



Agenda Bill

City Council Special & Regular Meetings - 03 Dec 2018

Department

Legal

Staff Contact

Lisa Marshall, City Attorney (206) 248-5535

Agenda Bill Title

Discussion of Council-Implemented Revenue Options.

Summary

See attached memorandum.

Options

N/A

Advisory Board Recommendation

N/A

Administrative Recommendation

N/A

Suggested Motion

N/A

Fiscal Impact

FUND: N/A

COST OF PROPOSAL: N/A

AMOUNT BUDGETED: N/A

ADDITIONAL REQUIRED: N/A

Attachments

[Memorandum on Potential Revenue Options](#)



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MEMORANDUM

To: Mayor Matta and Members of the City Council
From: Lisa Marshall, City Attorney
Date: November 29, 2018
Re: Discussion on Council-Implemented Potential Revenue Options

At your November 26, 2018 Study Session, FCS Group presented revenue options for funding the gap between anticipated revenues and expenditures through 2024. You directed staff to begin implementation of certain revenue sources not requiring a vote of the citizens of Burien, but requiring only approval of Council. These revenue sources include the following:

- A utility tax or franchise fee (6%) on each of the water and sewer utility districts (5 water and 3 sewer utilities);
- An increase in the Seattle City Light franchise fee from 6% to 8%; and
- An increase the gambling tax (for card rooms) from 8% to 11%

The purpose of this discussion is to review the schedule for bringing each of these revenue sources to Council for approval. Some of the revenue sources will require only approval of a motion, others require a franchise and/or ordinance. Some revenue sources can be implemented earlier than others. Accordingly staff does not plan to bring all the revenue sources to you in a single package, but intends to bring them to you one-by-one as follows:

Increase in Seattle City Light (SCL) franchise fee from 6% to 8%:

Ordinance No. 605 became effective on January 1, 2015 and provides a franchise to SCL for the period beginning January 1, 2015 and ending December 31, 2030. Section 4.1.3 of the franchise states as follows:

“During the term of this Franchise, and upon one year advance written notice to SCL, the City may elect to change the Rate Differential¹ established in 4.1.2 above from six percent (6%) to eight percent (8%). In that event, and beginning upon the effective date of the Rate Differential change, SCL shall increase its payments to the City as defined in

¹ “Rate Differential is defined under Section 1.15 of the franchise as “[t]he difference in the rate charged by SCL to customers within the City of Seattle and the rate charged by SCL to customers in the City, not including any utility tax that may be permitted by state law and levied by the City.”

Section 4.1.1 above to six percent (6%) of the amount of revenue derived from SCL service to customers in the City.”

In order to increase the Rate Differential (franchise fee) to 8%, the City is required to provide written notice to SCL one year prior to the date the franchise fee increase will take effect. Presumably this period is intended to supply SCL customers with a one-year notice of such rate increase.

Action required by Council: While the language in 4.1.3 above does not require an amendment to the franchise or to Ordinance 605, staff will seek direction from Council in the form of a motion to send written notification to SCL of the franchise fee increase from 6% to 8%.

Schedule for Implementation: Staff is prepared to notify SCL in writing of a Rate Differential increase as soon as the Council passes a motion directing staff to do so. We plan to place this motion on the agenda for December 17, 2018 so staff is able to provide notice prior to the end of 2018 for implementation of the increase January 1, 2020.

Imposition of utility tax or franchise fee on water and sewer utilities:

During the first quarter, 2019, staff will contact representatives from each water and sewer district to determine whether each district prefers a franchise fee or utility tax. If the utilities prefer implementation of utility taxes, staff will bring forward an ordinance amending Burien Municipal Code (BMC) 3.12.040 *Occupations Subject to Tax – Amount* and include water and sewer districts to the list of occupations subject to the utility tax. If the districts prefer the imposition of franchise fees, staff will negotiate franchises with utilities having expired franchises prior to imposing the fee, and will amend the existing Water District 20/Water District 49 franchise.

Action required by Council: Either (1) Adoption of ordinance amending BMC 3.12.040 to add water and sewer districts subject to the list of occupations subject to the tax; or (2) adoption of franchise ordinances imposing franchise fees.

Schedule for Implementation: If the utility districts prefer the utility tax, staff can create ordinances amending 3.12.040 as soon as the decision is made to impose the tax. If the utility districts prefer franchise fees, staff will be required to amend the existing franchise between Water Districts 20 and 49, and extend new franchises to other utility districts. Negotiation of franchises may take several months.

Imposition of increase in gambling tax:

BMC 3.25.020(4) imposes a gambling tax on card rooms in the amount of 8% of gross revenue:

“There is hereby imposed a tax, at the rates set forth below, upon the following gambling activities, when authorized by Chapter 9.46 RCW, and when conducted in the city: ... Eight percent of the gross revenue from social card games, as that term is defined by RCW 9.46.0281 and the Rules and Regulations of the Gambling Commission.”

An ordinance amending BMC 3.25.020(4) would be required to increase the tax on social card games to 11% of gross revenue. Pursuant to BMC 3.25.030, taxes are paid quarterly for the preceding three month period; if Council adopts an ordinance increasing the tax on social card games to become effective on January 1, 2019, taxes for a portion of the first quarter (January 2019) would be due on January 31, 2019 (Quarterly taxes are due on the last day of January, April, July, and October).

Action required by Council: Adoption of ordinance amending BMC 3.25.020(4).

Schedule for Implementation: Staff is prepared to present an ordinance for the Council’s adoption as early as December 17, 2018 for implementation on January 1, 2019.