

CITY COUNCIL REGULAR SESSION

Resolution determining the anticipated shortfall in revenues for providing municipal services to the annexations areas of Eastgate, Hilltop, Tamara Hills and Horizon View (Eastgate Annexation Areas), setting a new threshold amount for the State of Washington fiscal year July 2021 to June 2022, continuing a sales and use tax, as authorized by RCW 82.14.415, Ordinance 6045 and Ordinance 6063 at the existing rate for such fiscal year; and authorizing certification of the City's true and actual costs to provide municipal services to the annexed areas.

Toni Call, Director, 452-6846
Finance and Asset Management Department

EXECUTIVE SUMMARY

This Resolution establishes the anticipated shortfall and certifies the finding to the State of Washington as required under RCW 82.14.415(7), which allows the City to make up the operating deficit by crediting a share of the state sales tax to those operating deficit costs for a period of 10 years. This is not an additional tax. It reduces the state's revenue and credits it to the City instead. This authority is annexation-specific and applies only within the Eastgate Annexation areas. This is the final year of the routine update.

RECOMMENDATION

Move to adopt Resolution No. 9885

BACKGROUND/ANALYSIS

This is the tenth and final year of ten consecutive years authorizing the cost to provide municipal services to the Eastgate annexation areas, which are in excess of the projected revenue that the City would otherwise receive from the annexation area. The areas of Eastgate, Hilltop, Tamara Hills, and Horizon View were annexed on June 1 and July 1, 2012. The annexation area included 5,500 new residents to the City, requiring City services. The costs to provide services includes the necessary staff and equipment to deliver human services programs, code compliance, police protection, traffic and pedestrian safety, improved transportation system and storm water utility services.

The cost to provide services exceeds the amount of revenue received in the annexation area. RCW 82.14.415(7) provides that revenues from the tax are used for, but "may not exceed that which the city deems necessary to general revenue equal to the difference between the city's cost to provide, maintain, and operate municipal services for the annexation area and the general revenues that the city would otherwise expect to receive from the annexation [area] during a year."

If the revenues from the tax authorized in this section and the revenues from the annexation area exceed the costs to the City to provide, maintain, and operate municipal services for the annexation area during a given year, the City must notify the Department of Revenue and the tax distributions authorized in this section must be suspended for the remainder of the year. Any over-collection may be required to be remitted to the state.

By adopting this Resolution, for the tenth fiscal year, June 2021 to July 2022, the threshold would be set at \$2,352,502, of which \$800,000 will be spent in the General Capital Improvement Program (CIP) for ongoing maintenance expenditures and \$1,552,502 for General Fund operations. By statute, the City is required to re-certify the costs of services and the related amount of sales tax credit for each fiscal year.

POLICY & FISCAL IMPACTS

Policy Impact

The City adopted Ordinance No. 6045, as amended by Ordinance No. 6063, which enabled imposition of the sales and use tax authorized under RCW 85.14.415, and established the threshold amount for the first fiscal year. Previous year's Resolutions can be found in the Council Library.

Fiscal Impact

RCW 82.14.415(9) requires that by March 1, a city imposing the annexation tax must provide the Department of Revenue with the following information:

- Threshold amount for the State of Washington fiscal year (July 1, 2021 through June 30, 2022); and
- Tax Rate Changes – notice of any applicable tax rate changes.

Adoption of the proposed Resolution will set the required new threshold amount for the upcoming State's fiscal year and applies the statutory 0.1 percent tax rate change to the City's total sales or use taxing authority that was initially adopted prior to the annexation in 2012. Fiscal year 2021-2022 will be the tenth and final year of the allowable ten years available to claim the state sales tax annexation credit.

The July 2021 to June 2022 cost to provide these services within the annexation area exceeds estimated revenues by \$2,352,502, split \$800,000 General Capital Improvement Program (CIP) for ongoing maintenance expenditures and \$1,552,502 for General Fund operations. This Resolution allows the City to obtain up to \$2,352,502 from the state sales tax credit. The sales tax credit was included in the City's adopted 2021-2022 budget.

OPTIONS

1. Adopt the Resolution determining the anticipated shortfall in revenues for providing municipal services to the annexations areas of Eastgate, Hilltop, Tamara Hills and Horizon View (Eastgate Annexation Areas), setting a new threshold amount for the State of Washington fiscal year July 2021 to June 2022, continuing a sales and use tax, as authorized by RCW 82.14.415, Ordinance 6045 and Ordinance 6063 at the existing rate for such fiscal year; and authorizing certification of the City's true and actual costs to provide municipal services to the annexed areas.
2. Do not adopt the Resolution and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

Proposed Resolution No. 9885

AVAILABLE IN COUNCIL LIBRARY

Establishing Annexation: Ordinance No. 6045

Threshold development: Ordinance No. 6063

Threshold development: Resolution No. 8513

Threshold development: Resolution No. 8688

Threshold development: Resolution No. 8876

Threshold development: Resolution No. 9063

Threshold development: Resolution No. 9221

Threshold development: Resolution No. 9365

Threshold development: Resolution No. 9547

Threshold development: Resolution No. 9717