



Meeting Minutes

Finance Committee

City Hall
601 4th Avenue E
Olympia, WA 98501

Information: 360.753.8244

Thursday, April 26, 2018

5:30 PM

Room 207

Special Meeting

1. CALL TO ORDER

Chair Cooper called the meeting to order at 5:33 p.m.

2. ROLL CALL

Present: 3 - Chair Jim Cooper, Committee member Jessica Bateman and Committee member Lisa Parshley

3. APPROVAL OF AGENDA

Item 6.D Report on Community Conversations was moved to be the second item under Committee Business.

The agenda was approved as amended.

4. PUBLIC COMMENT - None

5. APPROVAL OF MINUTES

5.A [18-0418](#) Approval of March 21, 2018 Finance Committee Meeting Minutes

The minutes were approved.

6. COMMITTEE BUSINESS

6.A [18-0401](#) Budget Snapshot - Tax Revenues

Fiscal Services Director Dean Walz presented an overview of tax revenues with a focus on the City's major taxes: sales, property, utility, and business and occupation. He identified gambling, leasehold, and admission taxes as minor taxes. Mr. Walz displayed several charts illustrating:

- Average annual growth in major revenues from 2013 through 2017 and 2018 budgeted
- Allocation of Property Tax
- Total Sales Tax and its components (criminal justice, public safety, and regular)
- Allocation of Utility Tax
- Lodging Tax
- Real Estate Excise Tax

Mr. Walz noted we actually receive .84 of the 1 percent sales tax due to administrative fees.

The information was received.

6.B [18-0406](#) Briefing on Business License and Business & Occupation Tax Threshold

Administrative Services Accounting Supervisor Thomas Donnelly gave an overview of our current business licensing program. He discussed the new legislative requirement for the Association of Washington Cities (AWC) and cities to develop a business license model by July 1, 2018. House Bill 2005 requires a standard definition of "engaging in business," a minimum threshold below which a "no-fee" business license will be available for businesses located outside the City, and adoption of model language by January 1, 2019. He outlined AWC's recommendations which include only general business licenses (not regulatory), no fee for business licenses under the threshold, and a minimum threshold of \$1,000 per year. Mr. Donnelly discussed the financial impacts to the City using AWC's current recommendations. AWC recommendations will be finalized July 1, 2018. City Council will need to adopt changes to the municipal code at the September 11, 2018 meeting. The Department of Revenue's Business Licensing division (DOR BLS) must be notified of the changes no later than October 18, 2018. DOR BLS requires a 75-day notice for the changes that must take effect by January 1, 2019.

Next, Mr. Donnelly provided information on Business and Occupation (B&O) Taxes - the current threshold, business classifications, and rates. He showed data on the amount of revenue generated by increasing rates in the six categories we are allowed to raise rates: retail, wholesale, retail service, road construction or extraction, manufacturing, and publishing and printing. The rates in these six categories can be raised from .001 to .002 (or anywhere in between). Olympia's B&O tax rates have been stagnant since the 1952.

Assistant City Manager Jay Burney suggested digging deeper into how many businesses are affected by changes in each category. Economic Development Director Mike Reid noted 40% of all Thurston County retail jobs are in Olympia. Committee member Parshley would like to know the number of businesses in each revenue range to learn how we can be selective about which categories we raise B&O rates so we can be efficient with the changes.

Mr. Donnelly then presented the idea of a "New Small Business Three-Year B&O Tax Exemption" for businesses with gross receipts under \$750,000 per year. Mr. Burney suggested creating scenarios with the three proposed changes (business license threshold, B&O tax rate, B&O small business tax exemption) to see what the bottom line impact is.

Chair Cooper wants to revisit this topic at the May meeting. He wants staff recommendations for options to apply the business licensing and B&O changes and what the public process would look like.

The information was provided.

6.C [18-0410](#) Briefing on Potential Revenue Sources

Mr. Donnelly presented potential revenue sources that include a Commercial Parking Tax, a Cultural Access Tax, a Utility Tax, and a Gambling Tax. Each tax has different options and some are restricted to specific uses.

Commercial Parking

- No vote required
- No statutory limit
- Can tax either the business or the vehicle owner/operator
- Estimated annual revenues are \$22,000 using 1% of gross sales or \$55,500 using \$1/parking stall per month

Cultural Access Tax

- Voter approval required
- Expires every seven years
- Statutory limit of up to 1/10th of 1% (.1%)
- Provides funding to non-profits, schools and programs to promote music, arts, science, technology, and heritage to the general public
- Estimated annual revenues of \$2.8 million

Utility Tax

- No vote required
- No statutory limit
- Current Utility Tax is at 10%
- Estimated annual revenue per 1%:

<u>Utility</u>	<u>Increase</u>	<u>Revenue</u>
Water	1%	\$130,000
Sewer	1%	\$196,000
Storm	1%	\$ 56,000
Garbage	1%	<u>\$118,000</u>
Total		\$500,000

Gambling Tax

- No vote required
- Statutory limits: 5% for commercial gross receipts; 10% for non-profit net receipts
- Currently: 3% for commercial gross receipts; 7% for non-profit net receipts
- Restricted use of funds: Law enforcement of gambling activities
- Estimated annual revenue of \$80,000 with a 2% increase

Committee members were interested in moving forward with a parking tax but want a staff recommendation.

The information was provided.

6.D [18-0403](#) Report on Community Conversations

Community Planning and Development Senior Planner Stacey Ray thanked everyone involved in preparing for and participating in the recent Community Conversations event. Ms. Ray reviewed the purpose of the event, the demographics of participants, the feedback from participants, and the possible areas of improvement. She learned invitations matter (as opposed to an open house), there was interest in all five focus areas, participants would like less presentation and more dialogue, and more youth need to be involved. Ms. Ray discuss next steps. Committee member Bateman said the event exceeded her expectations but stressed the importance of getting more renters involved in the process. She suggested creating a mobile application to get youth engaged and as an easy way for constituents to communicate with City Council.

The information was provided.

7. REPORTS AND UPDATES - None**8. ADJOURNMENT**

Chair Cooper adjourned the meeting at 7:44 p.m.