


CITY OF MARYSVILLE AGENDA BILL

EXECUTIVE SUMMARY FOR ACTION

CITY COUNCIL MEETING DATE: 2/11/2013

AGENDA ITEM: AN ORDINANCE OF THE CITY OF MARYSVILLE, WA, AUTHORIZING THE CITY OF MARYSVILLE TO CONTINUE TO IMPOSE A SALES AND USE TAX AS AUTHORIZED BY RCW 82.14.415 AS A CREDIT AGAINST STATE SALES AND USE TAX; CERTIFYING THE COSTS TO PROVIDE MUNICIPAL SERVICES TO THE CENTRAL MARYSVILLE ANNEXATION AREA; AND SETTING A NEW THRESHOLD AMOUNT FOR FISCAL YEAR 2013 RELATING TO ANNEXATIONS.	
PREPARED BY: Sandy Langdon, Admin. Svcs./Finance Dir. DEPARTMENT: Finance	DIRECTOR APPROVAL: 
ATTACHMENTS: Proposed Ordinance Ordinance 2799 2013 Threshold (Gap) Calculation	
BUDGET CODE: 00100313.331000.A0001	AMOUNT: \$1,478,293.00

SUMMARY:

The attached ordinance authorizes the continuance of the current 0.2% state sales and use tax credit as provided by RCW 82.14.415

RCW 82.14.515 allows the City to impose a 0.2% credit against state sales and use tax for annexation populations of at least 20,000 to assist with funding the costs of a newly annexed area, Central Marysville, for a period of ten years. This credit is funded from the State's portion of sales and use tax (6.5%) and is calculated on the entire City sales and use tax gross receipts

In order to continue receiving the credit the City needs to provide the Department of Revenue a new threshold amount for the next fiscal year, and notice of any applicable tax rate changes. The City estimates the projected cost to be at least \$8,439,325 to provide municipal services to the annexation area which exceeds the projected general revenue to be \$5,378,656 that the City would otherwise receive from the Central Marysville Annexation Area on an annual basis and which results in an estimated revenue shortfall of \$3,060,668. The estimated 0.2% of 2013 retail sales is \$1,478,293.

RECOMMENDED ACTION: Staff recommends that Council Authorize the Mayor to sign the ordinance to continue to impose a sales and use tax as authorized by RCW 82.14.415 as a credit against state sales and use tax; certifying the costs to provide municipal services to the central Marysville annexation area; and setting a new threshold amount for the fiscal year 2013 relating to annexations.

CITY OF MARYSVILLE
Marysville WA, Washington

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF MARYSVILLE, WASHINGTON, AUTHORIZING THE CITY OF MARYSVILLE TO CONTINUE TO IMPOSE A SALES AND USE TAX AS AUTHORIZED BY RCW 82.14.415 AS A CREDIT AGAINST STATE SALES AND USE TAX; CERTIFYING THE COSTS TO PROVIDE MUNICIPAL SERVICES TO THE CENTRAL MARYSVILLE ANNEXATION AREA; AND SETTING A NEW THRESHOLD AMOUNT FOR FISCAL YEAR 2013 RELATING TO ANNEXATIONS.

WHEREAS, state law authorizes the reallocation of the sales tax already collected by the state to be remitted to the City to assist with funding the costs of certain newly annexed areas; and

WHEREAS, the City Council of the City of Marysville, Washington, adopted its Ordinance No. 2792, annexing the Central Marysville Annexation Area with a population of at least 20,000 people, effective December 30, 2009 (“Central Marysville Annexation Area”); 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; and

WHEREAS, with the passage of Ordinance No. 2799 in November 2009, the City imposed such a sales and use tax under RCW 82.14.415 for the Central Marysville Annexation Area; and

WHEREAS, the City Council finds and determines that the projected cost of at least \$8,439,325 to provide municipal services to the annexation area exceeds the projected general revenue estimated to be \$5,378,656 that the City would otherwise receive from the Central Marysville Annexation Area on an annual basis and which results in an estimated revenue shortfall of \$3,060,668; and

WHEREAS, due to said revenue shortfall, the City Council finds that it is appropriate to continue said sales and use tax for the Central Marysville Annexation Area under the authority of RCW 82.14.415.

NOW THEREFORE, the City Council of the City of Marysville, Washington, does ordain as follows:

Section 1. Continuation of sales and use tax under authority of RCW 82.14.415 and Ordinance No. 2799. The continuation of the sales and use tax for the Central Marysville Annexation Area as previously authorized and imposed pursuant to RCW 82.14.415 and Ordinance No. 2799 at a tax rate of 0.2% is hereby authorized and renewed for 2013.

Section 2. Certification of costs to provide municipal services to Central Marysville Annexation Area. In accordance with RCW 82.14.415(9), it is hereby certified that the costs to provide municipal services to the Central Marysville Annexation Area fiscal year 2013 is \$8,439,325.

Section 3. Threshold amount. The threshold amount for the Central Marysville Annexation Area for fiscal year 2013 for imposing the sales and use tax credit under RCW 82.14.415 is \$3,060,668.

Section 4. Effective Date. This Ordinance shall be effective (5) five days following adoption and publication.

PASSED by the City Council and APPROVED by the Mayor this ____ day of February, 2013.

JON NEHRING, Mayor

ATTEST:

APRIL O'BRIEN, Deputy City Clerk

APPROVED AS TO FORM:

GRANT WEED, City Attorney

CITY OF MARYSVILLE
Marysville, Washington

ORDINANCE NO. 2799

**AN ORDINANCE OF THE CITY OF MARYSVILLE,
WASHINGTON, SETTING THE THRESHOLD AND TAX RATES IN
ACCORDANCE WITH RCW 82.14.415 WITH RESPECT TO THE
CENTRAL MARYSVILLE ANNEXATION.**

WHEREAS, effective December 30, 2009 at 12.01 a.m., the City of Marysville will annex the Central Marysville annexation area with an anticipated population of over 10,000 people; 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; and

WHEREAS, RCW 82.14.415 requires that the City Council determine a threshold amount representing costs to serve the area less revenues to be generated by the area, as well as a state sales tax rate to meet the financial needs of the annexed area; and

WHEREAS, blending the 2010 and 2011 annexation related expenses, so as to coincide with the state budget, results in an estimated shortfall of \$3,017,793; and

WHEREAS, the City Council finds and determines that the projected cost to provide municipal services to the area known as the Central Marysville annexation is at least \$11,006,191 which exceeds the projected general revenue of \$7,988,398 to be generated from the annexation and which results in an estimated shortfall of \$3,017,793 and

WHEREAS, the maximum sales tax assistance under RCW 82.14.415 for an annexation of between 10,000 and 20,000 people is .1% of the sales tax and for over 20,000 people the assistance is .2% of the sales tax; and

WHEREAS, it is appropriate to condition the determination of the sales tax assistance rate upon the City's verification by the State of Washington Office of Financial Management that the annexation area or any part or parts thereof meet the population and all other requirements for the Incentive Tax Dollars.

WHEREAS, the 2010/2011 estimated sales tax in the City is at least \$10,021,418

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and the estimated sales tax from the annexation is \$200,000, for an estimated sales tax assistance total, at .1% for the City and the annexed area, \$1,202,520; and at .2% for the City and the annexed area, of \$2,405,040; and

NOW THEREFORE, the City Council of the City of Marysville, Washington, does ordain as follows:

Section 1. Pursuant to RCW 82.14.415, the City Council determines that the anticipated revenues from the Central Marysville annexed area are estimated to be \$7,988,398, which results in a threshold difference in the initial blended year of annexation to serve the area in the amount of \$3,017,793 and to assist the City in providing services to the area within the annexation there shall be imposed a tax rate, per RCW 82.14.415, equal to 0.1% if the annexation area population is between 10,000 and 20,000 people or 0.2% if the annexation population is over 20,000 people. Pursuant to RCW 82.14.415, this tax is in addition to other taxes authorized by law and 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 of Marysville. All revenue collected under this ordinance shall be used solely to provide, maintain and operate municipal services for the annexation area. The effective date of this tax rate will be July 1, 2010.

Section 2. This ordinance shall be effective (5) five days following adoption and publication.

PASSED by the City Council and APPROVED by the Mayor this 16 day of November, 2009.

CITY OF MARYSVILLE
By Dennis L Kendall
DENNIS KENDALL, Mayor

ATTEST:

By Tracy Jeffries
TRACY JEFFRIES, City Clerk

Approved as to form:

By Grant K Weed
GRANT K. WEED, City Attorney

Date of Publication: 11/25/09
Effective Date (5 days after publication): 11/30/09

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2013 Threshold (Gap) Calculation for Annexation Sales Tax Credit

Central Annexation	Prior Annexation	Post Annexation	Change
Population	37,530	58,040	20,510
Percent Change			54.6%
Assessed Value	3,934,222,656	5,357,774,475	1,423,551,819
Percent Change			36.2%

	2009	2010	2011	2013 Budget	% of Population	% of Assessed	Contract Base	Annex Expense
Fire Contract	7,471,229	10,150,854		8,980,875	4,908,013	3,249,623	2,141,193	2,141,193
Police	12,115,383	12,913,745		13,754,180	7,516,606	4,976,787		4,976,787
Parks Maint.				1,120,427	612,309	405,413		405,413
Legal	680,283	735,927		871,345	476,187	315,286		315,286
Courts	1,904,514	1,575,380		1,659,985	907,175	600,646		600,646
Total Annex Exp				26,386,812	14,420,291	9,547,755		8,439,325
Annexation Rev					5,378,656	5,378,656		5,378,656
Exp vs. Rev - Annexation Sales Tax Credit need					(9,041,634)	(4,169,099)		(3,060,668)