CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Dave Ramsay, City Manager

From: Tracey Dunlap, Director of Finance and Administration

Date: July 9, 2009

Subject: Voted Private Utility Tax Increase Ballot Measure Resolution

Recommendation

Council approve resolution placing the voted private utility tax increase on the November 3, 2009 ballot.

Background

The 2009-2010 budget was balanced assuming a successful vote in 2009 to increase the private utility tax (on electric, gas, telecommunications, and cable[1]) from 6% to 7.5% in 2010. The revenue in 2010 from this increase is budgeted at $2.24 million. The impact on customer bills would be $1.50 per $100 of utility charges for residential and non-residential (commercial, etc.) customers. An estimated average impact for a residential customer is approximately $6 per month or $72 per year, although impacts will vary based on household size, service choices, and utility usage.

Passage of the voted utility tax would have a positive impact on the City's financial picture in two ways:

- The additional revenue would help the City preserve service levels that were reflected in the adopted 2009-2010 budget.
- The increase in utility taxes would contribute to a more sustainable revenue base for the City by:
    - Increasing a revenue source that tends to grow with inflation to help match the growth of City costs.
    - Decreasing reliance on volatile sales tax revenues by better balancing revenues from a variety of tax sources.

In addition, the utility tax increase option was selected (as opposed to a property tax increase) because it provides customers with some level of control over how much they pay if they are able to reduce their utility usage.

The City Council held a public hearing on July 7 and appointed the pro and con committees to write the ballot arguments. The City Clerk's Office will provide the committee members with the process and timeline information related to their task. The remaining key dates in the process are summarized on the following page.

[1] Note that the ballot question does not include cable services, as that increase is not subject to the same statutory authority as the other utility services, as described in the attached resolution. However, the intent is to apply the increase to cable if the vote is successful.

Proposed Private Utility Tax Increase Election Schedule	
GENERAL ELECTION NOVEMBER 3, 2009	**DUE DATE**
Council meeting to approve resolution/ordinance (must occur before August 11)	July 21, 2009
If resolution/ordinance not approved July 21, last regularly scheduled Council meeting to approve	August 4, 2009
General election ordinance/resolution filed (84 days prior)	August 11, 2009
Submit ballot title and a summary of the measure as it will appear on the ballot	August 11, 2009
Resolution requesting special election for inclusion in Voters' Pamphlet (84 days prior) (RCW 29A.04.330)	August 11, 2009
Explanatory statement (reviewed and approved by City Attorney describing effects of the measure if passed) and committee appointments (names of persons selected to serve) for Voters' Pamphlet due to King County	August 14, 2009
Arguments for and against the measure written by the committees due to King County Elections after 4:30 pm	August 19, 2009
Arguments prepared by the pro and con committees available to the opposing committee for rebuttal after 4:30 pm	August 19, 2009
Rebuttal statements for Voters' Pamphlet due	August 21, 2009
General Election Date	November 3, 2009
Earliest the City could begin receiving revenue from utility tax increase (60 days post election to increase) is one month following the increase, with taxes due to the City by the 20th of the following month	March 1, 2010

The City Council has provided direction to staff regarding development of recommendations on the reductions in service levels that would be necessary if the tax does not pass. Staff is developing recommendations that will be presented to the City Council at the August 4 Study Session. In addition, the ballot language and explanatory statement will be provided for review and discussion.

In terms of communications with the public, staff is planning to introduce the issue in the July City Update and will provide additional information on the service level impacts once they have been determined. Note that once the resolution is passed, the Public Disclosure Commission (PDC) campaign rules apply, meaning that City staff can provide factual information on the measure but not campaign for or against its passage.

RESOLUTION R-4771

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND PROVIDING FOR THE SUBMISSION TO THE QUALIFIED VOTERS OF THE CITY OF KIRKLAND AT THE NOVEMBER 3, 2009, GENERAL ELECTION OF A PROPOSITION TO INCREASE THE UTILITY TAX IMPOSED UPON ELECTRICAL ENERGY, NATURAL GAS, AND TELEPHONE SERVICES FROM 6 PERCENT TO 7.5 PERCENT IN ORDER TO CREATE A MORE SUSTAINABLE BUDGET FOR THE PURPOSE OF MAINTAINING EXISTING CITY SERVICES, INCLUDING PUBLIC SAFETY AND PARKS.

WHEREAS, RCW 35.21.870 permits cities to impose a tax on privately-provided electric, natural gas, or telephone services at a rate of up to 6 percent by legislative approval, and at a rate that exceeds 6 percent if approved by a majority of the voters of the city voting on such proposition; and

WHEREAS, the Cable Communications Policy Act of 1984 permits cities to increase the tax rate on cable television without a voter approval as long as the tax is not discriminatory against cable operators and subscribers; and

WHEREAS, increasing the tax on electrical energy, natural gas, and telephone services, and cable services from 6 percent to 7.5 percent would result in additional total revenue of approximately $2.24 million annually; and

WHEREAS, revenues are needed to create a more sustainable budget and provide funds to maintain existing City services, including public safety and parks; and

WHEREAS, the City Council of the City of Kirkland finds it is appropriate to submit to the voters of the City of Kirkland a proposition to increase the tax on electric, natural gas, and telephone services from 6 percent currently taxed to 7.5 percent, which would also be applied to cable services, in order to provide revenues to create a more sustainable budget for the purpose of maintaining existing City services, including public safety and parks.

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

Section 1. A proposition authorizing the City to increase the utility tax imposed on electrical energy, natural gas, and telephone services, for a total of 7.5 percent, in order to provide revenues to create a more sustainable budget for the purpose of maintaining existing City services, including public safety and parks, shall be submitted to the qualified electors of the City at the general election to be held November 3, 2009. The intent of the City Council is to increase the tax on cable services by an equivalent amount.

The King County Elections Director is requested to assume jurisdiction of and to call and conduct such election and to submit to the qualified electors of the City the proposition set forth in Section 2.

Section 2. The ballot title shall read as follows:

CITY OF KIRKLAND
UTILITY TAX

The City Council of the City of Kirkland adopted Resolution R-4771 concerning increasing the tax on electrical energy, natural gas, and telephone services. If approved, this proposition would authorize the City to increase the tax on electrical energy, natural gas, and telephone services from the current 6 percent to 7.5 percent in order to provide revenues to create a more sustainable budget for the purpose of maintaining existing services, including public safety and parks. Should this proposition be approved?

- ❑ Yes
- ❑ No

Section 3. The City Council intends to increase the tax on cable services from the current 6 percent to 7.5 percent. If the voters authorize the increase in the tax on electrical energy, natural gas, and telephone services from the current 6 percent to 7.5 percent, the increased tax on electrical energy, natural gas, telephone, and cable services would result in additional revenue of approximately $2.24 million annually.

Section 4. The City Clerk shall file a certified copy of this resolution with the King County Elections Director.

Passed by majority vote of the Kirkland City Council in open meeting this _____ day of _____, 2009.

Signed in authentication thereof this ____ day of _____, 2009.

_____
MAYOR

Attest:

_____
City Clerk