



# City of Olympia

City Hall  
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## Meeting Minutes - Draft Finance Committee

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Wednesday, April 9, 2014

5:00 PM

Room 207

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### 1. ROLL CALL

**Present:** 3 - Chair Jim Cooper, Committee Member Nathaniel Jones and Committee Member Cheryl Selby

### 2. CALL TO ORDER

Chair Cooper called the meeting to order at 5:00 p.m.

### 3. APPROVAL OF MINUTES

**3.A 14-0321** Approval of March 12, 2014 Finance Committee Meeting Minutes

**The minutes were approved.**

**3.B 14-0291** Approval of March 13, 2014 Finance Committee Meeting Minutes

**The minutes were approved.**

### 4. COMMITTEE BUSINESS

**4.A 14-0316** Report from The Washington Center on Operations and Capital Campaign

The Washington Center Executive Director Jill Barnes and Boardmembers attended the meeting and briefed the Committee on Board activities. With the new Executive Director hired, the Board is focusing on financial oversight, fund-raising and long-term planning. They are reviewing their strategic plan and investment policies, and trying to establish a "true endowment fund" with legacy-giving to maintain the operations of the Center. Boardmembers told the Committee they must raise at least \$750,000/year to support their artistic partners. The Center staff is applying for more grants, focusing on grant sponsorship and adding two new fund-raising events this year. They will also be increasing the size of the Board by adding 10 to 12 new members.

The Board expressed thanks for Council support of the renovations at the Center and said it is a game changer for the Center and downtown.

**Chair Cooper asked Assistant City Manager Jay Burney to brief the Committee at a future meeting on the status of the sale of the landfill site**

**(the sale of this property supports the City's endowment fund for the Washington Center).**

**4.B 14-0356** Meet with Economic Development Council to Discuss Business & Occupation Tax

City Manager Steve Hall invited representatives from the Economic Development Council (EDC) to attend and participate in the discussion on B & O taxes; however no representatives from the EDC attended the meeting.

Committee Member Jones presented a proposal for discussion. He noted the proposal is for a coordinated set of changes to Olympia's B & O tax and business license fees, which have not been substantially updated since 2004. He indicated the adjustments will simplify rates and structures, support small local businesses, and generally tune up Olympia's approach to the B & O tax.

The proposal includes --

1. Raising the threshold for businesses from the current \$20,000 gross revenue to \$200,000. Businesses with less than \$200,000 in total annual revenue would be exempt from the local B & O tax. Using 2013 year-end figures, this would exempt about 2,350 local businesses paying B & O taxes (generating a loss of approximately \$212,000/year).
2. Non-profit businesses would continue to be exempt from all local B & O taxes unless annual gross receipts exceed \$50 million. These larger non-profit businesses would pay the same rate as for-profit groups beginning with the first dollar. (There is no estimate available for the amount of revenues this might generate).
3. Religious organizations engaged in the provision of health care would not have a special exemption (OMC 5.04.110.F.2). All non-profit organizations would be treated equally. This removes the sense that local B & O tax policy is promoting any particular religion.
4. To encourage new businesses, Olympia would eliminate the \$25 new business registration fee. The one-time \$25 B & O tax registration fee and the \$30 annual business license fee remain unchanged (generating a revenue loss of approximately \$45,000/year).
5. To assist businesses with the local B & O tax and to improve business compliance and fairness, Olympia would create a new full-time code compliance officer position with responsibility for business licensing and the local B & O tax.

Committee Member Selby asked if this was an “all or nothing proposal” and what threshold non-profit exemption Tacoma uses. Committee Member Jones said this was not an all or nothing proposal and currently Tacoma has a \$30 million exemption for non-profits. The Committee asked how much revenue this could generate. Staff said it is difficult to estimate at this time because we do not have access to their financial information. The Committee asked if this would apply to Group Health Cooperative and staff said no; there is a state exemption for health maintenance organizations.

Staff will continue to meet with the EDC and hospitals to discuss this proposal. Staff is also trying to set up a meeting with the City of Tacoma to review their process.

**The Committee agreed unanimously to move forward with next steps, which are:**

- 1. Staff will bring a proposal to the May meeting including options for rolling out the proposal**
- 2. Develop a communication plan for the proposal**
- 3. Meet with the hospitals**

**4.C 14-0354 Police Annex Demolition Update**

At the March 12, 2014 Finance Committee meeting, staff provided the Committee with an update on the demolition of the Police Annex building. At that time, staff indicated the original plan was to provide showers and lockers in the former Court Services building, allowing staff to move forward with the demolition of the Police Annex building. However, during the design process, small amounts of asbestos were discovered in the former Court Services building, making improvements to that building more costly than originally planned. Staff indicated they were looking for other options and would return to Finance Committee if an adequate alternative were found.

Staff has determined there is adequate space within the area of the Justice Center occupied by Probation Services to provide the lockers and a shower needed by the jail staff. Staff recommends moving forward with providing the showers and lockers in this space, allowing the Police Annex building to be demolished. The total project cost (remodel and demolition) is \$200,000. Staff recommends using funds from the New City Hall project.

**The Committee agreed to recommend to the full Council an appropriation of \$200,000 to fund improvements and demolition.**

**4.D 14-0347 Cable TV Utility Tax**

During the 2014 budget deliberations the Council discussed possible revenue enhancements including the application of a utility tax to cable TV. The City applies a franchise fee (5%) on cable but does not apply the utility tax. Without voter approval, the council may apply up to a 6% tax on cable TV. This would not include a tax on dish TV or other satellite options. Staff estimates this would generate \$145,000 for

every 1% tax and would cost the average account \$0.73 per month for each 1% of tax. Staff also indicated this is declining revenue. More customers are eliminating cable and using other alternatives (satellite or internet streaming). Committee Member Jones expressed concern for this option. He said the public needs to understand what the compelling need is, which is to reduce emergency response time or increase public safety. He asked how we will message this increase. Chair Cooper said the best argument is to include the increase as a part of the Capital Facilities Plan (CFP) process this summer for major maintenance. He reminded the Committee that just last month the advisory boards all said the city needs to address major maintenance needs.

**The Committee unanimously agreed to direct staff to include a utility tax on cable TV as part of the 2015 CFP.**

## **5. ADJOURNMENT**

The meeting was adjourned at 7:03 p.m.