

Sultan 2044 Comprehensive Plan Update
Existing Conditions Report

5

economic development



Economic Development



Sultan Resident Profile

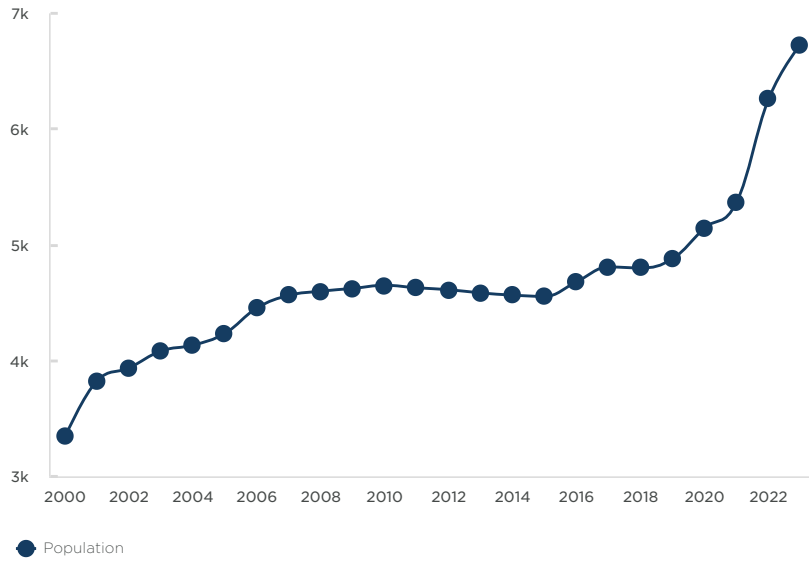
Key findings

- **About 25% of Sultan residents have a college degree.** Nearly 90% of residents have a high school education and most of the City's existing student population attends public school.
- **Sultan has fewer 20-34 year olds compared to the region.** This cohort makes up 11.2% of Sultan compared to 14.2% in Snohomish County. The share of residents 35-44 years old, however, is much larger in Sultan than in the County.
- **Sultan has a high proportion of children under 18.** Sultan's child dependency rate is 40.3% compared to 35.5% in Snohomish County. Sultan also has a slightly lower senior (65 years and above) dependency ratio of 18% compared to 21.3% in the County. Dependency ratios compare the number of people in the population in question to the number of workers.
- **Sultan has a high proportion of Hispanic or Latino residents.** Nearly 25% of Sultan residents identify as Hispanic or Latino compared to 10.8% in Snohomish County. Relatedly, the predominant birth countries of foreign born residents are El Salvador and Mexico. Nearly 14% of residents over the age of five speak English "less than very well."

General Demographics

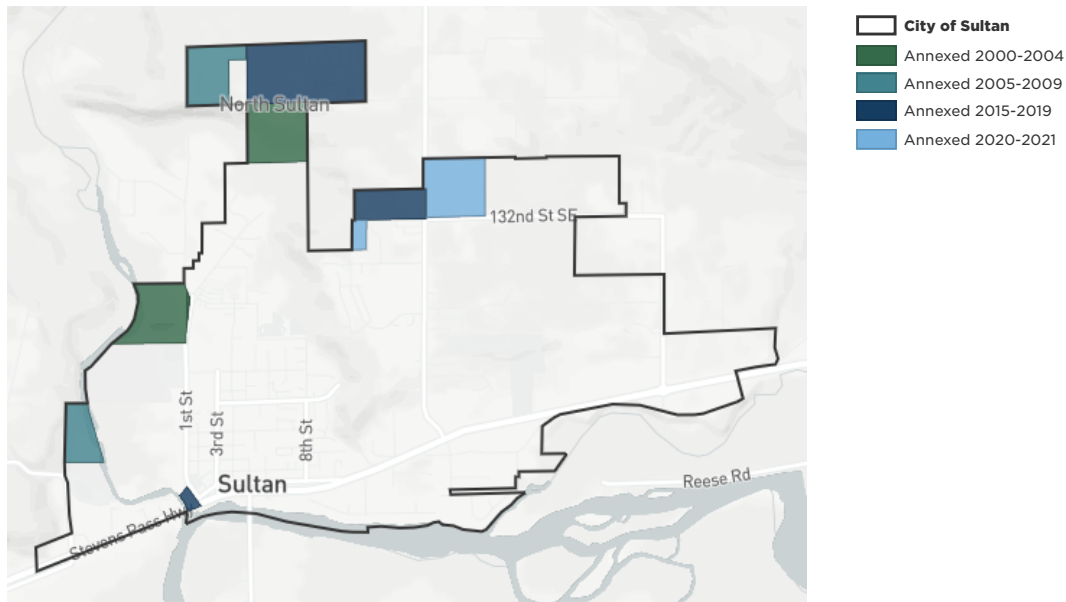
The City of Sultan was incorporated in 1905. At that time, the City covered approximately 510 acres and had a population of approximately 570.

Population Growth 2000-2023



Source: Washington State Office of Financial Management, 2023

City Annexations by Year



Source: Washington State Office of Financial Management, Annexation Detail, 2023.

Since its incorporation in 1905, Sultan's population has naturally increased, but the City has also grown through annexation of unincorporated area around it. In total, the City has allowed 34 annexations with 10 occurring over the past 20 years:

- Ordinance 740-00, which incorporated 0.50 acres effective March 8, 2000.
- Ordinance 759-01, which incorporated 40.12 acres effective June 20, 2001.
- Ordinance 740-00 (amended), which incorporated 37.33 acres effective September 5, 2001.
- Ordinance 922-06, which incorporated 20.04 acres effective May 6, 2006.
- Ordinance 923-06, which incorporated 30.63 acres effective May 6, 2006.
- Ordinance 1216-15, which incorporated 2.87 acres effective July 1, 2016.
- Ordinance 1261-17 (amended), which incorporated 79.92 acres effective August 9, 2017.
- Ordinance 1292-18, which incorporated 24.17 acres effective January 1, 2019.
- Ordinance 1310-19, which incorporated 4.85 acres effective January 1, 2020.
- Ordinance 1349-21, which incorporated 40 acres effective July 5, 2021.

The Sultan UGA currently includes unincorporated parcels zoned Urban Low Density Residential and Urban Medium Density Residential located north and northeast of the city boundary. Approximately 87 acres are located in the UGA near the intersection of Rice Road and 132nd Street Southeast and about 30 acres are located in the UGA west of Cascade Street and north of Bryant Road. These areas contain less than 10 single-family homes with accessory agricultural production.

Population Attributes

Below are key population attributes for a comparison between Sultan and Snohomish County.

Age and Dependency

The median age in Sultan is 36.9, slightly younger than the median age of 38.2 in Snohomish County overall. This is because Sultan generally has fewer people in the age groups above 45 years old with the exception of those 75 to 84 years old. We also compared the "working age" population to the size of the population under 15 (children) and the population 65 and older (older adults) to understand the ratio of "dependents" to working age adults. Sultan has a higher child dependency ratio than the County overall, but a lower old age dependency ratio than the County.



Old Age Dependency Ratio

18%

Sultan, WA

22.2%

Snohomish County, WA



Child Dependency Ratio

35.9%

Sultan, WA

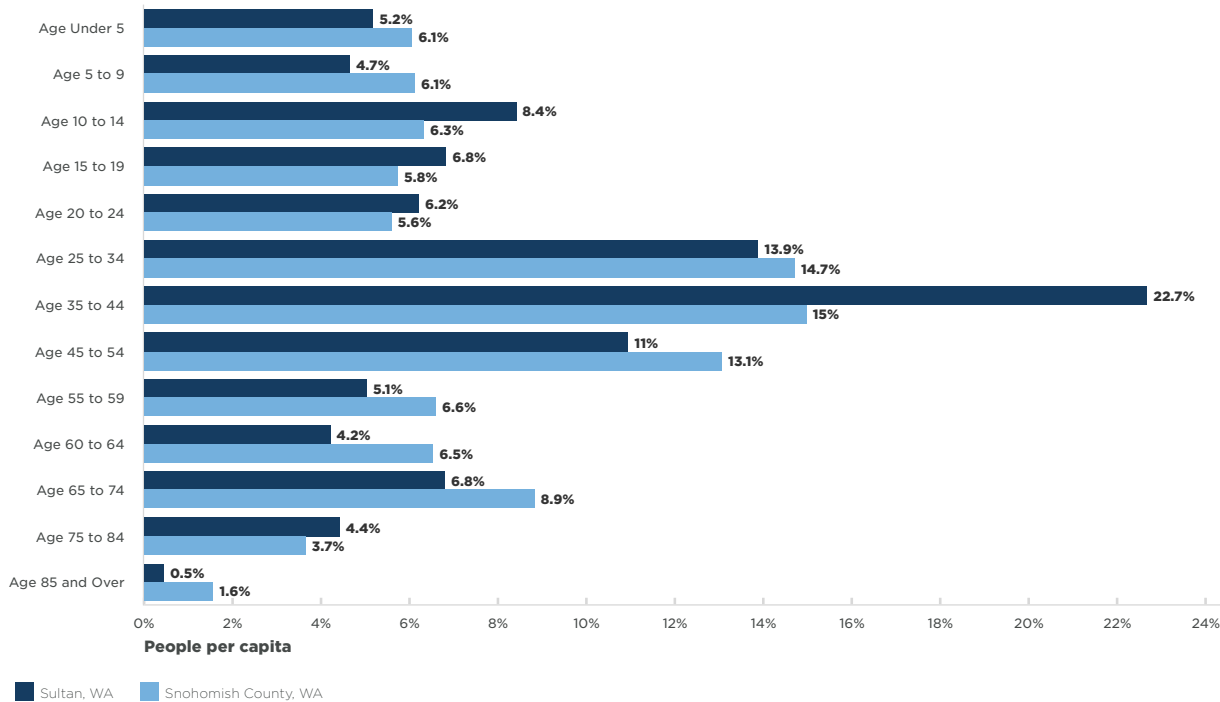
35%

Snohomish County, WA

Sources: US Census Bureau ACS 5-year 2018-2022

Dependency ratios capture variations in the proportions of children, elderly people, and working-age people in the population that imply the dependency burden that the working-age population bears in relation to children and the elderly. The working population is defined as those ages 18-65, Old Age is defined as those over 65 and Children defined as those 17 and under.

Age Totals



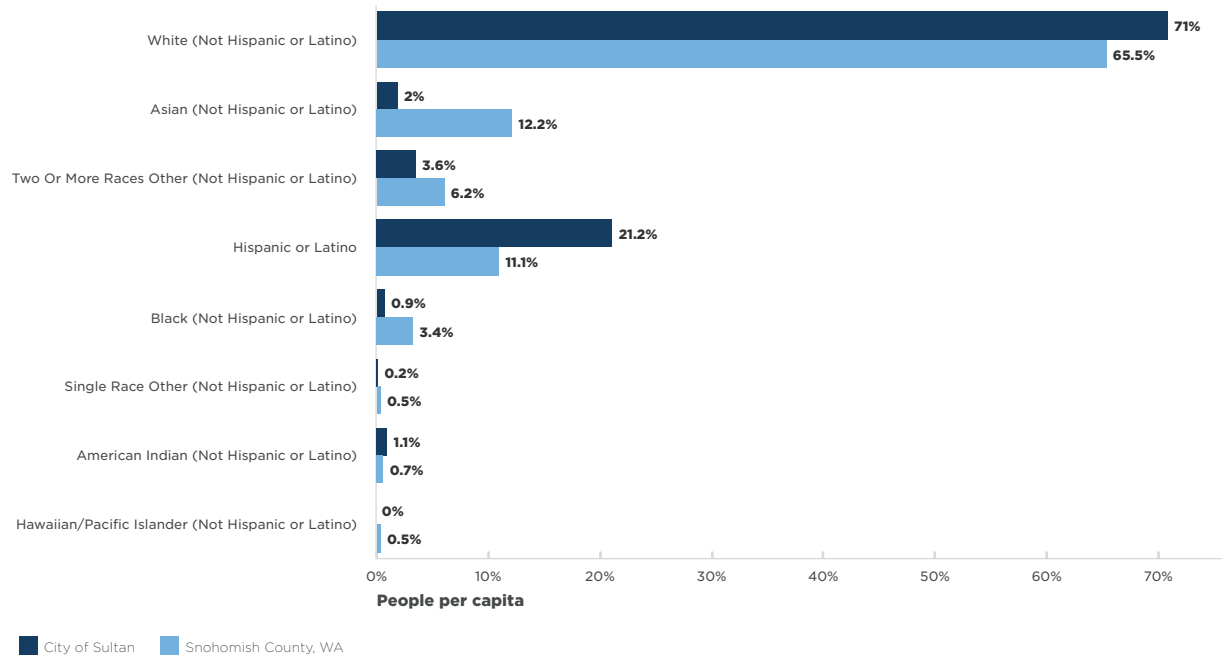
Sources: US Census Bureau ACS 5-year 2018-2022

Race/Ethnicity

Between the 2010 and 2020, Sultan’s racial diversity increased; in 2010, almost 83% of the population identified as white (not Hispanic or Latino), while in 2020, only a little over 73% of the population identified the same way. During the same period, those identifying as Hispanic or Latino increased from 11.7% to 14.3% of the total population. Similarly, those identifying as Asian increased from 1.5% to 2.6%.

As of the 2018-2022 ACS 5-year estimates, with the exception of White, Hispanic or Latino, and American Indian, Sultan has a lower representation of all other races when compared to Snohomish County. Although there was a decline in those identifying as white (not Hispanic or Latino) between 2010 and 2020, the increase in diversity has not made the City’s racial and ethnic diversity representative of Snohomish County’s population overall, but rather increased the representation of select populations particularly people identifying as Hispanic or Latino.

Population Proportion by Race/Ethnicity



Sources: US Census Bureau ACS 5-year 2018-2022

Home Language

About 23% of Sultan residents speak a language other than English at home. Over half of these residents speak English less than “very well” which reflects the need for bilingual materials in Sultan—particularly in Spanish.

Speaks English Less than “Very Well” for the Population Over Five

13.5%

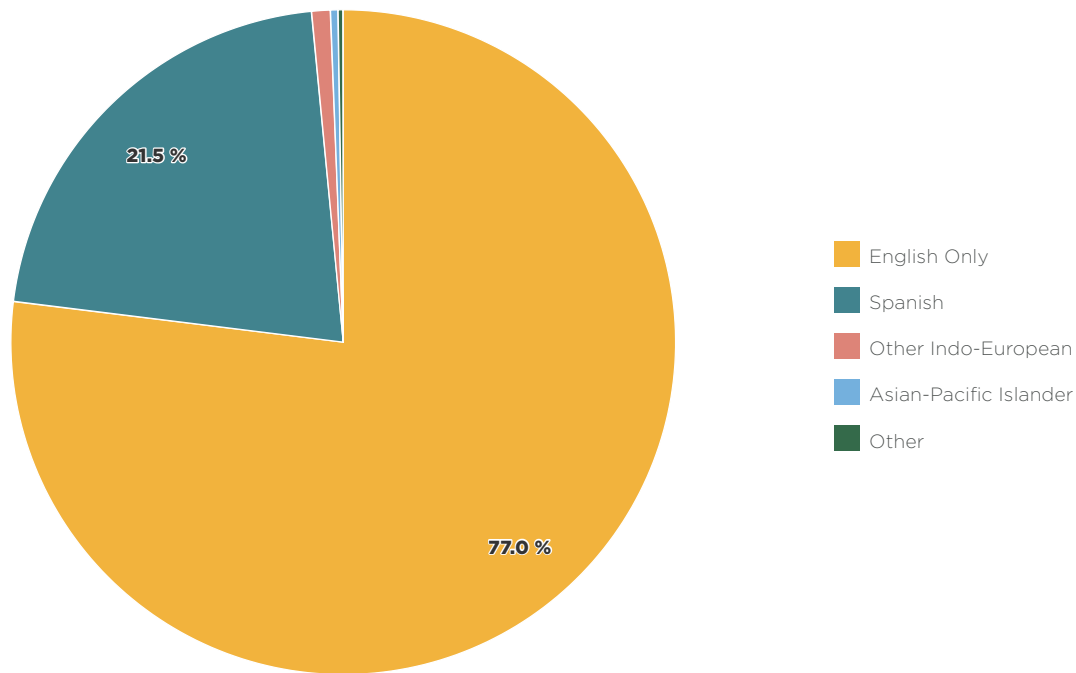
Sultan, WA

8.8%

Snohomish County, WA

Sources: US Census Bureau ACS 5-year 2018-2022

Language Spoken at Home



Sultan, WA

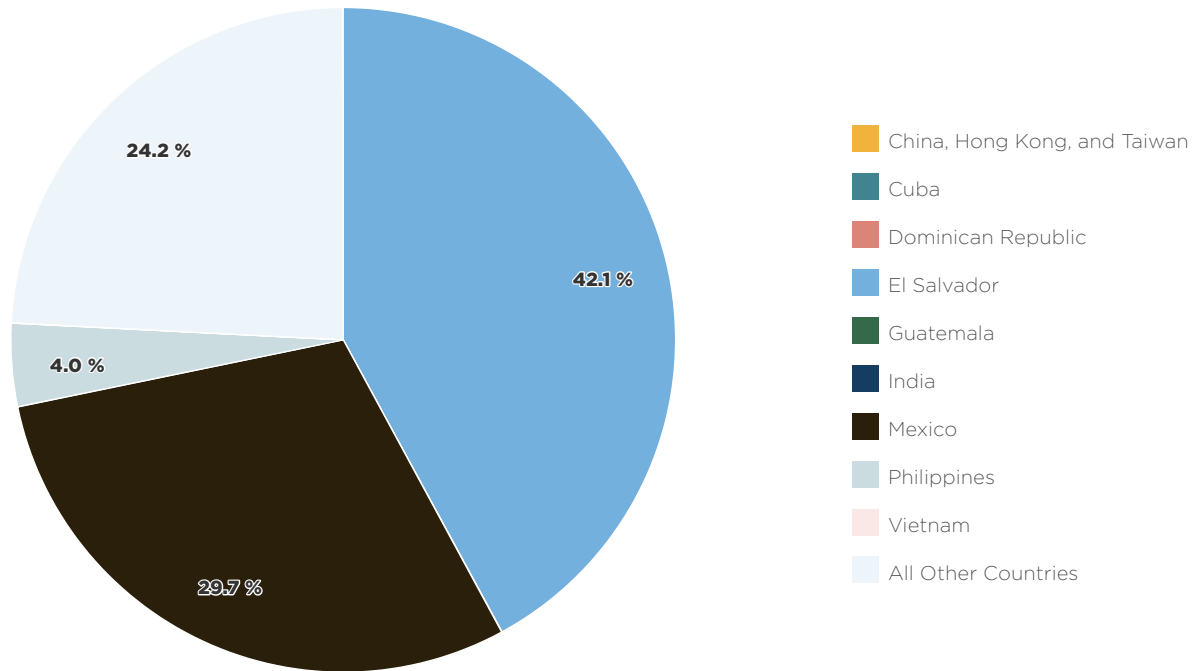
Sources: US Census Bureau ACS 5-year 2018-2022

Unfortunately, US Census Bureau does not further disaggregate language spoken at home beyond these coarse designations.

Origins of Foreign Born Population

Almost 18% of Sultan’s population was born outside of the US. This is significant, because the places of birth for the foreign born population can provide additional insight into the cultural identities and needs of the population. The majority of Sultan residents who were born outside of the US were born in Mexico or El Salvador. As of 2022, 24.2% of foreign born residents were born someplace other than the locations listed in the legend below.

Top Birth Countries for Foreign Born



Sultan, WA
Sources: US Census Bureau ACS 5-year 2018-2022

Healthcare and Disability

While Sultan has a relatively low old age dependency ratio, a larger proportion of residents are living with a disability than in Snohomish County overall. Sultan residents also have a lower rate of access to health insurance than the County.

Health Insurance Coverage - Insured per capita

91%
Sultan, WA

92.7%
Snohomish County, WA

↑ 1.9%

Health Insurance Coverage - Uninsured per capita

7.9%
Sultan, WA

6.1%
Snohomish County, WA

↓ 22.8%



Population Living with a Disability

11.5%
Sultan, WA

11.6%
Snohomish County, WA

↑ 0.1%

*% Diff. shows the percentage increase or decrease as compared to the original geography.
Sources: US Census Bureau ACS 5-year 2018-2022

Education

Nearly 23% of Sultan's population over the age of three are enrolled in school. Public school enrollment for all Sultan students is high, with about 7% more caregivers opting to send students to public school than in Snohomish County.



Enrolled In School Over the Age of 3

22.9%

Sultan, WA

23.4%

Snohomish County, WA

Percent of Total Students Enrolled in Public School

91.7%

Sultan, WA

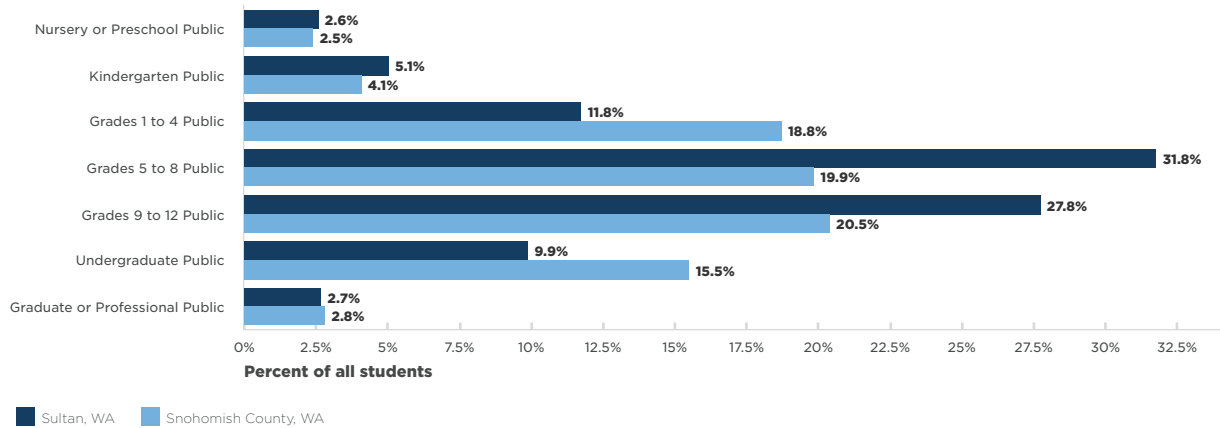
84.1%

Snohomish County, WA

Sources: US Census Bureau ACS 5-year 2018-2022

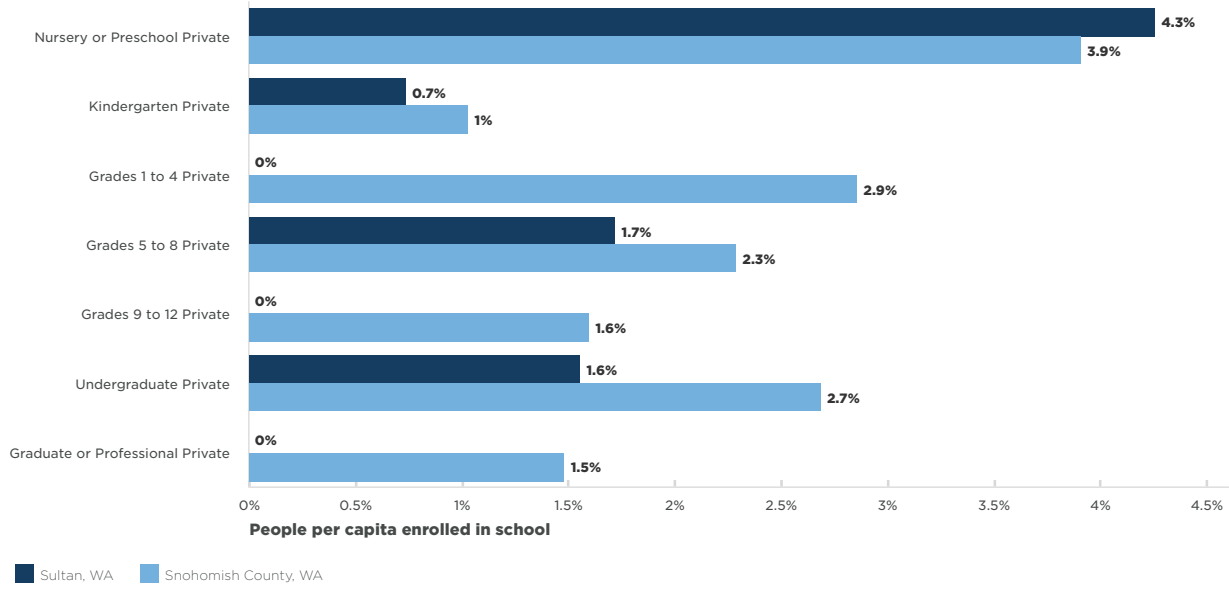
Sultan residents are more likely to attend public school than private school. The exception is for nursery or preschool. This is likely because there are sparse public nursery and preschool programs in Washington and most of the public programs are targeted to those who cannot afford private programs. Further, based on income data for Sultan households, discussed in the Household profile, residents in Sultan are more likely to be able to afford these programs than the Snohomish County population overall.

Percentage of Sultan Students enrolled in Public School by Grade



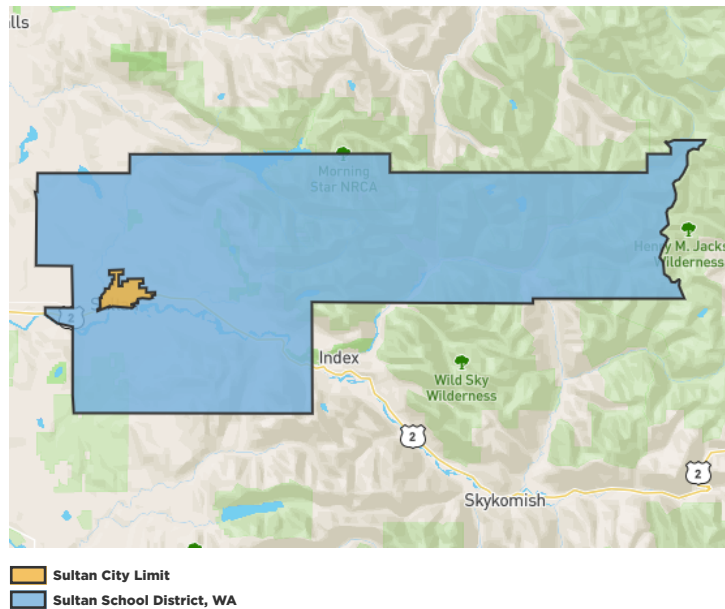
Sources: US Census Bureau ACS 5-year 2018-2022

Private School People by Grade



Sources: US Census Bureau ACS 5-year 2018-2022

Sultan residents are served by one public school district, the Sultan School District, which enrolls students in kindergarten through twelfth grade.

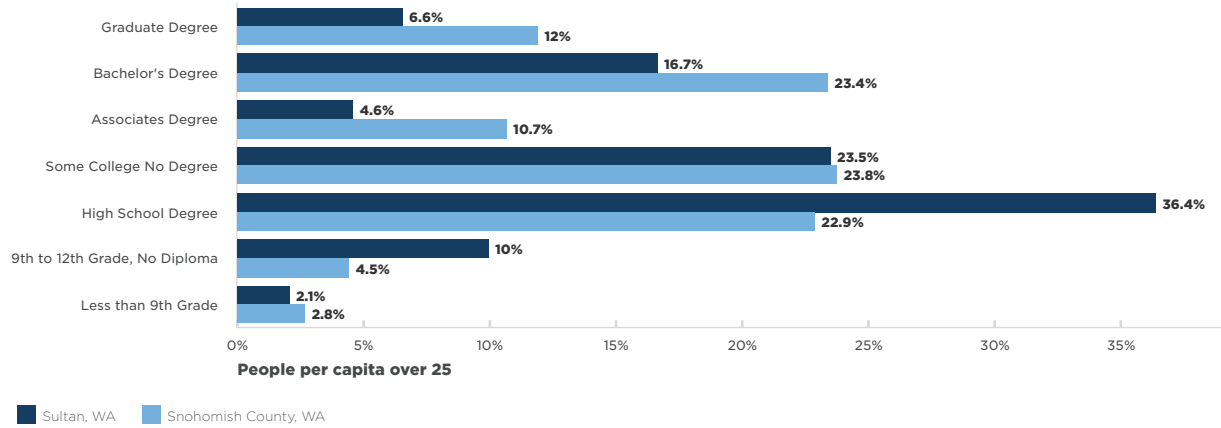


© Mapbox © OpenStreetMap

Educational Attainment

About 23% of Sultan residents over 25 have received a bachelors or advanced degree.

Educational Attainment



Sources: US Census Bureau ACS 5-year 2018-2022



Percent High School Educated

87.9%

Sultan, WA

92.8%

Snohomish County, WA

↑ 5.5%



Percent College Educated

23.3%

Sultan, WA

35.4%

Snohomish County, WA

↑ 51.8%

*% Diff. shows the *percentage increase or decrease* as compared to the original geography.

Sources: US Census Bureau ACS 5-year 2018-2022



Sultan Household Profile

Key Findings

- In 2020, Sultan had 5,146 people and 1,802 households for a average household size of 2.64 people. According to Washington State estimates, the population has jumped to 6,730 as of early 2023.
- Almost two-thirds of Sultan families have at least two income earners.
- As of 2021, the median household income in Sultan was \$79,084 and only 0.02% of households were below the federal poverty level. Estimates for 2023 suggests the median household income is now above \$89,000.
- The rate of homeownership in Sultan is high (78.3%). Only 5.5% of low income households are severely cost burdened (spending over 50% of income on housing); however about 20% of renter households are experiencing cost burden.

Household Demographics

The City of Sultan was incorporated in 1905. As of 2000, the City had a total population of 3,344 people living in 1,291 housing units. As of April 1, 2023, according to the Washington State Office of Financial Management, Sultan has 6,730 residents in 2,445 housing units.

Average Household Size

2.64

People

Sultan, WA

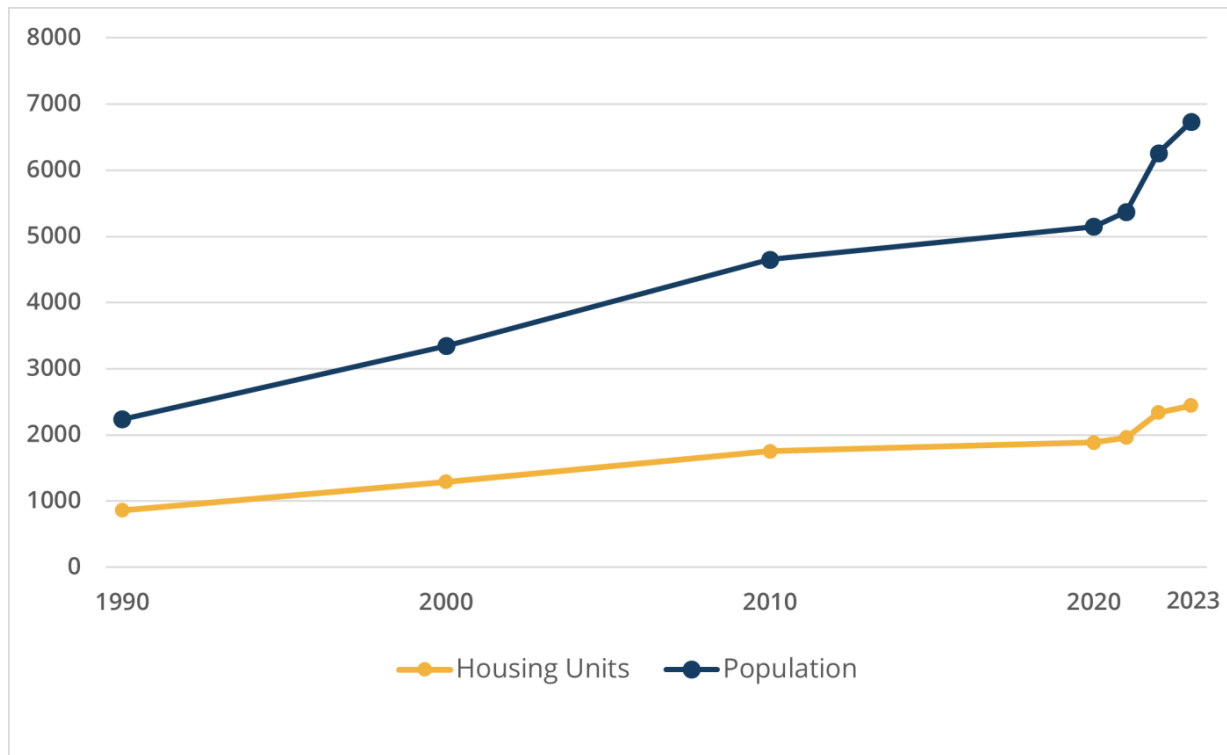
2.66

People

Snohomish County, WA

Sources: US Census Bureau ACS 5-year 2018-2022

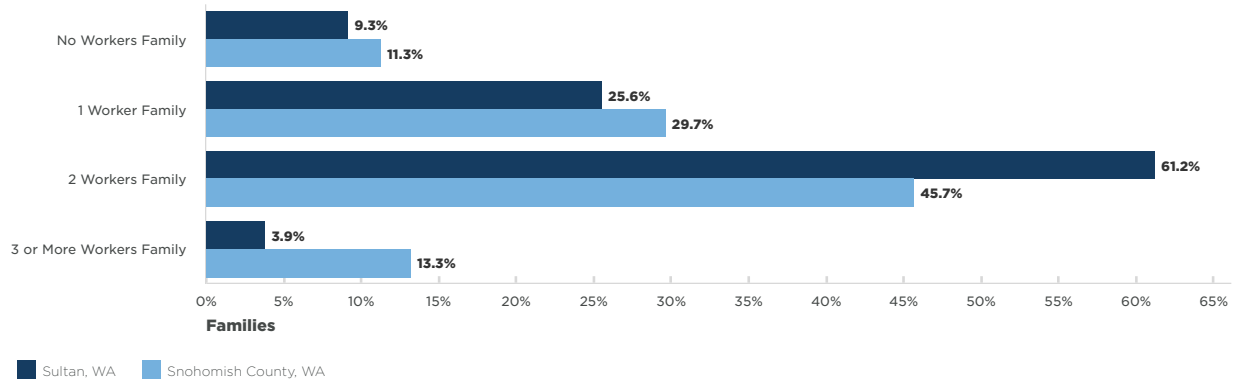
Population and Housing Unit Growth, 1990-2023 (OFM)



Household Income

Sultan households have a lower median income compared to Snohomish County, although the gap is closing with 2023 estimates showing median household incomes above \$89,000. About 15% of households earn over \$150,000 a year. A small percentage of families live under the federal poverty line. The majority of Sultan households have two income earners. Less than 10% of families have no workers and only one-fourth have a single income earner.

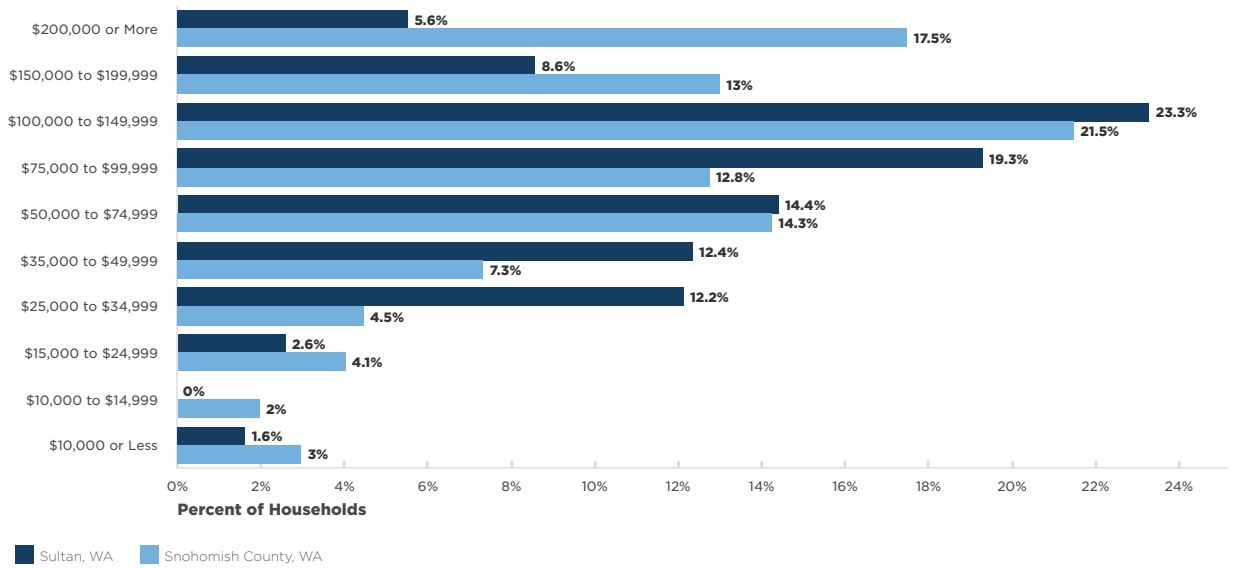
Families by Number of Workers



Sources: US Census Bureau ACS 5-year 2018-2022

Incomes and Spending Power

Household Income



Sources: US Census Bureau ACS 5-year 2018-2022

Median Household Income

\$79,084

USD

Sultan, WA

\$104,083

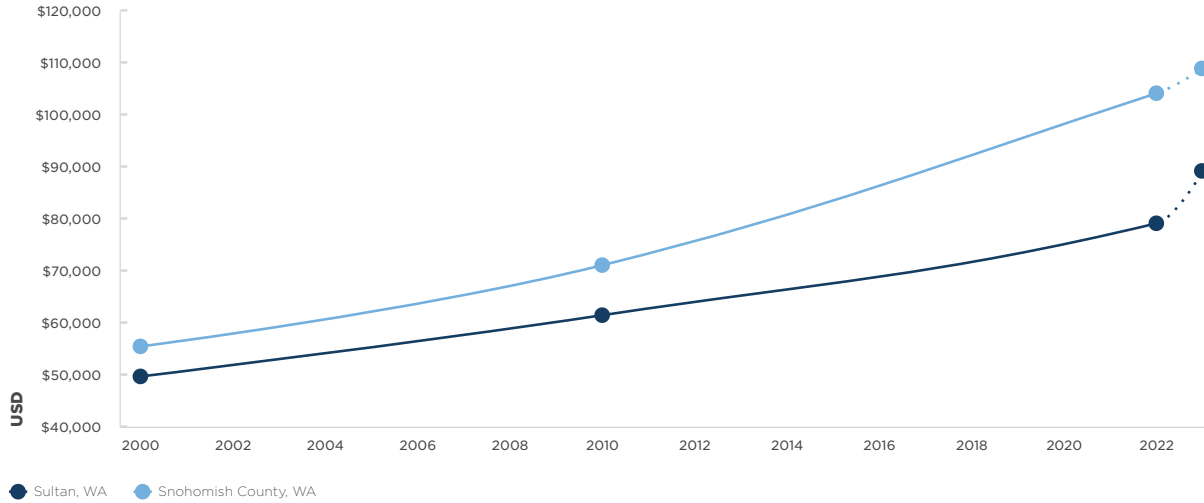
USD

Snohomish County, WA

Sources: US Census Bureau ACS 5-year 2018-2022

Median Household Income Over Time, 2000 to 2023

Median Household Income

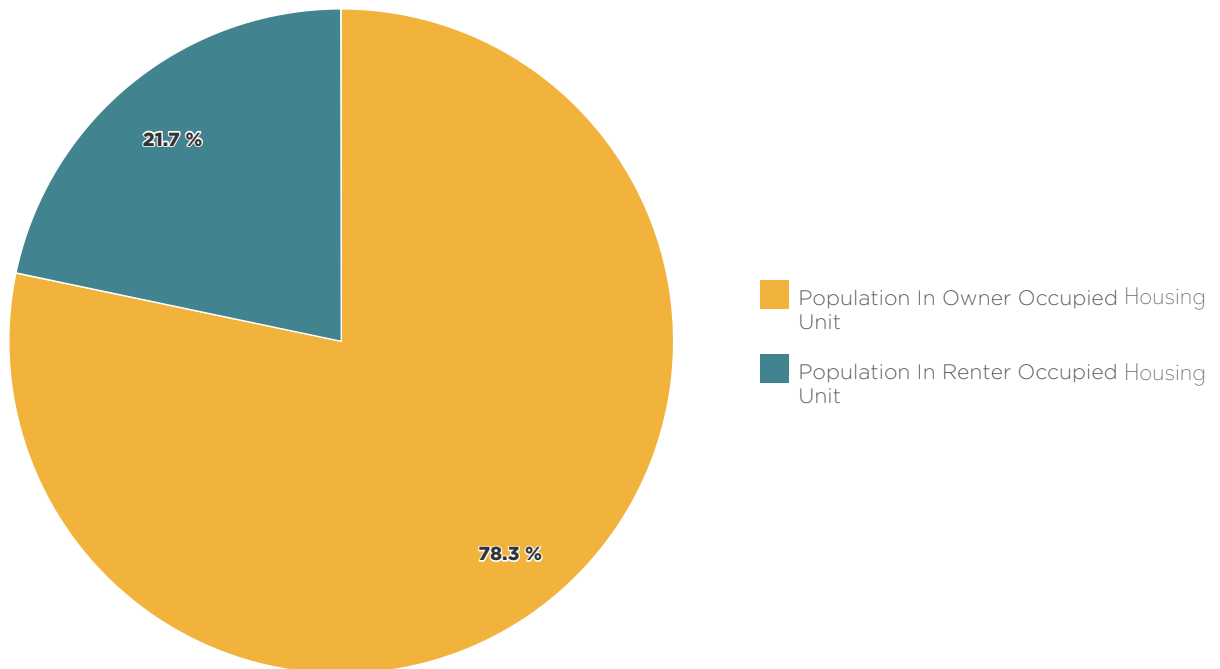


Sources: US Census Bureau; US Census Bureau ACS 5-year

Affordability and Housing Insecurity

For most households, monthly housing costs are a significant budget item. The proportion of income that a household puts towards housing has large implications for disposable income and for housing security.

Population in Renter vs Owner Occupied Housing Units



Sultan, WA

Sources: US Census Bureau ACS 5-year 2018-2022

The vast majority of Sultan households own their home which indicates a high level of housing security. However, housing costs are high, and housing cost burden can have significant implications for the purchasing power of households. These burdens are felt most acutely for low-income renters.

Cost Burden

Cost burden is a key indicator of housing security. Although housing security is determined by many factors other than income—including wealth and whether one owns their home—it does provide important insight into how households are doing financially.

Percent of Low Income Households Severely Cost Burdened

5.5%

Households

Sultan, WA

12%

Households

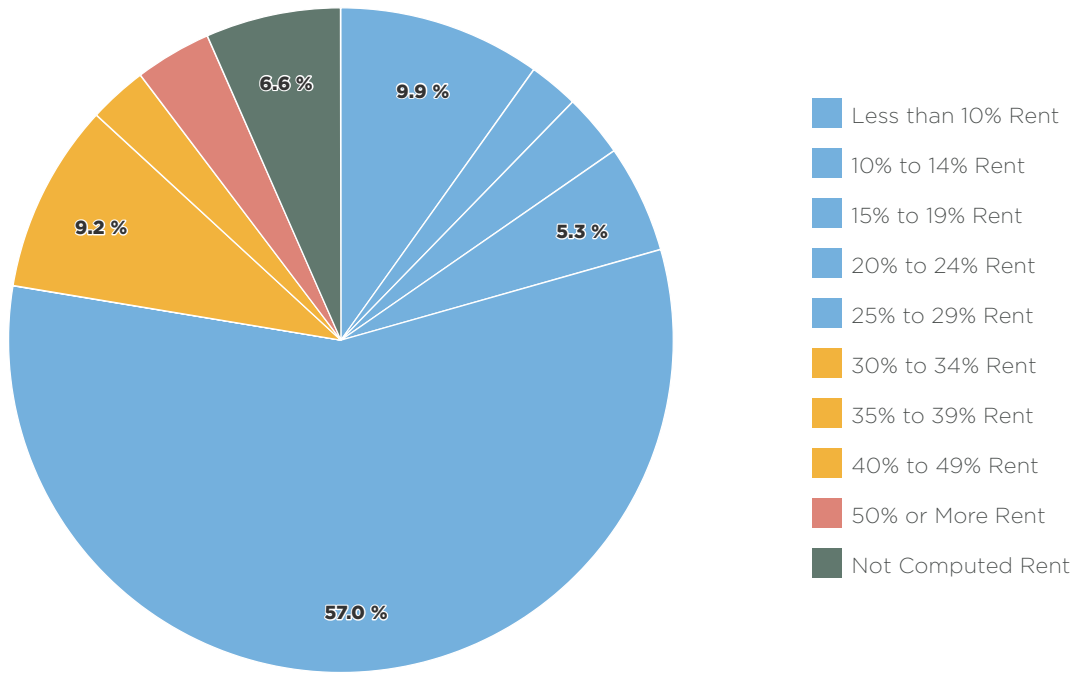
Snohomish County, WA

Sources: HUD CHAS 2016-2020

A smaller percentage of low-income households are severely cost burdened (pay 50% or more of their income for rent) in Sultan than in Snohomish County. Although many Sultan households are cost burdened, because so many families own their homes and have moderate incomes, the relative burden of housing costs is less acute compared to low-income renting families.

However, in Sultan, about 6% of renters spend more than 50% on rent, deeply impacting the amount of money they are able to spend in the community.

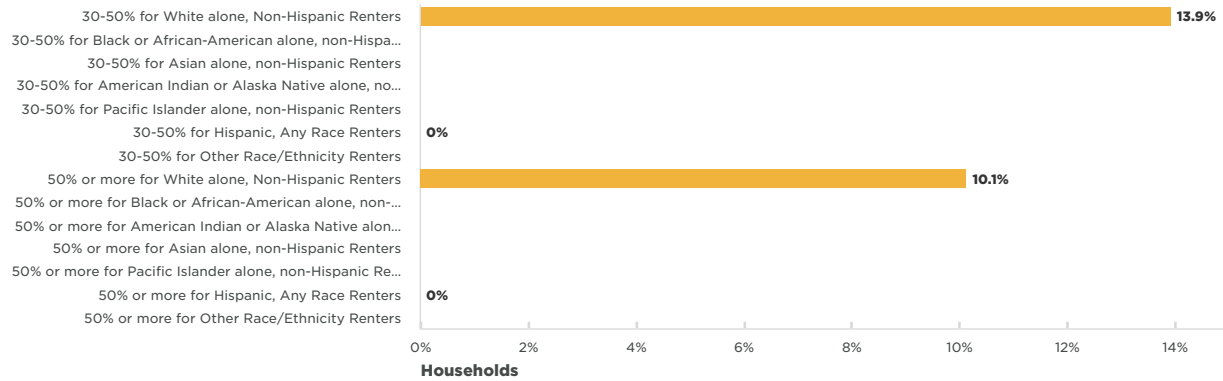
Renter Occupied housing units by Costs as Percent of Income



Sultan, WA

Sources: US Census Bureau ACS 5-year 2018-2022

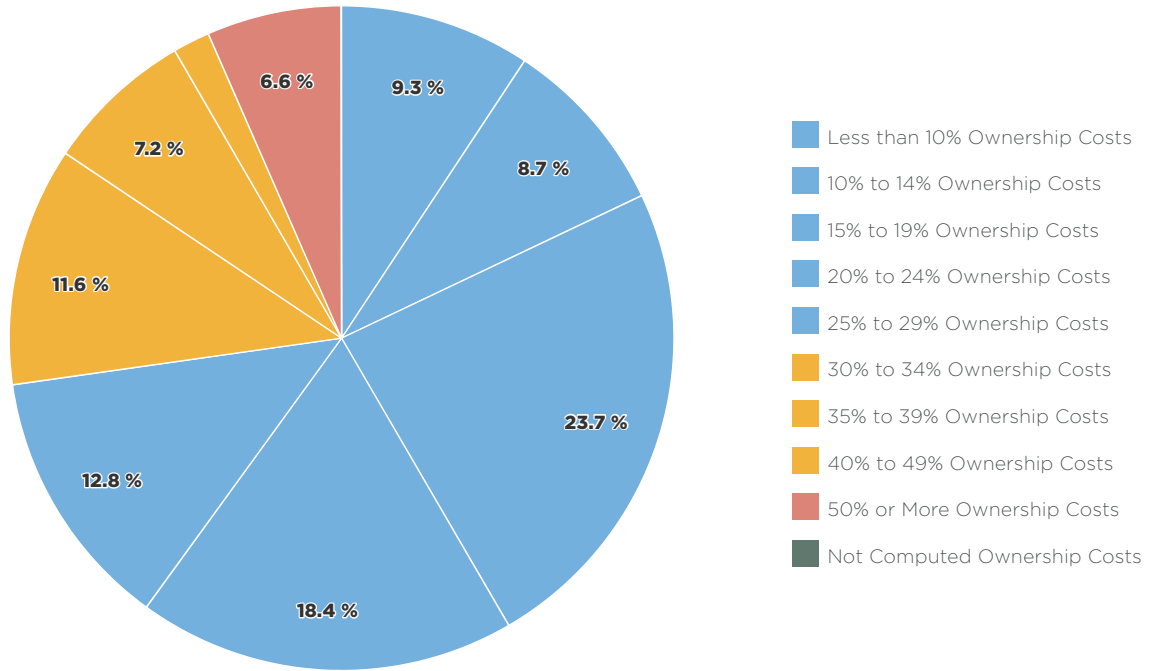
Renter Occupied Households by Relative Cost Burden, Race/Ethnicity



Sultan, WA

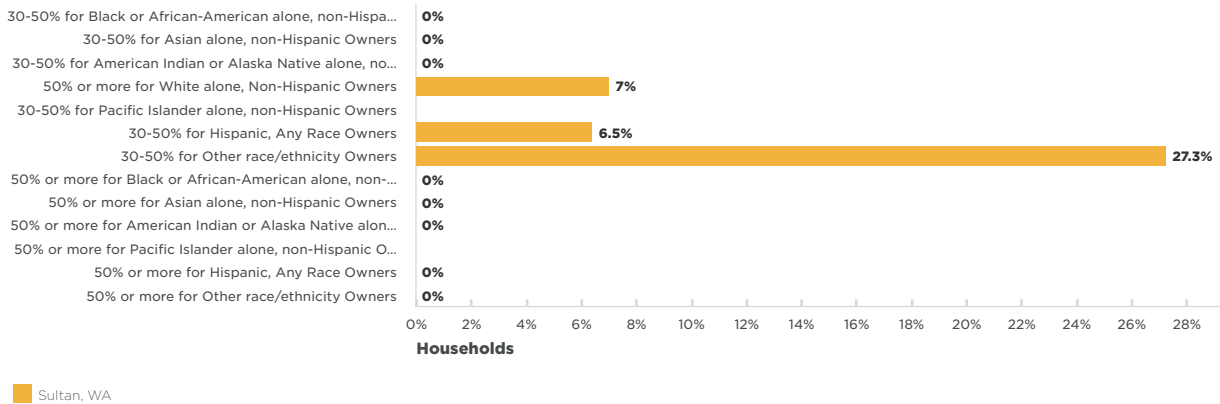
Sources: HUD CHAS 2016-2020

Housing Cost for Owner Occupied housing as percent of income



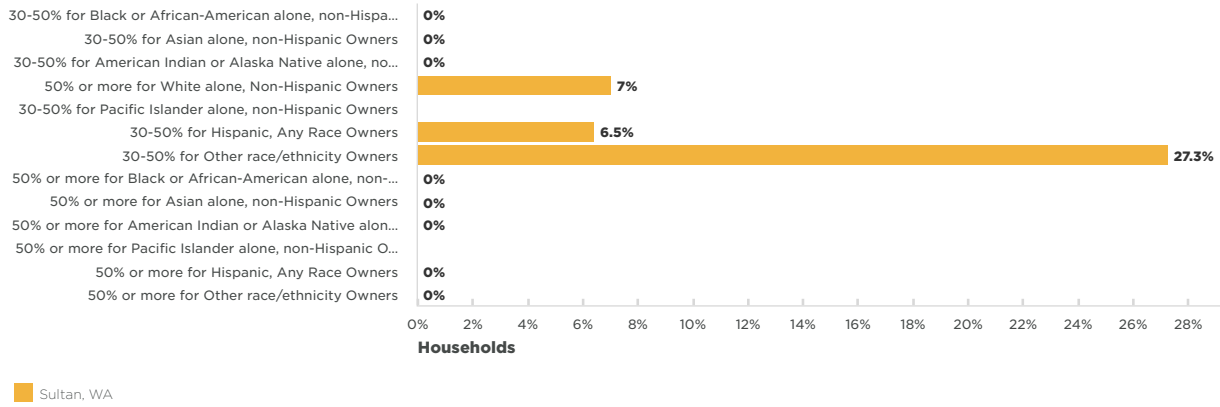
Sources: US Census Bureau ACS 5-year 2018-2022

Owner Occupied Households by Relative Cost Burden, Race/Ethnicity



Sources: HUD CHAS 2016-2020

Owner Occupied Households by Relative Cost Burden, Race/Ethnicity



Sources: HUD CHAS 2016-2020

Poverty

While only an estimated 45 Sultan households lived below the federal poverty threshold based on 2022 estimates, it's important to remember that the federal poverty level is a national standard that is not influenced by cost of living differences across the United States. For 2022, the federal poverty threshold for a three-person household (two adults and one related child under 18 years old) was only \$21,811. This means that while a small number of households lived under the poverty threshold, it may be a poor indicator of those experiencing financial hardship.

45

Households

Total Households Below Poverty Level

Sultan, WA

157

Households

Households Receiving Food Stamps/SNAP

Sultan, WA

2,071

Households

Total Households

Sultan, WA

Sources: US Census Bureau ACS 5-year 2018-2022

Digital Access

The vast majority of households own a computer and have access to the internet in Sultan. However, it is important to recognize that households without digital access are also likely experiencing disparities in education, income, and quality of life.



138

Households

Household Without Internet Access

Sultan, WA



99

Households

Household Without Computer

Sultan, WA

510

People

People in Households - without an Internet Subscription or no Computer

Sultan, WA

Sources: US Census Bureau ACS 5-year 2018-2022



Sultan Residents' Employment

Key Findings

- **A growing number of Sultan's employed residents worked from home between 2020 and 2022.** As of 2022, 185 residents (about 9%) were working from home. Even though residents work from home, their job may be associated with location outside of the City. This is an important trend to track to understand the lasting impacts of work from home resulting from the COVID pandemic.
- **Snohomish County has gained 85k jobs from 2002 to 2020.** The significant increases in county-wide jobs indicates a strong economy that Sultan can tap into for economic development activities within the city.
- **Many employed Sultan residents do not work in the city.** In 2020, only approximately 7.4% of employed Sultan residents both lived and worked within the city.
- **Over 40% of employed Sultan residents commute more than 45 minutes.** Commute times are often longer due to congestion and delays on US-2. Nearly 80% of employed residents commute alone while 8.5% carpool and 3% use public transit or "other transit".

According to the 2018-2022 ACS five-year estimates, approximately 3,803 Sultan residents were "working age" or between the ages of 16 and 64. Approximately 2,781 of these residents were employed. As such, Sultan residents have a labor force participation rate of about 70%. Sultan's employment to population rate is almost as high, meaning that there are some Sultan residents under 16 and over 64 who are participating in the labor force.

69.4%

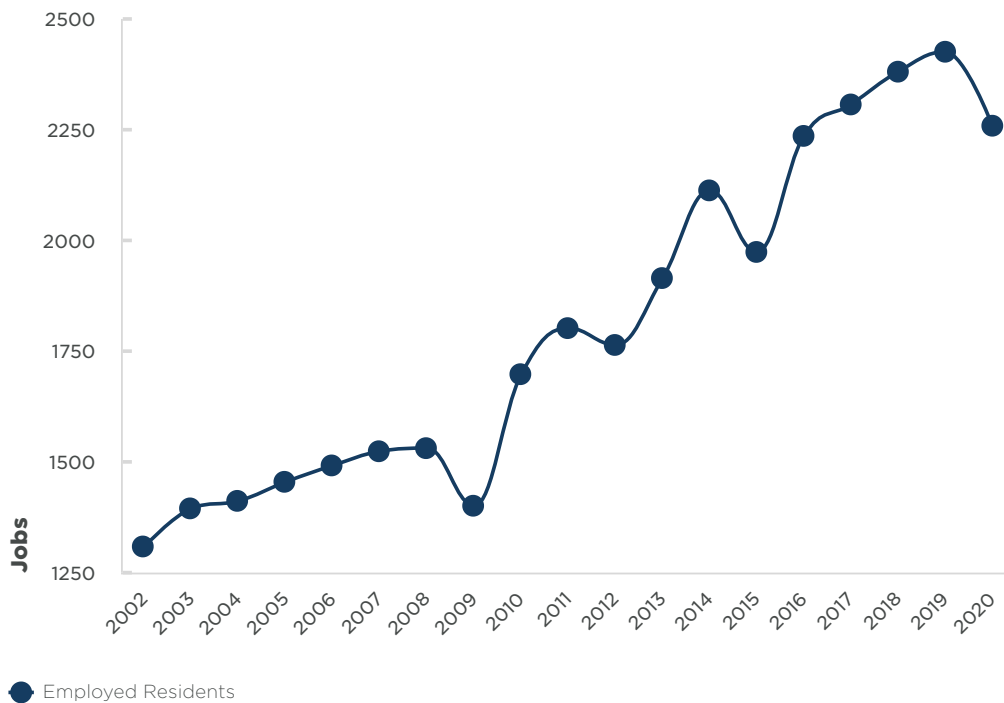
Labor Force Participation Rate
Sultan, WA

64.4%

Employment/Population Ratio
Sultan, WA

Sources: US Census Bureau ACS 5-year 2018-2022

Total Resident Employment, 2002-2020

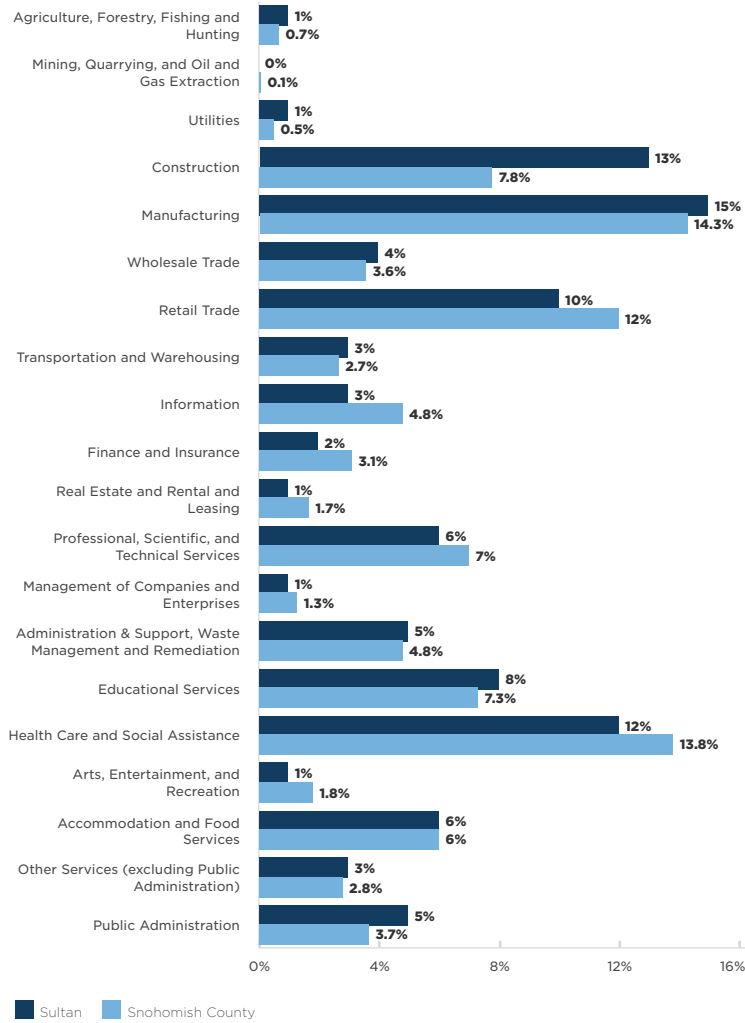


Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023

Industry Participation

Employment characteristics of Sultan residents closely mirror that of Snohomish County as a whole. A disproportionate number of Sultan residents, however, work in a few industries. For example, 13% of Sultan residents work in construction, compared to only 7.8% countywide.

Percentage of Resident Workers by Industry Compared to Snohomish County, 2020

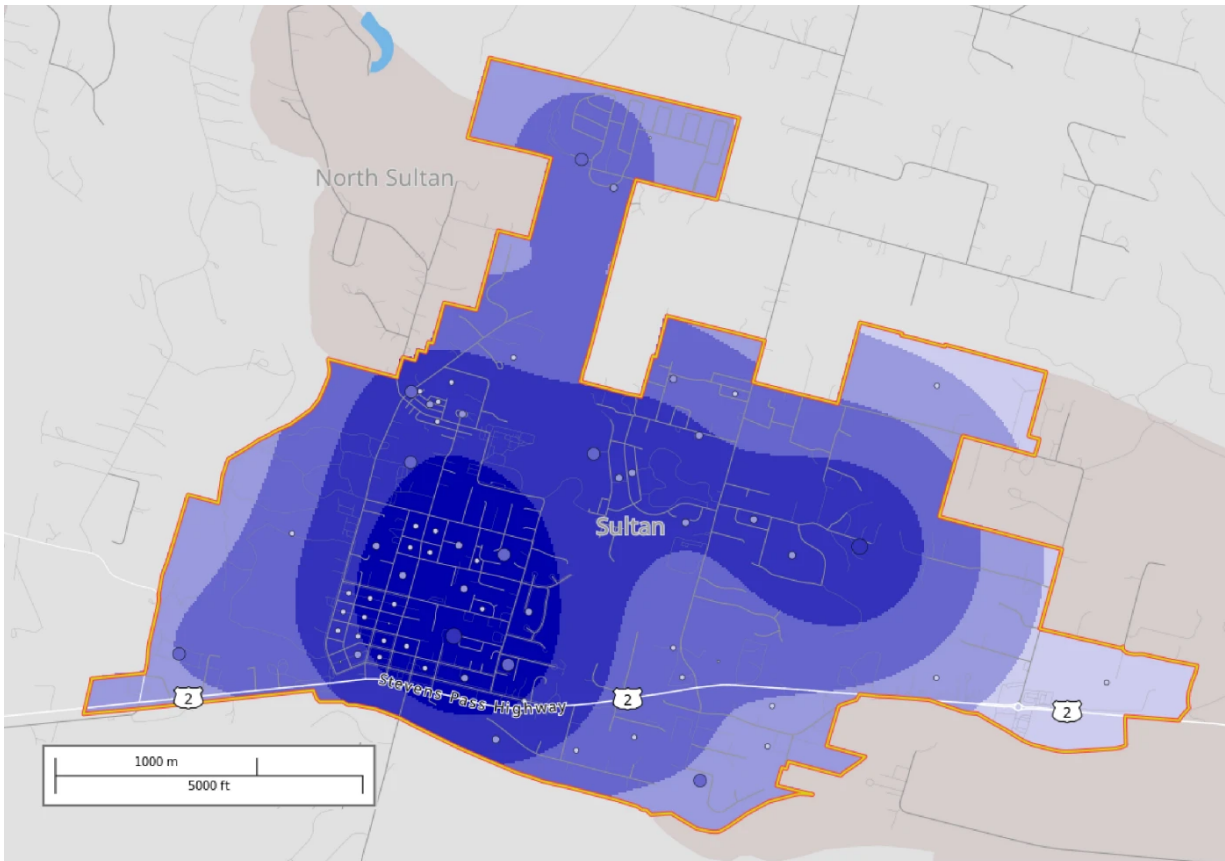


Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023

Unsurprisingly, Sultan's employed residents are distributed throughout the City, with larger concentrations based on housing density. The map below, along with the figures above, is based on 2020 data - the latest available dataset.

The map below shows where Sultan's employed residents reside.

Employed Resident Home Distribution, 2020



Map Legend

Job Density [Jobs/Sq. Mile]

- 5 - 72
- 73 - 274
- 275 - 610
- 611 - 1,082
- 1,083 - 1,688

Job Count [Jobs/Census Block]

- 1 - 3
- 4 - 19
- 20 - 63
- 64 - 148
- 149 - 289

Selection Areas

- ▭ Home Area

Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023.

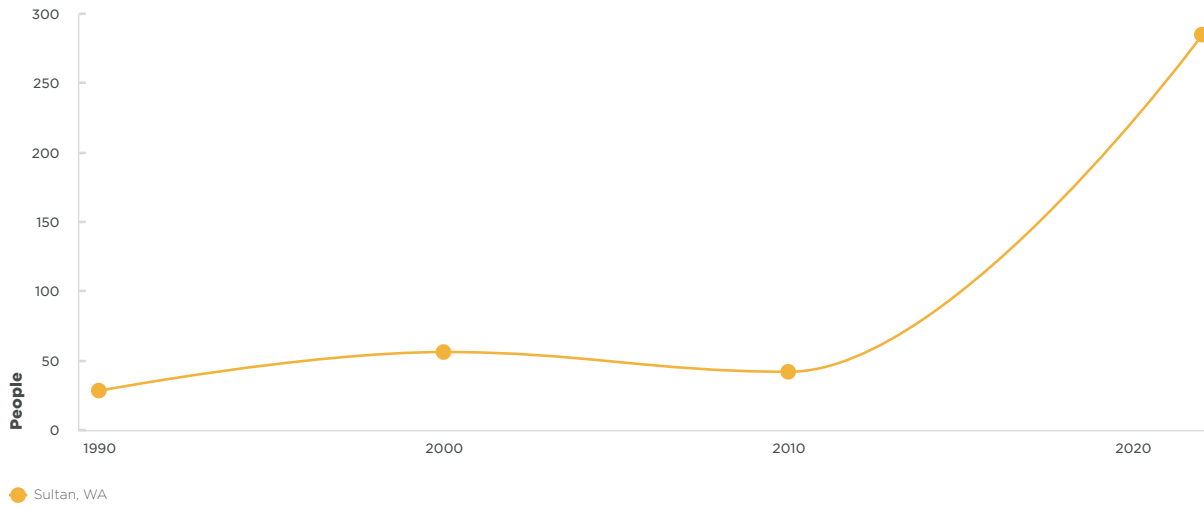
Where Sultan Residents Work

Working from Home

The majority of Sultan residents travel outside the city for work. As of 2020, only approximately 168 Sultan residents work in in Sultan. However, this does not include residents who work from home.

The pandemic precipitated a huge increase in work from home. In 2022, 285 employed Sultan residents worked from home. Although these numbers have likely declined, this is a trend that can guide Sultan's policies regarding land use and taxation.

Working from home



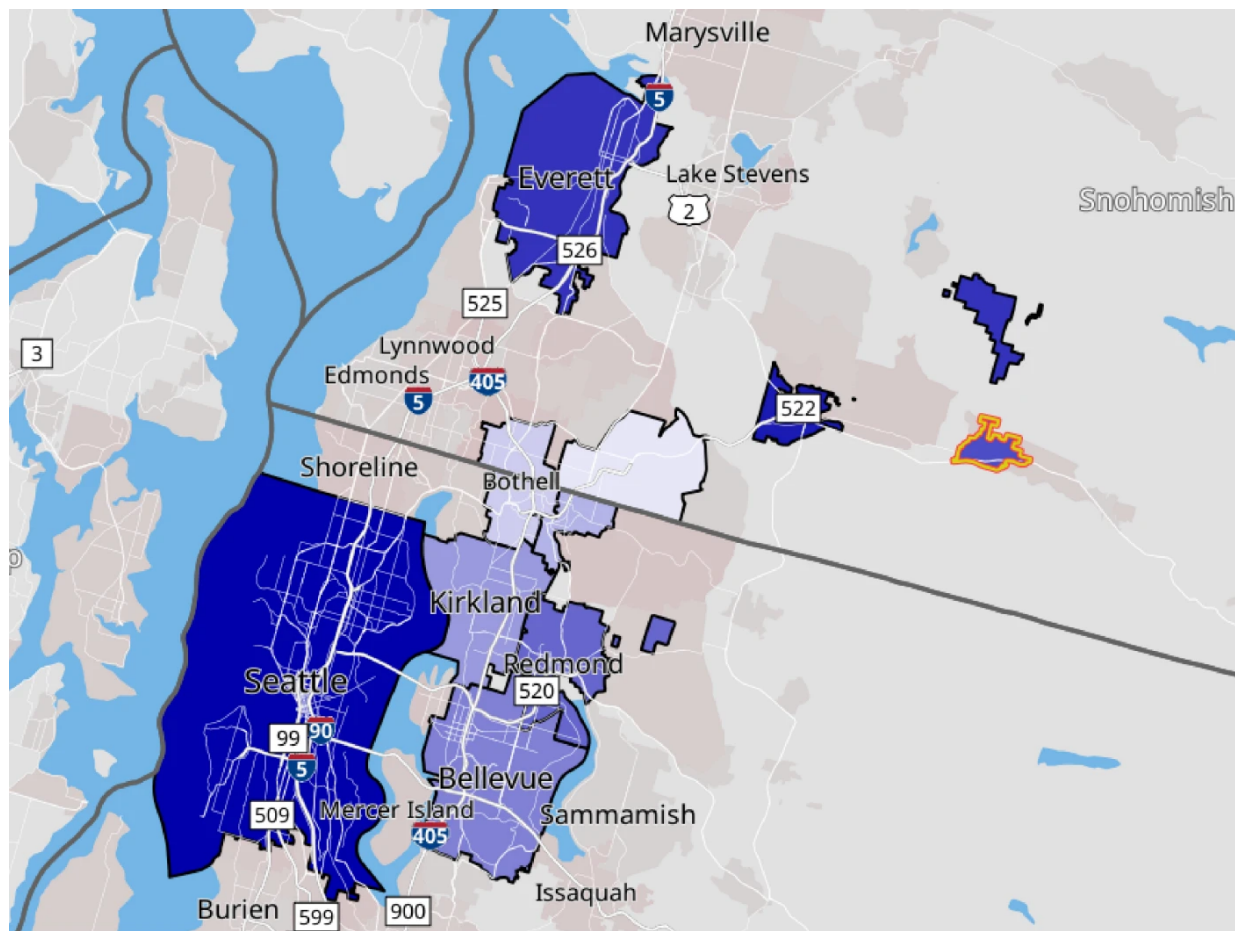
Sources: US Census Bureau; US Census Bureau ACS 5-year

Working Outside Sultan

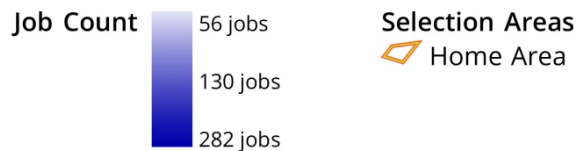
As of 2020, the vast majority of Sultan residents were employed outside of Sultan with approximately one-third employed in Seattle, Monroe, Everett, or Redmond.

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Map of Where Sultan Residents Work, 2020

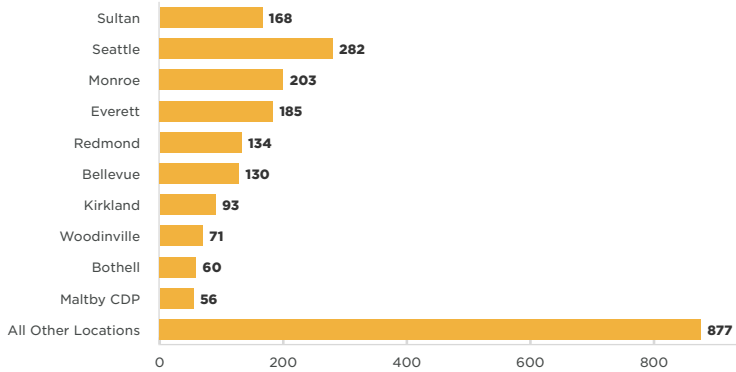


Map Legend



Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023.

Sultan Residents by Work Location



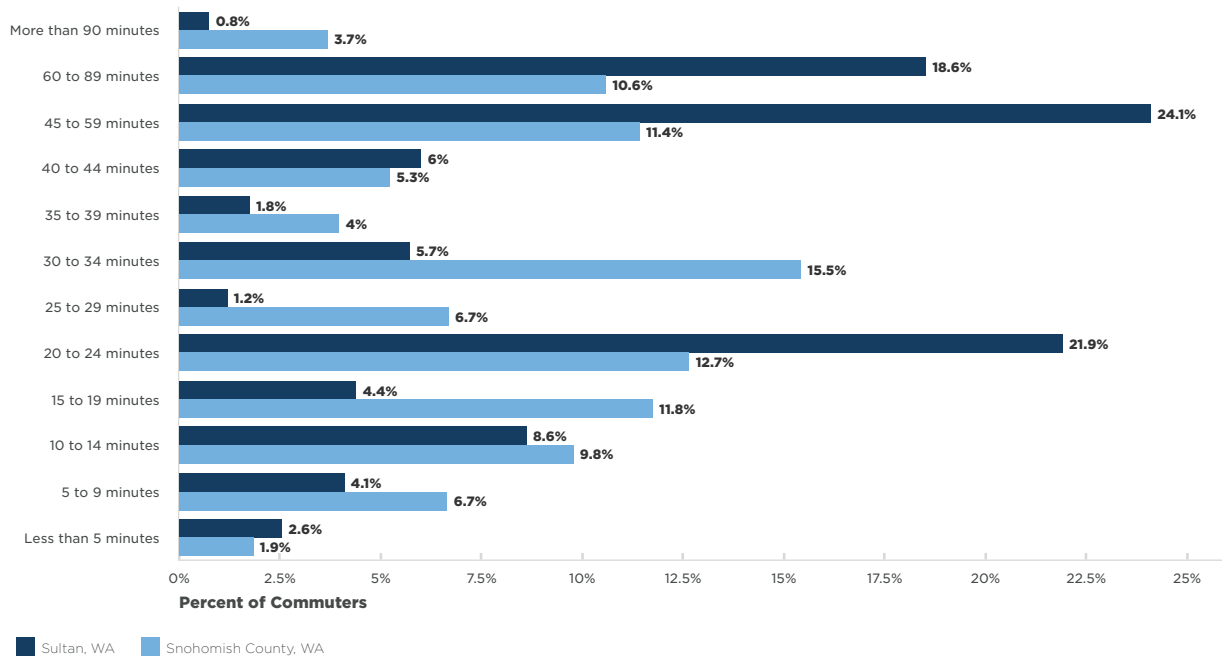
Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023.

Getting to work

Since many Sultan residents do not work from home and most are employed outside of the city, they do a significant amount of commuting, including long commutes. Sultan residents have longer commutes than residents across Snohomish County as a whole, with the majority commuting over 30 minutes. The vast majority commutes alone in their car, leading to a large number of long, single-occupancy trips in and out of Sultan.

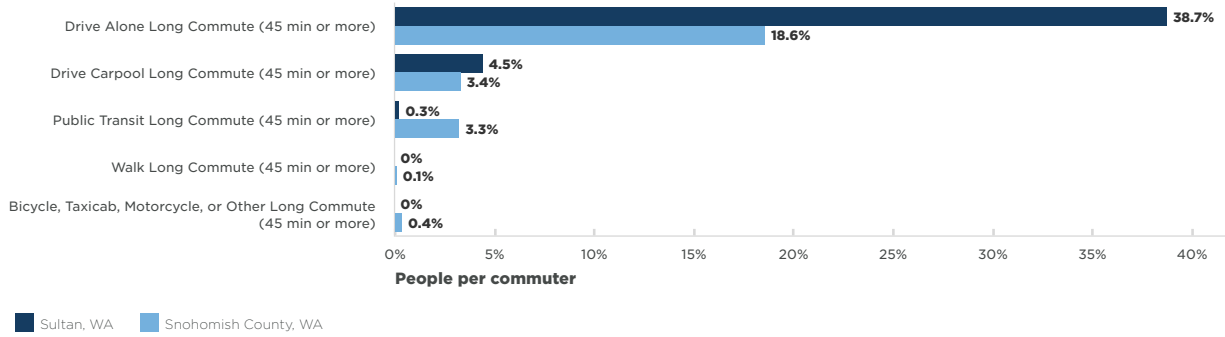
Commuter Information

Commute Time to Work



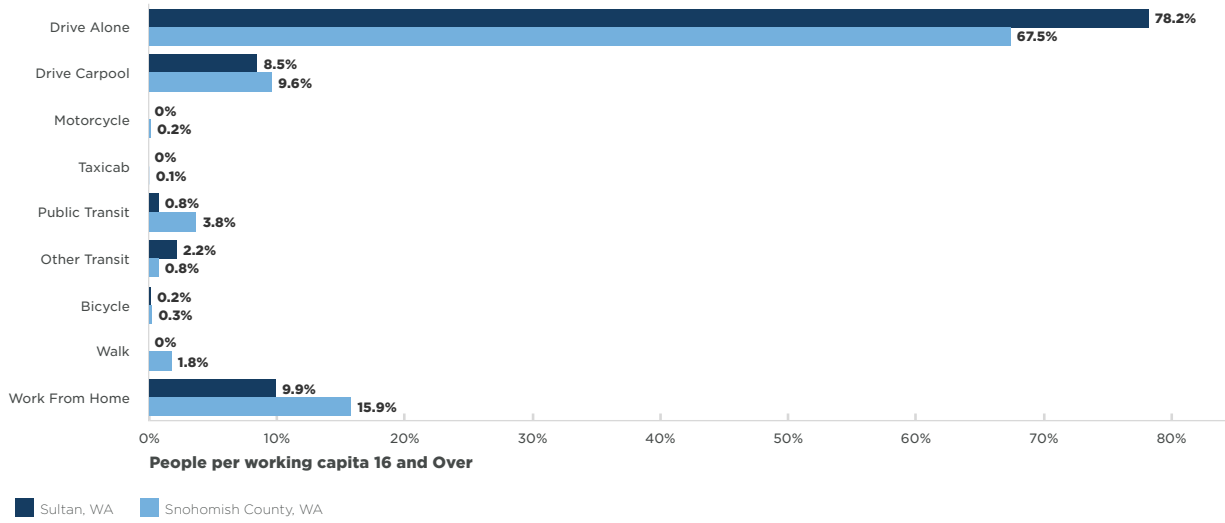
Sources: US Census Bureau ACS 5-year 2018-2022

Workers 16 and Over with a Long Commute - 45 Minutes or More by Commute Type



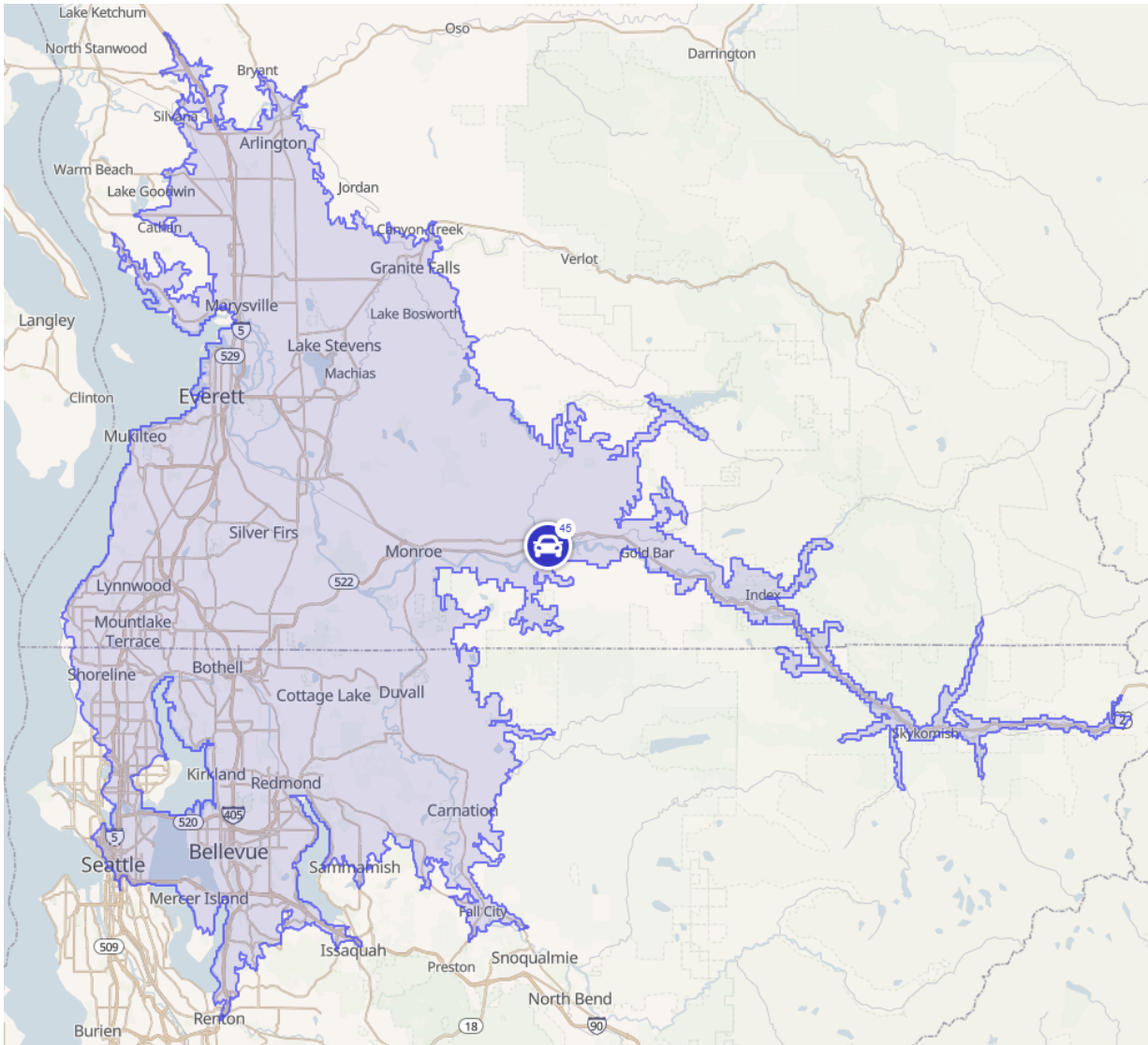
Sources: US Census Bureau ACS 5-year 2018-2022

Commute Means of Transportation



Sources: US Census Bureau ACS 5-year 2018-2022

Sultan 45-Minute Drive Time Contour



Source: Commute Time Map

Employment Inflow and Outflow

It is notable that the majority of Sultan residents work outside of the City while the majority of people employed in Sultan live outside of the City. This trend has slightly increased between 2010 and 2020. In other words, a smaller proportion of residents were employed locally in 2020 (7.4%) compared to 2010 (8.7%). This points to a mis-match between the availability of jobs, wages, and the cost of living in Sultan.

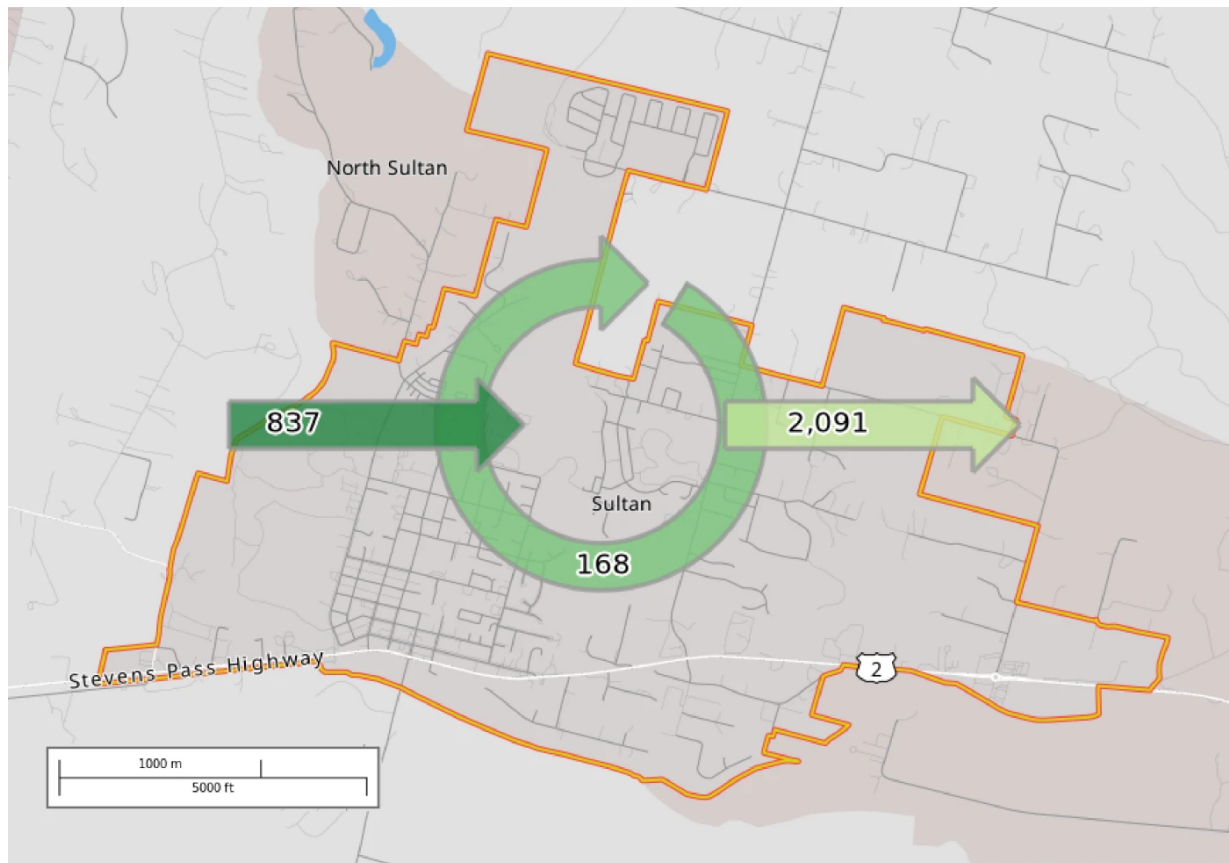
The maps below show worker inflow and outflow in 2010 and 2020 respectively. Inflow is represented by the dark green arrow pointing towards Sultan; these are all of the workers who commute to Sultan to work. The medium green circle represents workers who both live and work in Sultan. Finally, the light green arrow pointing away from the city represents workers who live in Sultan but are employed elsewhere.

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Employment Inflow and Outflow in Sultan, 2020

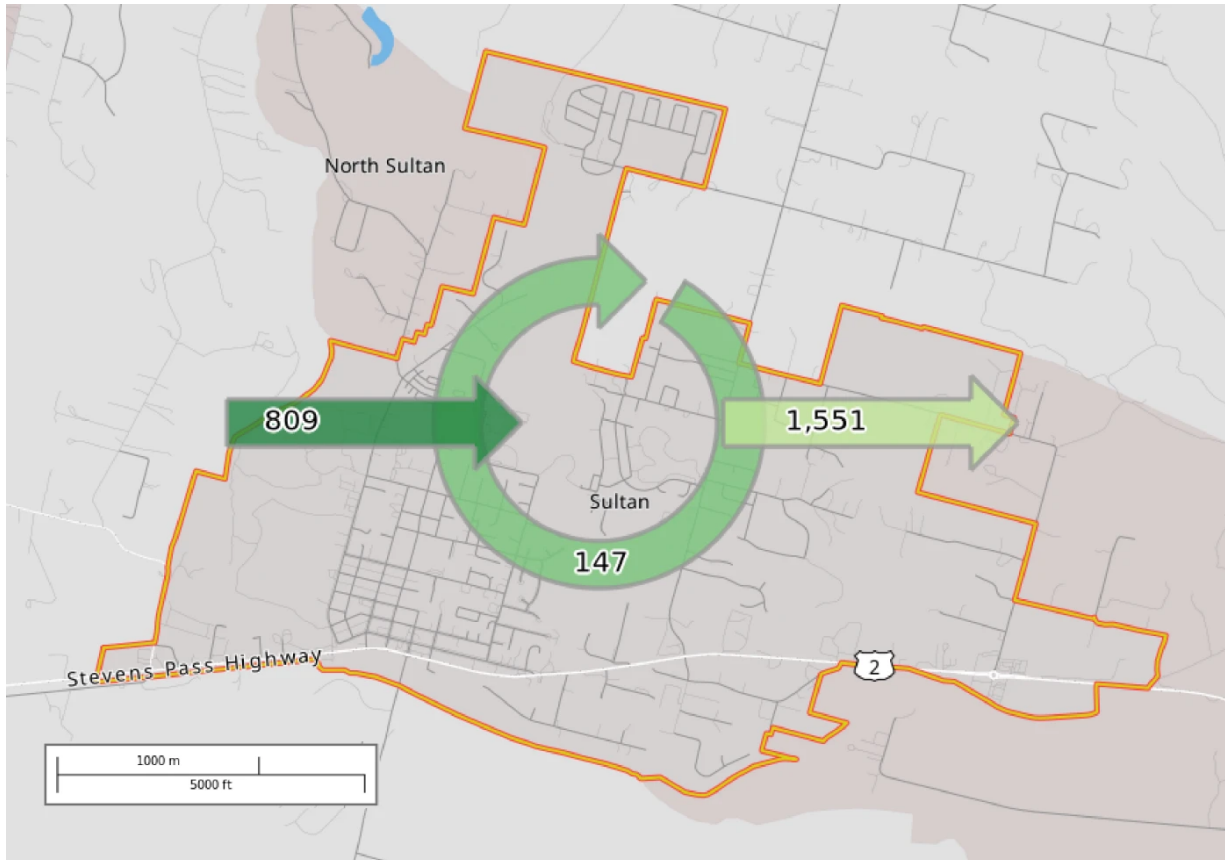


Map Legend

Inflow/Outflow	Selection Areas
Employed and Live in Selection Area	Home Area
Employed in Selection Area, Live Outside	
Live in Selection Area, Employed Outside	

Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023.

Employment Inflow and Outflow in Sultan, 2010



Map Legend

- | Inflow/Outflow | Selection Areas |
|--|-----------------|
| Employed and Live in Selection Area | Home Area |
| Employed in Selection Area, Live Outside | |
| Live in Selection Area, Employed Outside | |

Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023.



Employment in Sultan

Key Findings

- **As of 2022, Sultan had 1,013 jobs in the city.** The number of jobs has fluctuated substantially over the past 20 years; the city has lost about 85 jobs since 2018.
- **Nearly 34% of local jobs are in Educational Services and 26.1% are in Manufacturing.** Retail Trade, Information, and Finance and Insurance are disproportionately small industries in Sultan compared to Snohomish County as a whole.

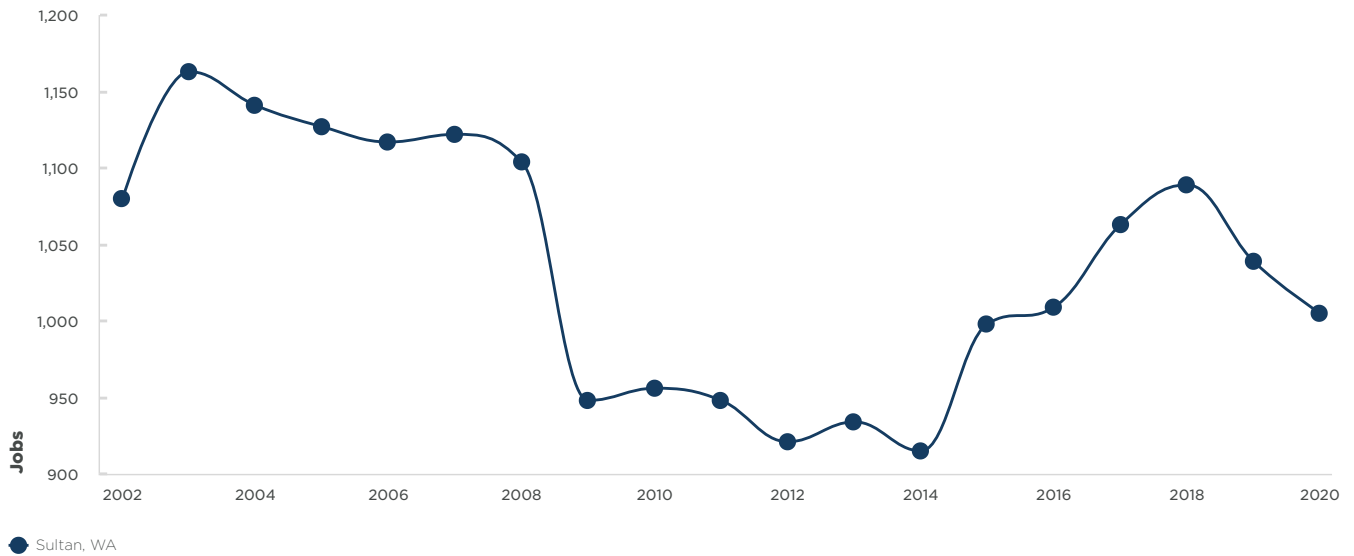
Employment

The number of jobs in Sultan has fluctuated considerably over the past 20 years with a noticeable decline of about 150 jobs between 2008 and 2009. Manufacturing, public administration, transportation and warehousing, and wholesale trade are among the industry sectors that lost jobs during this time.

The chart below, based on a dataset produced by the U.S. Census, shows 1,005 jobs in Sultan in 2020. According to Covered Employment Statistics published by the Puget Sound Regional Council, this number of jobs slightly increased to 1,013 in 2022.

Unlike population growth, increases in jobs did not occur during most of the City's annexations since 2000 because the annexation areas were primarily residential. The compound annual growth rate (CAGR) of Sultan residents' employment between 2016 and 2020 was -1.19%, lower than the Sultan population CAGR of 3.64%.

Number of Jobs



Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023.

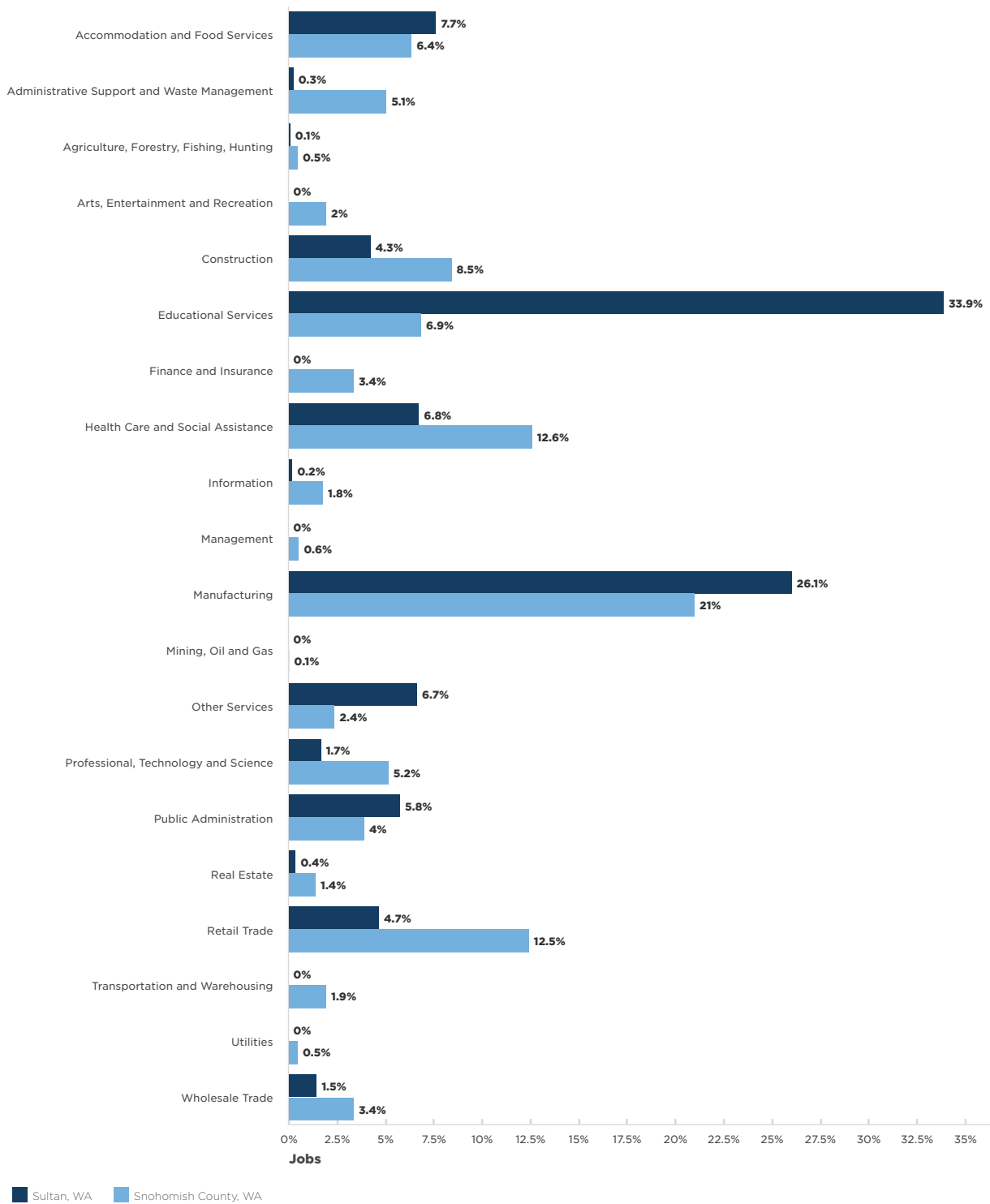
Sultan Jobs by Industry

Over 30% of employees in Sultan work in Educational Services and 26.1% work in Manufacturing. The next most represented industries are Accommodation and Food Services (7.7%) and Health Care and Social Assistance (6.8%).



Image: Sky Valley Chamber of Commerce

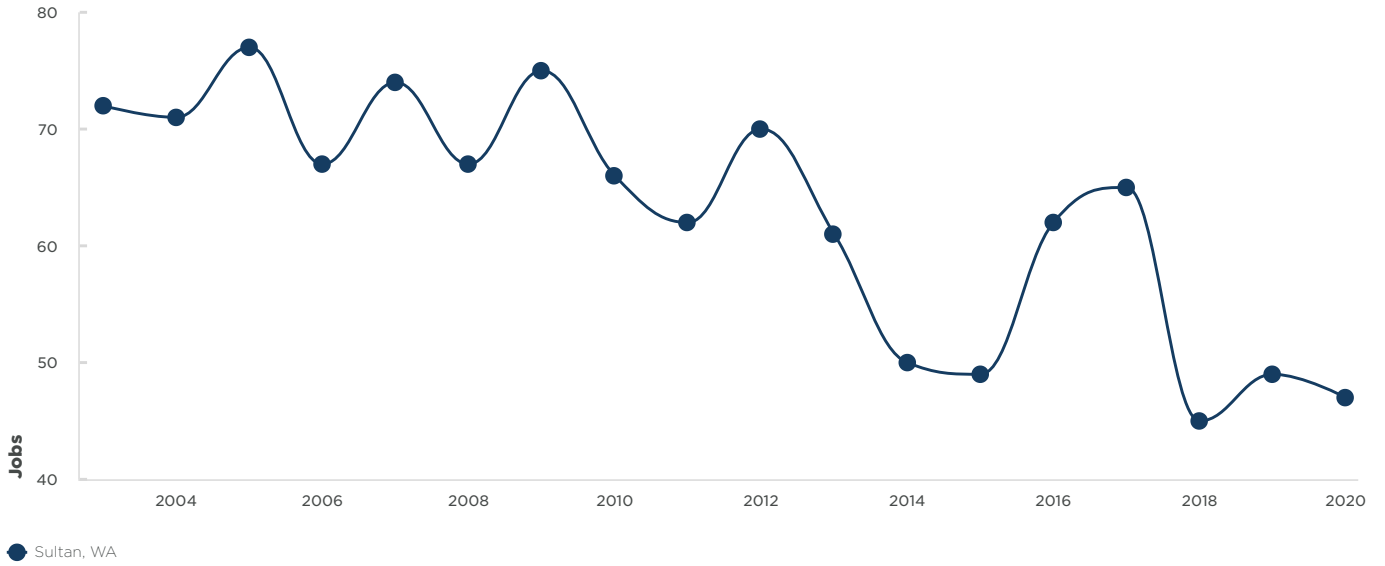
Number of Jobs, 2020



Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2020.

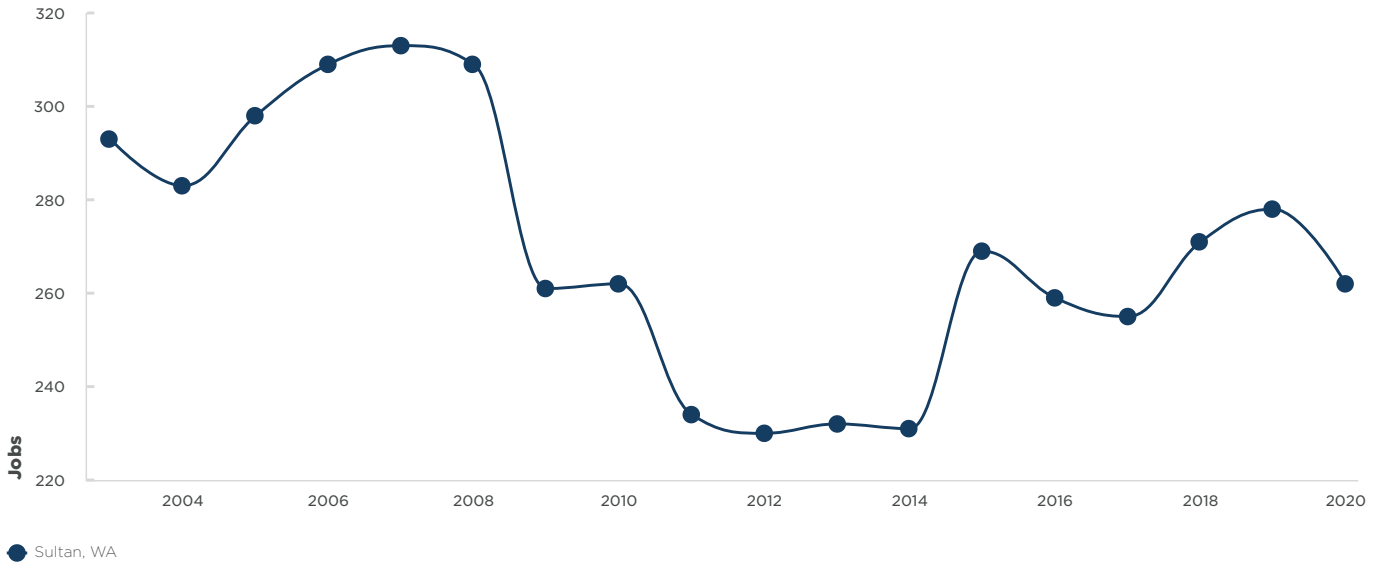
Compared to Snohomish County, a substantially smaller percentage of Sultan workers are engaged in Retail Trade, Information, Finance and Insurance, and Professional, Technology, and Science.

Growth of Number of Jobs in Retail Trade Over Time



Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023.

Growth of Jobs in Manufacturing Over Time



Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023.

Labor Market Comparison

The employment entropy index indicates a moderate degree of heterogeneity in Sultan's employment across different industries, but less employment diversity than Snohomish County as a whole. Sultan's lower regional economic diversity index score indicates a small deviation in labor market slack from the region as a whole.

Regional Economic Diversity Index

0.3
Sultan, WA

0.52
Snohomish County, WA

Employment Entropy Index

0.71
Sultan, WA

0.9
Snohomish County, WA

Source: US Census Bureau, Longitudinal Employer-Household Dynamics, 2023.

The Regional Economic Diversity Index quantifies the deviation of the ratio of number of jobs to population for a given geography from the regional average ratio of number of jobs to population. Higher values of the index indicate greater deviation in labor market slack for a given geography from the regional average. The ratio of the number of jobs to population is often used to measure slack in the labor market, or alternatively, the quantity of unemployed labor resources.

The Employment Entropy Index ranges from 0 to 1, with higher values indicating a greater degree of employment mix across industries.

Sultan ED Profile: Economic and Fiscal Drivers

Key Findings

- As of fiscal year 2021, the City of Sultan generates approximately \$1,016 per capita in governmental revenue.
- Despite levying property tax, retail sales and use tax, and a utility tax, in 2022, the City collected the largest share of its revenues from development and impact fees.
- Even adjusted for inflation, City of Sultan's retail sales tax and use activity has gone up significantly, at a compound annual growth rate of 13.43% between 2013 and 2022. Much of this increase is due to one-time taxation on new housing construction. The City still has far less taxable retail sales activity than you would expect based on its population compared to Washington state overall.

Fiscal Analysis

Washington cities have the authority to levy two categories of taxes: property taxes and excise taxes. Property taxes are, by far, the most significant revenue source for most Washington cities when considering government funds. It is important to clarify that this may not be the case for some smaller cities, like Sultan, that operate utility enterprises and, thus, collect significant service and commodity charges from ratepayers, in proprietary funds.

Excise taxes are a diverse class of taxes levied on goods and commodities, as well as some services, and on licenses granted for certain activities. Along with property tax, three key excise taxes (business and occupation tax, retail sales and use tax, and utility tax), are the “four legs under the table” of city funding in Washington.

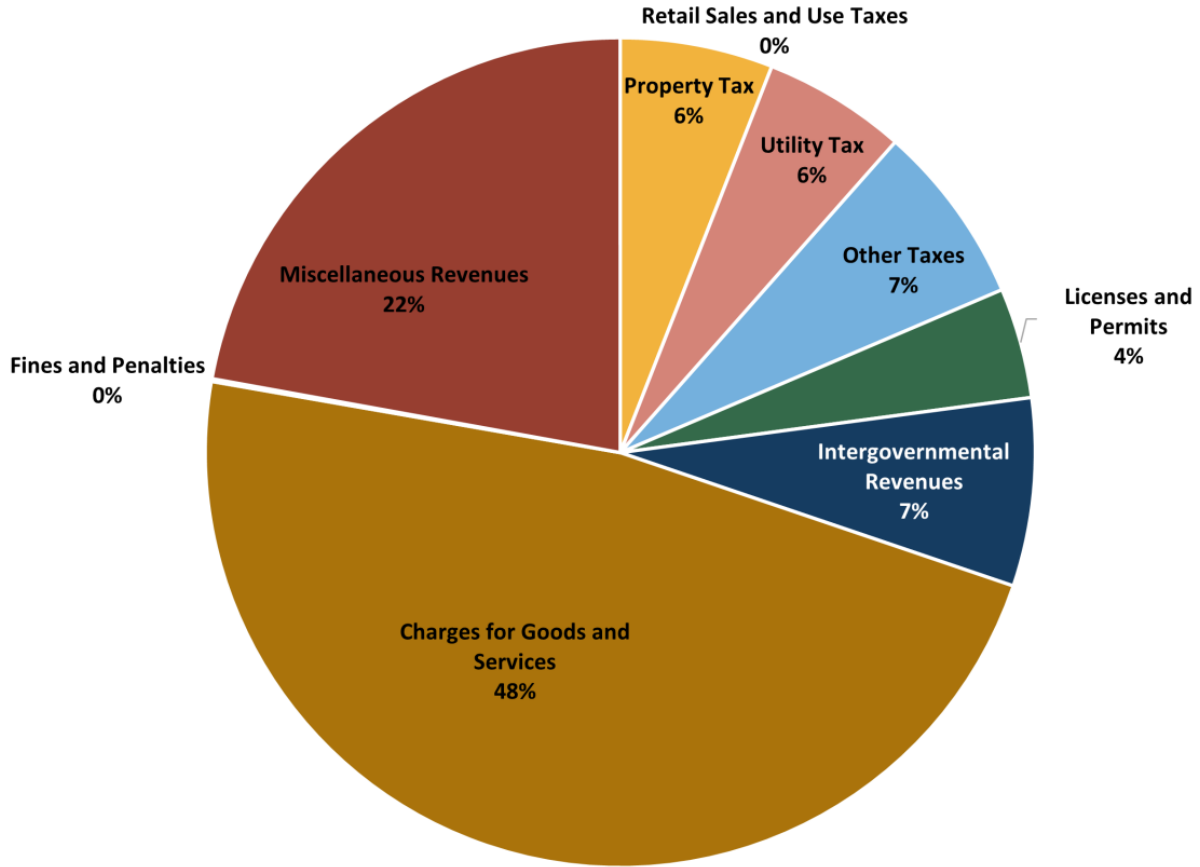
Cities directly levy these taxes and control their rates (sometimes, indirectly, through the will of the people). As they are often the most significant revenue sources for cities, and those which they control, they are also the greatest opportunities for Cities to influence their revenue generation, either through the tax rates themselves or through their economic drivers. Simplistically, these economic drivers are:

- Assessed valuation drives property tax receipts
- Taxable retail sales drive retail sales and use receipts
- Utility usage drives utility taxes
- Gross business income drives business and occupation taxes

These sources are all forms of taxation, and therefore, cities must consider the tax burden they impose on residents, businesses, and visitors, as well as how that burden impacts their competitiveness in driving taxes.

Following, we consider Sultan's revenues, with and without its proprietary funds.

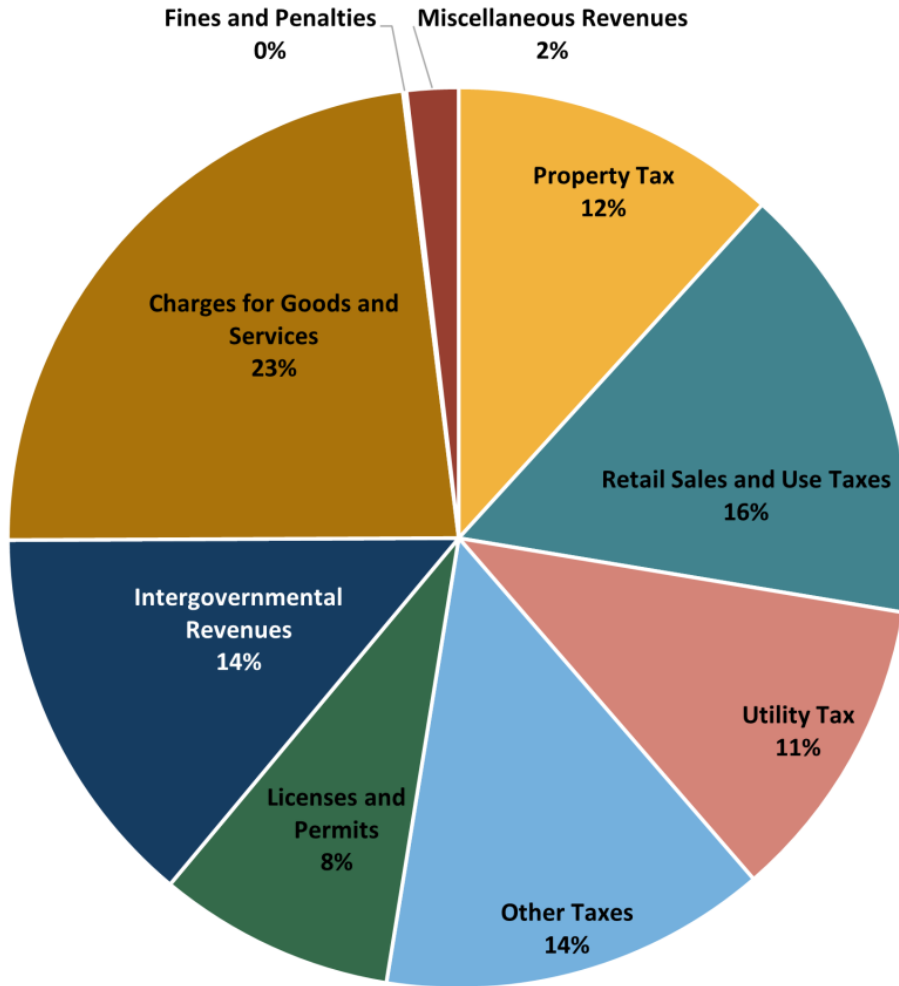
City of Sultan Governmentwide (with Proprietary Funds) Revenues by Source, 2022



Source: Washington State Auditor's Office, Financial Intelligence Tool, 2022 Filings, 2023.

The City of Sultan operates water, sewer, and stormwater utilities. These enterprises are largely funded by charges for goods and services. To better understand the City's governmental revenues we must exclude these enterprises (by excluding all of the City's proprietary funds, which include the Water Utility Fund, Sewer Utility Fund, Stormwater Utility Fund, and the Equipment Fund [an internal service fund through which the City's fleet and equipment is managed]).

City of Sultan Governmentwide (without Proprietary Funds) Revenues by Source, 2022



Source: Washington State Auditor's Office, Financial Intelligence Tool, 2022 Filings, 2023.

Surprisingly, even when looking at exclusively governmental funds, Charges for Goods and Services are still the City of Sultan's largest revenue source. This is largely because the City collects development fees, including both Transportation and Parks Impact Fees, and had unusually high collections in this area in 2022, collecting a total of \$1,825,066.

Even more surprisingly, Sultan collected more retail sales and use taxes than property taxes in 2022. A significant amount sales taxes, however, come from new housing construction, which there was a lot of in 2022. This is one time money that the city cannot anticipate on an ongoing basis.

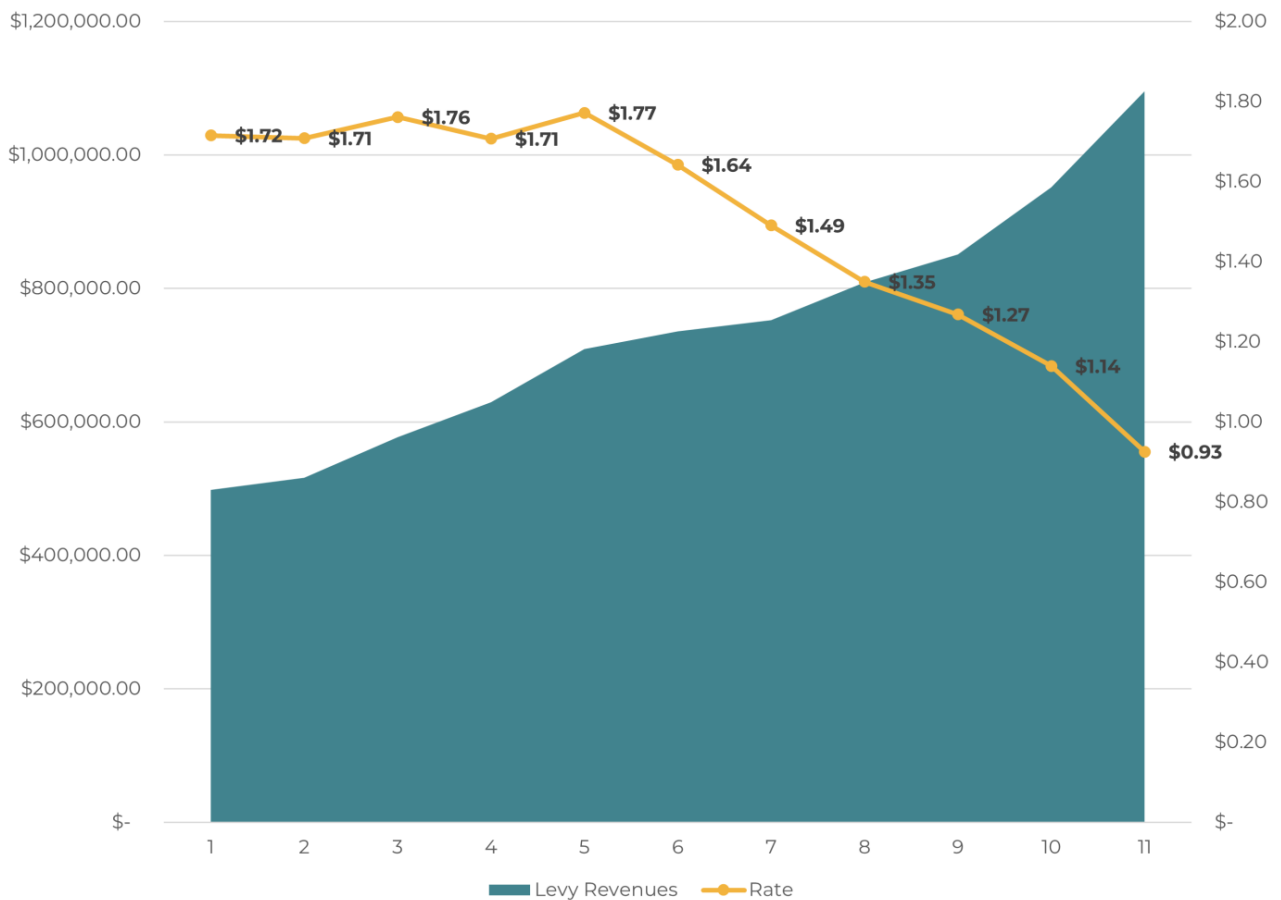
The City does currently levy a business and occupation tax on Utilities (noted as a Utility Tax) in the chart above, but doesn't levy business and occupation taxes otherwise.

Property Tax

Approximately 12% of the City of Sultan's 2022 revenues were generated by the City's property tax levy. The City's property tax levy is part of the overall property taxes that Sultan property owners pay. As of 2023, the City serves four tax code areas with three unique rates (that is, two tax code areas levy the same total property tax rate).

In Washington State, property tax revenues have been limited by Initiative 747, which passed in 2001, which allows total revenues to increase by 1% plus the value of any additional construction. Cities that do not take the 1% increase can "bank" that increase for the future. In 2023, the City of Sultan took its 1% increase as well as a 1.15% increase from banked property tax capacity for a regular levy rate of approximately \$0.90. However, in addition to its regular levy, the City also levies an additional property tax intended to refund limited tax general obligation bonds which were issued pursuant to passage of Proposition 1 Emergency Radio System and Health and Safety Bonds on September 14, 2004, at a rate of approximately \$.028, for a total City of Sultan property tax rate of approximately \$0.93 in 2023. This means that, in 2023, the property taxes collected by the City's levies were between approximately 11.5% and 13.3% of property owners total property tax costs.

City of Sultan Property Tax Revenues and Rate, 2014 to 2023



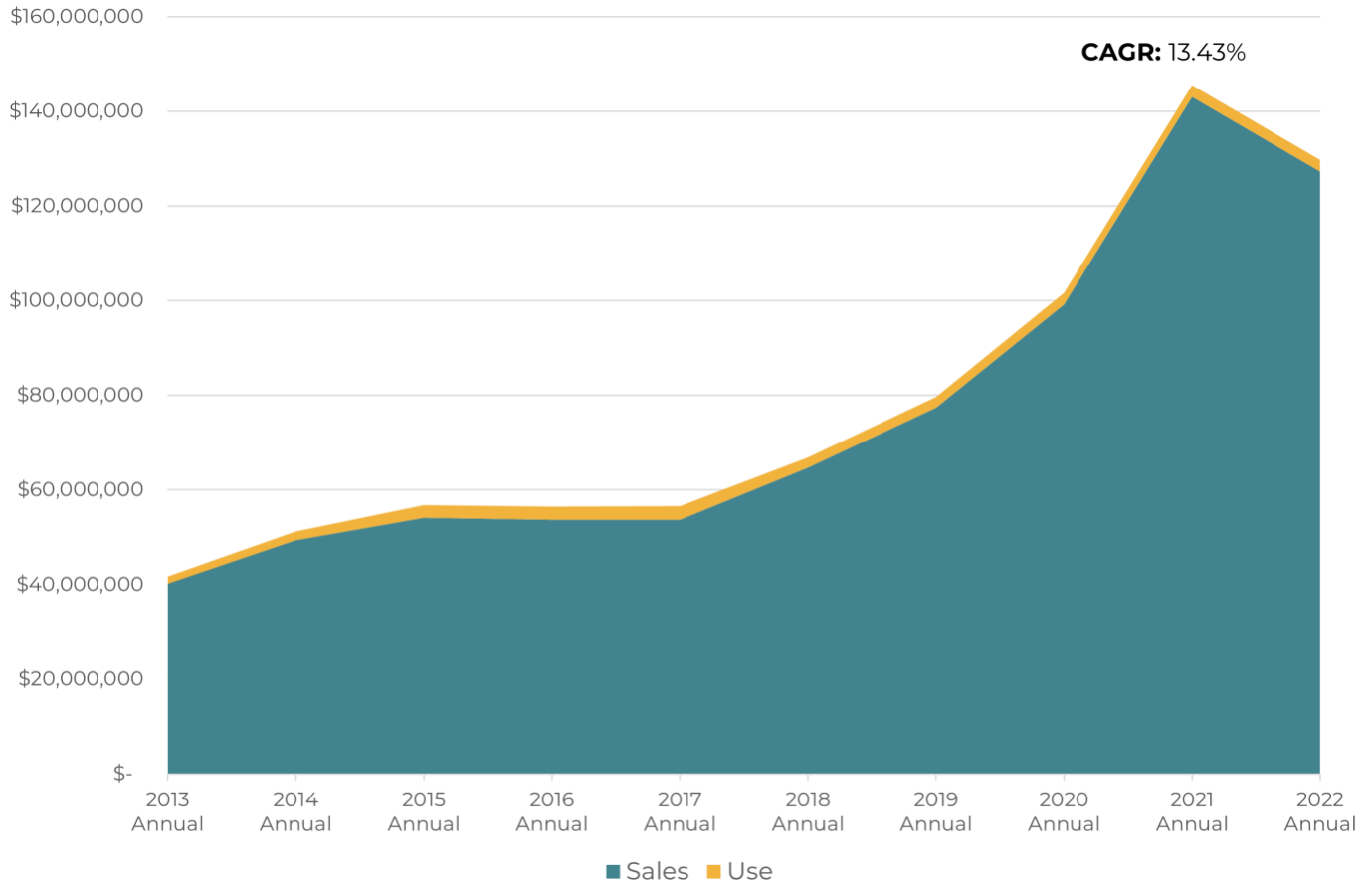
As property tax costs are driven by assessed value, it is difficult to pinpoint tax burden for residents. Instead, we compared the property tax costs (total and those specifically attributable to the City) for an average home. In 2023, the Snohomish County Assessor reported that the average home value in Sultan was \$448,400 (a 35.7% increase in average home value from 2022). Depending on the property's location (that is, which tax code area it was in), their total tax burden would be between approximately \$3,116 and \$3,510 dollars. Property owners with a home of this "average" value would pay approximately \$415 in property taxes to the City.

Retail Sales and Use Tax

In Washington, sales taxes apply to most retail sales of "tangible personal property" including digital products as well as certain services including those related to installation, repair, cleaning, altering, improving, construction, and decorating or otherwise improving real and personal property, retail recreation services (e.g., day trips, fishing charters, services fees on tickets to professional sporting events), personal services (e.g., personal training, tanning, tattooing, and dating services), and other miscellaneous services (e.g., car washes, vehicle parking and towing, catering, extended warranties, and restaurants, among many other varied examples). Washington is a "destination-based sales tax" state, which means that tax is collected at the "point of delivery" of the good, rather than the "point of sale" of the good. As part of this, Washington levies a "use" tax, which makes up the difference between sales tax levied and the local sales tax rate on purchases made out of state for use in Washington. Implementation of the Marketplace Fairness Act in 2018 requires remote sellers to collect sales taxes on purchases delivered to Washington, eliminating a need for a use tax on most online and other remote orders.

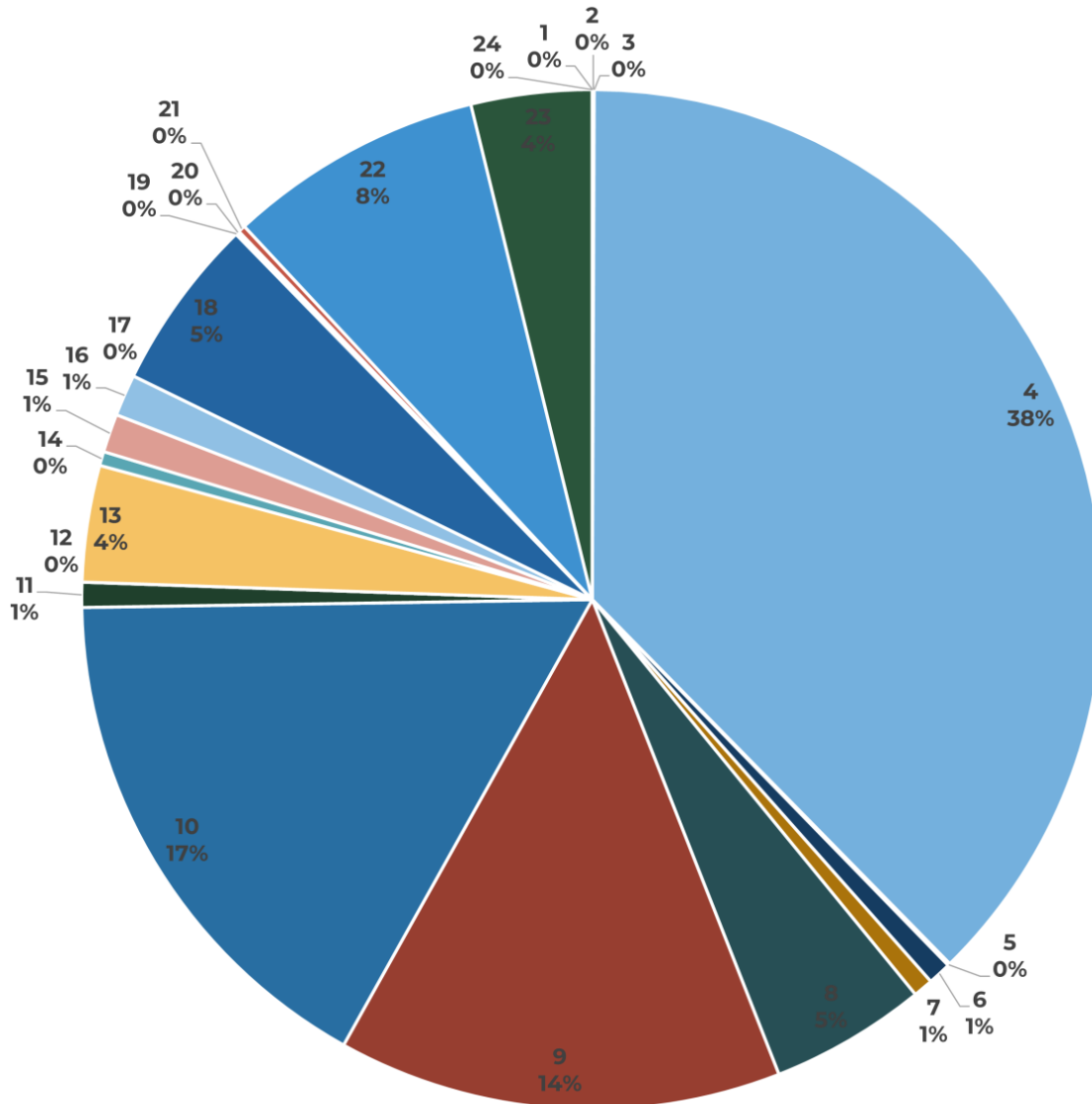
Taxable retail sales and use taxes are collected and classified against the North American Industry Classification System (NAICS) codes which is the standard industry classification system used by federal statistical agencies in classifying business establishments for collecting, analyzing, and publishing statistical data related to the U.S. economy. The NAICS classification system includes two-digit (least detailed) to six-digit (most detailed) codes. For the purposes of this analysis, we looked at overall taxable retail sales and use data at the two-digit code level and specifically retail trade data at the four-digit level. The full NAICS classification system can be found here: <https://www.census.gov/naics/?58967?yearbck=2017>¹⁵.

City of Sultan Taxable Retail Sales and Use Activity, 2013 to 2022 (2022\$)



Retail sales and use tax collections are volatile as they are largely driven by consumer spending. While some amount of consumer spending is necessary, discretionary spending often follows the economy (that is, when the economy lags, so does retail spending). Over the last ten years, between 2013 and 2022, Sultan’s inflation-adjusted taxable retail sales and use activities have increased by a compound annual growth rate of 13.43%. This is due to a number of factors, including the transition to “destination-based sales tax system,” ongoing marketplace fairness activities that have increased collections from online and other remote orders, and the overall growth and strength of the US economy. However, it is important to remember that taxable retail sales and use also decreases when the US economy contracts.

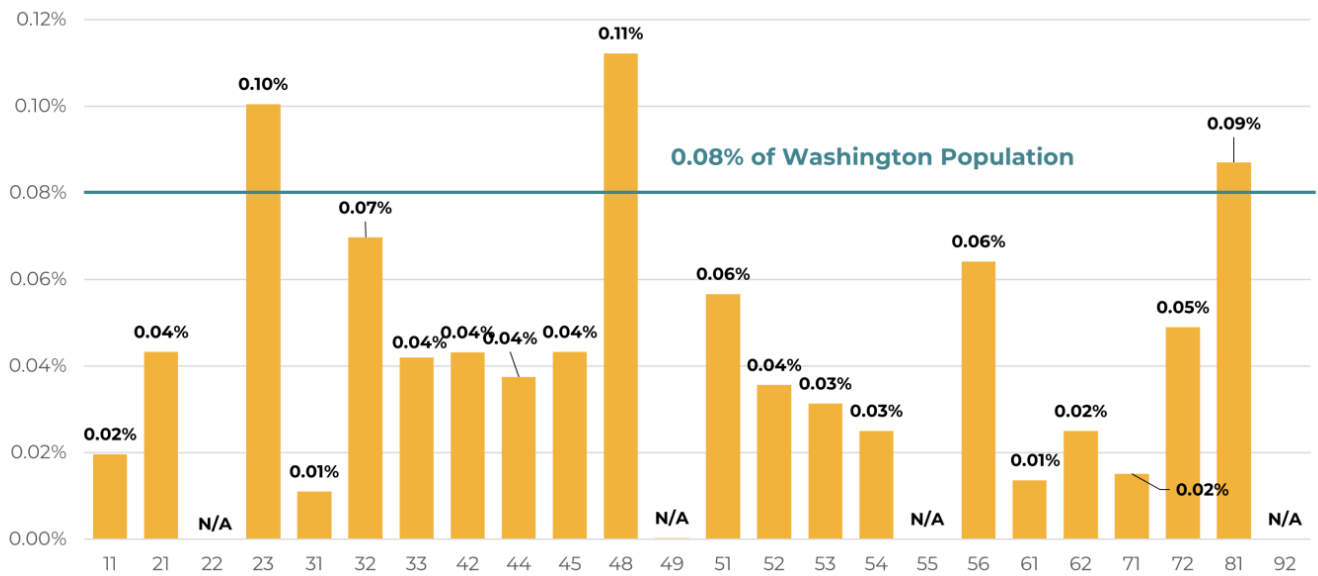
City of Sultan's Taxable Retail Sales and Use Activity by Industry, 2022



- 1: Automobile Dealers
- 2: Other Motor Vehicle Dealers
- 3: Automotive Parts, Accessories, and Tire Retailers
- 4: Building Material and Supplies Dealers
- 5: Lawn and Garden Equipment and Supplies Retailers
- 6: Grocery and Convenience Retailers
- 7: Specialty Food Retailers
- 8: Beer, Wine, and Liquor Retailers
- 9: Furniture and Home Furnishings Retailers
- 10: Electronics and Appliance Retailers
- 11: Department Stores
- 12: Warehouse Clubs, Supercenters, and Other General Merchandise Retailers
- 13: Health and Personal Care Retailers
- 14: Gasoline Stations
- 15: Fuel Dealers
- 16: Clothing and Clothing Accessories Retailers
- 17: Shoe Retailers
- 18: Jewelry, Luggage, and Leather Goods Retailers
- 19: Sporting Goods, Hobby, and Musical Instrument Retailers
- 20: Book Retailers and News Dealers
- 21: Florists
- 22: Office Supplies, Stationery, and Gift Retailers
- 23: Used Merchandise Retailers
- 24: Other Miscellaneous Retailers

Since taxable retail sales and use is a key driver of taxable retail sales and use tax collections, it useful to consider whether Sultan is meeting the demand for retail sales and use in its community (or “trade area”). Retail leakage is extremely complex and generally done at a very detailed level as part of retail analysis, so as a proxy we have considered whether Sultan has it’s “fair share” of taxable retail sales and use activities based on its population occurring in the City. That is, is Sultan’ per capita retail sales and use at or above it’s total share of the statewide population.

City of Sultan Per Capita Taxable Retail Sales Activity in Comparison to Statewide Per Capita Taxable Retail Sales Activity, 2022



NOTE: N/A refers to areas where taxable retail sales data was suppressed for confidentiality purposes.

- 11: Agriculture, Forestry, Fishing and Hunting
- 21: Mining, Quarrying, and Oil and Gas Extraction
- 22: Utilities
- 23: Construction
- 31-33: Manufacturing
- 42: Wholesale Trade
- 44-45: Retail Trade
- 48-49: Transportation and Warehousing
- 51: Information
- 52: Finance and Insurance
- 53: Real Estate and Rental and Leasing
- 54: Professional, Scientific, and Technical Services
- 55: Management of Companies and Enterprises
- 56: Administrative and Support and Waste Management and Remediation Services
- 61: Educational Services
- 62: Health Care and Social Assistance
- 71: Arts, Entertainment, and Recreation
- 72: Accommodation and Food Services
- 81: Other Services (except Public Administration)
- 92: Public Administration

Sultans' retail sales and use is far below its share of Washington State's based on population in most industries, with the exception of "Construction," Transportation and Warehousing," and "Other Services (except Public Administration)" where it is slightly above its expected share.

Other Taxes

Beyond property tax and retail sales and use tax, the other two "legs under the table" of City finance in Washington state, are business and occupation tax and utility tax. The City of Sultan levies a utility tax of the maximum 6% of the total gross revenue derived from the provision of telephone, electricity, natural gas, water, sewer, garbage, and cable television service. In 2022, this amounted to approximately 11% of the City of Sultan's governmental revenues.