

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Study Session

November 19, 2012
6:00 p.m.

Council Conference Room
Bellevue, Washington

PRESENT: Mayor Lee, Deputy Mayor Robertson and Councilmembers Balducci, Chelminiak, Davidson, Stokes, and Wallace

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:09 p.m., with Mayor Lee presiding. There was no Executive Session.

2. Study Session

- (a) Update on the B&O Tax Model Ordinance and Potential Bellevue Tax Code Amendments

City Manager Steve Sarkozy opened staff's presentation on the Business and Occupation (B&O) Tax Model Ordinance and potential Bellevue Tax Code amendments.

Finance Director Jan Hawn recalled staff's update to the Council on September 24 regarding the Multi-city Tax Portal project, the B&O Tax Model Ordinance, routine Tax Code changes, and simplification of the Square Footage Tax. She said that Bellevue's tax policy and administrative guiding principles are to maintain a taxpayer friendly environment, simplify compliance, gain consistency with other taxing jurisdictions where possible, and to minimize costs associated with tax administration.

Chris Bothwell, Tax Manager, recalled that the City originally adopted the B&O Tax Model Ordinance with an effective date of January 1, 2008. The ordinance may not be updated more frequently than every four years. Proposed changes to the B&O Tax Model Ordinance relate to digital products/goods (definitions and sourcing), Board of Directors licensing and tax, repeal of the Super Nexus provision, insurance business preemption, and confidentiality. All of the revisions are consistent with state law.

Mr. Bothwell said staff proposes three general Administrative Tax Code revisions to acknowledge the annual non-reporting requirement, clarify that the threshold amount is calculated based on filing frequency, and to change verbiage to be consistent with the actual title of the applicable Code.

Mr. Bothwell said City staff has been working with the Bellevue Chamber of Commerce and the Bellevue Downtown Association (BDA) on ways to continue to simplify the tax program. Stakeholders agreed with the problematic elements of the Square Footage Tax and the proposed interim fixes. They demonstrated a willingness to continue the conversation of a more comprehensive solution. Interim measures are simplification of the filing form and a code change editing the reference to tangible personal property to acknowledge digital goods and intangibles.

The stakeholders encouraged increased communication and transparency from the Tax Office. City staff subsequently established the Bellevue Tax listserve to send emails and text alerts to taxpayers regarding the City's tax matters.

Responding to Councilmember Davidson, Sara Lane, Assistant Director of Finance, said staff will provide an update on the Multi-City Tax Portal project in January.

In further response to Dr. Davidson, Mr. Bothwell said that amounts reported for the Gambling Tax should not be reported for the Bellevue B&O Tax.

Responding to Mayor Lee, Mr. Bothwell said the City plans to continue outreach efforts to ensure that the tax program is meeting stakeholders' needs. Mayor Lee believes it is important for the community to understand that the City is interested in making the Tax Code easier to understand and follow.

Ms. Hawn said the Multi-City Tax Portal consortium has been working with the business communities in the five participating cities to educate and communicate on local tax issues and requirements.

Responding to Councilmember Wallace, Mr. Bothwell said the gross receipts portion of the B&O Tax represents 90 percent of B&O revenues, and the Square Footage Tax represents 10 percent. The purpose of the Square Footage Tax is to tax activities that occur in Bellevue that do not have any attributable gross receipts.

Councilmember Wallace said he is interested in learning whether the City's Tax Code is discouraging certain types of businesses.

Councilmember Davidson observed that the \$150,000 exemption threshold for gross receipts does not capture many small businesses. He suggested a review of that issue sometime in the future.

Responding to Councilmember Chelminiak, Mr. Bothwell confirmed that only 18 percent of businesses in Bellevue pay the B&O Tax. Mr. Chelminiak observed that Bellevue has a higher exemption for small businesses than a majority of other cities that have a B&O Tax.

→ Councilmember Stokes moved to direct staff to proceed with finalizing the proposed Tax Code changes to clarify and simplify reporting for taxpayers, and to study a more comprehensive solution to simplify Square Footage Tax reporting. Deputy Mayor Robertson seconded the motion.

→ The motion carried by a vote of 7-0.

(b) King County Parks Levy Task Force Update

City Manager Sarkozy opened staff's update on the King County Parks Levy Task Force.

Joyce Nichols, Interim Director of Intergovernmental Relations, reported that the Task Force has finalized its recommendations. Two levies set to expire at the end of 2013 are up for renewal. One is an operating levy and the other is an expansion levy. The Task Force proposes a combined levy rate of 19.01 cents per \$1,000 of assessed valuation. The proposed 2013 levy rates are 14.9 cents for the operating/current service level levy and 4.14 cents for the enhanced levy. A house with an assessed value of \$500,000 will pay approximately \$95 per year.

Ms. Nichols noted Attachment B in the meeting packet, which is a series of pie charts demonstrating the declining capacity of Bellevue's property tax based on the impact of King County levies.

Shelley McVein, Deputy Director of Parks and Community Services, provided additional details on the King County Parks Levy Task Force's recommendations. Other Task Force recommendations include a six-year levy lid lift indexed to inflation, flexibility to cities for using their 1.3 cents, a look at the long-term sustainability of the park system, consideration of Current Expense (CX) Fund dollars for the park system, and a look at the potential impact of junior taxing districts in the future.

The Task Force will submit its final report to the King County Executive this month, and the Executive will transmit his recommendations to the King County Council during the first quarter of 2013. The King County Council will provide direction in the spring about whether to place the measure on the August Primary or November General Election ballot.

Referring to the enhanced levy, Deputy Mayor Robertson questioned how many individuals participate in the 4H program. Ms. McVein said the proposal is approximately \$100,000 from the County. She noted that \$300,000 comes from Washington State University. Proposed funding for the BNSF trail corridor is designated for land management. In further response, Ms. McVein confirmed that a number of the components of the enhanced levy (e.g., asset replacement and repair, bridges and trestles repair and replacement) do not apply to any facilities

in Bellevue. A portion of new trail corridor development applies to the BNSF corridor in Bellevue.

Deputy Mayor Robertson recalled that one of the recommendations made in 2003 was that King County would use the levy as a bridge and that CX Fund dollars would be used in the future to cover some parks operations and maintenance costs. Ms. McVein said she is not aware of any sources for parks funding beyond the levies.

Councilmember Stokes observed that it is time for the County to assess how it is going to fund ongoing operations. He believes it is important to focus on benefits both within and outside of Bellevue, and he is interested in further details on the benefits for Bellevue residents.

Councilmember Davidson said the City contributes to the County's CX Fund in the form of sales tax and property tax revenues. However, the County continues to decrease its own funding and services. Responding to Dr. Davidson, Ms. Nichols said that approximately six percent of Bellevue's property tax contribution is directed toward voted new or renewed County levies. Non-voted levies and bonds include the flood district, ferry district, and emergency medical services (EMS). A total of approximately \$65 million from Bellevue taxpayers is forwarded annually to King County.

Responding to Councilmember Chelminiak, Ms. McVein said the enhanced levy contains approximately \$700,000 annually for land management of the BNSF trail corridor. Mr. Chelminiak observed that development of the trail is identified in the City's open space and pedestrian/bicycle plans. He said that many Bellevue residents utilize Marymoor Park, including its off-leash dog area. Mr. Chelminiak said he shares concerns about the high level of contributions from Bellevue citizens to King County services. His understanding is that King County's plan for funding ongoing parks services is through levies.

Responding to Councilmember Wallace, Ms. McVein said the County did not specifically ask for Bellevue's input. However, staff generally updates the Council on the County's activities when possible.

Mr. Wallace said the broader picture is that the County's financing model is not working in a number of areas. The County has turned certain parks over to cities, including to Bellevue, yet is requesting more in property tax revenues. He would like more information on whether the County has made efforts to lower its maintenance and operations costs. He is not convinced of the value of the enhanced levy for Bellevue residents.

Councilmember Stokes said that he too would like more information on the benefits to Bellevue citizens. He said that Bellevue residents contribute significantly to property tax revenues received by the County, and he is interested in a discussion about how Eastside cities can leverage that support.

Referring to the questions before the Council [Page 10 of the presentation], Deputy Mayor Robertson observed that there is general Council support for components of the current levies at

existing service levels. However, Councilmembers urge the County to develop a long-term funding strategy. Ms. Robertson said she would like to see the County fund land management activities for the BNSF corridor within the main operations levy instead of in the enhanced levy.

Ms. Robertson said the City provides significant funding in its General Fund for parks. She believes it is not unreasonable to ask King County to do the same from its CX Fund.

Responding to Councilmember Balducci, Ms. McVein said the Task Force was appointed by the County Executive. The list of members is provided on page SS 2-21 of the meeting packet.

Ms. Balducci observed that the County appears to have reached a policy decision to decrease its investment in its parks. She is interested in the rationale provided by the Task Force for its recommendations.

Ms. McVein said the Task Force convened in late June and spent the first six meetings learning about the County's park system and funding mechanisms. The Task Force began developing its recommendations in September and there was concern regarding the amount of the proposed levy. However, the Task Force ultimately determined that it should be bold in its recommendations for expanded opportunities, while maintaining current service levels for existing operations. Ms. McVein said the Task Force's report is expected to capture the reasoning for their recommendations.

Councilmember Balducci stated that it is shortsighted to suggest that funding for regional parks does not benefit Bellevue citizens. She believes it is important to continue to communicate with the County regarding the City's interest in ensuring that the County is being efficient in its operations. Ms. Balducci recommended against taking a definitive position opposed to the enhanced levy, but suggested instead asking whether the components are the best investments in terms of value for dollars. However, she will support a Council majority if opposed to the enhanced levy. She suggested that perhaps the City and County could work together to develop a sustainable long-term funding strategy.

Councilmember Davidson recalled a study of the County's operations and financial management that took place a few years ago. He said it would be helpful to review that study and to determine which recommendations have been implemented by the County.

Mayor Lee commended the Council's commitment to ensuring what is best for Bellevue taxpayers. He summarized the Council's interest in the County's long-term financing plan. He would like the City to be able to work as a partner with the County. He believes it is up to the voters to decide on the levies.

→ Deputy Mayor Robertson moved to direct staff to bring back a letter that captures the comments made tonight, including support for the 14.9 cent levy to continue existing service levels. Councilmember Balducci seconded the motion.

Councilmember Balducci encouraged providing input to the County Executive as soon as possible, especially if the Council is not supportive of certain components of the proposed levies.

Councilmember Chelminiak said that he does not like the idea of an increased tax for the enhanced services levy. However, the Council has discussed many times the importance of preserving the BNSF rail corridor for a trail. He said it could also be used for other forms of transportation as well. If this remains a priority for the Council, Mr. Chelminiak suggested that the City should support the County's efforts with the rail corridor.

Councilmember Stokes suggested that the letter reflect the Council's discussion on the questions posed by staff. The City Council needs a better understanding of the benefits of the levies to Bellevue citizens and would like the County to develop a long-term financing strategy. Mr. Stokes noted there is mixed support for the enhanced services levy.

Mayor Lee said that the overriding objective is a cooperative, positive working relationship with King County to address long-term funding needs. He does not believe it is necessary to provide specific input because it is unlikely to influence the County to a significant degree. Mayor Lee observed that there is Council agreement to support a ballot measure for renewing the levy for existing service levels.

Deputy Mayor Robertson said there is not a consensus regarding the enhanced services levy. However, some Councilmembers have expressed support for the BNSF trail development project, which she supports as well. She said the Council supports encouraging the County to develop a long-term financing strategy.

Mr. Stokes added that the Council wants to be a part of the conversation regarding a long-term financing strategy in partnership with the County.

Mayor Lee noted general support for the items as summarized and clarified by Councilmembers. He said there is no need for a formal motion/vote.

(c) Proposed Code Amendment to Address For-Hire Vehicle Parking

City Manager Sarkozy opened discussion regarding a proposed Code amendment to address for-hire vehicle parking.

Transportation Director Dave Berg said the policy question for the Council to consider is whether the City should amend its parking enforcement code to define and regulate vehicle parking on public rights-of-way for taxicabs and for-hire vehicles.

Laurie Gromala, Assistant Director of Transportation, explained that the City has received a number of complaints from business owners and residents in recent months regarding for-hire vehicle parking in the Downtown. For-hire vehicles have been parking in the Transit Center drop-off zone on 108th Avenue NE and in two-hour on-street parking zones, especially north of NE 8th Street.

The City's current parking enforcement code (Bellevue City Code 11.23) prohibits taxicabs from parking on the street, except in designated taxicab stands or to load and unload passengers. BCC 5.16 regulates taxicabs and for-hire vehicles but is silent on parking regulations. There is no definition of "for-hire vehicle" in the Bellevue City Code to prevent such vehicles from parking on Downtown streets. Complaints to the City are focused on for-hire vehicles, and the current regulations create an unfair advantage for them over taxicabs with regard to parking.

Ms. Gromala said staff recommends amending BCC 11.23 to add references to for-hire vehicles in order to apply the same prohibition on parking, stopping or standing to both taxicabs and for-hire vehicles. Staff also proposes adding definitions of taxicab and for-hire vehicle in the parking code.

Mr. Berg requested Council direction to bring back an ordinance for action on December 3. He asked whether the Council would like to address for-hire vehicle and taxicab parking issues further in the Downtown Livability Study.

Dr. Davidson questioned whether taxicabs/for-hire vehicles could share bus layover zones with buses. He recalled discussion in recent years about looking for bus layover options.

Mr. Berg said staff has looked at bus layover options located off the public right-of-way, and this will be explored further as part of the Downtown Transportation Plan.

Councilmember Chelminiak suggested inviting operators of for-hire vehicles to provide input. He said they provide a valuable service in the Downtown and he would like to consider creative approaches to this issue. He noted that visitors are often accustomed to using cabs in other cities and expect them to be available here.

Councilmember Stokes concurred.

Dr. Davidson noted that a number of elderly citizens use taxicabs.

Councilmember Balducci encouraged moving quickly to identify an effective solution.

Mr. Sarkozy said staff will bring an ordinance for Council action on December 3.

At 8:02 p.m., Mayor Lee declared recess to the Regular Session.

Myrna L. Basich, MMC
City Clerk

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