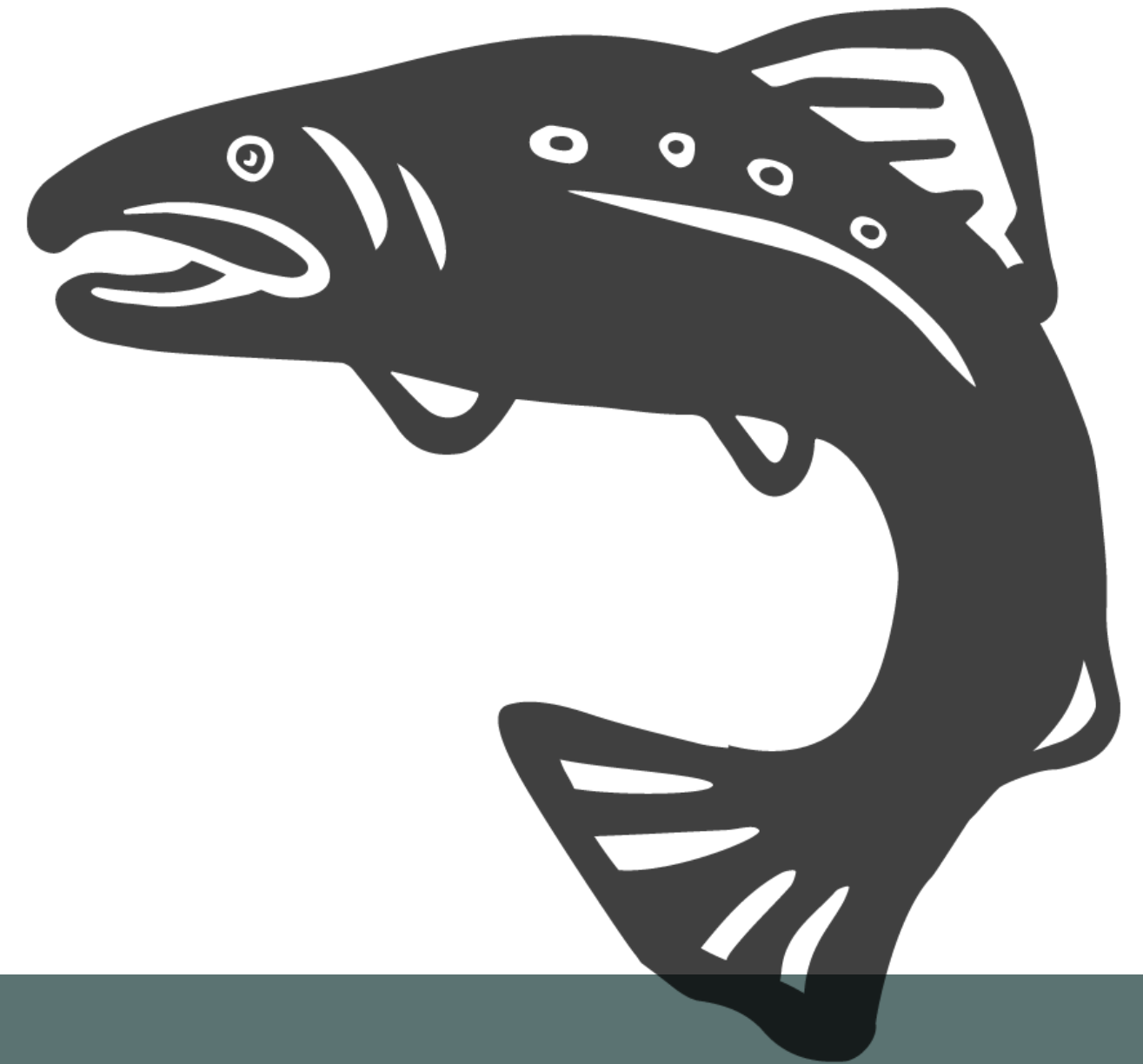


City of White Salmon, Washington

2026 REVENUE PUBLIC HEARING

Grounded in Responsibility, Growing with Purpose



Presented by:

Jennifer Neil, Director of Finance & Operations



EXECUTIVE SUMMARY

Tonight's discussion focuses on the City's major General Fund revenue streams; property tax, sales tax, interest earnings, the new Criminal Justice Sales Tax, and conclude with lodging tax.

The purpose is to share how these key revenues are trending, highlight factors influencing them, and discuss what they mean for the City's ability to maintain current service levels.

The City continues to operate within the state's 1% property tax limit, balancing stable funding with community needs. Interest earnings remain strong as rates level out, and the new countywide criminal justice sales tax will provide dedicated support for public safety. Lodging tax performance is being closely watched, particularly as the County considers adopting an additional 2% rate.

As the City works through significant organizational and financial cleanup, the 2026 budget will represent a measured, transparent approach, staying grounded in fiscal responsibility while positioning White Salmon for thoughtful growth.



ECONOMIC SNAPSHOT

2.44%

Implicit Price Deflator (IPD)

The IPD measures inflation in government purchasing power and sets the limit for property tax growth under state law.

3.20%

Consumer Price Index (CPI-W)

The CPI tracks changes in the cost of living for urban wage earners and helps gauge economic pressure on households and City operations.

4.38%

Interest Rate (WA LGIP)

The LGIP rate reflects the average interest earned on the City's invested cash, directly influencing annual interest revenue. 1.02% down from 2024.

1.00%

Local Population Growth

Population growth affects the City's share of state revenues and demand for local services, providing a key context for long-term financial planning.



City of White Salmon

PROPERTY TAX

Stable but Constrained

Property tax remains the City's most stable revenue source, supporting essential General Fund services such as police, administration, and parks. While it provides predictable revenue, it is structurally limited by state law to a 1% annual increase unless voters approve a levy lid lift.

- The City is proposing the statutory 1% increase to maintain, not expand, services.
- The 1% increase equates to: **\$4,583.39**
- Even modest inflation outpaces this cap, creating a structural deficit shared by all Washington cities and counties.
- Brings our levy rate down to \$0.63 per \$1,000 AV from \$0.66 in 2024.

The 1% increase simply helps us keep pace with rising baseline costs, allowing the City to maintain the level of service our community expects.

KEY FIXED COSTS ARE RISING BEYOND THE 1% LIMIT



Medical insurance: 8.7%
Dental insurance: 4.3%
L&I rates: 4.9%
Liability insurance: 1.5%

Combined Insurance Increase: \$6,924

These increases exceed the allowable levy growth, underscoring the importance of maintaining the full 1% increase.



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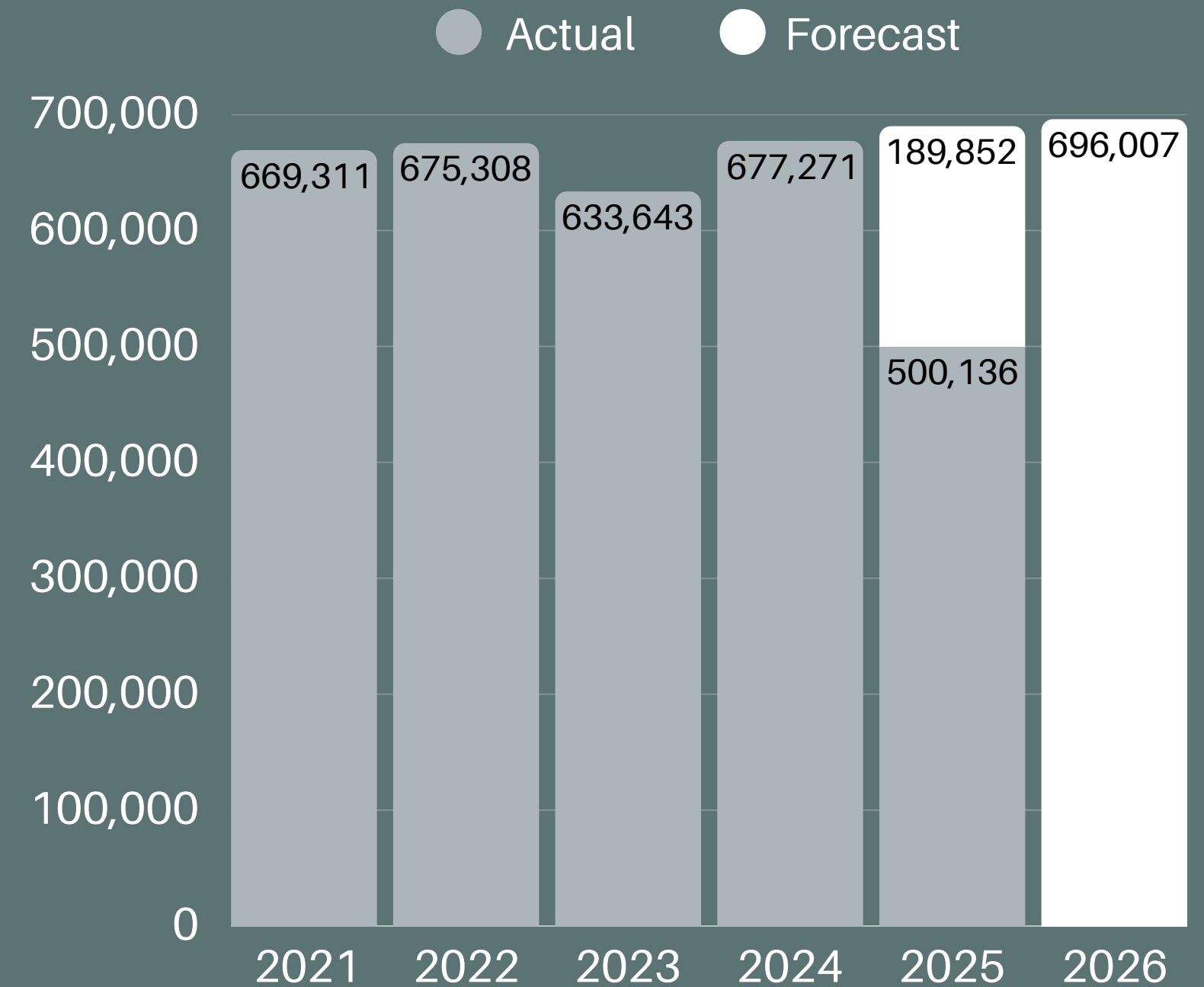
SALES & USE TAX

Sales tax revenue reflects the strength of local commerce, tourism, and regional consumer activity.

- The City's sales tax has remained steady year-over-year, supported by both residents and visitors.
- Future growth is expected to be modest as regional spending levels normalize post-inflation surge.

Sales tax continues to mirror our local economy — steady, resilient, and vital to maintaining City services.

Responsive to Local Economic Activity





CRIMINAL JUSTICE SALES TAX

This countywide sales tax strengthens public safety funding, providing sustainable support for our Police and criminal justice services.

What It Is

0.1% Sales Tax

- Adopted by Klickitat County Board of County Commissioners in October 2025
- Tax will begin January 1, 2026
- Applies to all retail sales County-wide
- Restricted to criminal justice services; law enforcement, courts, prosecution, and corrections

How It Works

Revenue Distribution

- 10% retained by the County
- Remaining 90% distributed by population
- Renewable-energy projects may qualify for reimbursement, requiring local jurisdictions to return their proportional share of any refunded tax

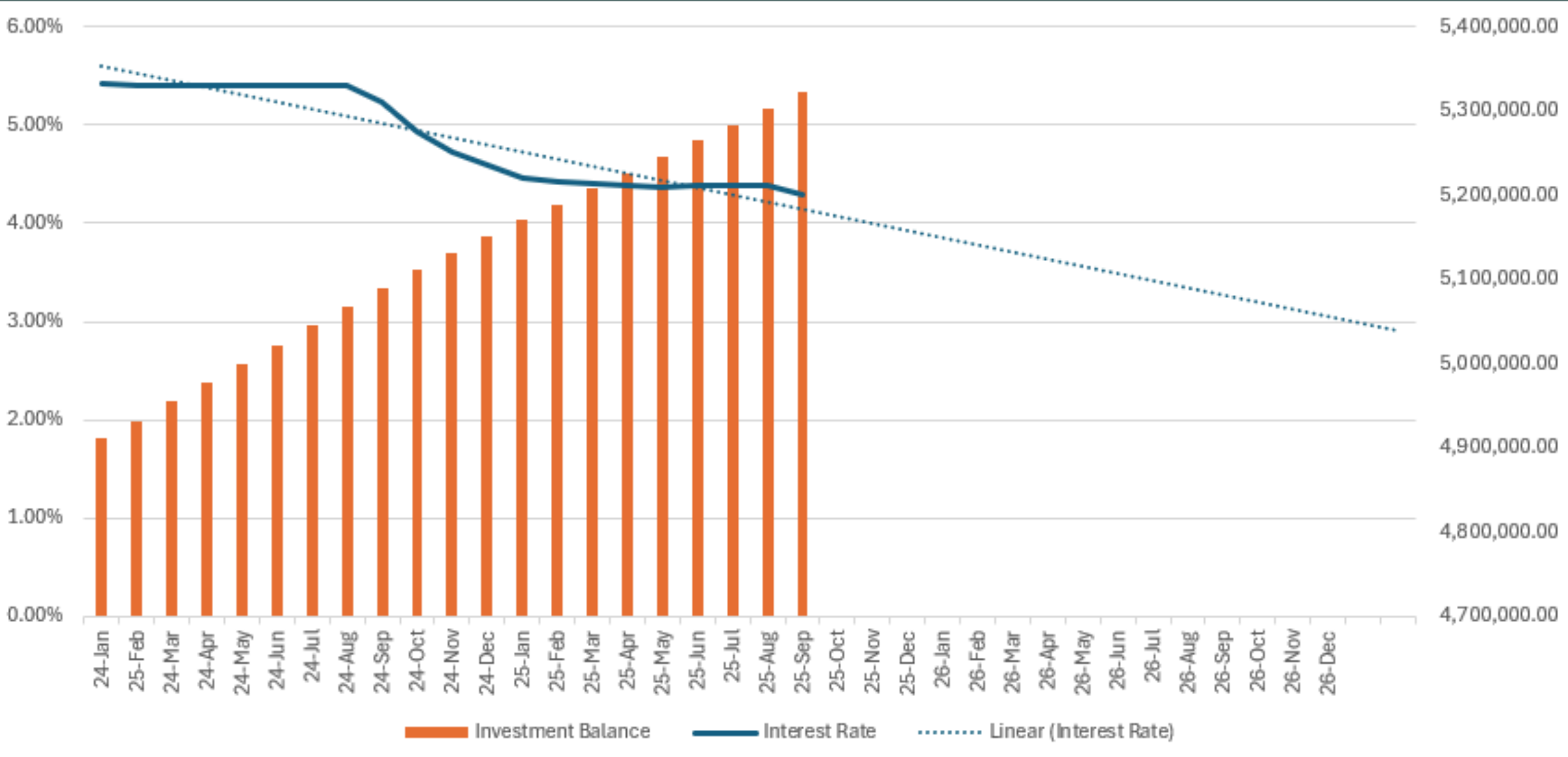
What It Means

Local Impact

- Estimated annual share: ~\$40,000
- For 2026 the City will budget 75% of the estimate to allow business filings to catch up
- The City will monitor renewable-energy and establish a mechanism to set aside funds to ensure fund availability for refunds

INTEREST EARNINGS

Even as interest rates ease, prudent investing continues to provide meaningful returns, a bright spot supporting the City’s financial stability.



Financial Projection

2026 forecast assumes an average LGIP rate of 3.5%, generating approximately \$189,000 in earnings across all funds. This projection is a conservative approach, balancing market expectations with the need for realistic, steady budgeting.

Financial Indicators

Economic forecasts indicate a gradual rate reduction in 2026 as inflation cools and growth slows, though rates are expected to remain above pre-pandemic levels. Major financial institutions all project the federal funds rate trending between 3.0% - 3.75% in 2026.



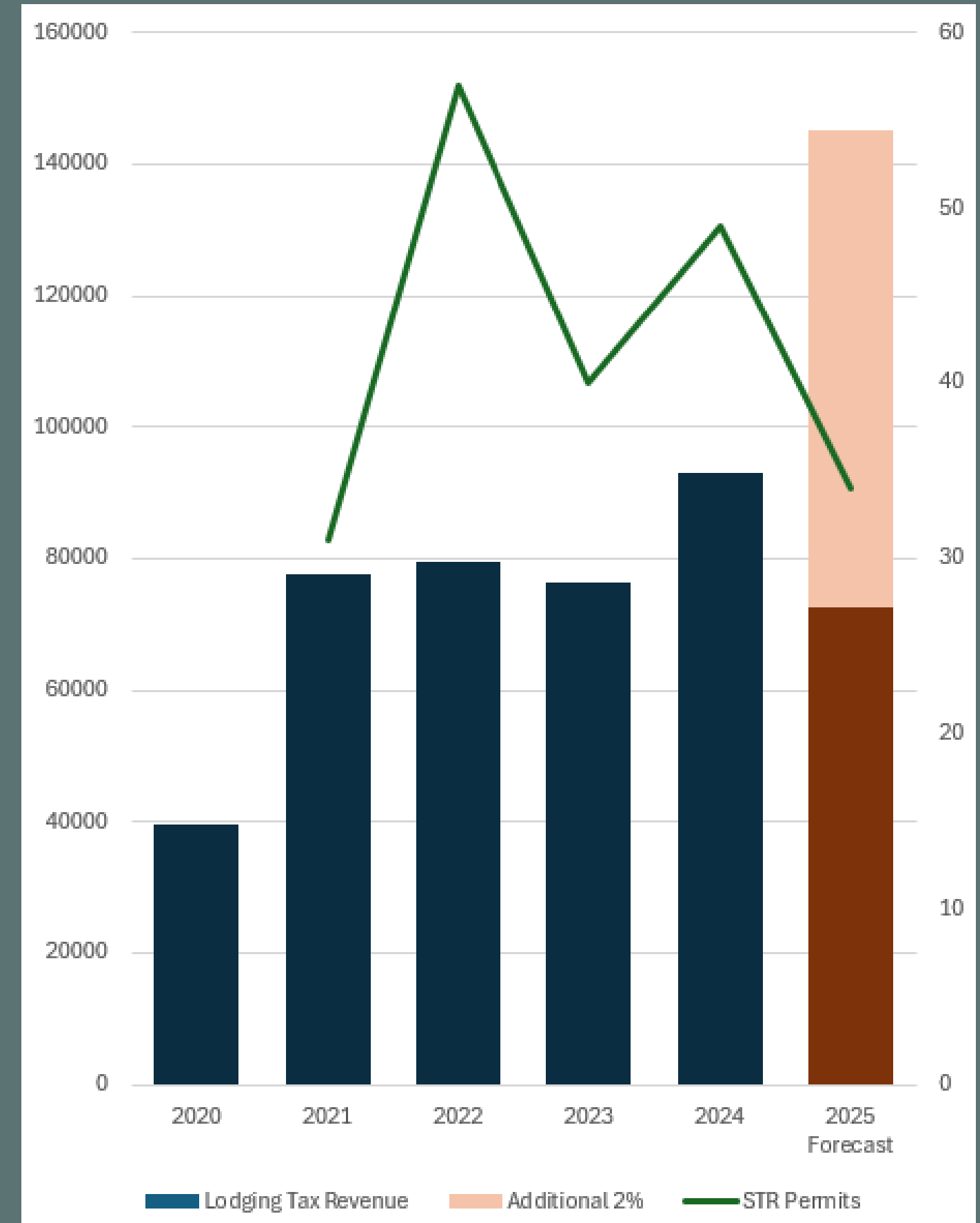
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LODGING TAX

Lodging tax revenue, generated from overnight stays, supports tourism-related facilities, events, and marketing.

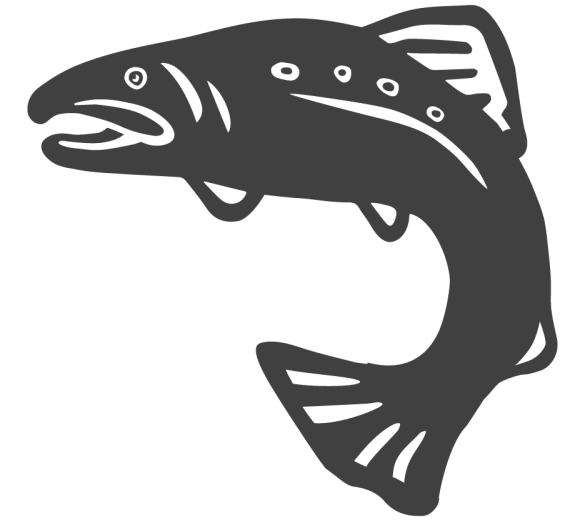
- The County is in the early stages of considering an additional 2% lodging tax. If enacted, it would apply countywide; however, the County would retain revenue generated within city limits unless the City also adopts the additional 2% rate.
- Short-term rental activity has declined by 15 permits compared to 2024; with three properties sold, one currently for sale, and two converted to long-term rentals.

Tourism remains a cornerstone of local vitality — though activity has softened slightly, White Salmon continues to benefit from a strong visitor economy.



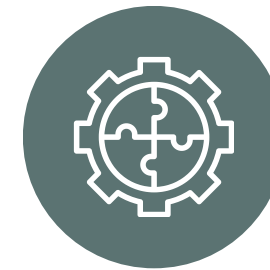
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CLOSING SUMMARY



Stable, Responsible Revenue

- Core revenues remain steady and predictable
- 1% property tax increase maintains existing service levels
- Sales tax remains strong, supported by local activity and new Criminal Justice Sales Tax
- Interest earnings continue to offset inflationary pressures
- Lodging tax stable, though tourism activity has softened slightly



Looking Ahead

- Maintaining services
- Continuing organizational cleanup and modernization
- Preparing for long-term financial sustainability
- Focusing on clarity, accountability, and transparency

Tonight's hearing isn't about new spending, it's about maintaining what we've built and planning thoughtfully for what comes next.