

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Ordinance No. 638 Amending the Application of the Exemption from Utility Tax for Utilities in Good Standing and Amending Section 3.32.030 of the Shoreline Municipal Code
DEPARTMENT:	Administrative Services Department City Attorney's Office
PRESENTED BY:	Ian Sievers, City Attorney
ACTION:	<input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

On May 14 Council adopted Ordinance No. 634 which exempted a utility without a franchise from payment of the periodic use fee for right-of-way site permits for aerial and underground rights or other property interests used to site facilities in the City's rights-of-way where the utility pays a Shoreline utility tax. Ordinance No. 634 provided an exemption from utility tax for water distribution and sewer operation utilities with an existing franchise on May 21, 2012 to preserve the financial expectations for those utilities.

This has unintended consequences for utilities that enter into a new franchise agreement after May 21, 2012. Ordinance No. 638 revises the language in Shoreline Municipal Code Section 3.32.030 to exempt a utility in good standing with a franchise agreement for the term of the franchise or use agreement from utility tax unless the utility tax is specifically addressed in a franchise or use agreements entered into after May 21, 2012.

RESOURCE/FINANCIAL IMPACT:

There are no financial impacts. No assessment of the utility tax will be made at this time to Seattle Public Utilities, Ronald Wastewater District or Shoreline Water District since they are currently utilities in good standing.

RECOMMENDATION

Staff recommends Council waive the second reading requirement for Ordinance No. 638 and adopt Ordinance No. 638 amending the application of the exemption from utility tax for utilities in good standing and amending section 3.32.030 of the Shoreline Municipal Code.

Approved By: City Manager **JU** City Attorney **IS**

ATTACHMENTS

Attachment A - Ordinance No. 638

ORDINANCE NO. 638

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON,
AMENDING THE APPLICATION OF THE EXEMPTION FROM
UTILITY TAX FOR UTILITIES IN GOOD STANDING; AND
AMENDING SECTION 3.32.030 OF THE SHORELINE MUNICIPAL
CODE**

WHEREAS, Shoreline Ordinance No. 634 added an exemption from utility tax for water distribution and sewer operations utilities with an existing franchise on May 21, 2012 to preserve the financial expectations for those utilities with executed contracts on the effective date of the ordinance; and

WHEREAS, negotiating a replacement franchise with the Shoreline Water District provided by May 21, 2012 may not be possible and the exemption should be amended to extend to all water and sewer Utilities in Good Standing unless specifically addressed in the utility's franchise ordinance; now therefore

WHEREAS, this action is exempt from SEPA as an assessment of taxes under WAC 197-11-800(14)(b); now therefore,

**THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN
AS FOLLOWS:**

Section 1. Amendment. Shoreline Municipal Code section 3.34.030 *Utility occupation activities subject to taxation* is amended to read as follows:

.030.

A. Upon every person within the city in the following activities; as to such persons, the amount of the tax due with respect to such business in the city shall be equal to the gross income of the business, multiplied by the following applicable rates:

Activity	Tax Rate
A. Gas Distribution Business	6%
B. Telephone Business	6%
C. Cellular Telephone Service	6%
D. Cable Television Service	6%
E. Solid Waste Collection Business	6%
F. Water Distribution Operation	6%
G. Sewerage Operation	6%
H. Paging Service	6%

B. Tax Credits, Exemptions. Water Distribution Operations and Sewerage Operations in good standing with a franchise or right-of-way use agreement ~~pursuant issued under to~~ chapter 12.25 SMC ~~executed prior to May 21, 2012~~ shall be exempt from taxation under this section for the term of the franchise or use agreement unless applicability of the utility tax or tax credit is specifically addressed in a franchise or use agreements entered after May 21, 2012. ~~Thereafter, a credit for franchise fees or right of way use agreement payments executed pursuant to chapter 12.25 SMC will be applied as a credit to the tax assessed under this section.~~

Section 5. Publication and Effective Date.. This ordinance shall take effect five days after publication of the title of this ordinance as an approved summary of the ordinance in the official newspaper of the City.

PASSED BY THE CITY COUNCIL ON MAY 21, 2012.

Mayor Keith A. McGlashan

ATTEST:

APPROVED AS TO FORM:

Scott Passey
City Clerk

Ian Sievers
City Attorney

Date of publication: , 2012
Effective date: , 2012