

DRAFT

CITY OF SHORELINE

**SHORELINE CITY COUNCIL
SUMMARY MINUTES OF REGULAR MEETING**

Monday, September 12, 2005
7:30 p.m.

Shoreline Conference Center
Mt. Rainier Room

PRESENT: Mayor Hansen, Deputy Mayor Jepsen, Councilmembers Chang, Fimia, Grace, and Ransom

ABSENT: Councilmember Gustafson

1. **CALL TO ORDER**

The meeting was called to order at 7:32 p.m. by Mayor Hansen, who presided.

2. **FLAG SALUTE/ROLL CALL**

Mayor Hansen led the flag salute. Upon roll call by the City Clerk, all Councilmembers were present with the exception of Councilmember Gustafson.

Upon motion by Councilmember Grace, seconded by Deputy Mayor Jepsen and carried 6-0, Councilmember Gustafson was excused.

(a) Proclamation of Kathleen Showalter Week

Mayor Hansen read the proclamation recognizing Kathleen Showalter for winning a nationally-sponsored contest and donating her winnings to Seattle-area food banks. Ms. Showalter was not able to attend to accept the proclamation, but she sent her regards to the Council in advance.

3. **CITY MANAGER'S REPORT**

City Manager Steve Burkett noted that a revised Ordinance No. 399 was distributed to each Councilmember and is on the consent agenda for approval. He commented on the grand opening of Bartell Drugs on August 30th at Gateway Plaza and reported on the construction planned this week for Aurora Avenue. Some of the work will be completed at night in order to avoid interfering with the heavy commute traffic. Work continues on the Interurban Trail with the demolition of the buildings across from City Hall. The ribbon cutting ceremony for the North Section of the Interurban Trail is scheduled for September 19, 2005 at 4:00 pm. The Thornton Creek daylighting project at Twin Ponds Park has reached substantial completion, and there are draining improvements going on at Ashworth Avenue N. near N. 152nd Street. At that location the City is connecting a

storm drainage system to an existing drainage system on Densmore Avenue N. to relieve some flooding that has occurred there in the past. Mr. Burkett reported that there were no findings in the 2004 audit. Finally, he said this month is National Preparedness Month and it is crucial for residents to plan for sufficient supplies and food to sustain themselves for three days in the event of a natural disaster or emergency.

Councilmember Fimia stated that the Sound Transit Environmental Impact Statement (EIS) contains two maps concerning the next phase for extending light rail. At present, the next segment will be 14 miles long. The EIS considers two alternatives: 1) finishing the plan that was voted for in 1996 which includes the system extending to Northgate; or 2) the plan alternative which is 125 miles of rail and increased bus routes and the commuter rail. She said there is a discrepancy between the latest report and the 1993 report in terms of travel time reliability. She is concerned because the City has spent time and money on the high occupancy vehicle (HOV) system, but now Sound Transit says the future of the HOV system is not good. She advised the Council and citizens to retrieve the information in Chapter 4 of the Final Supplemental (EIS) on the Sound Transit website.

Councilmember Grace discussed the results of the 2004 Employee Survey. He stated employees clearly understand organizational values, emphasize teamwork and working together as a team, understand job responsibilities, and the City's mission and goals. He stated these results in all of these categories were in the 90 percentile range. He congratulated City Manager Steve Burkett and concluded these outstanding results are a direct reflection on him and senior City staff.

Councilmember Chang stated his business has been the target of the Council and the public and that his private matters shouldn't be discussed in Council meetings. He said the criminal statistics provided by the City staff and the police are conflicting and it is time to provide the real information. He said more than half of the calls for police response to his business were for community policing and service calls. He asked that the City send out data with explanations because the public thinks all of the 158 visits were crime-related calls. He explained that when he went through the document there were only four crime-related instances at the Qwest Inn.

City Manager Steve Burkett asked that Councilmember Chang put the request in writing, adding he would prefer not to have City Staff interpret the crime data.

Councilmember Chang stated he believed it is the responsibility of the information provider to provide information that can be understood by the public. He stated he has been quiet about this because he doesn't feel during a council meeting is the proper place to discuss this issue. He said every year his business is put under the microscope and it is time for it to stop.

Councilmember Fimia felt that what Councilmember Chang is trying to say is the City staff is releasing documents without knowing what the numbers mean. Councilmember Chang has been actively trying to reduce crime in that area, and since he has taken over

the business crime has been reduced. However, because the statistics contain every call and visit, the data is being misinterpreted unless City staff provides some explanation. She felt the Council should also insist on having an explanation.

Councilmember Ransom emphasized the need to analyze the documents to determine what categories and background data were used in compiling the information. He said the results could be different depending on what techniques and protocols were used in data collection.

Deputy Mayor Jepsen agreed with Councilmember Chang that he deserves fairness in this issue. He stated that Councilmember Ransom initially requested crime data for only the Qwest Inn. The second request, he continued, was for all the other businesses on Aurora except for the Qwest Inn, and that is why the Qwest Inn is not included in that request.

Councilmember Ransom contended that the request in March was for all business on Aurora and the Qwest Inn was included in the request.

Councilmember Chang stated this is not the place to discuss a particular member's business. There are agencies who discipline any councilmember that is involved in any wrongdoing. Calls to 911 should not be misconstrued as criminal warrant calls, he said.

City Manager Steve Burkett agreed this conversation is not appropriate at the Council meeting. He clarified that calls should not be viewed as negative if Councilmember Chang or one of his employees notifies the police department about suspicious activity at his business. The City encourages all residents and businesses to report suspicious or illegal activity. It is a part of the Motel Trespass Program and a part of the crime prevention efforts of Councilmember Chang and the police department.

4. REPORTS OF BOARDS AND COMMISSIONS: None

5. PUBLIC COMMENT

(a) Dale Wright, Shoreline, refuted the criticism that the City is not prudent in financial policy and careful in cost control. He explained that the City inherited numerous shortcomings from King County upon incorporation, but in 10 years the City has addressed storm water flooding issues, made the City safer due to more police and community policing, significantly improved the roads, and improved park facilities. During this time the City was putting money in the Emergency Reserve Fund each year, and now there is approximately \$2 million dollars in that fund. He commented on Shoreline's low staffing levels and low cost-per-capita for support services compared to other jurisdictions. Despite budget constraints, the City has made many improvements and has received many local, state, and national awards for excellence, The most recent being Seattle Magazine's "Best City to Live In". These achievements are all attributed to great stewardship of the City's money during the first 10 years of incorporation. He concluded that the City's fiscal policy is working well.

(b) Gretchen Atkinson, Shoreline, Events Coordinator for the North City Business Association, invited the City Council to the 3rd Annual Classic Car Show on Saturday, September 17, 2005.

(c) Lance Blair, Shoreline, on behalf of the Crisis Clinic Board of Trustees, thanked the City Council for its funding of the Crisis Clinic in 2004. He reported that 4,170 residents called the Crisis Clinic in 2004, and the Council funding of \$7,300 covered the costs for providing services to 845 Shoreline residents, which required the Clinic to seek other support to ensure residents got the help they needed. In early 2006, the Crisis Clinic will abbreviate the dialing prefix of 211 available to residents. To extend the operating hours of the 211 line to seven days a week, the Crisis Clinic is asking each City for a funding increase of \$0.10 per capita. Thus, the Crisis Clinic is requesting an increase of \$1,600 from Shoreline.

(d) Rick Stevens, Shoreline Chamber of Commerce Economic Development Committee, commented on the Aurora Corridor improvements and stated he is very pleased with the barrels, cones, and business access signs. He requested that the business access signs be printed on both sides in order to alert traffic going in both directions. In conclusion, he stated it is very hard to see at night when driving on Aurora. He requested generators to provide lights on the street at night.

6. APPROVAL OF THE AGENDA

Councilmember Fimia moved approval of the agenda. Councilmember Grace seconded the motion, which carried 6-0, and the revised agenda was approved.

7. CONSENT CALENDAR

Councilmember Ransom moved approval of the consent calendar. Councilmember Ransom seconded the motion and the following items were approved unanimously:

Minutes of Workshop of August 15, 2005

Approval of expenses and payroll as of September 1, 2005 in the amount of \$2,295,532.98

Ordinance No. 399, consolidating City Parking Regulations into the Model Traffic Ordinance and Adoption of Vehicular Trespass as a Code Violation

Ordinance No. 394 amending Section 9.10.420 of the Shoreline Municipal Code related to gambling offenses

8. ACTION ITEMS: OTHER ORDINANCES, RESOLUTIONS AND MOTIONS

(a) Ordinance No. 391 amending regulations defining

public nuisances and enforcement procedures in Title 10, Title 13, Title 15, and Title 20 of the Shoreline Municipal Code

Scott Passey, City Clerk, stated this item was postponed by the Council at the August 22, 2005 meeting for action at this meeting. The motion on the table is to adopt Ordinance 391 as included in Attachment A of the agenda packet, which is the Planning Commission recommendation for the International Property Maintenance Code (IPMC).

Councilmember Fimia moved to substitute Attachment A with Attachment B. Councilmember Ransom seconded the motion.

Councilmember Fimia explained that Attachment B contained all of the revisions that were done by the Planning Commission and portions of the Interior Property Standards from the IPMC.

Councilmember Ransom stated there was no conversation concerning the interior standards portion of this Ordinance that is being proposed by Councilmember Fimia. He stated the public has looked at the exterior portion only.

Mayor Hansen called for public comment.

(a) Jose Shdo, Shoreline, discussed proposed changes to Section 20.50.410(b) of the Shoreline Municipal Code. He stated this amendment affects the number of vehicles that can be parked on residential property. He urged the City Council not to restrict or deny residents the opportunity to use their own property for parking RVs, boats and trailers. He said there was no attempt to contact RV, boat or trailer owners of these meetings. He said he moved to Shoreline specifically because of its suburban nature and because his home would accommodate RV, boat, or trailer parking. This amendment forces residents to pay to store potentially expensive vehicles at places that are high risk, thus raising insurance rates on those vehicles. In his opinion, the real problem in the City is junk cars. He concluded that the City needs to enforce the regulations on junk cars and either have them removed or inform residents about charitable organizations that will remove them.

Councilmember Fimia spoke in favor of adopting Attachment B, noting that Interior Property Standards will help the City carry out its mission of ensuring the health, safety and welfare of the community. At present, tenants have no recourse under the Code to help them with substandard living conditions.

Assistant City Manager Bob Olander introduced Rachael Markle as the Interim Planning Director.

Ms. Markle explained that the Planning Commission did not recommend adopting the interior standards because they wanted more information on how the changes would impact staff resources and the budget. They also speculated that some of the issues

would be addressed by the Department of Health or through the Landlord-Tenant Act, so there could be duplication of efforts if Shoreline adopts the changes.

Mayor Hansen added that the Planning Commission Chair indicated that based on public comment, this area was not a problem in the community. Therefore, the intent was to study it and perhaps refine it at a later date.

Ms. Markle clarified that the interior standards were not identified as a high priority when the City conducted a dot exercise with selected community members.

Mr. Olander summarized that the Planning Commission was not opposed to interior standards, but they were not comfortable making a recommendation to adopt them at this time.

Councilmember Grace inquired as to whether Section 108 is adequate for enforcement purposes. He also asked if Code language relating to abatement of dangerous buildings was present prior to 2004.

Ian Sievers, City Attorney, responded that the City has adopted Code for abatement of dangerous buildings in Section 20.30.770(J). Additionally, in Section 304 of the current Code there are 18 grounds for abatement actions.

Deputy Mayor Jepsen felt that this language was never taken out, as it is not presented as new language in the packet.

Councilmember Fimia stated that Sections 305, 306, and portions of Chapter 5 and Chapter 6 were added back in for Council approval. The City Attorney's language is general and contains no standards by which to measure violations. She noted that Shoreline is the exception in this regard, since other cities have adopted interior standards. She felt adopting the interior standards would have a minor impact on staffing but it would have a major impact on the people who are living in substandard conditions.

Councilmember Ransom was opposed to the substitute motion. He expressed concern that there are separate laws and public safety, health, and fire codes which apply to multiple housing or rental units. He felt approving this Code would be redundant and cause conflicts with existing agencies. He stated the Council should not create new rules and regulations that are difficult to enforce. There is no demonstrated need as evidenced by the lack of calls to the Planning Department, he concluded.

Councilmember Chang supported the substitute motion because he felt it made common sense. He said he has personally witnessed poor conditions, and the City needs to have Code that is consistent.

Councilmember Grace was opposed to the substitute motion and said the Planning Commission's direction for the Council was correct. The decision by the Planning Commission to take some time and gather information on what complaints the City

receives is the right solution. He did not favor taking certain sections from the IPMC and adopting them into our Code. The Planning Commission should take a comprehensive look at the IPMC and bring their recommendation back to the Council to adopt as a part of the Code.

Deputy Mayor Jepsen said he appreciates Councilmember Fimia's efforts, but he is concerned that not all of the IPMC is included and he would like to go back and determine why. He supported the main motion and the Planning Commission's recommendation to collect more data.

Councilmember Fimia said her revisions are an attempt to put the basic interior standards back into the Code. She inquired whether or not there is language in the Code pertaining to multifamily housing or rentals for existing housing. She asked what happens when dangerous conditions exist and someone calls the Customer Response team (CRT) for assistance. Additionally, she questioned, whether any cases have been prosecuted or have they all been resolved.

Ms. Markle stated there is language covering multifamily housing and rentals in the dangerous building provision in the Code. A part of the research the City would be doing concerns looking at the cases received in the past and determining how they were resolved. Many of the cases were possibly resolved by voluntary compliance rather than prosecution.

Councilmember Fimia summarized that if the substitute language is not approved then there are no specific standards for basic electrical, plumbing, and heat. She felt the proposed revisions constitute "just the basics," and urged the Council to reinstate this code language. Then, she continued, the Council and the Planning Commission can review the code later and make any necessary adjustments. If this is not done, she said, residents will not be protected nor feel safe.

A vote was taken on the motion to substitute Attachment A with Attachment B, which failed 2-4, with Mayor Hansen, Deputy Mayor Jepsen, and Councilmembers Grace and Ransom dissenting.

Councilmember Ransom discussed the vehicle parking allotment as it was proposed in the last Council meeting. He stated the proposal was to revise the language to include RVs, boats and trailers in the total number of six vehicles allowed on a residential property. He is opposed to this proposal.

Councilmember Chang stated he made the motion to delay this matter to this meeting because there are large houses in Shoreline. He felt that Mr. Shdo has six legitimate, working vehicles and a trailer home. The focus on this language should be on nuisances and junk vehicles. He stated he supported not revising the language and leaving it to reflect six vehicles, excluding RVs, boats and trailers.

Councilmember Grace concurred with Councilmember Chang and agreed that the reason this was brought up to the Council was to address inoperable vehicles. However, he questioned whether the change could allow an unlimited number of RVs, boats and trailers on a given property.

Councilmember Ransom replied he has never seen more than one boat on a property. He felt the maximum number should be at eight total vehicles to include RVs, boats and trailers.

Mayor Hansen stated he has observed properties with many vehicles parked on them, and many of these are in poor condition. He is in favor of limiting what residents can store outside.

Councilmember Fimia suggested the Council focus on what they are trying to accomplish with this code. If there are a large number of vehicles parked on a small space, it can impact the neighborhood. She suggested the Council allow more than six vehicles, including licensed or registered boats, RVs, and trailers, as long as they are parked in carports or on improved parking areas.

Mr. Olander said the current Code requires that vehicles parked outside must be parked on impervious surfaces.

Responding to Mayor Hansen, Ms. Markle said she is not aware of the number of complaints regarding the number of vehicles, but a study indicated there were equal number of complaints about junk vehicles and service vehicles. She stated there were, however, 765 complaints regarding unsightly or junk vehicles.

Deputy Mayor Jepsen emphasized this language pertains to the vehicles outside and does not concern those that are parked in a garage. He explained that if the Council needs to raise the total number of vehicles to seven or eight, it should be addressed because right now there is no maximum number as it pertains to RVs, boats, and trailers.

Councilmember Ransom moved to insert the words “or carport” between the words “building” and “shall” in SMC 20.50.410(B) and to amend the section to read “excluding a maximum combination of any two boats, recreational vehicles, or trailers.” Councilmember Chang seconded the motion.

Councilmember Fimia inquired as to whether or not language pertaining to licensed and registered vehicles needed to be added. Mr. Olander responded that it is covered in other sections of the Code.

A vote was taken on the amendment, which carried 6-0.

A vote was taken to adopt Ordinance No. 391 as amended, which carried 6-0.

9. NEW BUSINESS

(a) Review of Casino Profitability and Cardroom Gambling Tax

Debbie Tarry, Finance Director introduced Roy Cupler and Gina St. George of Moss Adams, L.L.C. Moss Adams was contracted by the City to assist with the interpretation of the numbers and to analyze the information from the casinos. She outlined that no opinion or recommendation was given by Moss Adams on the City's gambling tax rate as per City Council and City staff direction. Prior to 2004, casinos with gross receipts in excess of \$5 million had to have financial statements audited. In 2004, that limit was reduced to \$3 million, and in Shoreline there were 4 casinos that fell into that category: 1) Goldie's; 2) Hollywood; 3) Drift-on-Inn; and 4) Parkers. Also, she continued, in 2004 a new requirement outlined that casinos with gross receipts of \$1 - \$3 million must have their financial statements reviewed by a CPA firm. The casinos which fell under that criterion were the Golden Nugget and the Hideaway. The financial analysis conducted was, in most cases, limited to one year of activity because some of them were not required to have audits. The analysis for the Hideaway and Golden Nugget was somewhat limited because they were reported in consolidated financial statements with other casinos.

Continuing, she noted that the financial analysis that was completed included a review of revenues and expenditures and the components and relations to each other. In the category of operating expenditures, the largest expense for the casinos is the salaries and benefits of hourly employees. This category makes up 44% of the average total expenditures for all the casinos. The second highest expenditure is the general and administration cost which includes salaried personnel costs, insurance, and professional fees. This expenditure averaged out to about 19% of all operating expenses. City taxes are noted as a percentage of the operating expenses of the casinos. She outlined City taxes make up 9% of the expenses for all Shoreline casinos. The operating income average set by the industry standards is 10% and a number of the casinos are below that with the City average being 5%. She stated the average City tax rate for cities in the State of Washington is 12%.

Councilmember Ransom clarified that a 12% tax rate is not based on cities that have casinos. He explained that of the cities that have casinos, the median, or midpoint rate is 10%.

Ms. Tarry explained that currently, based on their overall financial status, Shoreline casinos do not have enough assets to pay their current obligations. As far as net losses, she stated Hideaway had the highest net loss for the year 2004 and the City has had some concerns with its ability to stay in business. Goldie's and the Golden Nugget also experienced net losses of \$14,000 and \$16,000 in 2004, respectively. Three of the four larger casinos showed positive net incomes in 2004. All casinos showed positive cash flow from operations in 2004. Additionally, she said, the owners of the casinos had average cash draws of approximately \$473,000. She explained that owners and members can draw cash as a return on their investment, but it does not include any salary or guaranteed payments that an owner is eligible to receive from working in the casino. The

costs derived from salary or guaranteed payments that would be given to an owner would show as expenses on the income statement.

Mr. Cupler explained that in most limited liability corporations (LLC) or limited liability partnerships (LLP), owners will take cash draws out to pay federal income taxes at a personal level. The financial reports do not reflect any federal income tax information because in this case all of these are corporations or partnerships.

Ms. Tarry stated there was some trend analysis done from the Drift-on-Inn. She said there was a drop in the net income for the Drift-on-Inn from 2003 to 2004. There also was a 5% increase in operating profit at the Drift-on-Inn from 2003 to 2004, she outlined. Goldies also submitted trend analysis data and has experienced net losses for the past four years. However, Goldies showed a positive operating position in 2004 with an operating profit of 3.4%. She summarized that card room gross receipts have increased 44% when comparing the figures from 1st Quarter 2002 to 1st Quarter 2005. Nonetheless, from 2004 to 2005 there was a 4% drop in these gross receipts primarily because of the Hideaway closure. She noted comparable card room tax rates from other cities. There are three cities that also have a B&O tax on top of the card room tax. In conclusion, she said, these cities are Burien which has an 11% card room tax rate, Everett who has a card room tax rate of 10%, and Tacoma whose card room tax rate is also 11%.

Mr. Burkett outlined the two Council options for this item. First, he said, the Council can take no further action, which would mean the gambling tax would revert back to 11% on October 1, 2005. The next option would be to take legislative action to establish what the new tax rate would be after October 1, 2005. The staff recommendation is to take no further action. He felt that cardrooms have a competitive edge because the City of Seattle and cities to the north have no gambling. Furthermore, he felt that the tax rate was commensurate with other cities. He stated that as the City Manager it is his responsibility to maintain the financial well-being of the City, and every year the City struggles with the budget and budget projections. A 1% change in the cardroom gambling tax represents \$240,000 in City revenues, so expenditures would have to be reduced or another means will need to be found to provide these funds to maintain the status quo. He concluded that although a 10% rate would not likely "break" the City, keeping it at 11% won't break the casinos based on the information given.

Mayor Hansen called for public comment.

(a) Mark Mitchell, Seattle, felt the City staff didn't like casinos. He stated there seems to be prejudice against casinos based on the fact that other business like Costco and Sears pay less than a 1% tax. He described the gambling tax rates of other Washington cities; Aberdeen 7%, Bremerton 2%, Centralia 5%, Chehalis 3%, Clellum 3%, Wenatchee 4%, Ellensburg 7%, Silverdale 2%. He noted that Lake Stevens, Belfair, and Blaine do not have a gambling tax. Additionally, he stated Spokane County has reduced their tax rate from 20% to 2%. He also outlined an error in the poker statistics report which referenced the maximum amount the house takes in a poker hand

being \$5; the correct amount is \$3. He urged the Council to be fair and lower the tax rate by 1%.

(b) Eng Seang, Shoreline, said she works at Club Hollywood and makes “decent money” to take care of her family. She stated without this job she would have to work full-time, and she cannot afford to lose her job.

(c) William Hubble, Shoreline, expressed support for a 10% tax and thanked the Council for its support in the past. He said in addition to this tax, his establishment is also paying the other 28 taxes and B&O fees that any other business would pay. This additional tax is not seen by other businesses at this level and is unjustifiable at this rate. He stated the casino industry is changing based on the explosion of the tribal casinos, which have taken gaming from privately-owned casinos. Overhead and expenses have increased, and the state has required increased standards for security and surveillance, entailing increased staffing costs. He claimed that Starbucks, Paccar, and Boeing would not be profitable with this tax. He noted that the national average for minimum wage is much lower than what is in the State of Washington. Furthermore, other states have tip allocations, which are not allowed in Washington. He urged the Council to keep the tax rate at 10%.

(d) Giulian Sipmael, Shoreline, stated she is fortunate to have her job. She said if she lost it she would have to work full-time and would not be able to spend time with her children.

(e) Larry Wheaton, Shoreline, said Goldies has 160 employees that receive full medical and dental benefits. If this tax rate returns to 11%, he stated he would definitely have to lay off people, particularly in light of the current construction on the Aurora Corridor. He explained that his business revenues have decreased 20% this quarter. A 1% change is the difference between making a profit and not making a profit. He said he would appreciate the Council consideration at maintaining a 10% tax rate.

(f) Rick Stephens, representing the Shoreline Chamber of Commerce, said the gambling tax rate is about jobs, people, families, health care, and productive citizens. He said casinos are recreational establishments that provide people a place to meet and socialize. He considered the gambling tax unfair because it is an income tax on only one group of people. He pointed out that income taxes have been voted down time and time again in the state of Washington. He noted that the City of Spokane lowered its tax rate from 20% to 2% to keep the businesses and the people in the community. He urged the Council to maintain the 10% tax rate because the City needs to attract people to the City of Shoreline.

MEETING EXTENSION

**Councilmember Ransom moved to extend the meeting to 10:30 pm.
Councilmember Chang seconded the motion, which carried 6-0.**

Councilmember Ransom moved that staff draft an ordinance to keep the tax rate at 10 percent. Councilmember Grace seconded the motion.

Councilmember Ransom expressed concern about the 11% tax rate because the data indicates Shoreline businesses are weaker than the industry average. He said many people do not realize that the tax is on gross income before any business expenses, which makes the tax particularly onerous. Furthermore, he noted that businesses also pay a 2% B&O tax, but this was not included in the figures presented in the packet. There are approximately 900 living wage paid employees working for casinos in the City of Shoreline, and the median tax of neighboring jurisdictions is 10% (with the exception of Kenmore). He noted the State Legislature has passed a motion twice to cut the State tax to a 10% maximum.

Continuing, Councilmember Ransom pointed out that the City would probably make a commitment to attract a similarly large business with 900 employees with gross sales of over \$40 million. Most cities provide tax incentives to bring in a major employer, and the City certainly does not want to lose a major employer. He noted that tribal casinos have made it difficult for privately-owned casinos to remain profitable because private casinos must spend more money to attract customers by offering discounts and incentives. Last year the casinos provided the City with \$3 million in gambling taxes, which equates to approximately 60% of all collected property taxes. It is also equivalent to over 50% of the City's sales taxes. He concluded that the City cannot afford for these casinos to close their doors.

Councilmember Fimia concurred that it would be a huge mistake not to keep the rate at 10%, but the issue should be reviewed periodically. She noted that since there is a moratorium on casinos in Shoreline, a tax reduction does not represent an expansion of gambling in Shoreline. She inquired about City staff's plans for filling the revenue gap if the tax reduction is approved. She said after spending \$10,000 on studying the issue, it is troubling that the City couldn't have taken the word of the casinos back when they first came to the Council with the problem. She said the industry is unnecessarily regulated and is in need of assistance. She concluded that a 10% tax rate will allow the casinos to stay in business and keep hundreds of people employed.

Councilmember Grace expressed support for the motion, but felt it was prudent on the part of the City to do the research. He said the City's largest private employers have come to the Council with a reasonable request and the Council should support them.

Councilmember Chang concurred that this is not a good time to increase the gambling tax rate. Aurora Corridor construction has had a negative impact on all of the casinos. He commented that casinos are secure and do an excellent job of taking care of their premises. As a business owner, he said, a 1% change in a tax rate can make a huge difference to a business. He stated that casinos are a part of the economic development of Shoreline, and the City needs to retain and expand all the businesses here. The Council needs to listen and be compassionate to them.

Deputy Mayor Jepsen referred to page 195 of the Council packet. He inquired if the federal taxes and individual taxes were paid by the member draws listed on page 195. Ms. Tarry said that member draws of cash from the business does not necessarily mean that they are using it to pay income taxes.

Deputy Mayor Jepsen said that based on the reports, the owners are taking out between \$330,000 and \$734,000 in member draws. He wondered if cash is being taken out of the establishments prior to generation of the profit/loss statement or the net income statement.

Mr. Cupler stated that owner draw has no impact on profitability; the owner draw is a return of earnings. It is just an owner taking cash out of the business and it is not reflected on the profit and loss statement.

Mayor Hansen felt that the 1% tax rate change would not have a significant impact on whether or not a business stays open or closes. He felt that there was an overemphasis on the 1% tax reduction.

Councilmember Ransom informed the Council that the City of Kenmore recently had its moratorium on casinos contested in Superior Court and it was struck down by the Court.

A vote was taken directing staff to draft an ordinance lowering the gambling tax to 10 percent, which carried 5-1, with Deputy Mayor Jepsen dissenting.

Mayor Hansen wanted confirmation on whether or not guaranteed payments or salaries were included in the financial statements of the casinos. Mr. Cupler responded that guaranteed payments or salaries would be included as an operating expense in the financial statement; however, they are not broken out. The best way to determine what the guaranteed payments would be is to look at the tax returns.

Councilmember Fimia clarified Councilmember Chang's statement about expanding businesses was not concerning gaming businesses. Councilmember Chang concurred.

9. ADJOURNMENT

At 10:30 p.m., Mayor Hansen declared the meeting adjourned.

Scott Passey, CMC
City Clerk