



City Council

Approval of Ordinance Amending Utility Tax Rate on Drinking Water

Agenda Date: 12/17/2013
Agenda Item Number: 4.N
File Number: 13-1015

Type: ordinance **Version:** 1 **Status:** Passed

Title

Approval of Ordinance Amending Utility Tax Rate on Drinking Water

Recommended Action

Finance Committee Recommendation:

Move to amend ordinance lowering the drinking water utility tax rate.

City Manager Recommendation:

Move to adopt ordinance amending the Utility Tax Rate on Drinking Water.

Report

Issue:

Should the Council lower the utility tax rate on drinking water?

Staff Contact:

Jane Kirkemo, Administrative Services Director, 360.753.8499

Presenter(s):

None. Consent Calendar item.

Background and Analysis:

The background and analysis information has not changed from the first reading. A consortium of cities, counties, fire entities and water utilities teamed up during the 2013 legislature to gain passage of SHB 1512, a bill clarifying both public and private water providers may allocate the costs of transmission systems, hydrants and other “fire suppression water facilities” to their customers. The bill was intended to end uncertainty caused by Washington Supreme Court decision in *Lane v. Seattle* in 2008. *Lane* decided because firefighting is a “general government” responsibility charging water utility customers for the cost of fire hydrants is a hidden unauthorized “tax”. *Lane* did not address the cost of water or the cost of pipes, pumps and other facilities necessary to produce fire flow. The case also did not address the fact that statutes and state regulations *require* water utilities to provide those facilities as a condition of operating a public water system. The legislation now allows cities to “allocate and recover the costs of fire suppression water facilities from their customers”. Previously, the city increased the utility tax to 12% on the drinking water utility to help pay for the cost of fire flow. This ordinance lowers the rate to 10%. Now all of our utilities have the

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same 10% utility tax.

Neighborhood/Community Interests (if known):

N/A

Options:

- 1.) Lower the utility tax on drinking water to 10%
- 2.) Leave the rate the same and generate additional revenue for the general fund

Financial Impact:

A 2% reduction is approximately \$175,000.