

3.12 FISCAL CONDITIONS

This section of the DEIS examines the tax revenues and costs of services that can be attributed to the site at an assumed base year (2022) under the EIS Alternatives. The section is based on the *Fiscal Condition Assessment* (February 2024) prepared by ECONorthwest (see **Appendix P**).

3.12.1 Affected Environment

Fiscal conditions presented below provide background about the revenues, expenditures, and tax bases of the city of DuPont. This analysis is focused on general government funds primarily include the city's General Fund which accounts for services to the public including public safety, street maintenance, land use, parks and recreation, and administrative functions. These services are largely supported by taxes, fees and charges, and intergovernmental revenues (i.e., state and federal contributions). This analysis is specifically focused on the taxes used to support the city's public services.

The analysis does not include the enterprise funds related to operating the Water Utility and Stormwater Utility. These enterprises are operated like a stand-alone business where with customer user fee are used to support all operating costs. Resources of the utilities cannot be used to subsidize general government functions.

City Tax Revenue Sources

Below is a discussion of the city of DuPont's primary tax revenue sources and trends from 2011 to 2021. Unless cited otherwise, informing this memorandum is data from Washington state's Local Government Financial Reporting System for the city of DuPont. As with many cities in Washington State, the three largest revenues sources for the City of DuPont are (1) property taxes, (2) sales and use taxes, (3) utility taxes, and (4) business and occupation taxes (B&O). Taxes made up 74% of the city's overall revenue in 2021.

Current Expense Property Taxes

Initiative 747 limited local property tax increases to 1.0% each year, resulting in an erosion of the tax's purchasing power over time. Because of the method for calculating DuPont's property tax levy (equal to the 101% of the previous year's levy plus new construction add-on value), new construction is important to the city's ability to limit the erosion of the purchasing power of the property tax and to grow the levy beyond the statutory limitations. In 2023, property tax levy was \$2,014,558.

EMS Property Taxes

The city also collects a regular property tax for emergency medical services provided by the city. In 2023, property tax levy was \$877,716.

Local Option Retail Sales and Use Taxes

One of the key revenue sources that cities rely on is the retail sales tax. Of the 9.4% sales tax currently collected in the city on general retail purchases, a 1% "local" share of the tax accrues to local jurisdictions. The city receives 85% of the 1% local tax and Pierce County gets 15%. The current rate accruing to the city is 0.85%. The local option sales tax generated \$2,353,599 in local sales tax revenues for the city in 2021. This tax is levied not only on businesses in the area, but also on construction activity and some transactions that are related to housing, such as certain online purchases. The city also receives a population pro-rata share of 90% of the city allocation of Pierce County's 0.1% criminal justice sales tax.

Business and Occupation Taxes

This category of revenue includes monies received from business and occupation taxes (B&O tax) on general business activities. The B&O tax rate in DuPont is 0.1%. The B&O tax generated \$746,828 in tax revenues for the city in 2021.

Utility Taxes

The city levies a business and occupation tax on utilities; however, this tax is passed on to users of the utilities as part of their periodic bills. The city levies the following rates to the gross receipts of the utility providers: Electricity 6%; Water 12%; Sewer 6%; Stormwater 10%; Telephone 6%; Natural Gas 6%; and Solid Waste 8%.

The utility tax generated \$ \$1,647,377 in tax revenues for the city in 2021.

Other Revenue Sources

The city of DuPont collects revenues from a range of other local sources, including:

- **Hotel/Motel Tax:** The city receives a sales tax credit against the state portion of the sales tax of 2% on accommodations purchases. The proceeds of the tax are dedicated to economic development purposes supporting the tourism sector.
- **Real Estate Excise Tax (REET).** Real estate transactions are subject to a 0.50% local tax on the value of the transaction. REET revenues are restricted to finance capital projects. REET revenues are uncertain, given the volatility in the real estate market. Since REET is based on the total value of real estate transactions each year, the

amount of REET revenues the city receives can vary substantially from year to year based on the normal fluctuations in the real estate market.

- Admission Tax. The city charges a tax on the value of transactions on admissions to a place or event. The admissions tax rate in DuPont is 5%.

City Tax Revenue Trends

Figure 3.12-1 presents a summary tax revenue for the city from 2011 to 2021. B&O tax revenues include both the tax on business gross receipts and utility providers (utility taxes). Property taxes have been a consistent and growing source of revenue for the city over the time. Sales taxes have also grown but a more volatile source of funding. The city has seen stronger relative growth in its B&O taxes (gross receipts and utility taxes). Other taxes are primarily consisted of the REET.

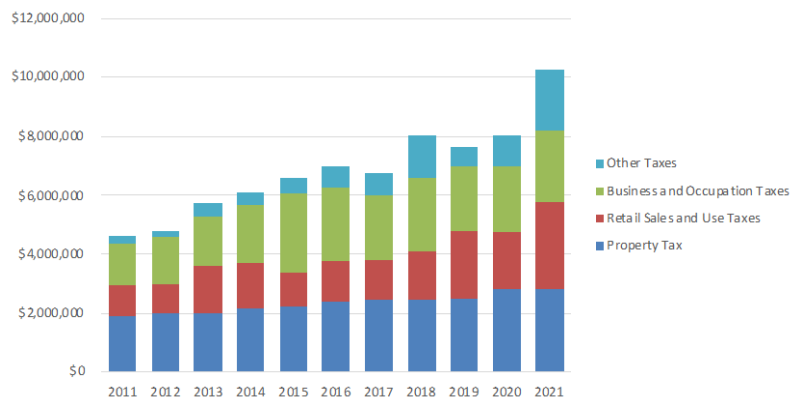


Figure 3.12.1
SUMMARY TRENDS OF MAJOR TAXATION SOURCES, CITY OF DUPONT: 2011 - 2021

City Expenditures

This section discusses the City of DuPont's primary expenditures and trends from 2011 to 2021. Unless cited otherwise informing this memorandum is data from Washington state's Local Government Financial Reporting System for the city of DuPont. The City of DuPont's major expenditures are described below.

Public Safety

This category of expenditures includes costs for law enforcement, fire and emergency medical, detention/corrections, protective inspection services, and dispatch services. As of 2021, expenditures for public safety accounted for 55% of total city-wide expenditures.

General Government

This category of expenditures includes costs for personnel and centralized services; legislative, and executive activities; financial, recording, and election activities; and legal. As of 2021, expenditures for the general government accounted for 21% of total city-wide expenditures.

Transportation

This category of expenditures includes roads/streets maintenance, roads/streets administration and overhead. As of 2021, expenditures for transportation accounted for 7% of total city-wide expenditures.

Culture and Recreation

This category of expenditures includes library and park facilities costs. As of 2021, expenditures for culture and recreation accounted for 10% of total city-wide expenditures.

Natural and Economic Environment

This category includes work in community and economic development. As of 2021, expenditures for culture and recreation accounted for 7% of total city-wide expenditures.

City Expenditure Trends

As indicated in **Figure 3.12-2**, expenditures in the City of DuPont totaled \$10.1 million in 2021, up from \$4.9 million in 2011 (104% change).

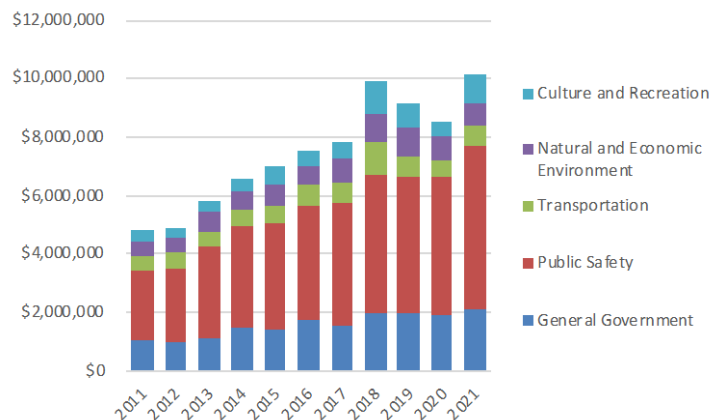


Figure 3.12-2

SUMMARY TRENDS OF EXPENDITURES, CITY OF DUPONT: 2011 - 2021

Selected City Tax Bases

Selected tax bases described below include: Assessed value and new construction; and, taxable retail sales.

Assessed Value and New Construction

The Pierce County Assessor assesses the land and improvement value of all properties in the county for the purpose of levying property taxes. The assessor also values the amount of new construction for calculating the amount of “add-on” value to property tax collections. The trends for the city follow.

- In 2011, DuPont’s local assessed value (AV) was \$1.9 billion, about \$1.5 billion more than local assessed value estimates in 2002.
- Valuation from new construction added substantially to DuPont’s base from 2006 through 2009. The Great Recession did, however, cut this trend short. In 2010. New construction levels have picked up in the last several years but continue to be at levels lower than they have in the past (see **Figure 3.12-3**).

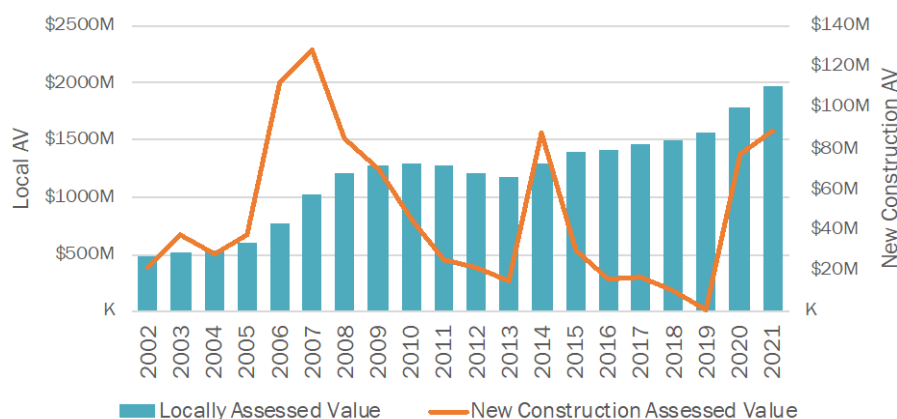


Figure 3.12-3

ASSESSED VALUE AND NEW CONSTRUCTION, CITY OF DUPONT: 2002 - 2021

Most taxing jurisdictions in Washington state must ensure that the amount of revenue they levy in the current year will not exceed the amount levied in the preceding year (plus additional funds for new construction, improvements to property, newly constructed wind turbines, solar, biomass, geothermal facilities, if the facility is not state assessed, increases in the value of state-assessed property, annexations, and refunds). In 2021, DuPont’s highest lawful levy was \$1,971,024 prior to the additional funds for new construction (see **Figure 3.12-4**).

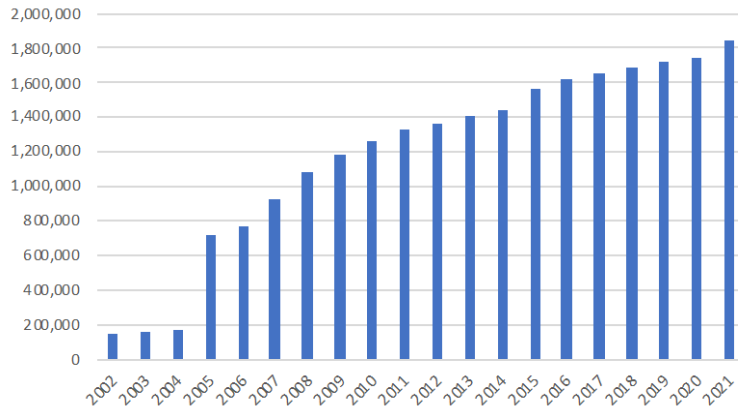


Figure 3.12-4
HIGHEST PRIOR LEVY, CITY OF DUPONT REGULAR LEVY: 2002 - 2021

Taxable Retail Sales

Retail sales reflect spending that occurs within the city and is a significant source of tax revenue for the city (see **Figure 3.12-5**).

- Taxable retail sales (TRS) have grown steadily over the last several years. Total sales (particularly for the construction sector) dipped following the onset of the recession (around 2009), but sales have since increased.
- The retail trade sector and accommodations & food services accounts for most of the remaining growth.

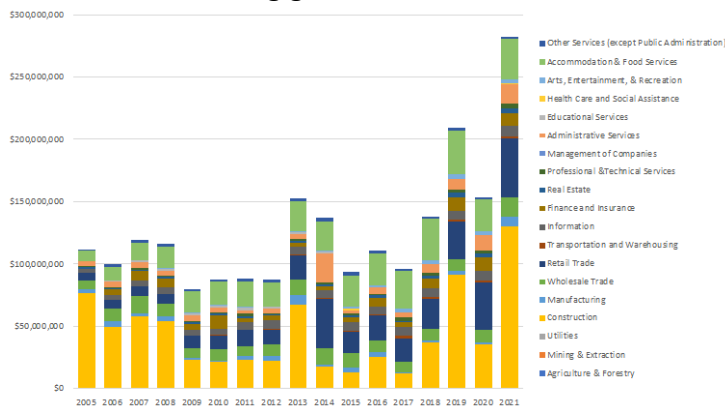


Figure 3.12-5
HIGHEST PRIOR LEVY, CITY OF DUPONT REGULAR LEVY: 2005 – 2021

3.12.2 Environmental Impacts

This section identifies and describes fiscal conditions under the EIS Alternatives.

ALTERNATIVE 1 – PROPOSED ACTION

Fiscal conditions under Alternative 1 – Proposed Action is primarily a function of tax revenues to the City of DuPont generated by the Pioneer Aggregates South Parcel Mining Project, and City of DuPont services costs associated with the project.

Tax Revenues

Tax revenues most relevant to Alternative 1 include Property Taxes, Sales & Use Taxes, Business & Occupation Taxes, and Utility Taxes.

Property Tax

Property tax revenues are estimated using the parcel list of the site and associated 2022 certified taxable assessed values (for 2023 property taxes). The assessed values are then multiplied by the tax rate for the city's regular levy and EMS levy. Based on this summary, the site currently generates approximately \$58,000 in property taxes (\$40,000 for the regular levy and \$17,600 for the EMS levy); see **Table 3.12-1**.

Table 3.12-1
SUMMARY OF ASSESSED VALUE AND LEVY ESTIMATES

	Assessed Total	Taxable Total	Tax Rate (2023 taxes)	City Regular Levy	City EMS Levy	City Total
South Lease Area	\$3,142,100	\$3,142,100	\$1.14924	\$2,515	\$1,096	\$3,611
Existing Mine Lease Area	\$5,845,200	\$5,845,200	\$1.14924	\$4,679	\$2,039	\$6,718
Processing Area	\$39,406,900	\$39,406,900	\$1.14924	\$31,544	\$13,743	\$45,288
North Area	\$2,075,700	\$2,075,700	\$1.14924	\$1,662	\$724	\$2,385
Total	\$50,469,900	\$50,469,900		\$40,400	\$17,602	\$58,002

Source: Pierce County Assessor, 2022.

The site also pays property taxes for personal property. Personal property includes machinery, equipment, furniture, and supplies of businesses and farmers. It also includes any improvements made to land leased from the government (leasehold improvements); see **Table 3.12-2**.

Personal property taxes are estimated to generate \$3,600 in taxes in 2022.

Table 3.12-2
SUMMARY OF PERSONAL PROPERTY VALUE AND LEVY ESTIMATES

	Personal Property Assessed Total	Personal Property Taxable Total	Tax Rate (2023 taxes)	City Regular Levy	City EMS Levy	City Total
Personal Property	\$13,300,000	\$13,300,000	\$1.14924	\$2,515	\$1,096	\$3,611

Source: CalPortland, 2022.

Sales and Use Tax

Of the 9.4% sales tax currently collected in the city on general retail purchases, a 1% "local" share of the tax accrues to local jurisdictions. The city receives 85% of the 1% local tax and Pierce County gets 15%. The current rate accruing to the city is 0.85. Sales tax collected at the site can vary substantially from year to year depending on level of purchases. For example, CalPortland may purchase a new Caterpillar 992 loader (the largest wheel loader that Caterpillar makes) is scheduled in the 2023 year and will substantially impact local sales tax revenue from the mine due to its location of delivery within the city's taxing boundaries. It also makes annual capital improvements at the site that would be taxable construction expenditures. Likewise, sales tax revenue from customers making retail purchases at the site can also vary depending on the size of projects locally. CalPortland estimates that in a typical year the following taxable retail sales are made:

- Capital purchases: \$100,000 - \$300,000.
- Customer purchases: \$10,000 - \$30,000.

The analysis uses the mid-point for these categories: capital purchases: \$200,000 and customer purchases: \$20,000. Using these values produces a sales tax estimate of \$1,870 in 2022 (see **Table 3.12-3**).

Table 3.12-3
SALES TAX ESTIMATES

	Estimated Taxable Retail Sales	City Sales Tax Rate	Estimated City Tax Due
Taxable Retail Sales	\$220,000	0.0085	\$1,870

Source: CalPortland and ECONorthwest calculations, 2022.

Business and Occupation Taxes

This category of revenue includes monies received from business and occupation taxes on general business activities. The B&O tax rate in DuPont is 0.1%. CalPortland estimates from

its B&O tax filing that in a typical year it reports a local gross receipt of \$40,000,000. Using these values produces a B&O tax estimate of \$75,690 in 2022 (see **Table 3.12-4**).

Table 3.12-4
B&O TAX ESTIMATES

	Estimated Gross Business Income	City B&O Tax Rate	Estimated City Tax Due
City B&O Tax Contribution	\$40,000,000	0.0010	\$40,000

Source: CalPortland and ECONorthwest calculations, 2022.

Utility Taxes

The city levies a business and occupation tax on utilities; however, this tax is passed on to users of the utilities as part of their bills – in this case, payable by CalPortland. The city levies the following rates to the gross receipts of the utility providers: Electricity -6%; Water - 12%; Sewer - 6%; Stormwater - 10%; Telephone - 6%; Natural Gas - 6%; and, Solid Waste: 8%.

CalPortland estimates from its previous spending that the following purchased are made in a typical year: Cell Phone - \$7,200; Phone - \$10,500; Electricity - \$1,130,000; Water - \$46,000; Sewer (private) - \$1,240; and, Solid Waste - \$15,500.

Using these values produces a utility tax estimate of \$75,690 in 2022 (see **Table 3.12-5**).

Table 3.12-5
UTILITY TAX ESTIMATES

	Estimated Utility Purchases	City Utility Tax Rate	Estimated City Tax Due
Water	\$46,000	12%	\$5,520
Sewer	\$1,240	6%	\$70
Electricity	\$1,130,000	6%	\$67,800
Solid Waste	\$15,500	8%	\$1,240
Phone	\$17,700	6%	\$1,060
Total	\$1,210,440		\$75,690

Source: CalPortland and ECONorthwest calculations, 2022.

Summary of Taxes Generated

Table 3.12-6 summarizes the taxes generated by the mine in 2022. The analysis estimates that the existing mining operation generated \$180,000 in taxes to the city. This figure represents 2.4% of the city's overall collections of these taxes.

**Table 3.12-6
SUMMARY TAX ESTIMATES**

Tax	Tax Estimate
Property Tax	\$61,613
Sales Tax	\$1,870
B&O Tax	\$40,000
Utility Tax	\$75,690
Total	\$179,173

Source: CalPortland and ECONorthwest calculations, 2022.

Public Services

Cost Allocation Approach

Public agencies do not typically allocate the costs of their general services (e.g., those supported by general taxes) to individual or classes of taxpayers. These services are all differentially consumed not just between different classes of taxpayers, but are also consumed by non-taxpayers as well (such as a visitor requiring public safety services). However, all taxpayers derived at least some indirect benefit in the form of things like crime deterrence, economic stability, and quality life that accrue a very local, city-specific level. Given this complex issue, this analysis uses two different approaches (average value and use approach) to assign some cost “responsibility” to CalPortland’s operations to provide some context on this issue. The first approach reasons that residents and businesses derive roughly equal value from city services regardless of how much they may use those services. The second approach uses more specific data proxies to estimate an amount public service use.

The average value approach to estimating a cost allocation to the mine uses the 2022 DuPont Adopted Budget costs divided by number of people and covered employees in the city. The rationale for this approach, while not perfect, provides a simple measure of constituent demand for services, namely that the main recipients of a city’s public services (those that are in the general fund) are its resident population and employees of its businesses.

However, this approach may overstate public service demand and costs associated with non-residential development/employees relative to residential land uses. To the extent that service demand and costs related to non-residential development generally or to mining operations specifically can be overstated, the projected fiscal surplus to the City could be increased. The analysis uses the 2022 estimated population by the state’s Office of Financial Management (10,180 people) and the Puget Sound Regional Council’s estimate of covered

employment in the city for 2021(5,123). Combined, a population-employment factor of 15,303 is used for this analysis.

The second approach (use approach) uses more specific data in two key service areas where data is available. The city has been able to provide data on police calls for service near the mine as well as heavy vehicle traffic on the roads.

The cost allocation of approach (use approach) for the Police Department creates a cost-per-call for service metric by tabulating the average number of calls for service over the five-year time period (2016-2021) across the city. This metric is then applied to calls for service within a police service area that includes the site.

The cost allocation approach for Street Maintenance portion of the Public Works department is allocated differently. It assumes that 90% (accounting for the pavement related costs) are attributable to vehicle traffic and almost all the roadway wear and tear is attributable to heavy vehicles. The cost allocation of the Street Maintenance uses roadway counts for heavy vehicles and apportions them based on average daily trips from CalPortland of heavy vehicles.

Cost Allocation Metrics

Using this cost allocation metrics (use approach), the cost per population-employee and cost per use (for police and public works) is derived as illustrated in **Table 3.12-7**. This is done by dividing the budget item by 15,303, the population-employment factor for those elements. For police and public works, they are derived on a calls for service basis for police and heavy vehicle trips for streets.

Cost Allocation to Alternative 1

Based on the analysis contained in the Traffic Impact Assessment prepared for this EIS (see **Appendix P**), it is noted that 2013 FEIS estimates that a typical day would have 126 employee commute trips (assumed in this analysis to be 63 employees making inbound and outbound trips to the site). Given that this analysis was done in 2013, employee numbers have been estimated at 80 in 2022 for this report. This figure represents 0.5% of the city's overall costs in these areas.

Table 3.12-7
COST ALLOCATION FOR CITY OF DUPONT PUBLIC SERVICES

	2022 Adopted Budget	Cost Allocations Per Population- Employee	Cost Allocations Per Use (Police and Public Works)
Mayor/Council	\$140,214	\$9	\$9
Executive	\$211,051	\$14	\$14
City Clerk	\$248,611	\$16	\$16
Human Resources	\$274,481	\$18	\$18
Legal	\$129,722	\$8	\$8
Finance	\$303,941	\$20	\$20
Central Services	\$47,900	\$3	\$3
Information Technology	\$80,860	\$5	\$5
Police Department	\$2,643,834	\$173	\$407
Fire Department	\$2,300,405	\$150	\$150
Community Development	\$904,241	\$59	\$59
Parks, Facilities, and Greenways	\$1,104,844	\$72	\$72
Public Works - Streets*	\$616,992	\$40	\$544

Note: * Streets are allocated on heavy vehicle basis. Police are allocated on calls for service.

Source: City of DuPont, 2022.

Table 3.12-8 that follows summarizes the cost allocation to mine using the two different methods. The Overall, the average cost approach allocates a smaller cost to the mine than the use approach. However, while the police cost under the use approach allocates a smaller amount than the average approach, the use approach allocates a relatively larger amount to streets than the average approach.

Table 3.12-8
COST ALLOCATION – AVERAGE / USE APPROACH COMPARISON

	Average Approach	Use Approach
Mayor/Council	\$700	\$700
Executive	\$1,100	\$1,100
City Clerk	\$1,300	\$1,300
Human Resources	\$1,400	\$1,400
Legal	\$700	\$700
Finance	\$1,600	\$1,600
Central Services	\$300	\$300
Information Technology	\$400	\$400
Police Department	\$13,800	\$2,200
Fire Department	\$12,000	\$12,000
Community Development	\$4,700	\$4,700
Parks, Facilities, and Greenways	\$5,800	\$5,800
Public Works - Streets	\$9,500	\$128,400
Total	\$53,300	\$160,600

Tax and Cost Allocation Balance

Table 3.12-9 compares tax revenues against public service costs. Based on this analysis, in 2022 revenues generated outpace costs and generate an annual surplus in the range of \$18,400 to \$125,700. These surpluses represent a cross subsidy to other taxpayers, which by itself, is not an atypical result when looking at narrow land uses¹.

It should be noted that this analysis reflects a single year and taxes and costs can vary from year to year – a surplus in a single year (here, 2022) does not guarantee a surplus in another year when taxes or costs might be different. Also, different measures to allocate costs could produce different cost allocations to the mine. Ultimately, the information provided in this analysis is intended to shed light on the nature of taxation and public services in the city of DuPont and how the specific conditions under Alternative 1 are anticipated to contribute to the city’s fiscal bottom line.

¹ These calculations are intended for generalized analysis and are not considered absolute.

**Table 3.12-9
ANNUAL ESTIMATED SURPLUS**

	Estimate	Estimate
Taxes Generated	\$179,000	\$179,000
Allocated Costs	\$53,300	\$160,600
Surplus/Deficit	\$125,700	\$18,400

Source: ECONorthwest, 2023.

ALTERNATIVE 2 – NO ACTION

There are two No Action Alternatives- Scenario A Continuation of Existing Conditions; and Scenario B Site Development Under Existing Zoning.

Scenario A

No Action Alternative Scenario A assumes no mining on the South Parcel within the context of existing conditions. In this case, the short-term fiscal effects would be similar to those discussed in this analysis since there would be no change in operations and the output of the facility. However, over the longer-term the fiscal effects downstream of mining output limits on the site are difficult to gauge. On the cost side, less mining output would likely impact the largest cost driver to the city (i.e., less wear and tear on city operated streets) but it would also likely impact city revenues as sales taxes, utility taxes, and B&O taxes would decline.

Scenario B

No Action Alternative B reflects a condition where the Expansion Area of the site may be developed under existing zoning. Generally, it is understood that zoning of the site could allow approximately 75% Manufacturing/Research Park and approximately 25% Single-Family Residential. The fiscal impact in this scenario would be different than with mining in a couple respects. The longer-term downstream fiscal effects of this development would be hard to gauge without a specific proposal. On the revenue side, both manufacturing/research and residential uses represent a more intense use of the land that would lead to more property, sales, and utility, and other taxes on a per square foot basis. However, on the cost side these uses also generate more needs for public services such as public safety services for residential uses and public works needs to support manufacturing uses.

3.12.3 Mitigation Measures

No significant adverse fiscal impacts have been identified. Beyond the payment of required payment of applicable property tax, sales & use tax, business & occupation tax, and utility taxes, no additional mitigation is identified.

3.12.4 Significant Unavoidable Adverse Impacts

The fiscal analysis conducted for this EIS indicates that expected revenues to the City of DuPont would exceed expected costs. Therefore, no significant unavoidable adverse are anticipated.