ORDINANCE NO. 4293

AN ORDINANCE of the City Council of the City of Kent, Washington, amending Section 3.18.020, entitled “Certain utilities subject to tax,” to eliminate the sunset of the allocation of certain internal utility taxes to the payment of debt in the City’s other capital projects fund, and to reallocate these internal utility taxes to the general fund once the debt in the other capital projects fund is retired.

RECITALS

A. KCC 3.18.020(A)(6)(b) allocates 15.38 percent of the City’s internal utility tax to the payment of debt in the City’s other capital projects fund. This portion of the internal utility tax is scheduled to sunset on January 1, 2023, or on the first day of the year following the date the debt in this fund is fully retired, whichever occurs first.

B. The current estimated date to fully retire the debt in this fund is December 2020, which would sunset the tax on January 1, 2021.
C. The city has a demonstrated need to increase funds available for general operations in 2021. The City is facing a significant reduction in revenue, commonly referred to as the City’s “fiscal cliff,” when, in October of 2019, it will no longer receive approximately $5 million of streamlined sales tax mitigation, and in June of 2020, it will no longer receive $4.7 million of annexation sales tax credit. Coupled with an ongoing structural imbalance of $2 million, the expected impact is a loss of $11.7 million to the City.

D. To partially offset this reduction in revenues, this ordinance eliminates the sunset of this internal utility tax, and, when the other capital projects fund debt is retired, reallocates those monies to the City’s general fund.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF KENT, WASHINGTON, DOES HEREBY ORDAIN AS FOLLOWS:

**ORDINANCE**

**SECTION 1. – Amendment.** Section 3.18.020 of the Kent City Code, entitled “Certain utilities subject to tax,” is hereby amended as follows:

Sec. 3.18.020. Certain utilities subject to tax.
A. In addition to the other business and license fees required by the ordinances of the city, the city levies upon all persons, firms, or corporations (including the city) engaged in certain business activities a utilities tax to be collected as follows:

1. Upon every person, firm, or corporation engaging in or carrying on any telephone business within the city, an annual tax equal to six percent of the total gross income, including revenues from intrastate toll,
derived from the operation of such business within the city. This six percent tax will be allocated as follows: 4.7 percent to the general fund, 0.3 percent to youth/teen programs, and one percent to street improvement programs.

2. Upon every person, firm, or corporation engaging in or carrying on a business of selling, wheeling, furnishing, distributing, or producing gas, whether manufactured or natural, for commercial or domestic use or purposes, a fee or tax equal to six percent of the total gross income from such business in the city during the tax year for which the license is required. This six percent tax will be allocated as follows: 4.7 percent to the general fund, 0.3 percent to youth/teen programs, and one percent to street improvement programs.

3. Upon every person, firm, or corporation engaged in or carrying on the business of selling, wheeling, furnishing, or distributing electricity for light and power, a fee or tax equal to six percent of the total gross income from such business in the city during the tax year for which a license is required. This six percent tax will be allocated as follows: 4.7 percent to the general fund, 0.3 percent to youth/teen programs, and one percent to street improvement programs.

4. Upon every person, firm, or corporation engaged in or carrying on the business of providing cable television services, a tax equal to six percent of the total gross income from that business in the city during the tax year for which the license is required. All revenue received from this tax must be applied only to funding the city’s information technology department operations and capital projects budgets in the proportion determined by the city council in its biennial budget, including all amendments.
5. Upon every person, firm, or corporation engaging in or carrying on a business providing solid waste collection services, a tax equal to 18.4 percent of the total gross income from such business in the city during the tax year for which the license is required. This 18.4 percent tax will be allocated as follows: 6.5 percent to the general fund, 0.3 percent to youth/teen programs, one percent to street improvement programs, and 10.6 percent to maintain and repair residential streets, including related impacts to curbs, gutters, sidewalks, and other road amenities, including crosswalks along with necessary appurtenances, and improvements related to residential traffic calming, but this 10.6 percent portion of the solid waste utility tax shall not be used to expand, extend, or widen existing residential streets or to build new residential streets. The amount used from this fund for neighborhood traffic calming devices and crosswalks shall not exceed $150,000 in any year.

6. Upon every person (including the city) engaging in or carrying on the business of selling, furnishing, or distributing water services, a tax equal to 13 percent of the total gross income from that business in the city during the tax year; upon every person (including the city) engaging in or carrying on the business of selling, furnishing, or distributing sewer services, a tax equal to 9.5 percent of the total gross income from that business in the city during the tax year; and upon every person (including the city) engaging in or carrying on the business of selling, furnishing, or distributing drainage services, a tax equal to 19.5 percent of the total gross income from such business in the city during the tax year. Unless otherwise directed by the city council in its budget process, the total of these tax revenues will be allocated as follows: 43.85 percent to the general fund for the use as allocated in the city’s budget; 30.77 percent to the capital resources fund, subject to the limitations provided in subsection (A)(6)(a) of this section; 15.38 percent dedicated solely to the repayment and elimination of debt in the city’s “other capital projects” fund subject to
the limitations provided in subsection (A)(6)(b) of this section; 7.69 percent to street improvement programs; and 2.31 percent to youth/teen programs.

a. Unless otherwise allocated by council, these funds must be applied equally to (i) information technology capital programs directed at funding long- and short-term hardware and software replacement, and (ii) street capital programs, but further restricted to funding street maintenance, repair, and signage only.

b. The 15.38 percent internal tax allocation will be dedicated to the city’s capital resources fund for the sole purpose of retiring all debt in the city’s other capital projects fund; however, in any event this portion of the tax shall be eliminated on provided, starting January 1, 2023, or on the first day of the year following the date the debt in this the other capital projects fund is fully retired, whichever occurs first, this internal tax allocation will be dedicated to the general fund for use as provided for in the city’s budget.

B. In computing the tax provided in subsection (A) of this section, the taxpayer may deduct from total gross income the following items:

1. The actual amount of credit losses and uncollectible receivables sustained by the taxpayer.

2. Amounts derived from transactions in interstate and foreign commerce which the city is prohibited from taxing under the laws and Constitution of the United States.

SECTION 2. – Severability. If any one or more section, subsection, or sentence of this ordinance is held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portion of this ordinance and the same shall remain in full force and effect.
SECTION 3. - Corrections by City Clerk or Code Reviser. Upon approval of the city attorney, the city clerk and the code reviser are authorized to make necessary corrections to this ordinance, including the correction of clerical errors; ordinance, section, or subsection numbering; or references to other local, state, or federal laws, codes, rules, or regulations.

SECTION 4. - Effective Date. This ordinance shall take effect and be in force 30 days from the time of passage, as provided by law.

DANA RALPH, MAYOR

November 20, 2018
Date Approved

KIMBERLEY A. KOMOTO, CITY CLERK

November 20, 2018
Date Adopted

November 23, 2018
Date Published

APPROVED AS TO FORM:

ARThUR "PAT" FITzPATRICK, CITY ATTORNEY