CITY OF EDGEWOOD
REGULAR COUNCIL MEETING AGENDA
Tues., March 27, 2018 – 7:00 pm. ♦ City Hall – 2224 104th Avenue East ♦ Edgewood, WA

1. **CALL TO ORDER**
   Pledge of Allegiance, Roll Call, Additions/Deletions

2. **AUDIENCE COMMENT**

3. **MAYOR'S REPORT**

4. **CONSENT AGENDA***(pg. 2)***:** *The consent agenda includes items that are routine in nature and are adopted by one motion. Should Council wish to discuss a consent agenda item, the item would be removed from the consent agenda and discussed under Council Business.*
   The following items are presented for Council approval:
   A. Regular City Council Meeting Minutes of March 13, 2018,
   B. Town Hall Meeting Minutes of March 13, 2018,
   C. Town Hall Meeting Minutes of March 17, 2018,
   D. Town Hall Meeting Minutes of March 20, 2018.
   E. **AB 18-011,** a motion approving March 2018 Budgeted Expenditures as follows: Deferred Compensations Program; Payroll Direct Deposit and Payroll Check No. 10607; Dept. of Retirement Systems; and IRS 941 ACHs in the amount of $52,287.13; with Vendor Check Numbers 23204-23219 with EFT Payments in the amount of $210,338.64. Total distributions submitted for review & authorization in the amount of $262,625.77

5. **COUNCIL BUSINESS**
   A. **AB 18-0520***(pg. 18)*, a motion to accept first reading and adoption of Ordinance No. 18-0520, relating to taxation of utility providers, establishing a six percent (6%) Utility Tax on the gross income of those engaged in the following businesses: Telephone, Cellular Telephone, Cable TV, Electricity, Water, Gas Distribution, Storm Water/Sewage Services and Solid Waste Collection; establishing standards and procedures for collection of the same; establishing penalties for failure to timely register or pay the utility tax; establishing an appeal process, adopting a New Chapter 5.08 in the Edgewood Municipal Code, describing the procedure for a referendum, providing for severability, and fixing an effective date

6. **COUNCIL COMMENTS**

7. **EXECUTIVE SESSION**

8. **ADJOURN**

This meeting is accessible to persons with disabilities. For individuals who may require special accommodations, please contact City Hall at (253) 952.3299, 24 hours in advance.

CITY OF EDGEWOOD
REGULAR COUNCIL MEETING SUMMARY
Tues., March 13, 2018 – 7:00 p.m. ♦ City Hall – 2224 104th Avenue East ♦ Edgewood, WA

1. CALL TO ORDER

Mayor Eidinger called the meeting to order at 7:00pm. Councilmember Tomyn led the attendees in the Pledge of Allegiance.

ROLL CALL

Present: Mayor Daryl Eidinger, Councilmember John C. West, Councilmember Mark Creley, Councilmember Luke Meyers, Deputy Mayor Tyron Christopherson, Councilmember Roseanne Tomyn, Councilmember Nate Lowry. **Absent:** Councilmember Stephanie Hunter.
Staff Present: Assistant City Administrator Dave Gray, City Clerk Rachel Pitzel, Community Development Director Darren Groth, Public Works Director Jeremy Metzler, Police Chief Micah Lundborg, Carol Morris, City Attorney.

Additions/Deletions to the Agenda
There were no additions or deletions to the agenda.

2. AUDIENCE COMMENT

Keith Worton - discussed the Utility Tax and Council working for those that elected them.

Pat Worton – discussed Utility Tax and the extra expenses this will place upon the citizens.

3. MAYOR'S REPORT

Mayor Eidinger spoke about the following:

- We completed the first of our Town Meetings, thanks to all of you for your active involvement in the process. Our next one is immediately following this meeting.
- Chief Lundborg and the Mayor attended the groundbreaking ceremony for the new Northwood Elementary. The projected completion date is fall of 2019.
- Public Works Director Jeremy Metzler and the Mayor attended two regional meetings this past week: a Small Cell ROW Seminar about what we can and cannot do regarding placement of small cell towers, and a Gateway Hwy 167 meeting talking about local participation in funding of the project, more information on this in April.
- We meet with Fife IT regarding upgrades in our communications equipment. We expect the upgrades to begin in late spring.
- Our daytime Community Academy began last we and will continue for the next six weeks.
- Movie Night was very well attended Friday. We had some technical issues, but thanks to Aaron Tomyn and Matt Wood from Fife IT, we were able to get it worked out.

Community Development Director Groth briefed on the following:

- Update on Planning Commission meeting that was last night; Plat Alterations; PAW Group membership; 2018 work plan; short plat definitions.

Chief Lundborg briefed on the following:

- Community Academy;
- Shred Event and Recycling Program on April 28;
- Accident on Meridian.

4. CONSENT AGENDA

The consent agenda includes items that are routine in nature and are adopted by one motion. Should Council wish to discuss a consent agenda item, the item would be removed from the consent agenda and discussed under Council Business.

The following items are presented for Council approval:

A. Regular City Council Meeting Minutes of February 27, 2018,
B. Study Session Meeting Minutes of March 6, 2018,
C. Town Hall Meeting Minutes of March 6, 2018.
D. **AB18-010,** a motion approving March 2018 Budgeted Expenditures as follows: AWC Employee Benefit Trust; Deferred Compensations Program; Payroll Direct Deposit; Dept. of Retirement Systems; and IRS 941 ACHs in the amount of $77,299.64; with Vendor Check Numbers 23182-23203 with EFT Payments in the amount of $57,756.99. Total distributions submitted for review & authorization in the amount of $135,056.63.

Motion: As Read, **Action:** Approve, **Moved by** Councilmember Roseanne Tomyn, **Seconded by** Deputy Mayor Tyron Christopherson. **Motion passed unanimously (6-0).**

5. COUNCIL BUSINESS

A. **AB18-0400**, a motion to adopt Resolution No. 18-0400, nominating Mayor Daryl Eidinger of the City of Edgewood to serve as a member of the Board of Commissioners for Pierce Transit representing the cities of Edgewood, Milton, and Fife

Mayor Eidinger briefed on the agenda item.

Motion: As Read, **Action:** Approve, **Moved by** Deputy Mayor Tyron Christopherson, **Seconded by** Councilmember Roseanne Tomyn. **Motion passed unanimously (6-0).**

B. **AB18-0517,** a motion to accept first reading and adoption of Ordinance No.18-0517, relating to Land Use and Zoning, amending the Comprehensive Plan Map and Zoning Map in accordance with Chapter 18.60 of the Edgewood Municipal Code (EMC) and Section 36.70A.130 of the Growth Management Act (GMA) under the Revised Code of Washington (RCW) to revise the land use designation and zoning on a single parcel located at 12224- 48th Street E. in Edgewood, from SF-3 and public to public.

Community Development Director Groth briefed on this agenda item.

Motion: As Read, **Action:** Approve, **Moved by** Councilmember Mark Creley, **Seconded by** Councilmember Roseanne Tomyn. **Motion passed unanimously (5-0, Abstain: Luke Meyers).**

C. AB18-0519, a motion to accept first reading and adoption of Ordinance No.18-0519, relating to speed limits on the city's streets and highways, reducing the speed limit from 35mph to 25mph on certain identified streets and portions of streets, and directing the Traffic Engineer to post signs reflecting the new speed limits on the affected streets, amending EMC Section 10.10.020.

Public Works Director Metzler briefed on the agenda item.

Public comment:
Colleen Wise discussed being against the changes.

DM Christopherson- discussed the speed limit changes and having the citizen's best interest at heart. He noted these roads are very narrow and there are no sidewalks and looking at the safety aspects of the need and requirement of the speed limits and the changes.

All Council discussed the issues of safety of citizens by moving the speed limits to 25mph.

Motion: As Read, **Action:** Approve, **Moved by** Deputy Mayor Tyron Christopherson**, Seconded by** Councilmember John C. West. **Motion passed unanimously (6-0).**

6. COUNCIL COMMENTS

Roseanne Tomyn discussed Coffee with the Cop and noted it was awesome, she stated she appreciated the Police Dept. doing that and making it easier for her little ones to feel comfortable approaching Police Officers.

Councilmember Meyers thanked the team and Mayor for the cleanup of the couch and mattress and appreciated it being cleaned up so quickly.

Mayor Eidinger- reminded folks about the following:

- March 17th Town Hall meeting at 10 am.
- March 20th Study Session has been cancelled
- March 20th Town Hall meeting at 7:30pm

7. EXECUTIVE SESSION

There was no executive session.

8.ADJOURN

Mayor Eidinger adjourned the meeting at 7:29pm.

Rachel Pitzel, City Clerk

Daryl Eidinger, Mayor

CITY OF EDGEWOOD
SPECIAL MEETING SUMMARY- TOWN HALL MEETING
Tues., March 13, 2018 – 7:30pm ♦ City Hall – 2224 104th Avenue East ♦ Edgewood, WA

1. WELCOME

Mayor Eidinger called the Special Town Hall meeting to order at 7:30pm and welcomed all those in attendance.

2. ROUNDTABLE DISCUSSION

Utility Tax Discussion-

Mayor Eidinger welcomed those in attendance and noted the purpose of the meeting was to discuss utility tax. He noted those who would like to ask questions of council and staff are welcome to do so in on open dialogue setting.

Discussion took place on:

- What is a Utility Tax
- Parks Capital Projects
- Transportation Capital Projects
- City Reduction Estimates (No Utility Tax)
- City Reduction Chart (With Utility Tax)
- Profile of Neighboring Cities with Utility Tax
- 2000-2017 Actual Revenue
- Stable Revenue Options (Property Tax vs. Utility Tax)
- Utility Tax being the Most Fair Distribution
- What Utility Tax Pays For
- Once in Place, Utility Tax Allows the City to Spend One Time Revenue on Capital Improvements:
    - Traffic Calming and Traffic Flow Projects
    - Parks & Recreation Improvements
    - Communication Responsiveness
  - Provides a Stable Basis for Planning
  - Helps Attract a Skilled Workforce
  - Helps Insulate the City from Short-Term Downturns in Economy

3. ADJOURN

Mayor Eidinger adjourned the meeting at 9:30pm

Rachel Pitzel, City Clerk

Daryl Eidinger, Mayor

CITY OF EDGEWOOD
SPECIAL MEETING SUMMARY- TOWN HALL MEETING
Tues., March 17, 2018 – 10:00am ♦ City Hall – 2224 104th Avenue East ♦ Edgewood, WA

1. WELCOME

Mayor Eidinger called the Special Town Hall meeting to order at 10:00am and welcomed all those in attendance.

2. ROUNDTABLE DISCUSSION

Utility Tax Discussion-

Mayor Eidinger welcomed those in attendance and noted the purpose of the meeting was to discuss utility tax. He noted those who would like to ask questions of council and staff are welcome to do so in on open dialogue setting.

Discussion took place on:

- What is a Utility Tax
- Parks Capital Projects
- Transportation Capital Projects
- City Reduction Estimates (No Utility Tax)
- City Reduction Chart (With Utility Tax)
- Profile of Neighboring Cities with Utility Tax
- 2000-2017 Actual Revenue
- Stable Revenue Options (Property Tax vs. Utility Tax)
- Utility Tax being the Most Fair Distribution
- What Utility Tax Pays For
- Once in Place, Utility Tax Allows the City to Spend One Time Revenue on Capital Improvements:
    - Traffic Calming and Traffic Flow Projects
    - Parks & Recreation Improvements
    - Communication Responsiveness
  - Provides a Stable Basis for Planning
  - Helps Attract a Skilled Workforce
  - Helps Insulate the City from Short-Term Downturns in Economy

3. ADJOURN

Mayor Eidinger adjourned the meeting at 12:00pm

Rachel Pitzel, City Clerk

Daryl Eidinger, Mayor

CITY OF EDGEWOOD
SPECIAL MEETING SUMMARY- TOWN HALL MEETING
Tues., March 20, 2018 – 7:30pm ♦ City Hall – 2224 104th Avenue East ♦ Edgewood, WA

1. WELCOME

Mayor Eidinger called the Special Town Hall meeting to order at 7:30pm and welcomed all those in attendance.

2. ROUNDTABLE DISCUSSION

Utility Tax Discussion-

Mayor Eidinger welcomed those in attendance and noted the purpose of the meeting was to discuss utility tax. He noted those who would like to ask questions of council and staff are welcome to do so in on open dialogue setting.

Discussion took place on:

- What is a Utility Tax
- Parks Capital Projects
- Transportation Capital Projects
- City Reduction Estimates (No Utility Tax)
- City Reduction Chart (With Utility Tax)
- Profile of Neighboring Cities with Utility Tax
- 2000-2017 Actual Revenue
- Stable Revenue Options (Property Tax vs. Utility Tax)
- Utility Tax being the Most Fair Distribution
- What Utility Tax Pays For
- Once in Place, Utility Tax Allows the City to Spend One Time Revenue on Capital Improvements:
    - Traffic Calming and Traffic Flow Projects
    - Parks & Recreation Improvements
    - Communication Responsiveness
  - ➢ Provides a Stable Basis for Planning
  - ➢ Helps Attract a Skilled Workforce
  - ➢ Helps Insulate the City from Short-Term Downturns in Economy

3. ADJOURN

Mayor Eidinger adjourned the meeting at 9:12pm

Rachel Pitzel, City Clerk

Daryl Eidinger, Mayor

CITY OF EDGEWOOD
REQUEST FOR COUNCIL ACTION
Agenda Bill No.: 18-011

Date Action Requested: March 27, 2018

Title: AB18-011, a motion approving March 2018 Budgeted Expenditures as follows: Deferred Compensations Program; Payroll Direct Deposit and Payroll Check No. 10607; Dept. of Retirement Systems; and IRS 941 ACHs in the amount of $52,287.13; with Vendor Check Numbers 23204-23219 with EFT Payments in the amount of $210,338.64. Total distributions submitted for review & authorization in the amount of $262,625.77.

Attachments: Payment Distribution Review & Authorization, Voucher Directory

Submitted By: Stephanie Goff, Accounting Manager
Approved For Agenda By: Mayor Daryl Eidinger
Prepared For Agenda By: Rachel Pitzel, City Clerk

Recommendation: Move to Approve AB18-011

Discussion: Approval of Claims and Payroll Expenditures

Alternatives: **1)** Do not approve. **2)** Refer to Council Study Session for Further Review.

Fiscal Impact: An increase in the sum of $262,625.77 to authorized Budgeted Expenditures.

City of Edgewood 2018
March 27th 2018 Council Meeting Check & EFT Payment Distribution Review & Authorization

Number	Name	Print Date	Amount
US Bank	**PAYROLL ACCOUNT DISTRIBUTION**		
10606	**Last Number Issued Previous Authorization**		
10607	Smith, Stacey L.	3/15/2018	$1,749.03
DCP EFT 3/15/18	Deferred Compensation Program	3/15/2018	$5,568.11
Direct Deposit Run - 3/15/2018	Payroll Vendor	3/15/2018	$32,891.97
DRS EFT 3/15/18	Dept of Retirement Systems	3/15/2018	$7,538.54
IRS 941 EFT 3/15/18	IRS 941	3/15/2018	$4,539.48
		Total	**$52,287.13**

Number	Name	Print Date	Amount
	CLAIM VOUCHER ACCOUNT DISTRIBUTION		
23203	**Last Number Issued Previous Authorization**		
23204	Copiers Northwest	3/27/2018	$14.16
23205	Fife Milton Edgewood Chamber of Commerce	3/27/2018	$100.00
23206	Foster Pepper PLLC	3/27/2018	$4,945.50
23207	Herrera Environmental Consultants, Inc.	3/27/2018	$8,439.25
23208	JCG Technologies	3/27/2018	$850.00
23209	Jeffrey O'Briens Concrete Finishing	3/27/2018	$1,648.50
23210	Kyocera Document Solutions NW	3/27/2018	$539.51
23211	Lakehaven Water & Sewer District	3/27/2018	$58.34
23212	Laser Technology, Inc.	3/27/2018	$1,533.11
23213	Office Depot	3/27/2018	$256.91
23214	Petty Cash Custodian	3/27/2018	$265.40
23215	Pierce County Budget & Finance Jail	3/27/2018	$1,925.10
23216	Pierce County Budget & Finance Sheriff	3/27/2018	$167,481.42
23217	Secoma Fence, Inc.	3/27/2018	$2,880.26
23218	TCMS Corp.	3/27/2018	$5,193.05
23219	The News Tribune	3/27/2018	$783.02
Direct Pay Payment	Paladin DATA	3/27/2018	$560.00
EFT Payment 3/22/2018	Mt. View-Edgewood Water Co.	3/27/2018	$603.23
EFT Payment 3/22/2018	Pitney Bowes Global Financial Services	3/27/2018	$213.48
EFT Payment 3/22/2018	Puget Sound Energy	3/27/2018	$6,802.82
EFT Payment 3/22/2018	Shell	3/27/2018	$417.50
EFT Payment 3/22/2018	US Bank Corporate Payment System	3/27/2018	$4,742.15
EFT Payment 3/22/2018	Wells Fargo Financial Leasing	3/27/2018	$85.93
		Grand Total	**$210,338.64**

Total Claims Voucher Distribution	**$210,338.64**
Total Distribution Submitted for Review & Authorization	$262,625.77
Authorization Adjustments:	**$ -**
Total Distribution Net of Prior Authorized Adjustments	**$262,625.77**

Claims Voucher Approval : I, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor

____________________________________Mayor, Daryl Eidinger

____________________________________Council Member

Voucher Directory

Vendor	Number	Reference	Account Number	Description	Amount
Copiers Northwest					
	23204			**2018 - March - 2nd Council Meeting**	
		INV1727923			
			2/14-3/13/18 Overage Charges		
			001-018-000-518-30-45-06	Copier Lease	$14.16
				Lexmark Overage Charges	
		Total INV1727923			**$14.16**
	Total 23204				**$14.16**
Total Copiers Northwest					**$14.16**
Fife Milton Edgewood Chamber of Commerce					
	23205			**2018 - March - 2nd Council Meeting**	
		1906			
			March Chamber Luncheon		
			001-014-000-514-20-43-04	Meals Expense	$50.00
			001-021-000-521-20-43-04	Meals Expense	$25.00
			001-058-000-558-60-43-04	Meals Expense	$25.00
		Total 1906			**$100.00**
	Total 23205				**$100.00**
Total Fife Milton Edgewood Chamber of Commerce					**$100.00**
Foster Pepper PLLC					
	23206			**2018 - March - 2nd Council Meeting**	
		1194385			
			Feb Svcs-Matter No. 7		
			001-015-000-515-41-41-01	Legal Services-External	$4,945.50
				Rogers Buchanan Trust-LID Foreclosure	
		Total 1194385			**$4,945.50**
	Total 23206				**$4,945.50**
Total Foster Pepper PLLC					**$4,945.50**
Herrera Environmental Consultants, Inc.					
	23207			**2018 - March - 2nd Council Meeting**	
		42008			
			February Services		
			410-000-000-531-38-41-02	Prof. Service-Plan Update	$8,439.25
		Total 42008			**$8,439.25**
	Total 23207				**$8,439.25**
Total Herrera Environmental Consultants, Inc.					**$8,439.25**

Vendor	Number	Reference	Account Number	Description	Amount
JCG Technologies					
	23208			**2018 - March - 2nd Council Meeting**	
		6299-JCG			
			5/1/18-4/30/19 Service		
			001-014-000-518-80-49-03	Computer Subscriptions	$850.00
				Meeting Recorder Software Renewal	
		Total 6299-JCG			**$850.00**
	Total 23208				**$850.00**
Total JCG Technologies					**$850.00**
Jeffrey O'Briens Concrete Finishing					
	23209			**2018 - March - 2nd Council Meeting**	
		942			
			City Hall Sidewalk Repair		
			001-018-000-518-30-48-04	Repairs to Facility	$1,648.50
				Sidewalk Repair-City Hall	
		Total 942			**$1,648.50**
	Total 23209				**$1,648.50**
Total Jeffrey O'Briens Concrete Finishing					**$1,648.50**
Kyocera Document Solutions NW					
	23210			**2018 - March - 2nd Council Meeting**	
		55T1035596			
			12/19/17-3/18/18 Overage Charges		
			001-018-000-518-30-45-06	Copier Lease	$539.51
				Kyocera Overage Charges	
		Total 55T1035596			**$539.51**
	Total 23210				**$539.51**
Total Kyocera Document Solutions NW					**$539.51**
Lakehaven Water & Sewer District					
	23211			**2018 - March - 2nd Council Meeting**	
		3574701 12/14/17-2/12/18			
			12/14/17-2/12/18 Services		
			001-018-000-518-30-47-04	Sewer Charges	$58.34
				City Hall	
		Total 3574701 12/14/17-2/12/18			**$58.34**
	Total 23211				**$58.34**
Total Lakehaven Water & Sewer District					**$58.34**
Laser Technology, Inc.					
	23212			**2018 - March - 2nd Council Meeting**	
		160302 RI			
			Order No. 86269 SO		
			001-021-000-521-70-35-01	Traffic Policing-Small Tools/Minor Equipment	$1,533.11

Vendor	Number	Reference	Account Number	Description	Amount
				Lidar Equipment-LTI 20/20 TruSpeed S	
		Total 160302 RI			**$1,533.11**
	Total 23212				**$1,533.11**
Total Laser Technology, Inc.					**$1,533.11**
Mt. View-Edgewood Water Co.					
	EFT Payment 3/22/2018 1:15:44 PM - 1			**2018 - March - 2nd Council Meeting**	
		15563-3401 1/11-3/10/18			
			1/11-3/10/18 Services		
			001-018-000-518-30-47-02	Water	$55.14
				1425 110th Ave E	
		Total 15563-3401 1/11-3/10/18			**$55.14**
		2746-3401 1/11-3/10/18			
			1/11-3/10/18 Services		
			001-018-000-518-30-47-02	Water	$304.63
				City Hall	
		Total 2746-3401 1/11-3/10/18			**$304.63**
		2823-3401 1/11-3/10/18			
			1/11-3/10/18 Services		
			001-018-000-518-30-47-02	Water	$54.62
				10311 22nd Ave E	
		Total 2823-3401 1/11-3/10/18			**$54.62**
		2961-3401 1/11-3/10/18			
			1/11-3/10/18 Services		
			001-018-000-518-30-47-02	Water	$94.42
				1800 Meridian Ave E	
		Total 2961-3401 1/11-3/10/18			**$94.42**
		3796-3401 1/11-3/10/18			
			1/11-3/10/18 Services		
			001-018-000-518-30-47-02	Water	$94.42
				1200 Meridian Ave E	
		Total 3796-3401 1/11-3/10/18			**$94.42**
	Total EFT Payment 3/22/2018 1:15:44 PM - 1				**$603.23**
Total Mt. View-Edgewood Water Co.					**$603.23**
Office Depot					
	23213			**2018 - March - 2nd Council Meeting**	
		111261099001			
			February Purchases		
			001-018-000-518-20-31-01	Office & Operational Supplies	$187.90
				Paper Towels	
		Total 111261099001			**$187.90**

Vendor	Number	Reference	Account Number	Description	Amount
		111261187001			
			February Purchases		
			001-018-000-518-20-31-01	Office & Operational Supplies	$69.01
				Post It Notes, Pens	
		Total 111261187001			**$69.01**
	Total 23213				**$256.91**
Total Office Depot					**$256.91**
Paladin DATA					
	Direct Pay Payment 3/22/2018 1:16:09 PM - 1			**2018 - March - 2nd Council Meeting**	
		2401382			
			SO 2157		
			001-018-000-594-18-64-03	Cap Exp-Computer Software	$560.00
				SmartGov Citizen Portal Implementation	
		Total 2401382			**$560.00**
	Total Direct Pay Payment 3/22/2018 1:16:09 PM - 1				**$560.00**
Total Paladin DATA					**$560.00**
Petty Cash Custodian					
	23214			**2018 - March - 2nd Council Meeting**	
		032718-PCC			
			Petty Cash Replenishment		
			001-014-000-514-30-43-01	Training & Travel Costs	$38.15
				S.Goff-Mileage Reimbursement	
			001-018-000-518-20-31-01	Office & Operational Supplies	$10.98
				A.Rojo-Paper Towels	
			001-018-000-518-20-31-01	Office & Operational Supplies	$8.39
				A.Rojo-Bathroom Soap	
			001-058-000-558-50-43-01	Training/Travel Costs	$80.00
				Mundy, Mehr, Centen-ICC Mtgs	
			001-058-000-558-60-31-01	Office & Operational Supplies	$36.58
				K.Moerler-Field Jacket	
			001-076-000-576-80-31-02	Recreation Activities & Events	$67.50
				R.Tomyn-Movie Night Snacks	
			001-076-000-576-80-31-02	Recreation Activities & Events	$23.80
				S.Shook-Movie Night Snacks	
		Total 032718-PCC			**$265.40**
	Total 23214				**$265.40**
Total Petty Cash Custodian					**$265.40**

Vendor	Number	Reference	Account Number	Description	Amount
Pierce County Budget & Finance Jail					
	23215			**2018 - March - 2nd Council Meeting**	
		CI-247262			
			February Jail Services		
			001-021-000-523-60-51-01	Jail Services	$1,925.10
		Total CI-247262			**$1,925.10**
	Total 23215				**$1,925.10**
Total Pierce County Budget & Finance Jail					**$1,925.10**
Pierce County Budget & Finance Sheriff					
	23216			**2018 - March - 2nd Council Meeting**	
		CI-247053			
			March Services		
			001-021-000-521-20-51-01	Police Services	$167,481.42
		Total CI-247053			**$167,481.42**
	Total 23216				**$167,481.42**
Total Pierce County Budget & Finance Sheriff					**$167,481.42**
Pitney Bowes Global Financial Services					
	EFT Payment 3/22/2018 1:15:44 PM - 2			**2018 - March - 2nd Council Meeting**	
		3305601613			
			12/30/17-3/29/18 Lease		
			001-018-000-518-20-45-03	Postage Meter Lease	$213.48
				Postage Meter Lease	
		Total 3305601613			**$213.48**
	Total EFT Payment 3/22/2018 1:15:44 PM - 2				**$213.48**
Total Pitney Bowes Global Financial Services					**$213.48**
Puget Sound Energy					
	EFT Payment 3/22/2018 1:15:44 PM - 3			**2018 - March - 2nd Council Meeting**	
		300000011233 Feb 2018 Statement			
			February Statement		
			001-018-000-518-20-47-01	Electricity	$5,110.49
		Total 300000011233 Feb 2018 Statement			**$5,110.49**
		4000012943192 03/13/18			
			Job Order #101109731		
			340-000-000-595-63-63-01	Improvements-Street Lighting	$1,692.33
				5 LED Streetlights	
		Total 4000012943192 03/13/18			**$1,692.33**
	Total EFT Payment 3/22/2018 1:15:44 PM - 3				**$6,802.82**
Total Puget Sound Energy					**$6,802.82**
Secoma Fence, Inc.					
	23217			**2018 - March - 2nd Council Meeting**	
		12947			
			March Svcs-Prj #18197		
			101-000-000-542-64-41-19	Guardrails	$2,880.26

Vendor	Number	Reference	Account Number	Description	Amount
				Steel Rail/Fencing Repair	
		Total 12947			**$2,880.26**
	Total 23217				**$2,880.26**
Total Secoma Fence, Inc.					**$2,880.26**
Shell					
	EFT Payment 3/22/2018 1:15:44 PM - 4			**2018 - March - 2nd Council Meeting**	
		8000093974803			
			February Statement		
			001-018-000-518-30-32-01	Fuel	$417.50
		Total 8000093974803			**$417.50**
	Total EFT Payment 3/22/2018 1:15:44 PM - 4				**$417.50**
Total Shell					**$417.50**
TCMS Corp.					
	23218			**2018 - March - 2nd Council Meeting**	
		071650			
			11/1/17-1/31/18 Service		
			001-018-000-518-30-48-03	Maintenance/Repairs - Buildings	$5,193.05
		Total 071650			**$5,193.05**
	Total 23218				**$5,193.05**
Total TCMS Corp.					**$5,193.05**
The News Tribune					
	23219			**2018 - March - 2nd Council Meeting**	
		255556 2/5-3/4/18			
			2/5-3/4/18 Services		
			001-014-000-511-30-41-02	Legal Publications	$281.57
				Legal Notice	
			001-058-000-558-60-41-08	Legal Notices/Publications	$501.45
				Legal Notice	
		Total 255556 2/5-3/4/18			**$783.02**
	Total 23219				**$783.02**
Total The News Tribune					**$783.02**
US Bank Corporate Payment System					
	EFT Payment 3/22/2018 1:15:44 PM - 5			**2018 - March - 2nd Council Meeting**	
		February 2018 PCard			
			February Statement		
			001-013-000-513-10-43-04	Meals Expense	$25.00
				D.Eidinger-Fife Chamber Luncheon	
			001-013-000-513-10-43-04	Meals Expense	$49.44
				D.Eidinger-Safeway-Food for TriCity Meeting	
			001-014-000-514-20-43-01	Training & Travel Costs	$95.00
				R.Pitzel-MRSC-Public Records Training	

Vendor	Number	Reference	Account Number	Description	Amount
			001-014-000-514-20-43-01	Training & Travel Costs	$901.19
				R.Pitzel-SHRM Learning System	
			001-014-000-514-20-43-01	Training & Travel Costs	$300.00
				R.Pitzel-SHRM Certification Exam Fee	
			001-014-000-514-20-43-01	Training & Travel Costs	$775.00
				J.Herrera-WSU Conf Mgmt-PDIII Training	
			001-014-000-514-20-43-04	Meals Expense	$25.00
				S.Goff-PSFOA-Luncheon Mtg	
			001-014-000-514-20-49-01	Memberships	$230.87
				J.Herrera-Fred Pryor-Careertrack Membership	
			001-014-000-514-20-49-01	Memberships	$50.00
				S.Goff-PSFOA-Membership Dues	
			001-018-000-518-20-31-01	Office & Operational Supplies	$297.43
				J.Herrera-Amazon-Computer Monitor Risers, Stand, Desk Sleeve	
			001-018-000-518-20-31-01	Office & Operational Supplies	$48.80
				S.Goff-Costco-Kitchen Supplies	
			001-018-000-518-20-31-01	Office & Operational Supplies	$60.57
				D.Eidinger-Home Depot-City Hall Paint	
			001-018-000-518-20-31-01	Office & Operational Supplies	$18.52
				D.Eidinger-Lowes-Misc Supplies	
			001-018-000-518-20-31-01	Office & Operational Supplies	$91.70
				S.Goff-DS Services-City Hall Water Delivery	
			001-018-000-518-20-31-01	Office & Operational Supplies	$29.68
				D.Eidinger-Home Depot-City Hall Paint	
			001-018-000-518-20-35-01	Small Tools/Minor Equipment	$20.00
				D.Eidinger-Lowes-Drill, Misc Supplies	
			001-021-000-521-20-31-11	Signs	$89.16
				J.Herrera-Fast Signs-Coffee w/a Cop Sign	
			001-058-000-558-60-31-11	Signs	$131.16
				D.Eidinger-Xtreme Graphics-Permit Signs	
			001-058-000-558-60-43-04	Meals Expense	$13.00
				J.Metzler-The Mill-Lunch Mtg	
			001-076-000-576-80-31-01	Operational Supplies	$93.45
				S.Goff-Costco-Garbage Bags	
			001-076-000-576-80-35-01	Small Tools/Minor Equipment	$13.10
				D.Eidinger-Fastenal-Bollard Parts	
			340-000-000-595-64-63-01	Traffic Control Devices-Other Improvements	$117.65
				D.Eidinger-Harbor Freight-Speed Sign Supplies	
			410-000-000-531-38-35-05	Equipment - Surface Water	$1,266.43
				R.Pederson-Core&Main-Stormwater Pipe	
		Total February 2018 PCard			**$4,742.15**
	Total EFT Payment 3/22/2018 1:15:44 PM - 5				**$4,742.15**
Total US Bank Corporate Payment System					**$4,742.15**

Vendor	Number	Reference	Account Number	Description	Amount
Wells Fargo Financial Leasing					
	EFT Payment 3/22/2018 1:15:44 PM - 6			**2018 - March - 2nd Council Meeting**	
		5004660286			
			4/4-5/3/18 Lease		
			001-018-000-518-30-45-06	Copier Lease	$85.93
				Lexmark Printers	
		Total 5004660286			**$85.93**
	Total EFT Payment 3/22/2018 1:15:44 PM - 6				**$85.93**
Total Wells Fargo Financial Leasing					**$85.93**
Grand Total		**Vendor Count**	**23**		**$210,338.64**

CITY OF EDGEWOOD
REQUEST FOR COUNCIL ACTION
Agenda Bill No.: 18-0520

Date Action Requested: March 27, 2018

Title: Adoption Ordinance 18-0520, providing for the enactment of Chapter 5.08 of the Edgewood Municipal Code, imposing a Utility Tax upon gross receipts for telephone, cellular telephone, cable television, gas, electric and water distribution and the collection service of sewer, surface water and solid waste.

Attachments: Ordinance 18-0520
FCS Group White Paper

Submitted By: Dave Gray, Assistant City Administrator

Approved For Agenda By: Daryl Eidinger, Mayor

Prepared For Agenda By: Staff

Recommendation: Adopt Ordinance 18-0520 as presented herein

Discussion: For over a year the Mayor, City Council and Staff have worked continuously to investigate future revenue profiles and levels of service expenditures as a result of historical downturns in revenues and the impacts on service levels. Past revenue shortfalls have created a loss of continuity with staff expertise, directed efforts for code management and enforcement, and the management of existing growth activity, which pose identifiable dangers to public safety and the stability and quality of city operations and services to the Citizens of Edgewood.

The City engaged FCS Group of Redmond to review, audit and report on all staff supplied financial information and to independently review City finances and make a report to Council and the Public on their findings. These finding substantiate the concern that in the event of a forecast reduction in the current robust building activity, the City will once again be required to manage a reduction of approximately 30% in revenue resulting in a substantial and sustained reduction in City Services including those specifically related to public safety (Law & Code Enforcement).

After a year-long effort to engage the public in City Council meetings, City Council held open Town Hall Meetings on March 6th, 13th, 17th and 20th. The public was invited to ask questions, review staff and FCS Group information, and engage in open dialogue with the Mayor, Councilmembers, and City Staff.

The City advertised said meetings and invitations through the Edgewood Magazine, Facebook and Twitter, City Website, Electronic Reader Board and published the notice in the Tacoma News Tribune. As a result of these meetings, Council received input that the community in general is supportive of maintaining the current level of service through the imposition of a utility tax, the redirection of one time fees to Capital Improvement and a hope that as more property, sales and utility tax revenue is generated from the ongoing growth, improve existing services.

Alternatives: 1) Do not adopt. **2)** Forward to Study Session for further review

Fiscal Impact: The Finance Director anticipates a passage of the Utility Tax Ordinance will generate in excess of $500,000 in the second half of 2018. This revenue is currently not budgeted in the 2018 Adopted Budget and would require a Budget Amendment to redirect currently ear marked one time fees to Capital Improvement spending or future investment purposes.

ORDINANCE NO. 18-0520

AN ORDINANCE OF THE CITY OF EDGEWOOD, WASHINGTON, RELATING TO TAXATION OF UTILITY PROVIDERS, ESTABLISHING A SIX PERCENT (6%) UTILITY TAX ON THE GROSS INCOME OF THOSE ENGAGED IN THE FOLLOWING BUSINESSES: TELEPHONE, CELLULAR TELEPHONE, CABLE TV, ELECTRICITY, WATER, GAS DISTRIBUTION, STORM WATER/SEWAGE SERVICES AND SOLID WASTE COLLECTION; ESTABLISHING STANDARDS AND PROCEDURES FOR COLLECTION OF THE SAME; ESTABLISHING PENALTIES FOR FAILURE TO TIMELY REGISTER OR PAY THE UTILITY TAX; ESTABLISHING AN APPEAL PROCESS, ADOPTING A NEW CHAPTER 5.08 IN THE EDGEWOOD MUNICIPAL CODE, DESCRIBING THE PROCEDURE FOR A REFERENDUM, PROVIDING FOR SEVERABILITY, AND FIXING AN EFFECTIVE DATE.

WHEREAS, RCW 35A.82.020 authorizes the City to require business licenses and to impose excise taxes, such as a utility tax, for the purpose of regulation and revenue; and

WHEREAS, RCW 35.21.865 and RCW 35.21.870 limit the utility tax rate to 6% gross incomes of those engaged in the telephone business and those conducting an electrical energy or natural gas distribution business unless the rate is first approved by a majority of the voters of the city voting on the proposition; and

WHEREAS, the Mayor and City Council hired FCS Group of Redmond to review all staff generated materials predicting future revenue shortfalls together with lost Capital Improvement opportunities and any independent evaluation they could make regarding City finances; and

WHEREAS, said FCS Group study substantiated staff predicted shortfalls, lost Capital opportunities and compiled historical and comparative data that forecast an approximate 30 percent reduction in sustained revenue and therefore reduction in City Services; and

WHEREAS, on March 6th, 13th, 17th and 20th the Mayor and City Council held Town Hall Meetings to openly discuss the possibility of adopting a 6% utility tax with residents of the City, including the City's revenue history, periodic revenue shortfalls and the resulting reductions in levels of City services identified in the FCS study, including various tax rates; and

WHEREAS, on March 27th, the City Council held a regular council meeting attended by the public on this ordinance and during the regular public meeting voted to approve its adoption at the FCS recommended rate of 6% for all taxed utilities;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EDGEWOOD, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. A new Chapter 5.08 of the Edgewood Municipal Code is hereby adopted to read as follows:

CHAPTER 5.08
UTILITY TAXES

Sections:

5.08.010 Purpose.
5.08.020 Definitions.
5.08.030 Businesses subject to tax.
5.08.040 Exceptions and deductions from gross income.
5.08.050 Quarterly returns and payments.
5.08.060 Allocation of income for cellular telephone service.
5.08.070 Books and records -- Inspection and confidentiality.
5.08.080 Investigation of returns.
5.08.090 Over or under payment -- Penalties.
5.08.100 Failure to make return.
5.08.110 Appeals.
5.08.120 Rate change.

5.08.010 Purpose.

The provisions of this chapter shall be deemed to be an exercise of the power of the city to license for revenue, as authorized by RCW 35.21.865, RCW 35A.82.020, and other applicable state laws.

5.08.020 Definitions.

Where used in this chapter, the following words and terms shall have the meanings as defined in this section, unless, from the context, a more limited or different meaning is clearly defined or apparent:

A. "Cable television services" means the one-way transmission of video programming and associated non-video signals to subscribers together with subscriber interaction, if any, which is provided in connection with video programming.

B. "Cellular telephone service" means a one or two-way telecommunications system used to transmit voice and/or data-based signals or content in whole, or substantially in part, on wireless radio communications, and which is not subject to regulation by the Washington Utilities and Transportation Commission (WUTC). This includes cellular mobile service, pager services, specialized mobile radio (SMR), personal communications services (PCS), and any other evolving wireless radio communications technology which accomplishes a purpose similar to cellular mobile service, including paging. Cellular telephone service shall not include competitive telephone service.

C. “Director”, shall mean the Finance Director of the City of Edgewood, or such other person as appointed by the Mayor to administer this chapter.

D. “Gas distribution business” means the business of operating a plant or system for the production or distribution for hire or sale of gas, whether manufactured or natural.

E. “Gross income” means the value proceeding or accruing from the distribution or sale of tangible property or service, and receipts (including all sums earned or charged, whether received or not) by reason of the investment of capital of the business engaged in, including rentals, royalties, fees or other emoluments, receipts or proceeds from the use or sale of real property or any interest therein, and proceeds from the sale of notes, bonds, mortgages or other evidences of indebtedness or stock and the like and without any deduction on account of the cost of the property sold, the cost of materials used, labor costs, interest or discount paid, taxes, or any expense whatsoever, and without any deduction on account of losses.

F. “Person” or “persons” means natural persons of either gender, firms, co-partnerships, corporations, municipal corporations, and other associations of natural persons whether acting by themselves or by servants, agents or employees.

G. "Sewerage system business" means and includes the business of operating the following facilities for the provision of sewer service:

1. Sanitary sewage disposal sewers and facilities, including without limitation on-site or off-site sanitary sewer facilities consisting of an approved septic tank or septic tank systems, or any other means of sewage treatment and disposal;

2. Combined sanitary sewage disposal and storm or surface water drains and facilities;

3. Storm or surface water drains, channels and facilities;

4. Outfalls for storm drainage or sanitary sewage and works, plants, and facilities for storm drainage or sanitary sewage treatment and disposal;

5. Any combination of or part of any or all of such facilities.

H. “Solid waste collection service” means receiving solid waste for transfer, processing, treatment, storage, or disposal, including but not limited to, all collection services. “Solid waste,” for purposes of this subsection, means garbage, trash, rubbish or other material discarded by the generator thereof as worthless or not economically viable for further use. “Solid waste” includes infectious, hazardous, or toxic wastes, and recyclable or reusable materials collected in whole or part for recycling or salvage as part of a general solid waste collection service to the public.

I. “Taxpayer” means any person liable for the license fee or taxes imposed by this chapter.

J. “Tax year” or “taxable year” means the twelve-month period commencing January 1st and ending December 31st of the same year.

I. "Water distribution business" means the business of operating a plant or system for the distribution of water for hire or sale.

5.08.030 Businesses subject to tax.

There is hereby levied upon all persons engaged in the business activities set forth below a tax in the amounts to be determined by the application of the respective rates for each type of business against the gross income of such taxpayer. Taxpayers engaged in or carrying on the business shall be charged with collection of the tax as a condition of doing business, and the tax shall be levied thereafter upon their subscribers at the rate set forth below:

A. Upon every person engaged in or carrying on a telephone business, as defined in RCW 82.04.065(4), as said statute presently exists or is hereafter amended, a tax equal to six percent (6%) of the gross income, including revenues for intrastate toll, derived from the operation of such business within the city. To the extent permitted by applicable federal and state law, any telecommunications services provided by a cable operator (as defined in 47 U.S.C. Section 522(5)) or other persons over cable television facilities owned or controlled by a cable operator shall be taxable hereunder.

B. Upon every person engaged in a gas distribution business, as defined in RCW 82.16.010(7), as said statute presently exists or is hereafter amended, tax equal to six percent (6%) of the gross income derived from the operation of such business within the city.

C. Upon every person engaged in a light or power business, as defined in RCW 82.16.010(5), as said statute presently exists or is hereafter amended, tax equal to six percent (6%) of the gross income derived from the operation of such business within the city.

D. Upon every person engaged in or carrying on the sale of cellular telephone service, a tax equal to six percent (6%) of the total gross income derived from the operation of such business within the city.

E. Upon every person engaged in the sale, delivery, distribution, or furnishing of water for domestic, farm, and other uses or the provision of sewage or stormwater collection and disposal, a tax equal to six percent (6%) of the total gross income derived from the operation of such business within the city. The tax shall also apply to all revenues derived from the sale, delivery, distribution, or furnishing of water for domestic, farm, and other uses to customers located outside the city when said service is provided by the City.

F. Upon every person engaged in the solid waste collection service, a tax equal to six percent (6%) of the gross income derived from the operation of such business within the city.

G. Upon every person engaged in or carrying on a cable television business within the city of Edgewood, a tax equal to six percent (6%) of the gross income derived from the operation of such business within the city.

5.08.040 Exceptions and deductions from gross income.

There shall be excluded from the gross income upon which the tax is computed the following:

A. Revenues derived from transactions in interstate or foreign commerce, or from business done for the United States and the state, or their officers or agents or any amounts paid by the taxpayer to the United States and the state, the city or to any political subdivision of the state, as excise taxes levied or imposed upon the sale or distribution of property or services, or as a utility tax.

B. That portion of gross income derived from charges to another telecommunications company, for connecting fees, switching charges, or carrier access charges relating to intrastate toll telephone services, or for access to, or charges for, interstate service.

C. Charges incurred by a taxpayer engaging in a telephone business and paid to a telecommunications company, for telephone service that the taxpayer purchases for the purpose of resale.

D. Adjustments made to a billing or to a customer account or a telecommunications company accrual account in order to reverse a billing or a charge that has been made as a result of third party fraud or other crime and was not properly a debt of a customer.

E. Cash discounts and credit losses actually sustained by a taxpayer on an accrual basis.

F. Charges to subscribers or customers passed on to compensate for the cost to the company of the taxes imposed by this chapter.

G. Revenues from transactions which the City is prohibited from taxing under the laws and/or constitutions of the United States or the State of Washington.

5.08.050 Monthly/Quarterly returns and payment.

A. On or before the 20th day following the end of each month or calendar quarter (i.e., April 20^{th}, July 20^{th}, October 20^{th}, and January 20^{th}), each taxpayer shall remit payment for the preceding month or quarter's tax, accompanied by a monthly or quarterly statement showing the manner in which the payment is calculated. The statement shall contain such information as may be necessary to enable the director to arrive at the lawful amount of the tax. The taxpayer shall, in a legible manner, provide all information required by the director on such returns, shall sign the same, and by affidavit shall swear or affirm that the information therein given is full and true and that the taxpayer knows the same to be so.

B. Returns shall be accompanied by a remittance by bank draft, certified check, cashier's check or money order payable to the City of Edgewood, or in cash or by previously arranged electronic transfer, in the amount of the fee or tax owed, including delinquencies and installments.

C. Payment made by draft or check shall not be deemed a payment of the fee or tax unless and until the same has been honored in the usual course of business, nor shall acceptance of any such check or draft operate as a discharge of the fee or tax unless and until the check or draft is honored.

D. If the applicant is a partnership, returns must be made by one of the partners; if a corporation, by one of the officers thereof, if a foreign corporation, co-partnership or nonresident individual, by the resident agent or president of said corporation, co-partnership or individual.

5.08.060 Allocation of income for cellular telephone service.

A. Service Address. Payments by a customer for the telephone service from telephones without a fixed location (i.e., cellular telephone service) shall be allocated among taxing jurisdictions to the location which is the customer's principal service address during the period for which the tax applies.

B. Presumption. There is a presumption that the service address a customer supplies to the taxpayer is current and accurate, unless the taxpayer has actual knowledge to the contrary.

C. Roaming Phones. When service is provided while a subscriber is roaming outside the subscriber's normal cellular network area, the gross income shall be assigned consistent with the taxpayer's accounting system to the location of the originating cell site of the call, or to the location of the main cellular switching office that switched the call.

D. Dispute Resolution. If there is a dispute among one or more other cities, and/or the taxpayer, as to the service address of a customer who is receiving cellular telephone services, and the dispute is not resolved by negotiation among the parties, then the dispute shall be resolved by the City and the other city or cities by submitting the issue for settlement to the Association of Washington Cities (AWC). The taxpayer shall have no further liability with respect to additional taxes on the disputed revenues, but will charge his or her billing records for future revenues to comply with the settlement facilitated by AWC.

E. Authority of Director. The director is authorized to represent the City in negotiations with other cities for the proper allocation of cellular telephone service taxes imposed pursuant to this chapter.

5.08.070 Books and records - Inspection and confidentiality.

A. It is the duty of each taxpayer to keep and enter in a proper book or set of books or records an account which shall accurately reflect the amount of its gross income, which account shall be open to inspection by the director, or his or her designee, at a reasonable time, and from which said officer, the director or his or her designee, may verify returns made by the taxpayer.

B. To the extent permitted by Chapter 42.56 RCW and other applicable statutes, the applications, statements or returns made to the director pursuant to this chapter shall not be made public, nor shall they be subject to the inspection of any person except the mayor, the city attorney, the director, or his or her authorized agent.

5.08.080 Investigation of returns.

If any taxpayer fails to apply for a license or make his or her return, or if the director is dissatisfied as to the correctness of the statements made in the application or return of any taxpayer, the director, or his or her designee, may: (1) enter the premises of such taxpayer at any reasonable time for the purpose of inspecting and auditing the taxpayer's books or records to ascertain the amount of the fee or tax or to determine the correctness of such statements, as the case may be; (2) may examine any person under oath administered by the director, or his or her designee, touching the matters inquired into; or (3) fix a time and place for an investigation of the correctness of the return, and issue a subpoena to the taxpayer, or any other person, to attend such investigation and testify, under oath administered by the director, or his or her agent, in regard to the matters inquired into and may, by subpoena, require him or her, or any person, to bring with him or her such books, records and papers as may be necessary. In the event that any such audit reveals an underpayment of ten percent (10%) or more, the taxpayer shall, in addition to the penalties provided by 5.08.090, be responsible for all of the costs associated with the audit, including, but not limited to, staff time and overhead, accounting fees, professional service fees, and attorneys' fees.

5.08.090 Over or under payment -- Penalties.

A. Overpayment. If the director, upon investigation or upon checking returns, finds that the fee or tax paid by a taxpayer is more than the amount required of the taxpayer, he or she shall return the amount overpaid, upon the written request of the taxpayer. Any refund request not submitted within three (3) years of the alleged overpayment shall be forever barred and waived.

B. Underpayment. If the director finds that the fee or tax paid by a taxpayer is less than required, he or she shall send a statement to the taxpayer showing the balance due, together with a penalty of ten percent (10%) of the amount due, and the taxpayer, shall within ten (10) calendar days, pay the amount shown thereon. If payment is not received by the director by the due date specified in the notice, the director shall add a penalty of an additional twenty-five percent (25%) of the amount of the additional tax found due. In the event that the balance due, including all penalties, is not paid in full within thirty (30) calendar days from the date specified, the penalty shall be increased by fifteen percent (15%) of the amount due and the total amount due shall accrue interest at the rate of twelve percent (12%) per annum. If the director finds that all, or any part of, the deficiency resulted from an intent to evade the tax payable hereunder, a penalty of fifty percent (50%) of the additional tax found to be due shall be added and the amounts due, including penalties, shall accrue interest at the rate of twelve percent (12%) per annum from the date the tax became due until the date payment is actually made.

5.08.100 Failure to make return.

If any taxpayer fails to make a return or pay the fees or taxes therefor, or any part thereof, the director shall ascertain the amount of the fee or tax or installment thereof due and shall notify the taxpayer thereof, who shall be liable therefor in any suit or action by the city for the collection thereof. In the event that any taxes imposed by this chapter remain unpaid, the director may refer such claims to a collection agency or to the city prosecutor or city attorney for collection. If referred to the city prosecutor or city attorney for collection, the city prosecutor or city attorney shall, with the assistance of the director, collect the same by any appropriate means or by suit or action in the name of the city. In the event that the city prevails on any claim that a taxpayer is in non-compliance with the terms of this chapter, the city shall be entitled to an award of its reasonable attorneys' fees and other professional expenses associated with prosecuting the action, in addition to those penalties imposed in 5.08.090.

5.08.110 Appeals.

A. Who may appeal. Any taxpayer aggrieved by the amount of the fee, tax or penalty to be required under this Chapter or imposed by the Director.

B. How to file an appeal. The aggrieved taxpayer may file an appeal to the City Council from such amount by filing a written notice of appeal with the City Clerk within five (5) days after the taxpayer was given notice of the amount. The written notice of appeal shall be accompanied by a written appeal fee in accordance with the City's adopted Fee Resolution.

C. Notice of the appeal hearing. The City Clerk shall fix a time for the hearing on such appeal, which shall be no later than thirty (30) days after the filing of the notice of appeal. The appeal hearing shall take place during a regular City Council meeting. The City Clerk shall cause a notice of the time and place of the appeal hearing to be mailed and e-mailed to the appellant.

D. Appeal hearing. The Council may determine that the appeal hearing should be held before a hearing officer appointed by the Council for this purpose. The taxpayer shall be entitled to be heard at the hearing, and to introduce evidence on his or her own behalf. The City Council or appointed hearing officer shall consider the evidence, deliberate and ascertain the correct amount of the fee, tax or penalty.

E. Decision. The Council's or hearing officer's decision shall be incorporated into a resolution, which shall be adopted by the Council at the next regular Council meeting. The City Clerk shall immediately provide a copy of the decision to the appellant.

F. Payment. If the appeal is unsuccessful, the appellant shall pay the fee, tax or penalty, together with any costs incurred by the City for outside legal services and/or accounting reports/expenses, within ten (10) days after the appellant receives the notice of the decision from the Clerk.

G. Judicial Appeal. Any appeal of the appeal decision shall be filed with the Pierce County Superior Court within twenty-one (21) days after the date of the appeal decision. The appellant shall be responsible to pay the costs associated with the preparation of the City's administrative record for transmittal to the Court.

5.08.120 Rate change.

No change in the rate of tax upon persons engaging in providing services taxable under this chapter shall apply to business activities occurring before the effective date of the change, and, except for a change in the tax rate authorized by RCW

35.21.870, no change in the rate of the tax may take effect sooner than sixty (60) days following the enactment of the ordinance establishing the change. The director, or his or her designee, shall send to each registered taxpayer a copy of any ordinance changing the rate or tax upon taxable services promptly upon its enactment.

Section 2. Severability. If any section, sentence, clause or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this ordinance.

Section 3. Effective Date. This ordinance is subject to referendum as set forth in RCW 35.21.706. Any duly qualified person may file a referendum petition with the city clerk within seven (7) days after the passage of this ordinance. In the event that such a petition is filed, the city clerk shall, within ten (10) days, confer with the petitioner regarding the form and style of the petition, secure an accurate, concise, and positive ballot title from the city attorney, and assign an identification number to the petition. Thereafter, the petitioner shall have thirty (30) days within which to gather signatures from not less than fifteen percent (15%) of the city's registered voters as of the last municipal general election. The filing officer shall verify the sufficiency of the signatures on the petition, and if sufficient valid signatures are property submitted, shall certify the referendum measure to the next election ballot within the city or at a special election ballot as provided pursuant to RCW 35.17.260(2). In the event that no referendum petition is filed, this ordinance shall take effect on June 1, 2018 and shall be published as required by law.

Presented to Council for its First Reading and Adoption on March 27, 2018
PASSED BY THE CITY COUNCIL ON THE 27TH DAY OF MARCH, 2018

____
Mayor, Daryl Eidinger

ATTEST/AUTHENTICATED:

____
City Clerk, Rachel Pitzel

OFFICE OF THE CITY ATTORNEY:

BY ______________________________
Carol Morris

Filed with the City Clerk: 03/27/18
Passed by the City Council: 03/27/18
Published: 03/29/18
Effective Date: 06/01/18
Ordinance No. 18-0520

City of Edgewood

Utility Tax Benchmarking and Analysis Study

DRAFT REPORT
March 2018

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Redmond, WA 98052
425.867.1802

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Dave Gray, Assistant City Administrator
City of Edgewood
2224 104th Avenue East
Edgewood, Washington 98372

Subject: Utility Tax Benchmarking and Analysis Study

Dear Mr. Gray:

Attached is the draft report on the results of our Utility Tax Benchmarking and Communication Study. We want to thank the staff for their assistance and participation in helping us gather information and in discussing the various issues. If you have any questions, please feel free to contact me at (425) 336-1865 extension 225.

Yours very truly,

John Ghilarducci	Tage Aaker	Matt Hobson
Principal	Project Manager	Project Consultant

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Section I. INTRODUCTION

I.A. PURPOSE

The City of Edgewood (City) is considering enacting a tax on the revenue generated by utilities that serve the City. These utilities may include, but are not limited to, water, sewer, storm water, solid waste, cable, gas, telephone, and electricity. Currently, the City is partially funding routine general-fund operating costs with one-time growth-related revenues. Revenue generated from a utility tax would provide a steady, reliable source of revenue for the general fund to help the City fund its ongoing financial obligations and existing and future capital infrastructure needs in critical areas such as roads and parks.

The City has tried to implement a utility tax three separate times. Each time, the tax has been met with strong resistance and in one instance, was actually enacted but was quickly repealed thereafter.

The City has requested that FCS GROUP perform a benchmarking survey to document how many other cities in Pierce County have a utility tax (based on a recent Association of Washington Cities survey) and more specifically, how those taxes impact the general fund revenue composition of four immediate neighbors of Edgewood: Fife, Sumner, Puyallup, and Milton. The City also requested a high-level communication tool that shows its existing general fund revenue sources, existing operating obligations (staff / supplies, etc.), and the future capital infrastructure needs identified in the City's adopted capital improvement plan (2018-2023).

I.B. METHODS

The approach used to conduct the study involved the following:

- Meetings with City staff who manage the accounting and budgeting activities.
- Reviewing the 2016 Association of Washington Cities Municipal Taxes and Fees survey.
- Researching revenue and utility tax rate data for Fife, Sumner, Puyallup, and Milton.
- Analyzing 2018 budget documentation and data for the City's general fund and other funds.
- Analyzing City revenue history by funding source, including but not limited to: property taxes, sales taxes, real estate excise taxes, and development fees.
- Reviewing the results of the comparative and financial analysis with City staff.
- Presenting the study results to the Edgewood City Council on January 23, 2018.

The process used for collecting and analyzing the data required active participation by City staff. We want to take the opportunity to recognize the time, participation, and effort that Dave Gray and his team devoted to the study and for scheduling and organizing the meetings.

I.C. ORGANIZATION OF THE REPORT

The study includes the following sections:

- City and Utility Tax Background: An overview of recent trends impacting the City's finances. This section also provides a brief overview of the authority, limits, and design of municipal utility taxes.
- Utility Tax Benchmarking: A review of the utility tax results from the AWC survey for cities in Pierce County and a comparative analysis of utility tax revenue for Fife, Sumner, Puyallup, and Milton.
- City Financial Review: An analysis of the City's 2018 budget revenues and expenditures. This section also includes a historical review of revenues from 2000 to 2017. Based on these analyses, the potential impact of a utility tax is projected on City revenues and expenses.
- Summary
- Technical Appendix

Section II. City and Utility Tax Background

II.A. INTRODUCTION

The City of Edgewood has experienced increases in population and commercial development in recent years resulting in increased demand for City services. Revenue from property taxes and sales taxes, which are relatively stable year over year, have not increased at the same rate as City spending levels, requiring the City to meet service obligations with other funding sources. Additionally, the City recently adopted a six-year capital improvement program which identifies over $15 million in needed improvements to streets, parks, sewer, and other infrastructure.

As a result of these factors, the City is exploring a utility tax as a new revenue source. Per RCW 35A.82.020, local governments are authorized to impose taxes on utilities, including water, sewer, storm water, solid waste, cable, gas, telephone, and electricity, which conduct business within city limits. Utility taxes are a relatively stable funding source for local governments as the tax is assessed on the gross revenue of utilities. As population and utility rates increase, utility tax revenue increases automatically making it a stable source of funding for a city.

II.B. CITY OVERVIEW

II.B.1. Recent Growth in City Population and Development

Similar to other communities in the Puget Sound, the City has experienced recent growth in population and development activity. Based on population estimates provided by the Washington Office of Financial Management, the City's population increased 9 percent to 10,420 from 2007 to 2017. City fees assessed for development permits and other services increased five-fold over the same time period from $261,660 in 2007 to $1,576,389 in 2017. General fund expenditures decreased during the economic downturn to $3.4 million in 2009 but have since increased to $4.7 million in 2018. In response to these changes, the City has added new positions for services with budgeted expenditures for all City funds totaling $8.6 million (excluding transfers to other funds) in 2018 and City-wide staffing levels at 15.43 FTEs.

II.B.2. Stable Revenue Sources Like Property Tax and Sales Tax Have Not Kept Pace with Increased Services

Revenues in the 2018 Adopted Budget total $8.8 million and are comprised of a combination of taxes, franchise fees, permit fees, impact fees and other revenue sources. Some of the revenue sources are more stable relative to other sources, providing a funding base for the City's recurring services such as public safety, parks, and streets. Examples of relatively stable revenue sources include but are not limited to property and sales taxes, other taxes (e.g., liquor excise taxes), stateshared revenue, and a cable franchise fee. It is assumed that the City will continue to collect revenue from its cable franchise fee regardless of whether a utility tax is assessed for cable services.

In total, these revenue sources comprise $5.9 million or 66 percent of revenues. The majority of the remaining 34 percent of revenues are generated from development-related activities and include permit fees, park impact fees, transportation impact fees, and real estate excise taxes (REET). A historical analysis of these less stable revenue sources as well as property and sales tax revenue is included in Section IV of this report.

Exhibit 1 details the composition of revenue and expenditures in the 2018 Adopted Budget.

Exhibit 1
Overview of 2018 Adopted Budget for Revenues and Expenditures, All City Funds Excluding Transfers*

All City Funds	2018 Adopted Budget
Beginning Balance	**$ 6,555,239**
Revenues	
More Stable (taxes, franchise fees)	$ 5,868,672
Less Stable (impact fees, REET, permit fees)	$ 2,960,257
Total Revenues	*$ 8,828,929*
Expenses	$ 8,585,779
Ending Balance	**$ 6,798,389**

*Note: While 2018 revenues exceed expenses, a significant portion of revenue is relatively less stable.

II.B.3. The City's 2018-2023 Capital Improvement Plan Identifies $15 Million in Infrastructure Improvements

The City recently adopted the 2018-2023 capital improvement plan (CIP) which includes $15 million in streets, parks, sewer, and facility improvements. The plan includes annual capital expenditures ranging from $0.9 million to $5.4 million per year with an average annual spending plan of $2.5 million. In contrast, capital expenditures included in the 2018 Adopted Budget total $0.7 million. Given the capital funding gap between the 2018 Adopted Budget and the CIP, the City will need to identify additional future funding sources to complete the infrastructure plan.

II.C. CITY AND UTILITY TAX BACKGROUND

The increased demand for city services, the current reliance on less stable revenue to fund city services, and the capital funding gap are factors which have led the City to explore a utility tax as a new revenue source.

II.C.1. State Law Authorizes Cities to Assess Utility Taxes

Washington RCW 35A.82.020 authorizes cities to impose taxes on utilities doing business within city boundaries. According to the Municipal Research and Services Center, utility taxes can be assessed on a variety of utility providers including cable TV, electricity, gas, sewer/storm water, solid waste, natural gas, telephone, and water utilities. Taxes are usually assessed on the gross income of the utility provider.

II.C.2. Utility Taxes Provide A Relatively Stable Revenue Source To Cities

Unlike development-related permit or impact fee revenue, utility taxes provide a stable revenue source to cities. This is the result of how utilities typically design the fees charged to customers. Utilities generally charge monthly fees to customers and can adjust these fees to account for changes in the cost of service. This fee structure provides a stable revenue stream to a city that imposes utility taxes which also automatically adjusts to inflation and utility rate increases. Additionally, because utility fees are assessed on an individual customer basis, utility taxes also adjust to changes in population.

Section III. BENCHMARKING SURVEY

III.A. INTRODUCTION

The City requested a benchmarking survey to document the number of other cities in Pierce County that have a utility tax (based on a recent AWC survey) and more specifically, how those taxes impact the general fund revenue composition of four immediate neighbors of Edgewood: Fife, Sumner, Puyallup, and Milton.

III.B. AWC SURVEY OF UTILITY TAXES IN PIERCE COUNTY

The Association of Washington Cities conducts a survey every two to four years to gather information on municipal taxes and user fees. The most recent survey was completed in 2016 and includes utility tax information for 149 cities in Washington. Because participation in the survey is voluntary, every city does not respond to the survey. Of the 24 cities within Pierce County, 11 cities provided information on their utility tax policies.

Exhibit 2 details the list of cities that participated in the 2016 AWC Municipal Tax and User Fee Survey.

Exhibit 2
List of Cities in Pierce County That Provided Utility Tax Information in 2016 AWC Survey

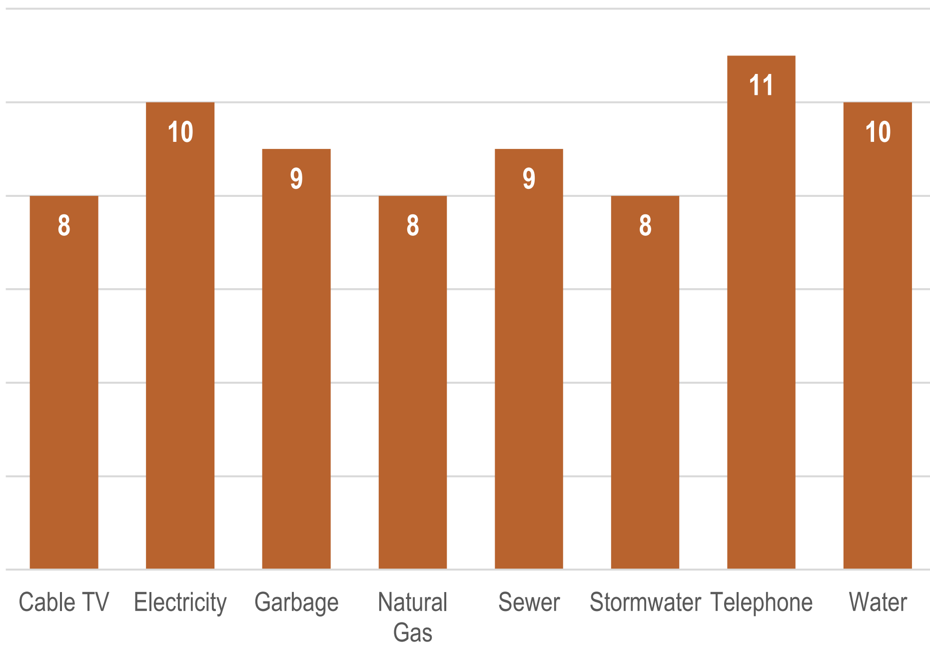
City		
Bonney Lake	Gig Harbor	Steilacoom
DuPont	Lakewood	Tacoma
Eatonville	Puyallup	Wilkeson
Fircrest	Roy	

III.B.1. Utility Taxes are a Common Revenue Tool for Cities in Pierce County

Based on the survey responses, all 11 cities reported assessing a telephone utility tax. Ten cities assess a utility tax on electric providers. The majority of cities assess a tax on the other utility services including cable TV, garbage, natural gas, sewer, storm water, and water.

Exhibit 3 illustrates the number of cities that assess taxes by the type of utility.

Exhibit 3
Number of AWC Respondents in Pierce County with Utility Tax, by Type of Tax
(11 Total Respondents)

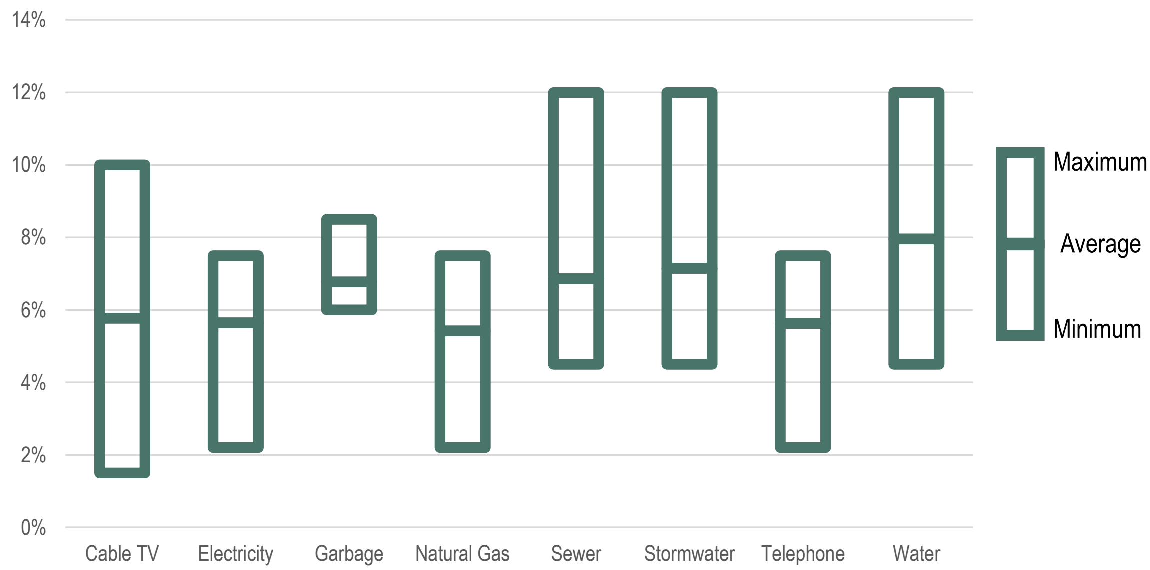


III.B.2. Comparative Tax Rates Range from Two to Twelve Percent of Utility Revenues

Survey respondents also provided tax rates for each utility, which ranged from 2.2 to 12.0 percent. State law restricts the maximum utility tax rate for electric, telephone, and natural gas at six percent unless approved by city voters (RCW 35.21.870). As a result, the range of tax rates for these utilities are relatively smaller than for other utilities. The average tax rate for each utility ranged from 5 percent for natural gas to 8 percent for water. The lowest reported tax rate was 1.5 percent for cable TV in Bonney Lake while the highest reported tax rate was 12 percent for water utilities in Bonney Lake, DuPont, and Roy. Bonney Lake also assesses a 12 percent utility tax on storm water and sewer utility revenues.

Exhibit 4 illustrates the minimum, average, and maximum tax rates for each utility type from the AWC results for respondents in Pierce County.

Exhibit 4
Range of Utility Tax Rates by Utility Type



III.C. COMPARATIVE ANALYSIS OF UTILITY TAX REVENUES

Four nearby cities levy utility taxes as a source of general fund revenue – Fife, Milton, Puyallup, and Sumner. Generally, these communities have similar populations to the City with Puyallup being the only city with a significantly larger population. According to the State Office of Financial Management April 2017 population estimate, populations for these cities were 7,900 (Milton), 9,920 (Sumner), 10,100 (Fife), and 40,500 (Puyallup). By comparison, the City's population in 2017 is estimated at 10,420.

While other factors such as industry composition and employment may also impact a city's utility tax revenue, population may be a useful indicator to measure potential utility tax revenue. For many utilities, residential customers are their largest customer class and generate the largest share of utility revenue. As a result, cities with similar populations might expect to generate comparatively similar utility tax revenue, all else being equal.

The financial impact of utility tax revenue for these communities provides a benchmark that the City can use to gauge the revenue potential of implementing utility taxes in Edgewood. This analysis measures the impact of utility tax revenue for these surrounding communities through three measures:

- Tax rates by utility type;
- 2017 budgeted utility tax revenue; and
- 2017 budgeted utility tax revenue as a percent of total General Fund revenue.

III.C.1. Utility Tax Rates for Fife, Milton, Puyallup, and Sumner Range from 2.2 to 9.0 Percent.

Fife: According to the city's municipal code 3.60 and 3.61, the utility tax rates for natural gas, sewer, storm water, water, cable, telephone, electricity, and garbage are assessed a 6.0 percent tax rate.

Milton: The City of Milton assesses a 6.0 percent tax rate on electricity, garbage, natural gas, sewer, and telephone. Storm water and water utilities are assessed a 9.0 percent tax rate (see city municipal code 5.32.040).

Puyallup: Staff from the City of Puyallup provided current utility tax rates. The city assesses a 2.2 percent tax rate on cable, electricity, natural gas, and telephone services. Garbage, sewer, storm water, and water utilities are assessed an 8 percent tax rate.

Sumner: Based on its 2017 adopted budget, the city assesses a 6.0 percent tax rate on cable, electricity, garbage, natural gas, sewer, storm water, telephone, and water services.

Exhibit 5 details the utility tax rates for each community.

Exhibit 5
Comparison of Utility Tax Rates for Neighboring Communities

City	Cable TV	Electricity	Garbage	Natural Gas	Sewer	Storm water	Telephone	Water
Fife	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Milton	N/A	6.00%	6.00%	6.00%	6.00%	9.00%	6.00%	9.00%
Puyallup	2.20%	2.20%	8.00%	2.20%	8.00%	8.00%	2.20%	8.00%
Sumner	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

III.C.2. Neighboring Communities Generated $1.2 Million to $3.5 Million in Utility Tax Revenue in 2017

Fife: According to the city's 2017 budget, utility tax revenue is projected to generate $2.8 million in 2017. The city's utility tax revenue also includes $1.2 million from franchise fees collected from Tacoma Public Utilities.

Milton: The city's 2017 budget includes $1.2 million in utility tax revenue.

Puyallup: Puyallup is the largest city by population among the communities reviewed in the study. According to information provided by city staff, the 2017 budget includes $3.6 million in utility tax revenue.

Sumner: The city's 2017 budget includes $2.4 million in utility tax revenue. Franchise fees from Comcast and the city's garbage provider generate an additional $181,640 in revenue.

III.C.3. Utility Taxes Comprise 8 to 28 percent of General Fund Revenue for Neighboring Communities

Due to the variability in General Fund revenue for each city, utility tax revenue was also measured as a percent of total General Fund revenue to provide an indication of the relative financial support each city receives from utility taxes.

Fife: Utility taxes comprise 15 percent of the $18.4 million in total General Fund revenue in 2017.

Milton: According to the city's 2017 adopted budget, utility taxes represent 28 percent of the city's $4.3 million in General Fund revenue.

Puyallup: Based on information provided by city staff and the 2017 adopted budget, utility taxes comprise 9 percent of the $41.2 million in total General Fund revenue in 2017.

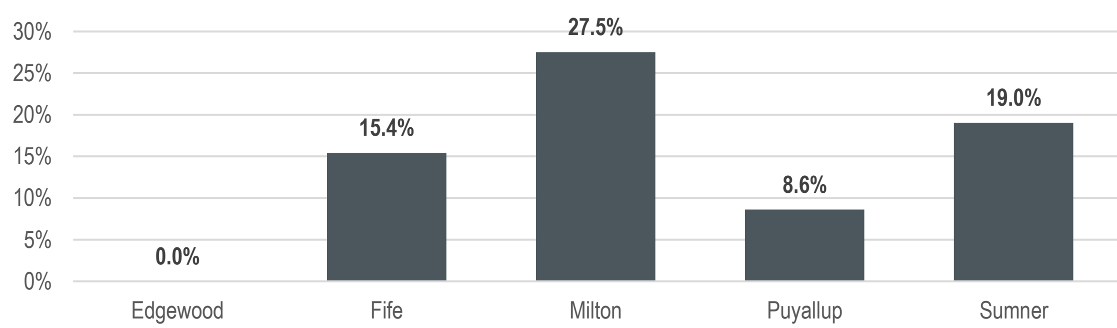
Sumner: Utility tax revenue for 2017 was provided by city staff and compared to total General Fund revenue in the 2017 adopted budget. Utility taxes represent 19 percent of the city's $12.6 million in General Fund revenue.

Exhibit 6 and Exhibit 7 summarize the 2017 utility tax revenue for each city.

Exhibit 6
Comparison of 2017 Utility Tax Revenue

City	Population (2017)	Utility Tax Revenue	General Fund Revenue	Utility Tax Revenue as a % of General Fund Revenue
Edgewood	*10,420*	*N/A*	*N/A*	*N/A*
Fife	10,100	$2,835,922	$18,367,291	15.4%
Milton	7,900	$1,180,055	$4,286,995	27.5%
Puyallup	40,500	$3,551,240	$41,237,738	8.6%
Sumner	9,920	$2,399,765	$12,597,425	19.0%

Exhibit 7
Utility Tax Revenue as a Percent of 2017 Adopted Budget



III.D. OBSERVATIONS

- Based on the results of the 2016 AWC survey, all surveyed cities in Pierce County assess utility taxes as a source of revenue for their respective General Funds.
- City staff indicated that they were not able to find any city without a utility tax in Pierce County.
- Utility tax rates vary by utility type and by city; rates range from 1.5 percent to 12.0 percent of utility gross revenue. Tax rates for electricity, natural gas, and telephone are generally lower than for other utilities which may be the result of the 6 percent rate cap prescribed by the state which can only be increased if approved by local voters.
- Comparing 2017 utility tax revenue in neighboring cities indicates that 1) cities generate $1.2 million to $3.5 million in revenue from these taxes in 2017, and 2) utility tax revenue represented 8 to 28 percent of total general fund revenue.

Section IV. City Financial Review

IV.A. INTRODUCTION

The City requested a high-level summary analysis that shows its 2018 general fund revenue sources, existing operating obligations (staff, supplies, debt service, etc.), and the future capital infrastructure needs identified in several recent planning documents such as the 2018-2023 adopted Capital Improvement Plan (CIP). This section also includes a historical review of revenues from 2000 to 2017. Based on these analyses, the potential impact of a utility tax is projected on City revenues and expenses. Figures presented in this section are based on the 2018 “Waterfall” budget model provided by City staff.

IV.B. OVERVIEW OF THE 2018 BUDGET

IV.B.1. General Fund

The 2018 Budget for General Fund revenue totals $4.6 million with an additional $13,744 in transfers from other funds. General Fund expenditures total $4.4 million and $255,938 in transfers to other funds. Exhibit 8 summarizes the 2018 Budget for the General Fund.

Exhibit 8
2018 General Fund Budget*

General Fund	2018 Adopted Budget
Beginning Balance	**$ 1,321,581**
Revenues	$ 4,615,284
Transfers In	13,744
Total Revenues and Transfers In	*$ 4,629,028*
Expenses	$ 4,417,777
Transfers Out	255,938
Total Expenses and Transfers Out	*$ 4,673,715*
Ending Balance	**$ 1,276,894**

*Note: 2018 General Fund ending balance is lower than beginning balance due to slight deficit in General Fund revenues and expenditures.

IV.B.2. All Funds

The 2018 Budget for All City Funds includes the General Fund and sixteen other funds including the City’s strategic reserve, the Long-Term Debt Fund, and Capital Park Fund. Revenues for all funds total $8,828,929. Expenditures for all funds total $8,585,779.

Exhibit 9 summarizes the 2018 Budget for all funds.

Exhibit 9
2018 All Funds Budget (excluding transfers)

All Funds	2018 Adopted Budget
Beginning Balance	**$ 6,555,239**
Revenues	$ 8,828,929
Expenses	$ 8,585,779
Ending Balance	**$ 6,798,389**

IV.C. METHODOLOGY

The financial review section of the study analyzes the City's 2018 revenue and expenditures by assessing the degree to which recurring operating expenditures are aligned with stable revenue sources. Similarly, the analysis also measures the degree to which more volatile revenue is reserved for one-time expenses such as capital projects and funding the City's strategic reserve. A city that follows this financial practice has a structurally balanced budget. The Government Officers Association of America (GFOA) lists structurally-balanced budgeting as a financial best practice as it provides financial sustainability not just for the current budget year but for multiple years into the future.

To assess the degree to which the City has a structurally balanced budget, the financial review includes the following steps:

- Review of historical revenues (2000 to 2017) to classify the relative stability of the city's revenue sources.
- Based on the historical analysis, classify revenues in the 2018 Budget as more or less stable.
- Classify expenditures in the 2018 Budget as recurring (e.g., wages and benefits, sheriff services contract) or one-time.
- Analyze the structural balance of the 2018 Budget under three scenarios:
  - As currently adopted;
  - Assuming $2 million in additional revenue from utility taxes; and
  - Assuming development permit and impact fee revenue similar to 2010 levels

IV.D. ASSUMPTIONS

IV.D.1. City Funds Included in Review

The original scope for the review only included the City's General Fund. The City's General Fund receives and contributes funding to other funds including the strategic reserve and the long-term debt funds. Given the financial transfers in and out of the General Fund, an overall review of the 2018 Budget provides a more comprehensive outlook on the City's structural balance. The analysis excludes the surface water fund because it is included in an ongoing rate study being conducted by FCS GROUP for the City. The surface water fund is an enterprise fund that is self-supported by user fees.

IV.D.2. Historical Revenue Analysis

City staff provided revenue by year from 2000 to 2017 for major revenue categories including: property tax, sales tax, fees for services, and impact fees. The historical data did not include detailed line-item revenue amounts for specific fees. To make general observations about the historical volatility of the revenue categories, the study assumes that the fee for services revenue category is comprised primarily of development-related revenue such as building permit and inspection fees. The assumption is based on the line-item detail of the 2018 Budget for fees for services which is comprised of development-related permits, license, and service fees.

IV.D.3. Expense Classification

Expenditures in the 2018 Budget were classified into ten categories based on accounting reporting codes and included: salaries and benefits, sheriff services, road preservation, capital, debt service, transfers to other funds, and other contracts and commodities. The other contracts and commodities category includes commodities, services, intergovernmental services, and the City's central services allocation. Because transfers across City funds have a net-zero impact on overall City expenditures, they are excluded from the financial analysis. The categorization of expenses was reviewed by City staff for accuracy.

IV.D.4. Sewer Local Improvement District (LID)

Based on City staff direction, 2018 revenues and expenditures for the Sewer Local Improvement District were excluded from the financial review.

Exhibit 10 summarizes the 2018 budgeted revenues and expenditures analyzed in the City Financial Review.

Exhibit 10
2018 Budget Revenues and Expenditures Included in Financial Review

2018 Budget Revenues (excluding transfers)	**$**	**8,828,929**
Less: Sewer Local Improvement District Fees		(1,239,999)
Less: Surface Water Fund Revenue		(787,000)
Revenues Analyzed in Financial Review	**$**	**6,801,930**
2018 Budget Expenditures (excluding transfers)	**$**	**8,585,779**
Less: Sewer Local Improvement District Debt Service		(1,212,485)
Less: Surface Water Fund Expenditures		(933,101)
Plus: Additions to Capital		361,737
Expenditures Analyzed in Financial Review	**$**	**6,801,930**

IV.E. RESULTS

IV.E.1. Review of Historical Revenues, 2000 to 2017

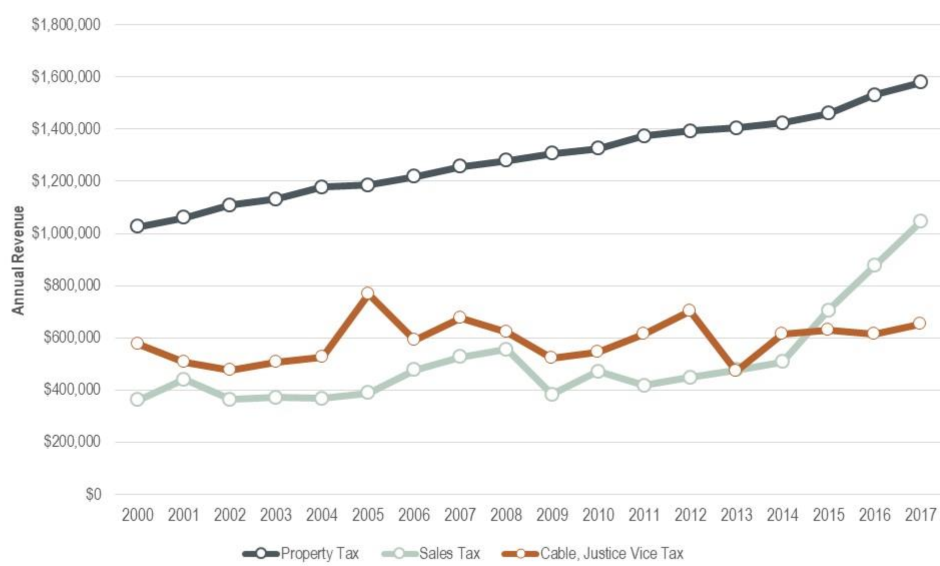
The first step in assessing the City's structural financial balance is to measure the relative stability of its different revenue sources. Relatively stable revenue sources can provide sustainable funding for recurring City expenditures so that more volatile revenue can be reserved for one-time expenses. City staff provided data from 2000 to 2017 for different revenue sources including property tax, sales tax, fees for services, and impact fees. Each revenue source was analyzed and classified based on its year to year stability relative to other revenues. The results of this analysis are described below.

Examples of Relatively Stable Revenue

- Property Taxes: Revenue from property taxes increased at an annualized rate of 2.57 percent from 2000 to 2017. The highest and lowest annual growth rates during the time period were 4.94 percent and 0.65 percent respectively.
- Sales Taxes: Sales tax revenue increased at an annualized rate of 6.44 percent from 2000 to 2017. Due to the effects of recent economic development in the City and the economic cycles experienced over the time period, sales tax revenue has been more volatile relative to property taxes with annual rates of change ranging from -30.93 percent to 38.99 percent. However, in comparison to some of the City's other revenue streams, it is a relatively stable revenue source.
- Cable Franchise Fees and Justice Vice Taxes: This revenue group includes a variety of smaller city taxes and fees including the City's cable franchise fees, liquor excise taxes, liquor board profits, and local criminal justice taxes. The annualized growth rate for the revenue group is less than one percent with annual rates of changes ranging from -32.76 percent to 45.57 percent.

Exhibit 11 illustrates the relative stability of these revenue sources from 2000 to 2017.

Exhibit 11
Examples of Stable Revenue Sources to the City, 2000 to 2017

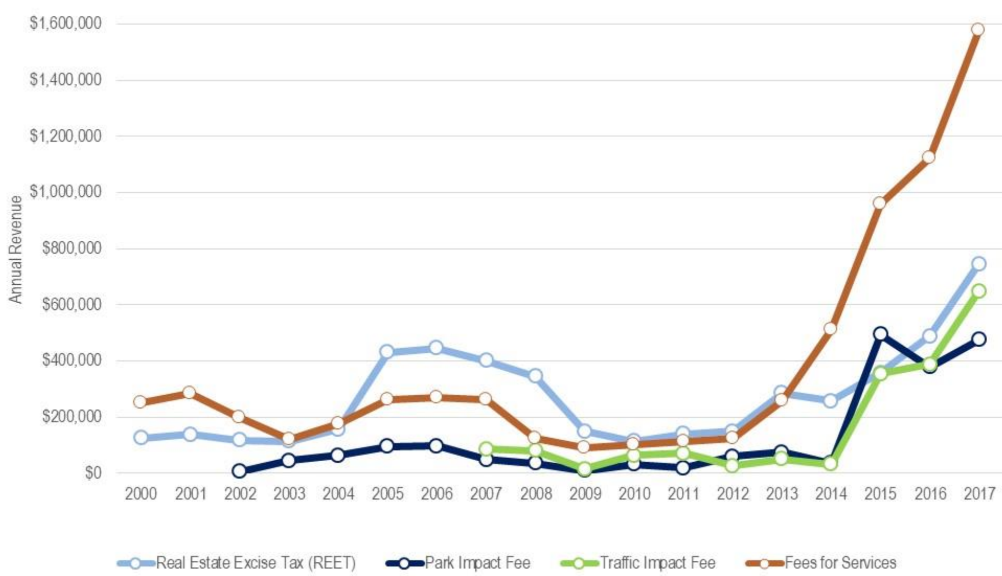


Examples of More Volatile Revenue

- Fees for Services: This revenue group includes most of the City's development-related fees including building permit fees, inspection fees, and plan review fees. Because annual revenue from these fees is largely determined by development activity, revenue can fluctuate from year to year due to local economic conditions. The annualized growth rate for Fees for Services from 2000 to 2017 was 11.39 percent with annual rates of changes ranging from -53.14 percent to 109.13 percent.
- Real Estate Excise Taxes (REET): The City levies a tax rate of 0.50 percent on the sale of real property. Because the City only generates REET revenue from the sale of property, this revenue generally corresponds to building and development activity. The annualized growth rate for REET from 2000 to 2017 was 11.11 percent with annual rates of change ranging from -56.54 percent to 176.58 percent.
- Transportation and Parks Impact Fees: Impact fees are assessed on new development to offset some of the cost of City parks- and transportation-related capital improvement projects. Like building permit fees and REET revenue, this revenue group is affected by changes in development activity. From 2002 to 2017, the annualized growth rate for park impact fees was 29.47 percent. Revenue from transportation impact fees began to be assessed in 2007 and the annualized growth rate from 2007 to 2017 was 12.58 percent. Both of these revenue sources had a similar level of volatility to Fees for Services and REET.

Exhibit 12 summarizes the revenue for Fees for Services, REET, park impact fees, and transportation impact fees from 2000 to 2017.

Exhibit 12
Examples of Volatile Revenue Sources to the City, 2000 to 2017



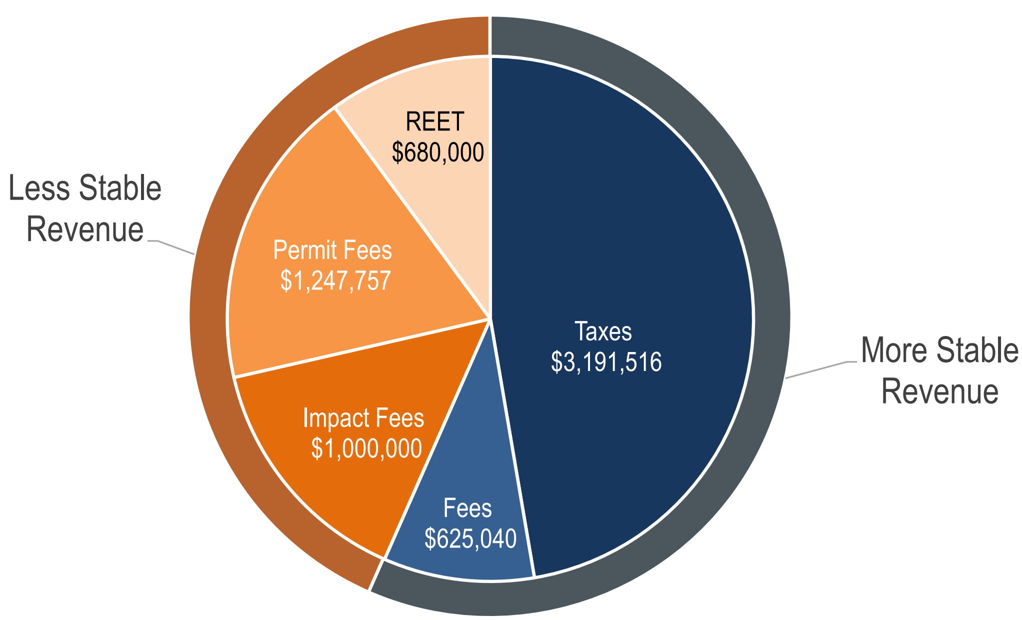
IV.E.2. Analysis of 2018 Budget Revenues: $3.9 Million or 57 Percent of City Revenues Are Relatively Stable Funding Sources

Based on the analysis of revenues from 2000 to 2017, 2018 Budget revenues were classified as more stable or more volatile. As stated in the assumptions section, the sewer LID fees and surface water fees were excluded from this analysis. Additionally, transfers across funds and relatively small revenue sources such as interest earnings were excluded. In total, $6.8 million of the City's revenue stream was categorized based on year to year stability. An analysis of these revenues indicate that:

- 57 percent or $3.9 million of 2018 budgeted revenues are relatively stable and include property taxes, sales taxes, and other fees.
- The remaining 43 percent or $2.9 million in budgeted revenues included REET, fees for services, transportation impact fees, and parks impact fees.

Exhibit 13 illustrates the distribution of 2018 revenues for all City funds based on their relative stability.

Exhibit 13
Distribution of 2018 Budget Revenues: Stable and Less Stable Revenues*



*Note: Revenue sources not shown in chart include interest earnings and criminal justice-related revenues.

IV.E.3. Analysis of 2018 Budget Expenses: Spending Plan Includes $5.8 Million in Recurring Costs and $0.7 Million in Capital.

Expenditures in the 2018 Budget were categorized as recurring or as one-time. According to the GFOA, salaries, benefits, materials, services, and asset maintenance costs are common examples of recurring costs while capital asset acquisitions are not considered recurring costs. Following the GFOA guidelines, 2018 expenses were classified into five recurring cost categories and one one-time cost category:

Recurring Cost Categories (2018 Budget in Parentheses)

- Salaries and Benefits ($1,482,479)
- Sheriff Services Contract ($2,010,096)
- Debt Service ($579,859)
- Street Maintenance ($400,000)
- Other Contracts and Commodities ($1,241,962)

One-Time Cost Category

- Capital ($725,797)

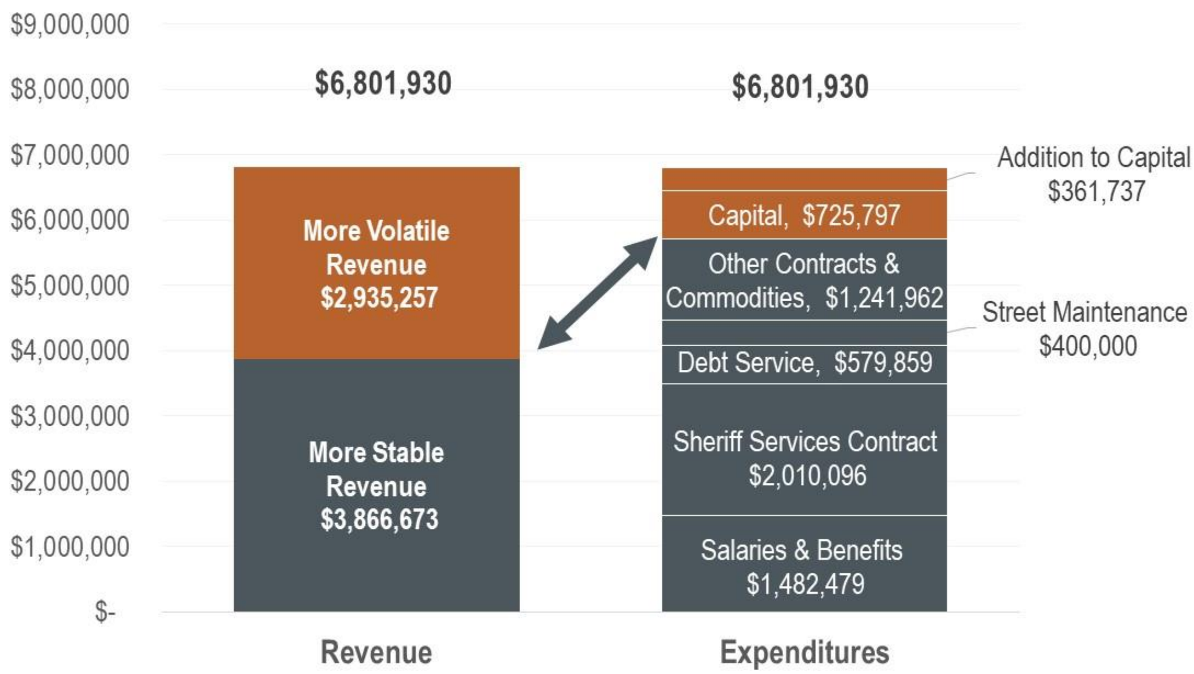
In total, $5.8 million of the City's 2018 spending plan is recurring while $0.7 million is committed to one-time capital projects.

IV.E.4. City's 2018 Budget Relies on Volatile Revenue Sources for Recurring Expenses

Because the City's spending plan includes $5.8 million in recurring costs and stable revenues account for $3.9 million, the 2018 Budget relies on more volatile revenue sources such as permit fees, REET, and impact fees to make up the funding difference.

Exhibit 14 illustrates the level of structural imbalance in the 2018 Budget.

Exhibit 14
Structural Balance of 2018 Budget



The debt service on City Hall provides an example of the reliance on volatile revenue to pay for recurring costs. The 2018 Budget includes $492,000 in transfers to the long-term debt fund. Funding sources for the transfer include REET ($359,895), the General Fund ($119,938), Surface Water Fund ($12,044), and Sewer Fund ($123). REET revenue comprises over 73 percent of funding for debt service in 2018. Given the historical volatility of REET revenue, the City would need to identify an alternative revenue source to fund the debt should REET revenue decline from the current level.

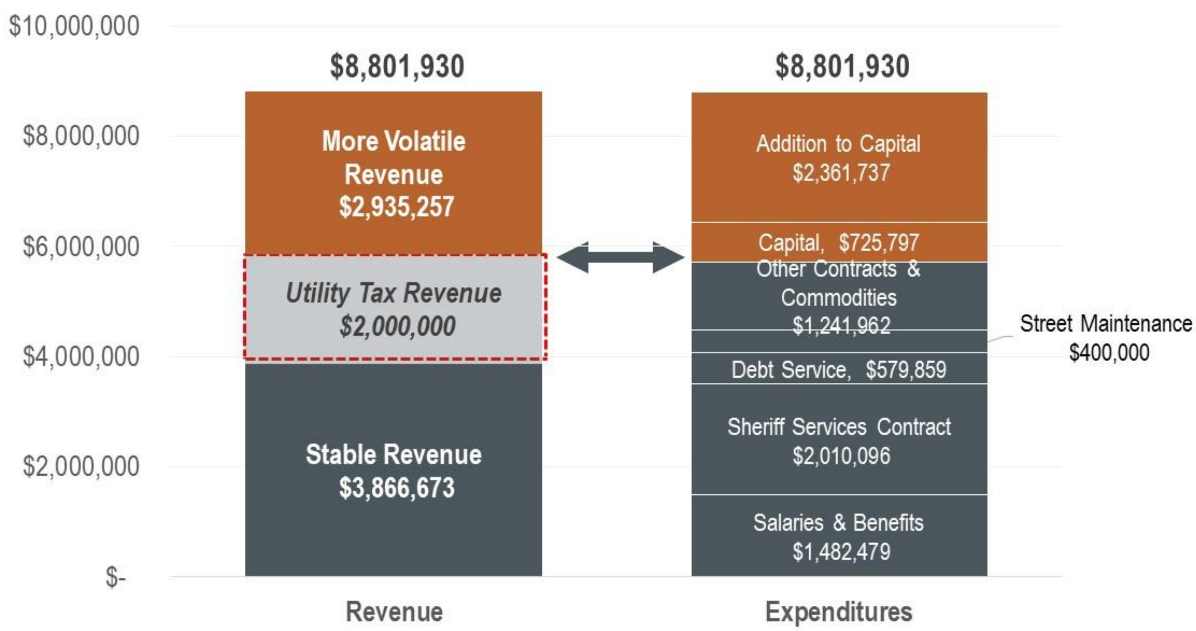
IV.E.5. Utility Tax Revenue Would Provide Improve the City's Structural Balance

An alternative scenario was developed to measure the City's structural balance with the addition of utility tax revenue. In this scenario, it is assumed that a utility tax would generate $2 million in annual revenue to the city. The assumption is generally based on the annual budget for utility tax revenue provided by neighboring communities (see Section 3). This is a hypothetical example and actual revenue would be dependent on the type of utilities and the tax rates that the City would include in a utility tax policy. However, the exercise provides a reasonable example of the impact of utility taxes on the City's financial position.

In this scenario, the City's stable revenue base increases by $2 million from $3.9 million to $5.9 million. As a result, the stable revenue sources are sufficient to offset all recurring expenses and more volatile revenue such as REET can be allocated to the City's capital improvement plan.

Exhibit 15 illustrates the projected impact of $2 million in utility tax revenue on the 2018 Budget.

Exhibit 15
Structural Balance of 2018 Adopted Budget with $2M in Utility Tax Revenue



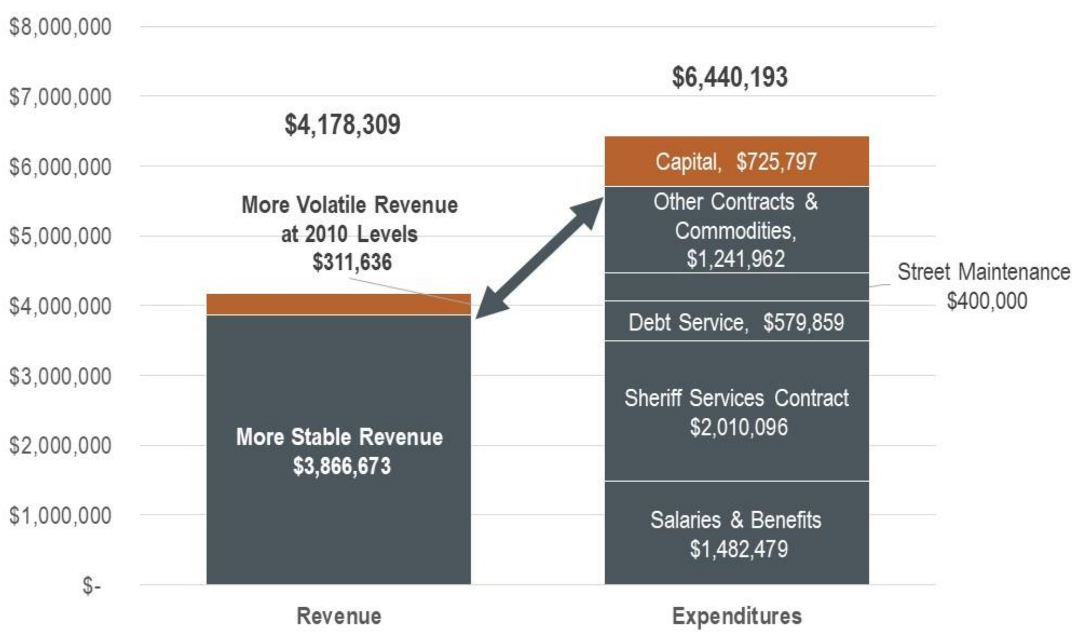
IV.E.6. A Return to 2010 Development Levels Would Likely Require Significant Cost Reduction Measures

Because the City is currently generating historically high levels of development-related revenue from permit fees, REET, and impact fees, a third scenario was developed to project the degree of structural balance if development activity decreased. To model this scenario, development-related revenue was assumed at 2010 levels – approximately $0.3 million. In contrast, the 2018 Budget includes over $2.9 million in revenue from permit fees, REET, and impact fees.

Based on this scenario, the City's revenue would decrease to $4.2 million and would require significant cost reductions in both capital and recurring spending, which total $6.4 million in the 2018 Budget.

Exhibit 16 summarizes the comparison of revenues and expenses in this scenario.

Exhibit 16
Structural Balance of 2018 Adopted Budget at 2010 Development Levels



Without a utility tax, the City would need to identify other revenue sources and/or cost reduction measures to balance the budget. Given the degree of the funding deficit, it is likely that the City would have to implement multiple strategies to offset the reduction in revenue. Some options include:

- Default on debt obligations (not recommended);
- Increase to property tax rate (requires voter approval);
- Access strategic reserve (one-time resource);
- Reduce chip seal program and other capital projects;
- Reduce sheriff services contract;
- Reduce city staff and services; and/or
- City wind-down options discussed at January 14, 2018 work session.

IV.F. OBSERVATIONS

- According to the GFOA, a structurally-balanced budget is a best practice and is characterized as a budget with recurring revenues that are equal to or exceed recurring expenditures.
- The City's 2018 Budget includes $3.8 million in stable revenue sources and $5.8 million in recurring expenses.
- A utility tax is projected to improve the City's structural balance because it is a relatively stable revenue source.
- If development activity returns to a level comparable to 2010 activity, the City would likely need to enact substantial cost reduction measures and create new revenue sources to balance its budget.

Section V. SUMMARY

V.A. BACKGROUND OF CITY AND UTILITY TAXES

- The City has experienced increases in population and commercial development in recent years resulting in increased demand for City services. Revenue from property taxes and sales taxes, which are relatively stable year over year, have not increased at the same rate as City service levels, requiring the City to meet service obligations with other funding sources. Additionally, the City recently adopted the 2018 to 2023 capital improvement program which identifies over $15 million in improvements to streets, parks, sewer, and other infrastructure.
- As a result of these factors, the City is exploring a utility tax as a new revenue source. Local governments are authorized to impose taxes on utilities including water, sewer, storm water, solid waste, cable, gas, telephone, and electricity which conduct business within city limits per RCW 35A.82.020. Utility taxes are a relatively stable funding source for local governments as the tax is assessed on the gross revenue of utilities. As population and utility rates increase, utility tax revenue increases automatically making it a stable source of funding for a city.

V.B. UTILITY TAXES IN SURROUNDING CITIES

- Based on the results of the 2016 AWC survey, all surveyed cities in Pierce County assess utility taxes as a source of revenue for their respective General Funds.
- Utility tax rates vary by utility type and by city; rates range from 1.5 percent to 12 percent of utility gross revenue. Tax rates for electricity, natural gas, and telephone are generally lower than for other utilities which may be the result of the 6 percent rate cap prescribed by the state which can only be increased if approved by local voters.
- Comparing 2017 utility tax revenue in neighboring cities indicates that 1) cities generate $1.2 million to $3.5 million in revenue from these taxes in 2017, and 2) utility tax revenue represented 8 to 28 percent of total general fund revenue (see Exhibit 17).

Exhibit 17
Comparison of 2017 Utility Tax Revenue

City	Population (2017)	Utility Tax Revenue	General Fund Revenue	Utility Tax Revenue as a % of General Fund Revenue
Edgewood	*10,420*	*N/A*	*N/A*	*N/A*
Fife	10,100	$2,835,922	$18,367,291	15.4%
Milton	7,900	$1,180,055	$4,286,995	27.5%
Puyallup	40,500	$3,551,240	$41,237,738	8.6%
Sumner	9,920	$2,399,765	$12,597,425	19.0%

V.C. CITY FINANCIAL REVIEW

- The Government Officers Association of America (GFOA) lists structurally-balanced budgeting as a financial best practice as it provides financial sustainability not just for the current budget year but for multiple years into the future.
- A structurally-balanced budget is characterized as a budget with recurring revenues that are equal to or exceed recurring expenditures.
- The City's 2018 Adopted Budget includes $3.9 million in stable revenue sources and $5.8 million in recurring expenses.

Exhibit 18
Structural Balance of 2018 Adopted Budget

- A utility tax is projected to improve the City's structural balance because it is a relatively stable revenue source. The additional revenue would also help the City allocate funding from more volatile revenue to its capital project needs.
- If development activity returns to a level comparable to 2010 activity, the City would likely need to enact substantial cost reduction measures and create new revenue sources to balance its budget.

APPENDIX A – SUMMARY OF 2018 BUDGET

FCS GROUP

		Total
Beginning Balance	**$**	**6,555,239**
Revenue & Transfers		
More Stable		
Taxes	$	3,191,516
Fees		590,040
LID Fees		1,239,999
Utility Fees		795,000
Public Safety		31,834
Interest		14,071
Other Revenue		6,212
Transfers In		590,077
Subtotal	*$*	*6,458,749*
More Volatile		
Impact Fees	$	1,000,000
Permit Fees		1,247,757
Grants		25,000
Interest		7,500
Public Safety		-
REET		680,000
Transfers In		943,639
Subtotal	*$*	*3,903,896*
Total Revenue & Transfers	**$**	**10,362,645**
Total Available Funds	**$**	**16,917,884**
Expenses & Transfers		
Salaries & Benefits	$	1,765,797
Commodities		70,600
Services		575,806
Intergov		597,157
Sheriff Services		2,010,096
Road Preservation		400,000
Central Svcs Allocation		648,183
Capital		725,797
Debt Service		1,792,344
Transfer Out		1,533,716
Total Expenses & Transfers	**$**	**10,119,495**
Ending Balance	**$**	**6,798,389**

APPENDIX B – 2000 TO 2017 CITY REVENUES

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund Beginning Fund Balance	$ 1,045,899	$ 2,026,776	$ 2,881,860	$ 3,602,461	$ 3,928,798	$ 3,999,069	$ 4,275,697	$ 4,392,912	$ 4,137,159
General Fund Revenue Sources									
Property Tax	1,025,433	1,060,595	1,107,751	1,131,958	1,177,187	1,184,794	1,218,561	1,257,007	1,278,571
Sales Tax	362,072	440,773	363,162	371,762	366,915	388,750	477,340	527,150	555,359
Cable, Justice Vice Tax	575,668	508,495	476,135	507,848	526,828	766,917	592,876	677,385	621,544
Fees for Services	251,839	285,757	196,562	121,392	177,013	259,919	268,646	261,660	122,606
City Assistance (TABS)	634,064	877,290	901,766	622,000	233,300	155,500	114,675	105,533	-
Misc (interest)	136,889	143,008	77,959	48,187	65,468	121,737	276,059	250,255	140,983
Total Revenue	**$ 2,985,965**	**$ 3,315,918**	**$ 3,123,335**	**$ 2,803,147**	**$ 2,546,711**	**$ 2,877,617**	**$ 2,948,157**	**$ 3,078,990**	**$ 2,719,063**
Other Funds									
Street Fund									
Street Beginning Fund Balance	1,311,350	1,314,486	1,025,075	540,047	513,393	317,733	176,359	153,087	145,906
Street Revenue	412,560	339,768	286,290	205,892	201,719	236,405	235,410	307,473	350,213
Transfers In	-	-	-	131,592	-	77,753	302,456	218,046	257,500
Total Available	**$ 1,723,910**	**$ 1,654,254**	**$ 1,311,365**	**$ 877,531**	**$ 715,112**	**$ 631,891**	**$ 714,225**	**$ 678,606**	**$ 753,619**
Strategic Reserve	676,197	806,906	922,559	922,797	943,194	954,193	931,743	988,704	1,039,967
Park Impact Fee			5,890	44,396	62,760	94,924	95,890	47,948	35,753
Traffic Impact Fee								86,417	80,868
Real Estate Excise Tax (REET)	124,506	137,572	116,303	113,708	155,896	431,175	444,615	400,948	344,279
Debt Service Fund								403,040	402,520

FCS GROUP

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund Beginning Fund Balance	$ 3,615,080	$ 1,768,874	$ 1,562,071	$ 1,734,963	$ 1,938,726	$ 1,926,813	$ 2,182,749	$ 1,070,867	$ 1,763,469
General Fund Revenue Sources									
Property Tax	1,306,411	1,325,983	1,372,807	1,392,916	1,404,007	1,423,620	1,459,214	1,531,292	1,577,737
Sales Tax	383,603	470,456	417,812	447,660	477,062	507,258	705,055	876,627	1,045,838
Cable, Justice Vice Tax	520,919	546,942	613,136	702,055	472,029	612,951	629,198	615,567	652,983
Fees for Services	88,613	101,963	111,372	123,936	259,185	509,841	959,520	1,123,215	1,576,389
City Assistance (TABS)	10,749	64,614	11,973	66,002	109,469	98,635	113,853	116,829	116,997
Misc (interest)	54,177	61,619	47,510	118,821	61,248	49,929	18,357	1,477	7,117
Total Revenue	**$ 2,364,472**	**$ 2,571,577**	**$ 2,574,610**	**$ 2,851,390**	**$ 2,783,000**	**$ 3,202,233**	**$ 3,885,195**	**$ 4,265,008**	**$ 4,977,061**
Other Funds									
Street Fund									
Street Beginning Fund Balance	10,505	60,386	59,401	105,580	151,858	190,464	136,706	83,423	258,165
Street Revenue	328,735	236,690	206,547	237,667	184,399	232,436	324,102	561,881	526,098
Transfers In	209,600	110,000	-	111,020	111,020	244,000	278,150	220,000	220,000
Total Available	**$ 548,840**	**$ 407,076**	**$ 265,948**	**$ 454,267**	**$ 447,277**	**$ 666,900**	**$ 738,958**	**$ 865,304**	**$ 1,004,263**
Strategic Reserve	798,107	846,679	869,345	839,932	754,245	855,978	1,001,042	1,072,344	1,009,636
Park Impact Fee	8,869	32,393	17,649	58,808	75,020	35,325	494,517	378,531	475,503
Traffic Impact Fee	15,585	63,788	71,297	26,475	50,022	30,593	354,702	387,928	647,635
Real Estate Excise Tax (REET)	149,615	113,492	140,499	148,012	285,053	257,789	358,528	488,695	746,069
Debt Service Fund	404,920	401,920	403,720	405,120	406,120	406,720	401,920	401,920	401,920

APPENDIX C - UTILITY TAX PRESENTATION TO EDGEWOOD CITY COUNCIL, JANUARY 23, 2018

City of Edgewood

Utility Tax Review and City Financial Analysis

January 23, 2018

FCS GROUP
Solutions-Oriented Consulting

Discussion Topics

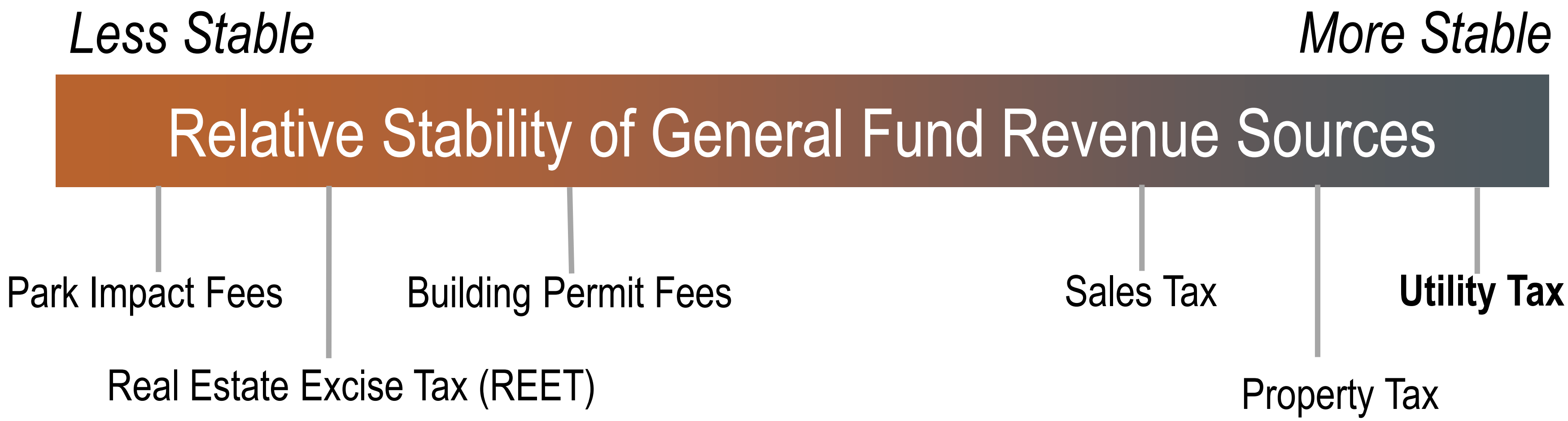
- **Benefits of Developing Additional Stable Revenue Source**
- **Overview of Local Utility Taxes and History**
- **Comparative Review of Utility Taxes in Neighboring Cities**
- **City Financial Review**
  - Structural Balance as a Measure of Financial Health
  - Funding Sources and Spending Plan in 2018 Budget
  - Impact of Local Utility Tax on 2018 Budget
  - Other Options to Manage Changes in Revenue
- **Summary**

Benefits of Stable Revenue Source

- **Two benefits of developing additional, stable revenue source**
  - Use one-time revenue for infrastructure investment
  - When one-time (growth related) revenues decline, City can still pay for operating costs and debt service obligations
- **City has been funding operating costs & debt service with one-time revenues**
  - Salaries & benefits, sheriff contract, street maintenance
- **City staff & services (w/ associated costs) have been growing with population**
  - Cost increase not commensurate with stable revenue growth

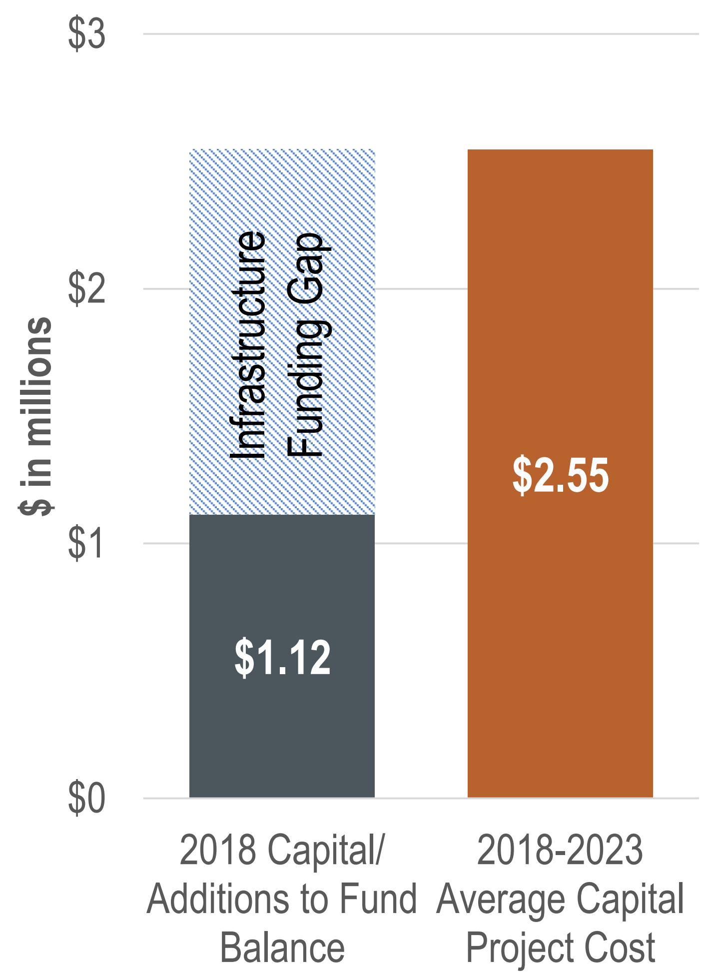
Utility Tax as a Stable Revenue Source

- Common financial tool for cities in the region
- Because it is based on a percent of utility revenues, it automatically adjusts to changes in population and inflation



Infrastructure Funding Gap

- **New revenue sources need to be identified to fund capital plan and continue to meet annual operating expenses**
- **City's existing capital spending**
  - 2018 adopted budget includes a combined $1.12 million in capital projects and additions to fund balance
- **City's capital needs**
  - $2.55 million in annual average capital spending needs through 2023
    (source: 2018-2023 capital improvement plan)



Transportation Capital Projects

Project	2018	2019	2020	2021	2022	2023	Total
City Road Preservation Program	$250,000	$257,500	$265,225	$273,182	$281,377	$289,819	$1,617,102
City Wide Traffic Safety Program	20,000	20,000	20,000	20,000	20,000	20,000	$120,000
Interurban Trail Phase III Feasibility Study	0	0	75,000	0	0	0	$75,000
Chrisella Road Safety Improvements	0	0	150,000	680,000	0	0	$830,000
Edgewood Drive E Improvements	150,000	0	1,000,000	368,050	0	0	$1,518,050
Transportation Engineering Support	50,000	50,000	50,000	50,000	50,000	50,000	$300,000
Total Transportation	**$470,000**	**$327,500**	**$1,560,225**	**$1,391,232**	**$351,377**	**$359,819**	**$4,460,152**

Parks Capital Projects

Project	2018	2019	2020	2021	2022	2023	Total
Interurban Trail Phase III Construction	$0	$0	$0	$0	$140,000	$600,000	$740,000
Miscellaneous Park Improvements	25,000	25,000	25,000	25,000	25,000	25,000	$150,000
Edgewood Multi Modal Loop/Trailhead	0	0	0	0	200,000	1,500,000	$1,700,000
Nelson Farm Remodel	0	0	0	55,000	0	0	$55,000
36th/Meridian Park	0	350,000	2,800,000	0	0	0	$3,150,000
Land Acquisition	10,000	10,000	10,000	10,000	10,000	10,000	$60,000
Total Parks	**$35,000**	**$385,000**	**$2,835,000**	**$90,000**	**$375,000**	**$2,135,000**	**$5,855,000**
Total Parks & Transportation	**$505,000**	**$712,500**	**$4,395,225**	**$1,481,232**	**$726,377**	**$2,494,819**	**$10,315,153**

Background on Utility Tax

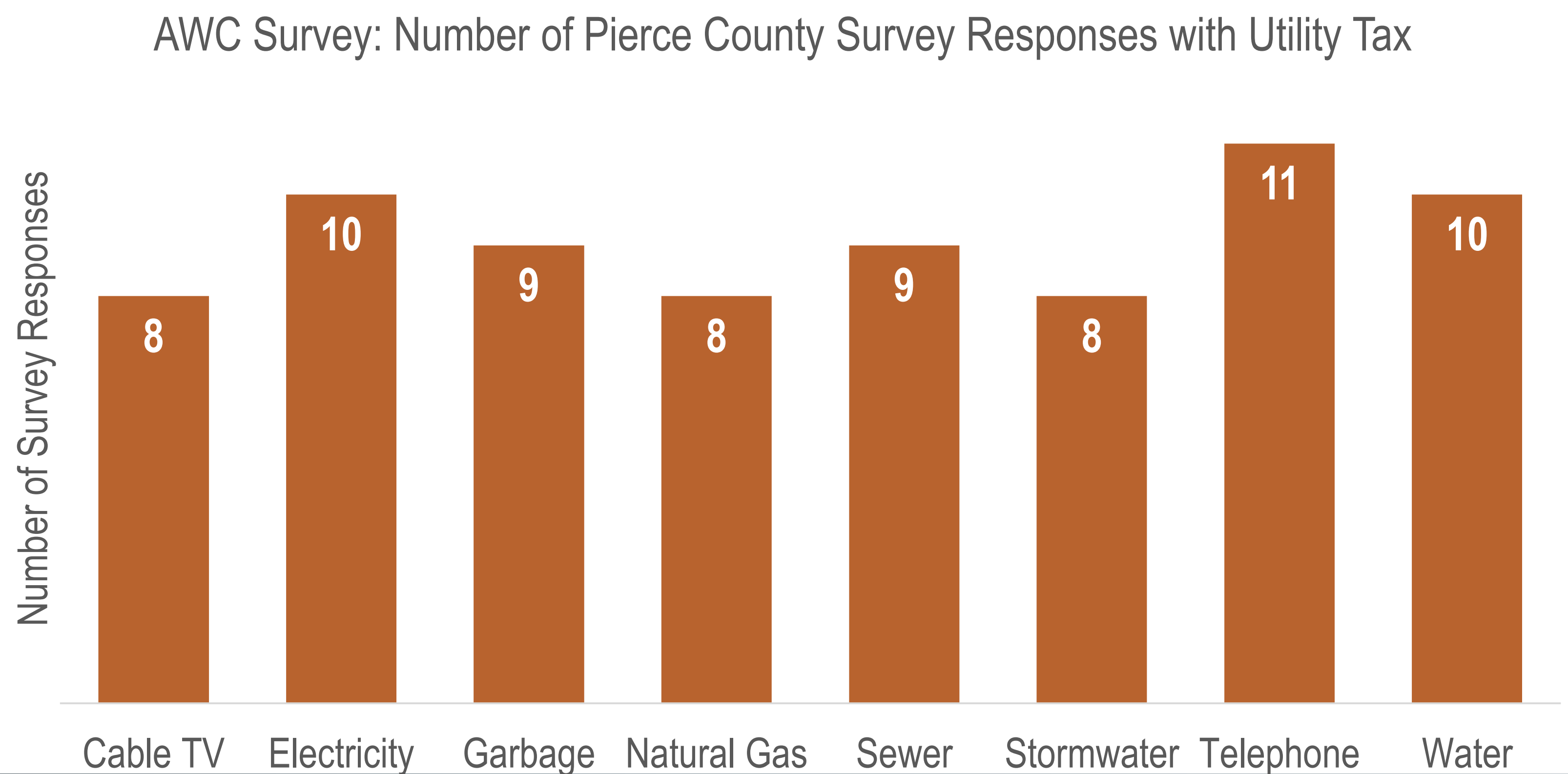
- **The City is considering a tax on utilities such as:**
  - Water, Sewer, Stormwater, Solid Waste, Cable, Gas, Telephone, and Electricity
- **The City is authorized to impose taxes on utilities which conduct business within the city limits per RCW 35A.82.020**
- **Three previous attempts to enact a utility tax were unsuccessful**

Study Tasks

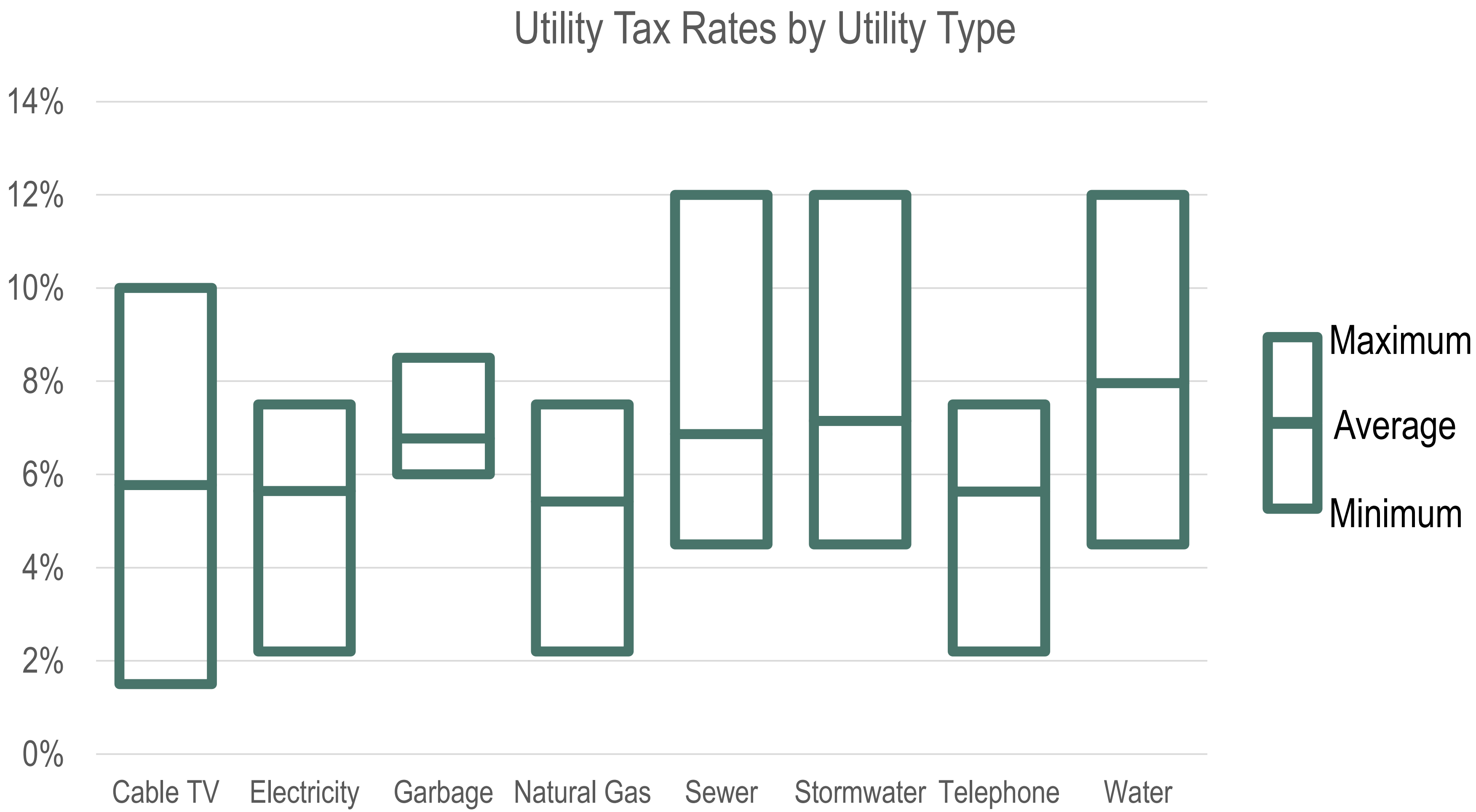
- **Research cities in Pierce County that impose a local utility tax**
  - Which utilities are taxed?
  - What percent is the tax by utility?
- **Summarize the impact of utility taxes on general fund**
  - Fife, Milton, Puyallup, and Sumner
- **Analyze the City's 2018 budget**
  - Stability and sufficiency of Edgewood's current revenue sources

2016 AWC Municipal Tax Survey

- **11 cities from Pierce County responded to voluntary AWC survey**
  - All had telephone utility tax; 10 out of 11 had electricity tax; etc.
- **Survey by City staff: Only two cities in Pierce County do not have a utility tax**



Comparative Tax Rates Range From 2% to 12%



Note: State law caps local utility tax rates for electric, natural gas, and telephone at 6 percent unless approved by voters (RCW 35.21.870)

Profile of Neighboring Cities

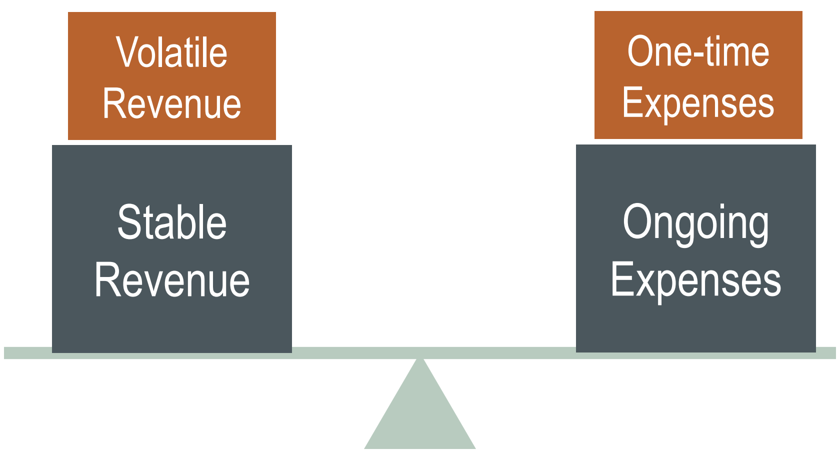
City	2017 Population	2017 Utility Tax Revenue (budget), $ in millions	2017 General Fund Revenue (budget), $ in millions	2017 Utility Tax Revenue as a % of General Fund Revenue	2017 FTEs (All Funds)
Fife	10,100	$2.84	$18.4M	15%	149.97
Milton	7,900	$1.18	$4.3M	28%	49.00
Puyallup	40,500	$3.45	$41.2M	8%	281.35
Sumner	9,920	$2.40	$12.6M	19%	108.50
Edgewood	10,420	n/a	$4.3M	n/a	15.00

Note: Utility tax figure for Fife includes Tacoma Public Utility fees; utility tax figure for Sumner excludes franchise fees for garbage and Comcast services

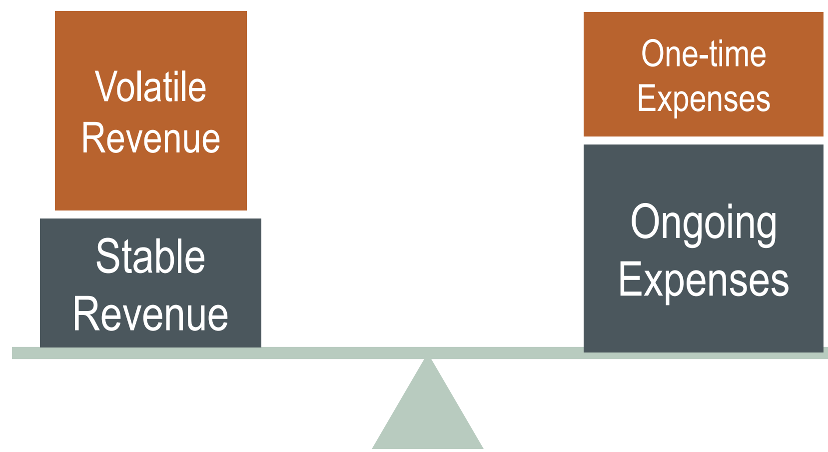
City Financial Review

- **Structural balance is a key factor in maintaining strong financial performance**
  - Aligning recurring operating expenditures with stable revenue sources
  - Earmarking volatile revenue with one-time expenses (e.g., capital projects and strategic reserves)

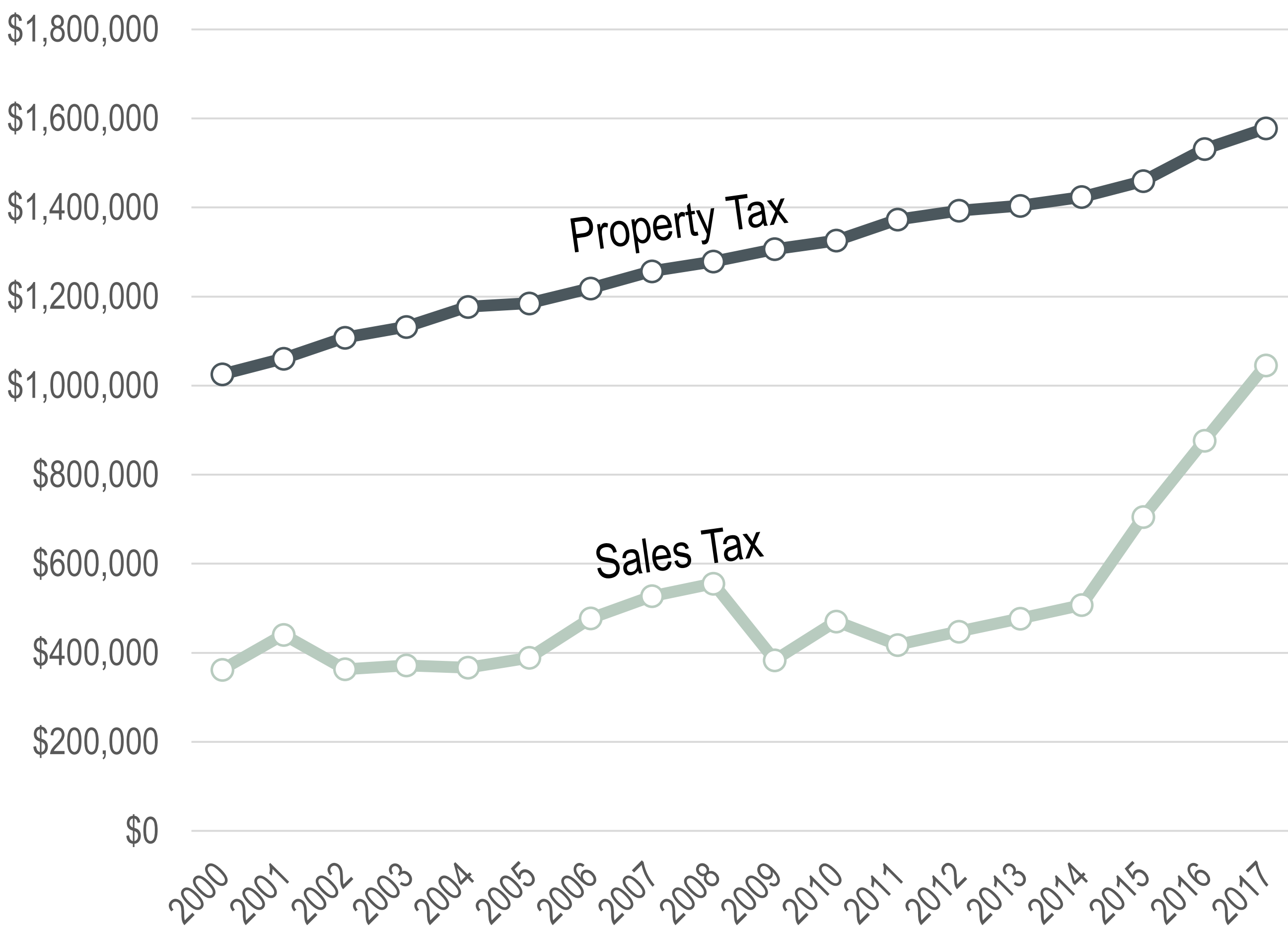
Structural Balance



Risk of Structural Imbalance

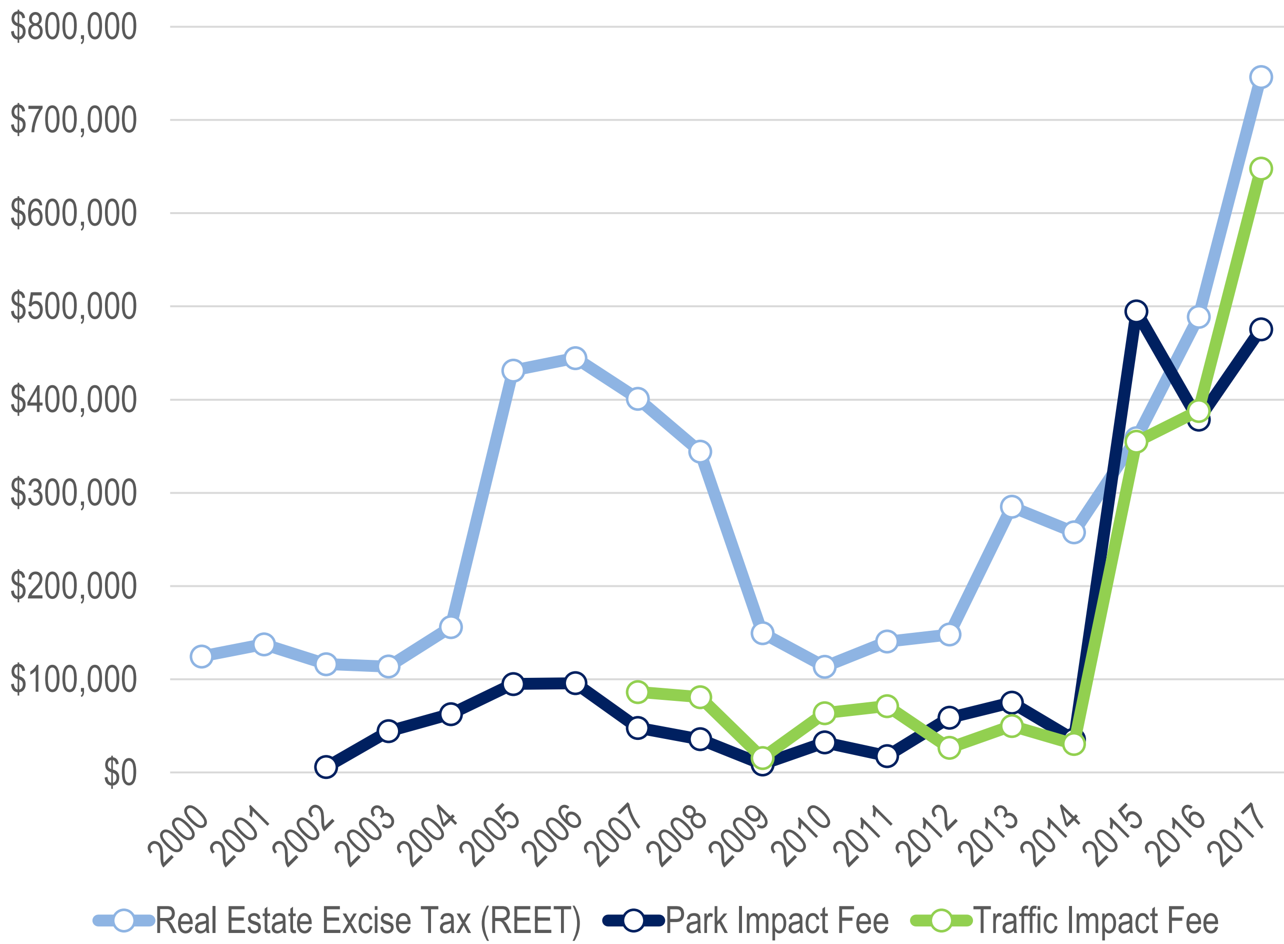


Historical Property & Sales Tax Revenue



Relatively stable revenues such as property tax and sales tax provide a reliable source for recurring annual operating expenses such as wages, service contracts, and long-term debt.

Historical REET and Impact Fee Revenue

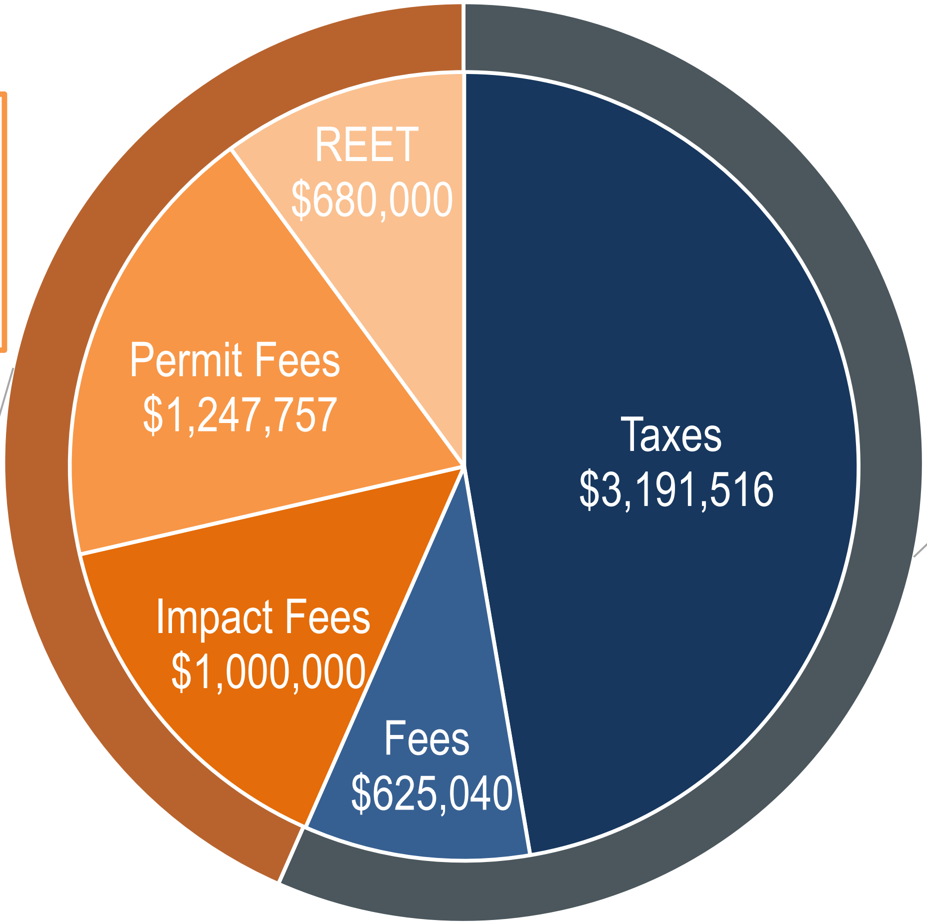


Impact fee and real estate excise tax revenue are more volatile than property and sales tax revenue.

These types of revenue sources may be used for capital and other one-time expenses.

2018 Budget - Revenue Sources

Examples of Permit Fees Include:
Plan Review & Inspection Fees
Building Permits
Traffic Engineering Fees
Design Standards Review Fees
SEPA Review



Taxes Include:
Property Tax
Sales & Use Tax
Local Parks Sales Tax
Local Criminal Justice Tax
Liquor Excise Tax
Motor Vehicle Fuel Tax

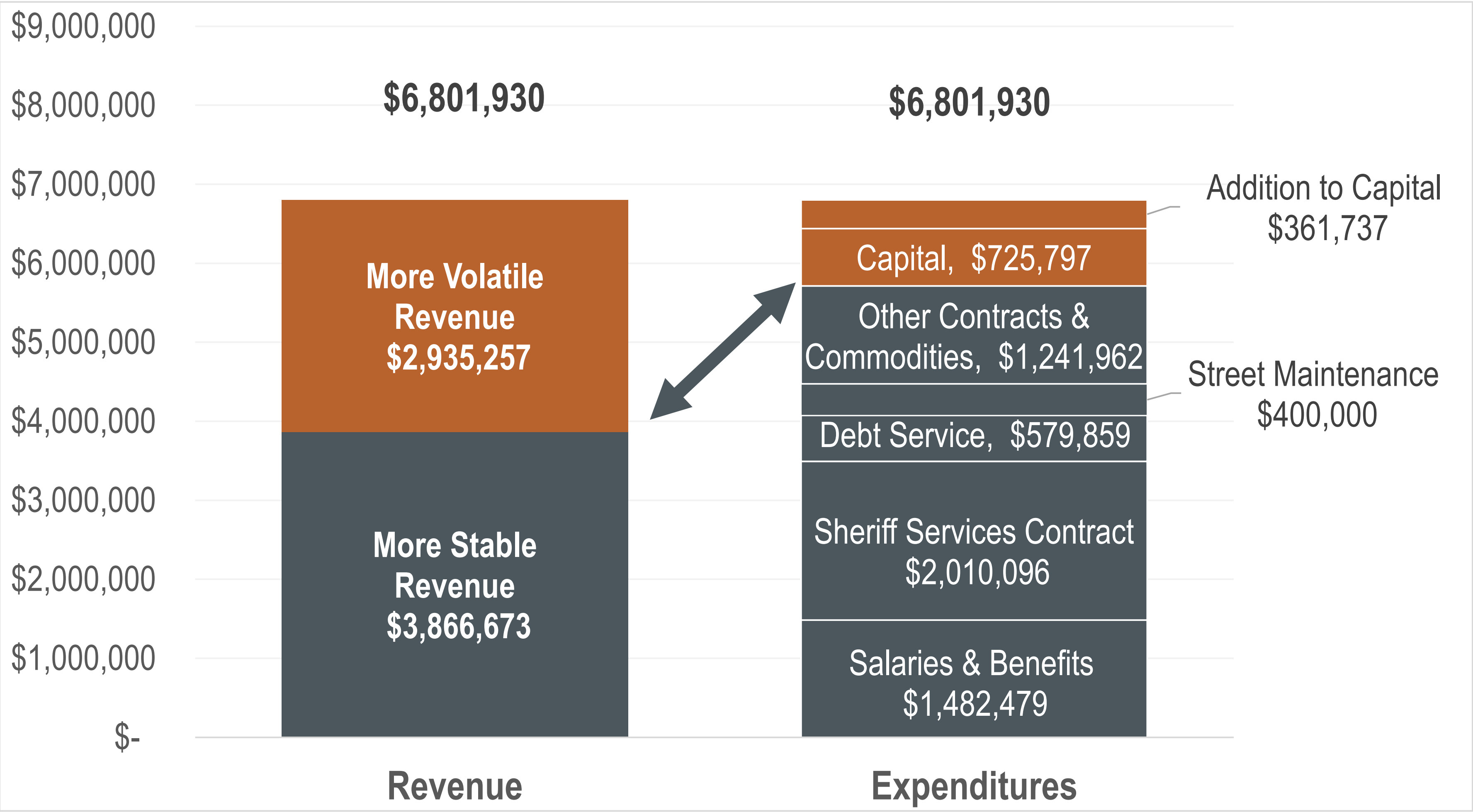
More Stable Revenue

More Volatile Revenue

Fees Include:
Cable Franchise Fees
Transportation Benefit District Fees
City Assistance (TAB) Fees
Liquor Board Profits
Comcast PEG Fees
Sewer Utility Fees

Note: Excludes interest earnings, public safety program revenue, grants, sewer LID revenue, transfers, and Surface Water revenues

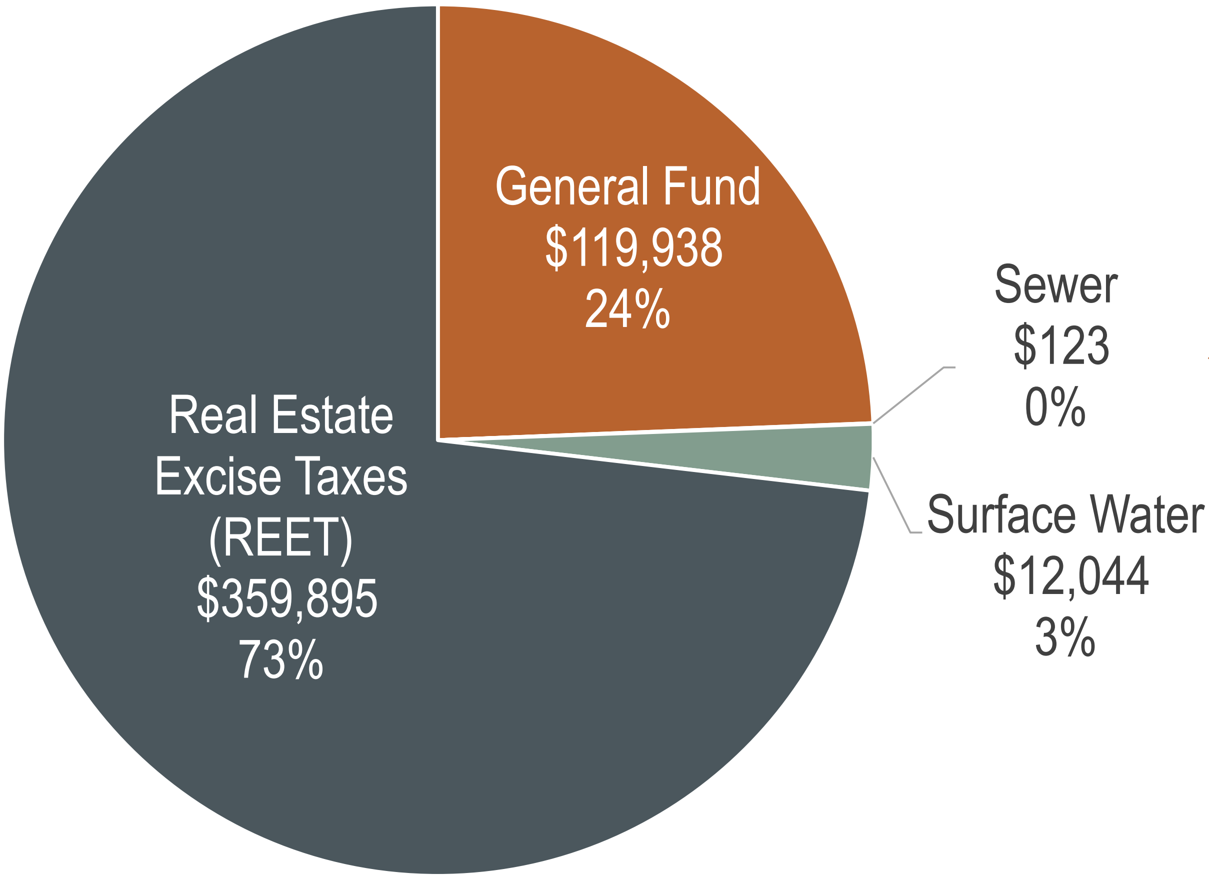
2018 Budget: Revenues and Expenses



Note: Excludes transfers, Sewer LID, Surface Water revenue and expenditures

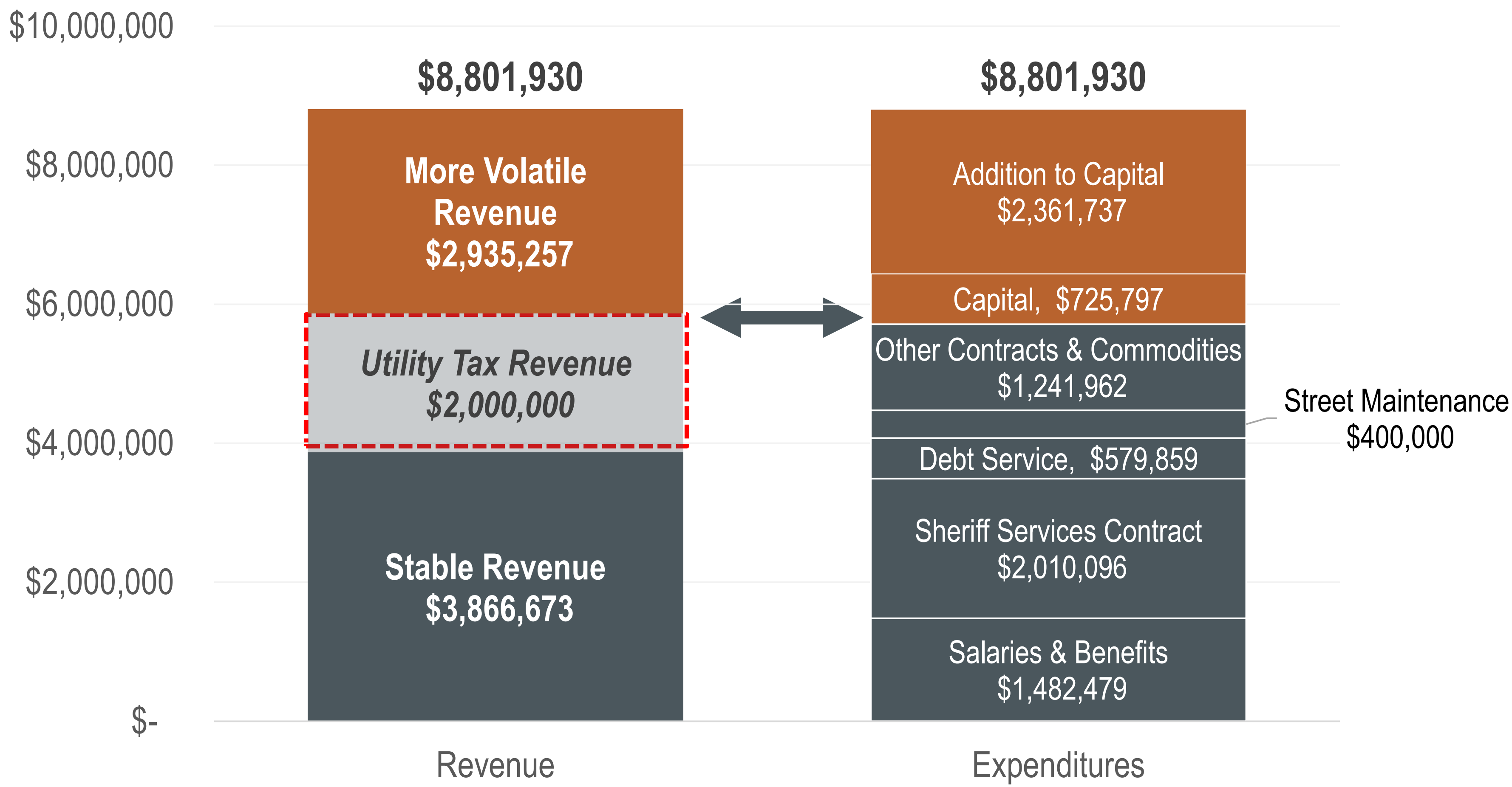
Case Study: City Hall Debt Service

Funding Sources for City Hall Debt Service



- Primary source of funding for City Hall debt service is REET revenue (73% or $359,895).
- If REET revenue declined in the future, the City would need to identify other funding sources to meet debt service obligation.

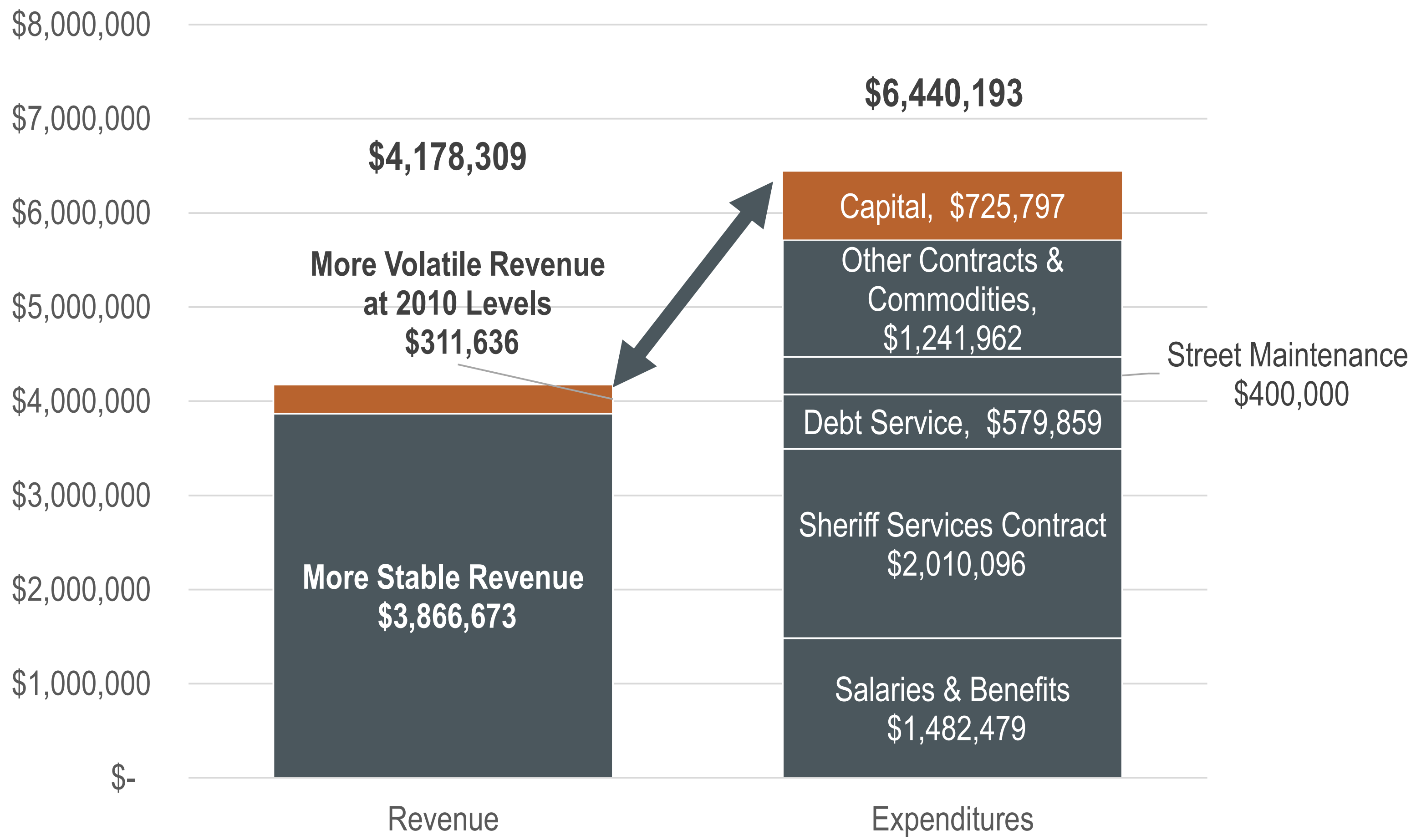
Utility Tax Would Improve Revenue Stability and Structural Balance



Note: Utility tax revenue figure ($2 million) is for illustrative purposes. Actual revenue dependent on utility tax rates and types of utilities required to pay the tax.

Scenario: No Utility Tax and Reduction of Volatile Revenue Sources to 2010 Levels

REET, Impact Fees, and Permit Fees totaled $0.3M in 2010 compared to $2.9M in 2018



Other Financial Options

- **Without a utility tax, the City would need to identify other revenue sources and cost reduction measures to balance the budget when development activity slows down.**

- **Some choices may include:**
  - Default on debt obligations
  - Increase to property tax rate
  - Access strategic reserve (one-time resource)
  - Reduce chip seal program and other capital projects
  - Reduce sheriff services contract
  - Reduce city staff and services
  - City wind-down plan discussed on January 14

How a Utility Tax Will Benefit Residents

- **Important to communicate uses of utility tax revenue**
  - City residents will want to know that tax is being put to good use

- **Investments in Streets and Park infrastructure**
  - New streets, $4.5 million in preservation and improvements through 2023
  - New parks, $5.9 million for new park and trail facilities through 2023

- **Avoids staff and sheriff layoffs**

Summary

- **Utility Taxes in Pierce County and Surrounding Cities**
  - Majority of cities in Pierce County assess utility taxes; most common utilities subject to the tax are electricity, water, sewer, garbage, and telephone
  - Utility taxes comprised 8% to 28% of budgeted general fund revenue in 2017 for neighboring cities (Fife, Milton, Puyallup, Sumner), generating $1.28M to $3.45M.
- **City Financial Analysis**
  - City's 2018 budget uses less stable revenue sources such as REET and impact fees to offset on-going operating expenses and debt service - creates a financial risk if these revenue sources decrease in the future.
  - A utility tax would improve the City's financial structural balance and allow less stable revenue sources to be allocated to capital projects.
  - A utility tax provides another stable revenue source for the City's recurring expenses (e.g., sheriff services and street maintenance)

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