

**Community Priorities/Long-Range Financial Planning  
Citizens Advisory Committee  
Notes of Meeting**

**June 19, 2008  
Spartan Room – Shoreline Center  
6:30 – 8:30 p.m.**

**Members Present:** Gary Batch, Bill Bear, Gloria Bryce, Keirdwyn Cataldo, Bill Clements, Kathie Crozier, Walt Hagen, Paul Herrick, Dick Pahre, Rebecca Partman, Renee Pitra, Mary Lynn Potter, Rick Stephens, Shari Tracy, Hiller West

**Staff Present:** Debbie Tarry

**Others Present:** Eric Wilson, Diane Stephens, Bill Meyers

**Big Picture Re-cap**

The committee reviewed a brief recap of the projected budget gaps starting in 2010 and going forward.

**Revenue Options**

Debbie Tarry reviewed various revenue options that are available to the City. These included: Property tax levy lid lift; Business License/Registration fee; Revenue generating business licenses; Gambling Tax (Card Room) rate increase; Business & Occupation tax; Utility tax in excess of 6% on natural gas, telephone, or surface water; Transportation Benefit District

**Options Break-out Groups - *Maintaining Current Levels of Service***

*Questions for the Break-Out Groups Tonight:*

*Brainstorm the following:*

- *Pros/Cons of Funding Options*
- *Additional Questions or Additional Information Needed*
- *Group Preferences and/or Leanings on Revenue Options*

**Group Results – See Following Pages**

### **Group A: Hiller, Gloria, Shari, Bill C., Kierdwyn**

Group A identified a phased approach to the revenue options: Phase I – City Council implementation and Phase II – Citizen Approval

#### Phase I

- Transportation Benefit District
  - Do Non-Voted \$20 vehicle license fee – Anticipated Revenue \$600,000
  - Explore additional fees - \$?
  - Be clear about communicating what citizens will get from the fee
  - Is in line with Shoreline's core values – Sustainability
- Gambling Tax Card Room Rate Increase
  - Increase by 2% - Anticipated Revenue \$380,000
  - Believe the rate increase is low enough that the percentage increase wouldn't be too much of a hit to businesses
- Business & Occupation Tax
  - 0.2% tax – Anticipated Revenue \$920,000
  - Equality – Asking citizens to pay more, businesses should as well
- Revenue Generating Business License
  - Anticipated Revenue - \$100,000
    - Determine fee structure that would accommodate this level of revenue generation
      - Group thought maybe this would be around \$50
      - Not a big impact
- Total of Phase I Revenue - \$2,000,000

#### Phase II

- Property Tax Levy Lid Lift
  - To be effective 2012
    - Take to voters in a year that won't conflict with School District
    - Allows time for economy to improve
    - Estimate a rate increase of \$0.25/\$1,000 Assessed Valuation
      - Estimated Revenue \$2,000,000

Total Revenue Generation of Phase I & II - \$4,000,000

#### Impacts

- Phase I
  - Citizen - \$20 per vehicle
  - Businesses
    - Assuming \$100,000 gross revenue – B&O tax \$200
    - Business License - \$50
- Phase II
  - Avg. Home (\$360,000) - \$90 per year

**Group B: Rebecca, Renee, Mary Lynn, Dick, Paul H.**

Group B Identified Pros and Cons of the various revenue options

- Transportation Benefit District – Vehicle License Fees \$600,000
  - Questions
    - Would the fee apply to all types of vehicles, 4 wheel, 2 wheel?

Pros	Cons
Closes 2/3 of gap for 2010 – 1/6 of gap by 2014	Other cities not doing this yet
Usage tax – fair, easy to explain	Will vehicle ownership decline given gasoline price increases – could result in lower revenue collection
Less controversial	Are there additional government expenses/impacts – collection costs, etc.
People used to pay it	Vote may be more difficult for more dollars beyond what Council can approve

- Business & Occupation Tax
  - Generally the group was opposed to the tax – *Following the meeting a couple of the committee members contacted Debbie and felt that they could support a B&O tax proposal.*

Pros	Cons
Doesn't translate down to end user	Discourages small businesses/economic development
Could be the right time to do this	Taxes small percentage of population

- Levy Lid Lift
  - Increase by \$0.48/\$1,000 Assessed Valuation – go to \$1.50
    - Current rate is \$1.02 (2008)
  - Need to correlate an increase and use of revenue to the City's values
  - Needs strong Council support

Pros	Cons
Highest opportunity to close gap	Cost of election – Estimate \$120,000
Can designate for important services – i.e., police patrol, etc.	Requires voter approval
Can phase in progressive increments	Difficult to “sell”
	School levy coming up –

Pros	Cons
	Can't/shouldn't compete
	Average home owner (\$360,000) – Increase in annual taxes of \$173 per year
	Only for 6 years

- Gambling Tax

- 1% cardroom tax increase = \$190,000
- 2% cardroom tax increase = \$380,000

Pros	Cons
Opportunity for significant increase in revenue	Businesses could close
Low % - can absorb some increase	If negative impact to businesses then it won't be a sustainable revenue source
Inelastic demand	

- Other Thoughts

- Plan to encourage better development if Sears/Central Market area to increase sales and other tax revenue opportunities.

## **Group C: Rick, Bill B, Gary, Walt, Kathy**

### **1) Property Tax Levy Lid Lift – Mixed Opinion**

- a) Creates undo burden on small business owners to carry the load
- b) Citizens are already over-taxed. Add the cost of gas, food and utilities and we believe that the citizens would vote no.
- c) There were a couple of people who would support a modest/small increase.

### **2) Business License Registration Fee, Non-Revenue Generating - Positive**

- a) Chamber of Commerce has supported this in the past
- b) City would have a record of who was doing business in the city
- c) Possible sales tax increase

### **3) Business License Registration Fee, Revenue Generating - Negative**

- a) Chamber of Commerce would not support
- b) Local businesses already provide 26% of operating funds, gaming tax adds another 7%, that's 33% of operating funds paid by local businesses plus what they pay in property taxes. Because regional business zoning increases the land value, your small business community pays a higher percentage of the property tax. It would be a very conservative estimate to say your local businesses produce over 50% of the operating funds for the city, yet the overall land-mass is only 20% small business

### **4) Gambling tax Increase – Negative**

- a) Gaming has taken a downturn, but still contributes \$2.3-\$2.7 million/year
- b) Smoking ban has hurt non-tribal gaming, with revenues dropping 10%-15%
- c) Slots at tribal casinos caused another 10% drop in non-tribal gaming revenues
- d) Profit margins are low, a 1% increase in the gaming tax could cause one or more gaming businesses to close. If they all closed instead of a gain in tax revenues, the city would lose at least \$2.3 million a year, approximately 700 people would be unemployed from living wage jobs, and those 700 people would no longer be spending money in Shoreline – causing an even larger drop in tax revenues

### **5) B & O Tax – Negative**

- a) Businesses do not like this type of tax
- b) Businesses will not locate in a city with a B & O tax

### **6) Utility Tax – Negative**

- a) City has a 6% tax now, natural gas and phone, we do not believe citizens would vote for more
- b) There is already a surface water tax, we did not have enough time to discuss this issue

### **7) Transportation Benefit District (TBD) – Positive**

- a) Our group supported the \$20.00 fee with funding to go towards transportation improvements. This amount could be enacted without a vote of the people.

### **8) Sales Tax Increase – Positive**

- a) We felt that a sales tax increase dedicated to Shoreline would work well for the city, as it is a broad-based tax. An equalizing factor is that residents and non-residents would pay this sales tax. – Currently there is no statutory authority to increase the City's sales tax outside of the provision within the Transportation Benefit District legislation

### **9) Shorewood Relocation - Positive**

- a) The possibility of relocating Shorewood to the Shoreline Center and using the existing school site for a Town Center would ignite growth in Shoreline – bringing in more business, more consumers, and increasing the amount of sales tax revenue generated.
- b) It would put that property back on the property tax rolls

- Other thoughts
  - Sales Tax equalization – Internet sales (The City has programmed anticipated streamlined sales tax from internet sales into its long-term projections)