

**CITY OF BURIEN  
AGENDA BILL**

<b>Agenda Subject:</b> Dissussion on Draft Ordinance No. 535, establishing that projected annexation costs exceed projected revenue pursuant to RCW 82.14.415 establishing the .1% State Sales Tax Credit.		<b>Meeting Date:</b> February 8, 2010
<b>Department:</b> Finance Department	<b>Attachments:</b> 1. <a href="#">Ordinance No. 535</a> 2. <a href="#">Revenue &amp; Expenditure Estimates</a> 3. <a href="#">PowerPoint Presentation</a>	<b>Fund Source:</b> <b>Activity Cost:</b> <b>Amount Budgeted:</b> <b>Unencumbered Budget Authority:</b>
<b>Contact:</b> Tabatha Miller, Finance Director		
<b>Telephone:</b> (206) 439-3150		
<b>Adopted Work Plan Priority:</b> Yes X No	<b>Description:</b> Successful Annexation	
<p><b>PURPOSE/REQUIRED ACTION:</b> The purpose of this agenda item is to discuss Ordinance No. 535 which establishes that projected annexation expenditures will exceed projected annexation revenues allowing the city to levy a .1% state sales tax to offset a portion of the revenue shortfall of providing municipal services to the North Highline annexation area.</p> <p><b>BACKGROUND (Include prior Council action &amp; discussion):</b> The estimated costs to provide municipal services to the North Highline annexation area during the state's fiscal year (July 1, 2010 through June 30, 2011) is approximately \$8.2 million which exceeds the City's projected revenue in the annexed area of \$6 million, resulting in a shortfall of approximately \$2.2 million. When annexation occurs within a City located in a county with a population greater than six hundred thousand, RCW 82.14.415 authorizes a City to impose a .1% sales tax for annexation of populations between 10,000 and 20,000 and .2% tax for populations greater than 20,000. Such tax is applied as a credit against the state tax, so residents will not see an increase in their sales and use tax rate, as a result of this levy. The requirements under RCW 82.14.415 to receive tax assistance are: 1) the City has a population of at least ten thousand prior to January 15, 2015; and 2) the City determines by resolution or ordinance that the projected costs to provide services to the annexation area exceeds the projected revenue that the City would otherwise receive from the annexation area on an annual basis. The revenue generated from this tax may only be used to provide services to the annexation area. The total estimated sales tax assistance to the City at .1% would be approximately \$500,000 per year.</p> <p><b>OPTIONS (Including fiscal impacts):</b></p> <ol style="list-style-type: none"> <li>1. Adopt Ordinance No. 535 establishing a threshold and setting sales tax rates at .1% in accordance with RCW 82.14.415.</li> <li>2. Do not adopt Ordinance No. 535 setting a threshold and sales tax rates at .1% in order to provide municipal services to the Highline Annexation area. The City would suffer the full shortfall of \$2.2 million and would lack the financial resources to provide necessary municipal services to the annexation area.</li> </ol>		
<b>Administrative Recommendation:</b> Adopt Ordinance No. 535.		
<b>Committee Recommendation:</b> N/A		
<b>Advisory Board Recommendation:</b> N/A		
<b>Suggested Motion:</b> No motion is required, discussion item only. Action requested on February 22, 2010.		
Submitted by: Tabatha Miller, Finance Director		
<b>Administration</b> _____	<b>City Manager</b> _____	
<b>Today's Date:</b> February 3, 2010	<b>File Code:</b> <a href="#">\\File01\records\CC\Agenda Bill 2010\020810ad-1 State Sales Tax Credit.docx</a>	