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**Council Subcommittee Meeting Date: March 1, 2014**

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**CITY COUNCIL SUBCOMMITTEE MEETING #5**  
**10-YEAR FINANCIAL SUSTAINABILITY PROJECT**  
CITY OF SHORELINE, WASHINGTON

<b>AGENDA TITLE:</b> Developing Preferred Alternatives & Communications Strategy
<b>DEPARTMENT:</b> Administrative Services
<b>PRESENTED BY:</b> Robert Hartwig, Administrative Services Director
<b>ACTION:</b> <input checked="" type="checkbox"/> Discussion

**BACKGROUND:**

At the first four 10-Year Financial Sustainability Subcommittee meetings we introduced the project. We discussed the Base Scenario and assumptions. We covered economic development, revenue, and expenditure strategies. Finally, we covered core and quality of life services and a variety of sustainability strategies.

Today's meeting is planned as an open discussion. At the end of today's meeting we hope to have a preferred alternative that can be prepared for Council review and ultimate Council acceptance/support in April. We also plan to discuss how this work will be communicated to our citizens and businesses.

**SUBCOMMITTEE AND COUNCIL QUESTIONS:**

The Subcommittee had several questions during its last meeting. In addition one question from the Council update is included with this week's questions. Questions and responses are summarized in Attachments A, B, C, and D at the end of this staff report.

**PREFERRED ALTERNATIVE:**

Staff is recommending the following approach to arrive at a preferred alternative.

- 1) Determine overarching principles that guide our financial sustainability principles.
- 2) Determine which specific economic development, revenue, and expenditure strategies will be included in the preferred alternative strategy.
- 3) Prioritize the order of importance for each of these strategies.
- 4) Determine the timing of each of these strategies.
- 5) Determine long-term strategies to deal with structural revenue problems and to control expenditures.
- 6) Discuss "ground rules" that the subcommittee would like to propose to the Council about how we integrate the 10 Year Financial Sustainability Strategy into the City's planning processes.

### Overarching Principles

As the subcommittee begins to identify the preferred alternative, or at least the preferred strategies that would be considered in providing long-term financial sustainability, staff recommends that the sub-committee confirm the overarching principles to be achieved through the 10 Year Financial Sustainability Strategy. To start the discussion staff would suggest the following for consideration:

- 1) Sustain the City's commitment to efficiencies and cost effective service delivery.
- 2) Maintain services that preserve the quality of life that Shoreline residents and businesses value.
- 3) In evaluating the revenue portfolio that is used to fund municipal services strive for a balance that is equitable to residents, businesses, and direct service customers.
- 4) If future service reductions are required the guiding principles recommended by the Long-Range Financial Planning Citizens Committee will be considered in developing service reduction criteria.

### *Questions for the Subcommittee:*

- *Does the subcommittee support these principles or should there be modifications/additions/deletions?*
- *Any other questions?*

### Strategies

The Subcommittee has considered a number of strategies over the past several weeks. It appears to staff that the following strategies were considered preferable from the Subcommittee's perspective:

#### Economic Development Strategy

- Target: 160 additional units of multi-family housing annually, over and above the recent average of 160 units (320 units total). This includes an additional 7,500 square feet of retail redevelopment annually related to housing growth.

#### Revenue Strategies

- Higher cost recovery targets for fee based programs.
- Proposition 1 Renewal.
- Business and occupation tax.

#### Expenditure Strategies

- Reduce the projected rate of expenditure cost increases while maintaining current services
  - Target: Achieve a 0.2% reduction in the rate of increase in operating costs.
- Replace the operating revenue contribution for road/transportation capital funding with a dedicated revenue source such as Transportation Benefit District revenues.
  - Target: \$290,000 annually

The Subcommittee may also wish to consider other strategies that appeared to have less interest during discussions. These include:

- Higher or lower levels of economic development activity in single family, multi-family, retail, and/or non-retail commercial construction.
- Establishment of a public facilities district and associated sales tax.
- Increase the gambling tax rate.
- Implement a revenue-generating business license fee.
- Achieve reductions in specific classes of expenditures (salaries & benefits, public safety, services & charges, operating transfers, and/or all other).

A table showing all of the strategies listed in this section is included as Attachment E to this staff report.

*Questions for the Subcommittee:*

- *Which strategies should be considered for prioritization?*
- *Any other questions?*

### Prioritization

Once the strategies have been selected above, the next step is to prioritize which strategies should be recommended first, second, third, etc. It is likely that, over time, all of the strategies selected in the Strategies section above will be needed to help accomplish a financially sustainable model.

If the Subcommittee decides to stay with the items that appeared to be preferable during our discussions, then staff recommends the following prioritization:

- 1) Economic Development.
- 2) Replace the operating revenue contribution for road/transportation capital funding with a dedicated revenue source such as Transportation Benefit District revenues.
- 3) Reduce the projected rate of expenditure cost increases while maintaining current service levels.
- 4) Proposition 1 renewal.
- 5) Higher cost recovery targets for fee based programs.
- 6) Business & Occupation Tax.

*Questions for the Subcommittee:*

- *Do you agree with the staff recommended priorities?*
- *If not, how would you change them?*
- *Any other questions?*

### Timing

When to implement strategies is clearly an important consideration. The City Council has a history of sound fiscal management in Shoreline. Achieving a sustainability target must be balanced against the community's ability and desire to maintain existing service levels. Staff believes that the following approach might make the most sense given the community's expressed desires in these areas.

- 1) Begin work to achieve the 160 unit economic development goal immediately, understanding that most of the effects will not be realized until 2019. This timing difference is due to the property tax exemption program previously implemented to encourage this type of development, as well as a likely time gap between when projects are first considered and when project permitting and construction are initiated.
- 2) Begin work towards a target of reducing the projected annual rate of expenditure increase by 0.2% as part of the 2015 budget.
- 3) If the King County TBD ballot measure passes in April, then allocate \$290,000 of the annual proceeds towards the road capital projects currently funded by operating revenues. If this measure does not pass, then consider a future Shoreline ballot measure to increase the local vehicle license fee or the TBD sales tax provision.
- 4) Study the potential for fee increases to recover costs in 2015, for implementation in 2016.
- 5) Plan on proposing a renewal of Proposition 1 in 2017. Consider future renewal on a six year cycle to achieve a means for inflationary based increases in the City's property tax levy.
- 6) Monitor progress compared with the Base Scenario and other financial sustainability models. Implement a 0.1% B&O Tax in a future year if needed.

*Questions for the Subcommittee:*

- *Do you agree with the staff timing recommendations?*
- *If not, how would you change them?*
- *Any other questions?*

*Long-Term Strategies*

In considering the future, staff has pointed out the structural problems with various revenue sources available to cities in Washington. We know that we have citizens in Shoreline who strongly support maintaining service levels. Unfortunately, cost increases associated with providing those services occur at a faster rate than the rate that many of our revenue categories are able to increase.

One example of this is in the area of property taxes. Due to State Law, property tax revenues are normally allowed to expand at the rate of 1% per year, plus new construction. New construction results in demands for additional services. As a result cities are effectively left with a revenue source (excluding new construction) that expands at 1% per year while expenses (excluding increased service demands from new construction) have historically increased by 3% or more. Clearly this situation is not sustainable and must ultimately result in City governments that are only able to provide public safety services, at ever decreasing service levels. This is ultimately true for every city in the State of Washington, not just Shoreline.

These imbalances can only be corrected at the State level. Staff believes that long term strategies that might be considered include:

- Seeking changes in property tax limitations allowing property tax revenues to grow at the rate of inflation plus new construction.
- Seeking changes in property tax assessment procedures that currently allow commercial (non-residential) buildings to be assessed at depreciated values while residential buildings are assessed at market values.
- Seeking changes in sales tax legislation allowing the cities to keep the full 1% of local sales tax without a 15% share back to the County.
- Seeking changes in sales tax legislation allowing cities the ability to increase sales tax rates for general operations based on the popular vote at a general election.
- Seeking changes in sales tax legislation exempting all governmental activities from sales and use taxes (the effect of current law is the imposition of an additional hidden State tax on Shoreline's citizens, who believe that the full amount of their local taxes are paying for local services).
- Seeking changes in gas tax legislation allowing cities to increase revenues received from this source.
- Seeking changes in legislation that would allow cities to establish local option tax rates on a variety of items over and above State imposed taxes and fees (one example in this area would be a local option tax on marijuana).
- Seeking changes through legislation that would decouple certain services from governmental operations and would permit full funding of these services through fully integrated utility system operations (an example in this area would be fire hydrant costs).
- Simplification of the tax structure permitting cities to collect additional taxes from businesses in ways that are less costly to both governments and the businesses being taxed. (B&O Tax is difficult for cities to administer and complex for businesses to comply with.)

On the expenditure side of the equation, staff believes that the Subcommittee has expressed interest in:

- A study evaluating the City's current salary and benefit packages. The current compensation policy was adopted nearly 20 years ago. It is clear from Council that its overarching goals for the City's compensation policy should be to:
  - Ensure the City has the ability to attract and retain well-qualified personnel for all job classes;
  - Ensure the City's compensation practices are competitive with those of comparable public sector employers;
  - Provide defensibility to City salary ranges based on the pay practices of similar employers; and
  - Ensure pay consistency and equity among related classes based on the duties and responsibilities assumed.

With these guiding principles it may be timely to consider a review of the City's compensation policy.

- Continuing to explore efficiencies and cost savings that might be gained through creative solutions.

*Questions for Council:*

- *Do you agree with the long term strategies discussed?*
- *If not, how would you change them?*
- *Are there additional long term strategies we should consider?*
- *Any other questions?*

**COMMUNICATIONS:**

We are nearing the time when the Subcommittee's work product will be discussed during upcoming City Council meetings during open session. In anticipation of this we need to also consider how this information will be communicated to citizens and businesses in Shoreline. Staff believes that one or a combination of the following options should be considered:

- Introduce the discussion as a regular Council item, giving citizens a chance to speak regarding the item during citizen comments at the beginning of the Council meeting.
- Introduce the discussion at one City Council meeting. Hold at least one public hearing at a subsequent meeting, giving citizens a chance to speak during the public hearing. Final Council approval would occur at a later meeting based on Council discussion and citizen comments during the public hearing.
- Hold an open house, presenting the Subcommittee's work at the beginning of the meeting, and allowing for a more extensive public comment process during the open house. Comments would be gathered, summarized, and presented at a City Council meeting.
- Prepare a *Currents* article discussing the final Preferred Alternative adopted by City Council.
- Prepare a more detailed report that would be made available to the public, discussing the entire process and the Preferred Alternative.

*Questions for Council:*

- *Which one (or combination) of these communications options do you prefer?*
- *What other communications methods would you like to see?*
- *Any other questions?*

**ATTACHMENTS:**

Attachment A – Responses to Subcommittee Questions

Attachment B – Draft PRCS Aquatics – Shoreline School District Service Cost Matrix

Attachment C – General B&O Tax Memo

Attachment D – Local B&O Tax Rates Effective 01-01-2013

Attachment E – Table of Revenue and Expenditure Strategies

10-Year Financial Sustainability Plan  
 Responses to Subcommittee Questions  
 March 1, 2014

Meeting date: February 24, 2014

ITEM	REPLY	STATUS
<p>Add an agenda item to a future City Council meeting. Need to know how developers make development decisions. Can the City affect this decision making process?</p>	<p>Staff is planning to make this presentation at the March 17, 2014 Dinner Meeting.</p>	<p>Pending</p>
<p>Councilmember Winstead asked for more detail pertaining to the service(s) provided to the Shoreline School District by the Aquatics Program.</p>	<p>There are three activities that comprise the service provided to the Shoreline School District (SSD) by the Aquatics program, as follows: customer service/program administration, Shoreline School District Swim Team, and Shorewood Water Polo. Refer to the table included as Attachment B which delineates the FTE Workload Estimate for each activity.</p> <p>The City and SSD have a joint use agreement in place that calls for the scheduling of 3 hours of time between pool opening and 6:00 p.m. for swim team practices during the high school swim season. If space is available, the School District may schedule other activities at the pool beyond the times noted above. The City charges the District an hourly rental fee listed in the City's current Fee Ordinance, as follows in SMC 3.01.300(F)(3):</p> <ul style="list-style-type: none"> <li>a. School District: Per 60 Kids/per Hour (non-agreement): \$50</li> <li>b. Rentals On-Going (non-swim team): \$75</li> <li>c. Swim Team Per/Lane/Hr: \$11</li> </ul> <p>It is on the Parks Director's 2014 work plan to review the joint use agreement with SSD.</p>	<p>Complete</p>

10-Year Financial Sustainability Plan  
 Responses to Subcommittee Questions  
 March 1, 2014

Meeting date: February 24, 2014

<p>Councilmember Salomon expressed concern about the impact that imposing a Business and Occupation Tax may have on small businesses.</p>	<p>City Manager Debbie Tarry noted during the meeting that the City can establish a threshold for businesses that are to be taxed. RCW 35.102.040(2)(b) requires, “a uniform, minimum small business tax threshold of at least the equivalent of twenty thousand dollars in gross income annually. A city may elect to deviate from this requirement by creating a higher threshold or exemption but it shall not deviate lower than the level required in this subsection.” Assistant City Manager John Norris noted that Mercer Island allows for an annual exemption of \$150,000 (i.e., only gross receipts in excess of \$150,000 are subject to the 0.001 tax rate). A separate memorandum provides more detailed information. See Attachment C.</p>	<p>Complete</p>
<p>Councilmember McConnell asked staff for thoughts on whether increasing parks and recreation fees will result in reduced program participation.</p>	<p>Dick Deal and Mary Reidy are preparing a response.</p>	<p>Pending</p>

**Parks, Recreation and Cultural Services - Aquatics - Shoreline School District Service Cost Matrix**  
 February 24, 2014

**DRAFT**

Service	Activity	Workload Estimate		FTE Workload Estimate	Salaries & Benefits		Total S&B Expenditures	Service Revenue
		FTE	Extra Help Hours		Regular	Extra Help		
Shoreline School District	Customer Service / Program Administration	0.172	250	0.150 Recreation Coordinator II; 0.022 Sr. Lifeguard	\$16,720	\$3,063	\$19,783	\$0
	Shoreline School District Swim Team	0.080	0	0.058 Recreation Coordinator II; 0.022 Sr. Lifeguard	\$4,626	\$0	\$4,626	\$0
	Shorewood Water Polo Teams	0.028	0	0.020 Recreation Coordinator II; 0.008 Sr. Lifeguard	\$2,941	\$0	\$2,941	\$0
<b>Total</b>		<b>0.280</b>	<b>250</b>		<b>\$24,287</b>	<b>\$3,063</b>	<b>\$27,350</b>	<b>\$0</b>



## Memorandum

**DATE:** March 1, 2014

**TO:** 10-Year Financial Sustainability Plan City Council Subcommittee

**FROM:** Robert Hartwig, Administrative Services Director

**RE:** General Business and Occupation Taxes

**CC:** Debbie Tarry, City Manager  
John Norris, Assistant City Manager

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### Question/Statement:

During the discussion with the City Council on February 24<sup>th</sup> of the progress of the 10-Year Financial Sustainability Plan (10YFSP) Subcommittee, Councilmember Roberts requested that staff provide more information pertaining to the implementation of a Business and Occupation (B&O) tax. Specifically, Councilmember Roberts is interested in knowing: (a) who will be affected; (b) what impacts it might have on businesses; and, (c) whether or not Shoreline has a competitive advantage by not having a B&O tax.

### Response:

General B&O taxes are levied at a percentage rate on the gross receipts of the business, less some deductions. There are currently 40 cities that levy a B&O tax as a percentage of the firm's gross receipts. A list of local business B&O tax rates effective January 1, 2013 is included as Attachment D. Note that three of Shoreline's comparable cities (Burien, Kent, and Olympia) are on this list.

The maximum tax rate set by the legislature that can be imposed by a city's legislative body is 0.2 percent (0.002). All ordinances that impose this tax for the first time must provide for a referendum procedure as delineated in RCW 35.21.706. Any city may levy a rate higher than 0.002 if the higher rate is approved by a majority of the voters. As can be seen in Attachment D, businesses are put in different classes such as manufacturing, wholesaling, retailing, and services. The rate must be the same within each class, but it may differ among classes. If the City Council directs staff to investigate this strategy, staff will gather data analyzing the effect that the application of various rates would have on each class.

In 2003, the Legislature enacted RCW Chapter 35.102. This section requires cities with local B&O taxes to implement a model ordinance with certain mandatory provisions. One of these provisions sets a minimum gross receipts threshold of \$20,000 for businesses that are to be taxed. A city may elect to deviate from this requirement by creating a higher threshold or exemption but it cannot deviate lower than the required level. For example, Mercer Island has a tax rate of 0.001 with a gross receipts annual exemption of \$150,000 (i.e., only gross receipts in excess of \$150,000 are subject to the 0.001 tax rate). If the City Council directs staff to investigate this strategy, staff would gather data, analyze it, and develop a minimum threshold recommendation for Shoreline businesses.

Subcommittee members Eggen and Salomon also expressed concerns about the impacts a B&O tax may have on local businesses and that implementing one may create a competitive disadvantage in the minds of business owners looking to locate in Shoreline. The following is an excerpt from the Municipal Research and Services Center's "A Revenue Guide for Washington Cities and Towns" published in June 2009:

"Business and occupation taxes are unpopular with business people and are termed inequitable by some tax experts because they tax gross receipts rather than profits. Other people argue that the entire state and local tax structure is inequitable because Washington has no income tax. The business and occupation tax is, along with the property tax, the sales tax, and utility taxes, one of the four major revenue options given to the cities by the legislature. The basic argument in favor of the tax is that businesses benefit from general government expenditures, especially police and fire services, that are supported by the tax."

While a B&O tax may be unpopular with some, it is not definitely known whether it has an impact on where a business locates. Based on observation, however, it does not appear to have affected whether businesses located in Lake Forest Park or Seattle (two of the cities that levy a B&O tax). In addition it does not appear that Shoreline has attracted businesses away from Lake Forest Park or Seattle simply because we do not levy a B&O tax.

#### *Revenue-Generating Regulatory Licenses:*

Rather than charge a single flat fee to license all businesses, cities that set license rates high enough to generate revenue use one or more criteria to set the fees. Criteria that have been used include: establishing ranges of employees or square footage of the business and then charging different fees depending upon the range in which the firm falls; charging different fees depending on the type of business; and using a flat rate per employee or square foot.

For example, the City of Redmond (one of Shoreline's comparable cities), levies an annual Business Tax of \$92 per full-time equivalent employee. Sixty-one percent (\$57) of the fees collected are dedicated to fund transportation improvements that support the business community by enhancing business accessibility and mobility. The balance of funds contributes to maintaining and enhancing the City's level of service. The City or Redmond does not charge a B&O tax.

## Local Business (B&O) Tax Rates Effective January 1, 2013

City	County	Phone #	Manufacturing Rate	Retail Rate	Services Rate	Wholesale Rate
Aberdeen	Grays Harbor	(360) 533-4100	0.002	0.003 e	0.00375 e	0.003 e
Algona	King	(253) 833-2897	0.00045	0.00045	0.00045	0.00045
Bainbridge Island	Kitsap	(206) 780-8668	0.001	0.001	0.001	0.001
Bellevue	King	(425) 452-6851	0.001496	0.001496	0.001496	0.001496
Bellingham	Whatcom	(360) 778-8010	0.0017	0.0017	0.0044 e	0.0017
Bremerton	Kitsap	(360) 473-5311	0.0016	0.00125	0.002	0.0016
Burien	King	(206) 241-4647	0.0005	0.0005	0.0005	0.0005
Cosmopolis	Grays Harbor	(360) 532-9230	0.001487	0.001487	0.001487	0.001487
Darrington	Snohomish	(360) 436-1131	0.00075	0.00075	0.00075	0.00075
Des Moines	King	(206) 878-4595	0.002	0.002	0.002	0.002
DuPont	Pierce	(253) 964-8121	0.001	0.001	0.001	0.001
Everett	Snohomish	(425) 257-8601	0.001	0.001	0.001	0.001
Everson	Whatcom	(360) 966-3411	0.002			0.002
Granite Falls	Snohomish	(360) 691-6441	0.002			0.002
Hoquiam	Grays Harbor	(360) 532-5700	0.002	0.002	0.002	0.002
Ilwaco	Pacific	(360) 642-3145	0.002	0.002	0.002	0.002
Issaquah	King	(425) 837-3054	0.0008	0.0008	0.001	0.0008
Kelso	Cowlitz	(360) 423-0900	0.001	0.001	0.002	0.001
Kent**	King	(253) 856-6266	0.00046	0.00046	0.00152	0.00152
Lacey	Thurston	(360) 491-3214		0.001	0.002	
Lake Forest Park	King	(206) 368-5440	0.002	0.002	0.002	0.002
Long Beach	Pacific	(360) 642-4421	0.002	0.002	0.002	0.002
Longview	Cowlitz	(360) 442-5000	0.001	0.001	0.002	0.001
Mercer Island *	King	(206) 275-7783	0.001	0.001	0.001	0.001
North Bend	King	(425) 888-1211	0.002	0.002	0.002	0.002
Ocean Shores	Grays Harbor	(360) 289-2488	0.002	0.002	0.002	0.002
Olympia	Thurston	(360) 753-8327	0.001	0.001	0.002	0.001
Pacific	King	(253) 929-1100	0.002	0.002	0.002	0.002
Port Townsend	Jefferson	(360) 379-4409	0.002	0.002	0.002	0.002
Rainier	Thurston	(360) 446-2265	0.002	0.002	0.002	0.002
Raymond	Pacific	(360) 942-3451	0.002	0.002	0.002	0.002
Roy	Pierce	(253) 843-1113	0.001	0.002	0.002	0.001
Ruston	Pierce	(253) 759-3544	0.0011	0.00153	0.002	0.00102
Seattle	King	(206) 684-8300	0.00215 v	0.00215 v	0.00415 v	0.00215 v
Shelton	Mason	(360) 426-4491	0.001	0.001	0.001	0.001
Snoqualmie	King	(425) 888-1555	0.0015	0.0015	0.0015	0.0015
Tacoma	Pierce	(253) 591-5252	0.0011	0.00153	0.004 e	0.00102
Tumwater	Thurston	(360) 754-5855	0.001	0.001	0.002	0.001
Westport	Grays Harbor	(360) 268-0131	0.0025 e	0.005 e	0.005 e	0.0025 e
Yelm	Thurston	(360) 458-3244	0.001	0.002	0.002	0.001

Average 0.00145 0.00157 0.00197 0.00150

(v) = voter approved increase above statutory limit

(e) = rate higher than statutory limit because rate was effective prior to January 1, 1982 (i.e., grandfathered).

\* Mercer Island's B&O tax rate is still .001 with a gross receipts annual exemption amount of \$150,000 (i.e. only gross receipts in excess of \$150,000 are subject to the .001 tax rate).

NOTE: Tax rates may apply to businesses categories other than those above. Exemptions, deductions, or other exceptions may apply in certain circumstances. Contact the city finance department for more information.

NOTE: Black Diamond repealed its B&O tax effective January 1, 2008. Buckley repealed its B&O tax effective January 1, 2007.

\*\* NOTE: Kent adopted a B&O tax effective January 1, 2013.

**10-Year Financial Sustainability Plan  
Revenue and Expenditure Strategies  
March 1, 2014**

<b>Economic Development Strategy</b>	<b>Target</b>
Economic Development	Encourage construction of 160 additional units of multi-family housing annually, over and above the recent average of 160 units (320 units total), as well as an additional 7,500 square feet of retail redevelopment presumed to be supported by this growth.

<b>Revenue Strategies</b>	<b>Target</b>
Proposition 1 Renewal in 2017	Voter approval of a property tax levy lid lift in 2017 that includes an annual escalator based upon the change in the June-to-June CPI-U for years 2017 through 2022.
Proposition 1 Renewal in 2017 and 2023	Voter approval of property tax levy lid lifts in 2017 and 2023 that includes an annual escalator based upon the change in the June-to-June CPI-U for years 2017 through 2028.
Proposition 1 Renewal in 2019	Voter approval of property tax levy lid lift in 2019 that sets the levy rate at \$1.48 and includes an annual escalator based upon the change in the June-to-June CPI-U for years 2019 through 2024.
Cost Recovery	City-wide review of all City fees to explore higher cost recovery targets for fee based programs.
Business & Occupation Tax in 2017	Implement a 0.1% B&O Tax on gross receipts in 2017 (subject to referendum).
Business & Occupation Tax in 2019	Implement a 0.1% B&O Tax on gross receipts in 2019 (subject to referendum).
Utility Tax Rate and Franchise/Contract Fee Increase	Voter approval of a 1.0% increase of the existing utility taxes on natural gas and telephone services. Utility taxes on cable, solid waste and stormwater utilities would also be increased by 1.0%. A 1.0% increase in the franchise fees for water and cable, as well as utility contract payments for sewer and electricity would also be negotiated with each service provider.
Gambling Tax Rate on Card Rooms Increase *	Increase the gambling tax rate on card games from the current rate of 10.0% to 11.0% (the maximum rate that can be levied is 20.0%).
Revenue-Generating Business License Fee *	Implement a fee based on employment, square footage, or some combination.
Public Facilities District *	Voter approval in each of a combination of cities with a population totaling at least 80,000 to form a public facilities district to levy a sales tax of up to 0.2% for the purpose of operating recreational facilities.

Notes:

\* This strategy has not been built into the MuniCast model.

**10-Year Financial Sustainability Plan  
Revenue and Expenditure Strategies  
March 1, 2014**

<b>Expenditure Strategies</b>	<b>Target</b>
Reduce Growth Rate of Operating Costs	Find a way to reduce the projected rate of expenditure cost increase by 0.2% to maintain current services.
Replace General Fund Contribution for Road / Transportation Capital Funding	Find a method to replace operating revenue contribution for road/transportation capital funding with a dedicated revenue source such as Transportation Benefit District revenues.
Police Services Costs	Find a way to reduce the annual growth rate by 0.5%.
Jail Costs	Find a way to reduce the annual growth rate by 1.0%.
Court Costs	Find a way to reduce the annual growth rate by 1.0%.

Notes:

\* This strategy has not been built into the MuniCast model.