

**2017 – 2018 Budget Query**

Question: 8

Date: November 4, 2016

From: CM Roth

Topic: Utility Tax revenue

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**QUESTION**

Please provide information about current utility tax revenue sources and how the City could change rates to increase revenue by approximately \$350,000 on an on-going basis.

**RESPONSE**

The City currently taxes utility gross revenue per City ordinance and as allowed by state law. The tax rates vary, as shown in the table below.

<b>Utility</b>	<b>Tax Rate</b>	<b>Average annual revenue to the General Fund (2013-2015 )</b>	<b>How to change rate</b>
Electricity	6%	\$1,390,000	To increase above 6% requires voter approval
Telephone	6%	\$750,000	To increase above 6% requires voter approval
Cable Television	6%	\$460,000	Council can approve increase – no limit, but may not be “unduly discriminatory”
Garbage/Solid Waste	5%	\$120,000	Council can approve increase – no limit
Water	6%	\$90,000	Council can approve increase – no limit
Sewer	6%	\$260,000	Council can approve increase – no limit
SSWM	6%	\$130,000	Council can approve increase – no limit

In order to set the tax rate for the water and sewer utilities to 0%, and preserve the same revenue to the General Fund, other tax rates must be increased. The table below shows the tax rate needed to raise roughly an additional \$350,000 from each of the utilities listed below. If the City wishes to increase revenue by a total of \$350,000 it would be possible to change multiple rates by a smaller amount.

<b>Utility</b>	<b>Current revenue</b>	<b>New revenue</b>	<b>Estimated new tax rate</b>
Electricity	\$1,390,000	\$1,740,000	7.5%
Telephone	\$750,000	\$1,100,000	9%
Cable Television	\$460,000	\$810,000	11%
Garbage/Solid Waste	\$120,000	\$470,000	20%
SSWM	\$130,000	\$480,000	22%

To raise the tax rate for electricity or telephone utilities would require voter approval. To seek voter approval, the City would follow a legislative process including passing a resolution of intent and an

ordinance authorizing a ballot measure. The ballot measure could be part of a special or general election, and would need to be approved by a majority of voters.

Council can pass an ordinance to raise the tax rate for cable television, solid waste, or SSWM by amending the relevant section of the Bainbridge Island Municipal code. For cable television, there is an additional requirement that the rate for this utility may not be "unduly discriminatory"; i.e., must be imposed at the same or a similar rate as is imposed on other utilities. Cable Communications Policy Act of 1984, 47 U.S.C. §542(g)(2)(A).

If the SSWM utility tax rate were increased, it would increase the expenditure from that fund, and therefore reduce revenues available to support SSWM operating expenses. Without a change to SSWM rates, other budget changes might be needed.

**ATTACHMENTS**

MRSC Utility Tax Summary Page