



Memorandum

Date: 1/12/2021

Meeting of: City Council Study Session

File No. SS 21-005

Type: Study Session

TO: Members of the City Council

FROM: Mayor Angela Birney

DEPARTMENT DIRECTOR CONTACT(S):

Executive	Malisa Files	425-556-2166
Finance	Kelley Cochran	425-556-2748

DEPARTMENT STAFF:

Finance	Ryan Edwardsen	Sr. Financial Analyst
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TITLE:

Budget Follow-Up: Revenue Options

OVERVIEW STATEMENT:

During the 2021-2022 Budget Deliberations, Council requested a Study Session to discuss potential changes to the City's business license as well as recommendations for additional funding for transportation. At the Study Session on January 12, 2021, Staff will review the business license fees, historical collections and the potential revenue collections from charging an additional \$50 per FTE fee for businesses with 150 FTEs or more. Additionally, information will be provided on other revenue options available to Council. Staff will be seeking Council's guidance on next steps in the process.

☐ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☒ **Receive Information**

☒ **Provide Direction**

☐ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
The Council, during their budget deliberations, requested a Study Session be held on the business license fees and potentially raising new revenue for other needs. The presentation at the Study Session will cover the items recorded on the Council's Parking Lot Matrix and seek direction from Council on next steps.
- **Required:**
The Study Session item is in response to a Council request during the 2021-2022 Budget Deliberations. Specifically, business licenses are regulated under RCW 35A.82.020 and RMC 5.04.
- **Council Request:**
Council requested a Study Session during budget deliberations on December 10, 2020.
- **Other Key Facts:**

N/A

OUTCOMES:

The purpose of the discussion of revenue options is to formalize Council's goals around the City's taxing structure and discuss a path forward, if Council chooses to make changes.

In 1996, The Redmond City Council, imposed a head tax of \$65 per FTE on organizations doing business in Redmond. The fee was broken into two pieces. A total of \$10 per FTE was to support general operations and \$55 per FTE was to support transportation and transportation demand management (TDM) projects. The intent of the new head tax was the desire to make the tax equitable among large and small businesses as well as to provide a nexus between the tax and those receiving service. The head tax is regulated under the Redmond Municipal Code 5.04 and the Revised Code of Washington Chapter 35A.82.020. Currently, the head tax equals \$119 per FTE of which \$51 per FTE supports general operations and \$68 per FTE is dedicated to transportation and TDM projects. During the 2021-2022 budget deliberations, Council recommended temporarily increasing the business license fee by \$50 per FTE for businesses of 150 employees or more to support small business. The estimated revenue collections from the change is \$2.7 million annually.

Additionally, Council raised the question of the need for additional revenue for transportation improvements. Specifically, to look at expanding or changing the code related to taxicabs (RMC 5.16). Currently, the City relies on King County (King County Code 6.64) to regulate Transportation Network Companies (TNCs) on the City's behalf. Most cities rely on King County to regulate TNCs with the exception of Seattle. The City of Seattle collects their own fees which go to support the licensing and regulation of the service as well as to support wheelchair access to TNC services. Other information on this issue will be provided at the Study Session.

Depending on the Council's revenue goals, there are other revenue options to consider, such as changing the revenue structure from a head tax to a business and occupation tax. Changing the tax structure would require additional analysis by staff.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
N/A
- **Outreach Methods and Results:**
N/A
- **Feedback Summary:**
N/A

BUDGET IMPACT:

Total Cost:
N/A

Approved in current biennial budget: ☐ Yes ☐ No ☒ N/A

Budget Offer Number:

The discussion of revenues does not pertain to a specific offer but provides a foundation for the expenses outlined in the budget offers.

Budget Priority:

Revenues touch an all of the budget priorities of the City.

Other budget impacts or additional costs: ☐ Yes ☐ No ☒ N/A

If yes, explain:

N/A

Funding source(s):

The discussion with the Council will include the City's business head tax as well as other revenue options

Budget/Funding Constraints:

N/A

☐ Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
12/10/2020	Study Session	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

Time Constraints:

N/A

ANTICIPATED RESULT IF NOT APPROVED:

N/A

ATTACHMENTS:

N/A