

AGENDA BILL APPROVAL FORM

Agenda Subject: Ordinance No. 6123		Date: January 29, 2008
Department: Finance	Attachments: Ordinance No. 6123	Budget Impact:

Administrative Recommendation:

City Council introduce and adopt Ordinance No. 6123.

Background Summary:

Ordinance No. 6123 levies the .1% sales tax credit against the state sales tax for annexation of the Lea Hill Area. SB 6686 authorizing the tax credit was passed by the state legislature during the 2006 regular session. The intent of the legislation was to provide financial assistance to Cities with Planned Annexation Area (PAA's) that did not produce revenues sufficient to cover the costs of urban levels of services. The tax credit will provide sufficient funding, along with the other revenues of the area, to provide those services.

The City moved forward with the annexation of Lea Hill based upon the availability of this tax credit. Cities wishing to take advantage of this tax credit incentive had to commence annexation prior to January 1, 2010. The tax credit is available to the city for up to 10 years and is limited to the maximum of .1% credit against the State tax or the difference between the City's cost to provide, maintain, and operate municipal services for the annexation areas and the general revenues that the City receives from the annexation area during a given year.

N0219-3

O3.1, F6.7

<p>Reviewed by Council & Committees:</p> <p><input type="checkbox"/> Arts Commission <input type="checkbox"/> Airport <input type="checkbox"/> Hearing Examiner <input type="checkbox"/> Human Services <input type="checkbox"/> Park Board <input type="checkbox"/> Planning Comm.</p> <p>COUNCIL COMMITTEES:</p> <p><input checked="" type="checkbox"/> Finance <input checked="" type="checkbox"/> Municipal Serv. <input type="checkbox"/> Planning & CD <input type="checkbox"/> Public Works <input type="checkbox"/> Other _____</p>	<p>Reviewed by Departments & Divisions:</p> <p><input type="checkbox"/> Building <input type="checkbox"/> Cemetery <input type="checkbox"/> Finance <input type="checkbox"/> Fire <input type="checkbox"/> Legal <input type="checkbox"/> Public Works <input type="checkbox"/> Information Services</p> <p><input type="checkbox"/> M&O <input type="checkbox"/> Mayor <input type="checkbox"/> Parks <input type="checkbox"/> Planning <input type="checkbox"/> Police <input type="checkbox"/> Human Resources</p>
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Action:

Committee Approval: Yes No
Council Approval: Yes No Call for Public Hearing ___/___/___
Referred to _____ Until ___/___/___
Tabled _____ Until ___/___/___

Councilmember: Backus	Staff: Coleman
Meeting Date: February 19, 2008	Item Number: VIII.A.1

ORDINANCE NO. 6 1 2 3

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF AUBURN, WASHINGTON, ADOPTING A NEW CHAPTER 3.59 OF THE AUBURN CITY CODE IMPOSING A SALES AND USE TAX AS AUTHORIZED BY RCW 82.14.415 AS A CREDIT AGAINST THE STATE TAX, RELATING TO ANNEXATIONS

WHEREAS, in accordance with Chapter 35A.14 RCW, on the 16th day of January, 2007 and on the 16th day of April, 2007, the City Council of the City of Auburn, Washington, passed its Resolution Numbers 4138 and 4176 respectively, calling for special elections to be held in connection with the primary election on August 21, 2007, at which election the question of annexation was presented to the voters of the Lea Hill Annexation Area; and

WHEREAS, the notice of intention to annex was filed with the King County Boundary Review Board and subsequently approved; and

WHEREAS, in accordance with Chapter 35A.14 RCW the annexation was put to a vote of the people in the annexation area on August 21, 2007; and

WHEREAS, the King County Records, Elections and Licensing Services Division, on September 5, 2007, certified that the referendum had been approved by the voters; and

WHEREAS, following a favorable vote on the annexation proposition, the City Council of the City of Auburn, Washington, adopted its Ordinance No. 6121, on September 17, 2007, annexing said Lea Hill Annexation Area, an annexation area that has a population of at least ten thousand people; and

WHEREAS, the City Council of the City of Auburn, Washington, finds and determines that the projected cost of at least \$5,795,200 to provide municipal services to the annexation area exceeds the projected general revenue estimated to be \$3,494,200 that the City would otherwise receive from the annexation area on an annual basis; and

WHEREAS, pursuant to RCW 82.14.415, the City is authorized, under the circumstances of this annexation, to impose a sales and use tax as authorized with that tax being a credit against the state tax.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF AUBURN, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. ADOPTION OF NEW CHAPTER TO CITY CODE. That a new Chapter 3.59 of the Auburn City Code is hereby adopted imposing a sales and use tax as authorized by RCW 82.14.415 as a credit against the state tax, to read as follows:

Chapter 3.59
ANNEXATION SALES AND USE TAX

Section:

3.59.010 Imposition of tax.

3.59.010 Imposition of tax.

A. There is imposed a sales or use tax, as authorized by RCW 82.14.415, which tax shall be collected from those persons who are taxable by the state under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event within the city.

B. The rate of the tax imposed under this Chapter shall be 0.1 percent, and shall be in addition to other taxes authorized by law.

3.59.020 Definitions.

A. "Annexation area" means the Lea Hill Annexation Area," as described in Auburn includes all territory described in the city resolution.

B. "Municipal services" means those services customarily provided to the public by city government.

C. "Fiscal year" means the year beginning July 1st and ending the following June 30th.

D. "Threshold amount" means the maximum amount of tax distributions as determined by the city in accordance with Section 3.59.070 of this Chapter that the Washington State Department of Revenue shall distribute to the City generated from the tax imposed under this Chapter in a fiscal year.

3.59.030 Credit against state tax.

The tax authorized under this section shall be a credit against the state tax under chapter 82.08 or 82.12 RCW. The Washington State Department of Revenue shall perform the collection of such taxes on behalf of the City, at no cost to the City, and shall remit the tax to the City as provided in RCW 82.14.060 and 82,14.415

3.59.040 Term of tax.

A. The tax imposed by this Chapter shall only be imposed at the beginning of a fiscal year and shall continue for no more than ten years from the date the tax is first imposed. Tax rate increases due to additional annexed areas shall be effective on July 1st of the fiscal year following the fiscal year in which the annexation occurred, provided that notice is given to the Washington State Department of Revenue as set forth in Section 3.59.070 of this Chapter.

B. The tax shall also cease to be distributed to the City for the remainder of the fiscal year once the threshold amount, as set forth pursuant to Section 3.59.070 of this Chapter, has been reached. Distributions of tax under this Chapter shall begin again on July 1st of the next fiscal year and continue until the new threshold amount has been reached or June 30th, whichever is sooner. Any revenue generated by the tax in excess of the threshold amount shall belong to the State of Washington. Any amount resulting from the threshold amount less the total fiscal year distributions, as of June 30th, shall not be carried forward to the next fiscal year.

3,59,050 Use of tax revenue.

All revenue collected under this Chapter shall be used solely to provide, maintain, and operate municipal services for the Lea Hill Annexation Area.

3.59.060 Limitation of revenues.

The revenues from the tax authorized in this Chapter may not exceed that which the City deems necessary to generate revenue equal to the difference between the City's cost to provide, maintain, and operate municipal services for the Lea Hill Annexation Area and the general revenues that the City would otherwise expect to receive from the annexation during a year. If the revenues from the tax authorized in this Chapter and the revenues from the Lea Hill 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 shall notify the department and the tax distributions authorized in this section shall be suspended for the remainder of the year

3.59.070 Thresholds

A. The threshold amount for the first fiscal year following the annexation and adoption of the tax authorized by this Chapter is as follows:

Two Million, One Hundred Thousand Dollars (\$2,100,000).

B. The City Finance Director shall forward to the Washington State Department of Revenue the amount of the threshold amount for the first fiscal year following the annexation and adoption of the tax.

C. No later than March 1st of each year, the Finance Director shall provide the Washington State Department of Revenue with a new threshold amount for the next fiscal year, and notice of any applicable tax rate changes.

Section 3. ADMINISTRATIVE AUTHORIZATION. The Mayor is hereby authorized to implement such administrative procedures as may be necessary to carry out the directions of this legislation.

Section 4. CONSTITUTIONALITY OR INVALIDITY. If any section, subsection, clause, phrase, or sentence, of this Ordinance, is for any reason held to be invalid or unconstitutional, such invalidity or unconstitutionality of the remaining portions of this ordinance, as it is being hereby expressly declared that this ordinance and each section, subsections, clause, phrase, or sentence, hereof would have been prepared, proposed, adopted, and approved and ratified irrespective of the fact that any one or more section, subsection, clause, phase, or sentence, be declared invalid or unconstitutional.

Section 5. EFFECTIVE DATE. This Ordinance shall take effect and be in force five days from and after its passage, approval and publication as provided by law.

INTRODUCED: _____

PASSED: _____

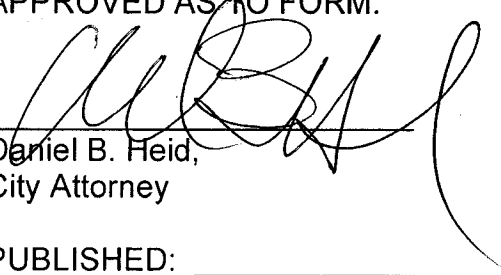
APPROVED: _____

PETER B. LEWIS
MAYOR

ATTEST:

Danielle E. Daskam,
City Clerk

APPROVED AS TO FORM:



Daniel B. Heid,
City Attorney

PUBLISHED: _____