



TO: T.C. Broadnax, City Manager
FROM: Andy Cherullo, Finance Director
COPY: City Council and City Clerk
SUBJECT: Title 6 Amendments – Utility Tax Rates
DATE: November 24, 2015

SUMMARY:

Proposition 3 was passed by the voters in the November 2015 general election. Proposition 3 authorizes an additional 1.5% earning tax on natural gas, electric and phone companies requiring amendments to Title 6 in the Tacoma Municipal Code. It is projected to generate an additional \$90 million.

BACKGROUND:

Proposition 3 will provide increased funding for street repair and improvements including: pothole repair, street resurfacing, maintenance and capital improvements for arterials and freight access roads, installation of school crossing beacons, and constructing missing sidewalks.

ISSUE:

Proposition 3 authorizes an increase to the current tax rates of 6% to 7.5% in TMC Chapters: 1) 6A.40 Communications Tax, 2) 6A.50 Electricity Business and Solid Waste Collection, 3) 6A.90 Natural or Manufactured Gas Tax and 4) 6A.100 Utilities Gross Earnings Tax – Public Utilities.

The election was certified on November 24, 2015. The earliest effective date allowed by law is 60 days after the enactment of the ordinance establishing the rate change. However, the City will impose these tax rates March 1, 2016.

ALTERNATIVES:

Proposition 3 was passed by the voters in the November 2015 general election; however, City Council could decide to leave the tax rates at the current level and forego the additional tax revenues.

RECOMMENDATION:

Proposition 3 authorizes the attached Tacoma Municipal Code amendments.

FISCAL IMPACT:

Over the next ten years, Proposition 3 is projected to generate \$90 million.