



Finance Committee

Continue Discussions on Long Term Revenue Strategies

Agenda Date: 6/24/2014
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Title

Continue Discussions on Long Term Revenue Strategies

Recommended Action

City Manager Recommendation:

Provide guidance to staff on revenue strategies to pursue for the 2015 budget.

Report

Issue:

Discussion of ideas on long term revenue strategies.

Staff Contact:

Jane Kirkemo, Administrative Services Director, 360.753.8499
Steve Hall, City Manager, 360.753.8447

Presenter(s):

Jane Kirkemo, Administrative Services Director

Background and Analysis:

During the Budget Process staff discussed several potential revenue options to be evaluated for the 2015 budget:

1. Utility Tax on Cable
2. Business and Occupation Tax Revisions
3. Legislative Changes to Transportation Benefit Districts (TBD)
4. Voter approved TBD increases
5. Levy Lid Lifts
6. Local Improvement Districts (LIDs)
7. Councilmanic Debt Issuances
8. One-Time Revenues

The committee discussed these items at the April and May meetings.

During the April meeting the committee gave staff direction to move ahead with the utility tax on cable

as a part of the Capital Facilities Plan (CFP). Staff contacted Comcast about our intent to implement the tax. Following a presentation of the CFP there will be an opportunity for Comcast to comment on the tax, but there will be no public hearing. The tax is on the utility, not the customer, although the utility typically passes the tax on to the customer. Staff's recommendation is for the tax to be effective the last quarter of 2014 with the first collections in January 2015. The committee also agreed the revenue would go to the major maintenance in the CFP.

At the May meeting, the Committee discussed a proposal with hospital representatives on the B & O tax.

The proposal included:

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.
2. Non-profit businesses would continue to be exempt from all local B & O taxes unless their 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.
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.
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.
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.

The Committee directed staff to meet with St. Peter's Hospital to get a better understanding of the financial impact of the proposed changes. This meeting is to debrief on the meetings with hospital representatives.

Neighborhood/Community Interests (if known):

The hospital is concerned about the financial impact of the proposed changes. They are concerned about the impact it will have on their "charity care."

Options:

N/A

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Financial Impact:

Not determined at this time.