tourism.

In recent years, City lodging tax revenues have been distributed to a variety of tourism-enhancing events, facilities, and marketing efforts— without a long-term strategy, see section below as an example.

2024 Lodging Tax Analysis: In 2024, the City awarded $600,000 of lodging tax revenue to recipients. **Table 7B** provides a list of all recipients, type of tourism activity, frequency of activity, funding award, reported attendance, number of visitors from outside the state, and number of paid overnight stays.

The top three recipients for reported paid overnight stays were:

1) Olympia-Lacey-Tumwater Visitor & Convention Bureau (VCB) at 62.3% (Marketing);
2) Regional Athletic Complex (RAC), at 17.6% (Facilities); and
3) Washington Center, at 6.37% (Facilities).

Notably, the VCB provides marketing support for events held in Lacey, including many that take place at the RAC.

In total, the City received approximately 50% of lodging tax funds for the RAC, Lacey Museum, July 3rd Fireworks, Lacey In-Tune, and the Spring Fun Fair.

For facilities and events only (excluding marketing), the RAC is consistently one of the largest generators of estimated paid overnight stays, accounting for approximately 47% of all reported paid overnight stays. However, the RAC received around 31% of the City's total lodging tax awards. See **Tables and Graphs** below for a more detailed breakdown of recent City lodging tax uses, including **Graph 7B,** which shows 2024 lodging tax event and facility awardees and their reported overnight stays.

Moving forward, the City Council could consider a more strategic approach, such as prioritizing investments in City-owned facilities that generate overnight stays and drive tourism-related revenue. For example, the City of Bellevue allocates 100% of its lodging tax funding to the Meydenbauer Center.

In 2024, the City received $116,000 in lodging tax funds that were not allocated to the RAC. Redirecting Lodging Tax funding toward City-owned facilities, such as the RAC, could impact existing City programs that previously received lodging taxes, requiring increased support from the City's General Fund. Using 2024 as an example, lodging tax support for City-owned facilities would need to be around 50% to achieve a net-zero impact on the City's General Fund. Lodging tax funding levels above this threshold (e.g., 51%-100%) would reduce General Fund resources, allowing these funds to be used for other general City purposes.

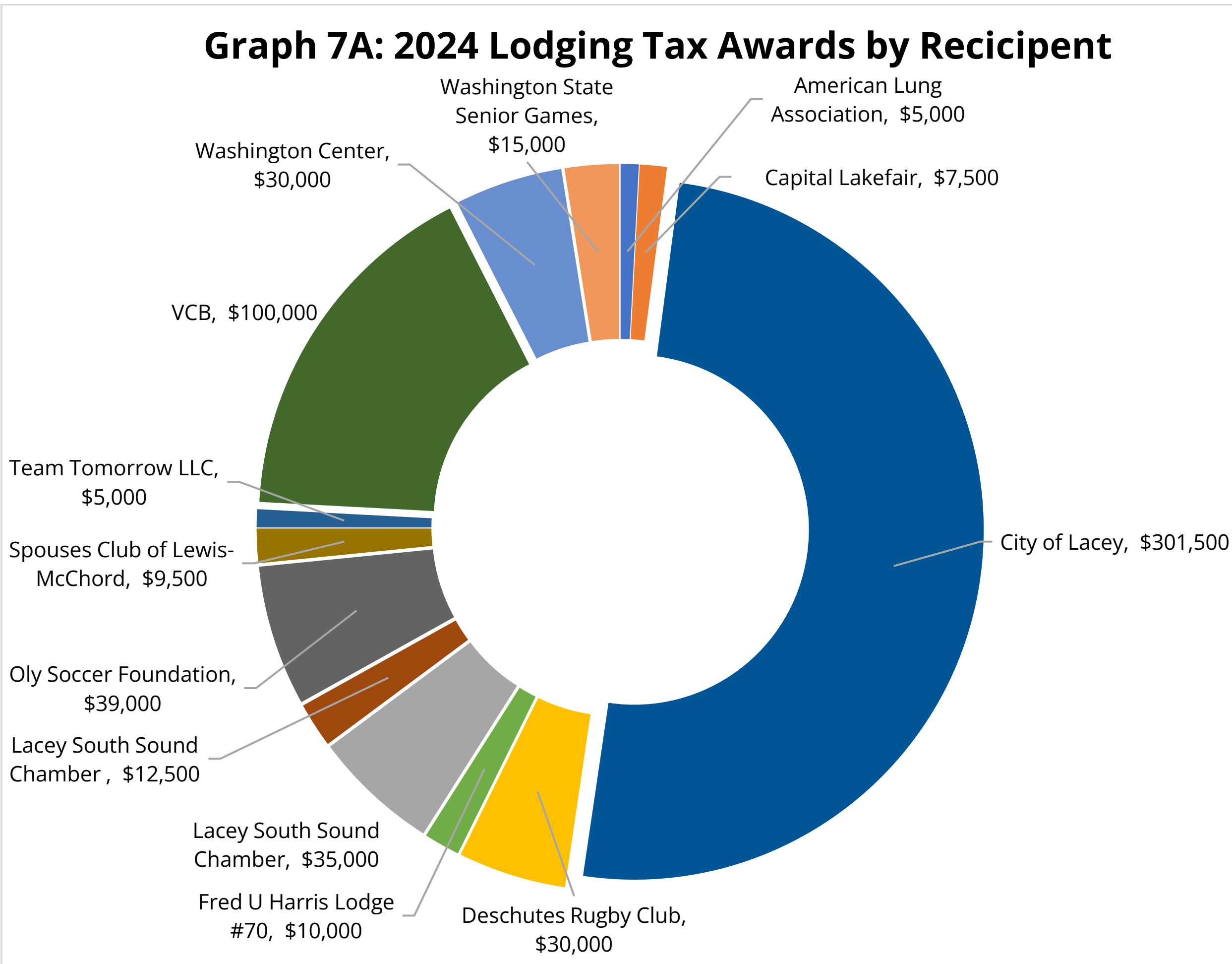
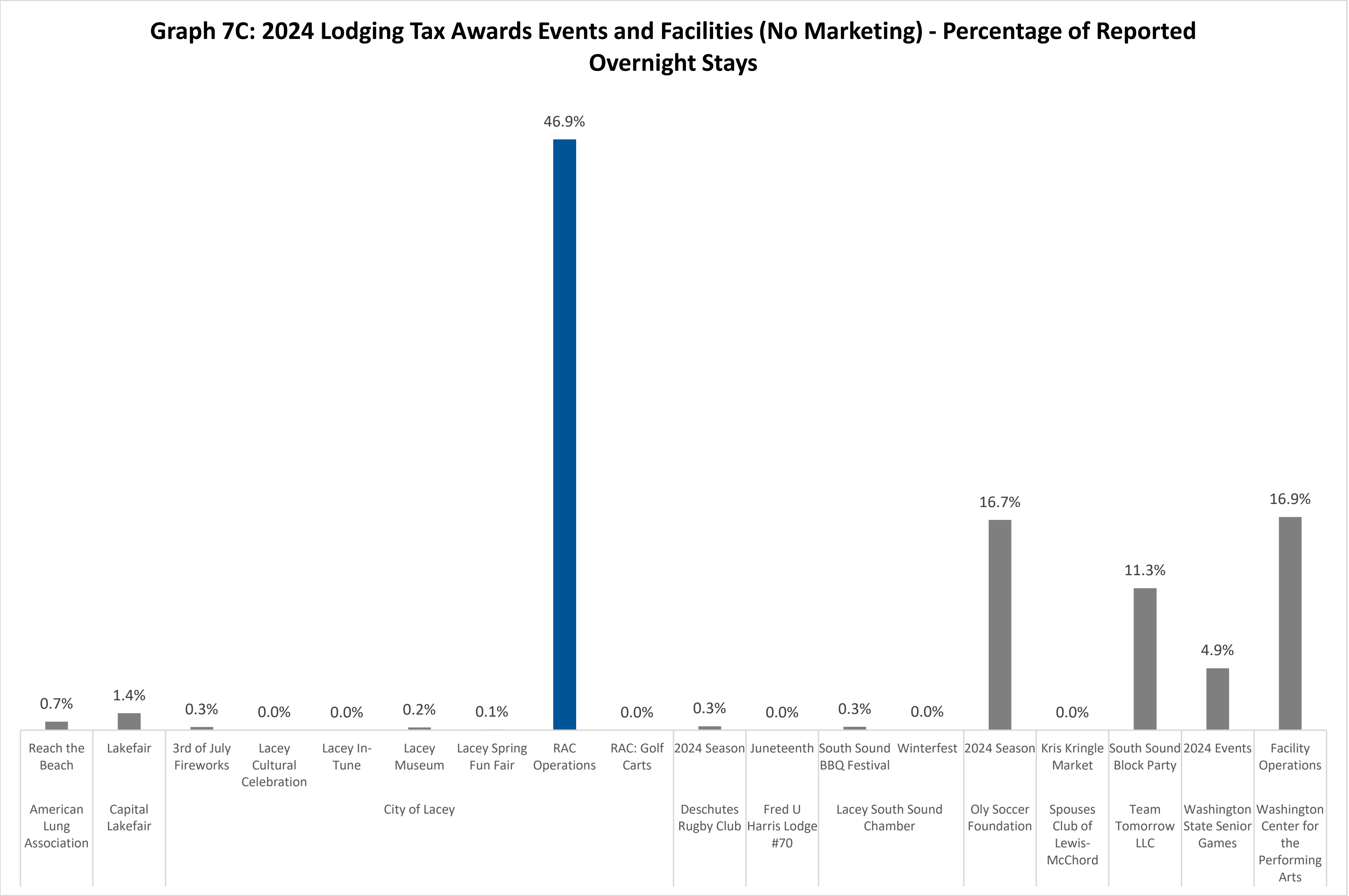


Table 7B							
2024 Lodging Tax Award Recipients, Activity Type, Frequency, Award Amount, and Reported Data							
Recipient	**Activities**	**Tourism Activity Type**	**Activity Frequency**	**Amount Awarded**	**Reported Overall Attendance**	**Reported Visitors Out of State**	**Reported Paid Overnight Stays**
VCB	Experience Oly & Beyond	Marketing	Annual	$100,000	31,257	17,222	18,338
City of Lacey	RAC: Golf Carts	Facility	Annual	$8,000	800,000	2,500	See below
City of Lacey	RAC Operations	Facility	Annual	$180,000	800,000	2,500	5,200
Washington Center for the Performing Arts	Facility Operations	Facility	Annual	$30,000	107,241	858	1,877
Oly Soccer Foundation	2024 Season	Events/Festivals	Multi Day	$39,000	10,000	3,700	1,850
Team Tomorrow LLC	South Sound Block Party	Events/Festivals	Multi Day	$5,000	5,600	250	1,250
Washington State Senior Games	2024 Events	Events/Festivals	Multi Day	$15,000	1,819	293	546
Capital Lakefair	Lakefair	Events/Festivals	Multi Day	$7,500	150,000	250	150
American Lung Association	Reach the Beach	Events/Festivals	Multi Day	$5,000	325	75	75
Deschutes Rugby Club	2024 Season	Events/Festivals	Multi Day	$30,000	120	60	35
Lacey South Sound Chamber	South Sound BBQ Festival	Events/Festivals	Single Day	$10,000	25,000	60	30
Lacey South Sound Chamber	Visitor's Center	Marketing	Annual	$35,000	1,000	50	30
City of Lacey	3rd of July Fireworks	Events/Festivals	Single Day	$22,000	30,000	576	28
City of Lacey	Lacey Museum	Facility	Annual	$48,500	545	63	24
City of Lacey	Lacey Spring Fun Fair	Events/Festivals	Multi Day	$15,000	20,000	0	7
Lacey South Sound Chamber	Winterfest	Events/Festivals	Single Day	$2,500	700	0	5
City of Lacey	Lacey Cultural Celebration	Events/Festivals	Single Day	$10,000	3,700	0	2
City of Lacey	Lacey In-Tune	Events/Festivals	Multi Day	$18,000	6,500	0	0
Fred U Harris Lodge #70	Juneteenth	Events/Festivals	Single Day	$10,000	1,035	5	0
Spouses Club of Lewis-McChord	Kris Kringle Market	Events/Festivals	Single Day	$9,500	722	3	0


Graph 7C: 2024 Lodging Tax Awards Events and Facilities (No Marketing) - Percentage of Reported Overnight Stays
0.7%
1.4%
0.3%
0.0%
0.0%
0.2%
0.1%
46.9%
0.0%
0.3%
0.0%
0.3%
0.0%
16.7%
0.0%
11.3%
4.9%
16.9%
Reach the Beach
Lakefair
3rd of July Fireworks
Lacey Cultural Celebration
Lacey In-Tune
Lacey Museum
Lacey Spring Fun Fair
RAC Operations
RAC: Golf Carts
2024 Season
Juneteenth
South Sound BBQ Festival
Winterfest
2024 Season
Kris Kringle Market
South Sound Block Party
2024 Events
Facility Operations
American Lung Association
Capital Lakefair
City of Lacey
Deschutes Rugby Club
Fred U Harris Lodge #70
Lacey South Sound Chamber
Oly Soccer Foundation
Spouses Club of Lewis-McChord
Team Tomorrow LLC
Washington State Senior Games
Washington Center for the Performing Arts

7. Lodging Tax – Prioritize funds for City facilities that increase tourism, e.g., RAC	
Description	Provide direction to LTAC to prioritize lodging tax funds for City facilities that increase tourism, e.g., the RAC. This would likely mean decreasing funding for community events that may provide limited tourism.
Estimated Annual Revenue	Increase of $60,000 to $300,000, depending on the percentage of funding allocated to City facilities. For each 10% of additional funding, an increase of $60,000, see **Table 7A.**
Time to Implement	Short-term, Twelve months
Offsetting Expenditures	Subject to direction, funding may be awarded to community applicants, reducing the available funding for City events or facilities. In 2024, the City received $116,000 in Lodging Tax funds that were not allocated to the RAC. Redirecting Lodging Tax funding toward City-owned facilities, such as the RAC, could affect existing programs and may require increased support from the General Fund. Using 2024 as an example, Lodging Tax support for City-owned facilities would need to exceed 50% to achieve a net-zero impact on the General Fund. Lodging Tax funding levels above this threshold would reduce General Fund reliance.
Control and Implementation Requirements	City Council controls final funding award amounts Council Policy Recommendation: • Create clear direction or policies for allocating lodging tax funds • Review with LTAC • Consider LTAC recommendations • Determine if any changes to LTAC funding recommendations or policies are necessary
Administrative Effort	The City will need to complete the following tasks to implement the new funding allocations: • Create clear direction or policies for allocating lodging tax funds • Review with LTAC

	• Consider LTAC recommendations • Determine if any changes to LTAC funding recommendations or policies are necessary for the current cycle By strategically allocating funding, the City can maximize the tourism impact and revenue opportunities, while significantly reducing administrative resources and complexity. In 2025 alone, the City issued 29 separate lodging tax awards, each requiring a variety of administrative resources, e.g., contracts, reporting/exhibits, JLARC submission, etc.
Peer Usage	Other jurisdictions use lodging taxes to support significant tourism-generating facilities within their jurisdictions. In 2024, peer jurisdictions used the following allocations for large facility expenditures: • **Olympia:** around 50% to the Washington Center for the Performing Arts • **Bellevue:** 100% to the Meydenbauer Center • **Kennewick:** 72.5% to the Toyota Center & Arena • **Lynnwood:** 83% to the Lynnwood Public Facility District (The district has formalized funding support for the following four projects: Angel of the Winds Arena, Lynnwood Event Center, Edmonds Center for the Arts, Boeing Future of Flight) • **Tacoma:** 100% to the Tacoma Convention Center In 2024, the statewide average for awardees was 10 applicants. The City had 20 awardees, with 29 awardees in 2025.
Who Pays	This is not a new tax. This measure would reallocate current tax revenues, rather than impose a new tax. 50% of the tax is paid by lodging customers and taken as a credit against the state sales tax rate 50% of the tax is paid by lodging customers
Equity Implications	This is not a new tax. This measure would reallocate current tax revenues, rather than impose a new tax. The tax is regressive, with lower-income individuals paying a larger percentage of their income in taxes. High-income households may be able to absorb the cost more easily.
Other Considerations	Lodging tax revenue use must align with state requirements.

Between 2018 and 2025, the number of lodging tax awardees increased from 19 to 29, resulting in higher administrative costs for this program. Prioritizing funding allocations to applicants with the highest number of paid overnight stays could increase the tourism impact while also reducing the number of awards, thereby simplifying administrative resources for managing the program.

Redirecting lodging tax funds to support the RAC would help alleviate general fund operational costs.

Table 7D provides an estimate of lodging tax funding broken out by corresponding percentages of revenues, presented in increments of 10 percentage points. The City currently receives around 50% of all lodging tax funding (see 2024 Analysis Section for additional background), for a combination of facility and event funding. The RAC currently receives around 31% of lodging tax funding.

Table 7D Lodging Tax Awards – Projected Revenues		
% of Projected Revenues awarded to the City	**Est. Revenue**	**Net Difference**
0%	$0	($300,000)
10%	$60,000	($240,000)
20%	$120,000	($180,000)
30%	$180,000	($120,000)
40%	$240,000	($60,000)
50% (current)	$300,000	$0
60%	$360,000	$60,000
70%	$420,000	$120,000
80%	$480,000	$180,000
90%	$540,000	$240,000
100%	$600,000	$300,000

Example of how different lodging tax funding percentages would impact the City: If the City were to determine that 80% of lodging taxes should be awarded to the RAC, this would lead to an increase of $180,000 in total lodging tax funding awarded to the City; increasing the current award of $300,000 to $480,000. In this scenario, the RAC would have a net increase in lodging tax funding of $300,000, increasing from $180,000 to $480,000. Other City activities would have a net decrease of $120,000 in lodging tax funding, going from $120,000 to $0. The total net impact on the general fund would be a decrease in resources of $180,000, as $120,000 of funding would be needed for other City activities formerly funded in part by lodging tax awards.

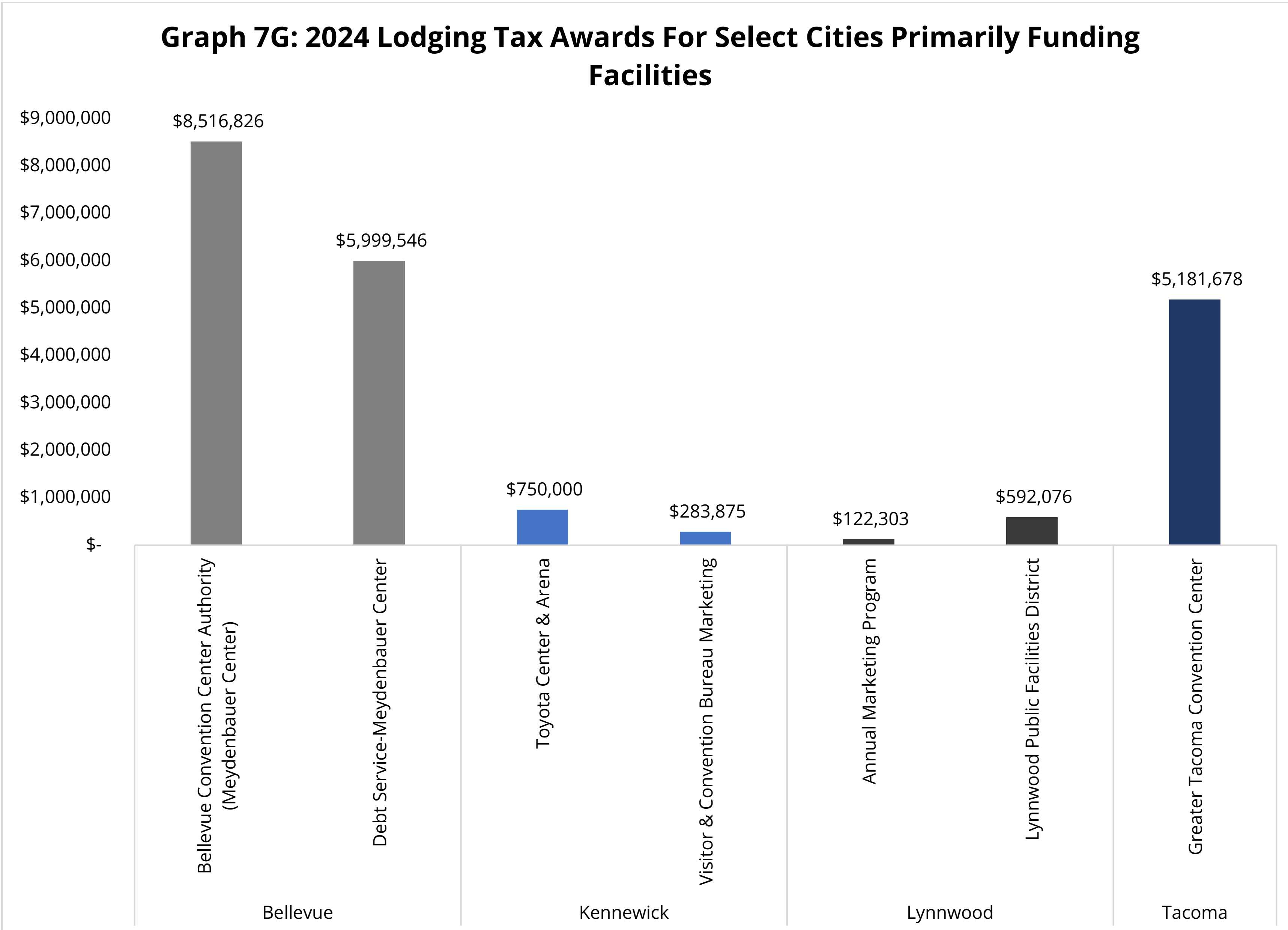
Table 7E provides lodging tax awards and total funding in other comparable Washington state cities by the total number of awardees. The City funds well above the average number of awardees, with less lodging tax funding than the average. In 2024, the statewide average for awardees was 10 applicants. The City had 20 awardees in 2024, with 29 awardees in 2025.

In 2025, the City awarded funding to 29 applicants—significantly surpassing the number awarded by any peer organization in 2024.

Table 7E Lodging Tax (LT) – Comparison of Awardees, 2024			
Jurisdiction	**Population**	**Awardees**	**Total LT**
Olympia	57,970	24	$1,334,426
Puyallup	43,730	24	$725,324
Richland	64,930	23	$1,309,112
Lacey	60,380	20*	$596,000
Redmond	82,380	19	$309,000
Bremerton	45,890	17	$755,000
Edmonds	43,510	17	$174,477
Lakewood	64,670	17	$1,024,950
Issaquah	41,560	10	$262,500
Pasco	82,990	10	$546,187
Marysville	75,640	9	$183,400
Kirkland	97,850	5	$255,727
Bothell	51,760	4	$415,423
Yakima	100,000	3	$1,738,472
Kennewick	87,790	2	$1,033,875
Lynnwood	42,540	2	$714,379
Average	**65,224**	**12**	**$711,141**
Statewide Average	**-**	**10**	**$644,286**
* Total number of awardees increased to 29 in 2025, significantly higher than peer jurisdictions in 2024.			

Table 7F provides lodging tax in other comparable Washington state cities by average award. The City provides significantly less per average award than comparable cities.

Table 7F Lodging Tax – Comparison of Awards, 2024			
Jurisdiction	**Population**	**Average Award**	**Total Awardees**
Yakima	100,000	$579,491	3
Pasco	82,990	$516,938	2
Lynnwood	42,540	$357,189	2
Bothell	51,760	$103,856	4
Lakewood	64,670	$60,291	17
Richland	64,930	$56,918	23
Olympia	57,970	$55,601	24
Kennewick	87,790	$51,145	10
Bremerton	45,890	$44,412	5
Puyallup	43,730	$30,222	17
Lacey	**60,380**	**$29,800***	20**
Issaquah	41,560	$26,250	20
Kirkland	97,850	$21,681	10
Marysville	75,640	$20,378	9
Redmond	82,380	$16,263	19
Edmonds	43,510	$10,263	17
Average	**65,224**	**123,794**	**13**
Statewide Average	**-**	**$135,463**	**10**
* Total award amount decreased to $24,637 in 2025 *** Total number of awardees increased to 29 in 2025, significantly higher than peer jurisdictions in 2024.			



Graph 7G: 2024 Lodging Tax Awards For Select Cities Primarily Funding Facilities
$9,000,000
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$-
$8,516,826
$5,999,546
$750,000
$283,875
$122,303
$592,076
$5,181,678
Bellevue Convention Center Authority (Meydenbauer Center)
Debt Service-Meydenbauer Center
Toyota Center & Arena
Visitor & Convention Bureau Marketing
Annual Marketing Program
Lynnwood Public Facilities District
Greater Tacoma Convention Center
Bellevue
Kennewick
Lynnwood
Tacoma

Table 7H provides a list of the City's 2024 lodging tax recipients, including: activity type, activity frequency, award amount, reported attendance, and reported paid overnight stays.

Table 7D 2024 Lodging Tax Reported Attendance, Visitors, Paid Overnight Stays							
Recipient	Activities	Tourism Activity Type	Activity Frequency	Amount Awarded	Reported Overall Attendance	Reported Visitors from Out of State	Reported Paid Overnight Stays
VCB	Experience Oly & Beyond	Marketing	Annual	$100,000	31,257	17,222	18,338
City of Lacey	RAC: Golf Carts	Facility	Annual	$8,000	800,000	2,500	5,200
City of Lacey	RAC Operations	Facility	Annual	$180,000	800,000	2,500	5,200
Washington Center for the Performing Arts	Facility Operations	Facility	Annual	$30,000	107,241	858	1,877
Oly Soccer Foundation	2024 Season	Events/Festivals	Multi Day	$39,000	10,000	3,700	1,850
Team Tomorrow LLC	South Sound Block Party	Events/Festivals	Multi Day	$5,000	5,600	250	1,250
Washington State Senior Games	2024 Events	Events/Festivals	Multi Day	$15,000	1,819	293	546
Capital Lakefair	Lakefair	Events/Festivals	Multi Day	$7,500	150,000	250	150
American Lung Association	Reach the Beach	Events/Festivals	Multi Day	$5,000	325	75	75
Deschutes Rugby Club	2024 Season	Events/Festivals	Multi Day	$30,000	120	60	35
Lacey South Sound Chamber	South Sound BBQ Festival	Events/Festivals	Single Day	$10,000	25,000	60	30
Lacey South Sound Chamber	Visitor's Center	Marketing	Annual	$35,000	1,000	50	30
City of Lacey	3rd of July Fireworks	Events/Festivals	Single Day	$22,000	30,000	576	28
City of Lacey	Lacey Museum	Facility	Annual	$48,500	545	63	24
City of Lacey	Lacey Spring Fun Fair	Events/Festivals	Multi Day	$15,000	20,000	0	7
Lacey South Sound Chamber	Winterfest	Events/Festivals	Single Day	$2,500	700	0	5
City of Lacey	Lacey Cultural Celebration	Events/Festivals	Single Day	$10,000	3,700	0	2
City of Lacey	Lacey In-Tune	Events/Festivals	Multi Day	$18,000	6,500	0	0
Fred U Harris Lodge #70	Juneteenth	Events/Festivals	Single Day	$10,000	1,035	5	0
Spouses Club of Lewis-McChord	Kris Kringle Market	Events/Festivals	Single Day	$9,500	722	3	0

Appendix 1: Other Revenues

The following provides a list of revenue sources not contemplated in this report, but also available to the City. For more information on these revenue sources, please see the MRSC Revenue Guide.

Revenue source	Use	Eligible cities	Description	Voter approval?	RCW
Brokered Natural Gas Use Tax		Any city	Use tax upon brokered natural gas sales that are not otherwise subject to utility tax; rate must be equivalent to city's utility tax rate. Revenues are unrestricted.	No	82.14.230
Business Licenses/ "Head Taxes"	Unrestricted	Any city	Normally business license fees are designed to recoup administrative costs only, but some cities generate revenue through variable business license fees based on criteria such as number of employees, hours worked, type of business, or square footage. Revenues may be used for any lawful governmental purpose.	No	35.22.280(32) 35.23.440(8) 35A.82.020 35.27.370(9)
Excess Levies (Operations & Maintenance)	Unrestricted	Any city	1-year property tax levy; may be used for any lawful governmental purpose, but revenues must be spent in accordance with the purpose(s) specified in the ballot measure.	Yes – 60% supermajority	84.52.052, 84.52.054
Regular Levy (General Fund)	Unrestricted	Any city	Primary source of property tax revenue for cities; may generally be used for any lawful governmental purpose. Maximum levy rate varies between $1.60 and $3.825 depending on whether city is annexed to a fire/library district,	No, except for levy lid lifts	84.52.043(1)

Revenue source	Use	Eligible cities	Description	Voter approval?	RCW
			participated in a regional fire authority, and/or has a preLEOFF firefighters' pension fund. May also potentially be increased through "banked capacity" or levy lid lifts.		
Leasehold Excise Tax	Unrestricted	Any city	Excise tax up to 4% on most leases of tax-exempt properties in lieu of property tax; credited against state and county leasehold excise taxes. May be used for any lawful governmental purpose.	No	82.29A.040
Public Safety Sales Tax	Unrestricted	Any city, as long as county has not imposed 0.3% public safety sales tax	Sales tax up to 0.1%. At least 1/3 of revenues must be used for criminal justice and/or fire protection purposes; remainder is unrestricted and may be used for any lawful governmental purpose. Counties have similar authority up to 0.3%. Cities and counties share revenue.	Yes – simple majority	82.14.450
Traffic and Parking Fines	Unrestricted	Any city	State Supreme Court establishes fines for traffic infractions, but revenues are shared with city where infraction occurred. Revenues may be used for any lawful governmental purpose, but a portion must be dedicated to fund local courts.	No	46.63.110(3)

Revenue source	Use	Eligible cities	Description	Voter approval?	RCW
Affordable Housing Levy	Affordable Housing	Any city	Property tax levy up to 10 years and $0.50 per $1,000 AV to finance affordable housing for very low-income households and affordable homeownership for low-income households.	Yes – simple majority	84.52.105
REET 2	Affordable Housing	Cities fully planning under Growth Management Act (GMA)	Additional excise tax of 0.25% on real estate sales; some revenues may be used for affordable housing and homelessness through January 1, 2026.	No, except for voluntary GMA cities	82.46.035(2)
Cultural Access Program (CAP) Levy	Art, Science, and Cultural Programs	Any city, as long as county has not imposed this levy first	Property tax levy up to 7 consecutive years for nonprofit cultural organizations. Levy amount may not exceed 0.1% of taxable retail sales; may not be imposed concurrently with CAP sales tax.	Yes – simple majority	84.52.821, chapter 36.160
Cultural Access Program (CAP) Sales Tax	Art, Science, and Cultural Programs	Any city, as long as county has not imposed this sales tax first	Sales tax of up to 0.1% and 7 consecutive years for nonprofit cultural organizations; may not be imposed concurrently with CAP levy.	Yes – simple majority	82.14.525, chapter 36.160
G.O. Bond Excess Levies (Capital Purposes)	Capital Projects and facilities	Any city	Multi-year excess property tax levy to repay unlimited tax general obligation bonds. Revenues are restricted to capital purposes. As soon as debt is repaid, excess levies cease.	Yes – 60% supermajority	84.52.056

Revenue source	Use	Eligible cities	Description	Voter approval?	RCW
Impact Fees – Growth Management Act (GMA)	Capital Projects and Facilities	Cities fully planning under GMA	Fee assessed to property developers to help pay for new or expanded capital facilities directly addressing the increased demand created by that development. May only be imposed for streets, parks, schools, and/or fire protection.	No	82.02.050 – .110
Impact Fees – Local Transportation Act (LTA)	Capital Projects and Facilities	Any city	Fee assessed to property developers to help pay for new or expanded transportation facilities directly addressing the increased demand created by that development. However, the only cities we are aware of that have imposed transportation impact fees have done so under GMA, not LTA.	No	Chapter 39.92
Impact Fees – Growth Management Act (GMA)	Parks and Recreation	Cities fully planning under GMA	Fee assessed to property developers to help pay for new or expanded capital facilities directly addressing the increased demand created by that development. May only be imposed for streets, parks, schools, and/or fire protection.	No	82.02.050 – .110
Metropolitan Park District (MPD)	Parks and Recreation	Any city	Any city may form an MPD for park and recreation facilities. Revenue sources include additional property taxes up to $0.75 per $1,000 AV.	Yes – simple majority	chapter 35.61

Revenue source	Use	Eligible cities	Description	Voter approval?	RCW
Public Safety Sales Tax	Public Safety	Any city, as long as county has not imposed 0.3% public safety sales tax	Sales tax up to 0.1%. At least 1/3 of revenues must be used for criminal justice and/or fire protection purposes; remainder is unrestricted and may be used for any lawful governmental purpose. Counties have similar authority up to 0.3%. Cities and counties share revenue.	Yes – simple majority	82.14.450
Traffic Fines – including Red Light Camera	Public Safety	Any city	State Supreme Court establishes fines for traffic infractions, but revenues are shared with city where infraction occurred. Revenues may be used for any lawful governmental purpose, but a portion must be dedicated to fund local courts.	No	46.63.110(3)
Commercial Parking Tax	Transportation	Any city	Tax upon commercial parking businesses. Revenues must be used for transportation purposes.	No	82.80.030
Impact Fees – Growth Management Act (GMA)	Transportation	Cities fully planning under GMA	Fee assessed to property developers to help pay for new or expanded capital facilities directly addressing the increased demand created by that development. May only be imposed for streets, parks, schools, and/or fire protection.	No	82.02.050 – .110
Impact Fees – Local Transportation Act (LTA)	Transportation	Any city	Fee assessed to property developers to help pay for transportation improvements directly addressing the increased	No	Chapter 39.92

Revenue source	Use	Eligible cities	Description	Voter approval?	RCW
			demand created by that development.		
Parking Meters	Transportation	Any city	Parking meter fees may be used for administrative costs, parking studies, and acquisition and maintenance of off-street parking facilities.	No	WAC: 308-330-650
Annexation Services Sales Tax	For annexed area	Cities and counties	Credit against state sales tax for annexed territory prior to July 1, 2028, to help defray the costs of providing municipal services to the area. The tax expires 10 years from the date it was imposed. The maximum rate of tax any city may impose under this section is: • .1% (.001) for each annexed area in which the population is greater than 2,000 and less than 10,000; and • 0.2% (.002) for an annexed area in which the population is greater than 10,000.	No	82.14.415

In addition to the above, the City could consider the following:

Improving Cost Recovery on City Services

This involves updating City fees to more accurately reflect the actual cost of providing services. It includes revisiting fee rates and structures and evaluating whether current subsidies for certain services remain appropriate. Examples include permitting fees, parks and recreation charges, and facility rentals.

Red Light Camera Program

Red light cameras automatically issue infractions to vehicles that fail to stop at designated intersections, with the goal of improving public safety. Although the program would indeed increase revenue, the primary intent of such a program is to reduce dangerous driving behavior, not to raise funds for the City's General Fund. State law (RCW 46.63.220) requires that all revenue from red light camera infractions be used solely for traffic safety purposes, not for general City operations. This could reduce general fund reliance for police traffic initiatives and improve overall public safety.

Increased Grant Awards

This refers to continuing to proactively pursue state, federal, and other external grant funding to support programs, services, and capital investments. The City already actively pursues grant funding across departments and has done so consistently for many years. While grant revenue is an important part of the City's financial picture, it is not a reliable or controllable revenue stream for addressing structural imbalances in the General Fund. The City has limited ability to predict which competitive grants it will receive in a given year, making it difficult to provide meaningful revenue estimates. Grants, in addition to often being one-time or restricted in use, are often very resource intensive for staff. In addition, grants often require a match and can often encumber the City with additional costly requirements well into the future.

Reserve Policy Changes

The City's reserve policy could be lowered to free up one-time resources for General Fund use. Lacey currently maintains reserves equal to approximately 28% of the prior year's ongoing General Fund revenues. While the Government Finance Officers Association (GFOA) recommends a minimum of two months (approximately 16.7%) of expenses or revenues in reserve, most local governments set a higher floor of at least three months (25%). Many in Washington maintain even higher reserve levels depending on their individual needs. Notably, maintaining higher reserves strengthens the City's creditworthiness and reduces the cost of borrowing when issuing bonds. Reducing reserves would produce a one-time infusion of revenue and offer minimal ongoing financial resources. Drawing down reserves to fund operations undermines long-term stability and creates future financial risk. Unlike other revenue options presented in this report, this approach does not create a recurring funding source and is not sustainable.

Appendix 2: Revenue Tool

Updated Revenue Tool - 9.09.2025							
#	Revenue Concept	Potential Rate	Current Rate	Current Revenue	Estimated Revenue	Estimated Additional Revenue	
1	Technology Fees	0.0%	0.0%	$ -	$ -	$ -	
2	Body Worn Camera	$0.90	0.0%	$ -	$ 1,500	$ 1,500	
3	Franchise Fee - Solid Waste	0.0%	0.0%	$ -	$ -	$ -	
4.1	Gambling Tax - Social Card	9.0%	7.5%	$ 580,000	$ 696,001	$ 116,001	*Gradual Increase to 10.5%
4.2	Gambling Tax - Punch/Pull Tabs	6.0%	4.0%	$ 40,000	$ 60,000	$ 20,000	
5.1	Utility Tax - Water	6.0%	6.0%	$ 1,300,000	$ 1,300,000	$ -	
5.2	Utility Tax - Solid Waste	6.0%	6.0%	$ 485,000	$ 485,000	$ -	
5.3	Utility Tax - Sewer	6.0%	6.0%	$ 1,500,000	$ 1,500,000	$ -	
5.4	Utility Tax - Stormwater	6.0%	6.0%	$ 300,000	$ 300,000	$ -	
5.5	Utility Tax - Cable	0.0%	0.0%	$ -	$ -	$ -	
6.1	B&O - Retail	1.0%	1.0%	$ 2,312,100	$ 2,312,100	$ -	
6.2	B&O - Warehouse	0.0%	0.0%	$ -	$ -	$ -	
6.3	B&O - Manufacturing	0.0%	0.0%	$ -	$ -	$ -	
7	Lodging Tax	30.0%	30.0%	$ 188,000	$ 188,000	$ -	
8	Sales Tax - HB2015	0.0%	0.0%	$ -	$ -	$ -	
9	Internal Budget Review	Yes	N/A	N/A	$ 959,630	$ 959,630	
						$ 1,097,131	

Annual Capital Funds	$ -

	Budget	Optimistic	Pessimistic	Probable	Updated Probable (WO/OB)	Updated Probable (W/OB)
Budget Gap - Labor	$ 5,700,000	$ 700,000	$ 4,250,000	$ 2,100,000	$ 3,767,075	$ 4,542,518
Budget Gap - Capital	$ -	$ -	$ -	$ -	$ -	$ -
Budget Gap - Total	$ 5,700,000	$ 700,000	$ 4,250,000	$ 2,100,000	$ 3,767,075	$ 4,542,518
Est. New Revenues	$ 1,097,131	$ 1,097,131	$ 1,097,131	$ 1,097,131	$ 1,097,131	$ 1,097,131
Difference	$ (4,602,869)	$ 397,131	$ (3,152,869)	$ (1,002,869)	$ (2,669,944)	$ (3,445,387)
Potential Actions	Reduce services		Reduce services	Reduce services	Reduce services	Reduce services

~~Chapter 5.06~~

~~SOCIAL CARD GAMES PROHIBITED~~

~~Sections:~~

~~5.06.010 Social card games prohibited.~~

~~No person or persons, firm or corporation, shall conduct or allow any premises or facilities owned by or under the control of such person, persons, firm or corporation to be used for the conduct of any social card game as defined in the Revised Code of Washington 9.46.0282. (Ord. 1120 §1, 1999).~~

~~5.06.020 Exception - vested rights.~~

~~Nothing in Section 5.06.010 hereof shall be construed to prohibit the conduct of social card games at those locations within the city vested with such right at the time of passage of Ordinance 1120. All vested rights held by virtue of having previously operated a social card game within the city or by having filed a completed application for the conduct of such social card games shall end and be null and void if such location is not used for the conduct of social card games for a period of two years, regardless of whether the owner or person, persons, firm or corporation in control of such location intends to abandon such use or not. The period of two years shall commence to run from December 11, 1999 for any location which claims vested rights but is not presently operating an establishment for the conduct of social card games. The period of two years for any establishment operating social card games on the date of passage of Ordinance 1120 shall commence on the date such conduct ceases. (Ord. 1160 §1, 2001; Ord. 1120 §2, 1999).~~

Chapter 3.06
GAMBLING TAX[1]

3.06.010 Imposition.

There is levied upon all persons, associations and organizations who have been duly licensed by the Washington State Gambling Commission in accordance with Chapter 9.46:

A. To conduct or operate bingo games, raffles and amusement games, a tax on raffles at the rate of five percent of the gross receipts from a raffle less the amount awarded as cash or merchandise prizes, a tax on bingo games computed at the rate of four percent of the gross receipts from a bingo game, less the amount awarded as cash or merchandise prizes and a tax on amusement games at the rate of two percent of the gross receipts from the amusement game less the amount awarded as prizes; provided, that no tax shall be imposed by this subsection on bingo games, or amusement games when such activities or any combination thereof are conducted by any bona fide charitable or nonprofit organization as defined in RCW 9.46.0209, which organization has no paid operating or management personnel and has gross receipts from bingo games, raffles or amusement games, or any combination thereof, not exceeding $5,000.00 per year less the amount awarded as cash or merchandise prizes; provided further, no tax shall be imposed on the first $10,000.00 of gross receipts less the amount awarded as cash or merchandise prizes from raffles conducted by any such bona fide charitable or nonprofit organization;

B. To utilize punchboard or pull-tabs as a commercial stimulant operator, a tax computed at the rate of ~~four~~ eight percent of the gross receipts received in the conduct of such activity;

C. To utilize punchboard or pull-tabs as a bona fide charitable or nonprofit organization, a tax computed at the rate of eight percent of the gross receipts from the operation of the games less the amount awarded as cash or merchandise prizes;

D. To conduct or operate any social card game, a tax of 9.17 percent of the gross revenue received from the conduct or operation of said game or games. Said tax shall be reduced to 8.33 percent effective January 1, 2015. Said tax shall again be reduced to 7.50 percent effective January 1, 2016. (New Ord; Ord. 1430 §1, 2014; Ord. 1394 §1, 2012; Ord. 1275 §1, 2006; Ord. 1072 §1, 1997; Ord. 850 §1, 1988; Ord. 638, 1981; Ord. 362 §1 (part), 1974).

Chapter 3.06

GAMBLING TAX[1]

3.06.010 Imposition.

There is levied upon all persons, associations and organizations who have been duly licensed by the Washington State Gambling Commission in accordance with Chapter 9.46:

A. To conduct or operate bingo games, raffles and amusement games, a tax on raffles at the rate of five percent of the gross receipts from a raffle less the amount awarded as cash or merchandise prizes, a tax on bingo games computed at the rate of four percent of the gross receipts from a bingo game, less the amount awarded as cash or merchandise prizes and a tax on amusement games at the rate of two percent of the gross receipts from the amusement game less the amount awarded as prizes; provided, that no tax shall be imposed by this subsection on bingo games, or amusement games when such activities or any combination thereof are conducted by any bona fide charitable or nonprofit organization as defined in RCW 9.46.0209, which organization has no paid operating or management personnel and has gross receipts from bingo games, raffles or amusement games, or any combination thereof, not exceeding $5,000.00 per year less the amount awarded as cash or merchandise prizes; provided further, no tax shall be imposed on the first $10,000.00 of gross receipts less the amount awarded as cash or merchandise prizes from raffles conducted by any such bona fide charitable or nonprofit organization;

B. To utilize punchboard or pull-tabs as a commercial stimulant operator, a tax computed at the rate of four percent of the gross receipts received in the conduct of such activity;

C. To utilize punchboard or pull-tabs as a bona fide charitable or nonprofit organization, a tax computed at the rate of eight percent of the gross receipts from the operation of the games less the amount awarded as cash or merchandise prizes;

D. To conduct or operate any social card game, a tax of ~~9.17~~8 percent of the gross revenue received from the conduct or operation of said game or games. Said tax shall be ~~reduced~~ increased to 8.~~33~~ 5 percent effective January 1, 2027~~15~~. Said tax shall again be ~~reduced~~ increased to ~~7.50~~nine percent effective January 1, ~~2016~~2028. (New Ord; Ord. 1430 §1, 2014; Ord. 1394 §1, 2012; Ord. 1275 §1, 2006; Ord. 1072 §1, 1997; Ord. 850 §1, 1988; Ord. 638, 1981; Ord. 362 §1 (part), 1974).

STAFF REPORT

Council Worksession
January 13, 2026

Subject:	Annual Allocation of Council Travel Budget
To:	Lacey City Council
Prepared by:	Rick Walk
Department Director:	Not Applicable
Reviewed By:	Not Applicable
Final Review:	Rick Walk, City Manager RW

Purpose: Informational

Recommendation: Review only.

Brief: Per Lacey City Council Policies and Procedures, section 4.07 (Attachment 1), funds are budgeted annually to accommodate reasonable travel for conferences, seminars, workshops and other training opportunities for each Councilmember. Each year councilmembers are to determine which conferences they wish to attend during the calendar year, as well as a good faith estimate of total training and travel costs by the first Worksession of March.

The total council travel budget is allocated equally to each Council position. Additional funds are budgeted to accommodate travel by the Mayor or other selected Councilmember to meet with the City's congressional delegation to discuss community needs.

At the worksession, Council will be briefed on the travel policy and discuss tentative plans for travel in 2026.

Alternatives:

1. Not applicable

Prior Review:

Not Applicable

Advisory Board Recommendation(s): Not Applicable

Fiscal Impact:

Budgeted Item: Yes

Amount: $13,500, Transportation; $6,000 Registrations: Total $19,500	Funding Source: 001-0301-511.43-01 and 001-0301-511.43-03

Attachments:

1. Council Policies and Procedures, Chapter 4.07 Allocation of Annual Council Travel and Training Budget

2025-10-07-COUNCIL-POLICIES-PROCEDURES-Adopted-Searchable.pdf

Policy or Legal Alignment:

1. Not applicable

4.07 Allocation of Annual Council Travel and Training Budget

It is the intent of the Council that each member takes advantage of training and professional development opportunities to broaden their understanding of municipal government and enhance their role as an elected City official. To that end, funds are budgeted annually to accommodate reasonable travel for conferences, seminars, workshops, and other training opportunities for each Councilmember. Councilmembers are encouraged to attend events sponsored by Association of Washington Cities (AWC), National League of Cities (NLC), or similar local government associations, including conferences, seminars, legislative meetings, and training programs. (Refer to Chapter 4, Section 4.04.)

Funds allocated to Council travel and training shall be distributed equally by Council position to adequately allow a Councilmember to attend two conferences annually. In addition, adequate funds will be budgeted annually to accommodate travel by the Mayor or other selected Councilmember to meet with the City's congressional delegation to discuss community needs.

Councilmembers shall determine which conferences they wish to attend during the calendar year, as well as a good faith estimate of total training and travel costs by the first Council Worksession of March. If a Councilmember's travel request is lower than their budgeted funds, their remaining funds will be distributed to other Councilmembers whose travel requests are higher than their budgeted funds. Any remaining funds not allocated towards training and travel during the March Worksession shall be held in reserve to cover additional training or travel requests from Councilmembers.

If a Councilmember wishes to attend additional conferences or trainings during the calendar year, they must present their proposal for Council consideration. Approval is granted by a majority vote of the Council.

If there are not adequate funds for each Councilmember to attend two conferences, the Council may propose a budget amendment to cover the additional costs.

The City Manager's office coordinates registration and travel arrangements for the Mayor and Councilmembers.

Travel authorization and expenditures for Councilmembers requires approval of the Mayor. Travel authorization for the Mayor requires approval by the Deputy Mayor.

All travel and training are subject to City policy. (Refer to Reimbursement for Expenses Incurred in the Conduct of City Business; Refer to Chapter 4, Section 4.04.)